REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: SEPTEMBER 9, 2025

TITLE: TREASURER'S REPORT FOR FISCAL YEAR ENDED JUNE 30, 2025

Director of Administrative Services

DocuSigned by:
Sean Crumby
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City Manager

RECOMMENDED ACTION

Receive and file the Treasurer's Report for the fiscal year ended June 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 fiscal year ended June 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 $1.85 billion as of June 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.

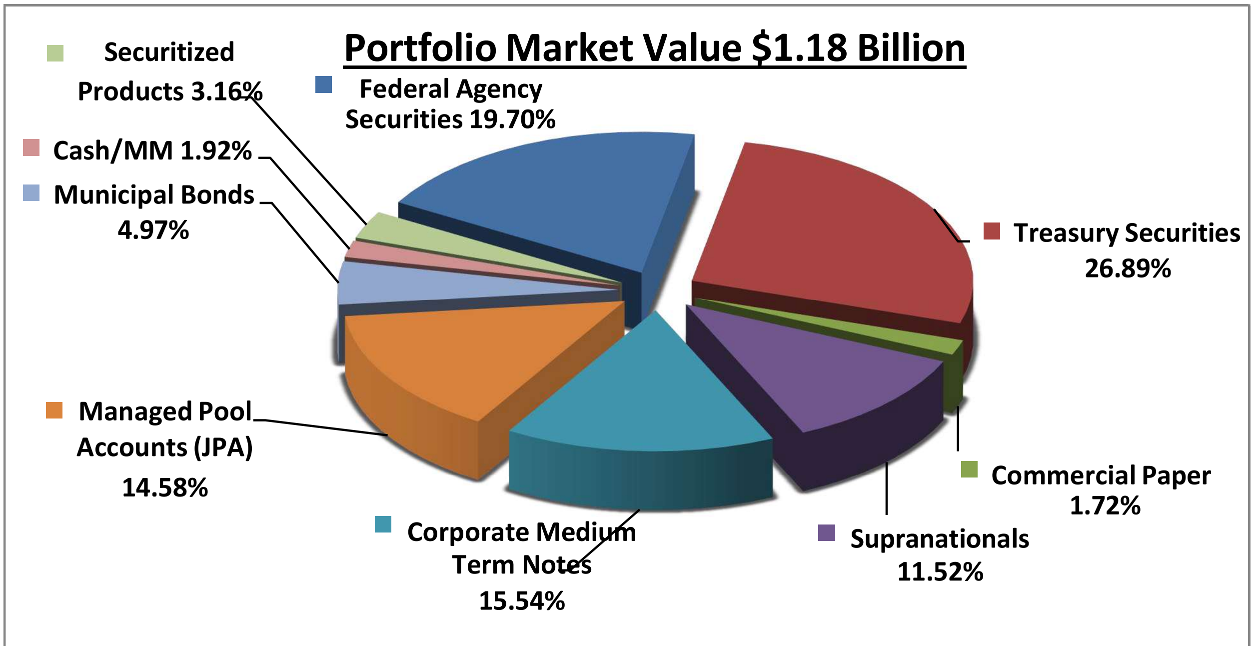
As of June 30, 2025, the City's investment portfolios are in full compliance with the City's Investment Policy, the California Government Code Section 53601, and have sufficient cash flow from a combination of liquid and maturing securities, bank deposits, and income to meet the City's expenditure requirements.

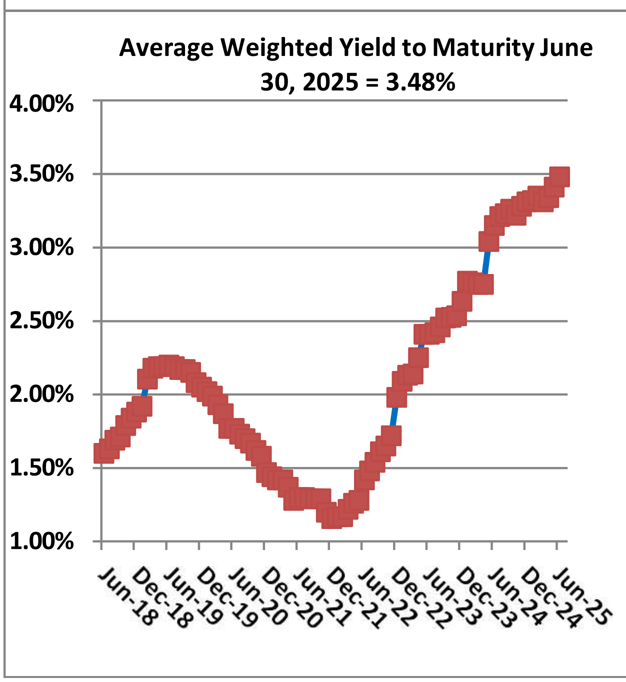
COMMISSION/BOARD/COMMITTEE RECOMMENDATION

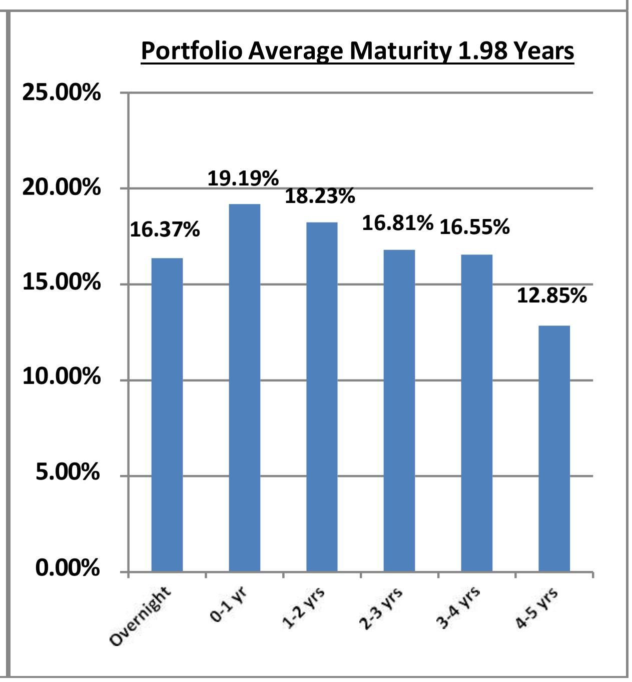
At its regular meeting of August 6, 2025, the Investment Advisory Committee recommended that the City Council receive and file the Treasurer's Report for the fiscal quarter ended June 30, 2025 by a 4-2 vote (Committee Members Kandasamy, Hansen, Judd, and Totounji approving; Committee Members Kashalkar 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 $75.94 million with investments structured for security and liquidity.

REPORT PREPARED BY Don Collins, City Treasurer

Attachments:
1. Treasurer's Report for the fiscal year ended June 30, 2025
2. Summary of Irvine Pooled Investment Portfolio by Fund

CITY OF IRVINE
TREASURER'S REPORT
For Fiscal Year Ended June 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 fiscal year ended, June 30, 2025, the combined book value of the three portfolios totaled $1.85 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 June 30, 2025, the book value (purchase price of securities as recorded on the City's books) of the portfolio was $1.18 billion and the average yield to maturity was 3.48 percent. Fiscal year to date investment revenue (interest payments and capital gains) generated by the portfolio as of June 30, 2025 was $34.78 million. The table below compares the portfolio's statistics over a rolling 12-month period.

Irvine Pooled Investment Portfolio
Rolling 12-Month Quarterly Comparison

	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Book Value	$1,177,803,695	$1,165,477,803	$1,151,485,608	$1,142,672,558
Market Value	$1,180,741,961	$1,161,199,821	$1,136,418,365	$1,140,358,929
Unrealized Gain/(Loss)	$2,938,266	($4,277,983)	($15,067,243)	($2,313,629)
Unrealized Gain/(Loss) as % of Book Value	0.25%	(0.37%)	(1.31%)	(0.20%)
Average Yield To Maturity	3.48%	3.31%	3.31%	3.26%
Liquidity 0–6 Months	24.51%	22.30%	17.83%	19.85%
Weighted Average Maturity	1.98	2.08	2.22	2.15
Modified Duration (Years)	1.79	1.87	2.03	2.00
Quarterly Interest Earnings	$8,362,700	$9,609,093	$8,100,825	$8,708,092
Fiscal Year to Date Income	$34,780,710	$26,418,010	$16,808,917	$8,708,092

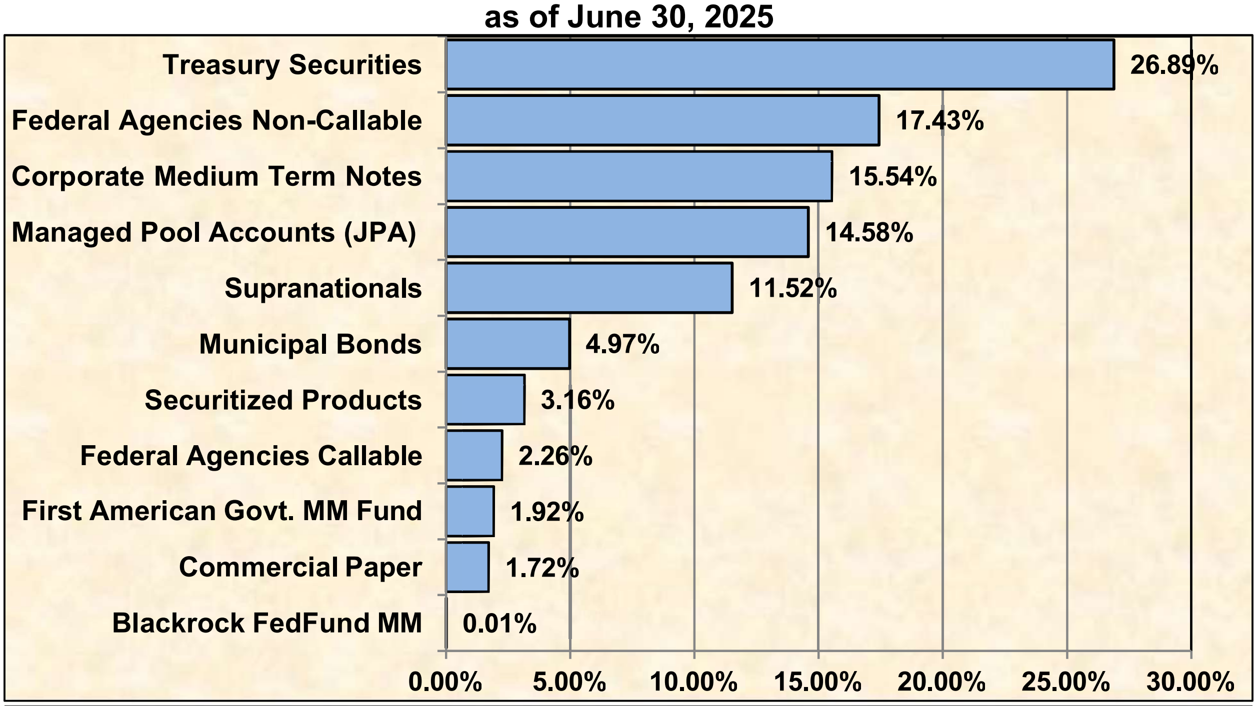
ATTACHMENT 1

As anticipated, the Irvine Pooled Investment Portfolio's book value increased by $12.33 million from the previous quarter due to the receipt of property tax, sales tax, and developer fees. The portfolio yield to maturity increased for the quarter ended June 30, 2025 by 17 basis points to 3.48 percent. With market rates moving lower during the quarter, as of June 30, 2025, the portfolio ended with an unrealized gain of $2.94 million as compared to an unrealized loss of $4.28 million as of March 31, 2025. This is a normal result of the portfolio's modified duration of 1.79 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.

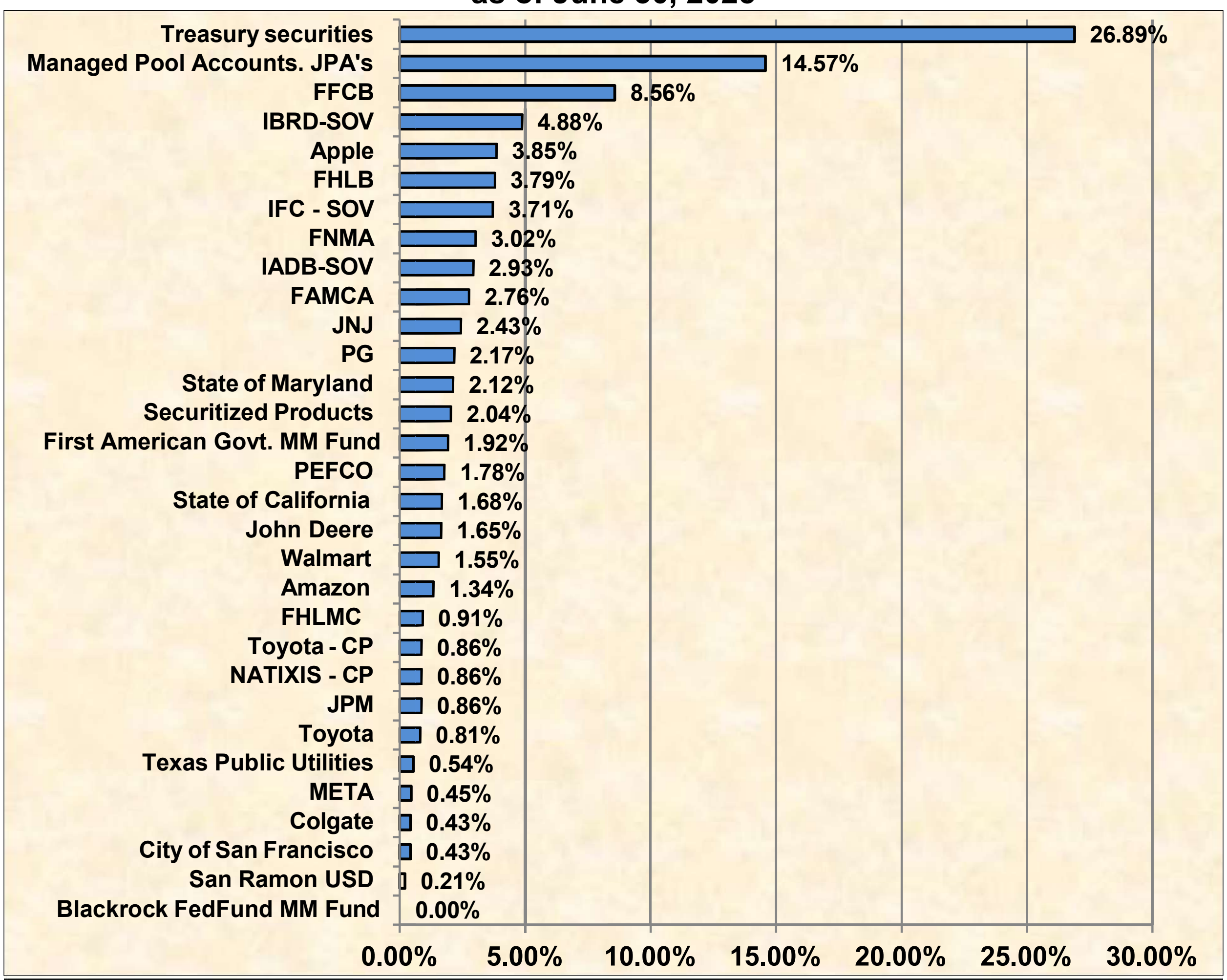
To manage liquidity, the Irvine Pooled Investment Portfolio is invested in Managed Pool Accounts (JPA), short-term Commercial Paper, Blackrock Fed Fund money market fund, and First American Government money market fund. Chart 1 shows the asset allocation of the portfolio.

Irvine Pooled Investment Portfolio
Chart 1 - Asset Allocation
as of June 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 June 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 June 30, 2025, the overnight to 6-month liquidity level for the Irvine Pooled Investment Portfolio was 24.51 percent, and 35.57 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 June 30, 2025

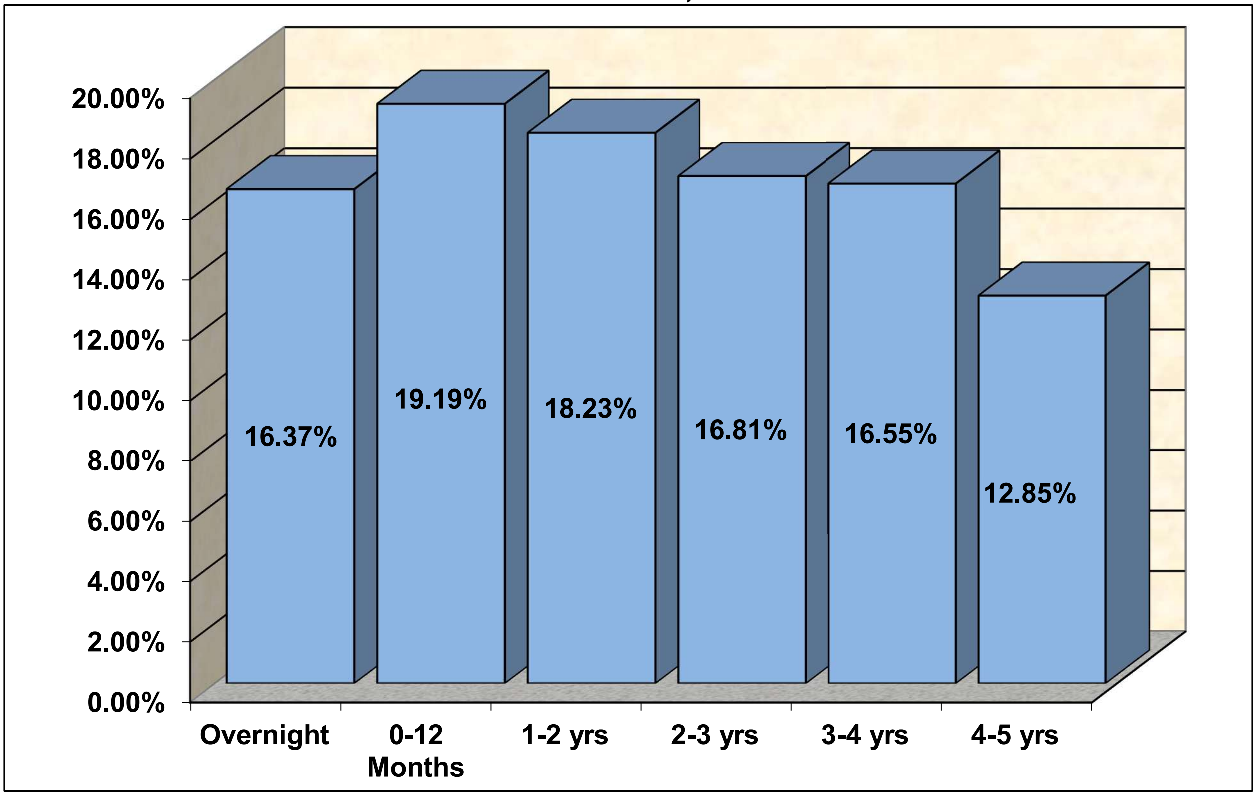
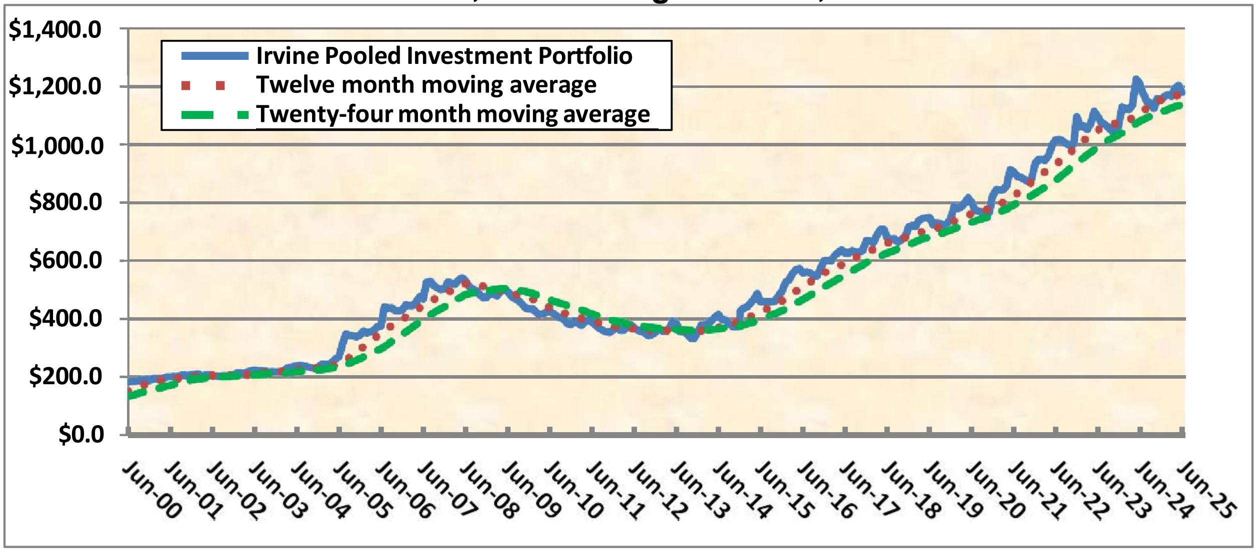
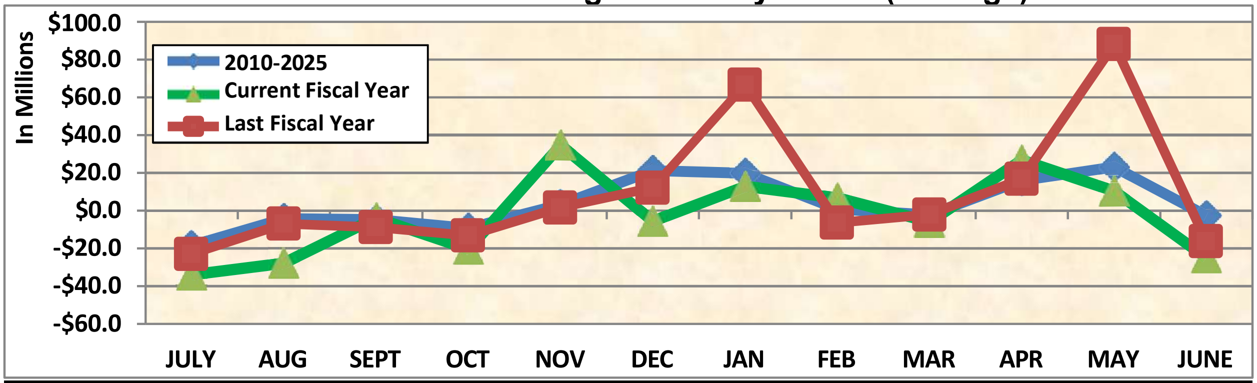


Chart 4 and Chart 5 show the volatility and cyclicality of the Irvine Pooled Investment Portfolio fund balance and cash flows between 2000 and 2025.

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

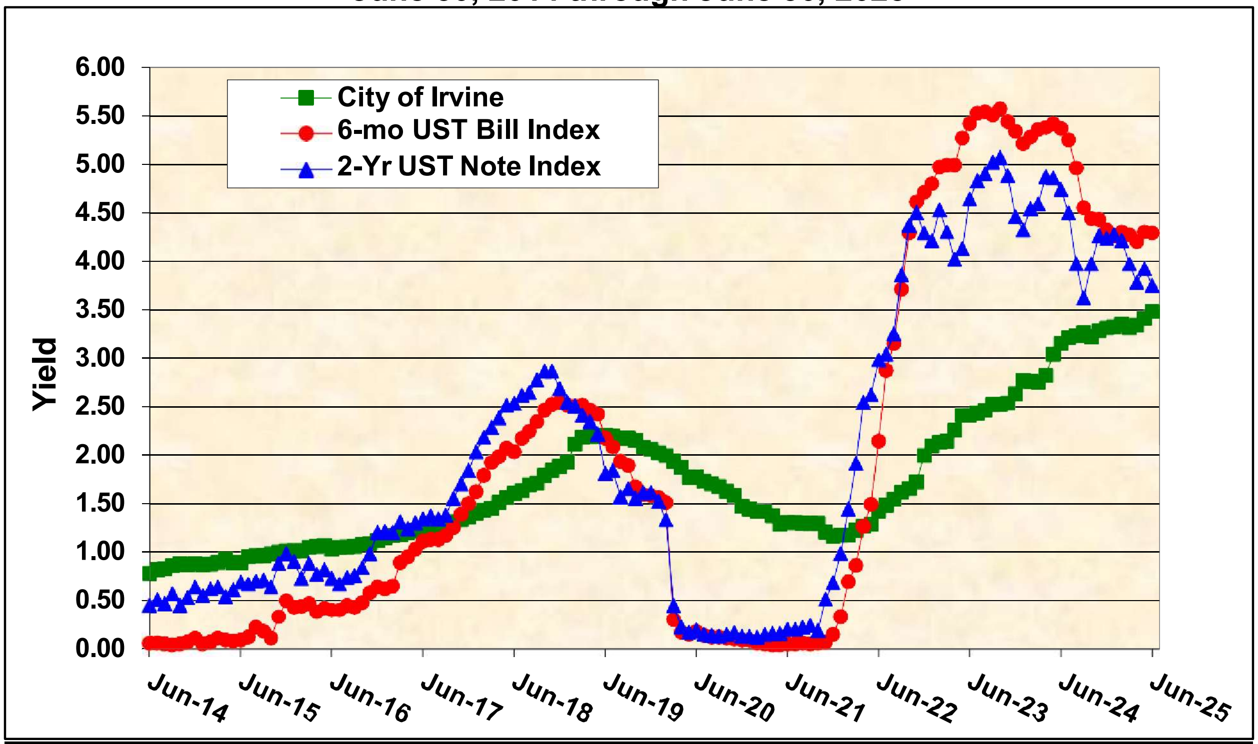


Irvine Pooled Investment Portfolio
Chart 5 – Balance Change Month by Month (Average)



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 0.81 percent and lower than the 2-year UST by 0.27 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
June 30, 2014 through June 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 June 30, 2025 is $2.33 million.

Gateway Preserve Fund Portfolio
Rolling Quarterly Comparison

	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Book Value	$24,163,097	$31,690,225	$31,842,356	$39,352,939
Market Value	$24,946,107	$32,643,723	$32,661,760	$40,453,784
Unrealized Gain/(Loss)	$783,010	$953,498	$819,404	$1,100,845
Unrealized Gain/(Loss) as % of Book Value	3.24%	3.01%	2.57%	2.80%
Average Yield to Maturity	4.41%	4.56%	4.58%	4.91%
Average Days to Maturity	130	151	213	230
Quarterly Interest Earnings	$616,207	$101,215	$765,640	$845,067
Fiscal Year to Date Income	$2,328,129	$1,711,922	$1,610,706	$845,067

Special District Funds Portfolio

The Special District Funds Portfolio contains project and reserve funds for 21 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 June 30, 2025 is $38.83 million.

Special District Funds Portfolio
Rolling 12-Month Quarterly Comparison

	June 30, 2025	March 31, 2025	December 31, 2024	September 30, 2024
Book Value	$647,051,559	$643,343,837	$664,111,135	$625,210,877
Market Value	$648,147,076	$644,525,940	$667,267,631	$630,593,130
Unrealized Gain/(Loss)	$1,095,517	$1,182,103	$3,156,497	$5,382,254
Unrealized Gain/(Loss) as % of Book Value	0.17%	0.18%	0.48%	0.86%
Average Yield To Maturity	4.20%	4.18%	4.33%	4.74%
Average Days To Maturity	60	6	18	43
Quarterly Interest Earnings	$6,803,264	$8,914,450	$9,566,875	$13,546,532
Fiscal Year to Date Income	$38,831,121	$32,027,857	$23,113,407	$13,546,532

Market Conditions

During the fourth quarter of FY 2024-25, interest rates decreased across the yield curve from the one-month Treasury Bill to the 30-year Long Bond. The Federal Reserve voted unanimously to maintain the federal funds rate range unchanged at each of its scheduled meetings on May 7, 2025 and June 18, 2025, keeping the current range of 4.25 percent to 4.50 percent. During the quarter, the yield of the 6-month Treasury bill increased 6 basis points to 4.29 percent, the 2-year Treasury note decreased 17 basis points to 3.72 percent, and the 5-year Treasury note decreased by 17 basis points to 3.79 percent. The Local Agency Investment Fund (LAIF) daily rate decreased from 4.30 percent to 4.26 percent during the quarter. The Joint Power Authority (JPA) daily rate decreased from 4.47 percent to 4.41 percent. The net effect to the Pooled Investment Portfolio was a shift from an unrealized market value loss to $4.28 million as of March 31, 2025 to an unrealized gain of $2.94 million as of June 30, 2025, which is in direct proportion to the stated duration of the portfolio, and the change in market yields.

At its June meeting, the Federal Open Market Committee (FOMC) unanimously voted to hold the federal funds rate steady at a range of 4.25 percent to 4.50 percent. Changes to the statement language were modestly dovish, with new language noting that, while still elevated, uncertainty about the economic outlook has diminished. With the no change in rates largely expected, all eyes were on the Committee's updated summary of economic projections and dot plot for clues on how government policy could affect the path forward. Revisions were stagflationary in nature, with the Committee revising down its growth forecast for 2025, but revising its forecasts for inflation and the unemployment rate higher. The revised dot plot continued to show two rate cuts for 2025 but just one for 2026. Higher inflation due to tariffs could allow the Fed to cut rates just once this year.

The June Jobs report came in stronger than expected, but some of the underlying details looked soft. The U.S. economy added 147 thousand payroll jobs while upward revisions added 16 thousand jobs to the prior two months. However, private payroll growth slowed to 74 thousand, and more than half of this month's gains came from state and local governments. The unemployment rate ticked lower to 4.10 percent, although this was largely driven by a 130 thousand fall in the labor force. Elsewhere, average hourly earnings rose 0.20 percent month over month (m/m) and 3.70 percent year over year (y/y), showing little risk of wage inflation. The economy and labor market are gradually softening, but not too dramatically as of this data release.

The May Consumer Price Index (CPI) report came in slightly cooler than expected, with headline and core CPI both rising 0.10 percent m/m (2.40 percent and 2.80 percent y/y, respectively). Core goods prices were flat, with tariffs not yet impacting the data broadly, but they are beginning to impact specific products, such as medical equipment, appliances and prescription drug prices. Within services, softening consumer demand seems to be showing up, with airfares and hotel prices falling, and shelter prices cooling to 0.30 percent m/m. Headline and core Personal Consumption Expenditure Price index came in a bit higher than expected, rising 2.30 percent and 2.70 percent y/y, respectively. Looking ahead, tariff impacts could intensify in the months ahead, with CPI potentially bouncing to 3.5-4 percent by year-end.

The U.S. economy slowed more than expected in 1Q, with real GDP dropping 0.50 percent annualized after final revisions. Consumer spending rose just 0.50 percent, with goods up 0.10 percent and services up 0.60 percent. Private investment surged 23.80 percent due to inventory spikes before tariffs, while government spending fell -0.60 percent due to reduced federal spending. Net exports dragged growth by 4.60 percent due to a 37.90 percent import increase. Looking through tariff-related distortions to trade, economic momentum may have been weaker than expected heading into 2Q.

Calendar first quarter earnings season has come to a close with projected pro forma earnings per share (EPS) of $63.45. This estimate would represent y/y growth of 12.40 percent and q/q growth of -3.50 percent. Looking at the three main sources of EPS growth, sales, margins and shares are expected to contribute 5.10, 8.40, and -1.10 percentage points, respectively, to y/y growth. 77 percent of companies have beaten estimates, and earnings have come in 10 percent above consensus, driven by strong beats from the Mag 7. While results have been solid, management teams are concerned about tariffs and discussing plans for cost cutting and price increases.

In conclusion, continuing geopolitical tensions, policy uncertainty regarding 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 June 30, 2025

General Reserve Funds	$ 273,237,048
Special Revenue Funds:	
Orange County Great Park	286,651,165
Air Quality Improvement	646,212
County Sales Tax Measure M	16,433,589
Fees and Exactions	13,860,693
Grants	14,623,764
Hotel Improvement District	1,612,627
iShuttle	(1,577,845)
Library	(40,000)
Local Park Fees	142,880,716
Maintenance District	9,225,987
Major Special Events	612,104
OCFA Settlement Agreement	153,362
State Gasoline Tax	35,216,607
Systems Development	25,394,677
Total	545,693,658
Debt Service Funds:	
Irvine Public Facilities and Infrastructure Authority	-
Total	-
Capital Projects Funds:	
Orange County Great Park Development	2,057,753
Gateway Residential Village	(422,874)
Gateway Preserve	(10,782)
Assessment District Fund	3,956,196
Capital Improvement Projects	19,065,018
Community Facilities Districts	(14,795,868)
Irvine Business Complex	124,673,540
North Irvine Transportation Mitigation	160,755,529
Park Development	19,578,002
Slurry Seal Fees	(3,878,009)
Total	310,978,505
Permanent Fund:	
Senior Services	461,354
Senior Services Endowments	500,000
Total	961,354
Internal Service Funds:	
Self-Insurance	20,825,699
Equipment and Services	17,145,706
Inventory	140,051
Total	38,111,455
Fiduciary Funds:	
Successor Agency Debt Service	-
Redevelopment Obligation Retirement	-
Custodial Funds	8,821,676
Total	8,821,676
Total Pooled Investments at June 30, 2025	$ 1,177,803,695

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

ATTACHMENT 2