



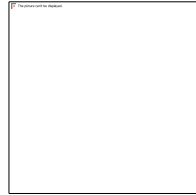
Q3 FY25-26 Investment Review

City Council
May 5, 2026

Investment Policy Principles

Our investment policy provides guidelines for prudent investment with an absolute investment priority of safety, liquidity, and yield

01



Safety

Principal Preservation

Protect every public dollar first and invest only in high-grade instruments that safeguard capital under all market conditions

02

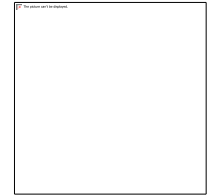


Liquidity

Ready Cash Access

Maintain enough liquidity to meet every operating, payroll, and emergency obligation without forced sales

03



Yield

Market-Rate Returns

Pursue competitive, risk-adjusted returns, but only after safety and liquidity have been fully assured

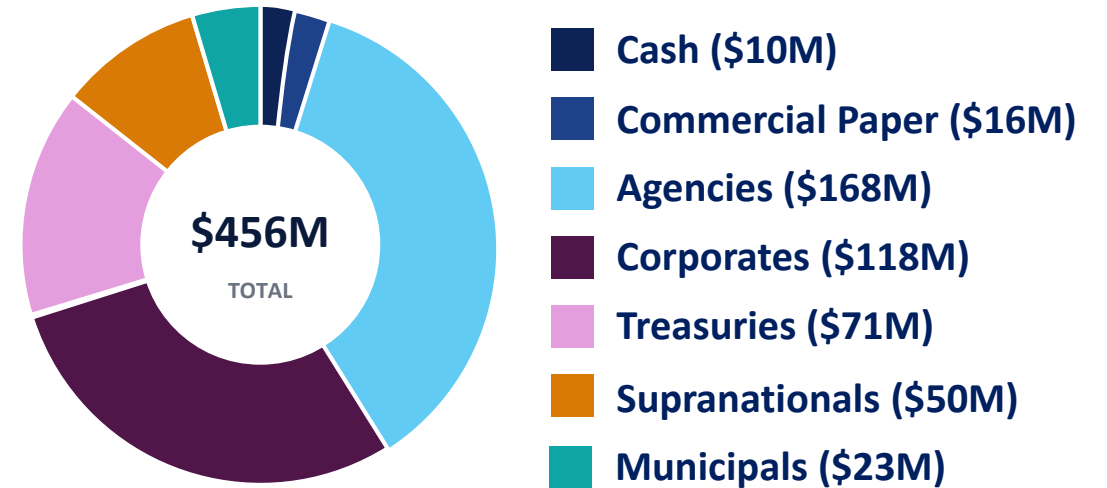
Q3 FY2025/26 Investment Performance

Huntington Beach finished the quarter with a \$456 million investable fund balance, yielding a 3.91% return and outperforming recent quarters

Portfolio Return (%)



Sector Breakdown



Returns

Portfolio generated \$11.7M in 9 months (+\$2.5M vs. FY2024/25)



Acceleration

Returns accelerating each quarterly (3.91% for Q3 vs. 3.71% YTD)



Benchmark

Returns in line with benchmark as low-yield bonds roll-off



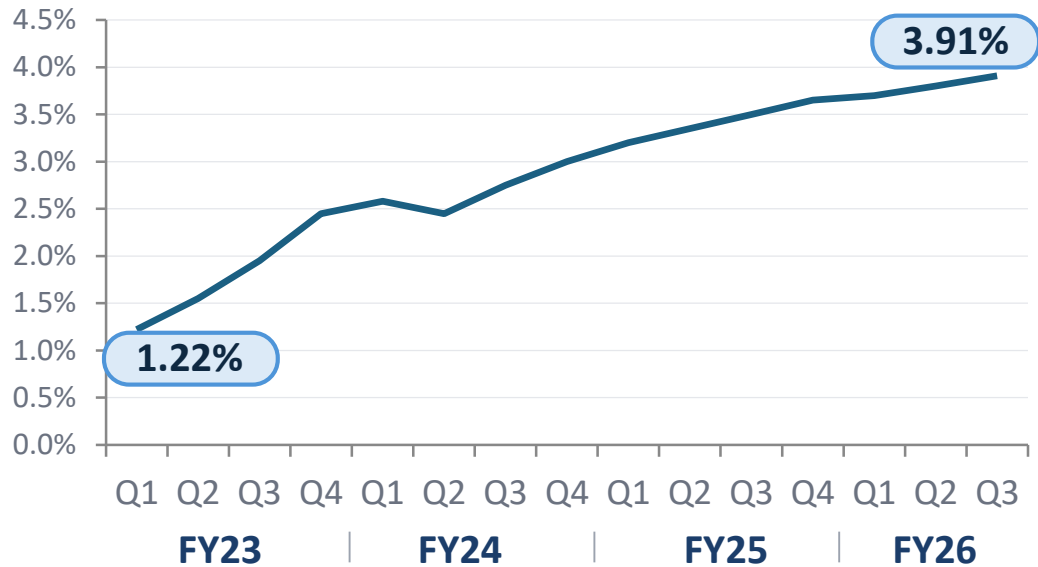
Roll-Offs

\$25M in sub-2% yield bonds maturing in the next 9 months

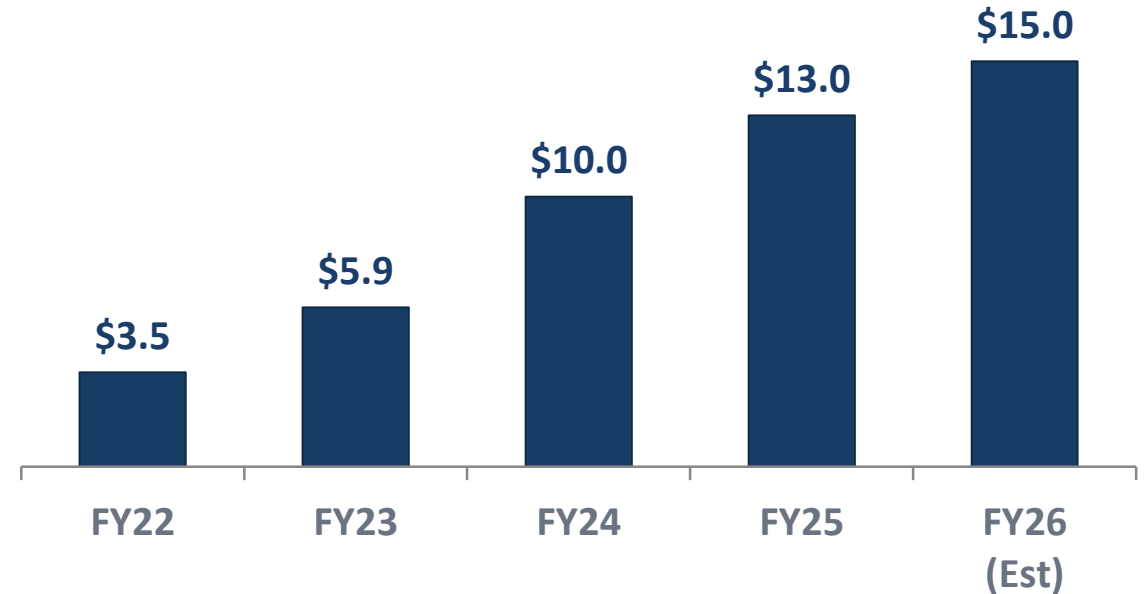
Long-Term Investment Performance

Our projected net investment income for all fund balances in FY2025/26 is expected to be at least \$15 million and our quarterly return increased from 3.7% → 3.9% this quarter

Portfolio Return (%)



Net Annual Investment Income (\$M)



Consistent Growth

Return grew from 1.22% → 3.91% over last 3 years



On Track

FY2025/26 annual income of \$15M remains on target



Income Growth

Annual income grew 4x from \$3.5M → \$15M over last 3 years

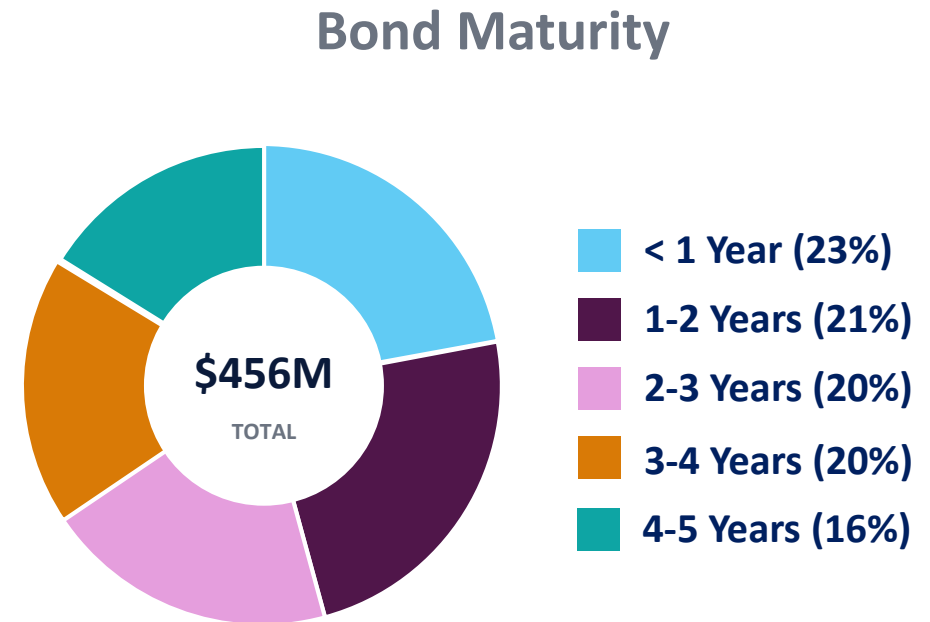
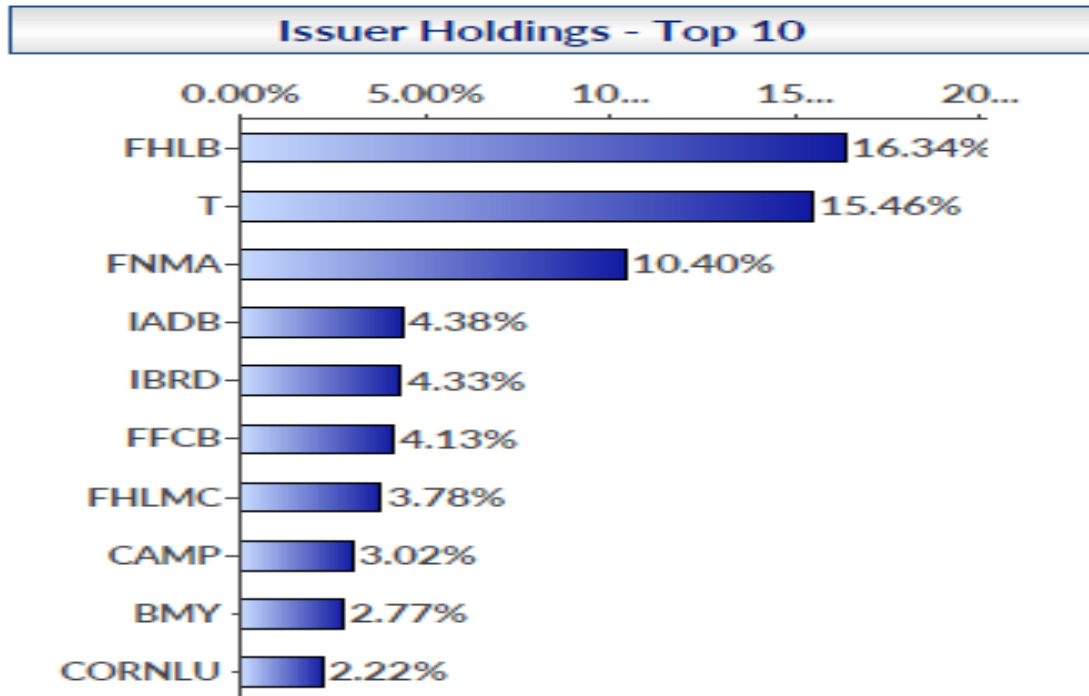


Rate Momentum

Quarterly rate increase reflects roll-offs and active repositioning

Q3 2025/26 Portfolio Concentration

We purchased \$130 million in securities this quarter that reduced our issuer concentration and evened out the portfolio across maturity dates



Issuer Concentration

Treasuries, Fannie Mac, and FHLB are the only 10%+ issuers



Interest Rate Exposure

Only 9% of our bonds are true callables, reducing reinvestment risk



Portfolio Duration

Shifted ~20% of portfolio from short-term to longer-term bonds



Yield Enhancement

Increased spreads on 12% of portfolio via new/expanded sectors

Q3 FY2025/26 Investment Compliance

The cash and bond portions of the portfolio are both fully compliant this quarter with the City's Investment Policy Statement and the California General Code

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
Commercial Paper	40.00%	2.15%	Yes	10.00%	1.08%	Yes	1.00 Years	0.54 Years	Yes	A-1/P-1/F1	N/A	Yes
U.S. Treasuries	100.00%	15.46%	Yes	100.00%	15.46%	Yes	5.00 Years	3.33 Years	Yes	N/A	N/A	Yes
Supranational	30.00%	10.91%	Yes	100.00%	4.38%	Yes	5.00 Years	3.25 Years	Yes	N/A	AAA/Aaa/AAA	Yes
U.S. Agencies	100.00%	36.85%	Yes	100.00%	16.34%	Yes	5.00 Years	4.90 Years	Yes	N/A	N/A	Yes
Corporates	30.00%	25.96%	Yes	10.00%	2.77%	Yes	5.00 Years	4.48 Years	Yes	N/A	A/A2/A	Yes
Municipals	100.00%	5.02%	Yes	10.00%	2.02%	Yes	5.00 Years	4.59 Years	Yes	N/A	AA-/Aa2/AA	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		3.02%		\$75,000,000.00	\$13,811,877.33	\$61,188,122.67	Yes
	LGIP		3.02%			\$13,811,877.33		Yes
104-FUZX	First American Treasury Obligations	15.00%	0.62%	14.38%		\$2,823,921.08	\$65,717,492.93	Yes
	Cash/Money Market	15.00%	0.62%	14.38%		\$2,823,921.08		Yes

Overall bond portfolio meets compliance requirements for:

- ✓ Investment limits
- ✓ Issuer limits
- ✓ Maximum maturities
- ✓ Credit ratings (84% are AAA or AA rated)

Overall cash/LGIP portfolio meets compliance for:

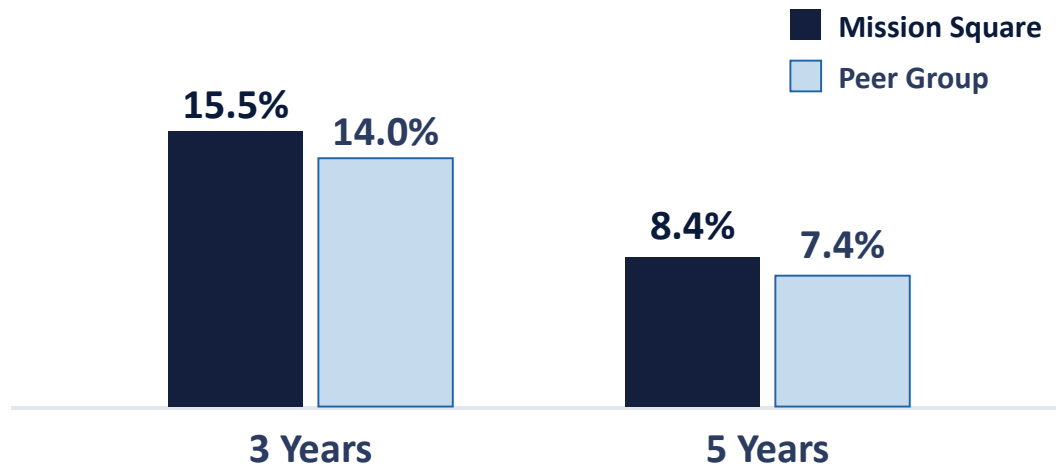
- ✓ Investable limits
- ✓ Portfolio share

Deferred Compensation Program

Huntington Beach's \$210 million employee deferred compensation plan has consistently outperformed peer benchmarks while charging lower fees

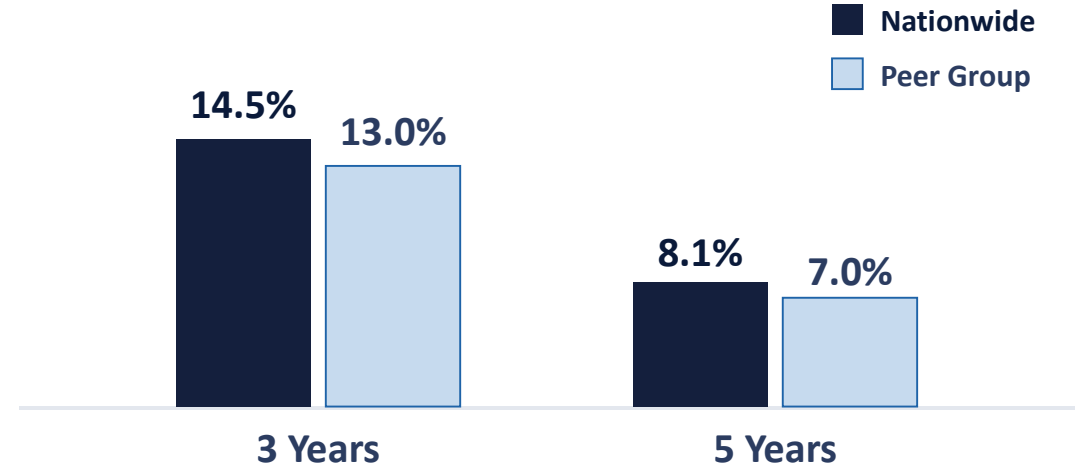
Mission Square

Average Returns (%)



Nationwide

Average Returns (%)



Outperformance

Both carriers beat peer benchmarks by 100-150bps



Low Fees

Plan fees held at ~12 bps — well below industry averages




Oversight

Treasurer oversees plan with HR, Finance, and City Manager



Employee Benefit

Tax-advantaged 457(b) with broad investment choices



Internal and External Initiatives

Invest Soundly

Maximize
Collections

Build Platforms



Invest Soundly

The team has built a sound investment structure over the last six months and is currently stabilizing long-term returns to minimize variability for Huntington Beach

PHASE 1: BUILD STRUCTURE

PHASE 2: STABILIZE RETURNS

Investment Baseline

Streamlined Investment Policy to sharpen focus and increase resident accessibility



Deepen team expertise and recapture excess funds to reinvest elsewhere

Annual Yields

Generating highest investment income for City in over a decade



Lock-in current high yields for 3-5 year time horizon to stabilize investment income

Portfolio Mix

Expanded broker/dealer network size and instituted rigorous bid process



Diversify portfolio mix across investment classifications with larger spreads

Cash Flow

Maximizing utilization of asset-liability model to guide bond investing



Build detailed cash flow model reflecting final 2026-2027 adopted budget and CIP

Maximize Collections

The team is transforming its processes to harness the City's robust technological capabilities so it can quickly scale auditing capabilities while reducing human error rates

PHASE 1: CAPTURE FUNDS

PHASE 2: EXPAND DEFINITIONS

Hotel and STR TOTs

Finalized seven hotel TOT audits and launched Deckard AI-driven STR platform



Complete remaining 14 hotel TOT audits and identify STR non/under-payment

Citation Collections

Maximize collections of \$1M+ in dormant citations from pandemic era



Increase citation timeliness/collection rates through new Data Ticket

Self-Reported Fees

Build/streamline databases for business licenses, oil wells, and utility user taxes



Develop automated auditing capabilities and explore business case for select outsourcing

Technology Adoption

Automate manual processes and eliminate paperwork to reduce errors



Leverage electronic bank feeds and shift payment methods to minimize processing

Build Platforms

We have piloted a series of new programs for Huntington Beach residents and businesses that we will focus on scaling to reach more a broader audience over the rest of 2026

PHASE 1: PILOT PROGRAMS

PHASE 2: EXTEND ACCESS

Resident Services

Digital platform with custom water usage data and user-friendly electronic billing



Payment kiosks in City Hall and Agentic AI software for municipal services call center

Business Services

Presentations and easy-to-use guides for local businesses on taxes/fees



\$500K ADA accessibility grant program and fully electronic business license applications

Financial Awareness

Comprehensive financial literacy workshops and monthly investment scam classes



Establish seasonal tax prep location and offer financial programs in multiple languages

Novel Partners

Partnerships with other departments and non-profits for scams, tax prep, and finances



Leverage local colleges and County to expand services and test workforce development