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**Date:** May 3, 2018  
**To:** Mayor and City Council  
**From:** David Persselin, Finance Director  
**Subject:** Cash and Investments Report – March 2018  
Debt Report – March 2018

The following information concerning cash and investments is hereby transmitted to the City Council:

*Cash & Investments*

- Narrative and Highlights
- Summary of Cash and Investments
- Investment Performance
- Investment Rate Performance
- Investments Compared to Limits
- Investment Summary
- Investment Activity
- Detail of Cash and Investments, Petty Cash and Cash with Fiscal Agents

*Debt*

- Debt Policy Compliance and Recent Financing Activities
- Debt Obligations
- Summary of Debt Balances, Interest Rates and Activities

The treasurer's report has been prepared to comply with state regulations contained in Government Code Section 53646. Detailed information is provided on all investments and monies held by fiscal agents.

I verify that all investment activities since the last report have been made in full compliance with the City's investment policy, which has been approved by the City Council. The Treasurer's cash management program provides sufficient liquidity to meet expenditures for the next six months.

This report is available on the City's internet site.

David Persselin  
Finance Director

**CITY OF FREMONT  
NARRATIVES AND HIGHLIGHTS  
March 2018**

***EXECUTIVE SUMMARY***

City liquidity needs were met in March and investment categories were well within the allowed percentages under California law and the City investment policy (see page 5 for component percentages).

The overall portfolio month end yield increased from 1.76% to 1.78% this month. The yield for the same month last year was 1.50%. The LAIF (State of California Local Agency Investment Funds) apportionment yield of 1.52% was 0.26% lower than the City’s average month end yield. (See the portfolio-benchmark comparative yield graph on page 5.) The CAMP (California Asset Management Program) yield was 1.62%. The Federal Reserve Open Market Committee federal funds rate target increased from the range of 1.25%-1.50% to 1.50%-1.75%. The two-year U.S. Treasury Note yield increased from 2.25% to 2.27% and the five-year U.S. Treasury Note yield decreased from 2.65% to 2.56%.

***CHANGES IN CASH AND INVESTMENT POOLED BALANCES (Pages 3, 3.1, and 3.2)***

Pooled cash and investment balances increased by \$11.9 million during March to a total of \$331.4 million. Pooled cash and investment balances were \$28.7 million higher than the \$302.7 million on hand last year. Compared to February, cash increased in the General Fund by \$7.3 million, in the Park Benefit and Impact Fee Funds by \$1.0 million, in the Housing Funds by \$1.8 million, and in the Local Improvement District Funds by \$1.0 million. Cash decreased in the Low and Moderate Income Housing Asset Fund by \$1.1 million. All the remaining funds combined netted an increase of \$1.9 million. General Fund cash flows were as follows:

<u>Inflows:</u>	<u>Millions</u>	<u>Totals (Millions)</u>
Property tax	\$13.2	
Sales and use tax	6.6	
Business license fees	1.2	
Franchises	0.3	
Transient occupancy tax	0.7	
Other revenues	0.8	
Transfers-in	<u>0.8</u>	\$23.6
 <u>Outflows:</u>		
Payroll	\$10.3	
Supplies, services, and other	4.2	
Internal service allocations	1.3	
Transfers-out	<u>0.5</u>	<u>(16.3)</u>
Net General Fund cash increase		<u>\$ 7.3</u>

*Other Fund changes greater than \$1 million*

1. The Park Benefit and Impact Fee Funds increased by \$1.0 million due to the receipt of impact fees.
2. The Housing Funds increased \$1.8 million due to the receipt of inclusionary housing in lieu fees.
3. The Local Improvement District Funds increased \$1.0 million due to the receipt of Property Taxes from the County.
4. The Low and Moderate Income Housing Asset Fund decreased by \$1.1 million as a result of payments on Stevenson Place.

***CHANGES IN THE PORTFOLIO FAIR MARKET VALUE ADJUSTMENT (Page 3)***

The City periodically adjusts its investment carrying value to fair market value to comply with governmental accounting standards. Market Prices are supplied by PFM Asset Management. The graph entitled *Interest Compared to Interest plus Fair Value Adjustments* on page 4 shows the impact of unrealized gains/(losses) on the actual interest revenue.

The March negative month end estimated valuation adjustment of \$3.7 million increased by \$84 thousand from the prior month. Valuations for the portfolio taken as a whole are shown in Chart 2 on page 3 for 2016, 2017, and 2018.

***INVESTMENT ACTIVITY AND INTEREST RATE PERFORMANCE (Pages 4, 5 and 6)***

Money market and pooled funds account percentages of the pooled portfolio increased from 34.7% to 38.3% compared to last year. These highly liquid investments enable the City to meet its near-term operating needs and reserve requirements. The yield of the LAIF and CAMP investment pools is roughly equivalent to that of a one-month U.S. Treasury bill.

Current month interest income of \$311 thousand, exclusive of the fair value adjustment, was \$3 thousand less than the prior month. Accrued interest (earned but not yet received) related to City investments at the end of March was \$868 thousand.

This month, \$6.2 million of available funds were newly invested at an average rate of 0.37% (230 day average maturity), compared to \$9.8 million at 1.22% (328 days) in February, and \$16.5 million at 0.15% (69 days) in the same month one year ago. (See page 7) The City did not enter into any repurchase or reverse repurchase agreements during the month.

The dollar weighted-average portfolio life decreased by 18 days compared to last month and was a decrease of 61 days from the prior year. The dollar weighted-average portfolio life only uses maturity dates and does not take early calls into account so it overstates the actual expected portfolio life. However, the statistic is a useful trend indicator.

***THE YIELD CURVE (Page 6)***

Page 6 compares U.S. Treasury bill and note yield curves at the end of March 2018, February 2018, and March 2017. The U.S. Treasury yield curve and comparable yield curves for other types of investments retained their “normal-curve” shape and are expected to do so for at least the next year.

**SUMMARY OF CASH AND INVESTMENTS - TOTAL CITY  
WITH COMPARISON**

	<b>Current Month 03/31/2018</b>	<b>Prior Month 02/28/2018</b>	<b>Prior Year 03/31/2017</b>	<b>Change from Prior Month 03/18 to 02/18</b>	<b>Change from Prior Year 03/18 to 03/17</b>
<b>CASH AND INVESTMENTS - TOTAL CITY</b>					
<b>INVESTMENTS CITY POOL</b>					
Investment in Securities at Cost	\$ 188,036,101	\$ 183,840,509	\$ 185,573,679	\$ 4,195,592	\$ 2,462,422
Adjustments to Fair Value (Chart 2)	(3,724,269)	(3,808,654)	(1,183,743)	84,385	(2,540,526)
State of California Local Agency Investment Funds (LAIF)	65,000,000	65,000,000	65,000,000	-	-
California Asset Management Program	49,617,984	49,560,866	33,141,186	57,118	16,476,798
<b>Subtotal - Investments (City Pool)</b>	<u>298,929,816</u>	<u>294,592,721</u>	<u>282,531,122</u>	<u>4,337,095</u>	<u>16,398,694</u>
Impound and Other Cash	141,170	893,715	749,164	(752,545)	(607,994)
General Checking Account	32,337,641	24,064,914	19,459,384	8,272,727	12,878,257
<b>Total - Cash and Investments (Chart 1)</b>	<u>331,408,627</u>	<u>319,551,350</u>	<u>302,739,670</u>	<u>11,857,277</u>	<u>28,668,957</u>
<b>PETTY CASH</b>	25,860	25,860	25,860	-	-
<b>CASH WITH FISCAL AGENTS</b>	<u>6,332,796</u>	<u>5,932,365</u>	<u>12,160,812</u>	<u>400,431</u>	<u>(5,828,016)</u>
<b>GRAND TOTAL - CASH AND INVESTMENTS, PETTY CASH &amp; CASH WITH FISCAL AGENTS</b>	<u>\$ 337,767,283</u>	<u>\$ 325,509,575</u>	<u>\$ 314,926,342</u>	<u>\$ 12,257,708</u>	<u>\$ 22,840,941</u>

Chart 1  
TOTAL CASH & INVESTMENT

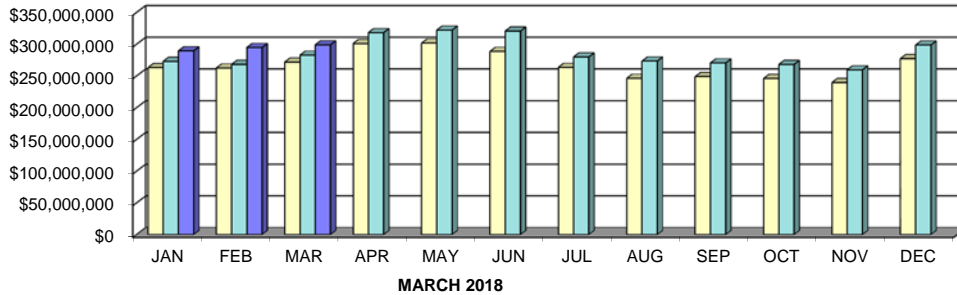
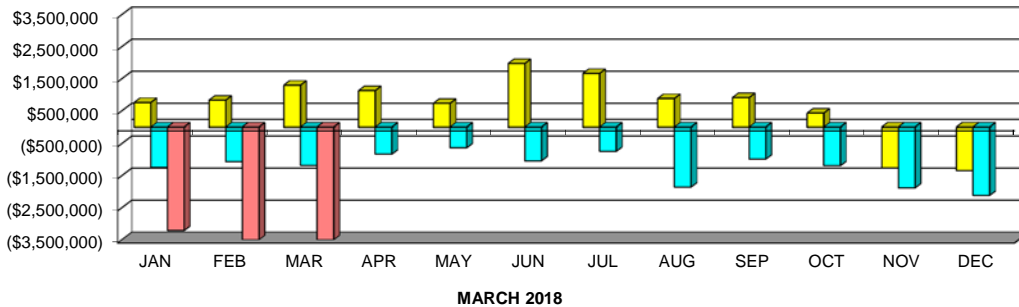


Chart 2  
ADJUSTMENTS TO FAIR VALUE



**SUMMARY OF CASH AND INVESTMENTS BY FUND  
WITH COMPARISON**

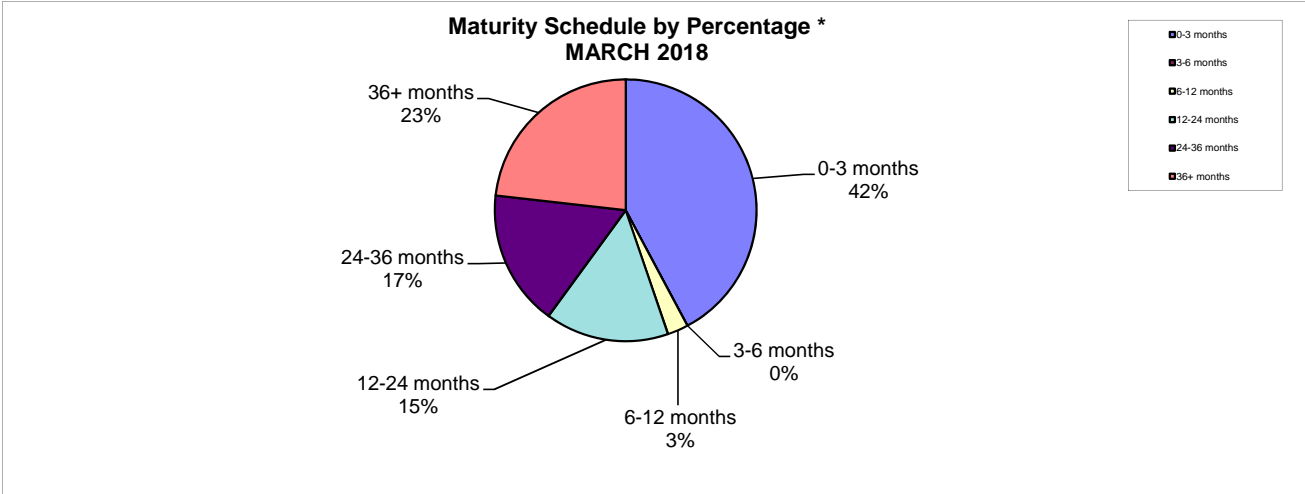
	Current Month <b>03/31/2018</b>	Prior Month <b>02/28/2018</b>	Prior Year <b>03/31/2017</b>	Change from Prior Month <b>03/18 to 02/18</b>	Change from Prior Year <b>03/18 to 03/17</b>
<b>CASH AND INVESTMENT BALANCES BY FUND</b>					
General Fund	\$ 15,434,848	\$ 8,156,950	\$ 11,217,424	\$ 7,277,898	\$ 4,217,424
Capital Improvement Funds	74,106,282	74,483,756	68,389,593	(377,474)	5,716,689
Park Benefit & Impact Fee Funds	74,704,365	73,701,557	63,523,167	1,002,808	11,181,198
Internal Service Funds	25,794,405	25,711,791	24,621,446	82,614	1,172,959
Housing Funds	51,452,550	49,686,470	38,124,346	1,766,080	13,328,204
Development Cost Center Funds	21,115,144	20,774,608	19,569,162	340,536	1,545,982
Traffic Impact Fee Funds	12,909,937	12,934,942	13,681,291	(25,005)	(771,354)
Recreation Fund	10,143,043	10,306,427	10,078,668	(163,384)	64,375
Gas Tax Funds	6,381,206	6,535,162	7,966,539	(153,956)	(1,585,333)
Local Improvement Districts	12,208,925	11,203,073	9,188,608	1,005,852	3,020,317
Integrated Waste Management Fund	7,658,356	7,178,358	7,513,573	479,998	144,783
Other Agency Funds	3,204,624	3,394,944	7,417,958	(190,320)	(4,213,334)
Low and Moderate Income Housing Asset Fund	3,249,714	4,367,418	5,391,574	(1,117,704)	(2,141,860)
Community Assistance	3,626,542	4,031,142	4,740,614	(404,600)	(1,114,072)
County Roads Measure B Fund	3,785,327	3,075,965	5,099,498	709,362	(1,314,171)
Other Funds	2,365,410	1,577,844	2,437,432	787,566	(72,022)
Family Resource Center	-	-	1,122,080	-	(1,122,080)
Police Grants	295,145	288,151	400,520	6,994	(105,375)
Urban Runoff Funds	380,060	231,640	764,078	148,420	(384,018)
General Obligation Bond - Fire	2,592,744	1,911,152	1,492,099	681,592	1,100,645
<b>Total - Cash and Investments</b>	<b>331,408,627</b>	<b>319,551,350</b>	<b>302,739,670</b>	<b>11,857,277</b>	<b>28,668,957</b>
<b>PETTY CASH</b>	<b>25,860</b>	<b>25,860</b>	<b>25,860</b>	<b>-</b>	<b>-</b>
<b>CASH WITH FISCAL AGENTS</b>					
Local Improvement District Trust Accounts	5,094,678	5,089,877	5,051,003	4,801	43,675
Other Agency Trust Accounts	100	100	2,449,235	-	(2,449,135)
Lease Revenue Bonds	610,658	215,616	-	395,042	610,658
Lease Financing	627,360	626,772	4,660,574	588	(4,033,214)
<b>Total - Cash with Fiscal Agents</b>	<b>6,332,796</b>	<b>5,932,365</b>	<b>12,160,812</b>	<b>400,431</b>	<b>(5,828,016)</b>
<b>GRAND TOTAL - CASH &amp; INVESTMENTS, PETTY CASH AND CASH WITH FISCAL AGENT</b>	<b>\$ 337,767,283</b>	<b>\$ 325,509,575</b>	<b>\$ 314,926,342</b>	<b>\$ 12,257,708</b>	<b>\$ 22,840,941</b>

**CITY OF FREMONT**  
**Summary of Cash and Investments by Funds**

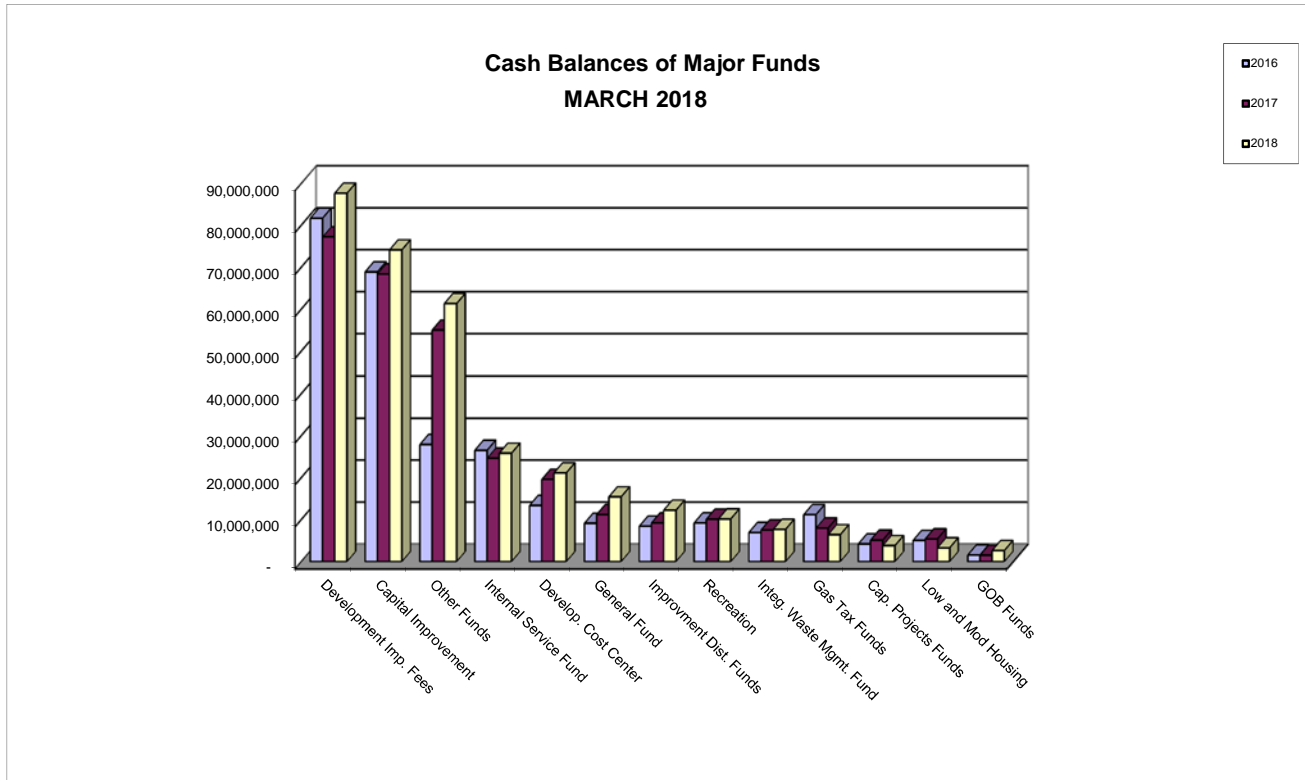
**Cash Balance**

Cash & Investments February 2018	\$ 319,551,350
Receipts for the month of March 2018	20,730,702
Disbursements for the month of March 2018	(8,957,810)
March 2018 Fair Value Adjustment	84,385
<b>Total Cash &amp; Investments March 2018</b>	<b>\$ 331,408,627</b>

Cash & Investments City Pool	\$ 298,929,816
Cash & Investments, Impound and Other Cash	141,170
Bank of America Checking Account	32,337,641
<b>Total Cash &amp; Investments March 2018</b>	<b>\$ 331,408,627</b>



\* Subject to bond call provisions



**INVESTMENT PERFORMANCE  
WITH COMPARISON  
CITY POOLED INVESTMENTS**

	<b>Current Month 03/31/2018</b>	<b>Prior Month 02/28/2018</b>	<b>Prior Year 03/31/2017</b>	<b>Change from Prior Month 03/18 to 02/18</b>	<b>Change from Prior Year 03/18 to 03/17</b>
<b>INVESTMENT YIELD</b>					
State Pool	1.52%	1.41%	0.85%	0.11%	0.67%
California Asset Management Program	1.62%	1.50%	0.89%	0.12%	0.73%
City of Fremont - End of Month	1.78%	1.76%	1.50%	0.02%	0.28%
City of Fremont - Fiscal Year to Date	1.69%	1.68%	1.42%	0.01%	0.27%

**AVERAGE LIFE OF PORTFOLIO (In Days)**

State Pool	183	172	180	11	3
City of Fremont	556	574	617	(18)	(61)

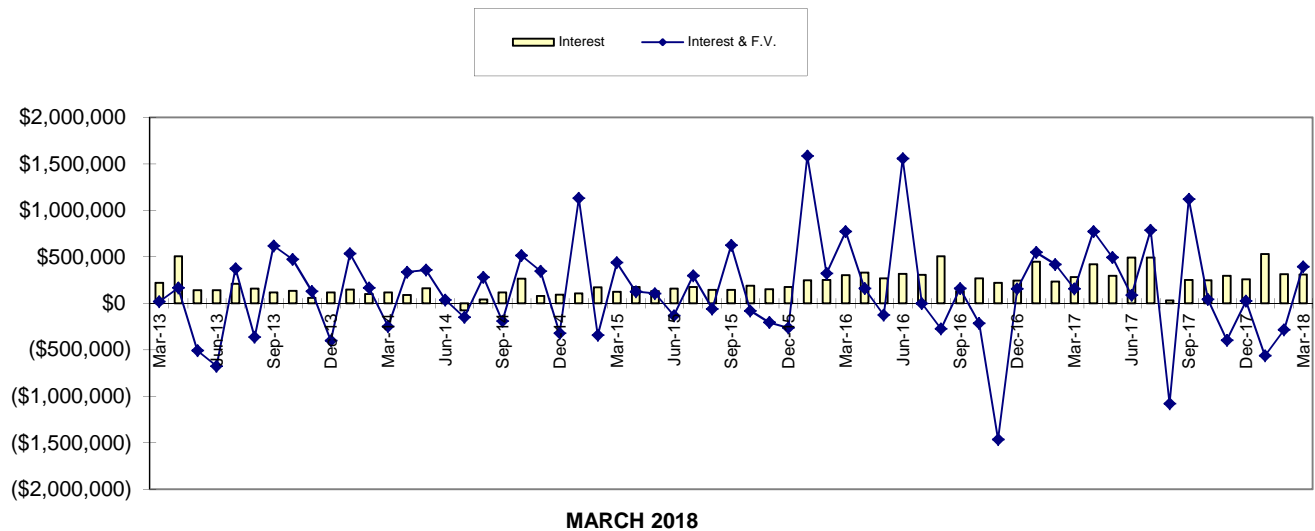
**EARNINGS CURRENT MONTH  
INTEREST EARNINGS (DISTRIBUTED)**

General, Capital and Grant Funds	\$ 300,514	\$ 303,504	\$ 274,495	\$ (2,990)	\$ 26,019
Local Improvement Districts	10,783	11,132	7,865	(349)	2,918
<b>Total</b>	<b>311,297</b>	<b>314,636</b>	<b>282,360</b>	<b>(3,339)</b>	<b>28,937</b>
<b>FAIR VALUE ADJUSTMENTS</b>	<b>84,385</b>	<b>(599,064)</b>	<b>(125,302)</b>	<b>683,449</b>	<b>209,687</b>
<b>TOTAL INTEREST EARNINGS</b>	<b>\$ 395,682</b>	<b>\$ (284,428)</b>	<b>\$ 157,058</b>	<b>\$ 680,110</b>	<b>\$ 238,624</b>

**FISCAL YEAR TO DATE EARNINGS**

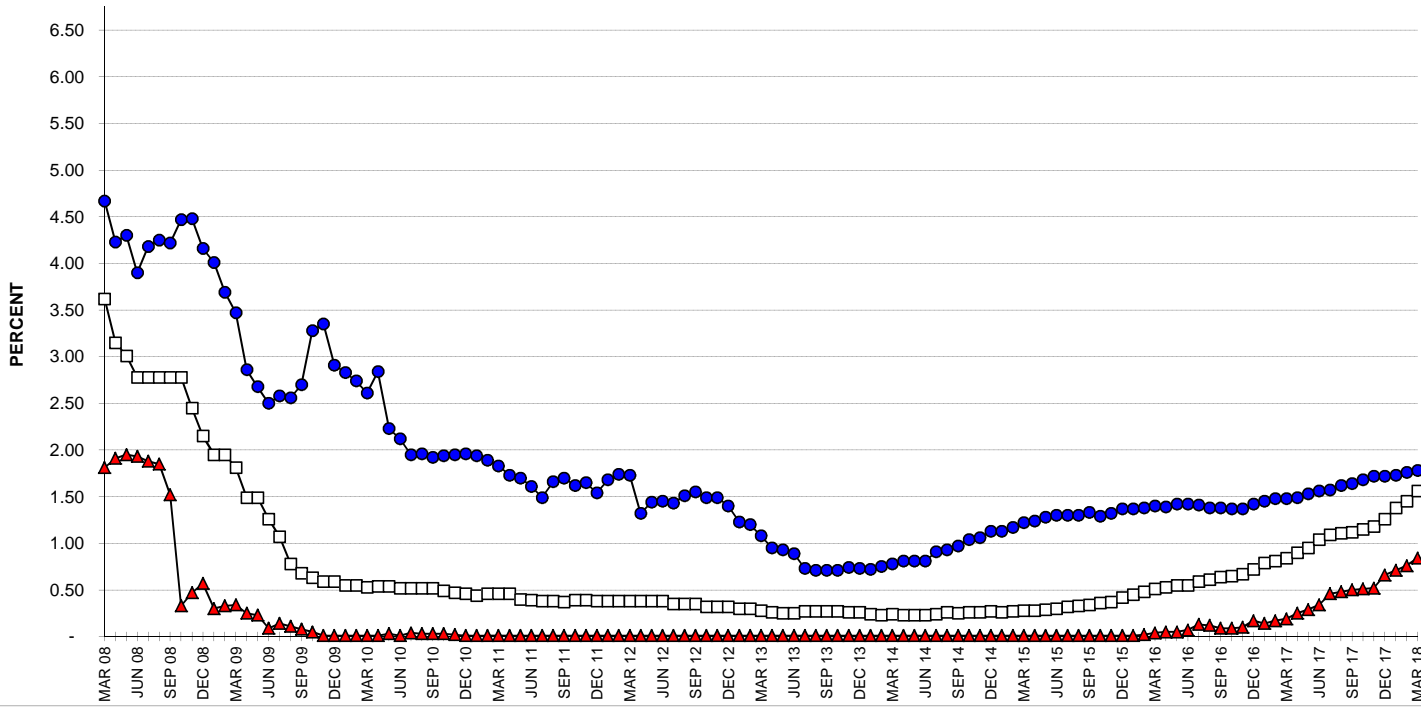
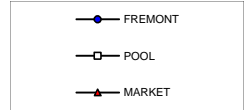
General, Capital and Grant Funds	\$ 52,664	\$ (329,162)	\$ (496,204)	\$ 381,826	\$ 548,868
Local Improvement Districts	1,395	(12,461)	(13,308)	13,856	14,703
<b>Total</b>	<b>\$ 54,059</b>	<b>\$ (341,623)</b>	<b>\$ (509,512)</b>	<b>\$ 395,682</b>	<b>\$ 563,571</b>

**INTEREST COMPARED TO INTEREST PLUS FAIR VALUE ADJUSTMENTS**

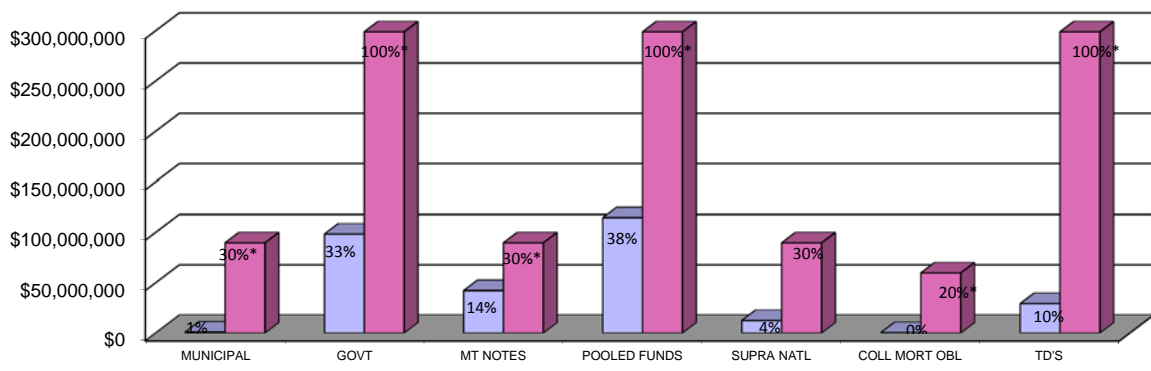




### INTEREST RATE PERFORMANCE MARCH 2018



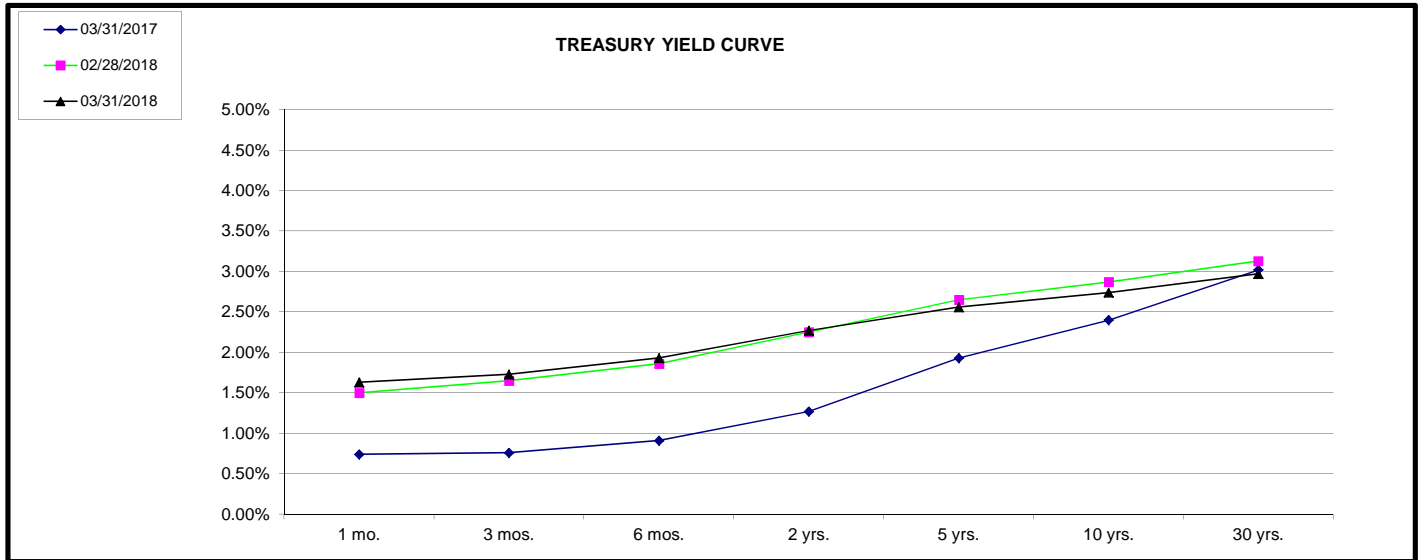
### INVESTMENTS COMPARED TO LIMITS MARCH 2018



\*Limit represents maximum allowable percentage portion of portfolio.

## INVESTMENT ACTIVITY MARCH 2018

DATE	REDEMPTION POOLS / MONEY MARKET			PURCHASES POOLS / MONEY MARKET			AVG. RATE	AVG. MAT. DAYS
	SECURITIES		TOTAL	SECURITIES		TOTAL		
03/01/2018	\$0.00	\$0.00	\$0.00	\$0.00	\$57,118.36	\$57,118.36	0.01%	1
03/14/2018	-	-	-	849,901.32	-	849,901.32	2.67%	1671
03/25/2018	(420,784.13)	-	(420,784.13)	-	-	-	-	-
03/27/2018	(1,511,740.24)	-	(1,511,740.24)	1,965,500.00	-	1,965,500.00	2.00%	952
03/31/2018	-	-	-	-	3,312,714.80	3,312,714.80	0.01%	1
<b>TOTAL 03/18</b>	<b>(\$1,932,524.37)</b>	<b>\$0.00</b>	<b>(\$1,932,524.37)</b>	<b>\$2,815,401.32</b>	<b>\$3,369,833.16</b>	<b>\$6,185,234.48</b>	<b>0.37%</b>	<b>230</b>
<b>TOTAL 02/18</b>	<b>(\$3,921,459.42)</b>	<b>\$0.00</b>	<b>(\$3,921,459.42)</b>	<b>\$4,400,000.00</b>	<b>\$5,377,479.50</b>	<b>\$9,777,479.50</b>	<b>1.22%</b>	<b>328</b>
<b>TOTAL 03/17</b>	<b>(\$1,891,763.98)</b>	<b>\$0.00</b>	<b>(\$1,891,763.98)</b>	<b>\$2,084,800.22</b>	<b>\$14,431,901.32</b>	<b>\$16,516,701.54</b>	<b>0.15%</b>	<b>69</b>



Graph Source: US Treasury - Daily Treasury Yield Curve Rates, March 31, 2018





**DETAIL OF CASH AND INVESTMENT, PETTY CASH AND CASH WITH FISCAL AGENTS  
MARCH 2018**

<b>ID.#</b>	<b>SECURITY LISTING</b>	<b>FACE RATE</b>	<b>MATURITY DATE</b>	<b>PURCHASE YIELD</b>	<b>PAR</b>	<b>ORIGINAL COST</b>	<b>MARKET VALUE</b>	<b>ACCRUED INTEREST</b>	<b>CREDIT RATING</b>	<b>CREDIT RATING</b>
<b>CASH WITH FISCAL AGENTS (CONTINUED)</b>										
<b>CERTIFICATES OF PARTICIPATION/GO BONDS</b>										
6711981500	2012 - FIXED COP, SERIES A - FEE ACCOUNT - Union Bank					1.00				
6711981501	2012 - FIXED COP, SERIES A - LEASE PMT FUND - Union Bank	0.59%		0.5900%		97.67				
6711981502	2012 - FIXED COP, SERIES A - RESERVE FUND - Union Bank	0.00%		0.0000%		1.00				
						99.67				
<b>LEASE REVENUE BONDS</b>										
6712198601	2017A - LRB REVENUE FUND- Union Bank	0.60%		0.6000%		475.55				
6712198605	2017A - LRB PROJECT FUND- Union Bank	0.06%		0.0600%		209,719.51				
657938	2017B - BOND FUND-BNY					31.70				
657939	2017B - INTEREST ACCOUNT-BNY					400,431.25				
						610,658.01				
<b>LEASE FINANCING</b>										
743930	2016 - ENERGY & WATER EFFICIENCY LEASE - ESCROW FUND - BNY	0.01%		0.0100%		627,360.50				
	<b>TOTAL CASH WITH FISCAL AGENTS</b>					<b>6,332,796.33</b>				
	<b>GRAND TOTAL</b>					<b>\$ 337,767,282.99</b>				

**NARRATIVE AND HIGHLIGHTS  
DEBT FINANCING ACTIVITIES  
March 31, 2018**

This quarterly narrative summarizes the various forms of debt issued by the City and the Fremont Public Financing Authority. The report also recaps the financing and debt management activities that occurred between January 1, 2018 and March 31, 2018 pertaining to those entities.

***DEBT POLICY COMPLIANCE AND RECENT FINANCING ACTIVITIES***

All debts were administered in compliance with the City of Fremont Debt Management Policy. All scheduled principal and interest payments were made when due. The City remained in compliance with all of its bond covenants throughout the quarter.

As previously reported, the City received a \$1 million interest-free loan from PG&E in October to offset a portion of the cost of converting the City's streetlights to energy-saving LEDs. Staff anticipated this loan from PG&E when it completed the 2016 Energy Efficiency Financing, and the financing agreement provides for a prepayment of up to \$1 million. Accordingly, the PG&E loan proceeds were applied to reduce the 2016 Energy Efficiency Financing principal amount on February 1, 2018. Since the 2016 Energy Efficiency Financing bears interest at 2.01% and the PG&E loan is interest-free, the prepayment is expected to save the City over \$100,000 in interest costs over the remaining term of the financing.

***DEBT OBLIGATIONS***

The City and the Authority issue the following types of long-term obligations to acquire or improve capital assets:

- ***General Obligation Bonds.*** General obligation (GO) bonds are secured by the City's obligation to annually levy ad valorem taxes on all taxable properties within the City in an amount necessary to pay debt service. Following voter approval in 2002, GO bonds were issued in 2003, 2005, and 2009 to build or improve City public safety facilities. The 2003 GO bonds were refunded with the issuance of the 2012 General Obligation Refunding Bonds, the 2005 GO bonds were refunded with the issuance of the 2013 General Obligation Refunding Bonds, and the 2009 GO bonds were refunded with the issuance of the 2017 General Obligation Refunding Bonds.
- ***General Fund Lease Obligations (Lease Revenue Bonds/Certificates of Participation (COPs)/Lease Financing).*** Lease obligations entitle investors to receive payments from an underlying financing lease between the City and the Fremont Public Financing Authority or another corporate entity. The Authority uses the lease revenue received from the City to pay principal and interest on the lease obligations.

The City has two outstanding series of lease revenue bonds, the 2017A Lease Revenue Bonds and the 2017B Lease Revenue Bonds, and one outstanding series of COPs issued in 2012. These bonds and COPs were issued to finance or refinance the acquisition or construction of various capital assets including building improvements and fire equipment. The City also used lease financing in 2016 to pay for a package of energy

and water efficiency measures, including the installation of energy-saving LED streetlights throughout the City. The 2012 COPs, the 2016 lease financing, and the 2017B Bonds bear interest at fixed rates, while the 2017A Bonds bear interest at a variable rate that is reset on a monthly basis. The lease payments and associated financing costs are payable from the General Fund, although a portion of the lease payments associated with the 2017A Bonds are paid from rental revenue of tenants at the Family Resource Center.

- ***Special Assessment and Special Tax Bonds.*** These land-secured debts do not burden the City's general taxing authority; instead, a special assessment or special tax is levied on the county tax roll against each parcel in a local improvement district (LID) or community facilities district (CFD). Payment of the special assessment or special tax is secured by a lien on the property within the LID or CFD.

Special tax bonds to finance the acquisition of public improvements within CFD No. 1 (Pacific Commons) were issued in 2001 and 2005, and subsequently refinanced with the issuance of the City of Fremont CFD No. 1 (Pacific Commons) Special Tax Bonds, Series 2015. The Series 2015 Bonds also financed the reimbursement of additional public improvements. A Facilities Special Tax is levied annually on each parcel within CFD No. 1 to pay debt service on the Series 2015 Bonds.

The City may also issue short-term financing instruments to meet cash-flow needs or provide interim financing prior to issuance of long-term obligations:

- ***Tax and Revenue Anticipation Notes*** – Tax and Revenue Anticipation Notes (TRANs) are issued to address the intra-year cash flow mis-match between the receipt of property tax revenues (installments paid in March and April) and monthly cash outflows to meet payroll, vendor, and other payment obligations. TRANs are typically issued near the beginning of a fiscal year and repaid during the same fiscal year as property tax and other revenues become available. The City has not issued TRANs since FY 2009/10.

## ***SUMMARY OF DEBT BALANCES, INTEREST RATES AND ACTIVITIES***

The following schedule of outstanding debt shows for each debt issue the final maturity, range of interest rates, and changes in amounts outstanding during the quarter.

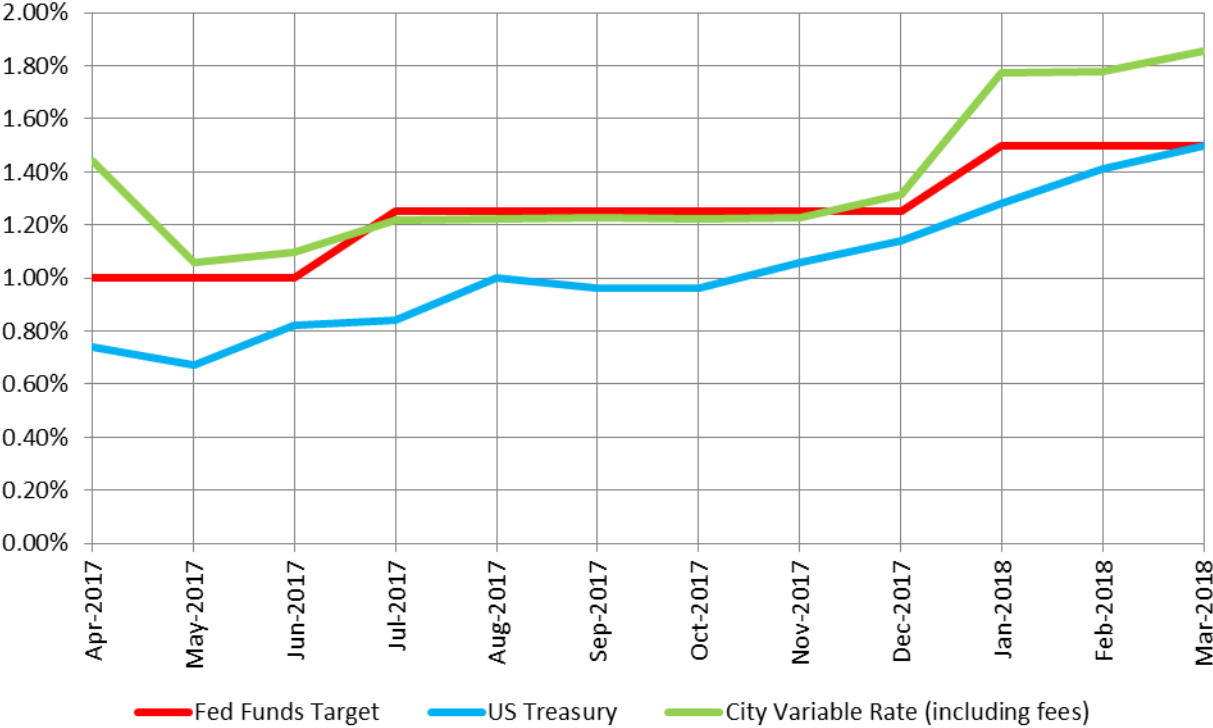
	Interest Rates	Amounts Outstanding 12/31/2017	Incurred or Issued	Satisfied or Matured and Net Decreases	Amounts Outstanding 3/31/2018
<b>General Obligation Bonds</b>					
2012 Fire Safety Bonds Maturity - 08/01/2032	3.00-3.25%	\$ 6,440,000	\$ -	\$ -	\$ 6,440,000
2013 Fire Safety Bonds Maturity - 08/01/2034	4.00-4.50%	19,030,000	-	-	19,030,000
2017 Fire Safety Bonds Maturity - 08/01/2038	3.00-5.00%	12,215,000	-	-	12,215,000
<b>Total General Obligation Bonds</b>		<b>37,685,000</b>	<b>-</b>	<b>-</b>	<b>37,685,000</b>
<b>General Fund Lease Obligations</b>					
2012A Certificates of Participation Maturity - 08/01/2025	3.00-4.00%	8,040,000	-	-	8,040,000
2016 Energy Efficiency Financing Maturity - 02/01/2027	2.01%	8,686,922	-	(1,417,230)	7,269,692
2017A Lease Revenue Bonds Maturity - 08/01/2038	Variable	81,565,000	-	-	81,565,000
2017B Lease Revenue Bonds Maturity - 10/01/2038	3.00-5.00%	19,725,000	-	-	19,725,000
<b>Total General Fund Lease Obligations</b>		<b>118,016,922</b>	<b>-</b>	<b>(1,417,230)</b>	<b>116,599,692</b>
<b>General Fund Loans</b>					
2017 PG&E On-Bill Financing Program Maturity - 06/01/2021	0.00%	954,545	-	(68,182)	886,364
<b>Total City Long-term Debt</b>		<b>\$ 156,656,467</b>	<b>\$ -</b>	<b>\$ (1,485,412)</b>	<b>\$ 155,171,056</b>
<b>Special Tax Bonds</b>					
<b>Community Facilities District No. 1 (Pacific Commons)</b>					
2015 Special Tax Bonds Maturity - 09/01/2045	3.50-5.00%	\$ 79,045,000	\$ -	\$ -	\$ 79,045,000
<b>Total Special Tax Bonds</b>		<b>\$ 79,045,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 79,045,000</b>



The Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”) amended the Internal Revenue Code effective January 1, 2018. Among other amendments, the Tax Reform Act reduced the maximum corporate tax rate from 35% to 21%. Because a lower tax rate diminishes the value of holding tax-exempt securities, the interest rate formula for the City’s 2017A Lease Revenue Bonds includes an adjustment to reflect changes in the maximum corporate tax rate.

The City’s 2017A Lease Revenue Bonds now bear interest at a rate equal to approximately 85% of the one-month London Interbank Offered Rate (LIBOR) (up from 70%) plus an “applicable spread”, currently 0.44% (up from 0.36%), reset on a monthly basis. LIBOR is the average interest rate charged on borrowings among each of the leading banks in the City of London. It is the primary global benchmark for short-term interest rates and is published each business day by Thomson Reuters. Under current market conditions, the upward adjustment in the interest rate formula will result in additional annual interest expense to the City of approximately \$294,000.

The graph below compares the interest rates paid by the City on its variable rate debt issues over the last twelve months with the average market rate for one-month maturity U.S. Treasury securities and the Federal Reserve Open Market Committee (FOMC) Fed Funds target rate. All rates shown are as of the first of the month. Short-term interest rates generally follow the Fed Funds target, with the U.S. Treasury rate somewhat below and corporate rates (like LIBOR) somewhat above.



In March, the FOMC increased the Fed Funds target from a range of 1.25%-1.50% to 1.50%-1.75%.