

Central Cities Navigation Center Ribbon Cutting – June, 5, 2024



CITY OF GARDEN GROVE  
 QUARTERLY FINANCIAL REPORT  
JUNE | 2024



2024 Garden Grove College Graduates Reception

## ABOUT THIS REPORT

The City of Garden Grove Finance Department is committed to accuracy, compliance, and transparency in financial reporting. The Monthly 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.
- II. **Economic and Operational Statistics** – provides summary of key economic indicators and the City's financial operational 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>.

## FISCAL YEAR HIGHLIGHT

- In November 2023, we received the 38th consecutive GFOA Certificate for Achievement for Excellence in Financial Reporting. This certificate is the highest form of recognition in the area of governmental accounting and financial reporting, and its attainment represents a significant accomplishment by the City and its management.
- In December 2023, we strategically defeased the City's 2015 Lease Revenue Bonds. The outstanding balance of the bonds was \$21.0M. We achieved \$11.0 million in cash flow savings. More importantly, the defeasance removed encumbrances on properties in the Civic Center Area, which enabled a housing development project, and accelerated the Civic Center Revitalization project progress.
- In February 2024, we received the City's first GFOA Award for Distinguished Budget Presentation for its Fiscal Years 2023 to 2025 biennial budget document. This was a significant milestone for the department. GFOA recognizes budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

### *Distinguished Budget Presentation Award*

PRESENTED TO

**City of Garden Grove  
California**

For the Biennium Beginning

**July 01, 2023**

*Christopher P. Morill*

Executive Director

## S&P Global Ratings

**Garden Grove, California—Key credit metrics**

APRIL 19, 2024

### **'AA' Long-term rating with Stable outlook**

- Strong economy
- Very strong budgetary performance
- Very strong budgetary flexibility
- Very strong liquidity
- Very strong management
- Adequate debt & long-term liabilities
- Strong institutional framework

- In April 2024, we conducted a credit review with Standard & Poor's Global Rating Agency in conjunction with the issuance of our new Lease Revenue Bonds. A 'AA' underlying long-term rating was assigned, with Stable outlook. The rating report cited several key metrics supporting the score, including strong economy, very strong budgetary performance and flexibility, very strong liquidity, very strong management, and strong institutional framework. The outstanding credit rating is a testament to our consistent efforts on establishing effective financial management policies, enforcing disciplined spending, and commitment to the City's long-term financial wellbeing.

## SECTION I – FINANCIAL ANALYSIS

### GENERAL FUND

#### General Fund Expenditures as of June 30, 2024

As we close the current fiscal year, preliminary year-end financial information is being prepared. As of June 30, 2024, all of the cost centers were at or under the current budgeted amounts. Overall spending is approximately 86% of the total General Fund appropriations. Most of the budgetary savings were due to vacancies throughout the year.

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	Revised Budget*	Preliminary Actuals As of June 30, 2024	Variance	
			\$	%
Fire	\$ 31,759,700	\$ 31,604,001	\$ 155,699	100%
Police	80,570,200	76,454,991	4,115,209	95%
City Administration	5,320,900	4,335,752	985,148	81%
Human Resources	2,303,500	1,914,563	388,937	83%
Finance	4,018,800	3,118,787	900,013	78%
Information Technology	833,000	558,696	274,304	67%
Community Development	6,879,310	6,777,948	101,362	99%
Community Services	6,851,700	5,695,317	1,156,383	83%
Economic Development	38,998,890	29,031,818	9,967,072	74%
Public Works	35,777,900	23,965,037	11,812,863	67%
Non-Departmental	2,245,700	1,382,292	863,408	62%
<b>Total</b>	<b>\$ 215,559,600</b>	<b>\$ 184,839,202</b>	<b>\$ 30,720,398</b>	<b>86%</b>

\* Revised budget includes capital carryovers from previous fiscal years, such as Pavement Management Acceleration Program and Civic Center Revitalization Project.

#### General Fund Revenues as of June 30, 2024

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 an 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 by the California Department of Tax and Fee Administration quarterly. Preliminary sales tax revenue as of June 30, 2024 reflected 11 months' worth of sales tax received by the City.

Property tax is allocated by the Orange County Auditor-Controller’s Office. For current year secured property taxes, which accounts about 45% of total property tax revenue, the County distributes them in eight installments each fiscal year.

Transient occupancy tax (TOT) is third largest tax revenue source for the City. Fiscal Year 2023-24 TOT revenue had reached a new historical high, and is \$3.5 million above budgeted level.

Overall, preliminary General Fund revenue exceeded budget by \$7.8 million at the end of Fiscal Year 2023-24.

Department	Revised Budget	Preliminary Actuals As of June 30, 2024	Variance	
			\$	%
Property Tax	\$ 60,890,200	\$ 65,189,226	\$ 4,299,026	107%
Sales Tax <sup>1</sup>	60,307,600	54,390,597	(5,917,003)	90%
Hotel Visitor's Tax	25,000,000	28,493,354	3,493,354	114%
Business Tax	2,800,000	3,149,603	349,603	112%
Licenses & Permits	2,497,400	3,033,635	536,235	121%
Other General Fund Revenue	17,390,200	22,448,217	5,058,017	129%
<b>Total</b>	<b>\$ 168,885,400</b>	<b>\$ 176,704,632</b>	<b>\$ 7,819,232</b>	<b>105%</b>

<sup>1</sup> Sales Tax actuals reflect 11 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 supports 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.

The tables below summarize the comparisons between budgeted amounts to preliminary Fiscal Year 2023-24 for both enterprise funds.

### Expenses

Fund	Revised Budget	Preliminary Actuals As of June 30, 2024	Variance	
			\$	%
Water Fund	\$ 66,201,400	\$ 42,003,070	\$ 24,198,330	63%
Sewer Fund	23,120,700	10,676,654	12,444,046	46%
<b>Total</b>	<b>\$ 89,322,100</b>	<b>\$ 52,679,724</b>	<b>\$ 36,642,376</b>	<b>59%</b>

Expenses budgeted in the water and sewer utilities includes capital improvement projects. Most of these projects will not be completed during the year, and therefore significant variances are shown at the end of the fiscal year. Unspent capital outlay appropriations will be carried over into future years to complete the planned projects.

Revenue wise, both Water and Sewer funds are on target with budget estimates. Water Enterprise’s revenue came in just a little under projections, primarily due to reduced consumption in accordance with State-wide conservation efforts. 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	Revised Budget	Preliminary Actuals As of June 30, 2024	Variance	
			\$	%
Water Fund	\$ 41,692,000	\$ 41,280,172	\$ (411,828)	99%
Sewer Fund	11,950,000	12,112,021	162,021	101%
<b>Total</b>	<b>\$ 53,642,000</b>	<b>\$ 53,392,193</b>	<b>\$ (249,807)</b>	<b>100%</b>

**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 as shown in the table below, 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 is designed for streets related projects, and General Fund funded initiatives, including the Civic Center Revitalization effort, and the Central Cities Navigation Center.

CIP CATEGORIES	Adopted Budget	Preliminary Actuals As of June 30, 2024	Variance	
			\$	%
STREET IMPROVEMENTS	\$ 27,347,522	\$ 15,552,894	\$ 11,794,628	57%
TRAFFIC IMPROVEMENTS	1,286,500	78,400	\$ 1,208,100	6%
PARK IMPROVEMENTS	4,075,000	1,237,746	\$ 2,837,254	30%
COMMUNITY & ECON DEV IMPROVEMENTS	8,234,867	7,987,605	\$ 247,262	97%
FACILITY IMPROVEMENTS	300,000	-	\$ 300,000	0%
WATER IMPROVEMENTS	15,786,407	5,576,473	\$ 10,209,934	35%
SEWER IMPROVEMENTS	10,709,216	3,361,074	\$ 7,348,143	31%
<b>TOTAL</b>	<b>\$ 67,739,512</b>	<b>\$ 33,794,191</b>	<b>\$ 33,945,321</b>	<b>50%</b>

At the end of Fiscal Year 2023-24, most of the projects had a significant unspent funding. Each year, departments plan carefully to match spending estimate by year. However, due to various factors, such as contractor availability, material and labor shortage, many projects showed large unspent funds at the year end. These funding sources will be carried over to the following fiscal 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 for the City 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 basic 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 tax is driven by the assessed values of taxable properties within the City. Property tax assessed on residential homes are the largest contributor towards overall property tax revenue for the City. Detached single family residential full value sales as of June 30, 2024 has seen another 5.2% increase from the previous quarter. This rate of growth is consistent with the County average.

Year	Full Value Sales	Average Price	Median Price	Median % Change
2021 Q1	193	\$731,951	\$730,000	
2021 Q2	285	\$760,863	\$779,000	6.71%
2021 Q3	254	\$794,272	\$800,000	2.70%
2021 Q4	244	\$821,430	\$835,000	4.38%
2022 Q1	175	\$857,923	\$850,000	1.80%
2022 Q2	218	\$955,412	\$890,000	4.71%
2022 Q3	199	\$828,731	\$830,000	-6.74%
2022 Q4	143	\$835,410	\$830,000	0.00%
2023 Q1	115	\$848,183	\$850,000	2.41%
2023 Q2	169	\$898,663	\$895,000	5.29%
2023 Q3	145	\$906,441	\$876,000	-2.12%
2023 Q4	127	\$929,193	\$900,000	2.74%
2024 Q1	107	\$926,687	\$919,000	2.11%
2024 Q2	158	\$985,503	\$966,500	5.17%

Source: HdL Coren & Cone Companies.

The top 10 property owners contributes about 4.7% of the City’s total assessed valuation. The City is well diversified in its property tax revenue base.

The City’s property tax revenue comes from three main allocation sources: 1) the State General Fund 1% share; 2) the motor vehicle in-lieu tax or VLF; and 3) the Garden Grove paramedic override tax.

In addition, the City’s General Fund receives residual tax, which is distributed through the Successor Agency's Redevelopment Property Tax Trust Fund (RPTTF). The City’s share of residual tax is approximately 18%, and is currently included in the City’s total property tax distribution from the County of Orange. The City began receiving residual RPTTF in Fiscal Year 2012-13, and it is currently considered to be an unrestricted General Fund revenue, reported as Property Tax revenue in the City’s Annual Comprehensive Financial Report. As the obligations of the Successor Agencies in the County gradually are

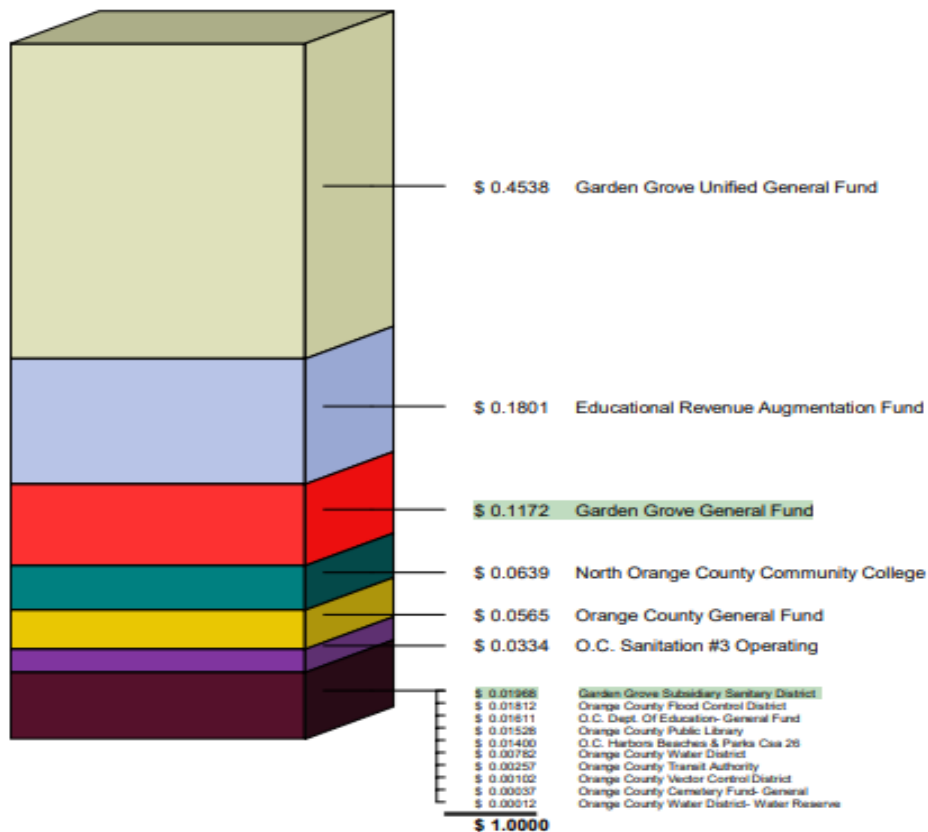
paid off, the amount of residual RPTTF that is proportionally districted to the taxing entities, including to the City, will increase. We anticipate to receive \$4.0 million of residual RPTTF in Fiscal Year 2023-24.

**State General Fund 1% Share**

The diagram on the left illustrates the breakdown of the General Fund 1% share. Over 60% of the 1% of the property tax collected from property owners goes to the Garden Grove Unified School District. The City and the GG Sanitary District combined receive approximately 13.7% of the total allocation.

**Property Tax in Lieu of Vehicle License Fee**

In May 2004, the State of California passed the vehicle license fee (VLF) swap with property tax in the 2004 State budget package. Prior to the 2004 budget act, VLF tax rate was 2% of the value of the vehicle. The State General Fund “offset” 67.5% of this tax resulting in an effective tax rate of 0.65%. Consequently, VLF tax revenue was supplemented with a backfill from the State General Fund to provide cities and counties with revenues equivalent to the full 2% VLF tax rate. For Fiscal Year 2023-24, VLF is estimated to be \$22.9 million.



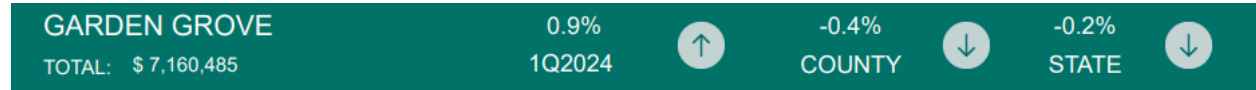
**Garden Grove Paramedic Override Tax**

In 1974, the Garden Grove voters passed a paramedic tax measure. The tax is designated to help fund the ongoing costs of paramedic services provided to the community. The 1974 ballot measure sets a limit of this ad valorem tax at 10 cents per \$100 of assessed value. Since 2017, the City has been assessing this tax at a rate of 8 cents. The preliminary paramedic tax revenue for Fiscal Year 2023-24 is approximately \$15.4 million.



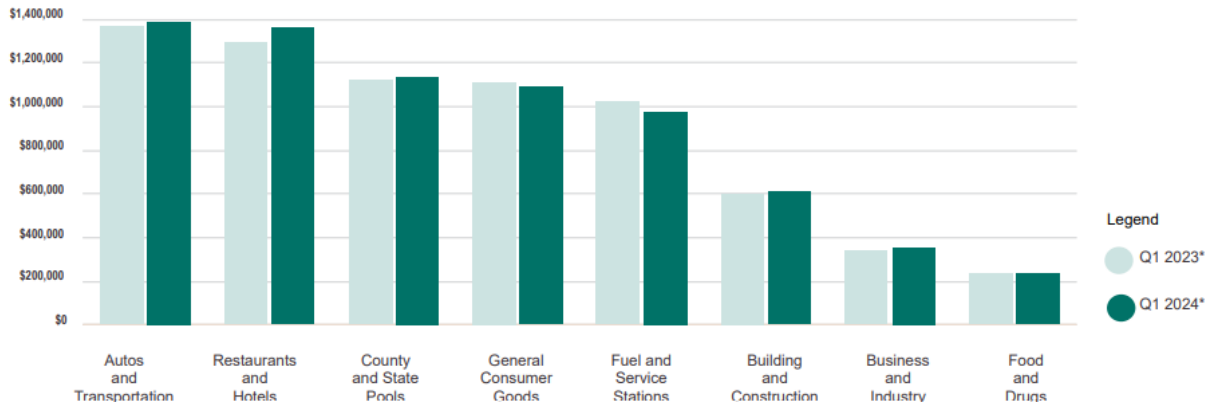
## Sales Tax

Sales tax for the quarter ended March 31, 2024 was up by 0.9% despite a 0.4% and 0.2% decline County and Statewide respectively. The largest growth for the quarter was in the Auto Transportation and Restaurant and Hotels industries.



*\*Allocation aberrations have been adjusted to reflect sales activity*

### SALES TAX BY MAJOR BUSINESS GROUP



Source: HdL Companies.

The City benefits from a diverse industry base. There is no single dominate tax base, which effectively reduces the risk factors caused by economic downturns. Restaurants and auto dealerships each occupies less than 20% of total sales tax revenue, followed by the countywide use tax pool. Consumer goods section contributes about 15% of overall sales tax during the quarter, taking the fourth place. Measure O brought in \$7.2 million additional tax revenue during the quarter.



Table below shows changes in top business types during the quarter.

TOP NON-CONFIDENTIAL BUSINESS TYPES				
Garden Grove Business Type	Q1 '24*	Change	County Change	HdL State Change
New Motor Vehicle Dealers	844.4	-3.3% ↓	-11.9% ↓	-10.4% ↓
Casual Dining	691.9	7.0% ↑	2.2% ↑	2.4% ↑
Service Stations	602.9	-4.4% ↓	-0.8% ↓	-0.9% ↓
Quick-Service Restaurants	394.2	2.3% ↑	4.2% ↑	2.7% ↑
Plumbing/Electrical Supplies	315.4	-0.3% ↓	2.0% ↑	-4.3% ↓
Used Automotive Dealers	286.8	22.1% ↑	7.4% ↑	-3.8% ↓
Family Apparel	145.6	11.4% ↑	1.7% ↑	7.7% ↑
Hotels/Motels	131.2	10.7% ↑	12.9% ↑	2.6% ↑
Grocery Stores	129.8	2.8% ↑	3.4% ↑	2.8% ↑
Automotive Supply Stores	108.6	-4.0% ↓	-2.0% ↓	-3.2% ↓

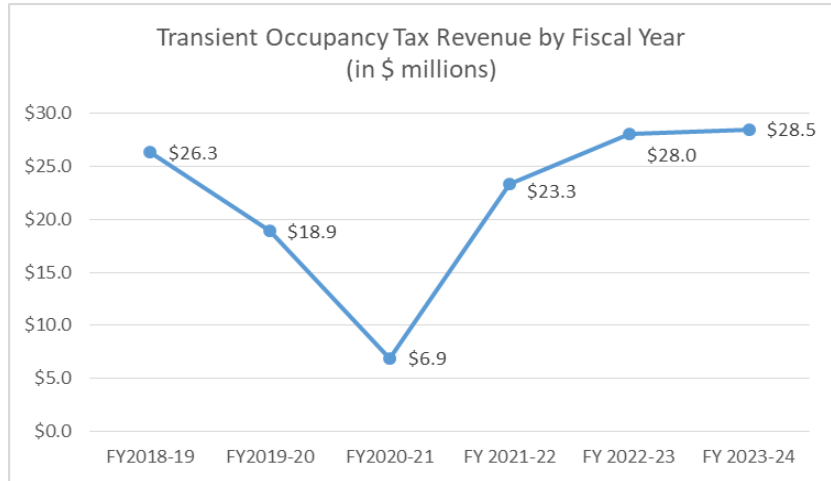
*\*Allocation aberrations have been adjusted to reflect sales activity* *\*In thousands of dollars*

**Transient Occupancy Tax**

Garden Grove Municipal Code Section 3.12.030 codified the transient occupancy tax (TOT) at a rate of 14.5% of the rent charged by hotel operators. There are a total of 26 hotel establishments in the City.

Transient occupancy tax (TOT) is the third largest tax revenue source for the City. As of June 30, 2024, total TOT received reached \$28.5 million, the highest fiscal year since history.

The chart on the right shows TOT revenue by year. Hotel industry was booming before the pandemic. In Fiscal Year 2018-19, the City had collected more than \$26.3 million in TOT revenue. During the first eight months of Fiscal Year 2019-20, \$17.5 million was received, surpassing the previous year. The COVID-19 pandemic costed the City \$18.0 million in TOT along between fiscal years 2020 and 2021.

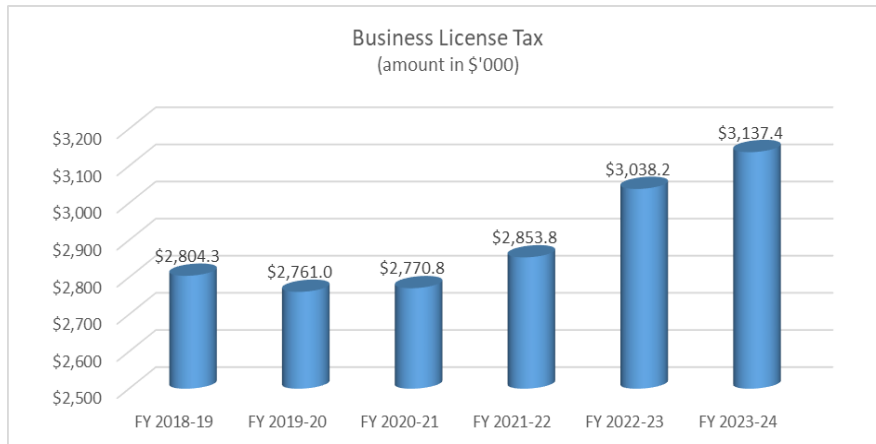


To promote the tourism business, the City established the Garden Grove Tourism Improvement District (GGTID) in 2010. GGTID assesses 2.5% of gross rent charged for Tier I facilities, and 0.5% for Tier II facility. A total of 10 hotels are within the GGTID, and subject to the assessment.

## FINANCE DEPARTMENT 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 support the City’s operations in the areas of enforcing compliance, protecting the public, and promoting local businesses.



For Fiscal Year 2023-24, revenues from Business License tax reached a historical high to over \$3.1 million. This represented a 2.3% year-over-year growth for the past five years. During the quarter, a total of 90 site visits were performed. Besides enhancing revenue, these site visits significantly increased compliance and

made positive impact to the overall business community in the City.

### 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.

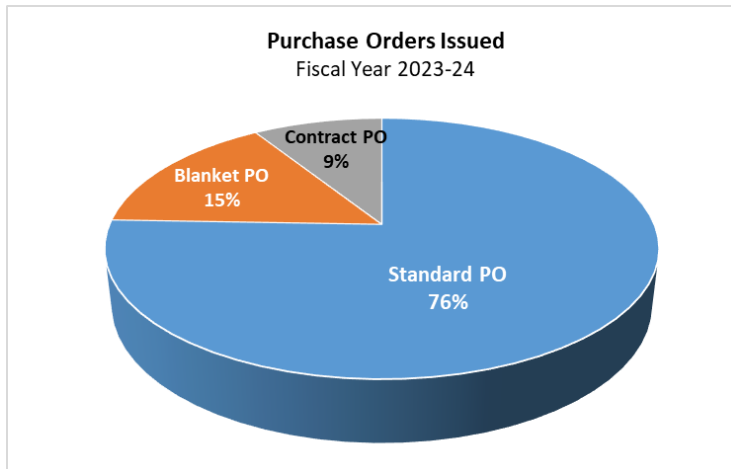
The chart to the right is a summary of all citations issued during the quarter. The goal of citing is to ensure compliance and promote the overall wellbeing of the health and safety of all community members. Accordingly, much efforts were invested in community outreach and education. An Administrative Citation Appeals Board was created as the formal channel for community members to challenge and dispute all citations issued.

Administrative Citations Issued April - June 2024		
Business License	284	\$ 65,000
Code Enforcement - Building	84	100,550
Police	12	8,600
Animal Services	3	612
Environmental	1	1,000
<b>TOTAL</b>		<b>\$ 175,762</b>

**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, conducts vendor insurance checks, and manages the City’s procurement card program.

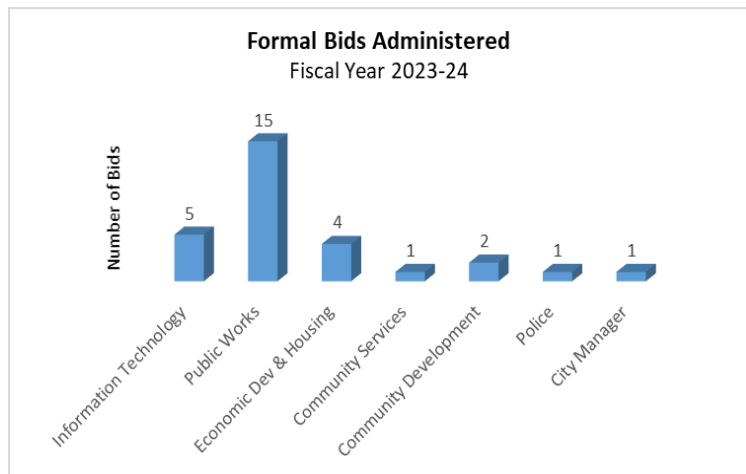
The City issues three broad types of purchase orders (PO): blanket PO, Contract PO, and Standard PO, which makes up the vast majority of City issued PO’s. Blanket PO (BPO) is a purchase order issued to a supplier that contains multiple delivery dates over a period of time, negotiated to take advantage of pre-determined pricing. Multiple departments can use the same BPO to streamline contract negotiation and



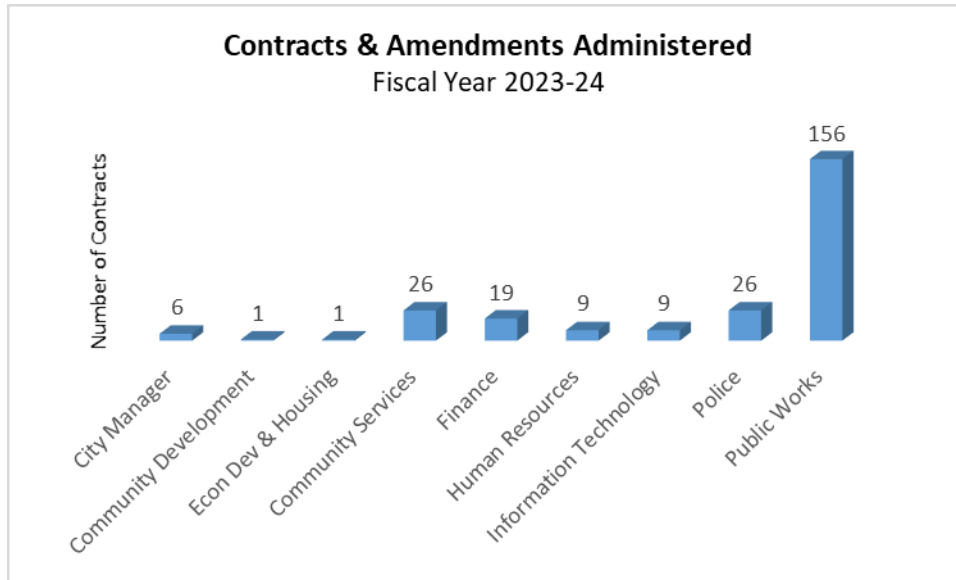
achieve scale of economy. A not-to-exceed amount is established with each BPO. Contract PO relates to a fixed term contract with a set amount, typically used in construction projects. Standard PO is the majority of all PO’s issued. It is used to buy goods or services on a one-time basis, with one-year term.

For Fiscal Year 2023-24, a total of 5,128 purchase orders were issued, the major (76%) of which was standard PO’s. A total of 791 blanket PO’s and 462 contract PO’s were also issued during the year.

During the current fiscal year, the Purchasing Division administered a total of 29 formal bids on PlanetBids. Among with 15 were for Public Work projects including street projects, infrastructure repairs, and traffic signal modifications. Five bids were conducted for Information Technology related items such as phone system replacement, cable installation, and computer equipment purchases. During the year the City also selected its agenda management system through a formal bidding process.



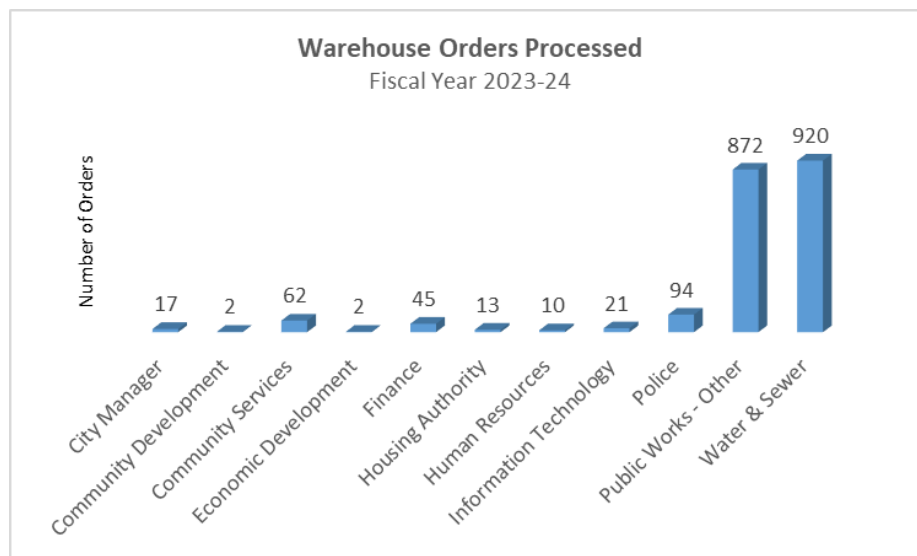
During Fiscal Year 2023-24, the Purchasing Division processed a total of 253 contracts and amendments, among which 63.2% were for the Public Works Department.



**Warehouse Operations**

The City’s Central Stores/Warehouse operates under the Purchasing Division and provides services that include receiving and acceptance of materials and supplies, and maintaining inventory for all City departments. Inventories ordered by departments citywide are shipped to the warehouse. The warehouse staff receives, stores and delivers the inventory upon ordering by department users. Each fiscal year end, the warehouse conducts an annual physical inventory count. As of June 30, 2024, 1,458 items were counted, with a total valued of \$491,242.

The central warehouse currently employs two full-time staff. For the current fiscal year, a total of 2,058 requisitions were processed, approximately 87.1% were for Public Works.

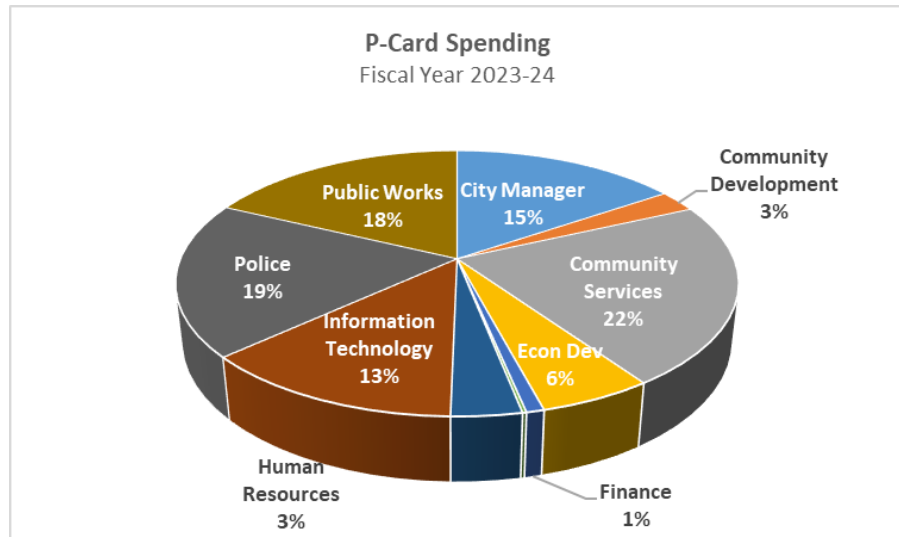


### Citywide Procurement Card Program

The City uses Procurement Card (P-Card) to facilitate the acquisition of certain goods and services to promote efficiency. Purchases are intended to be under \$1,000 threshold and of a “non-capital” nature. Cumulative purchases from the same vendor should not exceed the thresholds established under Chapter 2 of the City’s Purchasing Policy and Procedures Manual.

In June 2024, we successfully transitioned from a legacy P-Card program offered through our previous banking service provider, Union Bank of California to the CalCard Program. The CalCard Program is administered by the State of California, and participating agencies benefit from this larger commercial card services programs including zero program costs, expanded supplier base, longer grace period, enhanced security and fraud protection features, and volume sales incentives (cash rebates).

The City currently has 33 active P-cards issued to individual employees and departmental users (these are departmental cards issued in the name of the department). For Fiscal Year 2023-24, transactions total \$171,000 was made by P-card, \$38K was for Community Services, followed by \$32K by the Police Department, and \$31K by Public Works.



### Risk Management

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 a third party administrator, Carl Warren. Representation in matters of litigation is performed through retaining outside legal counsel, supervised by the City Attorney.



## Claims Information

To present a claim against the City, claimants have six months from the date of an incident to file a personal injury or property damage claim (§911.2). The claim form needs to include the name and address of the claimant; the address to which notices should be sent; date, location, and other circumstances relating to the claim event; a general description of the injury or damage or loss incurred; the names of public employees who caused the injury, damage, or loss (if known); and the amount claimed as damages (§910. (a)-(f)). Failure to include the above information can lead to the claim's being returned as "insufficient," in which case the claimant can amend the claim and resubmit it to the City.

The City has 45 days from receipt of the claim to provide a response. In order to determine potential City liability, Risk Management may request information related to circumstances described in the claim from other departments. A quick turnaround is critical so that a response can be generated in advance of the 45 day limit. Between July 1, 2023 and June 30, 2024, 62 claims were filed against the City.

During Fiscal Year 2023-24, a total of 146 claims were processed, among which 101 were closed by June 30, 2024. The table below categorizes the totality of these claims, and lists expense payments incurred cumulative to date. Based on estimates provided by Carl Warren, the City's third-party claims administrator, amounts have been set aside (reserved) for future expenses and potential settlements/loss payments. The total potential financial impact from these outstanding claims is \$15.2 million.

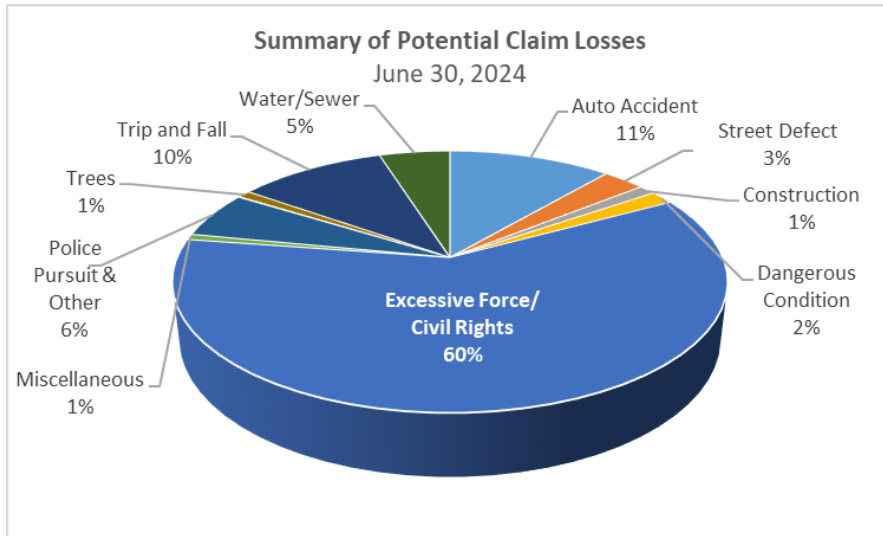
### Summary of Outstanding Claims

As of June 30, 2024

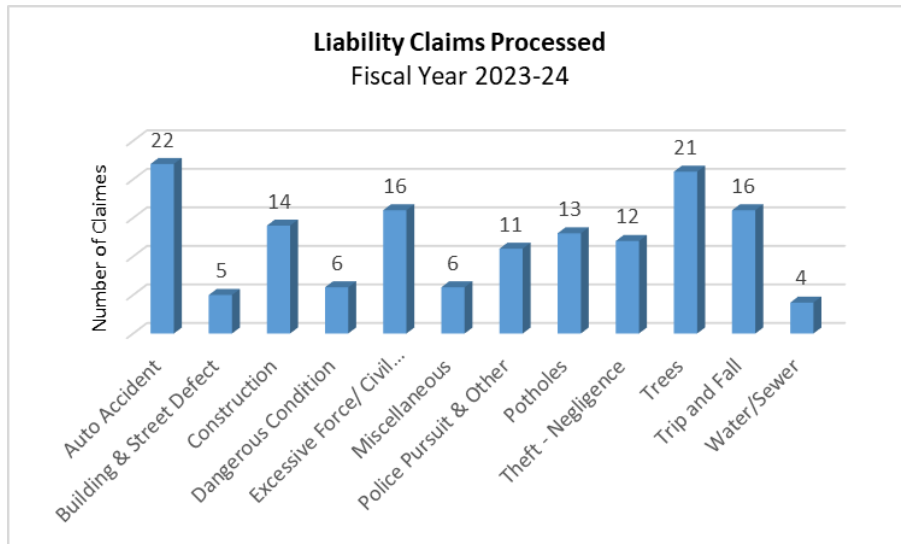
Claim Category	# of Claims	Loss Payment	Expense Payment	Reserve for Loss Payment	Reserve for Expenses	Total
Auto Accident	22	\$ 77,580	\$ 148,246	\$ 1,111,100	\$ 379,785	\$ 1,716,711
Building & Street Defect	5	23,750	43,603	91,250	288,569	447,172
Construction	14	80,153	22,659	75,242	-	178,054
Dangerous Condition	6	-	33,854	150,000	65,830	249,683
Excessive Force/ Civil Rights	16	1,450,000	1,775,325	5,330,000	578,794	9,134,118
Miscellaneous	6	653	1,890	103,100	-	105,643
Police Pursuit & Other	11	978	242,542	607,200	22,277	872,997
Potholes	13	810	4,658	-	-	5,468
Theft - Negligence	12	1,475	3,390	3,300	-	8,165
Trees	21	35,531	60,231	29,050	7,573	132,385
Trip and Fall	16	47,500	246,546	1,000,000	272,378	1,566,424
Water/Sewer	4	3,300	524,904	152,600	64,914	745,718
<b>TOTAL</b>	<b>146</b>	<b>\$ 1,721,729</b>	<b>\$ 3,107,846</b>	<b>\$ 8,652,842</b>	<b>\$ 1,680,120</b>	<b>\$ 15,162,537</b>

Source: Carl Warren Loss Register

\* Amounts are cumulative to date. Amounts do not include claims settled during the fiscal year.



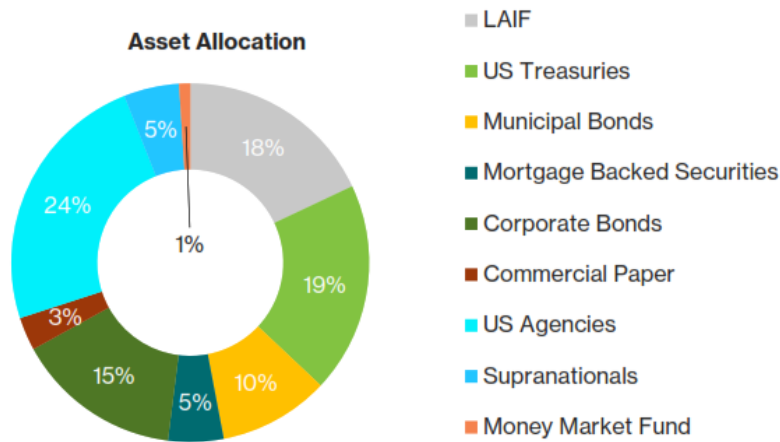
Among the 146 claims, 16 were related to Excessive Force and/or Civil Right. Severity wise, these 16 claims count toward 60% of overall potential costs. Auto accidents ranked second in terms of economic impact, approximately 11% or \$1.7 million of total potential loss was attributable to auto accidents. Trip and fall due to sidewalk condition also has a possible financial impact of \$1.6 million to the City.



Risk Management collaborates with citywide departments on effective loss prevention measures throughout the year.

## SECTION III – INVESTMENT REPORT

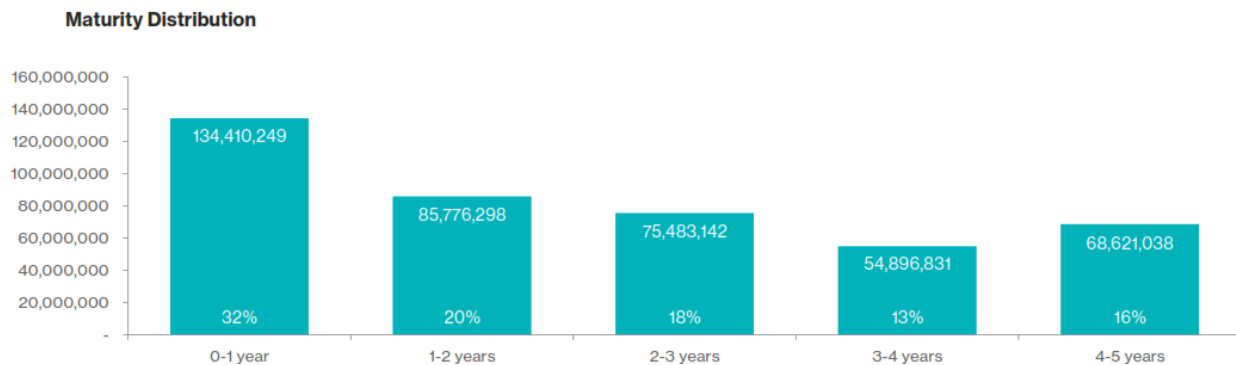
The City partners with Meeder Investment Management to actively manage its investment portfolio. As of June 30, 2024, the City’s portfolio had a book value of \$415.8 million. The average weighted maturity is 2.0 years, with 32% of the holdings maturing within a year or less, providing sufficient liquidity. Estimated annualized investment income from the current portfolio is \$14.4 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 investments to minimize risk. The graph on the left

reflects the allocation of the City investment holdings as of June 30, 2024.

To ensure liquidity, we match investment maturities with forecasted cash flows and maintain an additional liquidity buffer for unexpected expenditures. The chart below shows the maturity distribution of the City’s portfolio as of June 30, 2024.



The complete portfolio report prepared by the City’s investment advisor for the quarter ending June 30, 2024 is attached to this report.



JULY 18, 2024

# City of Garden Grove PORTFOLIO REVIEW

PRESENTED BY: NICK VACCARI, CTP



**MEEDER**  
PUBLIC FUNDS



**M E E D E R**  
PUBLIC FUNDS

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# ECONOMIC UPDATE

# “FIGEY” Model of Interest Rates

Fed, Inflation, Growth, Employment, Yields



- U.S. Treasury yields/rates are primarily a function of Federal Reserve policy, inflation, economic growth, and employment.
- Shorter-term yields are highly correlated with the Fed Funds rate set by the Fed’s Federal Open Market Committee (FOMC).
- Intermediate-term and longer-term yields are more correlated to the expected future rates of inflation, economic growth, and the unemployment rate.

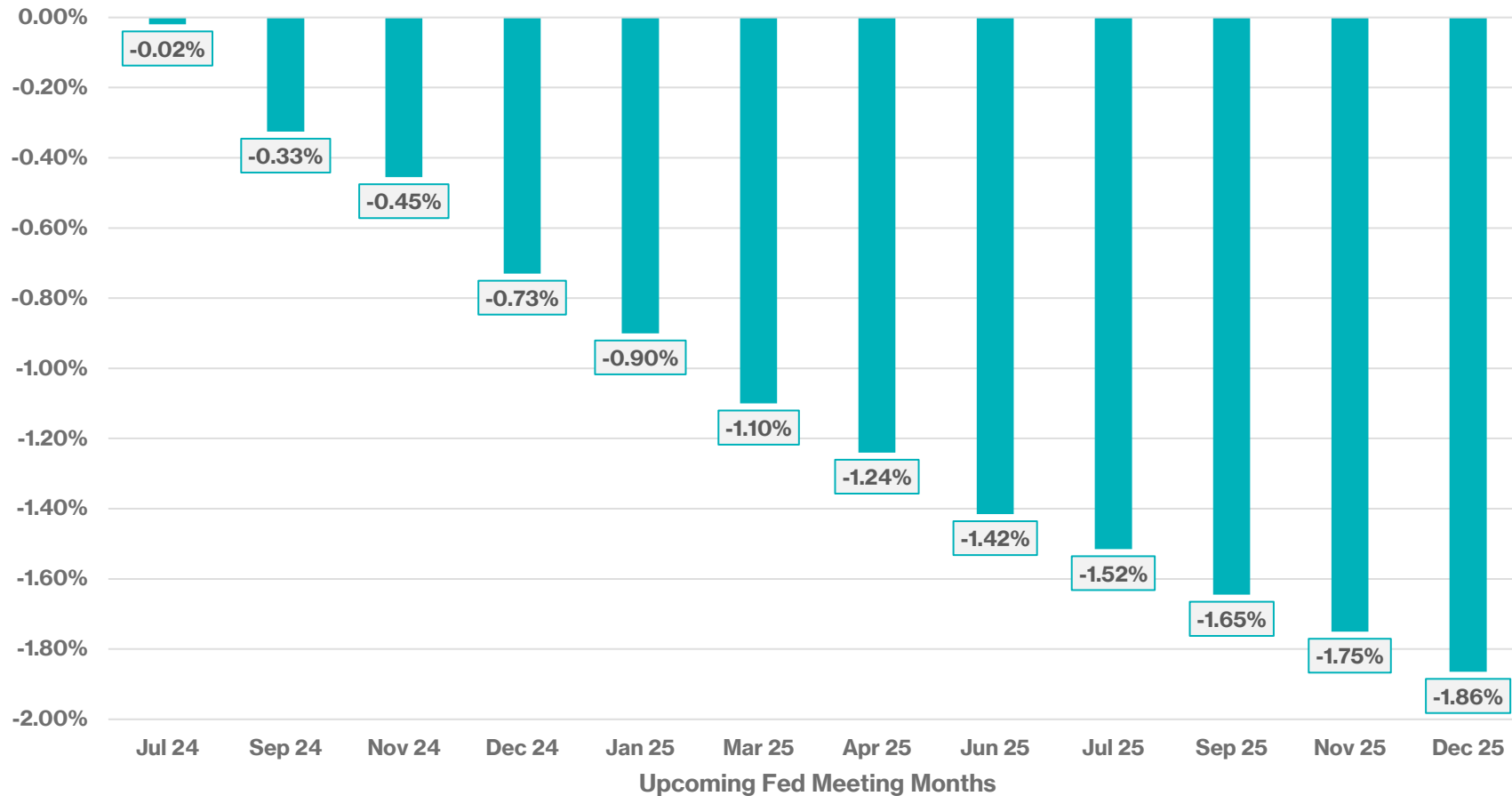


## Metric

## Probable Outlook

<b>Fed Funds Rate</b>	Fed Chair Powell said to expect “patience” regarding rate cuts, probably only one .25% cut this year; which is less than the .75% of cuts they expected earlier this year.
<b>Inflation</b>	The path to the Fed’s 2% (PCE Core YoY) inflation target will take longer than anticipated...this was reiterated by Chair Powell when he said recently the Fed doesn’t expect inflation to hit their target rate until 2025 or 2026.
<b>Growth</b>	Gross Domestic Product (GDP) growth will slow from 2023’s rate, but will not be negative in the second half of 2024.
<b>Employment</b>	Employment will remain moderately robust, with job growth slowing and the unemployment rate continuing to climb over 4%.
<b>Yields</b>	Intermediate-term and longer-term rates have peaked...remaining rangebound near the highest levels since 2007.

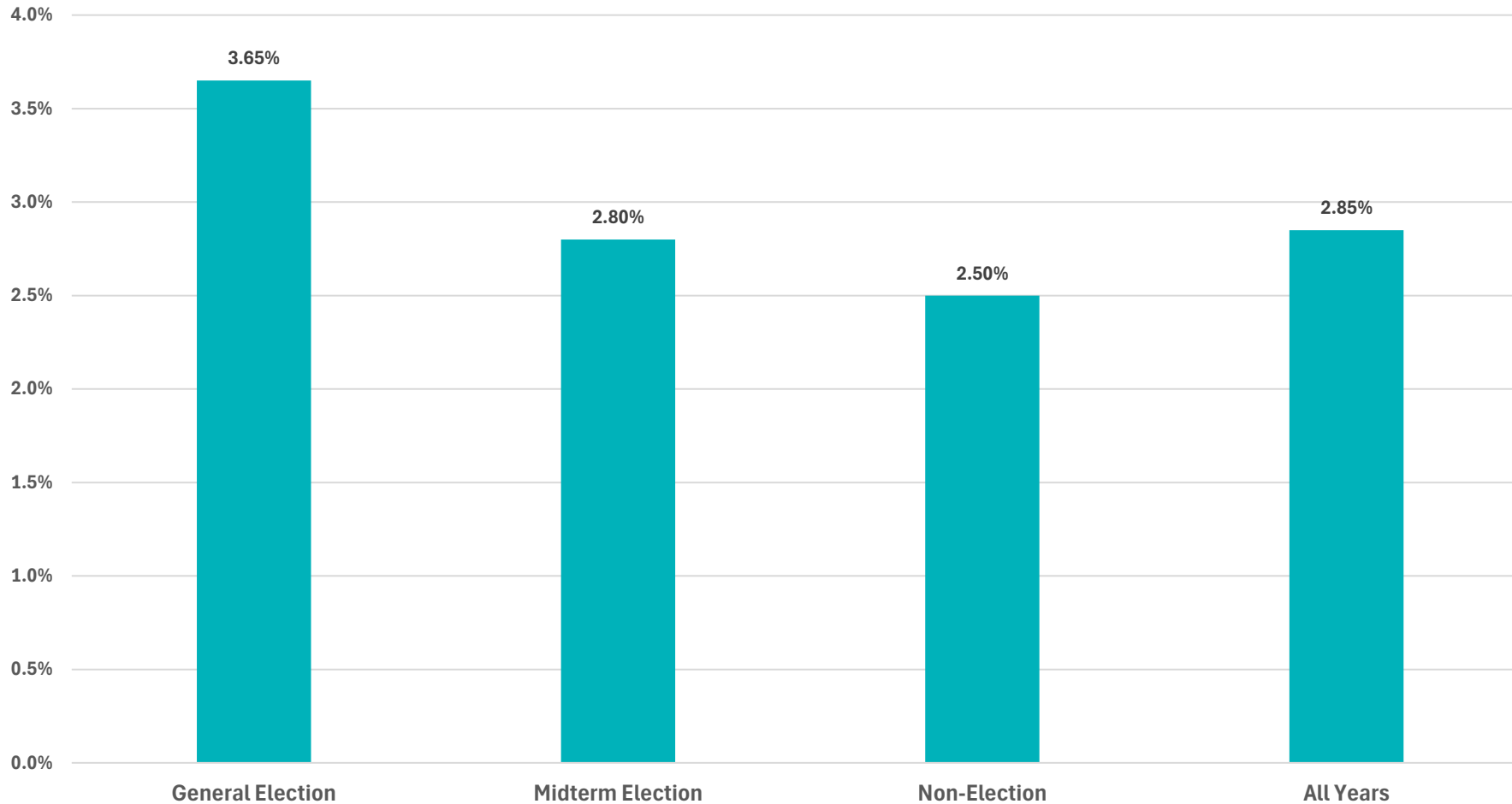
## Fed Funds Rate Declines Priced In Per Futures Market



- After four quarter point hikes in 2023, the Federal Reserve has held this rate steady since last July.
- At the last Federal Open Market Committee Meeting (FOMC) press conference, Chair Powell stated, “so far this year, the data have not given us that greater confidence” to lower the Fed Funds rate.
- Currently, the futures market is implying almost three .25% Fed cuts between now and the end of the year.

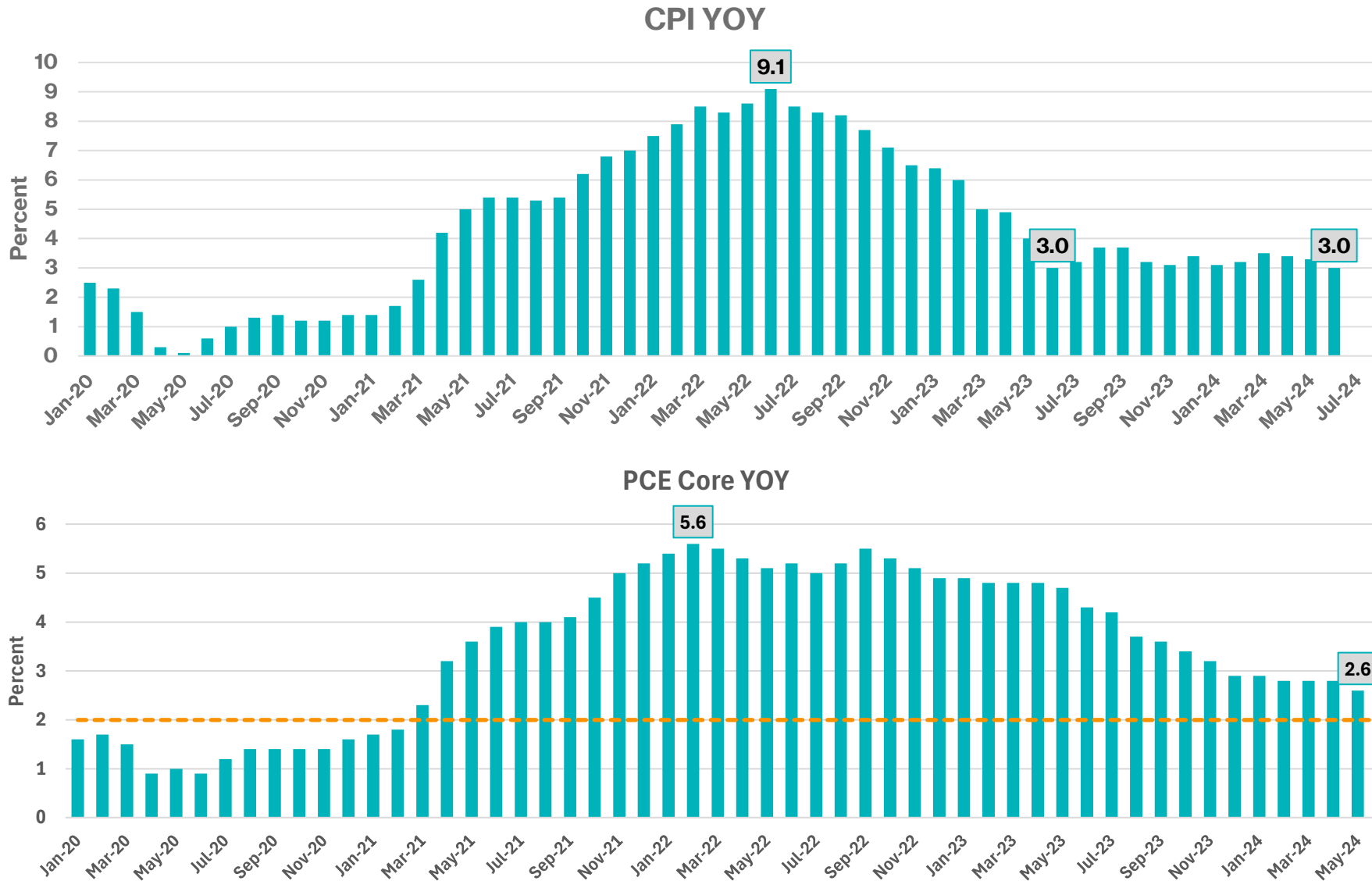
# Fed Funds and Election Year Moves

Average Calendar Year Cumulative Absolute Percentage Change in the Target Fed Funds Rate Since 1971 by Type of Year



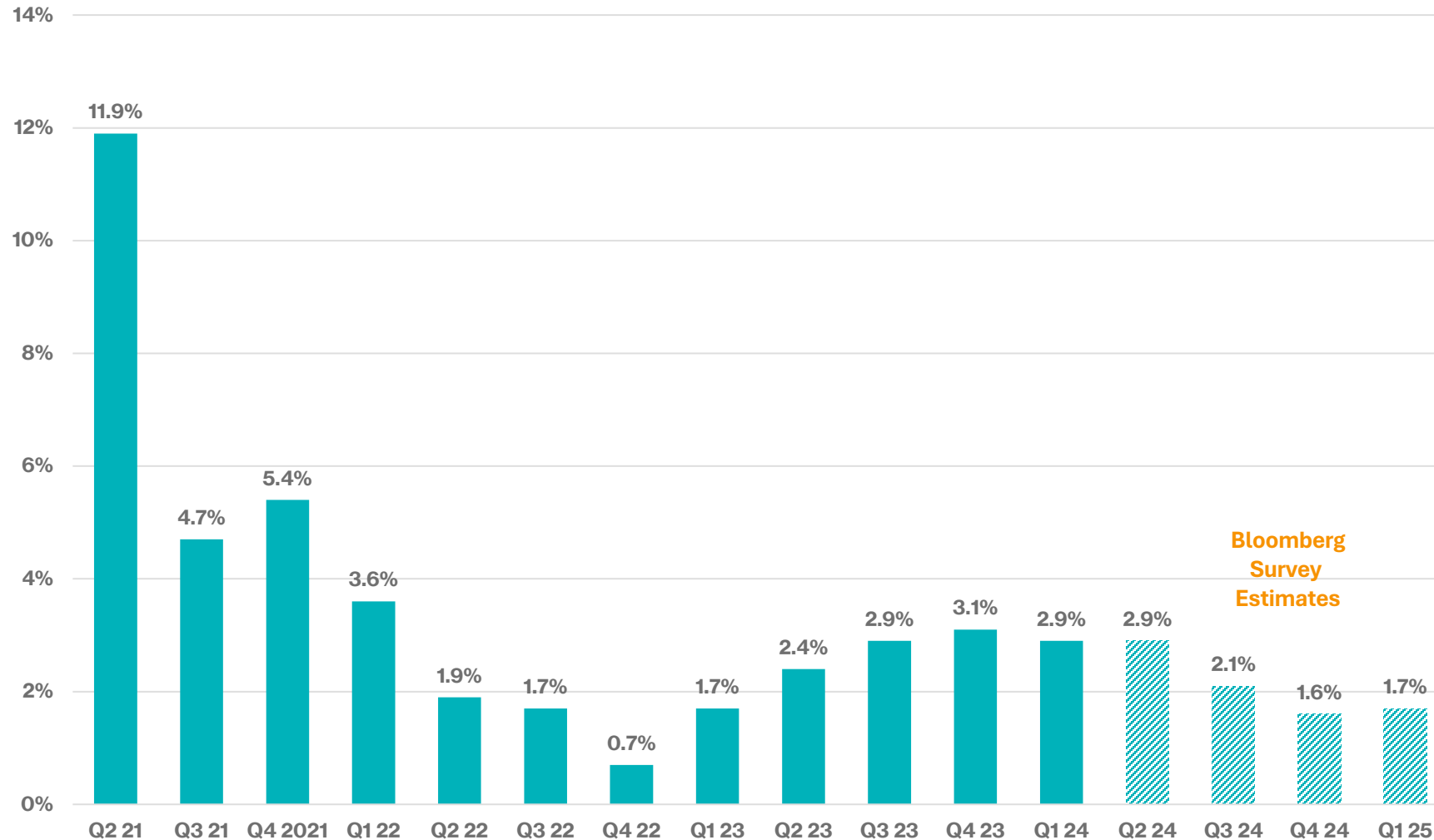
- The Fed changes policy (rates) in election years without hesitation.
- Actual policy rate changes back to 1971 suggests the Fed does not shy away from changing policy during general election years and midterm election years.
- Fed Chair Powell stated at the recent Fed meeting that election timing won't affect the Fed's decision to cut rates...we shall see!

# Inflation



- The year-over-year Consumer Price Index data peaked in June 2022 in conjunction with the massive stimulus provided by Uncle Sam, supply chain challenges, and many commodities increasing due to the Russia/Ukraine war.
- CPI YoY bottomed in June 2023 at 3.0%, climbed a bit and is now currently at 3.0%
- Personal Consumption Expenditure (PCE) Core (excluding food and energy) is the Fed's preferred inflation gauge.
- PCE YoY percent change has also declined materially since 2022, but remains above the Fed 2% target.

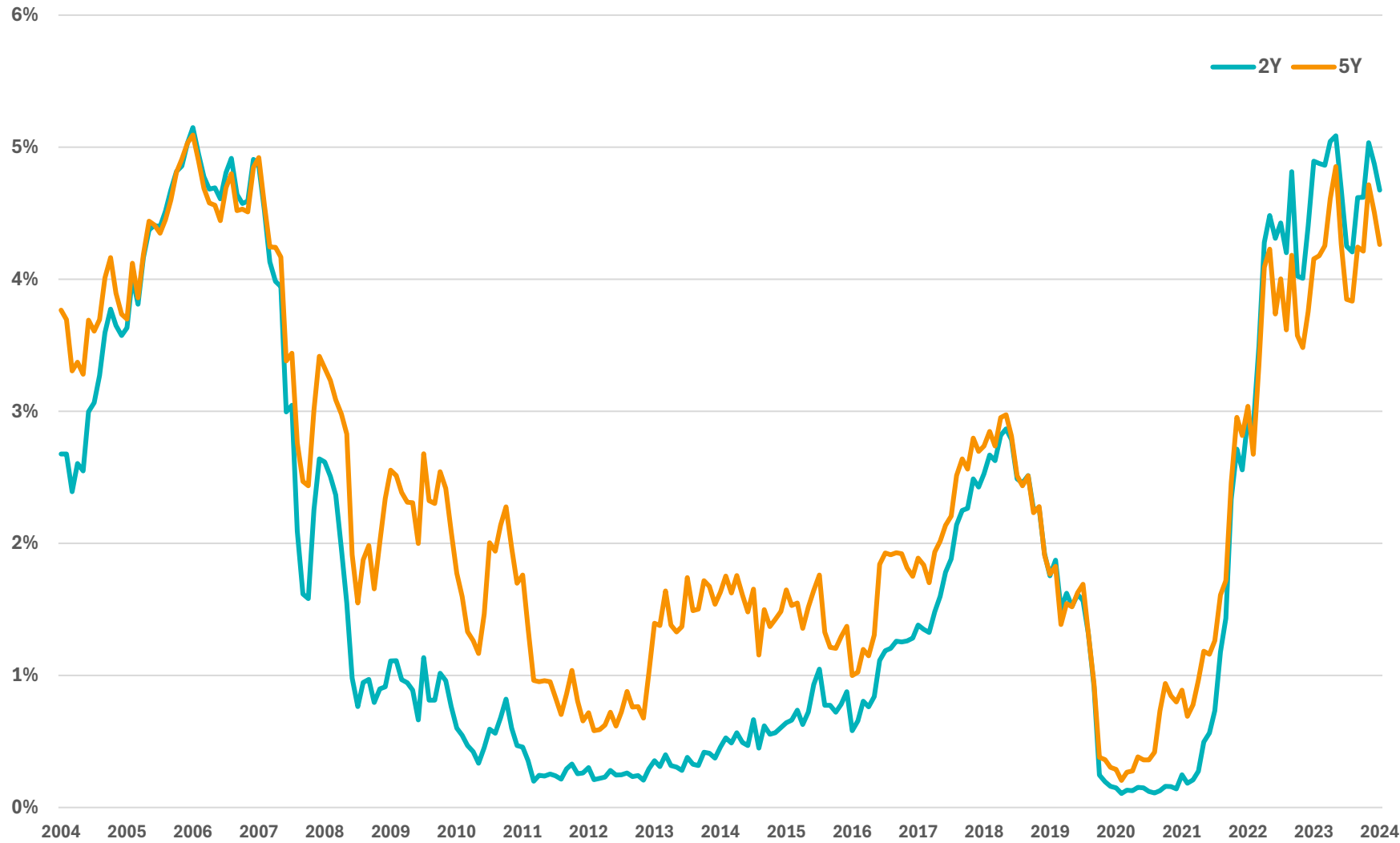
## Real GDP YoY



SOURCE: BLOOMBERG, BUREAU OF ECONOMIC ANALYSIS

- U.S. Gross Domestic Product (GDP) slowed the first half of 2024 from its above average pace in the second half of 2023.
- Economists and strategists surveyed by Bloomberg expect GDP to slow below trend during 2024, with lower than 2% growth for the next few quarters.
- GDP year-over-year growth is projected by Bloomberg's survey of economists to be 1.6% for the full year of 2024.

## 2 Year and 5 Year Treasury Yields Past 20 Years



- Intermediate-term U.S. Treasury rates are near their highest levels since 2007.
- These rates most likely have peaked for this cycle due to economic growth slowing, unemployment increasing, and the rate of change of inflation moderating.
- With fixed income investors not seeing these higher yields for the past 17 years, we believe locking in these intermediate-term rates is a prudent strategy.





**M E E D E R**  
PUBLIC FUNDS

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# PORTFOLIO REVIEW

# PORTFOLIO REVIEW **ALL FUNDS**

City of Garden Grove Portfolio as of 6/30/2024

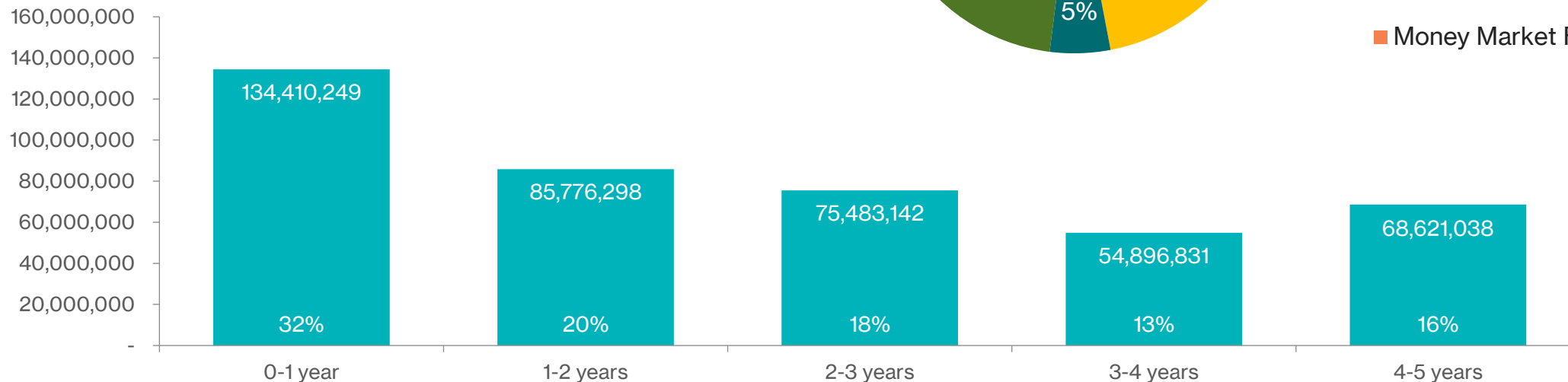
## Your Portfolio

Cash	\$72,651,314
Securities	\$343,105,192
<b>Total Portfolio</b>	<b>\$415,756,506</b>

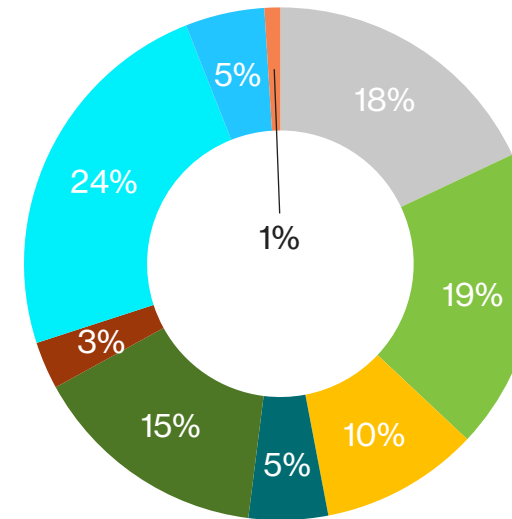
## Your Portfolio

Weighted Average Maturity	2.01 years
Weighted Average Yield	3.47%
Estimated Annual Interest Income	\$14,426,751
June Earned Income	\$307,956

## Your Maturity Distribution



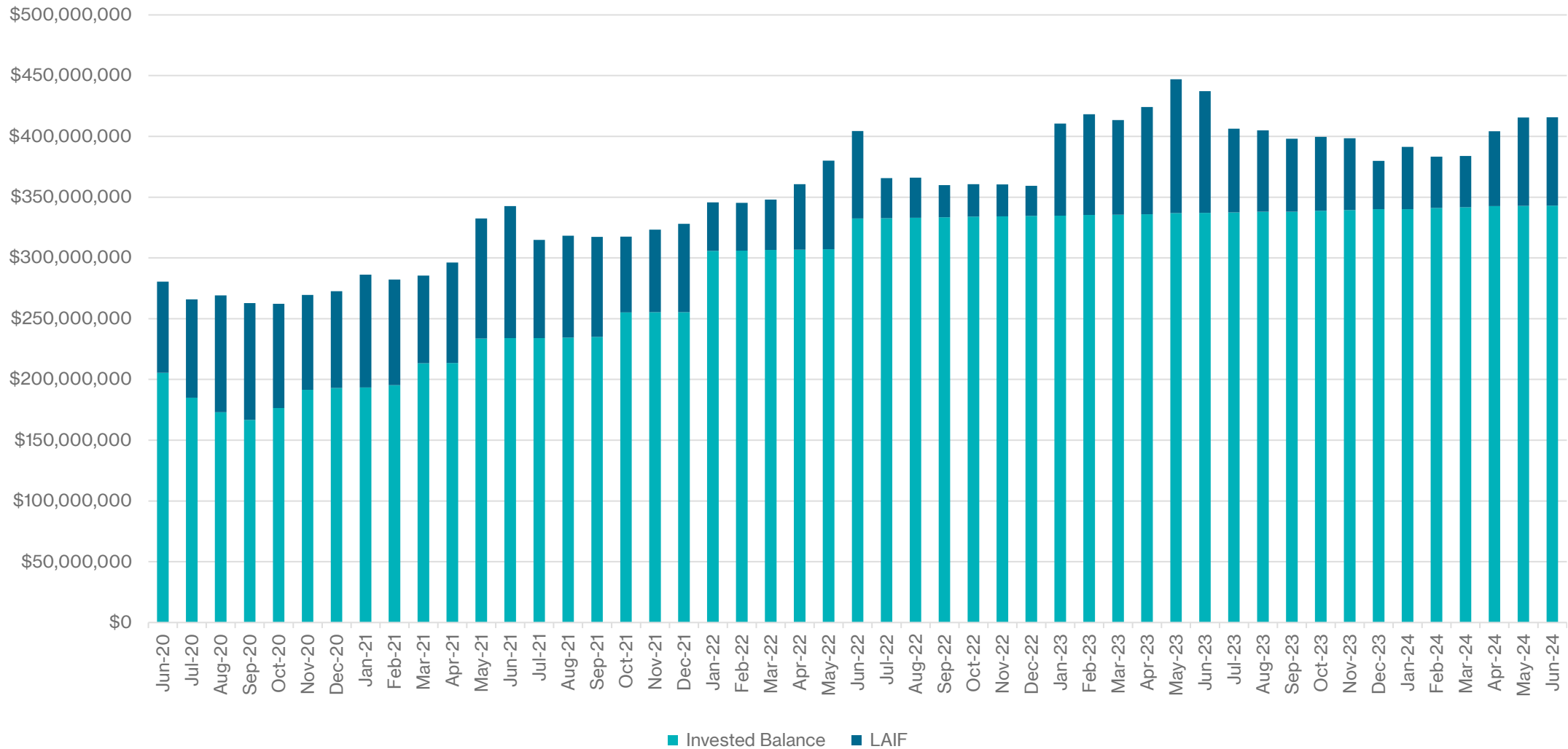
## Your Asset Allocation



- 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 (April 2024 – June 2024)

CUSIP	SECURITY DESCRIPTION	MATURITY DATE	TRADE DATE	PAR	PRINCIPAL AMOUNT
3130AVBD3	FHLB 4.500%	03/09/2029	04/02/2024	\$3,000,000	\$3,008,730
3137HCKV3	Federal Home Loan Mortgage Corporation 5.180%	03/25/2029	04/23/2024	\$1,600,000	\$1,606,494
14913UAL4	Caterpillar Financial Services Corporation 5.000%	05/14/2027	05/08/2024	\$3,400,000.00	\$3,399,728.00
85324TND4	Standard Chartered Bank	01/13/2025	05/16/2024	\$1,500,000.00	\$1,446,558.33
06055JEK1	Bank of America Corporation 5.600%	11/06/2025	05/15/2024	\$6,000,000.00	\$6,000,000.00
3130AQ6A6	FHLB 2.000%	12/30/2026	05/20/2024	\$2,000,000.00	\$1,886,920.00
3130ALVD3	FHLBANKS 1.00%	04/13/2028	06/04/2024	\$1,430,000	\$1,293,549
22533TPU4	Credit Agricole	02/28/2025	06/05/2024	\$4,085,000	\$3,926,257
3133EMG48	FFCB 1.590%	06/14/2029	06/03/2024	\$5,000,000	\$4,346,800

# PORTFOLIO **PURCHASES** *Continued*



City of Garden Grove portfolio (April 2024 – June 2024)

CUSIP	SECURITY DESCRIPTION	MATURITY DATE	TRADE DATE	PAR	PRINCIPAL AMOUNT
3133EMV74	FFCB 1.400%	04/26/2029	06/20/2024	\$4,000,000	\$3,479,440
880591EZ1	TVA 3.875%	03/15/2028	06/24/2024	\$5,000,000	\$4,903,550

# PORTFOLIO ACTIVITY



City of Garden Grove portfolio (April 2024 - June 2024)

CUSIP	SECURITY DESCRIPTION	MATURITY DATE	TRADE DATE	PAR	PRINCIPAL COST	TOTAL PROCEEDS	ACTIVITY
13063DLZ9	California, State of 3.000%	04/01/2024	04/01/2024	\$2,180,000.00	\$2,352,067.40	\$2,180,000.00	MATURITY
3137BXQX3	FHLMC 2.891%	10/25/2026	04/25/2024	\$62,603.66	\$64,714.66	\$62,603.66	PAYDOWN
3137FHQ22	FHLMC 3.370%	07/25/2025	04/25/2024	\$2,700.78	\$2,934.58	\$2,700.78	PAYDOWN
4497W0FE3	ING (U.S.) FUNDING LLC	06/14/2024	04/30/2024	\$1,500,000.00	\$1,437,020.00	\$1,489,912.50	SELL
478160CN2	Johnson & Johnson 0.550%	09/01/2025	05/08/2024	\$3,000,000.00	\$2,992,050.00	\$2,833,920.00	SELL
91412HJK0	Regents of the University of California, The 0.367%	05/15/2024	05/15/2024	\$1,500,000.00	\$1,500,000.00	\$1,500,000.00	MATURITY
3135G06E8	FNMA 0.420%	11/18/2024	05/17/2024	\$3,000,000.00	\$2,996,400.00	\$2,926,650.00	SELL
3133EK6J0	FFCB 1.625%	11/08/2024	05/17/2024	\$3,000,000.00	\$3,000,000.00	\$2,947,230.00	SELL
3133ENEG1	FFCB 1.050%	11/17/2025	05/21/2024	\$2,500,000.00	\$2,496,475.00	\$2,358,375.00	SELL
3137BXQX3	Federal Home Loan Mortgage Corporation 2.891%	10/25/2026	05/25/2024	\$67,401.05	\$69,673.81	\$67,401.05	PAYDOWN
3137FHQ22	Federal Home Loan Mortgage Corporation 3.370%	07/25/2025	05/25/2024	\$2,934.19	\$3,188.20	\$2,934.19	PAYDOWN

# PORTFOLIO **ACTIVITY** *Continued*



City of Garden Grove portfolio (April 2024 - June 2024)

CUSIP	SECURITY DESCRIPTION	MATURITY DATE	TRADE DATE	PAR	PRINCIPAL COST	TOTAL PROCEEDS	ACTIVITY
56052AG42	Maine, State of 1.000%	06/01/2024	06/01/2024	\$1,050,000.00	\$1,068,259.50	\$1,050,000.00	MATURITY
3133ENPG9	FFCB 1.750%	02/14/2025	06/05/2024	\$4,000,000.00	\$3,998,924.00	\$3,905,140.00	SELL
89236TJG1	Toyota Motor Credit 0.500%	06/14/2024	06/14/2024	\$4,000,000.00	\$4,000,000.00	\$4,000,000.00	MATURITY
4497W0FE3	ING (U.S.) FUNDING LLC	06/14/2024	06/14/2024	\$1,556,000.00	\$1,490,668.75	\$1,556,000.00	MATURITY
89236TJH9	Toyota Motor Credit 0.500%	06/18/2024	06/18/2024	\$1,150,000.00	\$1,144,606.50	\$1,150,000.00	MATURITY
91282CGT2	UST 3.625%	03/31/2028	06/24/2024	\$4,900,000.00	\$4,758,617.18	\$4,772,332.03	SELL
3137BXQX3	FHLMC 2.891%	10/25/2026	06/25/2024	\$63,072.82	\$65,199.64	\$63,072.82	PAYDOWN
3137FHQ22	FHLMC 3.370%	07/25/2025	06/25/2024	\$37,758.94	\$41,027.69	\$37,758.94	PAYDOWN
3135GA2Z3	FNMA 0.560%	11/17/2025	06/27/2024	\$2,500,000.00	\$2,447,250.00	\$2,351,200.00	SELL
3133EMFR8	FFCB 0.540%	11/03/2025	06/27/2024	\$3,000,000.00	\$2,995,500.00	\$2,824,920.00	SELL

# FUTURE MATURITIES



City of Garden Grove portfolio July 2024 – December 2024

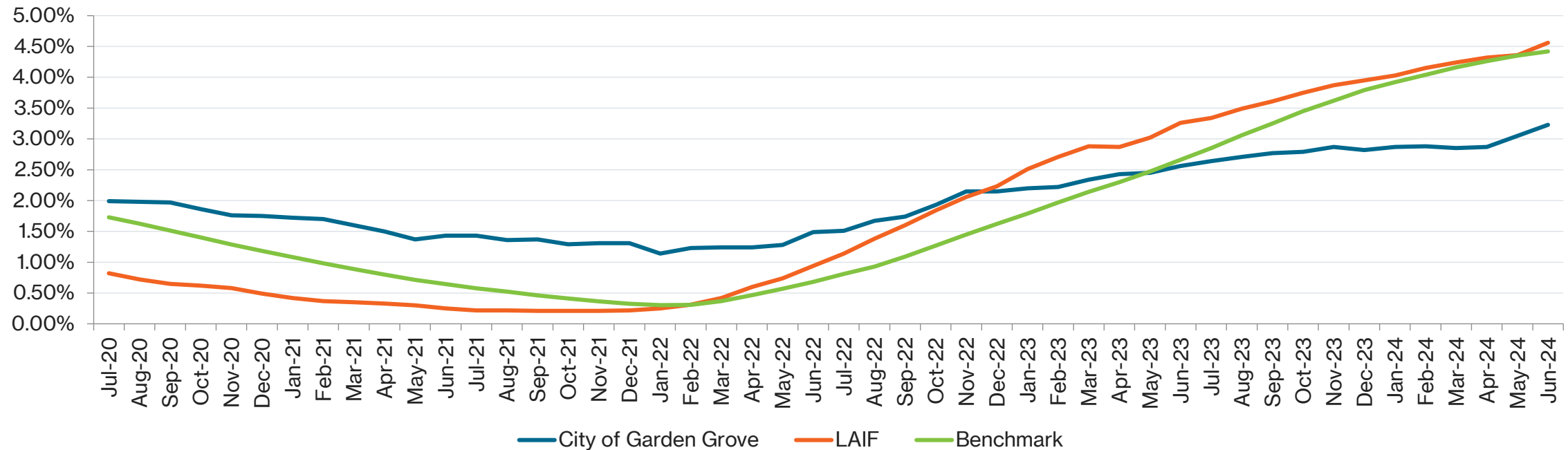
CUSIP	SECURITY DESCRIPTION	MATURITY DATE	PAR	PRINCIPAL COST
63873JG20	NATIXIS DISC COML PAPER 070224	7/2/2024	\$3,030,000	\$2,951,130.36
795036CK6	SALINAS VY CALIF SOLID WASTE A TAXABLE REF BDS 2022 A	8/1/2024	\$1,150,000	\$1,149,482.50
969268DF5	WILLIAM S HART CALIF UN HIGH S TAXABLE GO REF BDS 2020	8/1/2024	\$1,125,000	\$1,125,000.00
874857KT1	TAMALPAIS CALIF UN HIGH SCH DI TAXABLE GO REF BDS 2021	8/1/2024	\$745,000	\$745,000.00
78013VHD7	ROYAL BK CDA N Y BRH 081324	8/13/2024	\$3,055,000	\$2,930,356.00
45950VPQ3	IFC 0.250 08/22/24 MTN	8/22/2024	\$2,000,000	\$1,987,120.00
13607EHP7	CANADIAN IMPERIAL HLDGS INC 082324	8/23/2024	\$2,330,000	\$2,237,893.81
3133EKQA7	FEDERAL FARM 2.08%	9/10/2024	\$3,000,000	\$3,103,500.00
14913R2P1	CTRPLLR FIN SERV 0.60%	9/13/2024	\$1,395,000	\$650,234.00
3130A2UW4	FHLBANKS 2.875%	9/13/2024	\$3,000,000	\$3,205,200.00
3133EMCY6	FEDERAL FARM 0.43%	10/15/2024	\$2,500,000	\$2,495,250.00
3133EGYRO	FEDERAL FARM 1.82%	10/17/2024	\$3,000,000	\$3,057,000.00
69666JHV3	PALM SPRINGS CALIF FING AUTH TAXABLE	11/1/2024	\$1,450,000	\$1,450,000.00



# MONTHLY COMPARISON

City of Garden Grove

	Month Ended June 30, 2024 Yield To Maturity
City of Garden Grove <sup>1</sup>	3.23%
Benchmark <sup>2</sup>	4.42%
LAIF <sup>3</sup>	4.56%



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>

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**Meeder Public Funds**

6125 Memorial Drive  
Dublin, OH 43017

866.633.3371



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