

Finance Commission
Wednesday, September 28, 2022
5:00 PM - Regular Meeting
AGENDA

City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648
Civic Center, Lower Level, Room B-7, and
Zoom

DAHLE BULOSAN, Chief Financial Officer
SUNNY RIEF, Assistant Chief Financial Officer
LINDA WINE, Finance Administrative Assistant
THUY VI, Finance Administrative Aide



JAMIE CRAVER, Chair
TONY STRICKLAND, Vice-Chair
STEPHANIE GLEDHILL, Commissioner
FRANK LO GRASSO, Commissioner
JANET MICHELS, Commissioner
LAWRENCE OWEN, Commissioner
ROBERT STERNBERG, Commissioner

This meeting will be held in a hybrid format, both in-person and virtually via Zoom.

PUBLIC COMMENTS INSTRUCTIONS:

At 5:00 p.m., individuals wishing to provide a comment on agendized or non-agendized items may do so in person or telephonically via Zoom during the Public Comments portion of the meeting.

You may view or listen to this meeting by clicking on:
<https://huntingtonbeach.zoom.us/j/94470169243>

To call in, dial: (669) 900 6833
Meeting ID: 944 7016 9243

Raise your "virtual hand" in the Zoom meeting room when the Recording Secretary calls for public comments. Your microphone will then be unmuted in the order in which it was received.

A. CALL TO ORDER / ROLL CALL / PLEDGE OF ALLEGIANCE

B. PUBLIC COMMENTS

The Finance Commission can take no action on this date, unless the item is agendized. Anyone wishing to speak on items not on today's agenda, may do so during PUBLIC COMMENTS. Please note comments on closed public hearing items will not be part of the permanent entitlement record. Speakers on items scheduled for PUBLIC HEARING will be invited to speak during the public hearing. (3 MINUTES PER PERSON, NO DONATING OF TIME TO OTHERS)

C. APPROVAL OF MINUTES

C1. Finance Commission Meeting Minutes of July 27, 2022 – approval requested.

[22-826](#)

Finance Commission Meeting Minutes of July 27, 2022

Attachments: [draft Minutes 07.27.22](#)

D. DISCUSSION ITEMS AND POTENTIAL RECOMMENDATIONS

D1. Investment Update, Debt and Refinancing Opportunities

E. COMMISSIONER COMMENTS

F. ADJOURNMENT

The next regularly scheduled meeting of the Finance Commission is Wednesday, November 16, 2022, at 5:00 p.m. via Zoom and in Meeting Room B-8, Lower Level, Huntington Beach, California.

INTERNET ACCESS TO THE FINANCE COMMISSION AGENDA AND STAFF REPORT MATERIAL IS AVAILABLE PRIOR TO FINANCE COMMISSION MEETINGS AT: <https://huntingtonbeach.legistar.com/>

MEETING ASSISTANCE NOTICE:

In accordance with the Americans with Disabilities Act, services are available to members of our community who require special assistance to participate in public meetings. If you require special assistance, 48-hour prior notification will enable the City to make reasonable arrangements for an assisted listening device (ALD) for the hearing impaired, American Sign Language interpreters, a reader during the meeting and/or large print agendas. Please contact the Finance Department at 714-536-5200 for more information, or request assistance from the recording secretary at the meeting.

City of Huntington Beach

FY 2022/23 Investments, Debt, and Refinancing Opportunities

Finance Commission

September 28, 2022



Presentation Overview

- **City's Investment Update**
- **Long-Term Obligations**
- **Potential Refinancing Opportunities**

City's Investment Update



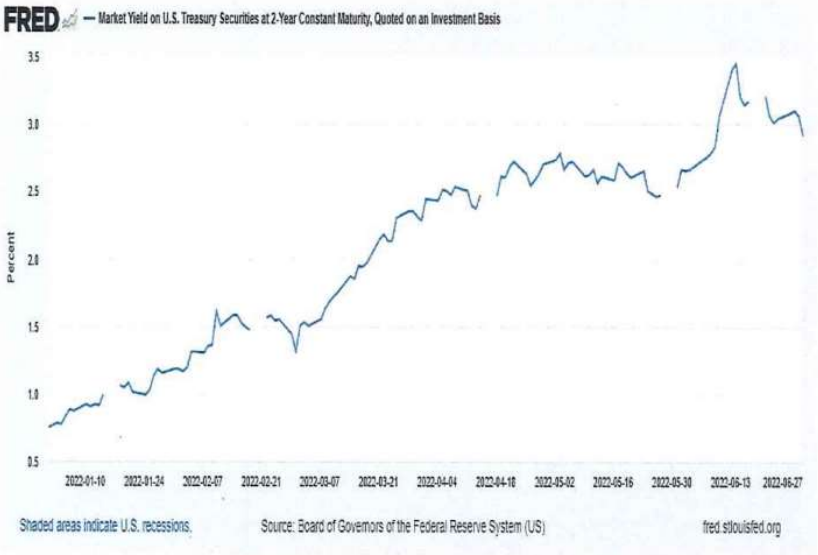
City's Investment Update

- The City's elected City Treasurer, Alisa Backstrom, manages the investment of all City funds with the oversight of the Investment Advisory Committee
- City's Investment Policy has the following primary goals:
 - ✓ Safety – No principal losses
 - ✓ Liquidity - Sufficient funds for operating needs
 - ✓ Prudently managed – No compliance issues
 - ✓ Reasonable rate of return within policy and legal parameters
- Policy – no stocks, “A” rated bonds and higher, 5 year max term, US treasuries, Local Agency Investment Fund (LAIF), OC Investment Pool
- Total Portfolio Value as of 6/30/2022: \$316.6 million
- Portfolio Earnings FY21/22: \$3.5 million
- Effective Rate of Return FY21/22: 1.19%
- Benchmark Rate: 1.06% (12-month moving average 1.5 year Treasury)

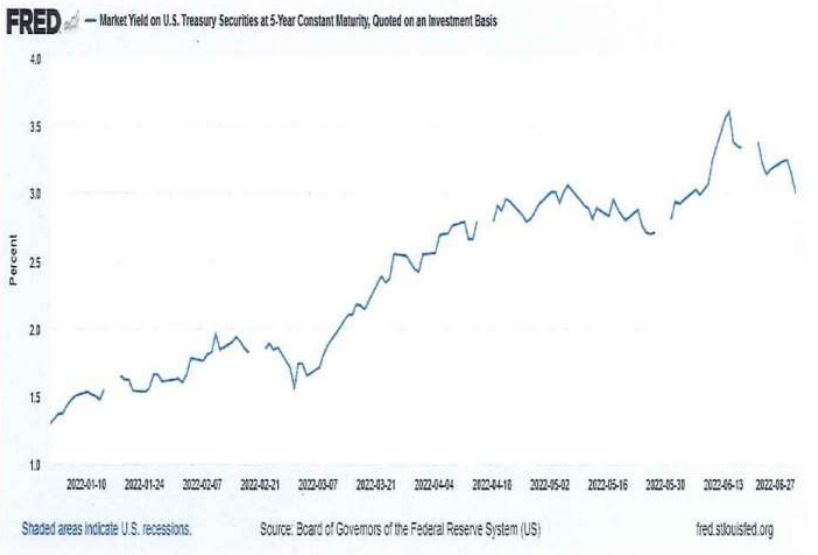
Economic and Market Overview

- U.S. Treasury Rates:

INTEREST RATES – US TREASURY RATES JANUARY 1, 2022 – JUNE 30, 2022:

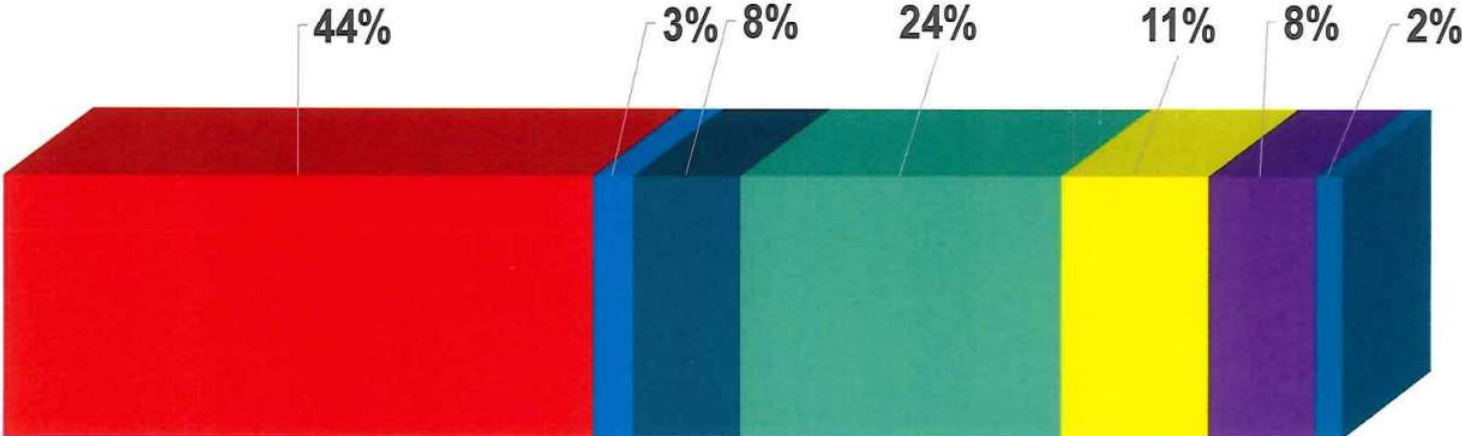


2-year US Treasury
2.92%
at 6/30



5-year US Treasury
3.01%
at 6/30

INVESTMENT PORTFOLIO – INVESTMENTS BY TYPE:



- Federal Agencies
- OC Investment Pool
- Corporate Bonds
- Treasuries
- MTN-Supras
- LAIF
- Commercial Paper

Investment Summary

- **Safety – No principal losses**
- **Liquidity – Sufficient funds for operations**
- **Market rate of return – 1.22% June, 1.19% Fiscal Year-to-date (upward trend)**
- **Prudently managed – No compliance issues**
- **Positive contributor to City – Earnings of \$3,495,631 fiscal year 2021-22 to be utilized for operating and other expenses**

Long-Term Obligations



City's Recent Success in Lower Borrowing Costs

- City staff continually monitors for opportunities to lower the City's borrowing costs.
- In FY2020/21, the City reaffirmed its **AAA Fitch Rating** due to the City's strong financial position and prudent fiscal management.
- In August 2020, the City refinanced 2 bonds (2010 & 2011 LRB) to realize **\$6.7 million in savings**. Rates were lowered from 3.31%-4.13% to 1.08%-1.361%, respectively.
- On March 1, 2021, City Council approved to refinance 85% of our pre-existing pension debt at a historically low interest rate of 2.925% from 7% to **save \$166.7 million** during the next 24-year period.
- In June 2021, all capital equipment leases were refinanced to a low 1.249% from rates between 1.7% and 2.2% **saving \$43,000**.

Long Term Obligations (in thousands)

Name	Description	Balance as of 6/30/2021	Balance as of 6/30/2022
2014(a) Lease Revenue Bonds	Senior Center	\$11,880	\$11,215
2020(a) Lease Revenue Bonds	Refinance 2010(a) LRB - Pier Plaza, 800MHz System, Emerald Cove	4,835	4,835
2020(b) Lease Revenue Bonds	Refinance 2011(a) LRB - Sports Complex, S. Beach, Civic Improvements	12,830	11,315
LED Lighting Phase I	Purchase and upgrade to LED lighting citywide	432	314
I-Bank CLEEN Loan	Purchase and upgrade to LED lighting citywide	1,882	1,586
CEC Loan	Purchase and upgrade to LED lighting citywide	2,457	2,063
Leases Payable – Equipment	3 Helicopters, Rescue Boat, Fire Engine, Refinance 800MHz, 2 Fire Engines, 2 Ambulances	12,753	11,714
Pension Obligation Bonds	Refinance 85% CalPERS Pension UAL	363,645	352,010
Total		\$410,714	\$395,052

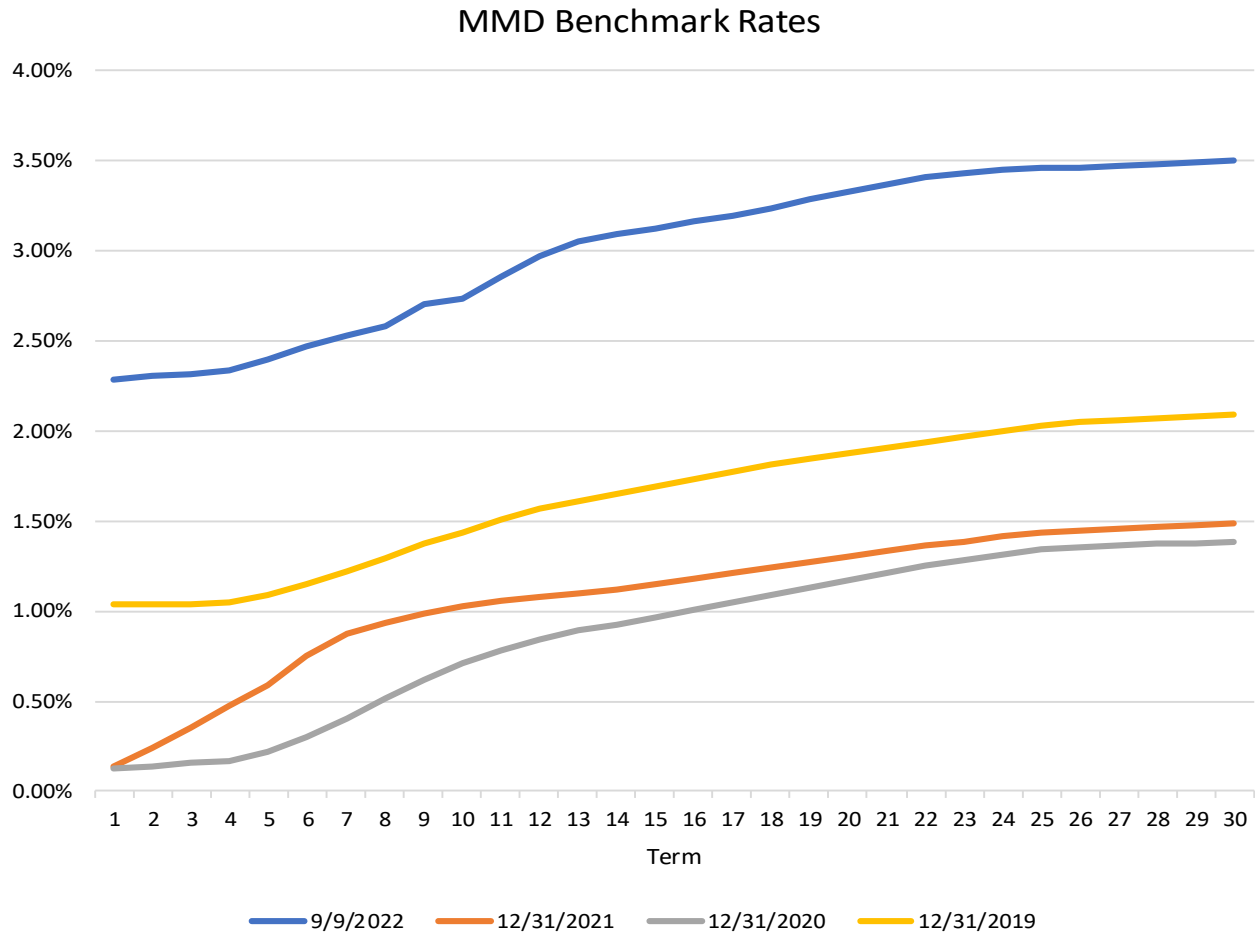
Potential Refinancing Opportunities



Municipal Bond Refinancing (Refunding) – How it works

- Municipal Governments have a unique opportunity to utilize low cost tax-exempt bonds to borrow funds to meet long term capital needs
- Cities can refinance (refund) higher cost debt with lower cost debt similar to refinancing your home mortgage, but there are differences
- The federal government instituted rules for municipal bond refinancing to prevent municipalities from taking advantage of arbitrage opportunities
 - Typically bonds have a 10-year call option and can be refunded within 90 days of the call date to maintain the bonds' tax-exempt status
 - Bonds can be advance refunded before the 10-year call option, but the bonds are taxable and will have a higher rate than a tax-exempt bond
 - A tax exempt bond can only be advance refunded once
- The City works with a Financial Advisor to help us monitor refinancing opportunities

Historical Market Rates



Potential Refinancing Opportunity

- The City's Lease Revenue Bonds, 2014 Series A are callable on 9/1/2024 and may be advance refunded on a taxable basis
- A preliminary refunding analysis does not generate any net PV savings (current rate 3.024%, taxable advance refi rate 4.9%)
- 5% Net PV savings is preferred for advance refundings
- The 2014 Lease Revenue Bonds may only be refunded tax-exempt 90 days before the 9/1/2024 call date – 6/3/2024 is the earliest date
- A preliminary tax-exempt refunding analysis indicates no net PV savings (tax-exempt refi rate 3.3%)

Recommended Action

- Direct staff to continue to monitor refinancing opportunities
- Direct staff to refinance the 2014 Lease Revenue Bonds when the PV savings of refinancing is approximately 5%

Questions?

