

*Finance Department
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Date: January 16, 2019
To: Mayor and City Council
From: David Persselin, Finance Director
Subject: Cash and Investments Report – June 2018
Debt Report – June 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
- Interest Rate Performance
- Investments Compared to Limits
- 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.

A handwritten signature in blue ink, appearing to read "David Persselin", is written over a horizontal line.

David Persselin
Finance Director

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

EXECUTIVE SUMMARY

City liquidity needs were met in June 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 to 1.96% this month. The yield for the same month last year was 1.56%. The LAIF (State of California Local Agency Investment Funds) apportionment yield of 1.85% was 0.11% 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 2.05%. The Federal Reserve Open Market Committee federal funds rate target increased to the range of 1.75%-2.00%. The two-year U.S. Treasury Note yield increased from 2.40% to 2.52% and the five-year U.S. Treasury Note yield increased from 2.68% to 2.73%.

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

Pooled cash and investment balances increased by \$4.6 million during June to a total of \$379.9 million. Pooled cash and investment balances were \$33.2 million higher than the \$346.7 million on hand last year. Compared to May, cash decreased in the General Fund by \$6.5 million. Cash increased in the Community Assistance Funds by \$2.5 million, the Capital Improvement Funds by \$2.2 million, and the Housing Funds by \$1.6 million. All the remaining funds combined netted an increase of \$4.8 million. General Fund cash flows were as follows:

<u>Inflows:</u>	<u>Millions</u>	<u>Totals (Millions)</u>
Property tax	\$ 6.0	
Sales and use tax	15.9	
Business tax	0.4	
Franchises	1.7	
Transient occupancy tax	1.6	
Other revenues (net receivables)	(16.1)	
Transfers-in	<u>1.1</u>	\$10.6
 <u>Outflows:</u>		
Payroll (net payables)	\$ 7.0	
Supplies, services, and other	4.6	
Internal service allocations	1.2	
Due from other funds	3.9	
Transfers-out	<u>0.4</u>	<u>(17.1)</u>
Net General Fund cash decrease		<u>(\$ 6.5)</u>

Other Fund changes greater than \$1 million

1. The Community Assistance Funds increased by \$2.5 million primarily due to the year-end adjustment to eliminate a deficit balance relating to grant reimbursements (\$1.5 million) and the reallocation of operating expenditures to the General Fund (\$0.5 million).
2. The Capital Improvement Funds increased by \$2.2 million due to the year-end adjustment to eliminate a deficit balance relating to federal grant reimbursements.
3. The Housing Funds increased by \$1.6 million primarily due to the receipt of inclusionary housing in lieu fees.

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 June negative month end estimated valuation adjustment of \$4.0 million decreased by \$379 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 43.1% to 52.1% 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 three-month U.S. Treasury bill.

Current month interest income of \$887 thousand, exclusive of the fair value adjustment, was \$222 thousand more than the prior month. Accrued interest (earned but not yet received) related to City investments at the end of June was \$801 thousand.

This month, \$39.3 million of available funds were newly invested at an average rate of 1.46% (376 days average maturity), compared to \$7.2 million at 0.01% (1 day) in May, and \$20.9 million at 1.96% (1,508 days) in the same month one year ago. (See page 6) The City did not enter into any repurchase or reverse repurchase agreements during the month.

The dollar weighted-average portfolio life increased by 6 days compared to last month and was a decrease of 83 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.

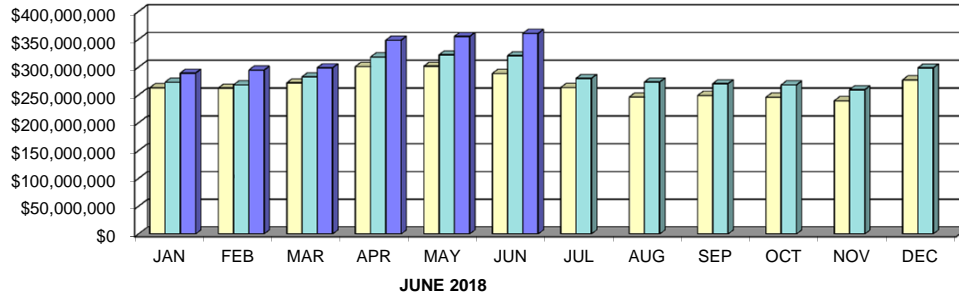
THE YIELD CURVE (Page 6)

Page 6 compares U.S. Treasury bill and note yield curves at the end of June 2018, May 2018, and June 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.

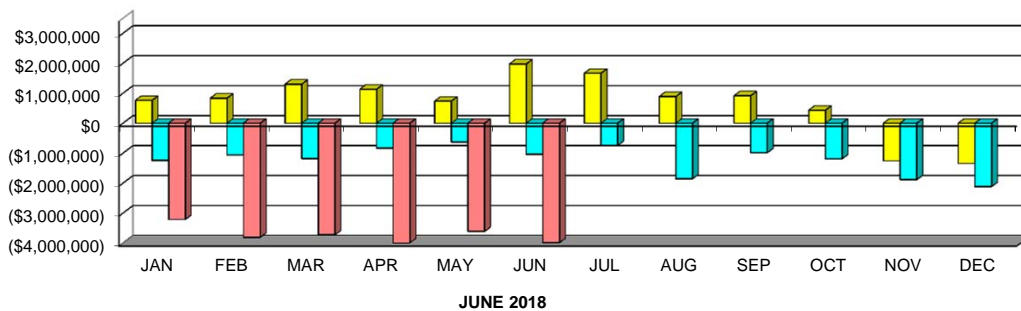
**SUMMARY OF CASH AND INVESTMENTS - TOTAL CITY
WITH COMPARISON**

	Current Month 06/30/2018	Prior Month 05/31/2018	Prior Year 06/30/2017	Change from Prior Month 06/18 to 05/18	Change from Prior Year 06/18 to 06/17
CASH AND INVESTMENTS - TOTAL CITY					
INVESTMENTS CITY POOL					
Investment in Securities at Cost	\$ 233,454,716	\$ 203,052,872	\$ 183,331,833	\$ 30,401,844	\$ 50,122,883
Adjustments to Fair Value (Chart 2)	(3,990,539)	(3,611,140)	(1,038,091)	(379,399)	(2,952,448)
State of California Local Agency Investment Funds (LAIF)	65,000,000	65,000,000	65,000,000	-	-
California Asset Management Program	66,099,853	90,799,154	73,252,210	(24,699,301)	(7,152,357)
Subtotal - Investments (City Pool)	<u>360,564,030</u>	<u>355,240,886</u>	<u>320,545,952</u>	<u>5,323,144</u>	<u>40,018,078</u>
Impound and Other Cash	1,126,084	1,704,895	632,999	(578,811)	493,085
General Checking Account	18,177,549	18,363,585	25,508,474	(186,036)	(7,330,925)
Total - Cash and Investments (Chart 1)	<u>379,867,662</u>	<u>375,309,366</u>	<u>346,687,425</u>	<u>4,558,296</u>	<u>33,180,237</u>
PETTY CASH	32,304	32,304	32,304	-	-
CASH WITH FISCAL AGENTS	<u>7,422,943</u>	<u>7,832,136</u>	<u>13,810,951</u>	<u>(409,193)</u>	<u>(6,388,008)</u>
GRAND TOTAL - CASH AND INVESTMENTS, PETTY CASH & CASH WITH FISCAL AGENTS	<u>\$ 387,322,909</u>	<u>\$ 383,173,806</u>	<u>\$ 360,530,680</u>	<u>\$ 4,149,103</u>	<u>\$ 26,792,229</u>

**Chart 1
TOTAL CASH & INVESTMENT**



**Chart 2
ADJUSTMENTS TO FAIR VALUE**



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

	Current Month <i>06/30/2018</i>	Prior Month <i>05/31/2018</i>	Prior Year <i>06/30/2017</i>	Change from Prior Month <i>06/18 to 05/18</i>	Change from Prior Year <i>06/18 to 06/17</i>
CASH AND INVESTMENT BALANCES BY FUND					
General Fund	\$ 35,989,559	\$ 42,461,962	\$ 30,309,715	\$ (6,472,403)	\$ 5,679,844
Capital Improvement Funds	80,041,204	77,838,009	71,214,946	2,203,195	8,826,258
Park Benefit & Impact Fee Funds	78,128,907	77,147,260	71,703,620	981,647	6,425,287
Internal Service Funds	27,823,220	27,400,167	25,799,720	423,053	2,023,500
Housing Funds	57,574,511	56,024,121	44,502,146	1,550,390	13,072,365
Development Cost Center Funds	23,632,854	23,353,475	21,203,682	279,379	2,429,172
Traffic Impact Fee Funds	14,637,347	13,939,382	13,600,808	697,965	1,036,539
Recreation Fund	11,526,316	11,341,908	10,910,265	184,408	616,051
Gas Tax Funds	6,728,292	6,471,504	8,888,543	256,788	(2,160,251)
Local Improvement Districts	12,066,639	11,383,246	11,300,426	683,393	766,213
Integrated Waste Management Fund	8,233,479	7,240,101	7,112,005	993,378	1,121,474
Other Agency Funds	2,722,659	2,777,664	7,369,245	(55,005)	(4,646,586)
Low and Moderate Income Housing Asset Fund	3,339,653	3,342,092	6,348,683	(2,439)	(3,009,030)
Community Assistance	6,256,263	3,783,609	5,522,665	2,472,654	733,598
County Roads Measure B Fund	4,686,975	4,308,985	4,584,076	377,990	102,899
Other Funds	2,807,269	2,892,408	2,784,494	(85,139)	22,775
Family Resource Center	-	-	(15,552)	-	15,552
Police Grants	448,463	439,672	167,526	8,791	280,937
Urban Runoff Funds	451,347	558,508	788,272	(107,161)	(336,925)
General Obligation Bond - Fire	2,772,705	2,605,293	2,592,140	167,412	180,565
Total - Cash and Investments	<u>379,867,662</u>	<u>375,309,366</u>	<u>346,687,425</u>	<u>4,558,296</u>	<u>33,180,237</u>
PETTY CASH	<u>32,304</u>	<u>32,304</u>	<u>32,304</u>	<u>-</u>	<u>-</u>
CASH WITH FISCAL AGENTS					
Local Improvement District Trust Accounts	5,113,745	5,106,984	5,058,056	6,761	55,689
Pollution Remediation Escrow	2,002,571	2,002,571	2,001,653	-	919
Other Agency Trust Accounts	98	100	1,807,422	(2)	(1,807,324)
Lease Revenue Bonds	211,120	210,834	276,074	286	(64,954)
Lease Financing	95,409	511,647	4,667,746	(416,238)	(4,572,337)
Total - Cash with Fiscal Agents	<u>7,422,943</u>	<u>7,832,136</u>	<u>13,810,951</u>	<u>(409,193)</u>	<u>(6,388,008)</u>
GRAND TOTAL - CASH & INVESTMENTS, PETTY CASH AND CASH WITH FISCAL AGENT	<u>\$ 387,322,909</u>	<u>\$ 383,173,806</u>	<u>\$ 360,530,680</u>	<u>\$ 4,149,103</u>	<u>\$ 26,792,230</u>

**INVESTMENT PERFORMANCE
WITH COMPARISON
CITY POOLED INVESTMENTS**

	Current Month 06/30/2018	Prior Month 05/31/2018	Prior Year 06/30/2017	Change from Prior Month 06/18 to 05/18	Change from Prior Year 06/18 to 06/17
INVESTMENT YIELD					
State Pool	1.85%	1.76%	0.98%	0.09%	0.87%
California Asset Management Program	2.05%	1.95%	1.09%	0.10%	0.96%
City of Fremont - End of Month	1.96%	1.89%	1.56%	0.07%	0.40%
City of Fremont - Fiscal Year to Date	1.75%	1.73%	1.44%	0.02%	0.31%

AVERAGE LIFE OF PORTFOLIO (In Days)

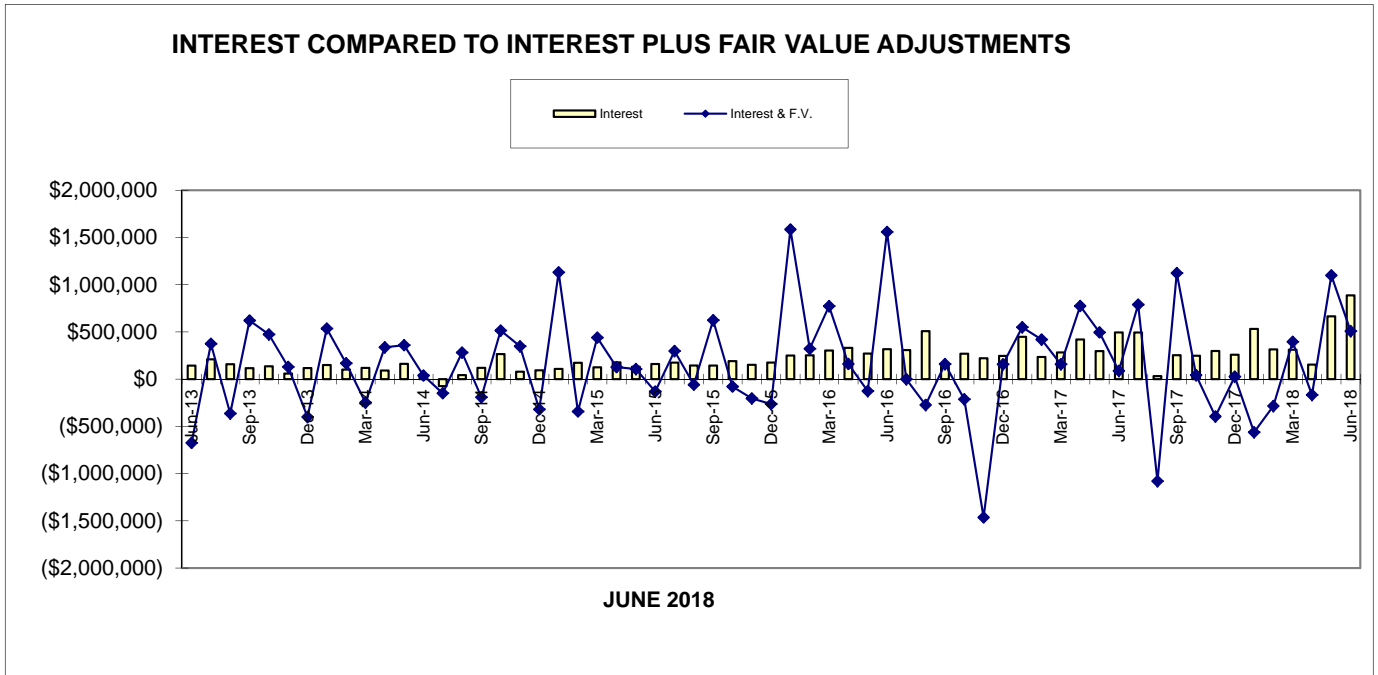
State Pool	193	190	194	3	(1)
City of Fremont	472	466	555	6	(83)

EARNINGS CURRENT MONTH

INTEREST EARNINGS (DISTRIBUTED)					
General, Capital and Grant Funds	\$ 857,444	\$ 641,448	\$ 481,705	\$ 215,996	\$ 375,739
Local Improvement Districts	29,621	23,355	12,686	6,266	16,935
Total	<u>887,065</u>	<u>664,803</u>	<u>494,391</u>	<u>222,262</u>	<u>392,674</u>
FAIR VALUE ADJUSTMENTS	<u>(379,400)</u>	<u>433,625</u>	<u>(406,709)</u>	<u>(813,025)</u>	<u>27,309</u>
TOTAL INTEREST EARNINGS	<u>\$ 507,665</u>	<u>\$ 1,098,428</u>	<u>\$ 87,682</u>	<u>\$ (590,763)</u>	<u>\$ 419,983</u>

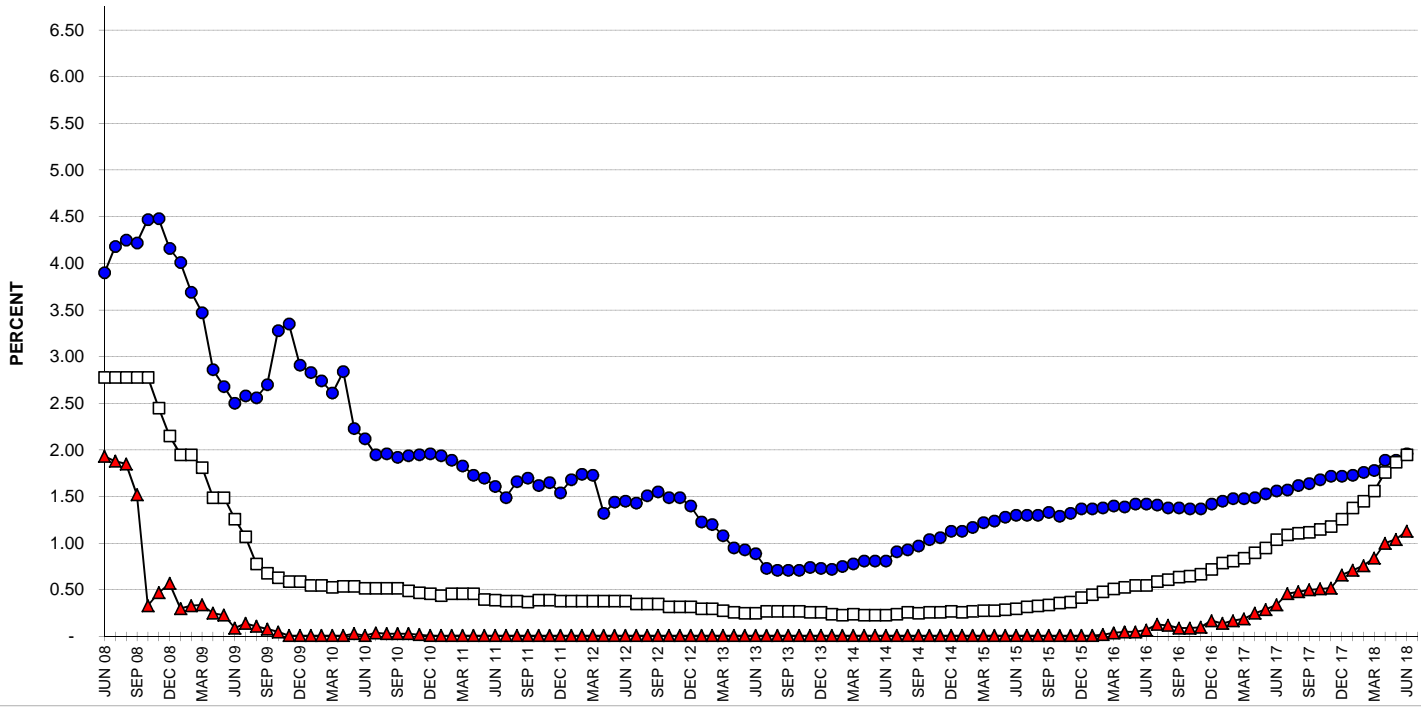
FISCAL YEAR TO DATE EARNINGS

General, Capital and Grant Funds	\$ 1,551,488	\$ 951,443	\$ 824,251	\$ 600,045	\$ 727,237
Local Improvement Districts	42,561	34,185	23,177	8,376	19,384
Total	<u>\$ 1,594,049</u>	<u>\$ 985,628</u>	<u>\$ 847,428</u>	<u>\$ 608,421</u>	<u>\$ 746,621</u>



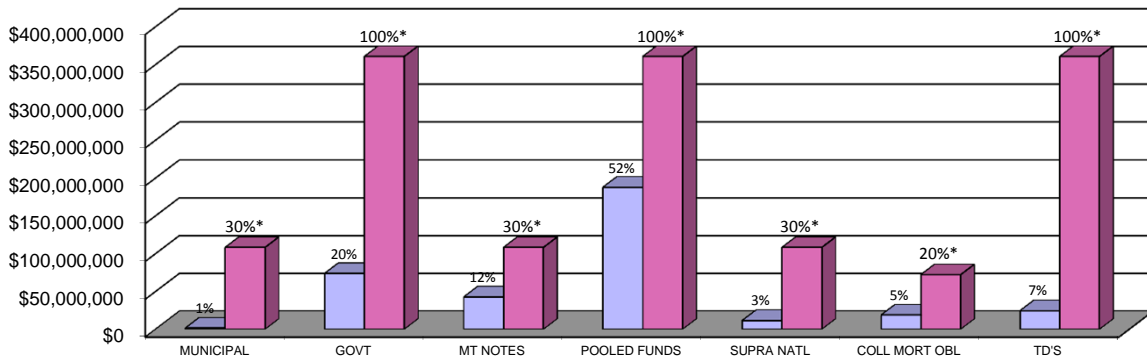
INTEREST RATE PERFORMANCE

JUNE 2018



INVESTMENTS COMPARED TO LIMITS

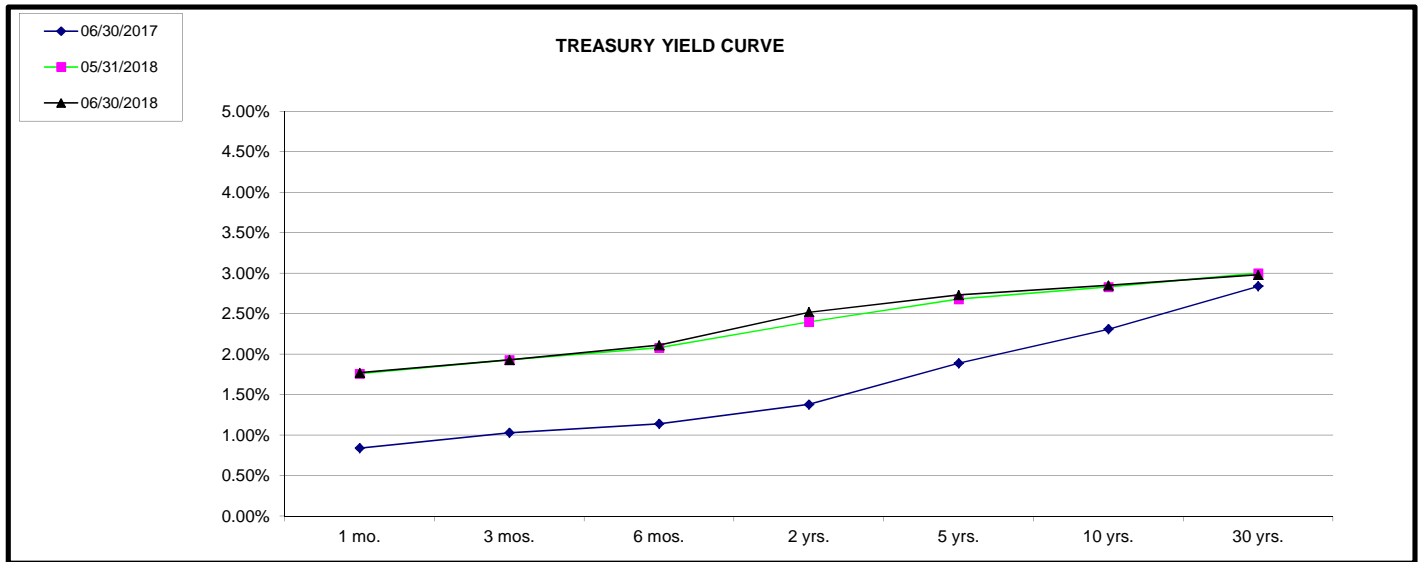
JUNE 2018



*Limit represents maximum allowable percentage portion of portfolio.

INVESTMENT ACTIVITY JUNE 2018

DATE	REDEMPTION POOLS / MONEY MARKET			PURCHASES POOLS / MONEY MARKET			AVG. RATE	AVG. MAT. DAYS
	SECURITIES		TOTAL	SECURITIES		TOTAL		
06/01/2018	\$ -	\$ -	\$ -	\$ -	\$ 150,672.22	\$ 150,672.22	1.95%	1
06/04/2018	(2,372,860.00)	-	(2,372,860.00)	2,868,867.19	-	2,868,867.19	1.75%	2,430
06/05/2018	(3,400,000.00)	-	(3,400,000.00)	2,998,860.00	-	2,998,860.00	3.08%	729
06/07/2018	(2,500,000.00)	-	(2,500,000.00)	-	-	-	0.00%	-
06/12/2018	-	-	-	1,476,210.94	-	1,476,210.94	1.95%	1,524
06/18/2018	(316,660.49)	-	(316,660.49)	-	-	-	0.00%	-
06/19/2018	-	-	-	1,999,863.20	-	1,999,863.20	3.00%	1,663
06/29/2018	-	(25,000,000.00)	(25,000,000.00)	-	150,026.56	150,026.56	2.05%	35
06/30/2018	-	-	-	-	29,647,563.24	29,647,563.24	1.13%	1
TOTAL 06/18	\$ (8,589,520.49)	\$ (25,000,000.00)	\$ (33,589,520.49)	\$ 9,343,801.33	\$ 29,948,262.02	\$ 39,292,063.35	1.46%	376
TOTAL 05/18	\$ (796,862.03)	\$ -	\$ (796,862.03)	\$ -	\$ 7,220,433.20	\$ 7,220,433.20	0.01%	1
TOTAL 06/17	\$ (10,416,576.44)	\$ (11,731,574.72)	\$ (22,148,151.16)	\$ 10,887,071.66	\$ 10,052,238.86	\$ 20,939,310.52	1.96%	1,508



Graph Source: US Treasury - Daily Treasury Yield Curve Rates, June 30, 2018

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

LD.#	SECURITY LISTING	FACE RATE	MATURITY DATE	PURCHASE YIELD	PAR	ORIGINAL COST	MARKET VALUE	ACCRUED INTEREST	CREDIT RATING	CREDIT RATING	
89238MAD0	TOYOTA ABS 2017-A A3	1.73%	02/15/21	1.74%	310,000.00	309,963.51	306,980.54	238.36	AAA	Aaa	
44891EAC3	HYUNDAI ABS 2016-B A3	1.29%	04/15/21	1.30%	880,000.00	879,881.55	868,472.18	504.53	AAA	Aaa	
34531EAD8	FORD ABS 2017-A A3	1.67%	06/15/21	1.67%	475,000.00	474,998.24	469,538.12	352.56	NR	Aaa	
43811BAC8	HYUNDAI ABS 2017-2 A3	1.68%	08/15/21	1.68%	1,500,000.00	1,499,870.25	1,477,940.70	1,120.00	AAA	Aaa	
44931PAD8	HAROT ABS 2017-A A3	1.76%	08/15/21	1.76%	430,000.00	429,965.21	424,446.85	336.36	AAA	NR	
47788BAD6	JOHN DEERE ABS 2017-B A3	1.82%	10/15/21	1.82%	600,000.00	599,956.08	591,282.90	485.33	NR	Aaa	
89237RAD0	TOYOTA ABS 2017-C A3	1.78%	11/15/21	2.00%	250,000.00	249,980.08	245,724.20	197.78	AAA	Aaa	
02582JHG8	AMXCA 2017-4 A	1.64%	12/15/21	1.65%	560,000.00	559,910.29	555,176.22	408.18	AAA	NR	
89238KAD4	TOYOTA AUTO RECEIVABLES	1.93%	01/15/22	2.26%	635,000.00	634,941.45	624,901.72	544.69	AAA	Aaa	
02007YAC8	ALLY AUTO RECEIVABLES TRUST	1.99%	03/15/22	1.99%	1,370,000.00	1,369,893.69	1,353,483.42	1,211.69	AAA	Aaa	
34532AAD5	FORD CREDIT AUTO OWNER TRUST	2.01%	03/15/22	2.02%	1,765,000.00	1,764,681.77	1,740,063.90	1,576.73	AAA	Aaa	
05522RCW6	Bank of America	1.95%	08/15/22	2.73%	1,500,000.00	1,476,210.94	1,477,049.25	1,300.00	NR	Aaa	
02582JHQ6	American Express Credit	2.67%	10/17/22	2.68%	850,000.00	849,901.32	847,750.39	1,008.67	NR	Aaa	
02007JAC1	Ally Auto Receivables Trust	3.00%	01/15/23	3.09%	2,000,000.00	1,999,863.20	1,999,863.20	666.67	AAA	Aaa	
	SUBTOTAL					16,467,388.47	16,441,929.79	16,308,359.38	22,524.18		
	CERTIFICATES OF DEPOSIT										
86563YVNO	Sumitomo Mitsui Financial Group Inc	2.05%	05/03/19	2.05%	2,450,000.00	2,450,000.00	2,439,582.60	8,231.32	A-1	P-1	
83050FX13	Skandinaviska Enskilda Banken	1.84%	08/02/19	1.85%	3,400,000.00	3,398,674.00	3,370,668.20	25,892.89	A+	Aa2	
06539RGM3	Mitsubishi UFJ Financial Group	2.07%	09/25/19	2.07%	1,700,000.00	1,700,000.00	1,683,001.70	27,076.75	A	A1	
22549LFR1	Credit Suisse New York	2.67%	02/07/20	2.67%	1,000,000.00	1,000,000.00	999,963.00	10,605.83	A	A1	
65590ASN7	Nordea Bank	2.72%	02/20/20	2.72%	3,400,000.00	3,400,000.00	3,382,065.00	33,138.67	AA-	Aa3	
13606BVF0	Canadian Imperial Bank of Commerce	2.74%	04/10/20	2.78%	2,675,000.00	2,675,000.00	2,674,994.65	16,679.50	A+	A1	
06417GU22	Bank of Nova Scotia	3.08%	06/05/20	3.10%	3,000,000.00	2,998,860.00	3,016,647.00	6,160.00	A+	A1	
96121TA43	Westpac Banking Corp	2.05%	08/03/20	2.05%	2,660,000.00	2,660,000.00	2,617,902.84	21,812.00	AA-	Aa3	
87019UD66	Swedbank	2.27%	11/16/20	2.30%	3,400,000.00	3,400,000.00	3,329,001.20	9,861.89	AA-	Aa2	
	SUBTOTAL				23,685,000.00	23,682,534.00	23,513,826.19	159,458.85			
	SUPRA-NATIONAL AGENCY BOND / NOTE										
459058FS7	INTL BK RECON & DEVELOPMENT	1.13%	11/27/19	1.50%	1,750,000.00	1,735,647.67	1,715,210.00	1,859.38	AAA	Aaa	
459058GA5	INTL BK RECON & DEVELOPMENT	1.63%	09/04/20	1.63%	2,000,000.00	1,999,580.00	1,955,860.00	10,562.50	AAA	Aaa	
45905UP32	INTL BANK OF RECONSTRUCTION AND DEV	1.56%	09/12/20	1.64%	3,000,000.00	2,992,800.00	2,925,450.00	14,179.08	AAA	Aaa	
4581X0CD8	INTER-AMERICAN DEVELOPMENT BANK	2.13%	11/09/20	1.81%	3,500,000.00	3,532,441.86	3,452,925.00	10,743.06	AAA	Aaa	
4581X0DB1	INTER-AMERICAN DEVELOPMENT BANK	2.63%	04/19/21	2.70%	1,425,000.00	1,421,865.00	1,418,158.58	7,481.25	AAA	Aaa	
	SUBTOTAL				11,675,000.00	11,682,334.53	11,467,603.58	44,825.27			
	TOTAL INVESTMENTS PFM ASSET MANAGEMENT				175,096,601.21	175,677,405.76	171,819,526.13	775,914.90			
	TIME DEPOSITS - ISSUER										
273941000	FREMONT BANK	1.37%	12/29/18	1.37%	1,000,000.00	1,000,000.00	989,094.48	78.69			
	SUBTOTAL				1,000,000.00	1,000,000.00	989,094.48	78.69			
	MONEY MARKET ACCOUNTS										
5080200	MMA/BANK OF AMERICA SWEEP ACCOUNT	1.13%	Daily	1.13%	56,777,309.99	56,777,309.99	56,777,309.99	24,928.72			
	SUBTOTAL				56,777,309.99	56,777,309.99	56,777,309.99	24,928.72			
	POOLED INVESTMENT FUNDS										
6037-001	CAMP (California Asset Management Program)	2.05%	Daily	2.05%	66,099,853.00	66,099,853.00	66,099,853.00	-			
98-01-318	LAIF (State of California Local Agency Investment Funds)	1.86%	Daily	1.86%	65,000,000.00	65,000,000.00	64,878,246.00	-			
	SUBTOTAL				131,099,853.00	131,099,853.00	130,978,099.00	-			
	TOTAL GENERAL CITY INVESTMENTS				\$ 363,973,764.20	\$ 364,554,568.75	\$ 360,564,029.60	\$ 800,922.31			
	ADJUST INVESTMENTS FROM AMORTIZED COST TO FAIR VALUE										
							(3,990,539.15)				
	MORGAN STANLEY GOVT INSTL SWEEP ACCOUNT										
		0.00%				1,091,521.72					
	BANK OF AMERICA CHECKING ACCOUNT										
		0.00%				18,177,548.67					
	POLICE-NARCOTIC(SACMCTF FLASH FUND)/ BOFA										
		0.00%				33,657.33					
	POLICE-BAIL ACCOUNT/ BOFA										
		0.00%				500.00					
	FRC CHECKING ACCOUNT/ HERITAGE										
		0.20%				404.63					
	TOTAL CASH & INVESTMENTS						379,867,661.95				
	PETTY CASH										
	CITY MANAGER (12001)					500.00					
	FINANCE (14000)					2,750.00					
	HUMAN RESOURCES (15000)					200.00					
	POLICE CHIEF'S OFF (21010)					7,000.00					
	POLICE ADMINISTRATION (21020)					7,400.00					
	ANIMAL CONTROL (21910)					500.00					
	POLICE INVESTIGATIVE SERVICES-BAIL (21999)					200.00					
	YOUTH & FAMILY SERVICES-PETTY CASH (53410, 10853990)					270.00					
	FRC SUPPORT SVC PRG (530304)					40.00					
	SENIOR CENTER #186 (53310)					250.00					
	RECREATION SNACK BARS #189 (00000)					3,500.00					
	RECREATION ADMIN #189 (61002)					2,000.00					
	RECR REGISTRATION #189 (61003)					200.00					
	RECR WATER PARK #189 (61011)					6,944.00					
	SPORTS TENNIS CENTER #189 (61022)					175.00					
	PKS BOAT RENTAL #189 (61047)					375.00					
	TOTAL CITY PETTY CASH					32,304.00					
	CASH WITH FISCAL AGENTS										
	LOCAL IMPROVEMENT/ COMMUNITY FACILITY DISTRICTS										
515408	2015 CFD#1 (PACIFIC COMMONS) RESERVE FUND - BNY	0.00%		0.0000%		5,086,670.47					
515409	2015 CFD#1 (PACIFIC COMMONS) BOND FUND - BNY	0.00%		0.0000%		52.07					
515437	2015 CFD#1 (PACIFIC COMMONS) SPECTAX FUND - BNY	0.00%		0.0000%		1,006.08					
515439	2015 CFD#1 (PACIFIC COMMONS) IMPROVEMENT FUND - BNY	0.00%		0.0000%		26,014.61					
515454	2015 CFD#1 (PACIFIC COMMONS) ESCROW FUND - BNY	0.00%		0.0000%		2.00					
	SUBTOTAL					5,113,745.23					
	POLLUTION REMEDIATION ESCROW ACCOUNT										
1894716230	CENTERVILLE/ARTIST WALK - ESCROW FUND - Heritage Bank	0.05%		0.0500%		2,002,571.46					
	CERTIFICATES OF PARTICIPATION/GO BONDS										
6711981500	2012 - FIXED COP. SERIES A - FEE ACCOUNT - Union Bank										
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%							
	SUBTOTAL					97.67					
	LEASE REVENUE BONDS										
6712196601	2017A - LRB REVENUE FUND- Union Bank	0.60%		0.6000%		1,280.48					
6712196605	2017A - LRB PROJECT FUND- Union Bank	0.06%		0.0600%		209,719.51					
657938	2017B - BOND FUND-BNY					119.94					
	SUBTOTAL					211,119.93					
	LEASE FINANCING										
743930	2016 - ENERGY & WATER EFFICIENCY LEASE - ESCROW FUND - BNY	0.01%		0.0100%		95,408.73					
	TOTAL CASH WITH FISCAL AGENTS					7,422,943.02					
	GRAND TOTAL					\$ 387,322,908.97					

**NARRATIVE AND HIGHLIGHTS
DEBT FINANCING ACTIVITIES
June 30, 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 April 1, 2018 and June 30, 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.

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.

- **General Fund Loans.** The City received a \$1 million interest-free loan from PG&E in October 2017 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 PG&E loan proceeds were applied to reduce the 2016 Energy Efficiency Financing principal amount.
- **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 3/31/2018	Incurred or Issued	Satisfied or Matured and Net Decreases	Amounts Outstanding 6/30/2018
General Obligation Bonds					
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
Total General Obligation Bonds		37,685,000	-	-	37,685,000
General Fund Lease Obligations					
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%	7,269,692	-	-	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
Total General Fund Lease Obligations		116,599,692	-	-	116,599,692
General Fund Loans					
2017 PG&E On-Bill Financing Program Maturity - 06/01/2021	0.00%	886,364	-	(68,182)	818,182
Total City Long-term Debt		\$ 155,171,056	\$ -	\$ (68,182)	\$ 155,102,874
Special Tax Bonds					
Community Facilities District No. 1 (Pacific Commons)					
2015 Special Tax Bonds Maturity - 09/01/2045	3.50-5.00%	\$ 79,045,000	\$ -	\$ -	\$ 79,045,000
Total Special Tax Bonds		\$ 79,045,000	\$ -	\$ -	\$ 79,045,000

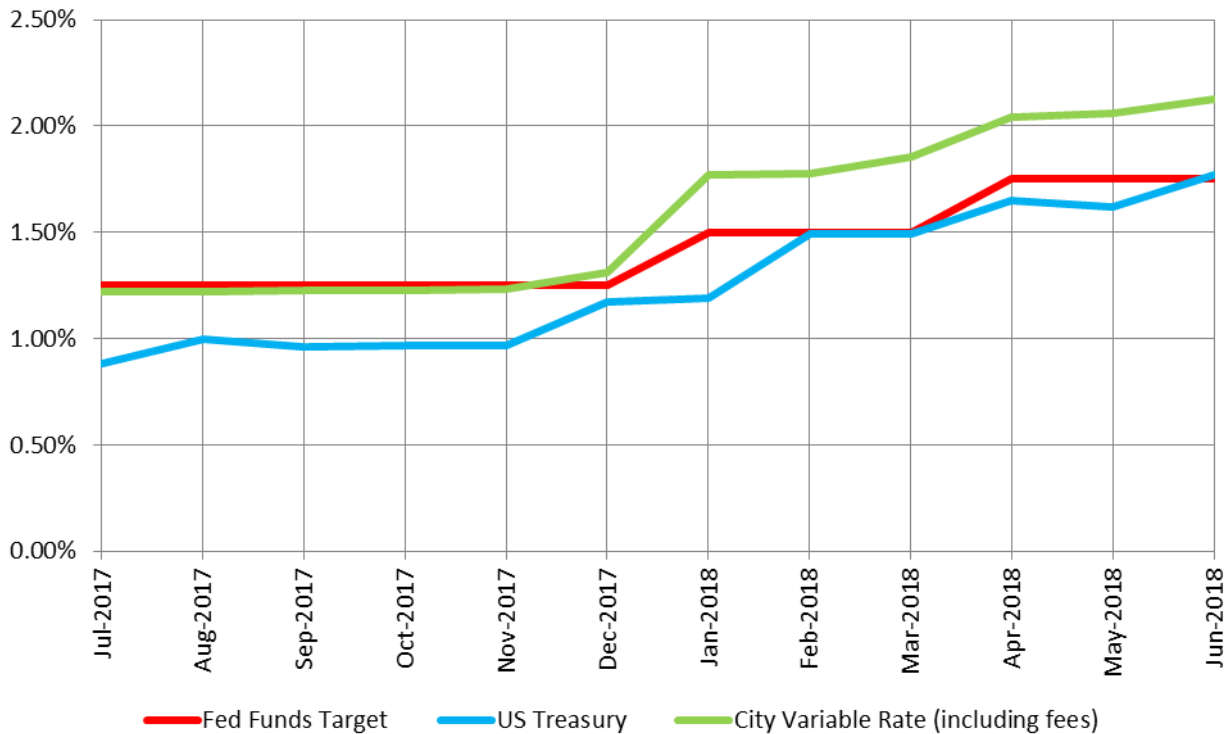
The Tax Cuts and Jobs Act of 2017 (the “Tax Reform Act”) amended the Internal Revenue Code effective January 1, 2018. Among other amendments, the Tax Reform Act reduced the maximum corporate tax rate from 35% to 21%. Because a lower tax rate diminishes the value of holding tax-exempt securities, the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

Following a request from the City, the holder of the 2017A Lease Revenue Bonds, U.S. Bank, agreed to amend the interest rate formula to partially mitigate the impact of the lower corporate tax rate. On June 19, 2018, the City Council approved amendments to the financing documents and the amended interest rate formula became effective as of July 1, 2018.

The City’s 2017A Lease Revenue Bonds now bear interest at a rate equal to approximately 80% of the one-month London Interbank Offered Rate (LIBOR) (down from 85%) plus an

“applicable spread”, currently 0.42% (down from 0.44%), 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 downward adjustment in the interest rate formula will result in annual interest savings of approximately \$95,000.

The graph below compares the interest rates paid by the City on its 2017A Lease Revenue Bonds 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 June, the FOMC increased the Fed Funds target from a range of 1.50%-1.75% to 1.75%-2.00%.