



## **Q2 FY25-26 Investment Review**

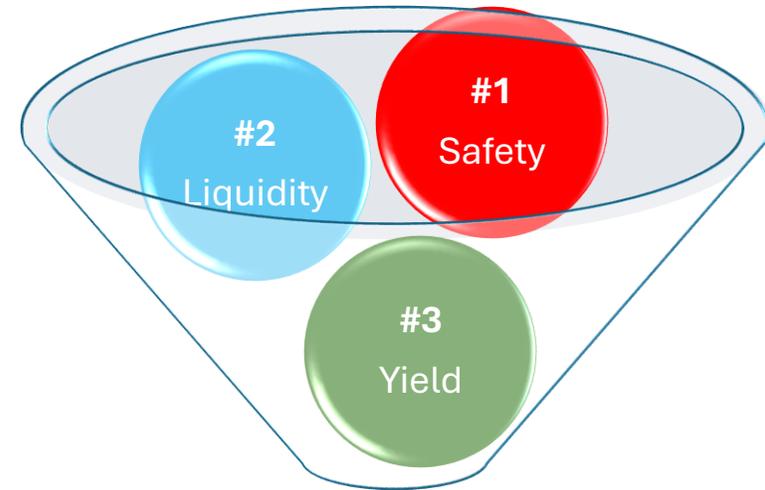
***City Council***  
***February 17, 2026***

# Investment Policy Principles

*Our city's investment policy is designed to provide guidelines for the prudent investment of all city cash balances with an absolute investment priority of safety, liquidity, and yield in that order*

## CITY OF HUNTINGTON BEACH STATEMENT OF INVESTMENT POLICY

2026

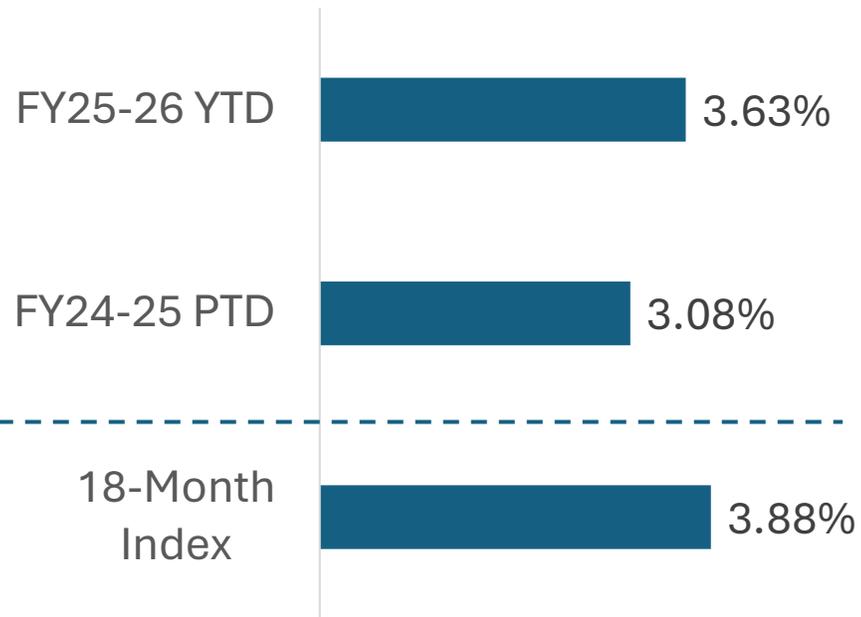


Prudent Investor  
Standard

# Q2 FY25-26 Investment Performance

*Huntington Beach has ~\$440M in investable reserves across short-term and long-term instruments at quarter-end, yielding a 3.63% return for this quarter and outperforming prior quarter and last year's performance*

Portfolio Return (%)



Sector Breakdown

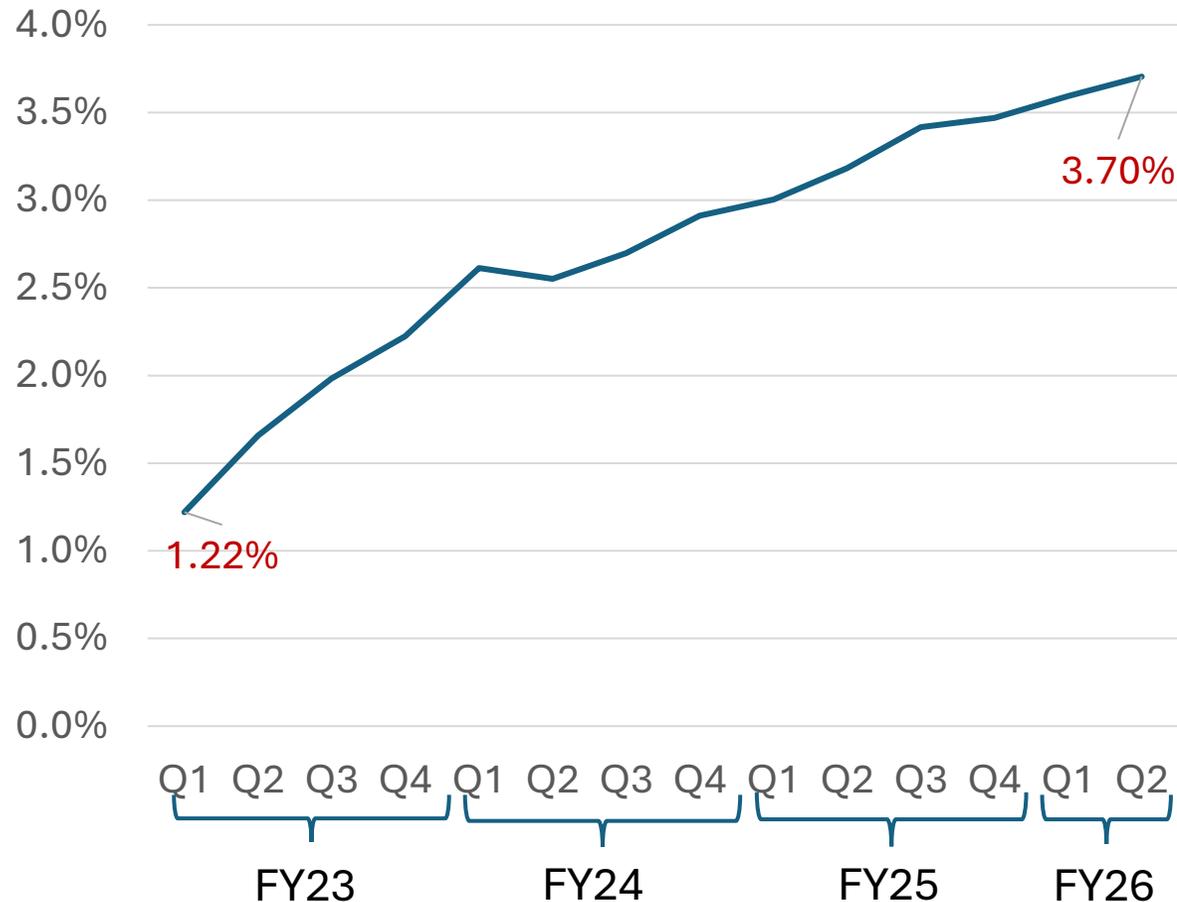


- **YTD Transactions:** 8 purchases (\$53 million) and 16 redemptions (\$74 million)
- **Returns:** Portfolio has generated \$7.5 million in 6 months, which is \$1.7 million higher than last year
- **Acceleration:** Returns are accelerating on quarterly basis (3.63% YTD FY25-26 vs. 3.59% for Q1 FY25-26)
- **Roll-Offs:** \$50 million in pandemic era purchases with < 2% yield rolling-off across next 12 months

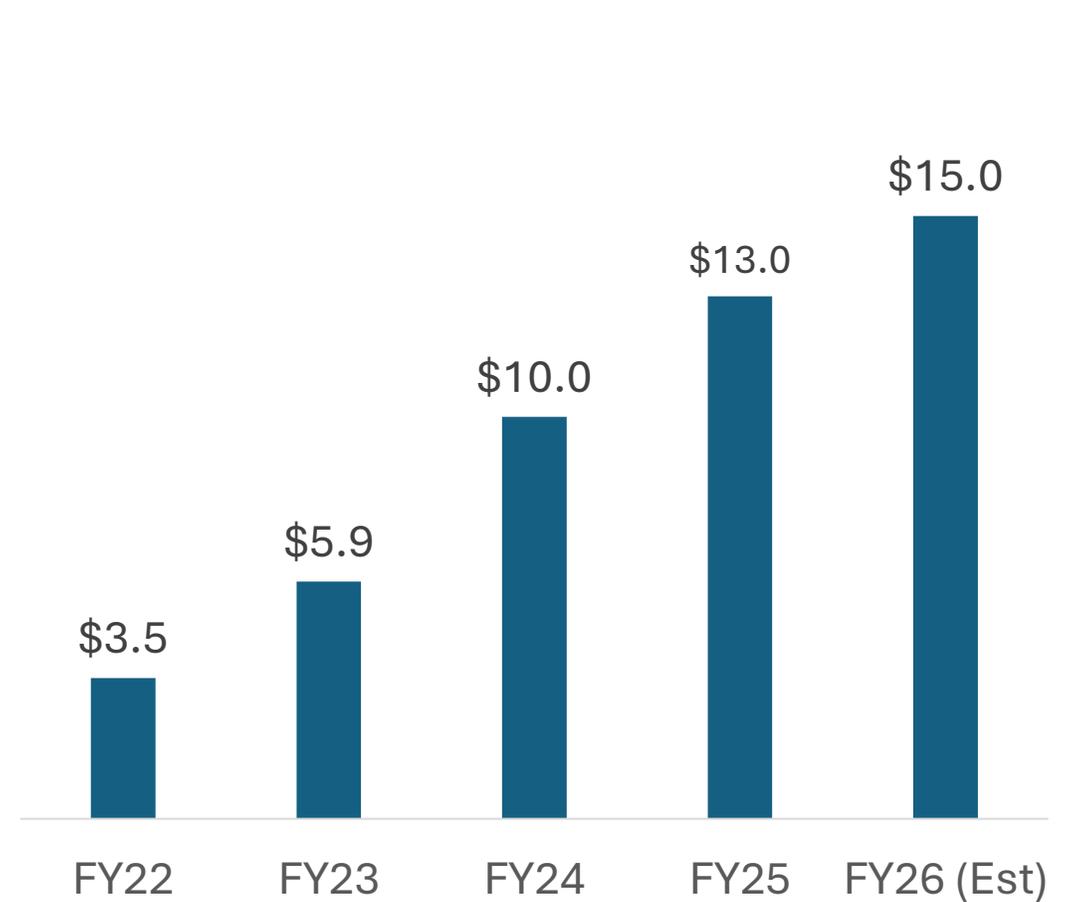
# Long-Term Investment Performance

*Huntington Beach's net annual investment income has nearly quadrupled over the last 4 years and our effective quarterly rate of return has increased from 1.22% to 3.70%*

### Portfolio Return (%)



### Net Annual Investment Income (\$M)



# Q2 FY25-26 Investment Portfolio Compliance

*Both the bond and cash portions of the investment portfolio are in full compliance with our city's Investment Policy and California General Code requirements*

## Holdings Compliance Summary

	Investment Limit			Issuer Limit			Maximum Maturity			Credit Ratings		
	Limit	Actual	Compliant	Limit	Actual	Compliant	Limit	Actual	Compliant	Actual Min Rating Short Term	Actual Min Rating Long Term	Compliant
U.S. Treasuries	100.00%	19.49%	Yes	100.00%	19.49%	Yes	5.00 Years	3.58 Years	Yes	N/A	N/A	Yes
Supranational	30.00%	11.33%	Yes	100.00%	5.63%	Yes	5.00 Years	3.50 Years	Yes	N/A	AAA/Aaa/AAA	Yes
U.S. Agencies	100.00%	30.21%	Yes	100.00%	18.60%	Yes	5.00 Years	4.98 Years	Yes	N/A	N/A	Yes
Corporates	30.00%	20.89%	Yes	10.00%	3.37%	Yes	5.00 Years	4.73 Years	Yes	N/A	A/A2/A	Yes

## Cash Compliance Summary

Cash Account	Account Description	% of Portfolio Maximum	% of Portfolio	% Investable	Dollar Portfolio Maximum	Current Book Value	Investable Value	Compliant
003-CAMP	California Asset Management Program		13.95%		\$75,000,000.00	\$61,259,430.12	\$13,740,569.88	Yes
	LGIP		13.95%			\$61,259,430.12		Yes
104-FUZXX	First American Treasury Obligations	15.00%	4.13%	10.87%		\$18,136,122.32	\$47,746,428.40	Yes
	Cash/Money Market	15.00%	4.13%	10.87%		\$18,136,122.32		Yes

Overall bond portfolio meets compliance requirements for:

- Investment limits
- Issuer limits
- Maximum maturities
- Credit ratings (81% are AAA or AA rated)

Overall cash/LGIP portfolio meets compliance for:

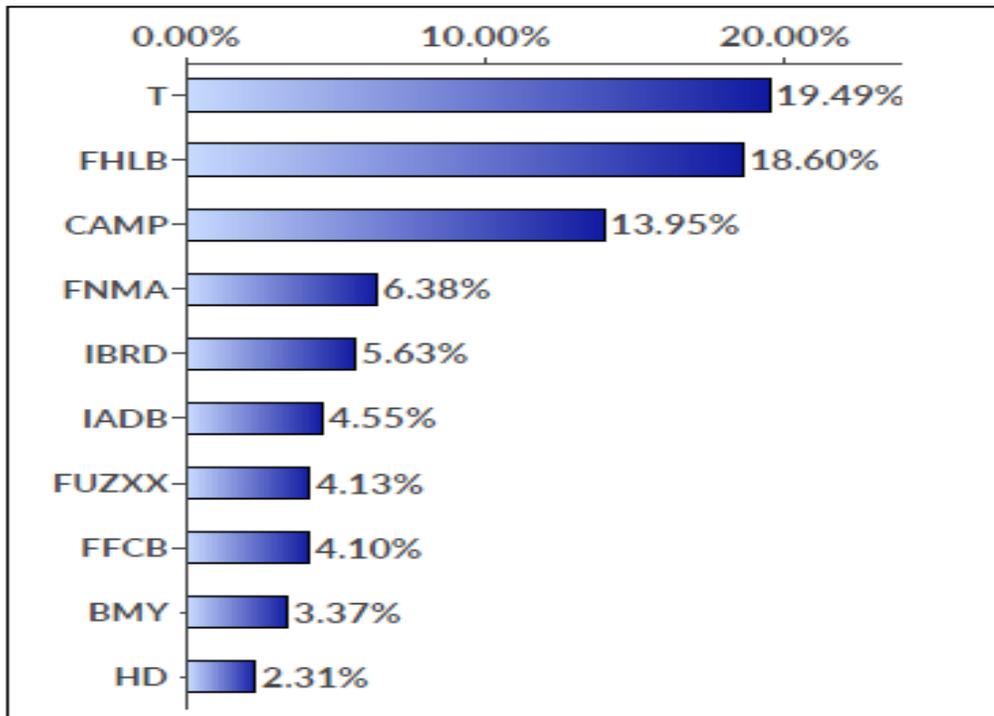
- Investable limits
- Portfolio share

Current Cash/LGIP levels would cover ~25% drop in sales and property taxes for 18 months with a ~\$19 million buffer

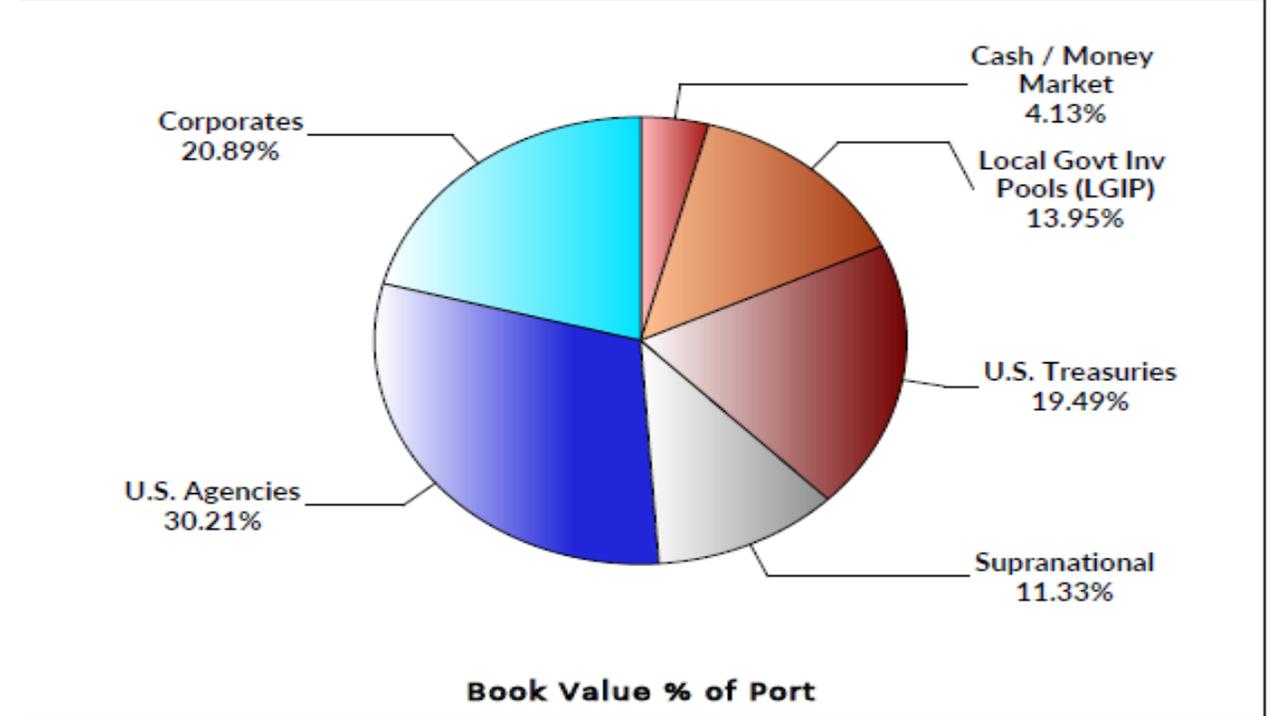
# Q2 FY25-26 Investment Portfolio Concentration

*Issuer concentration is nicely balanced within the investment portfolio, but there is an upside opportunity to rebalance portfolio sector weighting to capture incremental yield with very limited risk exposure*

### Issuer Holdings - Top 10



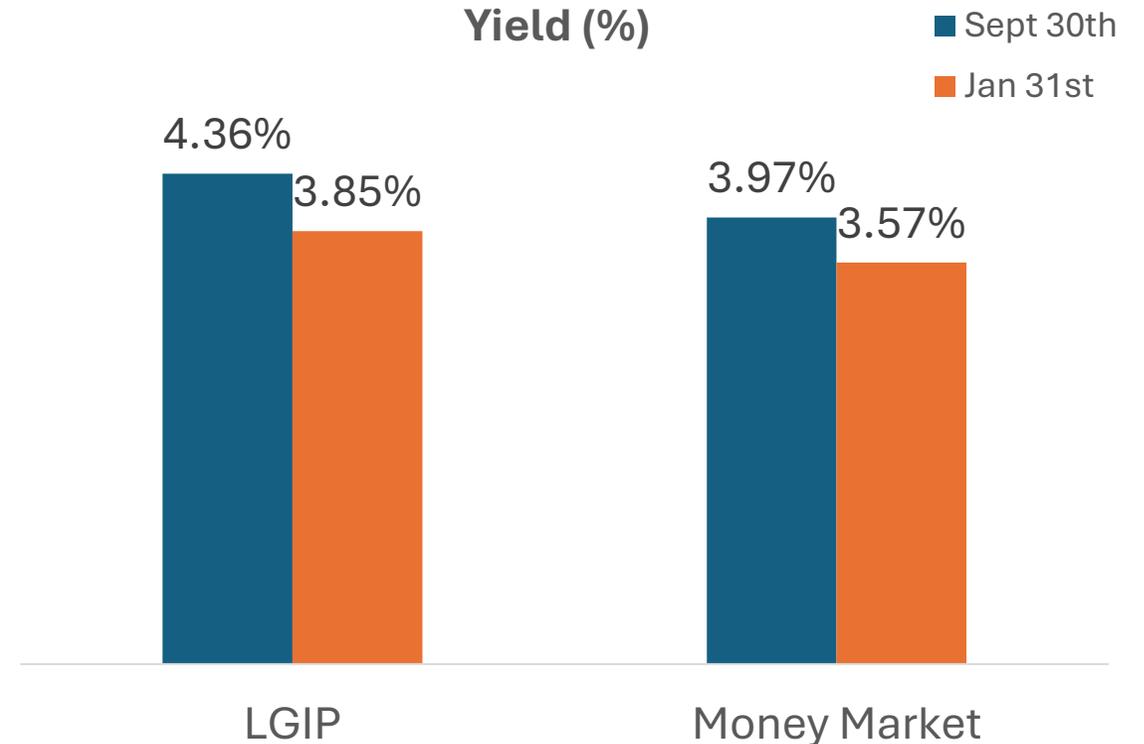
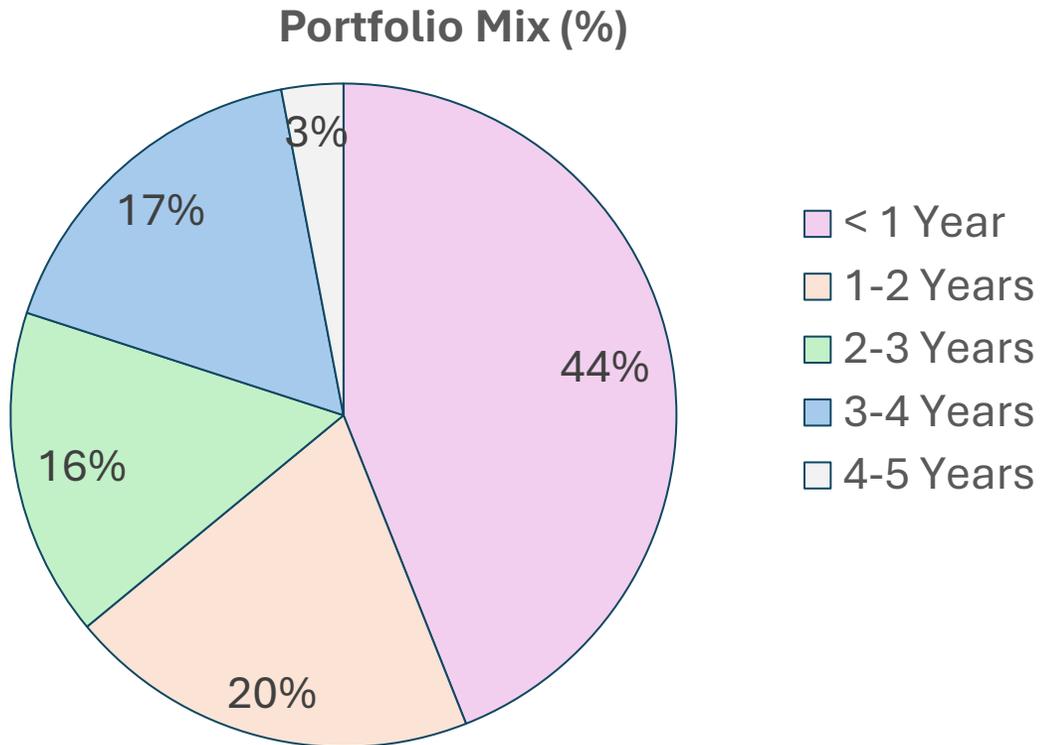
### Sector Breakdown



- **Issuer Concentration:** Nicely balanced with only 10%+ concentrations in Treasuries, LGIP, and Federal Home Loan Bank (~40% of which matures in next six months) and only 11% of bonds being callable
- **Sectors:** Current portfolio weighted toward Cash/LGIP, Treasuries, and Agencies but opportunity to rebalance with upcoming maturities and authorization of new broker/dealers for Huntington Beach

# Q2 FY25-26 Investment Portfolio Timeline

*Recent Department of Justice actions regarding the Federal Reserve have increased the likelihood of an outside rate drop in May-November 2026 that we may want to buffer against in our portfolio*



- **Financial Returns:** Yields on ~40% the <1 Year investments has declined 35-50 basis point in just the last 3-4 months as funds re-ratchet rates to reflect the recent FMOC rate reductions with additional reductions likely
- **Yield Curve:** The inverted curve has now flattened, making 3-5 years investments equally/more attractive
- **Opportunity:** The city has a unique opportunity before May to lock-in 3-5 year returns for much of its portfolio

# 2026 Broker/Dealer Process and Results

*We have completed our first comprehensive broker/dealer process in over a decade and significantly shifted our broker/dealer network to reduce fees and portfolio risk*

- 1) Conducted robust due diligence on 10 broker/dealers – 3 incumbents and 7 new options
- 2) Exited two incumbents broker/dealers as they were not local and shifting risk to the city
- 3) Retained SAAS analytics program that is fully integrated with our ERP platform to keep costs low
- 4) Added six new broker/dealers, five of whom are local and two who are woman/veteran owned
- 5) New broker/dealers are all highly active in major gold-star treasury associations, generally have 20+ years of industry experience, and include chartered CFAs with higher fiduciary obligations
- 6) New brokers/dealers provide access to investment sectors offering higher yields than Treasuries without material incremental risk (e.g., asset-backed Agencies bonds)
- 7) New protocol will require triple bids for all trades to ensure city is securing lowest investment fees and require all broker/dealers to be re-certified each fiscal year

# Internal and External Initiative Updates

*Beyond investment strategy, we are focused on deploying automation in cash collection/disbursement efforts and deploying community programming to help residents achieve their American Dream*

## Internal Initiatives

- Deploy AI-based system to identify unpermitted short-term rental operators
- ✓ Partner with bank to simplify processes via electronic data feeds
- ✓ Complete collections process for dormant citations issued during pandemic
- ✓ Comprehensive audits of hotel TOT payments
- ✓ Adopt technology to streamline collections and increase administrative efficiencies
- ❑ Install self-service kiosks and QR codes to facilitate electronic payments

## External Initiatives

- Provide overview of Treasurer Office services and solicit community feedback
- Partner with Police Department to expand tax, investment, and identity scam classes
- Expand local access to free tax preparation
- ✓ Introduce workshops and 1-on-1 counseling related to personal finances and investments for seniors, working age adults, and youth
- ❑ Develop short-term rental operator trainings