REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: MARCH 10, 2026

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

DocuSigned by:
Sean Crumby
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Director of Administrative Services | City Manager

RECOMMENDED ACTION

Receive and file the Treasurer's Report for the fiscal quarter ended December 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 December 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.

As of December 31, 2025, the combined book value of the three portfolios totaled $1.79 billion. The report presents information on portfolio assets, allocations, average maturities, yields, and valuations. A discussion of market conditions is also included to provide additional context for these results.

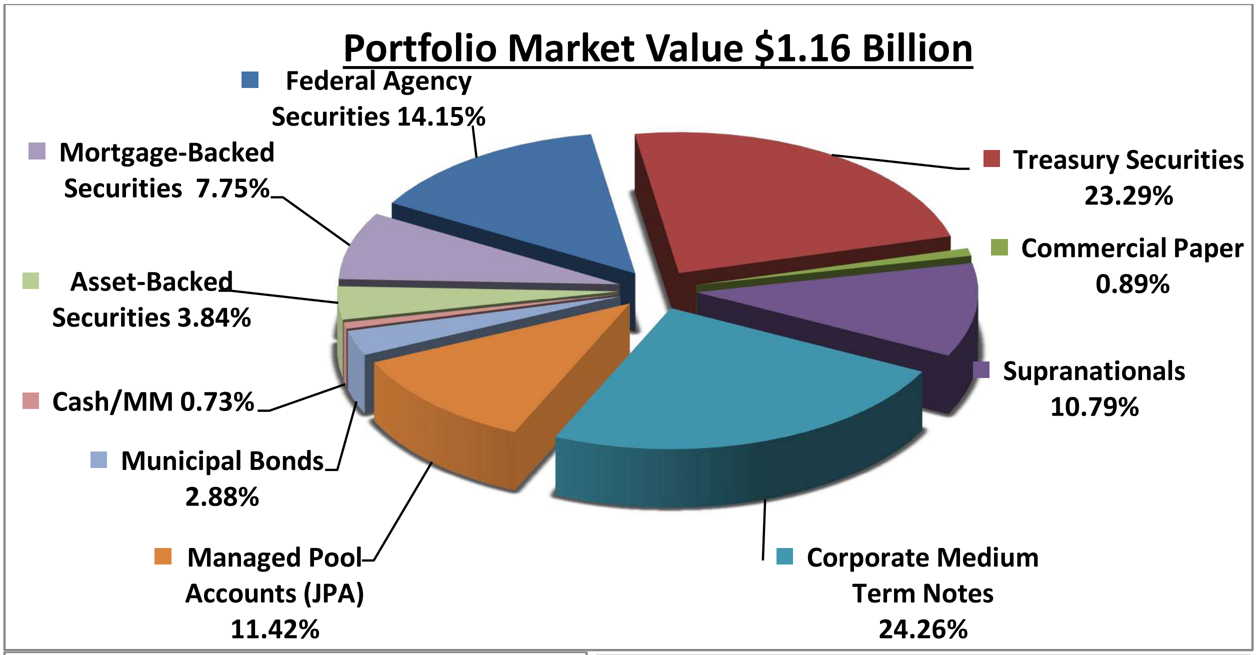
As of December 31, 2025, the City's investment portfolios are in full compliance with the City's Investment Policy, the California Government Code Section 53601. The portfolios maintained sufficient liquidity through a combination of liquid and maturing securities, bank deposits, and investment income to meet the City's expenditure requirements.

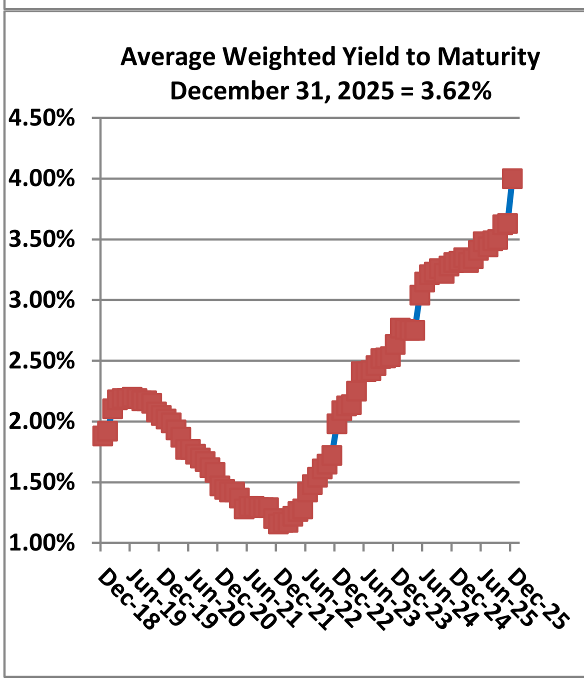
COMMISSION/BOARD/COMMITTEE RECOMMENDATION

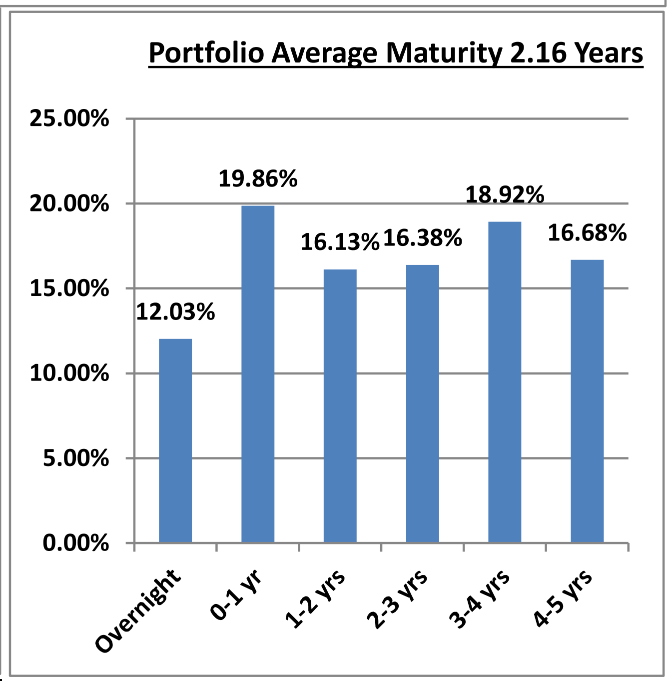
At its regular meeting of February 11, 2026, the Investment Advisory Committee recommended that the City Council receive and file the Treasurer's Report for the fiscal quarter ended December 31, 2025 by a 4-2 vote (Committee Members Hansen, Judd, Kandasamy, and Kashalkar approving; Committee Members Totounji and Wei 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.

FINANCIAL IMPACT

Fiscal year-to-date investment income for the Irvine Pooled Investment Portfolio, Gateway Preserve Bond Portfolio, and Special District Funds Portfolio totaled $28.95 million with investments structured for security and liquidity.

REPORT PREPARED BY Don Collins, City Treasurer

Attachments:
1. Treasurer's Report for the Quarter ended December 31, 2025
2. Summary of Irvine Pooled Investment Portfolio by Fund

CITY OF IRVINE
TREASURER'S REPORT
For Quarter Ended December 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, December 31, 2025, the combined book value of the three portfolios totaled $1.79 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 December 31, 2025, the book value (purchase price of securities as recorded on the City's books) of the portfolio was $1.15 billion and the average yield to maturity was 3.62 percent. Fiscal year to date investment revenue (interest payments and capital gains) generated by the portfolio as of December 31, 2025 was $17.66 million. The table below compares the portfolio's statistics over a rolling 12-month period.

Irvine Pooled Investment Portfolio
Rolling 12-Month Quarterly Comparison

	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Book Value	$1,145,602,487	$1,073,848,749	$1,177,803,695	$1,165,477,803
Market Value	$1,156,590,085	$1,080,667,583	$1,180,741,961	$1,161,199,821
Unrealized Gain/(Loss)	$10,987,598	$6,818,833	$2,938,266	($4,277,983)
Unrealized Gain/(Loss) as % of Book Value	0.96%	0.63%	0.25%	(0.37%)
Average Yield To Maturity	3.62%	3.50%	3.48%	3.31%
Liquidity 0–12 Months	31.89%	20.64%	35.10%	34.20%
Weighted Average Maturity	2.16	2.46	1.98	2.08
Modified Duration (Years)	1.91	2.19	1.79	1.87
Quarterly Interest Earnings	$8,266,253	$9,390,089	$8,362,700	$9,609,093
Fiscal Year to Date Income	$17,656,343	$9,390,089	$34,780,710	$26,418,010

ATTACHMENT 1

As anticipated, the Irvine Pooled Investment Portfolio's book value increased by $71.75 million from the prior quarter, primarily due to the receipt of property tax revenues, sales tax revenues, and developer fees. The portfolio's yield to maturity increased by 12 basis points during the quarter ended December 31, 2025, to 3.62 percent.

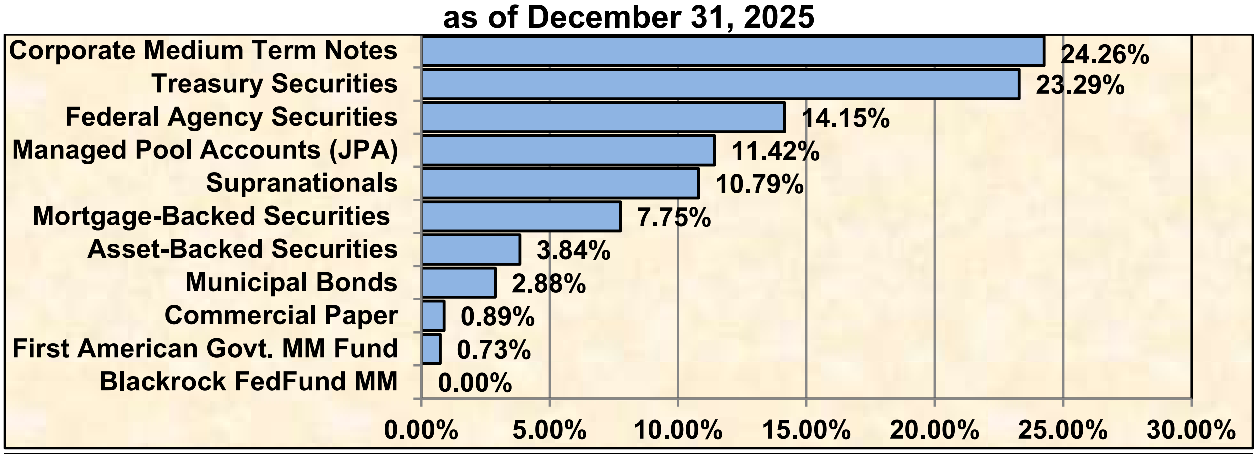
With market interest rates declining during the quarter, the portfolio recorded an unrealized gain of $10.99 million as of December 31, 2025, compared to an unrealized gain of $6.82 million as of September 30, 2025. This result is consistent with the portfolio's modified duration of 1.91 years and its corresponding sensitivity to changes in market interest rates.

To ensure the safety of principal, all investments held are in full compliance with the City of Irvine Investment Policy and California Government Code Section 53601 et seq. The Irvine Pooled Investment Portfolio is comprised primarily of U.S. Treasury securities and federal government-sponsored entity (agency) securities. While U.S. Treasury and federal agency securities were downgraded by Standard & Poor's to AA+ in August 2011, by Fitch to AA+ in August 2023, and by Moody's in May 2025, they continue to be widely regarded as among the safest securities in the global financial markets.

Two government-sponsored entities, Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac), remain under federal conservatorship and carry an implicit guarantee of the U.S. Government. These securities are closely monitored by the City Treasurer and the City's investment managers to ensure the ongoing safety of the City's funds.

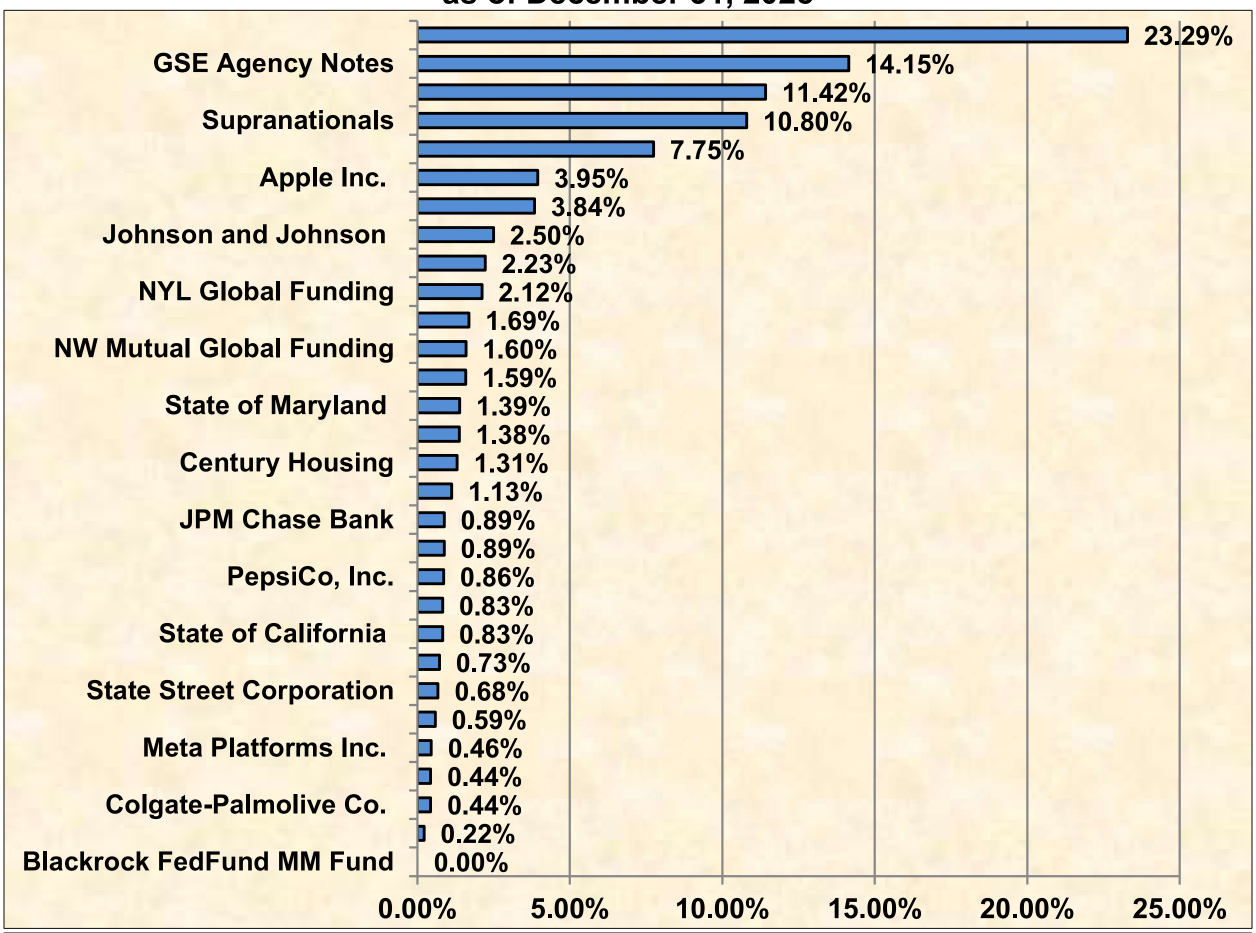
To manage liquidity, the Irvine Pooled Investment Portfolio maintains investments in Joint Powers Authority (JPA) managed pool accounts, short-term commercial paper, the BlackRock FedFund Money Market Fund, and the First American Government Obligations Money Market Fund. Chart 1 illustrates the portfolio's asset allocation as of December 31, 2025.

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



To promote diversification, the City invests in a broad range of authorized securities, including United States Treasury notes, Commercial Paper, Corporate Medium-term notes, Supranational notes, asset backed securities, and debt issued by multiple federal government sponsored entities. The five Federal Government sponsored entities in which the City holds investments are the 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 presents the portfolio's holdings by issuer.

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



Another key component of portfolio management is ensuring that the City maintains sufficient liquidity to meet its current expenditure requirements. As of December 31, 2025, the Irvine Pooled Investment Portfolio's overnight-to-12-month liquidity level was 31.89 percent.

Chart 3, on the following page, presents an aging of investment maturities for the Irvine Pooled Investment Portfolio, extending up to five years, which is the maximum maturity permitted under the City's Investment Policy and California Government Code.

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

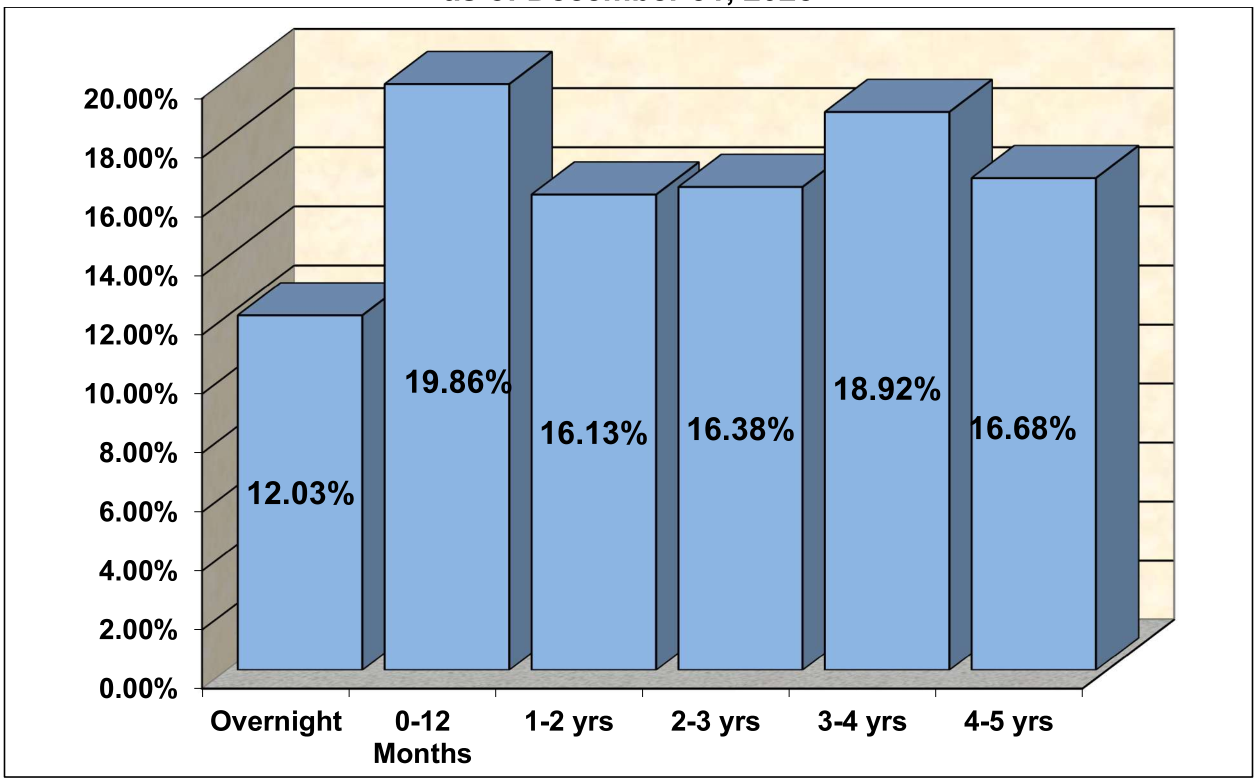
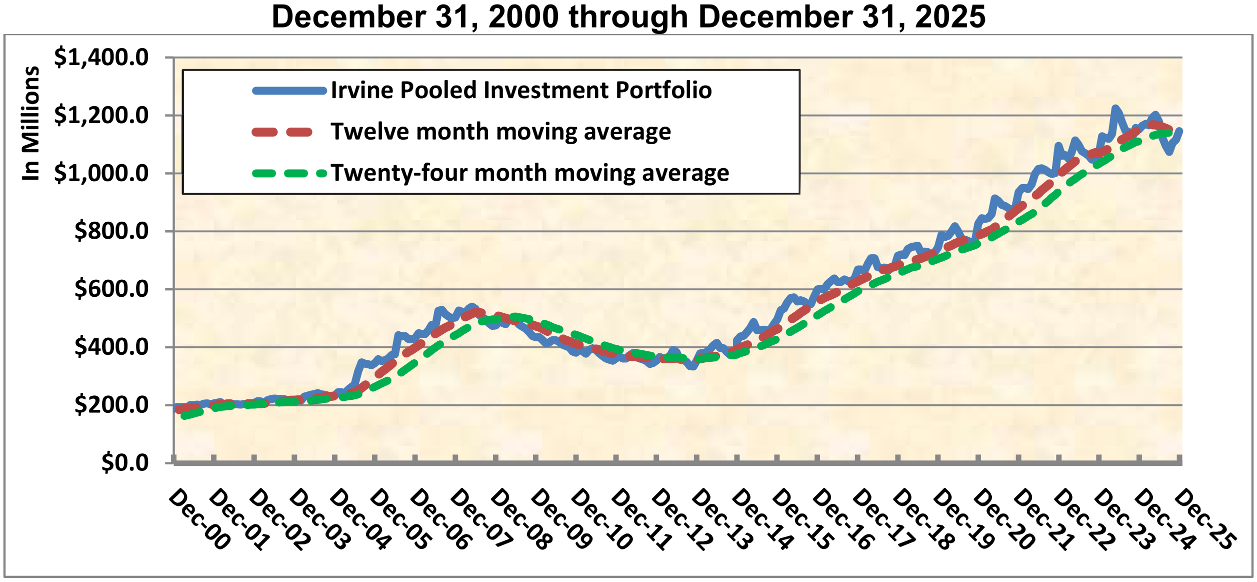
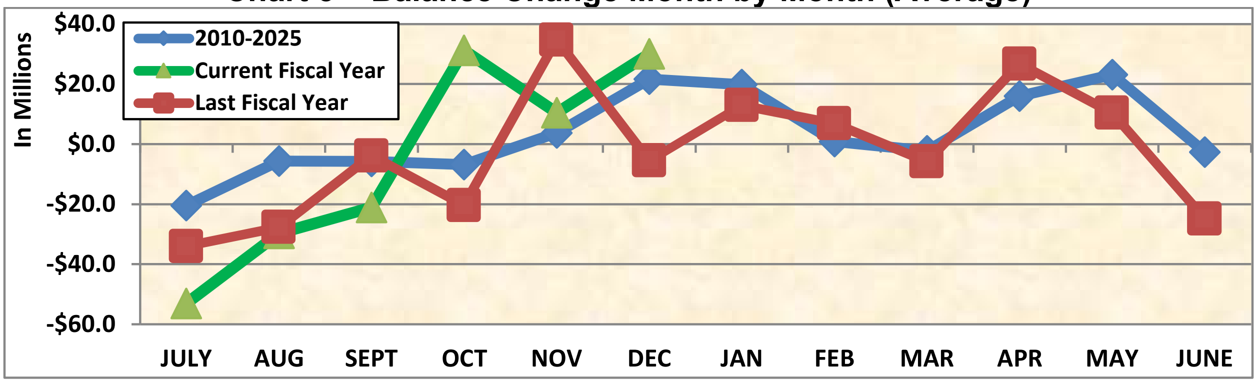


Chart 4 and Chart 5 show the volatility and cyclicality of the Irvine Pooled Investment Portfolio fund balance and cash flows between 2000 and 2025.

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

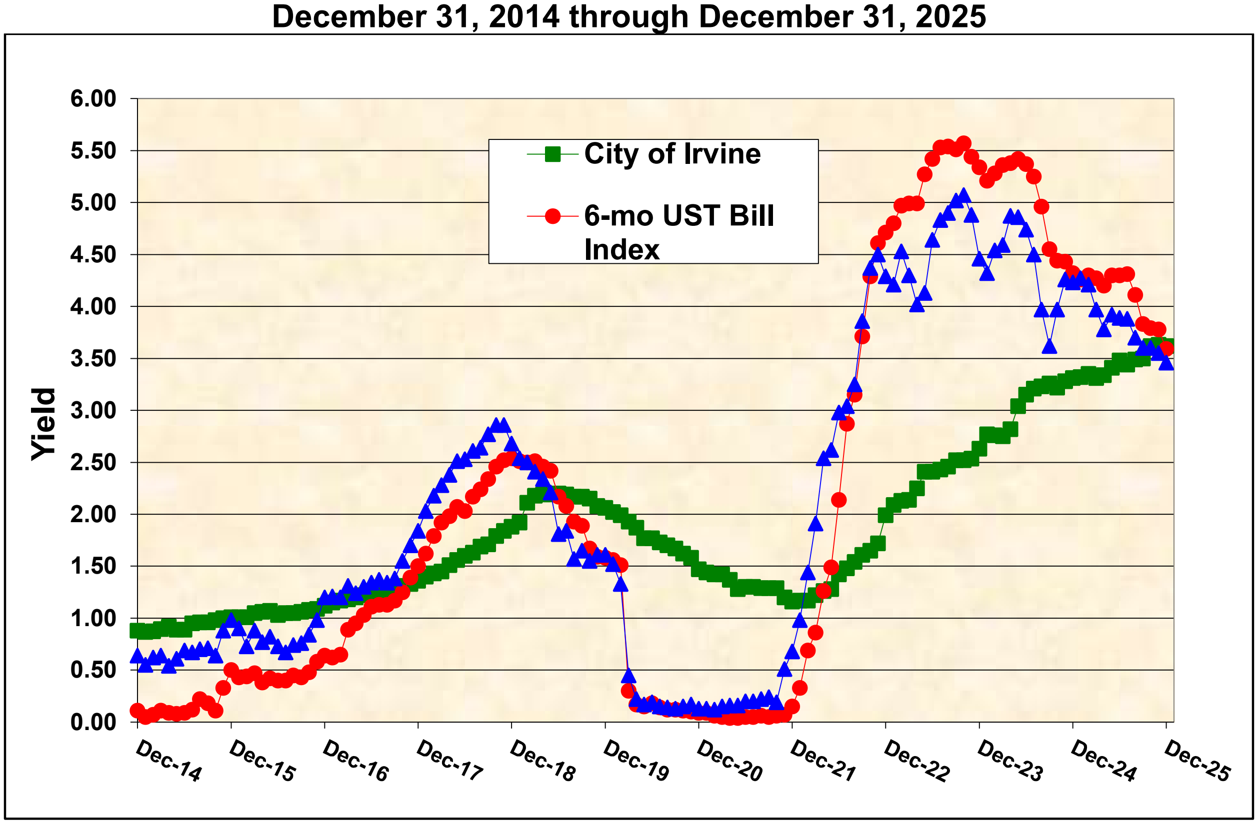


Irvine Pooled Investment Portfolio
Chart 5 – Balance Change Month by Month (Average)



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 eleven years. As of December 31, 2025, the portfolio's book yield exceeded the 6-month UST by .03 percent and the 2-year UST by .16 percent.

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



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 December 31, 2025 is $96,599.

Gateway Preserve Fund Portfolio
Rolling Quarterly Comparison

	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Book Value	$16,168,653	$23,807,385	$24,163,097	$31,690,225
Market Value	$16,851,488	$24,692,199	$24,946,107	$32,643,723
Unrealized Gain/(Loss)	$682,835	$884,814	$783,010	$953,498
Unrealized Gain/(Loss) as % of Book Value	4.22%	3.72%	3.24%	3.01%
Average Yield to Maturity	4.01%	4.42%	4.41%	4.56%
Average Days to Maturity	56	77	133	151
Quarterly Interest Earnings	$512,992	$96,599	$616,207	$101,215
Fiscal Year to Date Income	$609,591	$96,599	$2,328,129	$1,711,922

Special District Funds Portfolio

The Special District Funds Portfolio contains project and reserve funds for 20 AD and RAD bond issues, seven 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 December 31, 2025 is $10.96 million.

Special District Funds Portfolio
Rolling 12-Month Quarterly Comparison

	December 31, 2025	September 30, 2025	June 30, 2025	March 31, 2025
Book Value	$623,609,323	$536,688,909	$647,051,559	$643,343,837
Market Value	$625,361,060	$538,405,655	$648,147,076	$644,525,940
Unrealized Gain/(Loss)	$1,751,737	$1,716,746	$1,095,517	$1,182,103
Unrealized Gain/(Loss) as % of Book Value	0.28%	0.32%	0.17%	0.18%
Average Yield To Maturity	3.66%	3.86%	4.20%	4.18%
Average Days To Maturity	9	35	60	6
Quarterly Interest Earnings	$5,151,795	$5,804,212	$6,803,264	$8,914,450
Fiscal Year to Date Income	$10,956,007	$5,804,212	$38,831,121	$32,027,857

Market Conditions

During the second quarter of FY 2025–26, the yield curve steepened as short-term interest rates declined while longer-term rates increased. At its scheduled meeting on October 29, 2025, the Federal Reserve voted to reduce the federal funds rate by 25 basis points to a target range of 3.75 percent to 4.00 percent. The Fed implemented an additional 25 basis point cut on December 10, 2025, bringing the current target range to 3.50 percent to 3.75 percent.

Over the quarter, the 6-month Treasury bill yield declined 24 basis points to 3.59 percent, the 2-year Treasury note fell 13 basis points to 3.47 percent, and the 5-year Treasury note decreased by 1 basis point to 3.73 percent. Short-term investment rates also moved lower, with the Local Agency Investment Fund (LAIF) daily rate declining from 4.20 percent to 3.97 percent, and the Joint Powers Authority (JPA) daily rate falling from 4.27 percent to 3.90 percent. As a result, the Pooled Investment Portfolio's unrealized position improved from a gain of $6.82 million as of September 30, 2025, to a gain of $10.99 million as of December 31, 2025, consistent with the portfolio's duration profile and changes in market yields.

At its final meeting of the year, the Federal Reserve voted to cut the federal funds rate by 25 basis points to a target range of 3.50 percent to 3.75 percent. Three voting members dissented: Stephen Miran favored a larger 50 basis point reduction, while Jeffrey Schmid and Austan Goolsbee voted to hold rates steady. In addition, four non-voting Federal Open Market Committee (FOMC) participants—who may rotate into voting roles next year—submitted projections that did not support a December rate cut. The Fed's revised statement language, referencing "the extent and timing of additional adjustments," suggests that a January rate reduction is unlikely. Updated economic projections leaned modestly hawkish, with the median outlook continuing to project only one rate cut in both 2026 and 2027. While the Fed maintains an easing bias, policy adjustments may occur less frequently going forward.

The December employment report delivered mixed signals. Job growth remained subdued, with the U.S. economy adding 50,000 jobs, while downward revisions removed 76,000 jobs from the prior two months. The unemployment rate declined 16 basis points to 4.40 percent after rising sharply in November. Total private wages increased 0.30 percent month-over-month and 3.80 percent year-over-year; however, wage growth for private production and non-supervisory workers slowed to 3.60 percent year-over-year from 3.80 percent, indicating that wage gains were concentrated among supervisory or higher-skilled positions. Overall, the report suggests a labor market with limited momentum entering 2026. With both labor demand and supply weakening, slack is not worsening materially, and payroll growth could improve alongside economic activity as fiscal stimulus begins to take effect in early 2026.

The December Consumer Price Index (CPI) report showed inflation largely in line with expectations, with headline and core CPI rising 2.70 percent and 2.60 percent year-over-year, respectively. The reversal of shutdown-related data distortions that had temporarily suppressed inflation was milder than anticipated. Food prices increased at their fastest monthly pace since 2022, while declines in gasoline and fuel oil were offset by a sharp rise in utility gas services prices. Core goods prices were flat for the month, driven by weakness in auto prices, while travel-related categories pushed core services inflation higher. Rent and owners' equivalent rent—categories expected to remain distorted through April 2026—both rose 0.30 percent month-over-month, consistent with pre-shutdown trends. Overall, the report did little to alter the monetary policy outlook, though fiscal stimulus and delayed tariff pass-through effects could lead to renewed inflation pressures in the first half of 2026.

U.S. economic growth exceeded expectations in the third quarter of 2025, with real GDP expanding at a 4.30 percent seasonally adjusted annual rate. Consumer spending continued to drive growth, rising 3.50 percent. Business fixed investment increased 2.80 percent, as gains in equipment and intellectual property were partially offset by weaker investment in structures, while inventories detracted from growth. Residential fixed investment remained a drag, contracting 5.10 percent. Government spending rose 2.20 percent, exports surged 8.80 percent, and imports declined 4.70 percent, all contributing positively to overall growth. While the government shutdown likely weighed on fourth-quarter activity, fiscal stimulus may support stronger growth in early 2026.

Fourth-quarter 2025 earnings season began with reports from major financial institutions. Current consensus estimates project year-over-year earnings per share (EPS) growth of 6.90 percent. Revenue growth is expected to contribute 6.10 percentage points to EPS growth, margin expansion 1.60 percentage points, and share buybacks a negative 0.80

percentage points. From a sector perspective, technology companies are expected to drive approximately 91.00 percent of total EPS growth, while the consumer and health care sectors continue to face profitability challenges due to rising costs.

In conclusion, persistent geopolitical tensions, tariff policy uncertainty, weak consumer sentiment, labor market softness, and potential policy shifts under the current administration may contribute to heightened market volatility. Fixed income investments continue to offer attractive income levels and downside protection amid economic uncertainty. The City of Irvine will continue to maximize portfolio duration within anticipated cash flow needs while maintaining a focus on high-quality investments.

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

General Reserve Funds	**$ 243,287,669**
Special Revenue Funds:	
Orange County Great Park	268,004,984
Air Quality Improvement	760,612
Development Impact Fees	-
County Sales Tax Measure M	14,572,714
Fees and Exactions	11,040,370
Grants	16,495,824
Hotel Improvement District	1,503,568
iShuttle	(3,190,819)
Library	1,566,992
Local Park Fees	140,384,502
Maintenance District	8,049,314
Major Special Events	688,095
OCFA Settlement Agreement	502,249
State Gasoline Tax	31,063,768
Systems Development	28,295,872
Total	**519,738,044**
Debt Service Funds:	
Irvine Public Facilities and Infrastructure Authority	-
Total	**-**
Capital Projects Funds:	
Orange County Great Park Development	6,090,244
Gateway Residential Village	271,858
Gateway Preserve	(4,947)
Assessment District Fund	14,135,501
Capital Improvement Projects	29,873,123
Community Facilities Districts	(23,441,570)
Irvine Business Complex	119,893,770
North Irvine Transportation Mitigation	162,614,229
Park Development	1,533,427
Slurry Seal Fees	(8,611,845)
Total	**302,353,791**
Permanent Fund:	
Senior Services	490,592
Senior Services Endowments	500,000
Total	**990,592**
Internal Service Funds:	
Self-Insurance	24,587,097
Equipment and Services	11,190,459
Inventory	111,740
Total	**35,889,297**
Fiduciary Funds:	
Custodial Funds	43,344,585
Irvine Facilities Financing Authority	(1,491)
Successor Agency Debt Service	-
Redevelopment Obligation Retirement	-
Total	**43,343,093**
Total Pooled Investments at December 31, 2025	**$ 1,145,602,487**

Note: Presentation of funds is consistent with the City's Annual Comprehensive Financial Report.
* Balances are not audited

ATTACHMENT 2