REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: DECEMBER 9, 2025

TITLE: TREASURER'S REPORT FOR QUARTER ENDED SEPTEMBER 30, 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 quarter ended September 30, 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 September 30, 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 $1.63 billion as of September 30, 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.

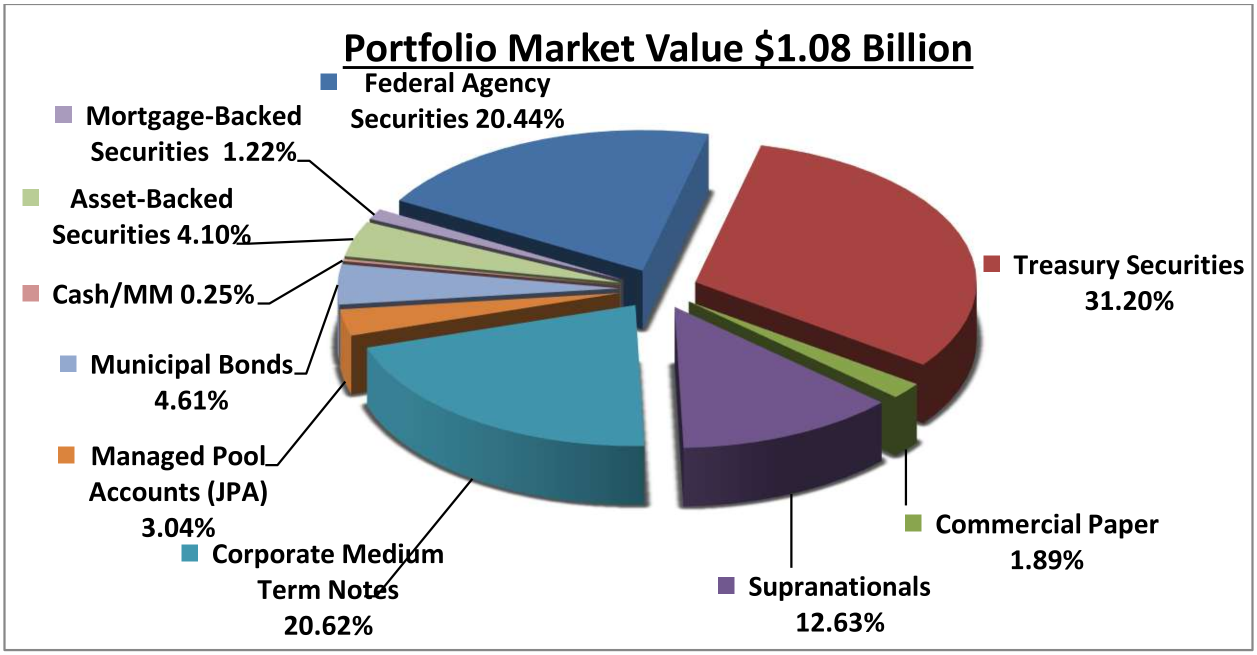
As of September 30, 2025, the City's investment portfolios are in full compliance with the City's Investment Policy, the California Government Code Section 53601, and have sufficient cash flow from a combination of liquid and maturing securities, bank deposits, and income to meet the City's expenditure requirements.

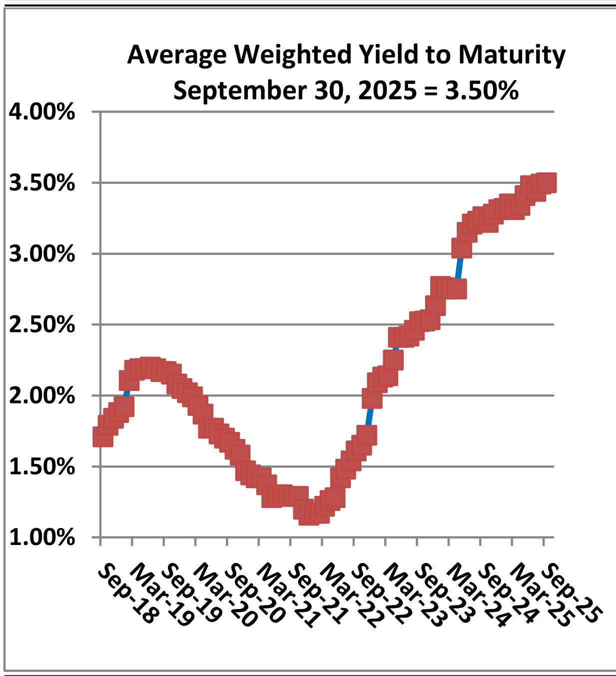
COMMISSION/BOARD/COMMITTEE RECOMMENDATION

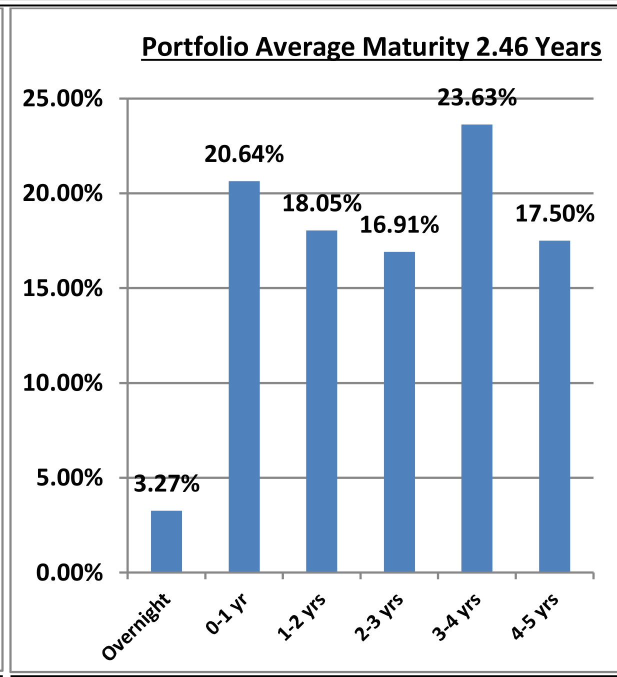
At its regular meeting of November 12, 2025, the Investment Advisory Committee recommended that the City Council receive and file the Treasurer's Report for the quarter ended September 30, 2025 by a 5-0-1 vote (Committee Members Kandasamy, Hansen, Judd, Kashalkar, and Totounji approving; Committee Member 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 $15.29 million with investments structured for security and liquidity.

REPORT PREPARED BY Don Collins, City Treasurer

Attachments:

1. Treasurer's Report for the Quarter ended September 30, 2025
2. Summary of Irvine Pooled Investment Portfolio by Fund

CITY OF IRVINE
TREASURER'S REPORT
For Quarter Ended September 30, 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, September 30, 2025, the combined book value of the three portfolios totaled $1.63 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 September 30, 2025, the book value (purchase price of securities as recorded on the City's books) of the portfolio was $1.07 billion and the average yield to maturity was 3.50 percent. Fiscal year to date investment revenue (interest payments and capital gains) generated by the portfolio as of September 30, 2025 was $9.39 million. The table below compares the portfolio's statistics over a rolling 12-month period.

Irvine Pooled Investment Portfolio
Rolling 12-Month Quarterly Comparison

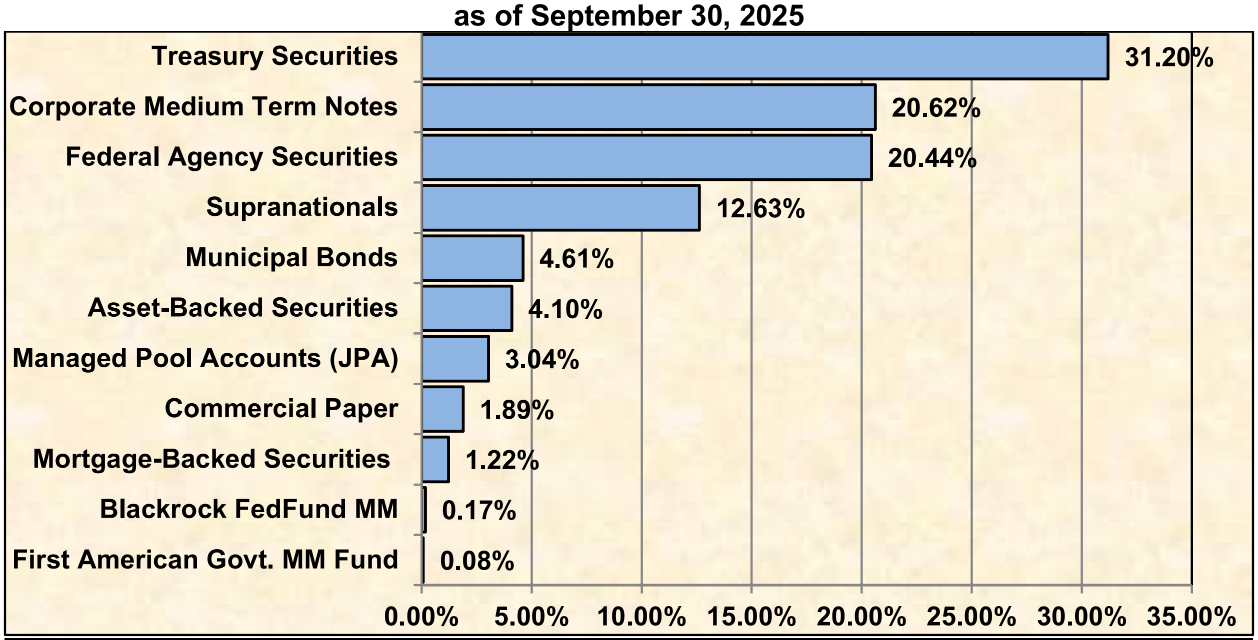
	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024
Book Value	$1,073,848,749	$1,177,803,695	$1,165,477,803	$1,151,485,608
Market Value	$1,080,667,583	$1,180,741,961	$1,161,199,821	$1,136,418,365
Unrealized Gain/(Loss)	$6,818,833	$2,938,266	($4,277,983)	($15,067,243)
Unrealized Gain/(Loss) as % of Book Value	0.63%	0.25%	(0.37%)	(1.31%)
Average Yield To Maturity	3.50%	3.48%	3.31%	3.31%
Liquidity 0–12 Months	20.64%	35.10%	34.20%	27.30%
Weighted Average Maturity	2.46	1.98	2.08	2.22
Modified Duration (Years)	2.19	1.79	1.87	2.03
Quarterly Interest Earnings	$9,390,089	$8,362,700	$9,609,093	$8,100,825
Fiscal Year to Date Income	$9,390,089	$34,780,710	$26,418,010	$16,808,917

As anticipated, the Irvine Pooled Investment Portfolio's book value decreased by $103.95 million from the previous quarter due to the prepayment of CalPERS pension liability for Fiscal Year 2025-26, as well as various planned capital improvement projects, and accounts payable. The portfolio yield to maturity increased for the quarter ended September 30, 2025 by 2 basis points to 3.50 percent. With market rates moving lower during the quarter, as of September 30, 2025, the portfolio ended with an unrealized gain of $6.82 million as compared to an unrealized gain of $2.94 million as of June 30, 2025. This is a normal result of the portfolio's modified duration of 2.19 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 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.

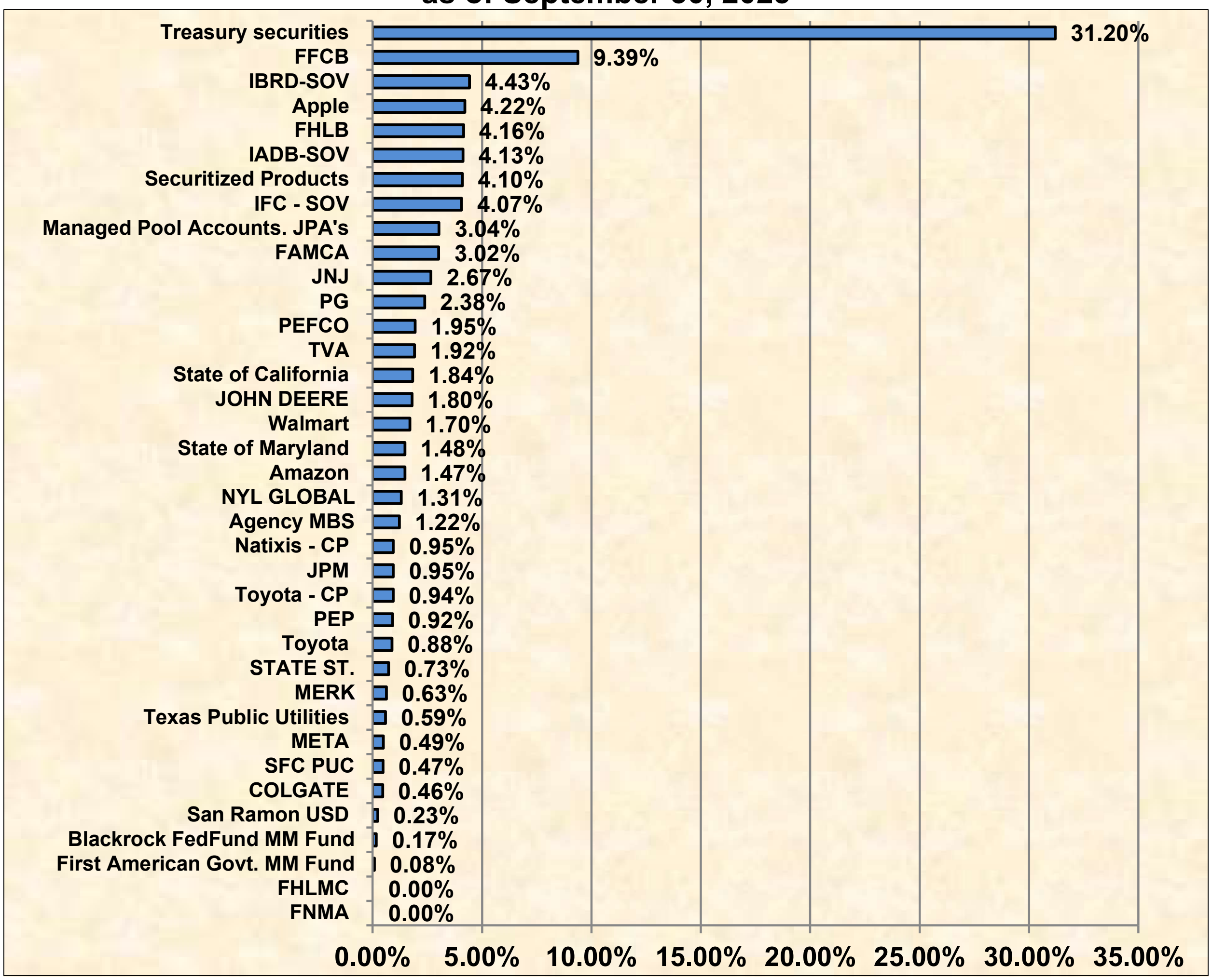
To manage liquidity, the Irvine Pooled Investment Portfolio is invested in Managed Pool Accounts (JPA), short-term Commercial Paper, Blackrock Fed Fund money market fund, and First American Government money market fund. Chart 1 shows the asset allocation of the portfolio.

Irvine Pooled Investment Portfolio
Chart 1 - Asset Allocation
as of September 30, 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 September 30, 2025



Another key component in portfolio management is to ensure that the City has enough funds on hand to meet current expenses. As of September 30, 2025, the overnight to 12-month liquidity level for the Irvine Pooled Investment Portfolio was 20.64 percent. 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 September 30, 2025

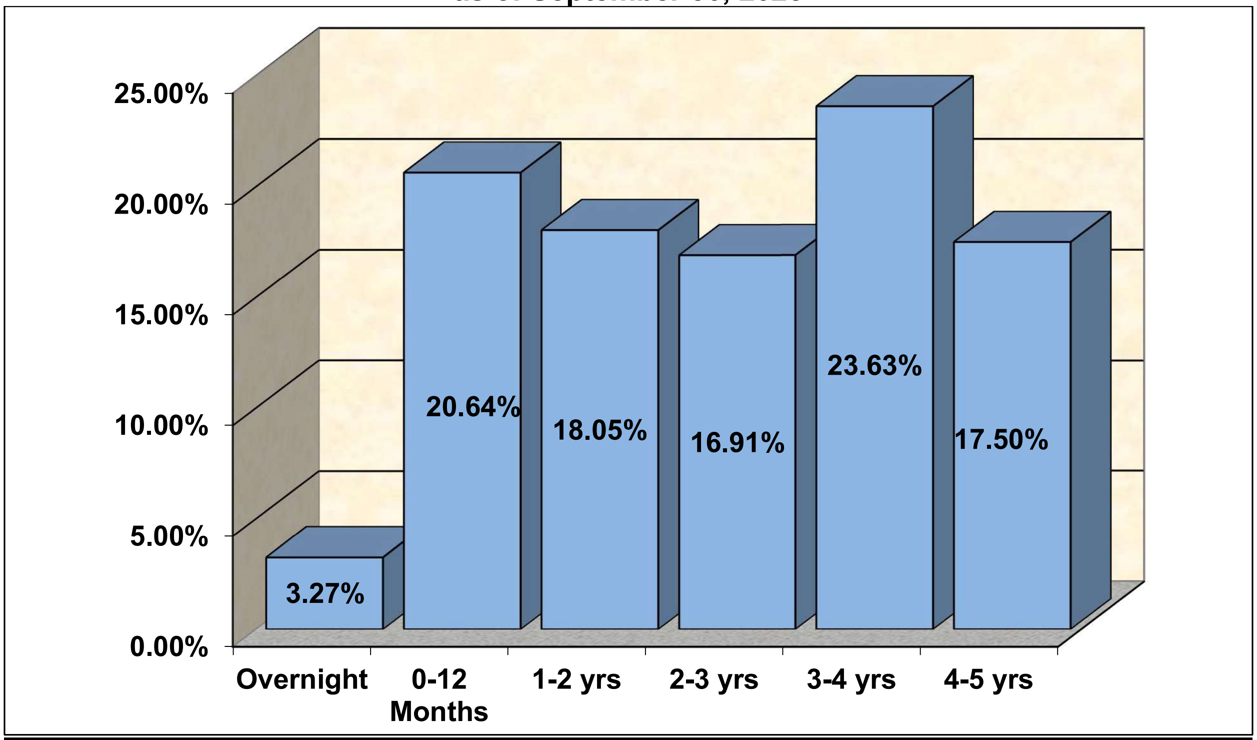
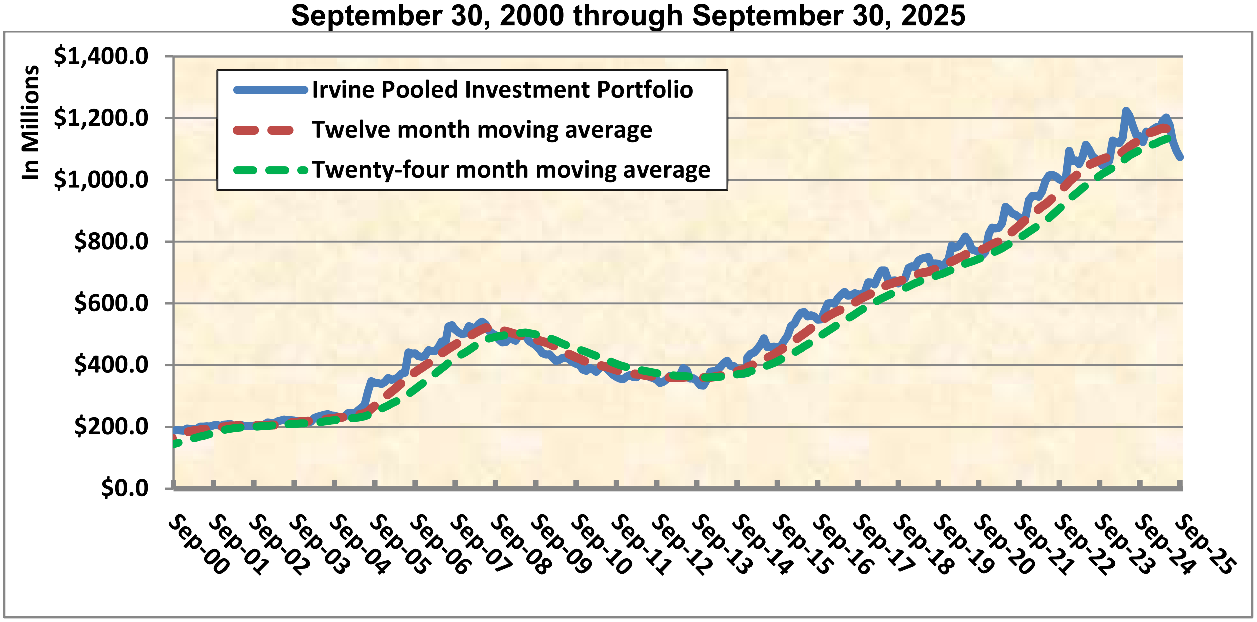
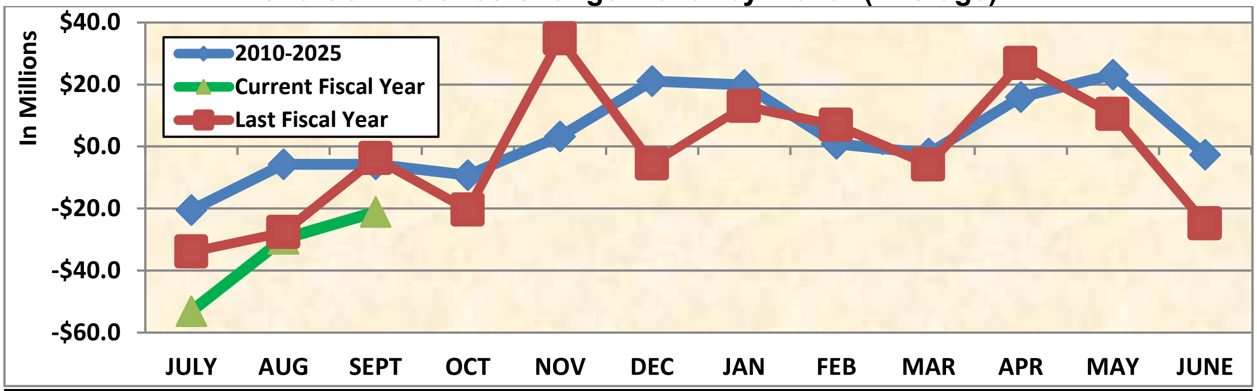


Chart 4 and Chart 5 show the volatility and cyclicality of the Irvine Pooled Investment Portfolio fund balance and cash flows between 2000 and 2025.

Irvine Pooled Investment Portfolio
Chart 4 - Portfolio Balance
September 30, 2000 through September 30, 2025

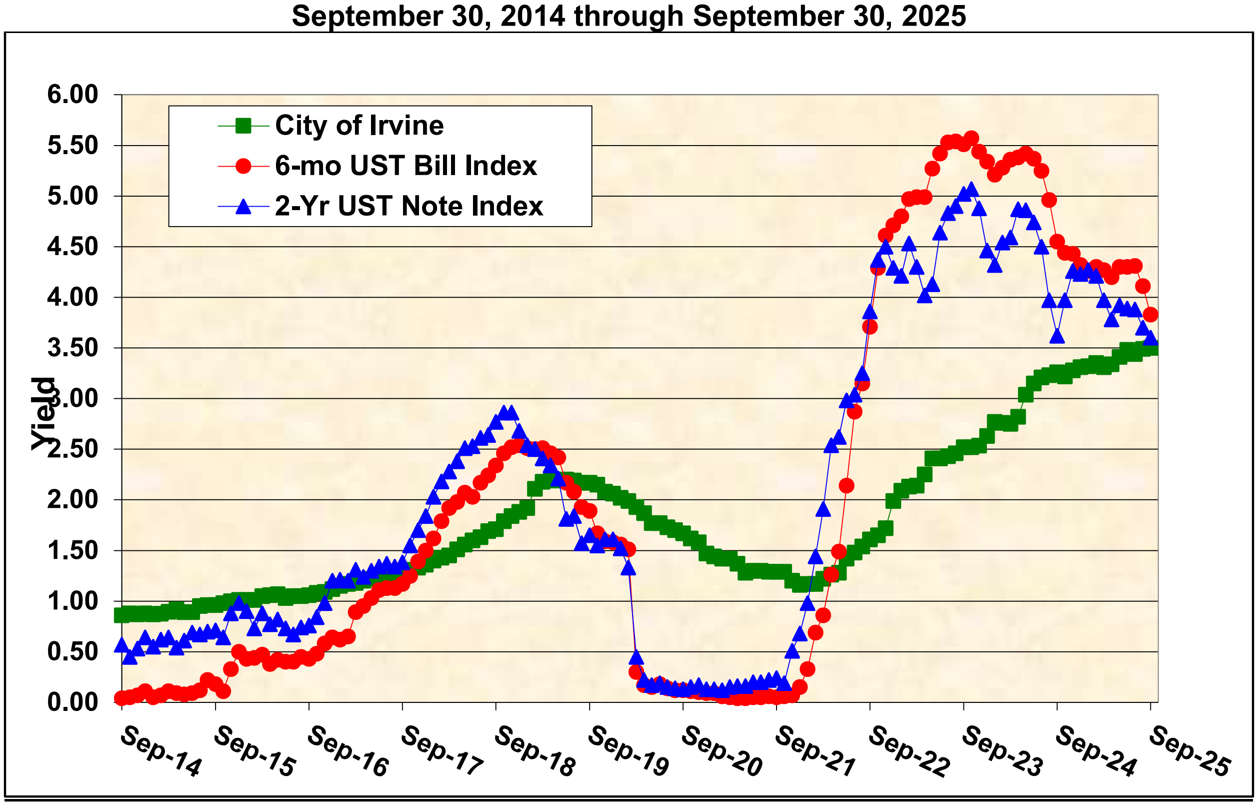


Irvine Pooled Investment Portfolio
Chart 5 – Balance Change Month by Month (Average)



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 .33 percent and lower than the 2-year UST by .10 percent, due to the Federal Reserve rapidly increasing short term interest rates in response to inflation beginning March 17, 2022.

Irvine Pooled Investment Portfolio
Chart 6 - Yield to Maturity Compared to Assigned Indices
September 30, 2014 through September 30, 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 September 30, 2025 is $96,599.

Gateway Preserve Fund Portfolio
Rolling Quarterly Comparison

	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024
Book Value	$23,807,385	$24,163,097	$31,690,225	$31,842,356
Market Value	$24,692,199	$24,946,107	$32,643,723	$32,661,760
Unrealized Gain/(Loss)	$884,814	$783,010	$953,498	$819,404
Unrealized Gain/(Loss) as % of Book Value	3.72%	3.24%	3.01%	2.57%
Average Yield to Maturity	4.42%	4.41%	4.56%	4.58%
Average Days to Maturity	77	133	151	213
Quarterly Interest Earnings	$96,599	$616,207	$101,215	$765,640
Fiscal Year to Date Income	$96,599	$2,328,129	$1,711,922	$1,610,706

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 September 30, 2025 is $5.80 million.

Special District Funds Portfolio
Rolling 12-Month Quarterly Comparison

	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024
Book Value	$536,688,909	$647,051,559	$643,343,837	$664,111,135
Market Value	$538,405,655	$648,147,076	$644,525,940	$667,267,631
Unrealized Gain/(Loss)	$1,716,746	$1,095,517	$1,182,103	$3,156,497
Unrealized Gain/(Loss) as % of Book Value	0.32%	0.17%	0.18%	0.48%
Average Yield To Maturity	3.86%	4.20%	4.18%	4.33%
Average Days To Maturity	35	60	6	18
Quarterly Interest Earnings	$5,804,212	$6,803,264	$8,914,450	$9,566,875
Fiscal Year to Date Income	$5,804,212	$38,831,121	$32,027,857	$23,113,407

Market Conditions

During the first quarter of FY 2025-26, interest rates decreased across the yield curve from the one-month Treasury Bill to the thirty-year Long Bond. The Federal Reserve voted to maintain the federal funds rate range at its scheduled meeting on July 30, 2025 at the current range of 4.25 percent to 4.50 percent, and to lower the rate on September 17, 2025, to the current range of 4.00 percent to 4.25 percent.

Over the quarter, the yield of the 6-month Treasury bill decreased 46 basis points to 3.83 percent, the 2-year Treasury note decreased 12 basis points to 3.60 percent, and the 5-year Treasury note decreased by 5 basis points to 3.74 percent. The Local Agency Investment Fund (LAIF) daily rate decreased from 4.26 percent to 4.20 percent while the Joint Power Authority (JPA) daily rate decreased from 4.41 percent to 4.27 percent. As a result, the Pooled Investment Portfolio shifted from an unrealized gain of $2.94 million as of June 30, 2025, to an unrealized gain of $6.82 million as of September 30, 2025, consistent with the portfolio’s duration and changes in market yields.

After a nine-month pause, the Federal Open Market Committee (FOMC) resumed its easing cycle at the September meeting, cutting the federal funds rate by 25 bps to a range of 4.00 percent to 4.25 percent. The statement acknowledged rising risks to employment while noting that inflation remains “somewhat elevated.” Economic projections were largely unchanged, with modest upward revisions to growth and inflation forecasts for 2026. Chairman Jerome Powell characterized the cut as a “risk management” move, signaling the potential for two additional rate cuts in 2025 as softer labor markets emerge.

While the September Jobs report was delayed due to the government shutdown, the August Jobs report showed a sharp slowdown in hiring momentum with nonfarm payrolls rising by just 22 thousand (consensus was expecting 75 thousand). Revisions made the picture look even bleaker, removing 21 thousand jobs from the prior two months. In fact, employment now contracted by 13 thousand in June, the first decline in payrolls since December 2020. Services continued to dominate at the sector level, while the closely watched unemployment rate rose to 4.30 percent. Elsewhere, wages rose 0.30 percent month over month (m/m) and 3.70 percent year over year (y/y). With downside risks to employment growing more apparent, the Fed is set to cut interest rates again in October.

Inflation data from August showed headline CPI up 0.40 percent m/m (2.90 percent y/y) and core rising 0.30 percent m/m (3.10 percent y/y). Food and energy both increased as expected, with notable gains in groceries and gas prices. Core goods prices rose 0.30 percent m/m, with some import-intensive categories seeing large price increases, but inflation elsewhere was more mixed. Core services also rose 0.30 percent m/m. In the details, shelter inflation rose 0.40 percent, while travel-related categories accelerated, including a 5.90 percent jump in airfares. Elsewhere, headline and core PCE rose 0.30

percent m/m (2.70 percent y/y) and 0.20 percent m/m (2.90 percent y/y), respectively. Although the impact of tariffs remains uncertain, labor market softness increases the likelihood of additional rate cuts this year.

The U.S. economy grew at an annualized rate of 3.80 percent in second quarter of 2025, although trade distortions masked slowing momentum. After revisions, consumer spending rose 2.50 percent, while business fixed investment and government spending rose 4.40 percent and shrunk 0.10 percent, respectively. The housing market remained challenged as residential fixed investment fell 5.10 percent. Turning to the more volatile components, inventories fell, removing 3.40 percentage points from GDP growth, while a sharp decline in imports caused net exports to boost growth by 4.80 percentage points. Excluding these components, real final sales to domestic purchasers rose 1.90 percent annualized in first half of 2025 vs. 3.30 percent in the second half of 2024. While the U.S. economy has been resilient, policy uncertainty weighed on economic momentum in first half of 2025.

Corporate earnings also remained strong. Second quarter 2025 earnings per share (EPS) came in at $67.03, representing y/y growth of 10.70 percent, and q/q growth of 5.30 percent. Looking at the three main sources of EPS growth, sales, margins and shares contributed 5.40, 6.20 and -0.80 percentage points, respectively, to y/y growth. 81.00 percent of companies beat estimates, and earnings came in 8.00 percent above consensus. While we're not seeing the impact of tariffs yet, management teams are thinking through supply chains, price increases, capex and hiring plans. The "Magnificent Seven" tech firms accounted for over half (52.00 percent) of the y/y EPS growth.

In conclusion, ongoing geopolitical tensions, tariff policy uncertainty, and potential changes under the new administration may increase market volatility. Fixed income continues to provide attractive income levels and downside protection amid a slowing economy. The City of Irvine will continue to maximize portfolio duration within anticipated cash flow needs by investing in high-quality securities.

City of Irvine
Summary of Pooled Investment Portfolio Book Value by Fund *
As of September 30, 2025

General Reserve Funds	$ 208,156,323
Special Revenue Funds:	
Orange County Great Park	269,624,727
Air Quality Improvement	646,939
Development Impact Fees	-
County Sales Tax Measure M	13,191,553
Fees and Exactions	6,434,431
Grants	13,969,300
Hotel Improvement District	1,541,937
iShuttle	(2,207,517)
Library	3,128,823
Local Park Fees	139,327,533
Maintenance District	3,577,457
Major Special Events	362,511
OCFA Settlement Agreement	649,295
State Gasoline Tax	27,754,402
Systems Development	7,695,300
Total	485,696,689
Debt Service Funds:	
Irvine Public Facilities and Infrastructure Authority	(600)
Total	(600)
Capital Projects Funds:	
Orange County Great Park Development	11,632,957
Gateway Residential Village	(140,176)
Gateway Preserve	(30,989)
Assessment District Fund	3,744,726
Capital Improvement Projects	34,466,257
Community Facilities Districts	(27,049,845)
Irvine Business Complex	124,213,335
North Irvine Transportation Mitigation	161,634,844
Park Development	34,650,346
Slurry Seal Fees	(3,163,407)
Total	339,958,049
Permanent Fund:	
Senior Services	481,129
Senior Services Endowments	500,000
Total	981,129
Internal Service Funds:	
Self-Insurance	24,330,342
Equipment and Services	12,523,691
Inventory	99,082
Total	36,953,115
Fiduciary Funds:	
Custodial Funds	2,105,426
Irvine Facilities Financing Authority	(1,383)
Successor Agency Debt Service	-
Redevelopment Obligation Retirement	-
Total	2,104,043
Total Pooled Investments at September 30, 2025	$ 1,073,848,749

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

ATTACHMENT 2