REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: JUNE 23, 2026

TITLE: TREASURER'S REPORT FOR QUARTER ENDED MARCH 31, 2026

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 March 31, 2026.

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, 2026. 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 March 31, 2026, the combined book value of the three portfolios totaled $1.74 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.

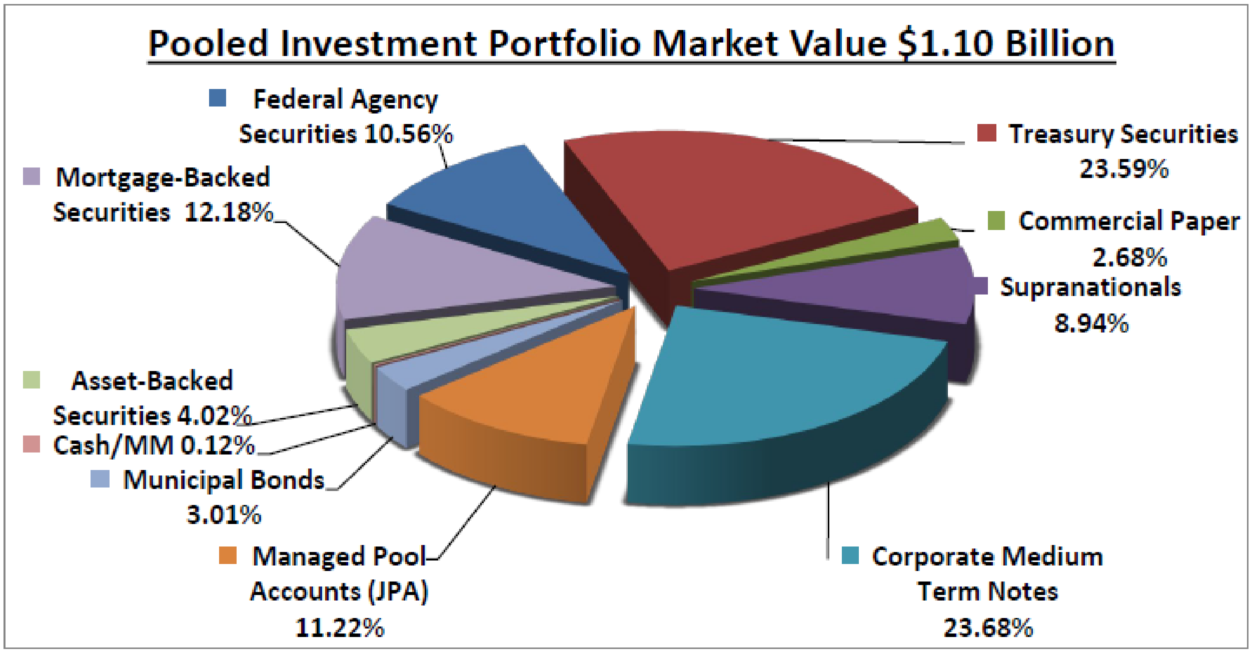
As of March 31, 2026, the City's investment portfolios are in full compliance with the City's Investment Policy, and the California Government Code Section 53601. The portfolios maintained sufficient liquidity through a combination of liquid and maturing securities, bank deposits, and investment income to meet the City's expenditure requirements.

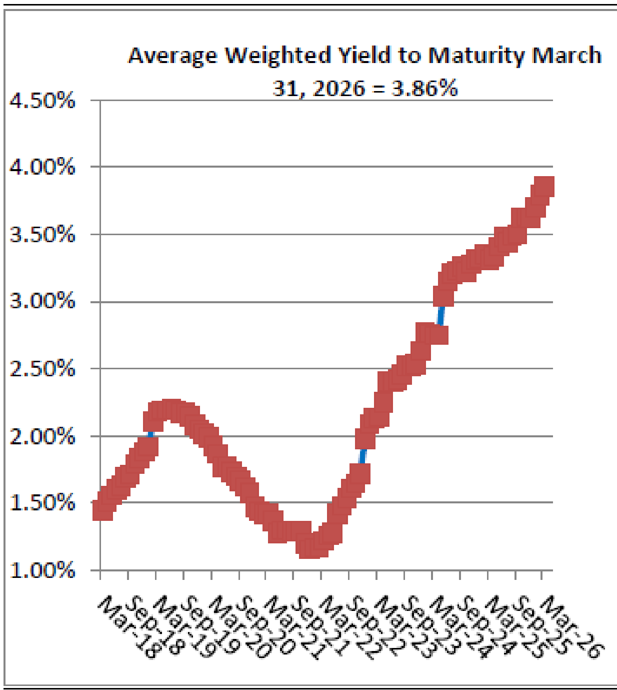
COMMISSION/BOARD/COMMITTEE RECOMMENDATION

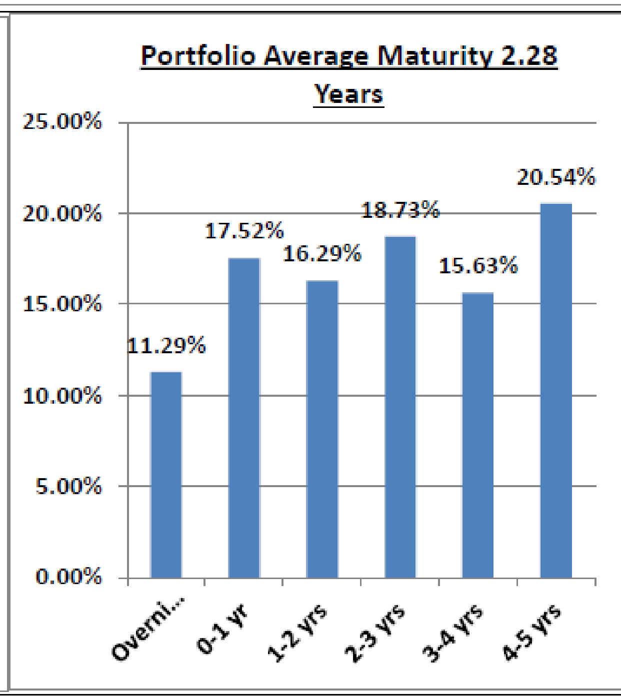
At its regular meeting on May 6, 2026, the Investment Advisory Committee recommended that the City Council receive and file the Treasurer's Report for the quarter ended March 31, 2026 by a 4-0 vote (Committee Members Hansen, Kandasamy, Kashalkar, and Totounji approving; Committee Members Judd and Wei 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 portfolio







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 $47.92 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, 2026
2. Summary of Irvine Pooled Investment Portfolio by Fund

CITY OF IRVINE
TREASURER'S REPORT
For Quarter Ended March 31, 2026

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, 2026, the combined book value of the three portfolios totaled $1.74 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, 2026, the book value (purchase price of securities as recorded on the City's books) of the portfolio was $1.10 billion and the average yield to maturity was 3.86 percent. Fiscal year to date investment revenue (interest payments and capital gains) generated by the portfolio as of March 31, 2026 was $29.33 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, 2026	December 31, 2025	September 30, 2025	June 30, 2025
Book Value	$1,095,771,075	$1,145,602,487	$1,073,848,749	$1,177,803,695
Market Value	$1,100,400,008	$1,156,590,085	$1,080,667,583	$1,180,741,961
Unrealized Gain/(Loss)	$4,628,934	$10,987,598	$6,818,833	$2,938,266
Unrealized Gain/(Loss) as % of Book Value	0.42%	0.96%	0.63%	0.25%
Average Yield To Maturity	3.86%	3.62%	3.50%	3.48%
Liquidity 0–12 Months	28.82%	31.89%	20.64%	35.10%
Weighted Average Maturity	2.28	2.16	2.46	1.98
Modified Duration (Years)	2.01	1.91	2.19	1.79
Quarterly Interest Earnings	$11,668,855	$8,266,253	$9,390,089	$8,362,700
Fiscal Year to Date Income	$29,325,198	$17,656,343	$9,390,089	$34,780,710

ATTACHMENT 1

As anticipated, the Irvine Pooled Investment Portfolio's book value decreased by $49.83 million from the prior quarter, primarily due to accounts payable, reduced development fees, and capital improvements. The portfolio's yield to maturity increased by 24 basis points during the quarter ended March 31, 2026, to 3.86 percent.

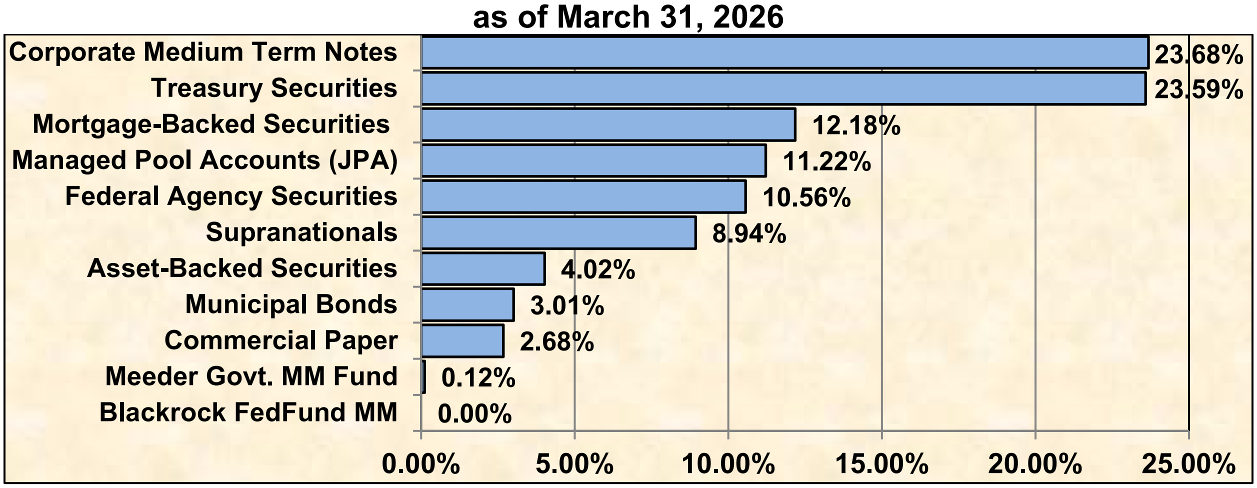
With market interest rates modestly rising during the quarter, the portfolio recorded an unrealized gain of $4.63 million as of March 31, 2026, compared to an unrealized gain of $10.99 million as of December 31, 2025. This result is consistent with the portfolio's modified duration of 2.01 years and 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.

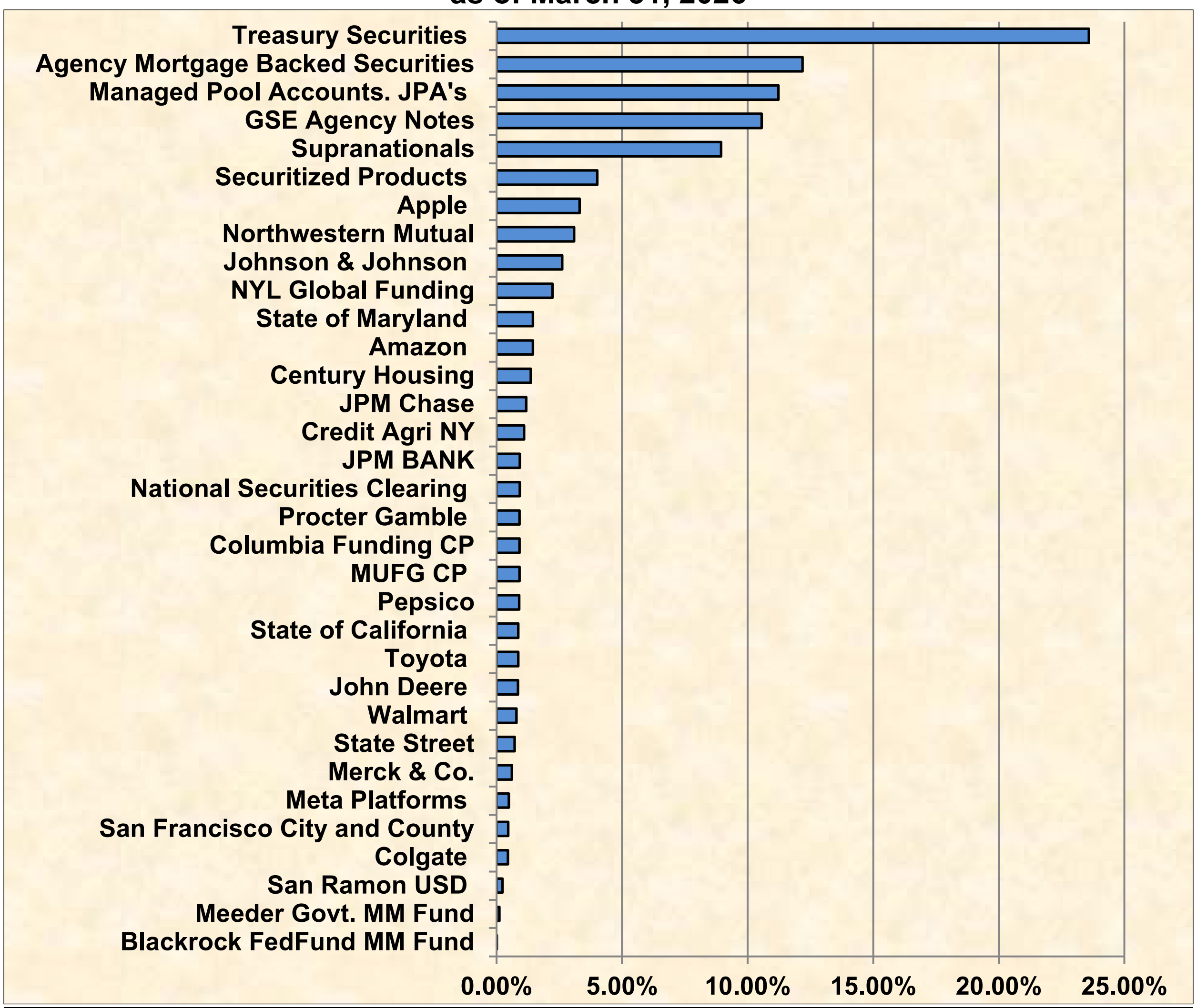
To manage liquidity, the Irvine Pooled Investment Portfolio maintains investments in Joint Powers Authority (JPA) managed pool accounts, short-term commercial paper, the BlackRock FedFund Money Market Fund, and the Meeder Government Obligations Money Market Fund. Chart 1 illustrates the portfolio's asset allocation as of March 31, 2026.

Irvine Pooled Investment Portfolio
Chart 1 - Asset Allocation
as of March 31, 2026



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 March 31, 2026



Another key component of portfolio management is ensuring that the City maintains sufficient liquidity to meet its current expenditure requirements. As of March 31, 2026, the Irvine Pooled Investment Portfolio's overnight-to-12-month liquidity level was 28.81 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 March 31, 2026

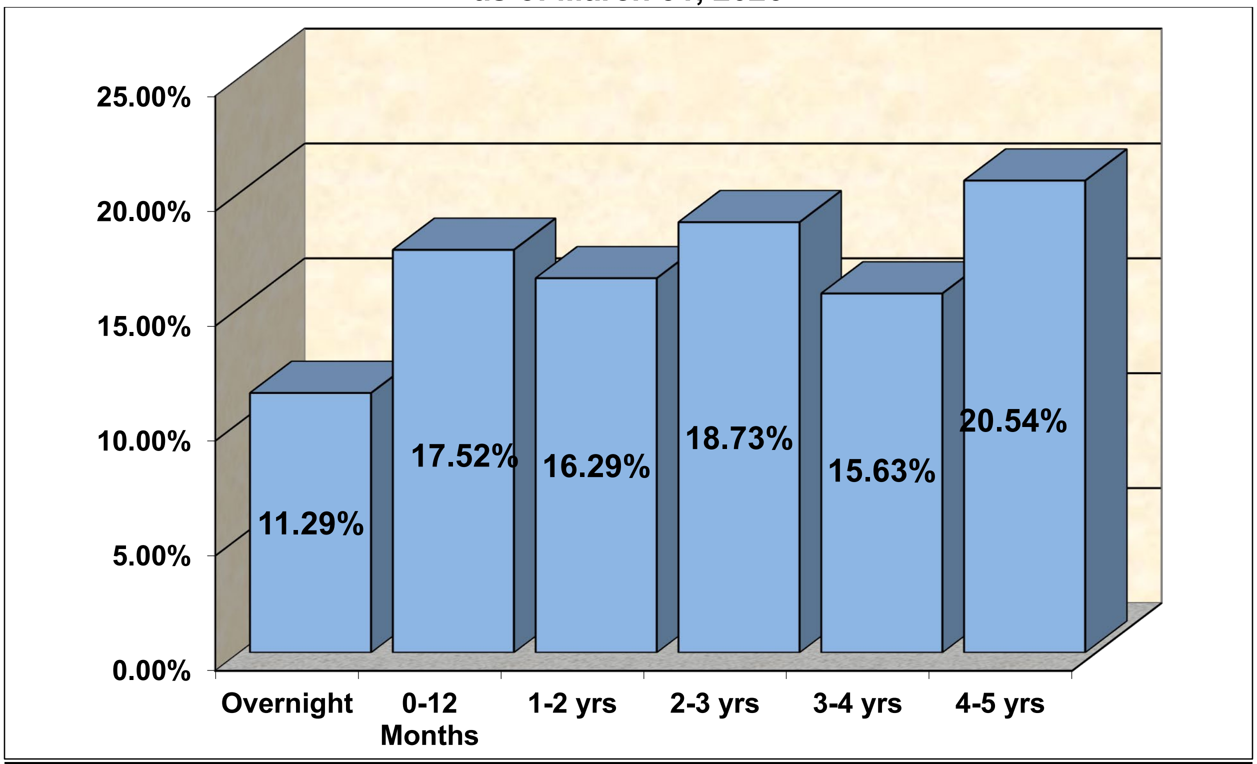
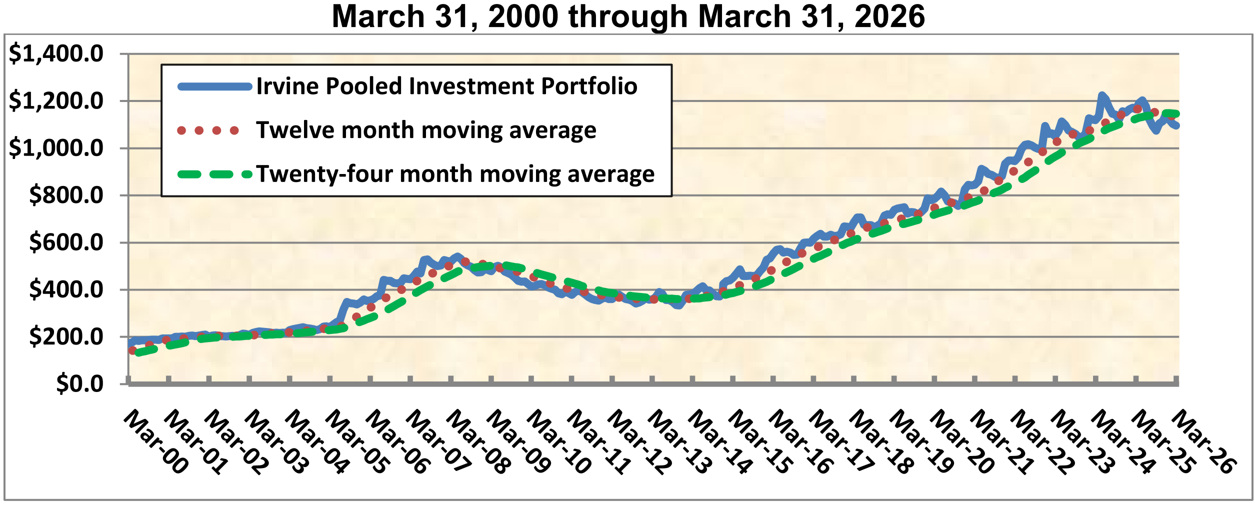
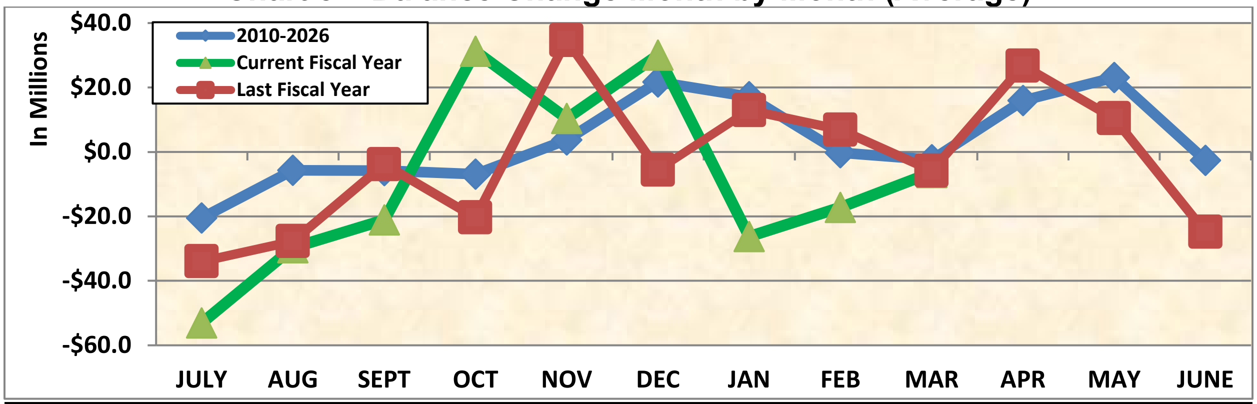


Chart 4 and Chart 5 show the volatility and cyclicality of the Irvine Pooled Investment Portfolio fund balance and cash flows between 2000 and 2026.

Irvine Pooled Investment Portfolio
Chart 4 - Portfolio Balance
March 31, 2000 through March 31, 2026

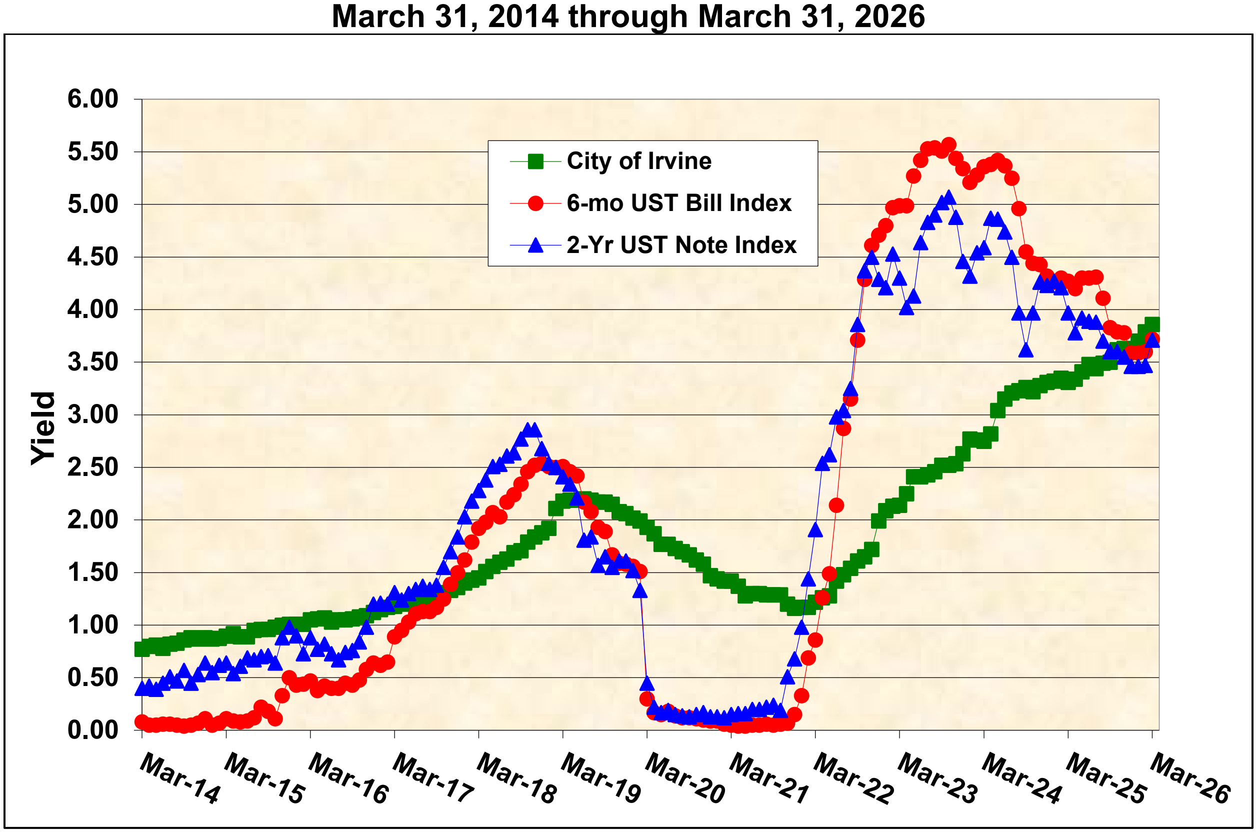


Irvine Pooled Investment Portfolio
Chart 5 – Balance Change Month by Month (Average)



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 twelve years. As of March 31, 2026, the portfolio's book yield exceeded the 6-month UST by .14 percent and the 2-year UST by .07 percent.

Irvine Pooled Investment Portfolio
Chart 6 - Yield to Maturity Compared to Assigned Indices
March 31, 2014 through March 31, 2026



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, 2026 is $687,997.

Gateway Preserve Fund Portfolio
Rolling Quarterly Comparison

	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025
Book Value	$16,068,429	$16,168,653	$23,807,385	$24,163,097
Market Value	$16,805,294	$16,851,488	$24,692,199	$24,946,107
Unrealized Gain/(Loss)	$736,865	$682,835	$884,814	$783,010
Unrealized Gain/(Loss) as % of Book Value	4.59%	4.22%	3.72%	3.24%
Average Yield to Maturity	3.97%	4.01%	4.42%	4.41%
Average Days to Maturity	14	56	77	133
Quarterly Interest Earnings	$78,407	$512,992	$96,599	$616,207
Fiscal Year to Date Income	$687,997	$609,591	$96,599	$2,328,129

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 March 31, 2026 is $17.90 million.

Special District Funds Portfolio
Rolling 12-Month Quarterly Comparison

	March 31, 2026	December 31, 2025	September 30, 2025	June 30, 2025
Book Value	$630,448,940	$623,609,323	$536,688,909	$647,051,559
Market Value	$631,093,973	$625,361,060	$538,405,655	$648,147,076
Unrealized Gain/(Loss)	$645,033	$1,751,737	$1,716,746	$1,095,517
Unrealized Gain/(Loss) as % of Book Value	0.10%	0.28%	0.32%	0.17%
Average Yield To Maturity	3.54%	3.66%	3.86%	4.20%
Average Days To Maturity	2	9	35	60
Quarterly Interest Earnings	$6,945,985	$5,151,795	$5,804,212	$6,803,264
Fiscal Year to Date Income	$17,901,991	$10,956,007	$5,804,212	$38,831,121

Market Conditions

During the third quarter of FY 2025–26, yields increased modestly. At its scheduled meetings on January 28, 2026 and March 18, 2026, the Federal Reserve held the federal funds rate steady at a target range of 3.50 percent to 3.75 percent.

Over the quarter, the 6-month U.S. Treasury bill yield rose 13 basis points to 3.72 percent, the 2-year Treasury note increased 32 basis points to 3.79 percent, and the 5-year Treasury note rose 19 basis points to 3.92 percent. In contrast, short-term investment rates declined, with the Local Agency Investment Fund (LAIF) daily rate falling from 3.90 percent to 3.82 percent and the Joint Powers Authority (JPA) daily rate decreasing from 3.90 percent to 3.80 percent.

As a result, the Pooled Investment Portfolio's unrealized position declined from a gain of $10.99 million as of December 31, 2025, to a gain of $4.63 million as of March 31, 2026, consistent with the portfolio's duration profile and changes in market yields.

At the March Federal Open Market Committee (FOMC) meeting, the Federal Reserve maintained its policy stance and continued to project one rate cut later this year. Governor Miran dissented in favor of a 25 basis-point rate cut. Both the policy statement and Chair Jerome Powell's press conference noted that developments in the Middle East introduce significant uncertainty to the economic outlook and may tilt risks in a more hawkish direction. This was reflected in the Summary of Economic Projections, where growth and inflation forecasts were revised upward for this year and next, while unemployment projections remained unchanged. Although a rate cut later this year remains possible, the outlook is increasingly uncertain.

The February employment report showed signs of weakening. Nonfarm payrolls declined by 92,000, partially due to increased strike activity, while revisions reduced prior months' gains by a combined 69,000. As a result, the three-month moving average fell sharply to 6,000 from 50,000 in January. Private payroll growth also slowed significantly, rising by just 18,000 compared to 70,000 previously. Excluding health care and social assistance, private services employment posted its weakest growth since last June. After declining for two consecutive months, the unemployment rate increased by 12 basis points to 4.40 percent. While slower labor force growth may help contain further increases in unemployment, the report highlights emerging downside risks in the labor market. Despite these signs of softening, persistent inflation risks may delay monetary easing until late 2026.

The February Consumer Price Index (CPI) report showed some favorable trends but may not fully reflect current conditions. Headline and core inflation rose 2.40 percent and 2.00 percent year-over-year, respectively, in line with expectations. However, underlying components suggest building inflationary pressures. Energy and food prices firmed even prior to recent geopolitical developments. Core goods prices rose modestly by 0.10 percent month-over-month, as declining used vehicle prices offset gains elsewhere, while core services inflation slowed, primarily due to softer shelter costs. Some of this softness may prove temporary, particularly as the effects of a government shutdown dissipate. Looking ahead, a combination of fiscal stimulus, delayed tariff pass-through, and geopolitical tensions could push inflation higher, potentially reaching 3.50 percent by mid-2026 before gradually returning toward 2.00 percent.

U.S. economic growth slowed in the fourth quarter of 2025, with real GDP increasing at a downwardly revised annual rate of 0.70 percent. A sharp 17 percent annualized decline in federal government spending was a primary driver of the slowdown, although final sales to private domestic purchasers rose a solid 1.90 percent. Consumer spending growth was revised down to 2.00 percent from 3.50 percent in the prior quarter. Fixed investment increased by a revised 1.60 percent, reflecting weaker-than-expected business spending on structures, partially offset by continued strength in equipment and intellectual property investment. Fiscal stimulus is expected to support stronger economic growth in the second and third quarters of 2026.

Corporate earnings remained strong, with S&P 500 earnings per share increasing 13.3 percent year-over-year in the fourth quarter of 2025, exceeding expectations. Growth was driven primarily by higher sales and improved margins, while share buybacks had a modest negative impact. The technology sector accounted for a significant share of earnings growth, contributing approximately 61 percent of the index's total increase. Financials and industrials also posted solid gains, while consumer and health care sectors faced margin pressures from rising costs. Earnings growth for the first quarter of 2026 is expected to remain robust at approximately 13 percent, led by technology, energy, and financial sectors.

Conclusion

- Delayed tariff pass-through and fiscal stimulus may place upward pressure on inflation.
- A divided Federal Reserve could result in fewer rate cuts than currently anticipated.
- Prolonged geopolitical tensions in the Middle East may dampen growth while increasing inflationary pressures.
- Labor market uncertainty persists, particularly in light of continued advancements in artificial intelligence.

Fixed income investments continue to offer attractive income levels and provide downside protection amid ongoing economic uncertainty. The City of Irvine will continue to optimize portfolio duration within projected cash flow requirements while maintaining a strong emphasis on high-quality investments.

City of Irvine
Summary of Pooled Investment Portfolio Book Value by Fund *
As of March 31, 2026

General Reserve Funds	$ 245,896,005
Special Revenue Funds:	
Orange County Great Park	261,458,014
Air Quality Improvement	866,661
Development Impact Fees	345,671
County Sales Tax Measure M	17,472,753
Fees and Exactions	11,002,561
Grants	15,700,827
Hotel Improvement District	1,819,892
iShuttle	(4,174,948)
Library	(422,521)
Local Park Fees	141,886,690
Maintenance District	7,976,534
Major Special Events	667,570
OCFA Settlement Agreement	(15,769)
State Gasoline Tax	34,148,132
Systems Development	31,660,531
Total	520,392,599
Debt Service Funds:	
Irvine Public Facilities and Infrastructure Authority	-
Total	-
Capital Projects Funds:	
Orange County Great Park Development	1,248,264
Gateway Residential Village	(336,162)
Gateway Preserve	(21,124)
Assessment District Fund	13,970,034
Capital Improvement Projects	27,606,182
Community Facilities Districts	(16,956,263)
Irvine Business Complex	116,124,469
North Irvine Transportation Mitigation	164,142,016
Park Development	(8,983,920)
Slurry Seal Fees	(11,199,295)
Total	285,594,200
Permanent Fund:	
Senior Services	498,496
Senior Services Endowments	500,000
Total	998,496
Internal Service Funds:	
Self-Insurance	25,278,829
Equipment and Services	8,603,393
Inventory	67,670
Total	33,949,892
Fiduciary Funds:	
Custodial Funds	8,941,505
Irvine Facilities Financing Authority	(1,623)
Successor Agency Debt Service	-
Redevelopment Obligation Retirement	-
Total	8,939,883
Total Pooled Investments at March 31, 2026	$ 1,095,771,075

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

ATTACHMENT 2