



**CITY OF COSTA MESA
FINANCE DEPARTMENT
INTEROFFICE MEMORANDUM**

**TO: HONORABLE CITY COUNCIL
LORI ANN FARRELL HARRISON, CITY MANAGER**

FROM: CAROL MOLINA, FINANCE DIRECTOR

DATE: April 5, 2024

SUBJECT: TREASURER’S REPORT FOR THE MONTH OF NOVEMBER 2023

Attached is the Treasurer’s Report for the month of November 2023. This performance report lists the various types of securities, institutions from which the securities were purchased, maturity dates, and interest rates for all securities held in the City’s investment portfolio as of the end of the reporting period. All of the City’s investments as of November 30, 2023 comply with the Investment Policy and the California Government Code except as otherwise noted or disclosed herein. All market values provided in this report were obtained from International Data Corporation, an independent pricing source, except for the Local Agency Investment Fund (LAIF). The cost value shown for the City’s LAIF investment represents the City’s contractual rights to its LAIF account and does not represent the value of the underlying portfolio securities.

SUMMARY

Beginning Book Value	\$	157,377,359
Deposits/Acquisitions		8,838,307
Withdrawals/Dispositions		(1,689,179)
Ending Book Value		<u>164,526,486</u>

As of November 30, 2023, the City had adequate cash reserves necessary to meet its obligations.

The following security was sold during the month of November 2023:

<u>Type of Investment</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Interest Rate</u>
U.S. Treasury Note	09/30/24	\$609,301	2.125%

There were no securities that matured or purchased during the month of November 2023.

COMPLIANCE REPORTING

The City holds two Lehman Brothers Medium-Term Corporate Notes in its investment portfolio. The total amount invested in these two securities stated at cost was \$5,049,700. Lehman Brothers filed for bankruptcy protection status on September 15, 2008 and the debt rating fell from A2 to B3- on that date. The market value loss of \$4,107,075 for the securities was recorded on the City's general ledger in 2008.

In April 2011, the City joined the Ad Hoc Group of Lehman Brothers Creditors to help maximize the recovery through bankruptcy proceedings and to protect the City's interest in the Lehman Brother's bankruptcy. The Ad Hoc Group filed a "Creditor's Plan" with the U.S. Bankruptcy Court in Manhattan which would provide a better recovery to creditors of the original Lehman parent company while offering a smaller payout to some creditors of Lehman subsidiaries. On December 6, 2011, the Bankruptcy Court entered an order confirming the Debtors' Chapter 11 Plan. The following table summarizes the distributions received:

	<u>Distributions</u>
April 14, 2012	\$ 301,890
October 1, 2012	192,024
April 4, 2013	250,361
August 30, 2013	59,207
October 3, 2013	289,015
April 4, 2014	320,756
October 2, 2014	232,983
April 2, 2015	160,218
October 1, 2015	119,814
March 31, 2016	34,220
July 16, 2016	50,165
October 6, 2016	84,995
December 14, 2016	6,627
April 6, 2017	65,700
October 5, 2017	44,370
December 6, 2017	59,360
April 5, 2018	37,004
September 26, 2018	3,184
October 4, 2018	39,148
April 4, 2019	6,646
July 18, 2019	14,395
October 3, 2019	10,171
April 2, 2020	3,344
October 1, 2020	3,931
April 1, 2021	14,177
October 7, 2021	3,890
April 6, 2022	2,352
October 7, 2022	326
April 6, 2023	1,201
October 5, 2023	642
Total	<u>\$ 2,412,116</u>

The City estimates the value of Lehman Brothers investment claim held in escrow with Lehman Brothers Holdings, Inc. semi-annually. These estimates are primarily based on cash distributions that have been received to date as well as distributions anticipated in the future. To date, the City has received 48 cents of every dollar invested originally in the Lehman Brothers investments. As of November 30, 2023, staff estimated the value of the Lehman Brothers investment claim at \$7,500. The current estimates for recoveries through the bankruptcy proceedings are unknown.

As of November 30, 2023, the investment portfolio was in compliance with the City's adopted investment policy and applicable state laws in all other respects during, and as of, the end of the reporting period.

If you have any questions or need additional information, feel free to contact the Finance Department.

A handwritten signature in black ink, appearing to read 'Carol', is written over a horizontal line.

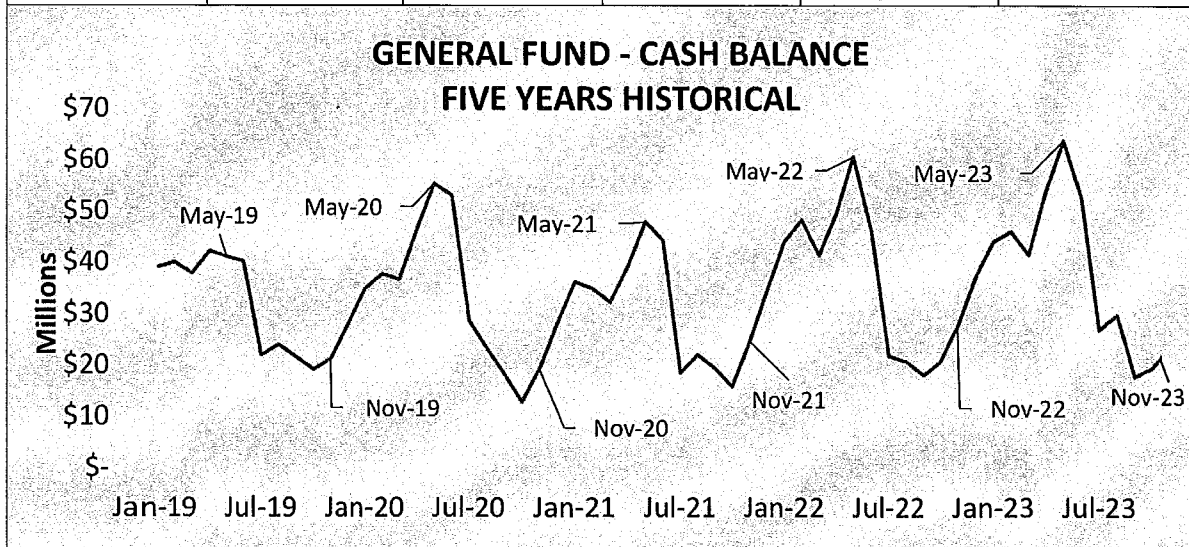
Carol Molina
Finance Director

- Attachments: 1 – Pooled Cash and Investments by Fund as of November 30, 2023
2 – General Fund Cash Position over the past five calendar years
3 – Investment Report for the month of November 2023

GENERAL FUND CASH POSITION

The City’s General Fund receives its most significant revenues, such as sales tax and property tax, several times during the year. However, it pays for majority of the City’s operational expenditures throughout the year. The inflows and outflows of the General Fund cash are closely monitored by Finance staff. The following is a summary of the General Fund historical ending cash balances over the past five calendar years:

	2019	2020	2021	2022	2023
January	\$39.2	\$34.8	\$36.2	\$44.0	\$44.1
February	40.0	37.7	34.9	48.3	46.1
March	37.9	36.7	32.3	41.4	41.5
April	42.3	46.7	39.3	49.4	53.8
May	41.2	55.4	47.9	60.7	63.8
June	40.2	53.1	44.3	46.2	52.7
July	22.0	28.6	18.5	21.8	26.9
August	23.9	23.3	22.0	20.7	29.8
September	21.6	18.4	19.4	18.1	17.8
October	19.9	12.9	15.8	20.6	19.5
November	21.2	19.3	24.7	27.5	23.2
December	27.9	28.5	35.5	37.2	



As indicated in the above graph, the General Fund’s cash balance typically peaks at May of each year and dips to the lowest point around October and November.

CITY OF COSTA MESA
SUMMARY OF CASH HELD IN TRUST
AS OF NOVEMBER 30, 2023

Costa Mesa Financing Authority 2017 Lease Revenue Bonds

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Construction Fund	U.S. Govt. Obligation Fund	First American	Open	328,960.89	\$ 328,960.89	\$ 328,960.89	
Principal Fund	U.S. Govt. Obligation Fund	First American	Open	1,172.56	1,172.56	1,172.56	
Base Rental Payment Fund	U.S. Govt. Obligation Fund	First American	Open	13,887.65	13,887.65	13,887.65	
Interest Fund	U.S. Govt. Obligation Fund	First American	Open	467.39	467.39	467.39	
	Ending Balances			\$ 344,488.49	\$ 344,488.49	\$ 344,488.49	

Housing Authority Fund

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
First Time Home Buyer Program	Checking Account	Farmers State Bank	Open	969.39	\$ 969.39	\$ 969.39	(1)
Tenant Deposits	Checking Account	JP Morgan Chase Bank	Open	21,468.00	21,468.00	21,468.00	(1)
Tenant Deposits	Checking Account	Union Bank	Open	4,000.00	4,000.00	4,000.00	(1)
	Ending Balances			\$ 26,437.39	\$ 26,437.39	\$ 26,437.39	

800 MHz Quarterly Reserve Fund

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Cost Sharing Infrastructure/ Sustainability/(Reserve) Fund	Money Market Fund	Orange County Investment Pool	Open	579,356.82	\$ 579,356.82	\$ 579,356.82	
	Ending Balance			\$ 579,356.82	\$ 579,356.82	\$ 579,356.82	

Section 115 Pension Trust

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Trustee: U.S. Bank	Balanced Index PLUS	Public Agency Retirement Services	Open	1,618,956.07	\$ 1,618,956.07	\$ 1,618,956.07	
Section 115 Pension Trust	Ending Balance			\$ 1,618,956.07	\$ 1,618,956.07	\$ 1,618,956.07	

R J Noble Co/Citywide Street Rehabilitation Project

Fund	Investment Type	Issuer	Maturity Date	Cost	Par	Market Value	Rate
Trustee: Banner Bank	Checking Account	Banner Bank	Open	127,166.98	\$ 127,166.98	\$ 127,166.98	(1)
Escrow Account #3389	Ending Balances			\$ 127,166.98	\$ 127,166.98	\$ 127,166.98	
	GRAND TOTALS			\$ 2,697,405.75	\$ 2,697,405.75	\$ 2,697,405.75	

Market Values provided by U.S. Bank Corporate Trust Services, Orange County Investment Pool, Union Bank, Banner Bank, and JP Morgan Chase Bank.

(1) Monthly rates/balances are not available. Balances are as of November 30, 2023.