



CITY OF GARDEN GROVE



QUARTERLY COMPREHENSIVE FINANCIAL REPORT

DECEMBER | 2023



ABOUT THIS REPORT

The City of Garden Grove Finance Department is committed to accuracy, compliance, and transparency in financial reporting. The Quarterly Comprehensive Financial Report is intended to provide timely fiscal information and improve general awareness of the City's overall fiscal health.

The report is comprised of three sections:

- I. **Financial Analysis** – reports budget performance of the City's major operating funds, including the General Fund, Water enterprise fund, and Sewer enterprise fund, as well as the status of capital improvement projects.
- II. **Economic and Operating Statistics** – provides summary of key economic indicators and the Department's operating data.
- III. **Investment Report** – provides the City's portfolio activities during the quarter, as well as cash flow and investment holdings at the quarter ending.

This report is designed for internal use and does not include all funds and accounts in the City's operations. It is not audited. For a complete financial report, please refer to the City of Garden Grove Annual Comprehensive Financial Report, available on the City's website, under Finance Department, Budget and Financial Reports: <https://ggcity.org/finance/budget-and-financial-reports>.

SECTION I – FINANCIAL ANALYSIS

GENERAL FUND

General Fund Expenditures as of December 31, 2023

The City follows the adopted budget and is on track with the current appropriation. As of December 31, 2023, most of the cost centers are under 50% of the current budgeted amounts. Overall spending is approximately 43% of the total General Fund appropriation. City staff anticipates slight budget savings at the end of the fiscal year, primarily due to labor savings across all departments as a result of the amount of time necessary to fill vacant positions.

Budgeted amounts included in the Economic Development and Public Works departments contains appropriations for capital improvement plan; unspent funds in this category will be carried over into the future years to complete the designated projects.

Department	Current Budget	Actual As of Dec 31, 2023	Variance	
			\$	%
Fire ¹	\$ 31,759,700	\$ 16,375,675	\$ 15,384,025	52%
Police	80,570,200	35,907,592	44,662,608	45%
City Administration	4,298,300	1,834,616	2,463,684	43%
Human Resources	2,303,500	947,516	1,355,984	41%
Finance	4,018,800	1,394,917	2,623,883	35%
Information Technology	833,000	269,620	563,380	32%
Community Development	6,825,400	2,966,362	3,859,038	43%
Community Services	6,851,700	2,697,887	4,153,813	39%
Economic Development ²	38,829,200	15,965,567	22,863,633	41%
Public Works ²	35,777,900	13,066,223	22,711,677	37%
Non-Departmental	2,245,000	759,995	1,485,005	34%
Total	\$ 214,312,700	\$ 92,185,970	\$ 122,126,730	43%

1. Fire actuals include seven months' worth of payments as payments to OCFA are made at the beginning of the month

2. Current budget includes capital carryovers from previous fiscal years (Pavement projects & P3 Public Safety Building)

General Fund Revenues as of December 31, 2023

The City's General Fund is responsible for providing essential municipal services including public safety, public works, community planning, economic development, and community and park services. It is mostly funded with tax dollars. On average, property tax contributes 40% towards the overall General Fund revenue, followed by sales and use tax (30%) and transient occupancy tax (15%). Other taxes, fees and charges for services such as business license, franchise fee, license and permits, as well as fines and penalties make up the remaining 15% of the revenue.

Sales and use tax is distributed quarterly by the California Department of Tax and Fee Administration (CDTFA). As of December 31, 2023, the City received and posted the first quarter sales tax, which is on track with what we have estimated in our adopted budget for Fiscal Year 2023-24.

Property tax is allocated by the Orange County Auditor-Controller's Office. For current year secured property taxes, which accounts for about 45% of total property tax revenue, the County distributes them in eight installments each fiscal year. As of December 31, 2023, the City has received three apportionments, totaling about 50% of total current year secured amount. Approximately 30% of total property tax revenue comes from Paramedic Override Tax. This is a voter-approved tax that is designated to fund the ongoing costs to provide paramedic services to the community. Paramedic tax is distributed to the City twice a year, in January and May. Therefore, the December amount does not include the paramedic tax.

Transient occupancy tax (TOT) is third largest tax revenue source for the City. Amount reported as of December 31, 2023 contains five months of TOT revenue. Out of the five months, three hit historical highs when compared month to month to prior years. We anticipate TOT will exceed budget estimate at the end of the year.

Overall General Fund revenue is on track with the adopted budget as of December 31, 2023.

Revenue Source	Current Budget	Actual As of Dec 31, 2023	Variance	
			\$	%
Property Tax ¹	\$ 60,890,200	\$ 18,162,230	\$ 42,727,970	30%
Sales Tax ²	60,307,600	15,516,403	44,791,197	26%
Hotel Visitor's Tax	25,000,000	12,298,356	12,701,644	49%
Business Tax	2,800,000	1,419,223	1,380,777	51%
Licenses & Permits	2,497,400	1,476,335	1,021,065	59%
Other General Fund Revenue	17,390,200	6,089,679	11,300,521	35%
Total	\$ 168,885,400	\$ 54,962,226	\$ 113,923,174	33%

1. Vast majority of Property Taxes are received in the months of January and April

2. Sales Tax actuals reflect three months' worth of Sales Tax received by the City

ENTERPRISE FUND

The City operates its own water and sewer systems, and provides corresponding services to its residents. These services are accounted for in "Enterprise Funds". Enterprise fund operates as a business, charges for services support the operation, as well as the infrastructure assets necessary to run those operations. Rates for these services are determined by a comprehensive study periodically, and subject to the City Council's approval. The most recent water rate study was completed in November 2023. New rates went into effect in January 2024.

Between July 1, 2023 and December 31, 2023, a total of 1,357 accounts were opened, and 1,226 were closed.

Expenses budgeted in the water and sewer utilities includes capital improvement projects, and therefore actual expenses is not always proportionate to budgeted amounts in any given month during the year. Many of these projects will not be completed within the year, unused appropriations will be carried over into future years to complete the projects.

The table below summarizes the comparisons between budgeted amounts to actual expenses as of quarter ending December 31, 2023 for both enterprise funds.

Expenses				
Fund	Current Budget	Actual As of Dec 31, 2023	Variance	
			\$	%
Water Fund	66,201,400	14,691,356	51,510,044	22%
Sewer Fund	23,120,700	5,383,084	17,737,616	23%
Total	89,322,100	20,074,440	69,247,660	22%

Revenue wise, both Water and Sewer funds are just slightly under budget estimates, primarily due to reduced consumption in winter months. Delinquencies have been declining due to the launch of the Low Income Household Water Assistance Program in June 2023. The program provides assistance to customers who are behind on their water payment.

Revenues				
Fund	Current Budget	Actual As of Dec 31, 2023	Variance	
			\$	%
Water Fund	41,692,000	19,394,894	22,297,106	47%
Sewer Fund	11,950,000	5,085,776	6,864,224	43%
Total	53,642,000	24,480,670	29,161,330	46%

CAPITAL IMPROVEMENT PROJECTS

As part of the biennial budget, the City adopts a five-year Capital Improvement Plan. Projects are divided into seven broad categories, and are selected base on Council directed priorities, available funding, and economic value. Funding sources for each project differ, there are designated funds for certain projects, such as Measure M for street related projects, and General Fund funded initiatives, including the Civic Center Revitalization effort, and the Central Cities Navigation Center.

CIP CATEGORIES	Current Budget	Actual As of Dec 31, 2023	Variance	
			\$	%
Street Improvements	\$ 27,347,522	\$ 11,336,629	\$ 16,010,893	41%
Traffic Improvements	1,286,500	22,727	1,263,773	2%
Park Improvements	4,075,000	517,658	3,557,342	13%
Community & Economic Development Improvements	8,234,867	4,691,071	3,543,796	57%
Facility Improvement	300,000	-	300,000	0%
Water Improvements	15,786,407	1,483,650	14,302,757	9%
Sewer Improvements	10,709,216	2,112,560	8,596,656	20%
TOTAL	\$ 67,739,512	\$ 20,164,295	\$ 47,575,217	30%

As of December 31, 2023, most of the projects programed for the current fiscal year is on track in terms of budget. Spending on capital projects typically cannot be matched with timing during the year due to various factors, such as contractor availability, material shortage etc. Some projects might require more than one year to complete, and the corresponding funding will be carried over to the following year.

SECTION II – ECONOMIC AND OPERATIONAL STATISTICS

ECONOMIC ANALYSIS

For the City of Garden Grove, nearly 90% of General Fund revenue comes from taxes. The top three tax revenue sources are property tax, sales and use tax, and transient occupancy tax. They contribute approximately 37%, 33%, and 16% of the total General Fund revenue respectively.

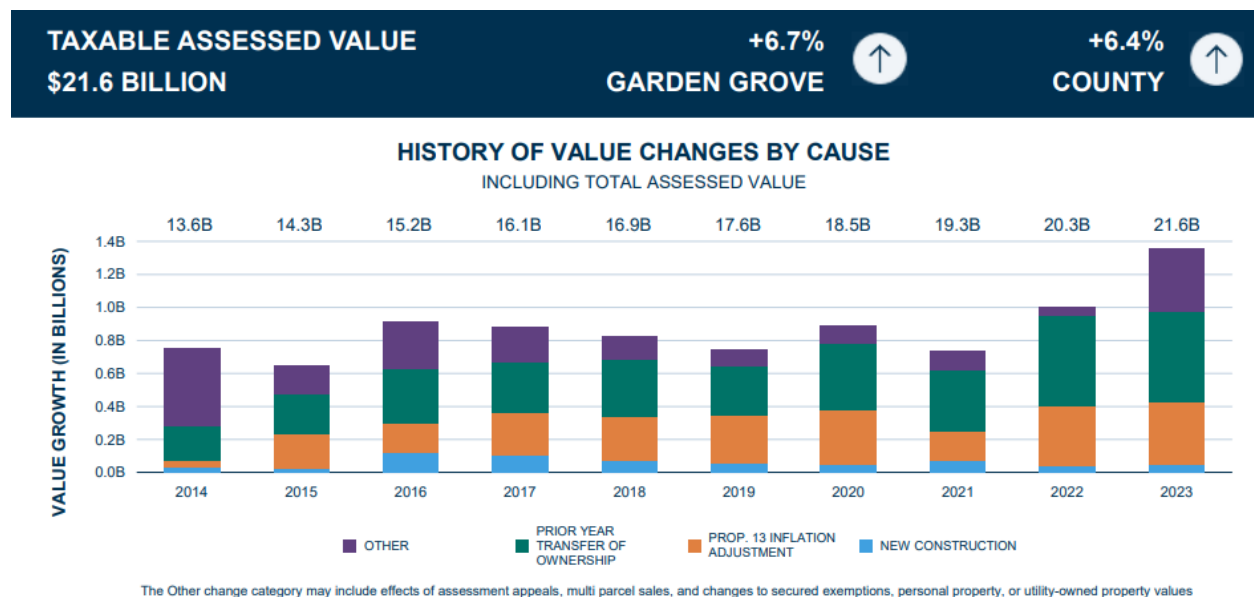
The General Fund funds most of the City's essential municipal services, including public safety (police and fire), public works, community planning, economic development, and community and park services. The overall economic condition has a direct impact to the top three tax revenues that support the essential operations of the City. Therefore it is critical for us to track the key economic indicators and constantly realign our spending plan against fluctuating revenue trends.

Property Tax

Property value in the City continued to grow primary due to growth in commercial and residential properties. For 2023-24, residential value growth was \$861.2 million (5.7%) and accounted for 63.5% of overall value growth. In 2023, detached single family home sales declined from last year. The median home sales price through December 2023 is up by 2.9%, a much smaller gain comparing the previous 3 years. The value gained on all single family residential sales to be added to the 2024-25 tax rolls would be approximately \$213.4 million.

Commercial property values were up by \$251.8 million (9.1%) and Industrial values have gone up by \$88.8 million (5.5%). Unsecured values make up 3.9% of all values in the City. Unsecured values increased by \$114 million (15.7%). There were a total of 882 new and 790 dropped assessments that increased roll values by \$29.7 million. A total of 1861 changed assessments contributed \$84.3 million.

The top 10 property owners contributes about 4.7% of total assessed valuation.

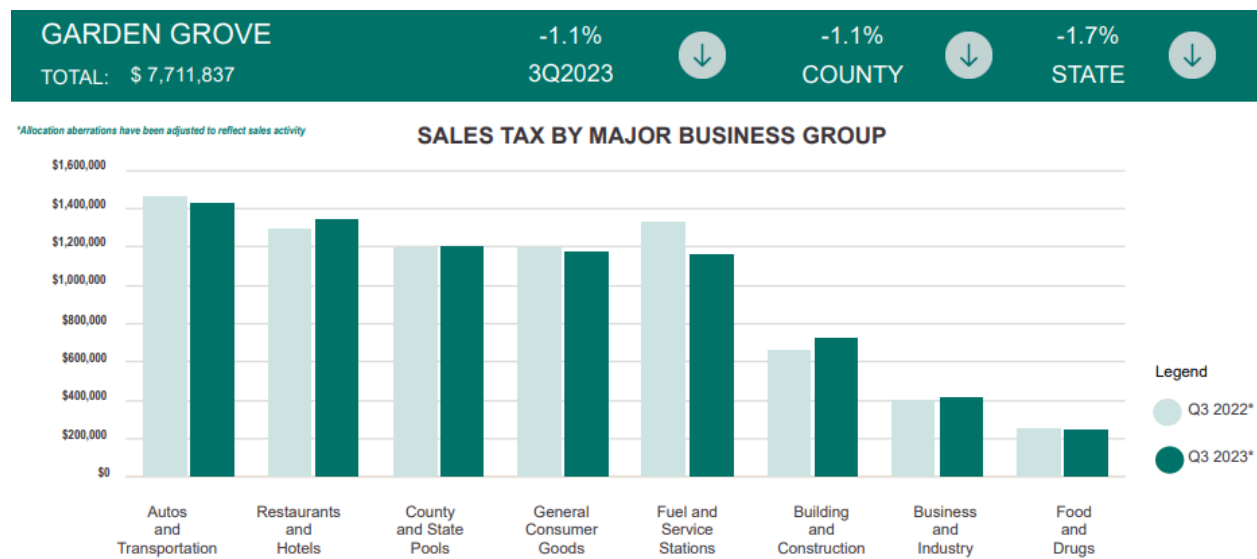


Source: HdL Companies.

Sales Tax

Sales tax was down by 1.1% comparing to the same quarter in the previous year. This is consistent with the County and a little better than statewide performance. High interest rates have created weakening affordability, putting a damper on revenue from the auto-transportation group. Consumers continue to look for ways to save, reducing overall spending on general consumer goods. Sales volume at grocery and drug stores are up but overall spending is down as shoppers are choosing bargain items over more expensive brand names. Consumers continue to prioritize dining out, pushing up total taxable sales from restaurants and hotels. Building and construction showed an uptick in spending, especially for energy and infrastructure projects. Sales from fuel-service stations declined as price of gasoline declined from the prior year.

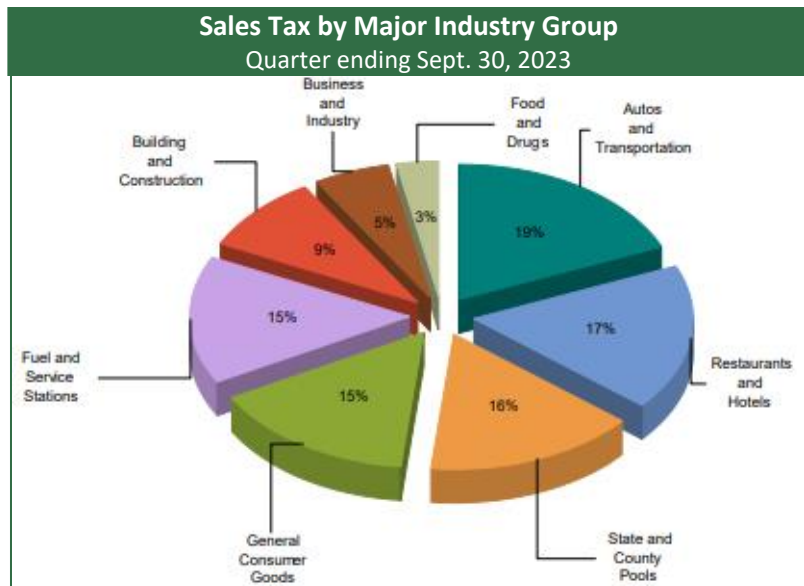
The City's share of the countywide use tax pool increased 0.8% when compared to the same period in the previous year. Measure O brought in \$7.6 million additional sales tax during the quarter.



Source: HdL Companies.

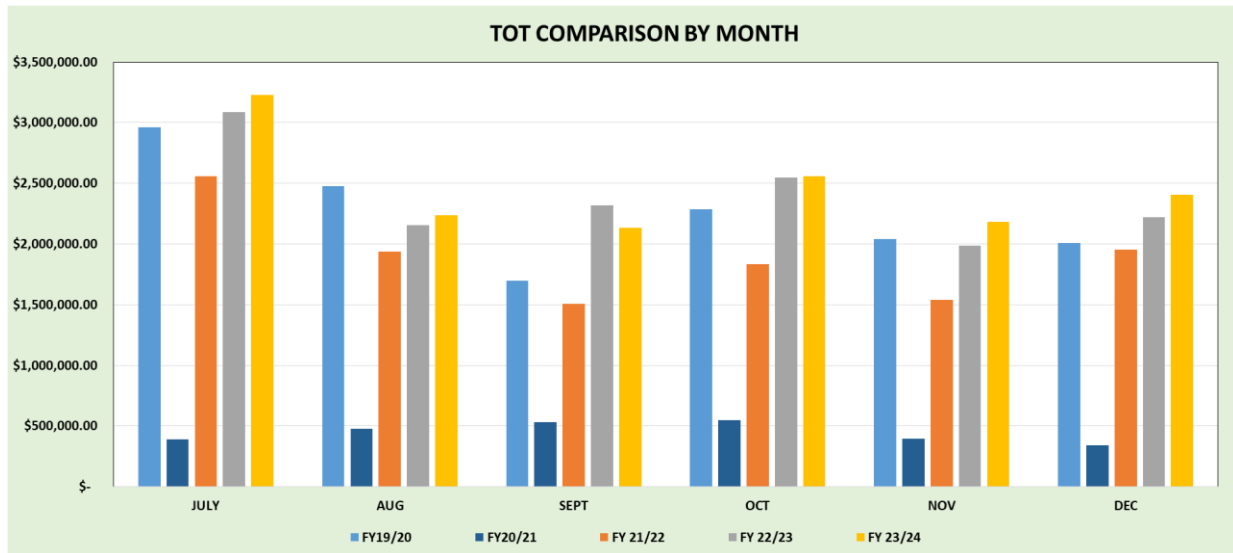
Taxable sales for the Southern California region declined 1.4%. The top 25 businesses in the City contributes approximately 49.8% of total Bradley Burns sales tax, and for Measure O tax, the top 25 businesses contributed about 32.3% for the quarter.

In January 2024, HdL revised its April 2023 estimates, and lowered their projection by \$900,000 and \$1.2 million in sales tax revenues for Fiscal Year 2023-24 and 2024-25 respectively.



Transient Occupancy Tax

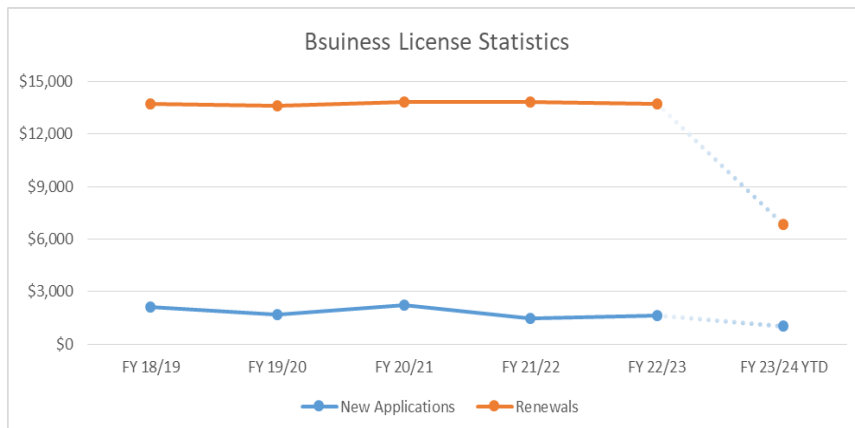
Transient occupancy tax (TOT) is the third largest tax revenue source for the City. Out of the first six months of the fiscal year, four months ranked the highest when compared to the same period in the past four years. As of December 31, 2023, Total TOT revenue collected reached \$14.7 million, about 59.0% of the budgeted amount. With the opening of the Home2 Suites by Hilton in 2023, we anticipate TOT revenue will surpass budget estimate for the year.



FINANCE OPERATING STATISTICS

Business License

A business license is a government document that certifies a business is safe for the public. Business license tax is a non-regulatory tax. Any person or entity that is physically present in the City of Garden Grove conducting business needs a Business License from the City. Revenues from Business License tax supports the City's operations in the areas of enforcing compliance, protecting the public, and promoting local businesses.



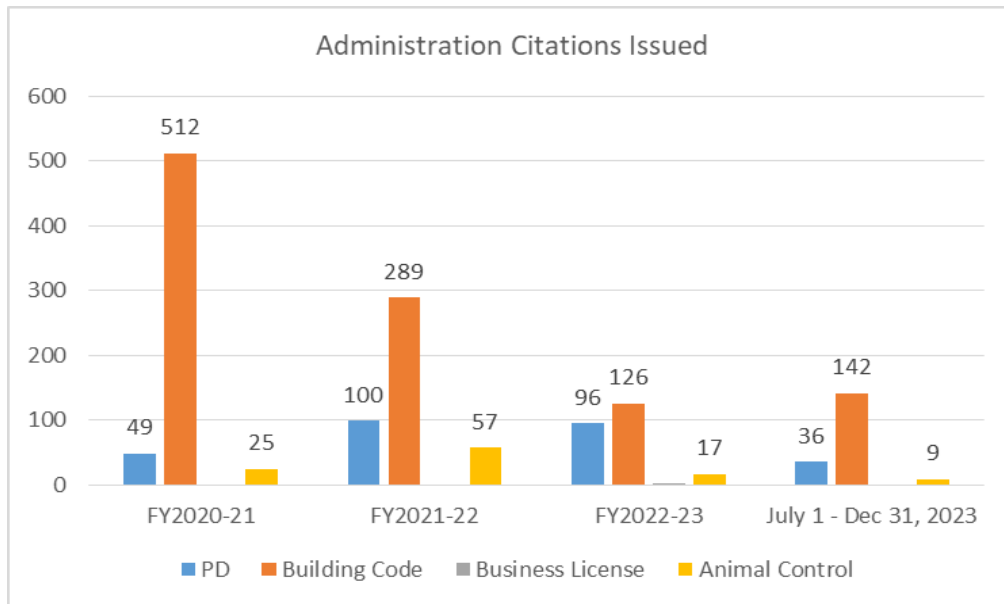
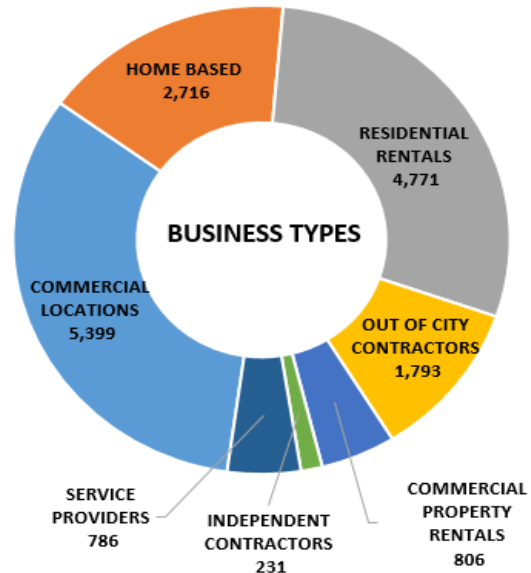
As of December 31, 2023, total revenues from Business License tax exceeded \$1.8 million, equivalent to 59.3% of last fiscal year's revenue. The Office of Business License has seen sharp increase in new applications. The number of renewals is consistent with the prior year.

As of December 31, 2023, there are a total of 16,502 active business licenses in the City. Commercial establishments account for approximately 32.7% of all businesses, about 28.9% are residential rental properties, and the third largest category is home-based business, which accounts for 16.5%.

Between July 1, 2023 and December 31, 2023, the Office of Business License conducted a total of 1,562 audits and site visits. As the result, 1,186 letters were sent, and 27 citations were issued.

Administrative Citations

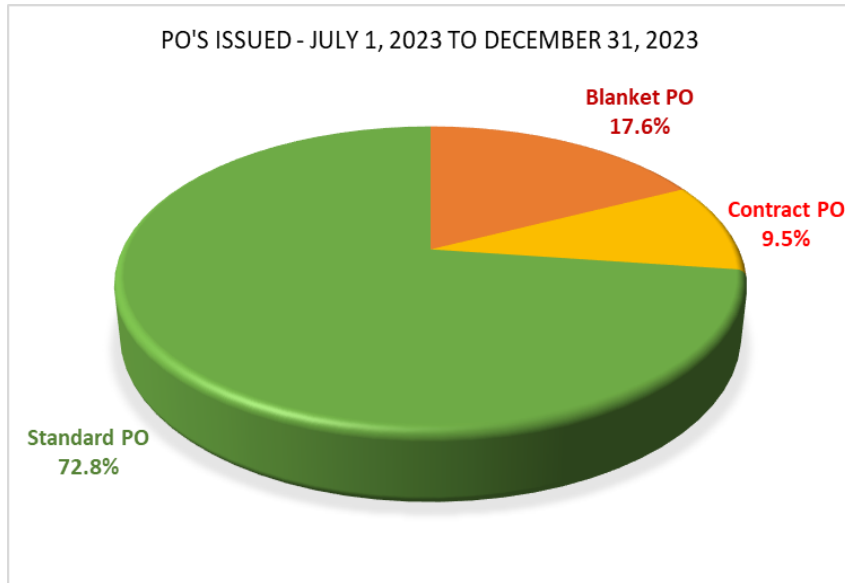
The enforcement of the City’s municipal code and applicable state codes is an important public service and is vital to the protection of the public’s health, safety and quality of life. The city implemented a comprehensive code enforcement system uses a combination of judicial and administrative remedies to gain compliance with code regulations. All violations are be subject to enforcement through the use of administrative citation in accordance with the City codes.



The highest code violation continued to be building related. With the effort invested in outreach and education, the number of violations has seen significant decreases in the past two years. However, in the first six months of the current year, number of code violations went up, a total of 142 building code citations were issued as of December 31, 2023, surpassing the total number issued for the entire last fiscal year.

Purchasing Activities

The City operates a centralized purchasing function. All purchasing activities are conducted in accordance with the Garden Grove Municipal Code, Chapter 2.50 Purchase and Sale of Property. Procedures are established to ensure the supplies, services, and equipment are procured at the lowest possible cost commensurate with quality needed. The Purchasing Division exercises positive financial control of purchases, defines purchasing authority, and strives for best value. All purchase orders are issued by the Finance Purchasing Division. Purchasing also administers citywide bids, and conducts vendor insurance checks.

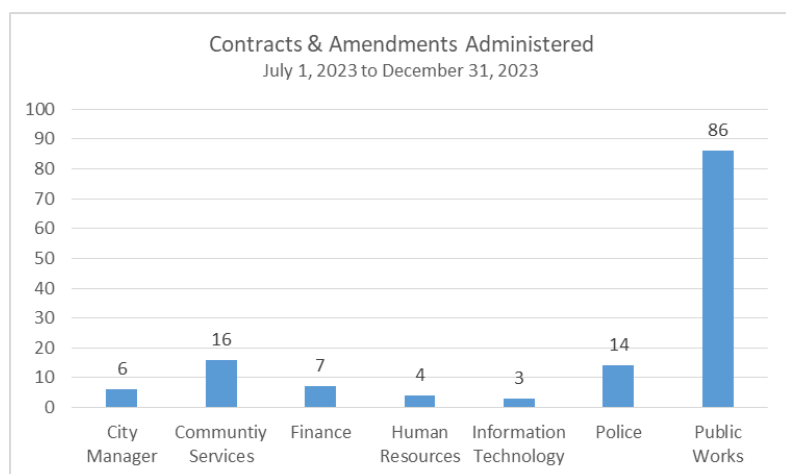


There are three broad types of purchase orders (PO), blanket PO, Contract PO, and Standard PO. Blanket PO (BPO) is a purchase order issued to supplier that contains multiple delivery dates over a period of time, negotiated to take advantage of pre-determined pricing. Multiple departments can use the same BPO to streamline contract negotiation and achieve scale of economy. Not-to-exceed amount is established with each BPO. Contract PO relates to fixed

term contract with a set amount, typically used in construction projects. Standard PO is the majority of all PO's issued. It is used to buy goods or services on a one-time basis, with one-year term.

Between July 1, 2023 and December 31, 2023, 3,008 purchase orders were issued, 72.8% were standard PO's. A total of 530 blanket PO's and 287 contract PO's were issued during the same period of time.

As of December 31, 2023, the Purchasing Division processed a total of 136 contracts and contract amendments, of which 63.2% was for the Public Works Department.



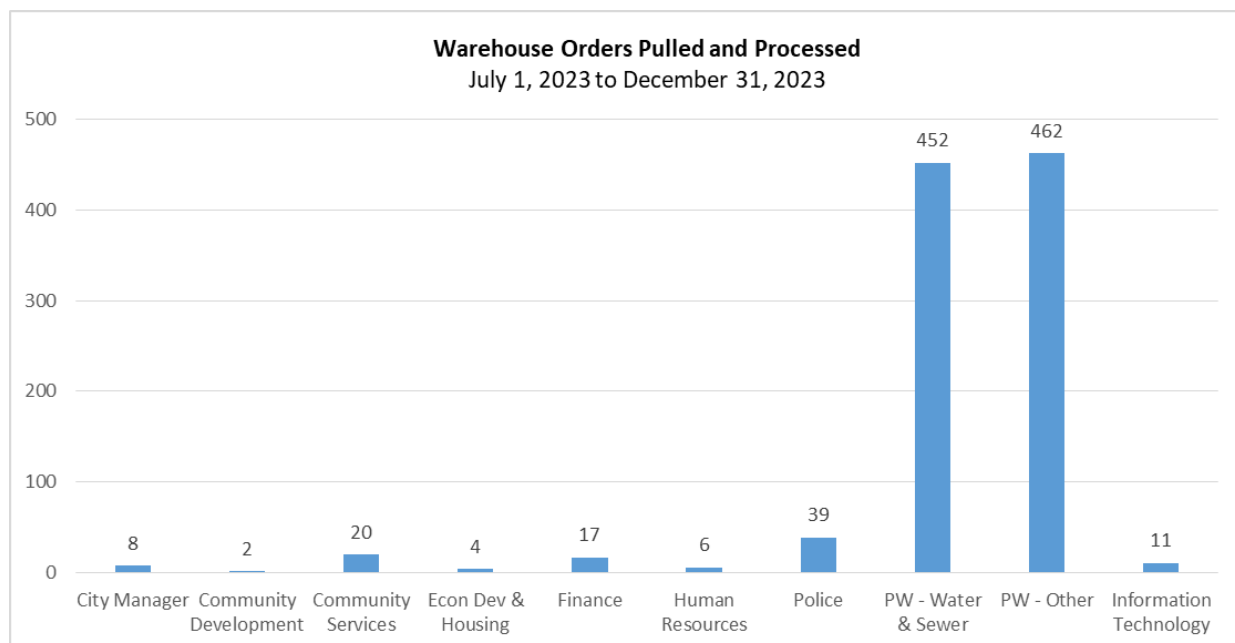
During the first two quarters of the current fiscal year, the Purchasing Division conducted the following 9 formal bids on PlanetBids:

Bid/Project Number	Project Name
CDD-002	Civic Center Revitalization Project Plan Review/Inspections
RFP S-1313	Provide an Agenda Management System
RFQ S-1314	Design, Build, and Finance the New Civic Center Public Safety Building, Park, and Parking Structure
IFB S-1318	Cradle point Routers for City Police Vehicles
IFB S-1317	On-Call Saw Cutting Services
RFP S-1316	Provide and Install an Access Control System for the Purcell Building in the City of Garden Grove
IFB S-1315	Computers (60)
CDD-001	Community Development Department Fee Study
1222000046	CalTrans Fencing Improvement Project

Warehouse Operations

The City's Central Stores/Warehouse operates under the Purchasing Division and provides services include receiving and acceptance of materials and supplies, maintaining inventory of approximately 1,450 commonly used items for all City departments, delivery of items that are shipped to the warehouse, storage and disposal of surplus properties, and records storage.

The central warehouse currently employs two full-time staff. As of December 31, 2023, a total of 1,021 requisitions were processed for citywide departments.



Risk Management Statistics

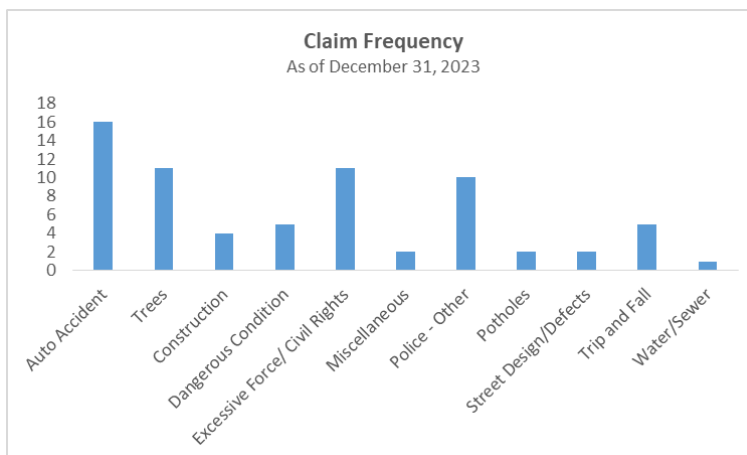
The City utilizes self-insured programs for its worker's compensation liability and tort and civil liabilities. The Human Resources Department administers the work's compensation liability program, and the Finance Risk Management Division oversees the tort and civil liabilities. Responsibilities of the Risk Management Division include insurance coverage procurement, loss control and prevention, and general liability self-insured program administration.

The City began its self-insured liability program on July 1, 1987. Our current self-insured retention (SIR) is \$2 million, and excess coverage is provided by Public Risk Innovation Solutions and Management (PRISM) for up to \$33 million per occurrence. Claims administration and adjusting services are provided by third party administrator, Carl Warren. Representation in matters of litigation is performed through retaining outside legal counsel, supervised by the City Attorney.

As of December 31, 2023, there were a total of 69 outstanding claims against the City, among which three were incurred in the current fiscal year (one for auto accident, one for excessive force, and one for Police – other). The table below categorizes these claims, and lists loss payments and expenses incurred cumulative to date. Based on estimates provided by Carl Warren, amounts were set aside (reserved) for future expenses and potential settlement/loss payment. The total potential financial impact from these outstanding claims amounts to \$14.7 million.

Claim Category	# of Claims	Loss Payment	Expense Payment	Reserve for Loss Payment	Reserve for Expenses	Total
Auto Accident	16	\$ 53,061	\$ 38,958	\$ 1,169,656	\$ 555,411	\$ 1,817,086
Trees	11	8,146	45,755	26,120	19,242	99,262
Construction	4	-	1,890	29,200	-	31,090
Dangerous Condition	5	-	22,946	405,000	129,889	557,835
Excessive Force/ Civil Rights	11	975,000	1,187,331	5,901,900	1,063,245	9,127,476
Miscellaneous	2	-	1,890	140,000	-	141,890
Police - Other	10	-	181,470	697,100	150,000	1,028,570
Potholes	2	-	473	250	-	723
Street Design/Defects	2	-	4,950	60,000	100,000	164,950
Trip and Fall	5	-	96,770	725,000	604,520	1,426,290
Water/Sewer	1	-	110,709	150,000	40,141	300,850
TOTAL	69	\$ 1,036,206	\$ 1,693,140	\$ 9,304,226	\$ 2,662,449	\$ 14,696,022

Source: Carl Warren Loss Register



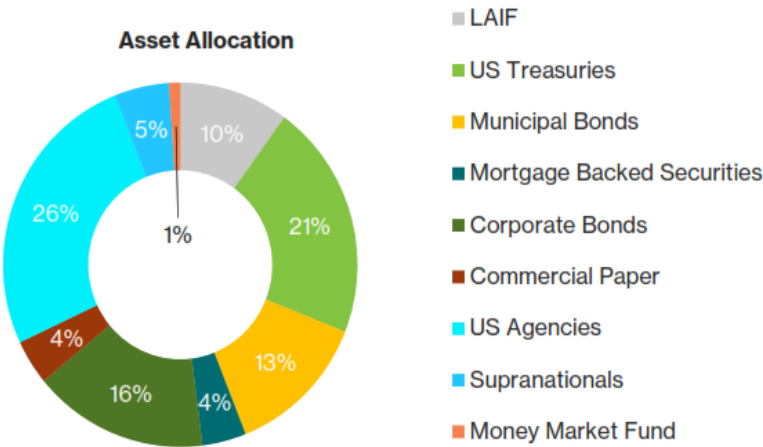
Severity wise, 62.1% of total potential loss arose from excess force/civil rights. The second most costly claims relate to auto accidents, which accounts for about 12.4% of overall loss.

Frequency wise, auto accidents are the highest, occupies nearly a quarter of all claims. Risk Management collaborates with departments on effective loss prevention measures throughout the year.

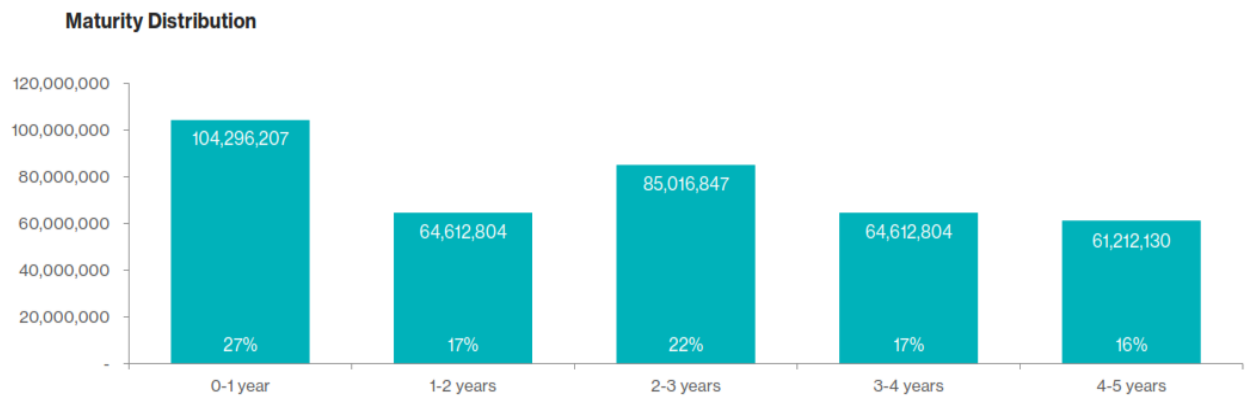
SECTION C – INVESTMENT REPORT

The City partners with Meeder Investment Management to actively manage its investment portfolio. As of December 31, 2023, the City’s portfolio had a book value of \$379.8 million. The average weighted maturity is 2.23 years, with 27% of the holdings matures within a year or less, providing sufficient liquidity. Estimated annualized investment income from the current portfolio is \$11.2 million.

The City is committed to the most important objective of the investment program, which is the safety of principal, followed by liquidity. Once the portfolio is structured to timely meet expected cash flow needs for operations, investment selections are made to generate highest possible return. To meet these objectives, we strive to diversify our investment to minimize risk. The graph reflects the allocation of the City investment holdings as of December 31, 2023.



To ensure liquidity, we match investment maturities with forecasted cash flows and maintaining an additional liquidity buffer for unexpected expenditures. The chart below shows the maturity distribution of the City’s portfolio as of December 31, 2023.



The complete portfolio report prepared by the City’s investment advisor for the quarter ending December 31, 2023 is attached to this report.



PORTFOLIO REVIEW

PORTFOLIO REVIEW **ALL FUNDS**

City of Garden Grove Portfolio as of 12/31/2023

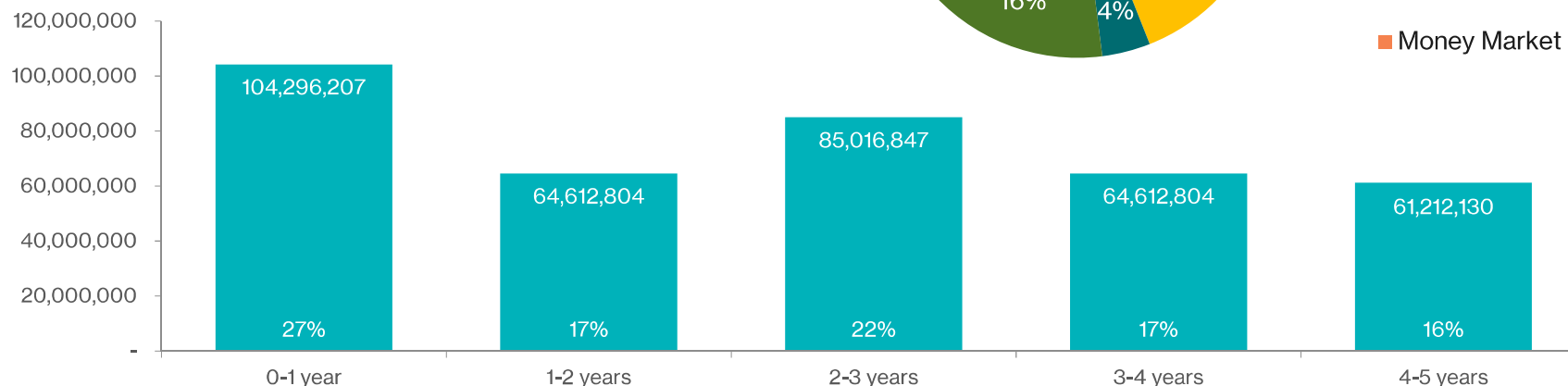
Your Portfolio

Cash	\$39,683,404
Securities	\$340,067,388
Total Portfolio	\$379,750,792

Your Portfolio

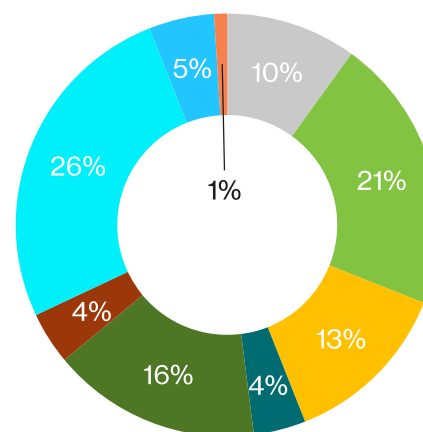
Weighted Average Maturity	2.23 years
Weighted Average Yield	2.94%
Estimated Annual Interest Income	\$11,164,673
December Earned Income	\$685,906

Your Maturity Distribution



Yield and Interest Income information is annualized. All yield information is shown gross of any advisory and custody fees and is based on yield to maturity at cost. Past performance is not a guarantee of future results.

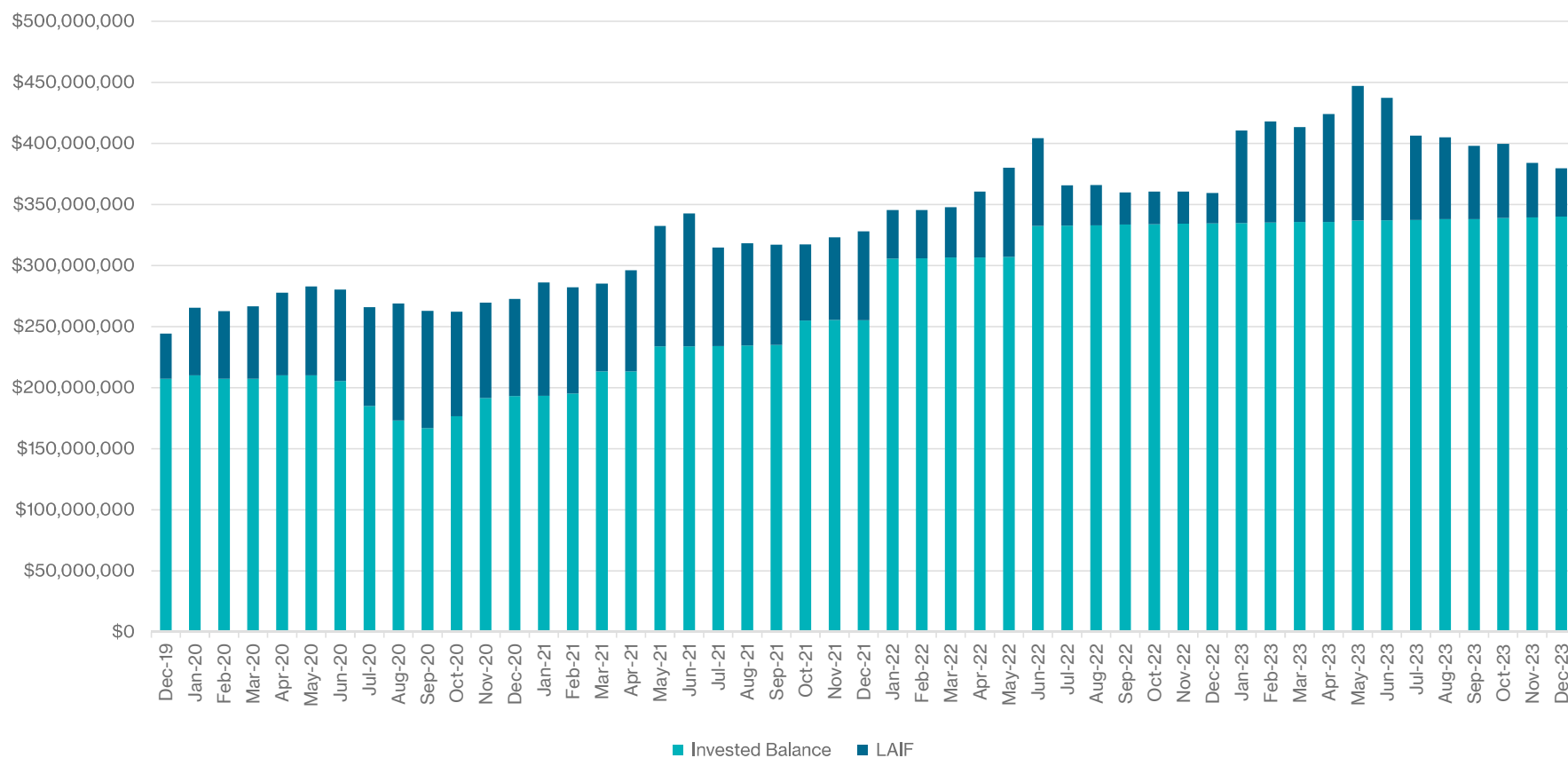
Your Asset Allocation



- LAIF
- US Treasuries
- Municipal Bonds
- Mortgage Backed Securities
- Corporate Bonds
- Commercial Paper
- US Agencies
- Supranationals
- Money Market Fund

PORTFOLIO BALANCE

City of Garden Grove



PORTFOLIO PURCHASES



City of Garden Grove portfolio (October 2023 - December 2023)

CUSIP	SECURITY DESCRIPTION	MATURITY DATE	PAR	PRINCIPAL AMOUNT
3137HAST4	Federal Home Loan Mortgage Corporation 4.850%	09/25/2028	\$3,600,000	\$3,485,221
78013VHD7	Royal Bank of Canada	08/13/2024	\$3,055,000	\$2,930,356
13607EHP7	Canadian Imperial Holdings Inc	08/23/2024	\$2,330,000	\$2,237,894
3133EPN50	FEDERAL FARM 4.25%	12/15/2028	\$5,000,000	\$4,975,750
9128284N7	UST 2.875%	05/15/2028	\$4,000,000	\$3,839,531
9128285M8	UST 3.125%	11/15/2028	\$4,400,000	\$4,262,672
91282CJA0	UST 4.625%	09/30/2028	\$4,200,000	\$4,346,344

PORTFOLIO ACTIVITY



City of Garden Grove portfolio (October 2023 - December 2023)

CUSIP	SECURITY DESCRIPTION	MATURITY DATE	PAR	PRINCIPAL COST	TOTAL PROCEEDS	ACTIVITY
3137BXQX3	Federal Home Loan Mortgage Corporation 2.891%	10/25/2026	\$65,490.78	\$67,699.13	\$65,490.78	PAYDOWN
3137FHQ22	Federal Home Loan Mortgage Corporation 3.370%	07/25/2025	\$2,964.33	\$3,220.94	\$2,964.33	PAYDOWN
9128284N7	UST 2.875%	05/15/2028	\$3,750,000.00	\$3,554,658.19	\$3,453,662.11	SELL
17330Y4T4	Citigroup Global Markets Holdings Inc. 5.500%	10/31/2023	\$3,000,000.00	\$3,000,000.00	\$3,000,000.00	MATURITY
63873KY19	Natixis	11/01/2023	\$6,188,000.00	\$5,969,487.98	\$6,188,000.00	MATURITY
69666JHU5	Palm Springs, City of 0.472%	11/01/2023	\$670,000.00	\$670,000.00	\$670,000.00	MATURITY
3130AGWK7	FHLB 1.500%	08/15/2024	\$3,000,000.00	\$3,129,840.00	\$2,915,295.00	SELL
14912L5X5	Caterpillar Financial Services Corporation 3.750%	11/24/2023	\$2,600,000.00	\$2,633,982.00	\$2,600,000.00	MATURITY
3137BXQX3	Federal Home Loan Mortgage Corporation 2.891%	10/25/2026	\$61,135.30	\$63,196.78	\$61,135.30	PAYDOWN

PORTFOLIO **ACTIVITY** *Continued*



City of Garden Grove portfolio (October 2023 - December 2023)

CUSIP	SECURITY DESCRIPTION	MATURITY DATE	PAR	PRINCIPAL COST	TOTAL PROCEEDS	ACTIVITY
3137FHQ22	Federal Home Loan Mortgage Corporation 3.370%	07/25/2025	\$2,742.29	\$2,979.69	\$2,742.29	PAYDOWN
039063AC6	City of Arcadia 0.833%	12/01/2023	\$1,000,000.00	\$1,000,000.00	\$1,000,000.00	MATURITY
3130ANFX3	FHLB 0.520%	08/23/2024	\$2,300,000.00	\$2,129,662.00	\$2,221,984.00	SELL
62479MZF3	MUFG Bank, Ltd.	12/15/2023	\$6,240,000.00	\$6,098,076.40	\$6,240,000.00	MATURITY
3137BXQX3	Federal Home Loan Mortgage Corporation 2.891%	10/25/2026	\$65,932.87	\$68,156.13	\$65,932.87	PAYDOWN
3137FHQ22	Federal Home Loan Mortgage Corporation 3.370%	07/25/2025	\$2,985.30	\$3,243.73	\$2,985.30	PAYDOWN

FUTURE MATURITIES



City of Garden Grove portfolio January 2024 – June 2024

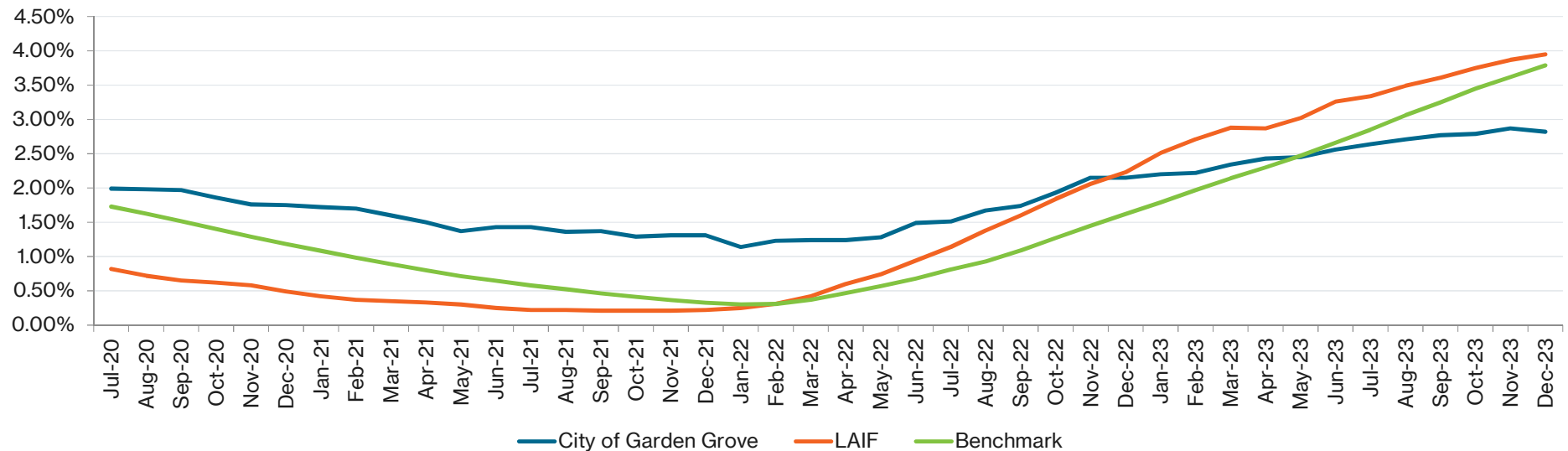
CUSIP	SECURITY DESCRIPTION	MATURITY DATE	PAR	PRINCIPAL COST
14913R2S5	CTRPLL FIN SERV 0.95%	01/10/2024	\$2,410,000	\$2,409,614.40
48133MAX8	JPM 4.000	02/29/2024	\$2,730,000	\$2,730,000.00
13607EC15	CANADIAN IMPERIAL HLDGS INC	03/01/2024	\$3,065,000	\$2,948,659.42
46640PC43	JPMORGAN SECURITIES LLC	03/04/2024	\$5,000,000	\$4,798,250.00
13063DLZ9	CALIFORNIA ST TAXABLE VAR PURP GO BDS	04/01/2024	\$2,180,000	\$2,352,067.40
91412HJK0	UNIVERSITY CALIF REVS TAXABLE GEN BDS	05/15/2024	\$1,500,000	\$1,500,000.00
56052AG42	MAINE ST TAXABLE GO BDS 2021A	06/01/2024	\$1,050,000	\$1,068,259.50
4497W0FE3	ING U S FDG LLC	06/14/2024	\$3,056,000	\$2,927,688.75
89236TJG1	TOYOTA MOTOR CRD 0.5%	06/14/2024	\$4,000,000	\$4,000,000.00
89236TJH9	TOYOTA MOTOR CRD 0.5%	06/18/2024	\$1,150,000	\$1,144,606.50

MONTHLY COMPARISON

City of Garden Grove



	Month Ended December 31, 2023 Yield To Maturity
City of Garden Grove ¹	2.82%
Benchmark ²	3.79%
LAIF ³	3.95%



1. Securities performance on trade date basis, gross (i.e. before fees)

2. Benchmark is a 24 month moving average of the 2 year Constant Maturity Treasury

3. LAIF monthly distribution yields retrieved online from the State Treasurer of California website on the first of the month; yields are subject to change <https://www.treasurer.ca.gov/pmia-laif/laif/index.asp>

MONTHLY COMMENTARY

December 2023



The last month of the year saw the bond market continue to rally as the Federal Reserve made its most dovish statement to date. For the third meeting in a row, the FOMC unanimously voted to leave rates unchanged. More importantly, the median dot from the updated Summary of Economic Projections showed the Federal Reserve was expecting more rate cuts in 2024. The median dot now reflects three 0.25% cuts compared to two 0.25% cuts reflected at the September meeting. After Jerome Powell's press conference, where he confirmed the committee discussed the timing of rate cuts, market participants priced in a more aggressive path for rate cuts. By the end of December, market participants were expecting six 0.25% cuts in 2024. With both the Federal Reserve and markets expecting some level of policy easing in 2024, the actual path will be determined by the next several months of economic data.

The labor market's resilience in the face of a historic rate hiking cycle has surprised many investors and has kept a soft landing in play. The labor market has softened substantially since 2022 and is now expanding at a more manageable pace. The labor force has been adding on average 185,000 employees in the last six months, down from 400,000 in 2022 and in line with historic averages. Today, there are 1.3 job openings for each unemployed person, down from a peak of 2 in March 2022. Workers are quitting at a lower rate as well, as they are less optimistic about the opportunity to switch jobs. Fewer job openings and job switching should keep a lid on wage growth.

The most recent inflation data showed that peak inflation is likely behind us and that inflation is tracking much closer to 2 percent. Over the last six months, the Personal Consumption Expenditures (PCE) index increased at a rate of 2.0%. Likewise, core PCE has increased at a rate of 1.9%. This is the first time since the fall of 2020 that inflation readings have been at or below the Federal Reserve's mandate of 2%. Shelter inflation has proven to be sticky, but recent trends in rent inflation and housing prices show that those are also returning to more normal levels.

Although a handful of Federal Reserve voters tried to walk back some of the rate cuts that have been priced in, market participants did not change their stance. Yields moved lower across the curve during the month, reflecting their expectations for lower rates in the future. The 2-year Treasury yield declined by 0.43% to 4.25%, and the 5-year Treasury yield declined by 0.42% to 3.85%. The yield curve remained inverted at the end of the year and has now been inverted for 18 months.

Even with the recent decline in interest rates, bond yields remain attractive and above long-term averages. If market participants and the Federal Reserve are correct, locking in yields at these levels will be beneficial to portfolio yields.