



*Finance Department*

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December 22, 2020

## **Treasurer's Cash and Investment Report as of August 31, 2020**

This report has been prepared in accordance with the City's Statement of Investment Policy, effective July 1, 2020.

### **Introduction**

The City of Fremont provides services to the community funded through taxes, fees and charges, grants, and loans. To the extent that cash generated from those revenue sources is not immediately needed to pay for services, Section 53601 of the California Government Code (the "Government Code") gives the City Council the authority to purchase a variety of investment instruments. The City Council, in turn, may delegate that authority to the City's Treasurer for one-year periods, with the requirement that the Treasurer report monthly on investment transactions.

To guide the Treasurer's investment activities, the City Council annually adopts a Statement of Investment Policy (the "Investment Policy") which establishes that:

It is the policy of the City of Fremont to invest public funds in a prudent manner which will provide the highest yield consistent with the maximum security and preservation of invested principal, while meeting the daily cash flow demands of the City, and conforming to all applicable federal, state and local statutes governing the investment of public funds.

The Investment Policy applies to all financial assets of the City. However, in accordance with the Government Code, investment of bond proceeds is governed by the provisions of the related bond indentures or resolutions.

As established by the Government Code and re-affirmed in the City's Investment Policy, the objectives for investing and managing public funds and their order of priority are:

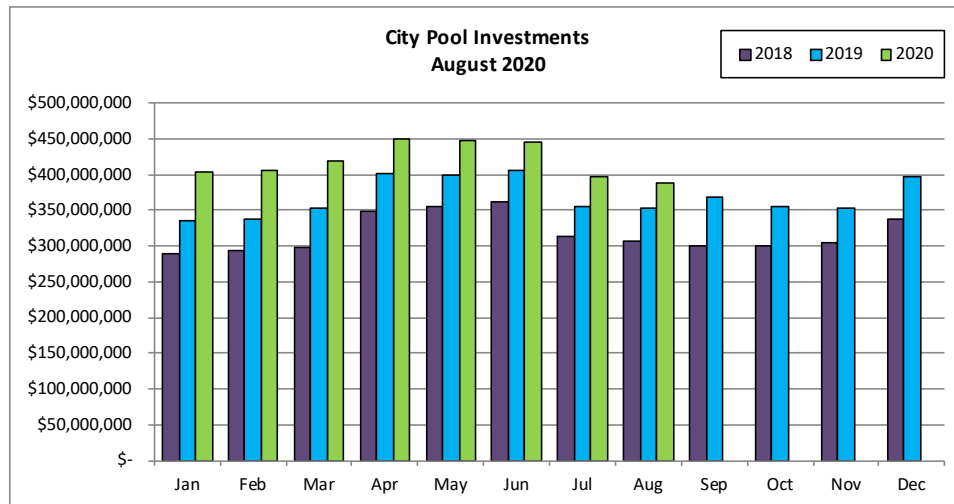
- **Safety** of principal;
- **Liquidity** sufficient to meet the City's payment obligations; and
- **Yield** consistent with a market rate of return.

The following sections of this Treasurer's Cash and Investment Report provide an overview of the City's cash and investment portfolio and describe how the City's investment program is designed to meet the policy objectives by managing the composition of the investment portfolio, conducting periodic cash flow analyses, and benchmarking portfolio performance. A detailed listing of the portfolio is included as an attachment.

**Portfolio Overview**

The following table and bar graph summarize the City’s current cash and investment holdings by investment category and show how those holdings have changed over the last month and last year.

	<b>Current Month 08/31/2020</b>	<b>Prior Month 07/31/2020</b>	<b>Prior Year 8/31/2019</b>	<b>Change from Prior Month 07/20 to 08/20</b>	<b>Change from Prior Year 08/19 to 08/20</b>
<b>City Pool Investments</b>					
Investment in Securities at Cost	\$ 184,437,887	\$ 184,163,230	\$ 179,778,796	\$ 274,657	\$ 4,659,091
Money Market - Morgan Stanley	928,574	696,370	322,328	232,205	606,246
Money Market - BlackRock	-	-	-	-	-
LAIF	75,000,000	75,020,619	65,000,000	(20,619)	10,000,000
CAMP	120,325,172	130,293,625	103,672,081	(9,968,452)	16,653,091
Fair Value Adjustment	<u>7,456,426</u>	<u>7,838,480</u>	<u>3,667,784</u>	<u>(382,053)</u>	<u>3,788,642</u>
Total City Pool Investments	388,148,060	398,012,324	352,440,990	(9,864,263)	35,707,071
City Checking Accounts	5,798,923	6,543,368	14,907,166	(744,445)	(9,108,243)
Petty Cash	32,300	32,300	32,300	-	-
Total Cash and Pool Investments	<u>393,979,283</u>	<u>404,587,992</u>	<u>367,380,456</u>	<u>(10,608,709)</u>	<u>26,598,828</u>
Cash with Fiscal Agents	28,461,310	25,377,283	27,960,177	3,084,026	501,133
<b>Total City Cash and Investments</b>	<b><u>\$422,440,593</u></b>	<b><u>\$429,965,275</u></b>	<b><u>\$395,340,633</u></b>	<b><u>\$ (7,524,682)</u></b>	<b><u>\$ 27,099,960</u></b>



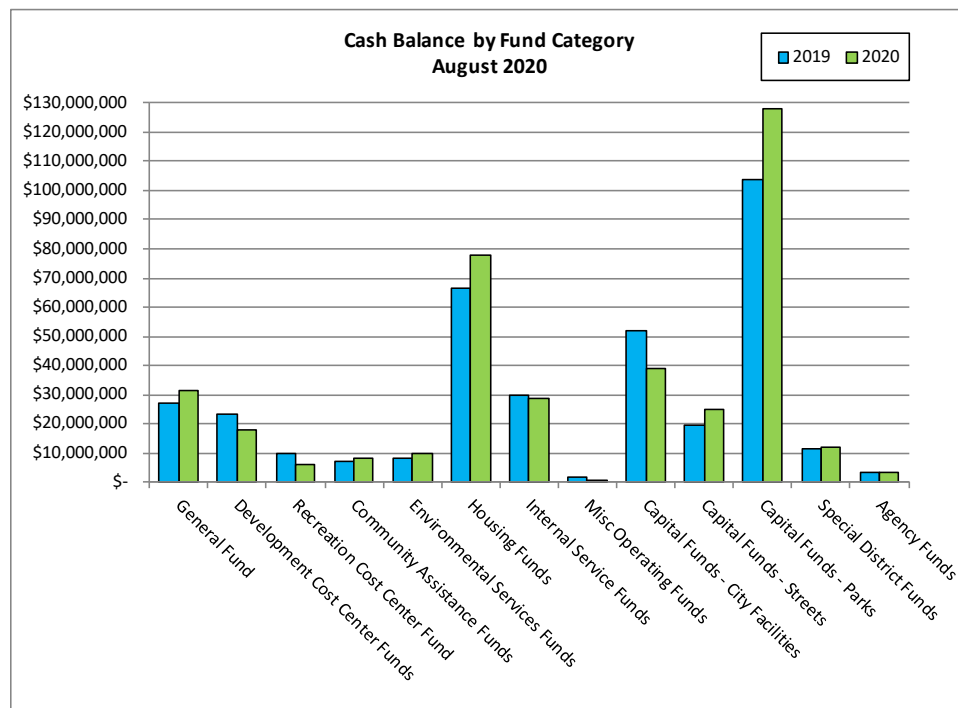
The change in value of the City’s cash and pool investments from the previous month is composed of: cash receipts from taxes, fees, grants, and loans; disbursements for payroll and benefits, vendor and contractor payments, debt service payments, and community grants and loans; and the change in the fair value adjustment. The following table summarizes these changes in value.

<b>July 2020 Cash and Pool Investments</b>	<b>\$404,587,992</b>
Cash Receipts	16,994,030
Cash Disbursements	(27,220,686)
Change in Fair Value Adjustment	(382,053)
<b>August 2020 Cash and Pool Investments</b>	<b>\$393,979,283</b>

The City’s cash and investment holdings represent the aggregation of the cash balances in the City’s various funds, petty cash, and cash held by the City’s fiscal agent banks related to special districts, bond

proceeds, and escrows. The following table and graph show how the City’s cash and investment holdings are allocated among the City’s various fund categories and fiscal agent accounts.

	<u>Current Month</u> <u>08/31/2020</u>	<u>Prior Month</u> <u>07/31/2020</u>	<u>Prior Year</u> <u>8/31/2019</u>	<u>Change from</u> <u>Prior Month</u> <u>07/20 to 08/20</u>	<u>Change from</u> <u>Prior Year</u> <u>08/19 to 08/20</u>
<b>Cash and Pool Investments by Fund Category</b>					
General Fund	\$ 31,441,220	\$ 36,317,860	\$ 26,985,445	\$ (4,876,640)	\$ 4,455,774
Development Cost Center Funds	18,113,441	16,221,947	23,417,904	1,891,494	(5,304,463)
Recreation Cost Center Fund	5,877,756	6,316,893	9,594,918	(439,137)	(3,717,162)
Community Assistance Funds	7,871,788	8,184,572	7,150,546	(312,784)	721,241
Environmental Services Funds	9,497,281	9,472,319	8,355,781	24,961	1,141,499
Housing Funds	77,617,037	77,101,604	66,478,967	515,432	11,138,069
Internal Service Funds	28,676,092	29,932,258	30,008,689	(1,256,165)	(1,332,596)
Misc Operating Funds	151,250	(913,458)	1,890,272	1,064,708	(1,739,022)
Capital Funds - City Facilities	38,913,190	42,513,306	51,976,094	(3,600,116)	(13,062,904)
Capital Funds - Streets	24,821,526	25,144,269	19,446,435	(322,743)	5,375,090
Capital Funds - Parks	128,336,659	127,921,865	103,844,531	414,794	24,492,127
Special District Funds	11,993,438	15,316,716	11,274,970	(3,323,278)	718,468
Agency Funds	3,212,181	3,219,361	3,288,118	(7,180)	(75,937)
Subtotal	386,522,857	396,749,512	363,712,672	(10,226,655)	22,810,185
Fair Value Adjustment	7,456,426	7,838,480	3,667,784	(382,053)	3,788,642
Total Cash and Pool Investments	393,979,283	404,587,992	367,380,456	(10,608,709)	26,598,828
<b>Cash with Fiscal Agents</b>					
Agency Fund Checking Accounts	153,068	89,890	83,257	63,178	69,811
Lease Financing Trust Accounts	137	137	38,930	-	(38,794)
Community Facilities District Accounts	26,722,048	23,614,988	26,387,894	3,107,060	334,154
Pollution Remediation Escrow	1,107,747	1,307,054	1,450,096	(199,307)	(342,349)
Construction Retention Escrows	478,310	365,215		113,095	478,310
Total Cash with Fiscal Agents	28,461,310	25,377,283	27,960,177	3,084,026	501,133
<b>Total City Cash and Investments</b>	<b>\$422,440,593</b>	<b>\$429,965,275</b>	<b>\$395,340,633</b>	<b>\$ (7,524,682)</b>	<b>\$ 27,099,960</b>



The amounts shown in the preceding tables by investment category or fund category represent the value of the City's cash and investment holdings on the basis of their cost. The market value of these holdings, also referred to as the "fair value," represents the amount the City would receive if it were to sell its investments at the current market price. At any point in time, the difference between the market value and the cost basis, referred to as the "fair value adjustment," represents the unrecognized gain or loss on the portfolio. Although unrecognized gains or losses have no impact on investment earnings, governmental accounting standards require that the fair value adjustment be incorporated into the City's financial reporting. To the extent that the City actually sells investments prior to maturity, it recognizes the gains or losses and allocates them by fund as part of its investment earnings.

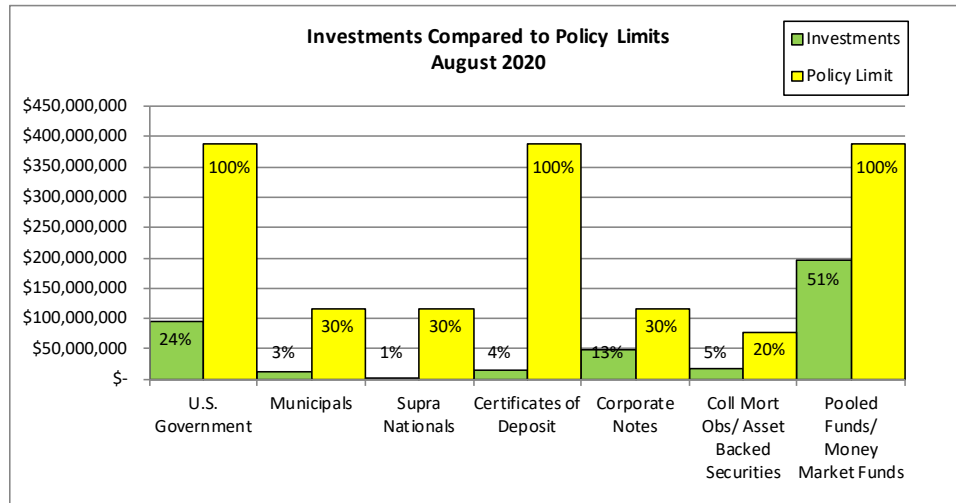
### **Investment Activity**

A summary of current month investment activity is provided in the table below. Investment activity is reported on a trade-date basis, but investment holdings are reported on a settlement-date basis for the purpose of reconciling with the cash balances reported in the City's financial management system.

Date	Redemption			Purchases			Average Rate	Average Maturity (days)
	Securities	Pools/ Money Market Funds	Total	Securities	Pools/ Money Market Funds	Total		
08/04/20	\$ -	\$ (20,619)	\$ (20,619)	\$ -	\$ -	\$ -	-	-
08/05/20	(743,086)	-	(743,086)	769,784	-	769,784	0.51%	1,457
08/06/20	-	-	-	650,000	-	650,000	0.57%	1,548
08/07/20	(623,675)	(5,000,000)	(5,623,675)	1,465,000	-	1,465,000	0.52%	543
08/08/20	(752,759)	-	(752,759)	-	-	-	-	-
08/09/20	(1,003,430)	-	(1,003,430)	-	-	-	-	-
08/10/20	(327,293)	-	(327,293)	-	-	-	-	-
08/12/20	-	-	-	979,794	-	979,794	0.47%	1,653
08/15/20	(228,531)	-	(228,531)	-	-	-	-	-
08/17/20	(7,105)	-	(7,105)	-	-	-	-	-
08/19/20	-	(5,000,000)	(5,000,000)	-	-	-	-	-
08/20/20	(854,650)	-	(854,650)	950,606	-	950,606	3.25%	1,685
08/30/20	-	-	-	-	232,205	232,205	0.02%	31
08/31/20	-	-	-	-	31,548	31,548	0.30%	44
<b>Total 08/20</b>	<b>\$ (4,540,528)</b>	<b>\$ (10,020,619)</b>	<b>\$ (14,561,147)</b>	<b>\$ 4,815,185</b>	<b>\$ 263,753</b>	<b>\$ 5,078,937</b>	<b>1.00%</b>	<b>1,212</b>

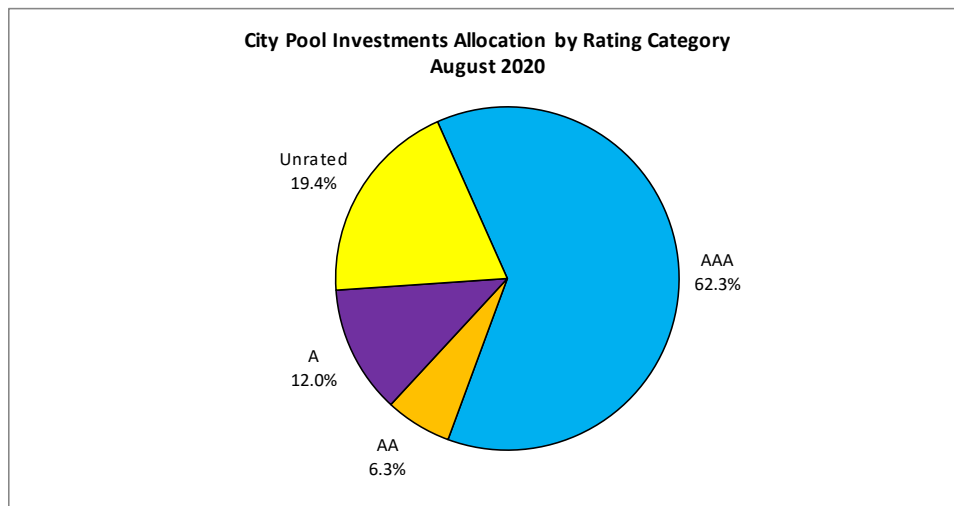
### **Safety: Allowable Investments and Portfolio Composition**

The Government Code specifically identifies investment instruments that may be used by California local agencies, and the City's Investment Policy incorporates these into its section on authorized and suitable investments. Because these authorized investments are restricted to instruments issued or guaranteed by the federal government, other public agencies, banks, or highly-rated corporations, the risk that the issuer will fail to pay scheduled interest or repay principal when due ("credit risk") is limited. The Government Code and Investment Policy do not allow the City to purchase ownership shares in private or public corporations, real estate, or other physical assets for investment purposes. Additionally, the City Council has imposed a ban on investments in securities issued by firms whose general business activities are classified as "Energy - Oil, Gas & Coal" according to the Bloomberg Industry Classification System.



To further reduce credit risk, the Government Code and Investment Policy impose 20%, 25%, or 30% maximum portfolio holding limits on specific instrument types, and a 5% maximum on instruments issued by any individual non-federal public agency, bank, or corporation.

The creditworthiness of corporate and public-agency investment instruments is measured on ratings scales developed by nationally recognized securities rating organizations (NRSROs) such as Standard & Poor’s and Moody’s Investors Service. The City’s Investment Policy requires that certain types of investments be rated in at least the third-highest rating category (“A” category), or in one of the two highest short-term rating categories (“A-1” or “A-1+”) in the case of certain short-term investments.



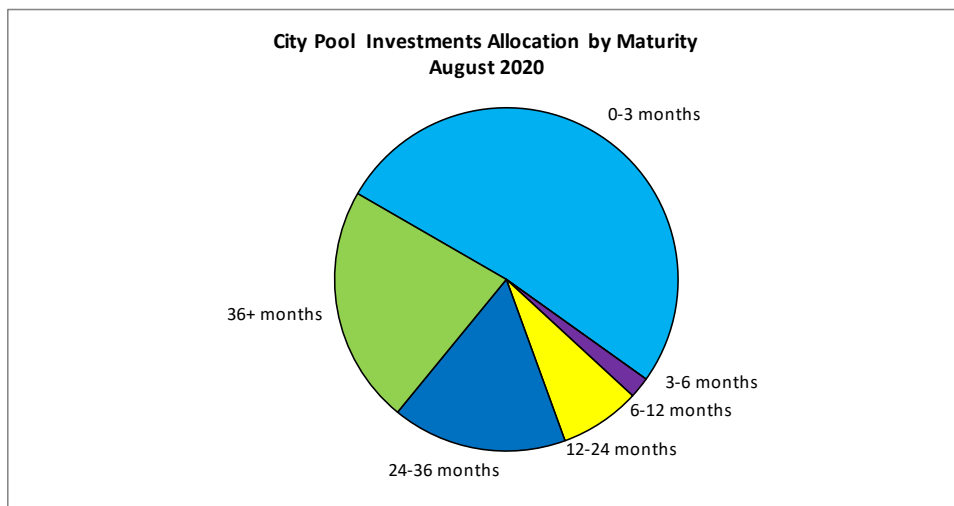
To assist the City in purchasing appropriate investment instruments, monitoring the credit quality of City investments, and achieving a market rate of return, the City has engaged PFM Asset Management LLC (“PFM”) to manage a portion of the investment portfolio. As discussed in more detail elsewhere, PFM actively manages the portion of the investment portfolio that exceeds the City’s near-term liquidity needs (the “Core Portfolio”). The City holds the remaining balance of the portfolio in highly liquid investments such as the State of California Local Agency Investment Fund (“LAIF”), the California Asset Management Program (“CAMP”), and government agency money market funds.

**Liquidity: Investment Maturities and Cash Flow Analysis**

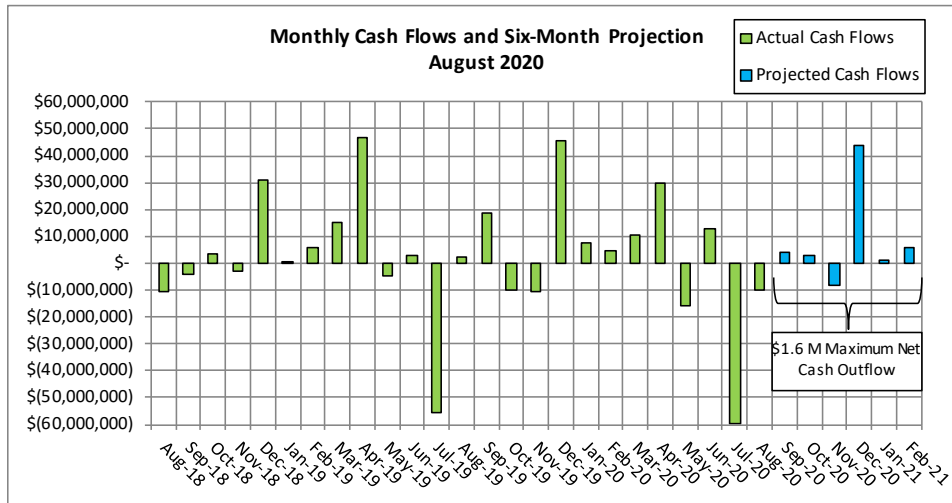
The Investment Policy specifies that “the City’s investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.” Accordingly, the City has divided its investment portfolio into a portfolio of highly-liquid and short-term investments managed by City staff (the “Liquidity Portfolio”) and the Core Portfolio of longer-term investments managed by PFM.

<b>City Pool Investments</b>	<b>Current Month 08/31/2020</b>
Core Portfolio	\$ 185,366,462
Liquidity Portfolio	195,325,172
Fair Value Adjustment	7,456,426
<b>Total City Pool Investments</b>	<b>\$ 388,148,060</b>

Appropriate sizing of the Liquidity Portfolio is a key risk management tool, as a lack of liquid assets could necessitate the sale of securities in the Core Portfolio under unfavorable market conditions and lead to a loss of principal. However, allocating too much of the investment portfolio to highly liquid short-term instruments could deprive the City of the higher interest earnings typically generated from the Core Portfolio’s longer-term investments.

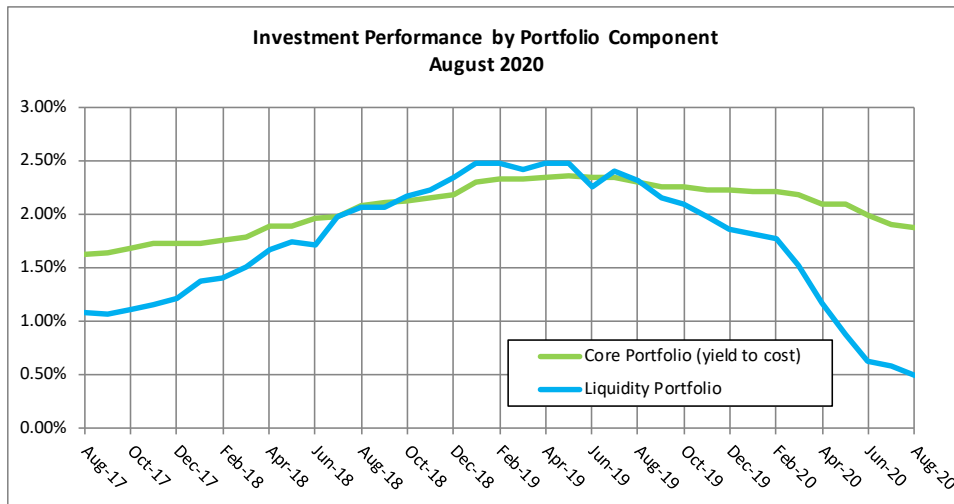


Annually, City staff and PFM review and analyze historical monthly cash flow data. In months when revenue (primarily property tax) exceeds expenditures, cash balances increase, and in months when expenditures exceed revenue, cash balances decrease. In a typical fiscal year, the maximum cumulative net cash outflow occurs in November, the month before the first installment of property tax, and the maximum cumulative net cash inflow occurs after the second installment of property tax in April. The City’s Liquidity Portfolio is sized to cover at least the maximum projected cumulative net monthly cash outflow over the following year (approximately \$60 million) plus an additional balance equivalent to the contingency reserve requirements of the various operating funds (another \$60 million). The remaining portion of the investment portfolio constitutes the Core Portfolio.

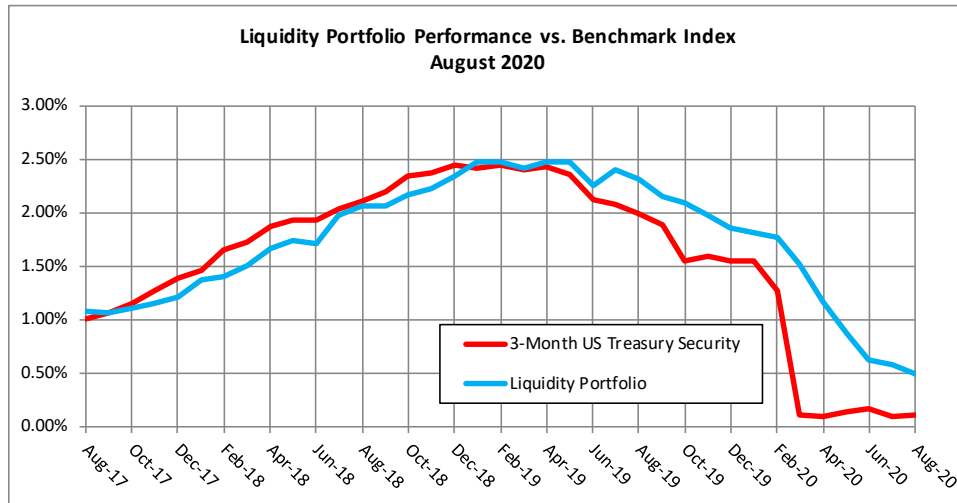


**Yield: Portfolio Performance**

The performance objective specified in the City’s Investment Policy is to obtain a market rate of return, considering the allowable investments and the liquidity needs of the portfolio. As noted in the previous section, the City’s portfolio has been divided into two components (Liquidity and Core), each with significantly different cash flow characteristics and investment horizon. In general, the Liquidity Portfolio, composed of short-term investments held in LAIF and CAMP, will reflect market changes much more rapidly than the Core Portfolio.

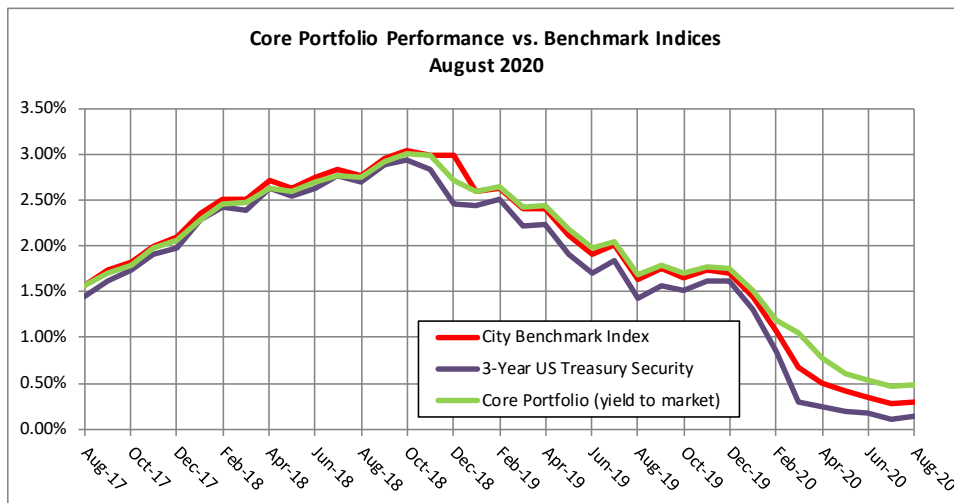


The Liquidity Portfolio is invested in LAIF, CAMP, and a money market account, with an additional amount held in the City’s checking account. LAIF, CAMP, and the money market account are pooled funds, meaning that many investors have combined their cash holdings for investment purposes. Because pool participants have at least somewhat dissimilar cash flow requirements, the pooled portfolio can be invested in relatively longer-term securities with higher yields, while maintaining next-day funds availability for each participant. Although the funds held in this portfolio component generally have next-day or same-day availability, the average maturity of the pooled investments constituting the City’s Liquidity Portfolio is approximately 90 days. Accordingly, the Liquidity Portfolio is benchmarked against the yield on the 3-month U.S. Treasury security, with the expectation that its yield will generally track the benchmark.



The Core Portfolio, actively managed by PFM, is designed to take advantage of the full range of allowable investments with maturities generally ranging from one to five years. Active management results in the periodic reallocation of the portfolio among asset classes and maturities in response to changes in the capital markets and opportunities to increase total return (the combination of gains in market value and interest earnings).

The Core Portfolio is benchmarked against the Bank of America Merrill Lynch 1-5 Year U.S. Corporate & Government A-AAA Index (the “BAML Index”). As the Core Portfolio and the BAML Index both have an average maturity of approximately three years but take advantage of the full range of allowable investments, we expect them to out-perform the 3-year U.S. Treasury security.



The following table summarizes the investment yields and average maturities of the City’s investment portfolio components, along with the comparable-maturity U.S. Treasury securities. Also shown are the monthly investment earnings (including realized gains and losses) and aggregate year-to-date earnings.



	<u>Current Month</u> <u>08/31/2020</u>	<u>Prior Month</u> <u>07/31/2020</u>	<u>Prior Year</u> <u>8/31/2019</u>	<u>Change from</u> <u>Prior Month</u> <u>07/20 to 08/20</u>	<u>Change from</u> <u>Prior Year</u> <u>08/19 to 08/20</u>
<b>Investment Yield</b>					
Liquidity Portfolio	0.49%	0.57%	2.30%	-0.09%	-1.82%
U.S. Treasury - 3 Month	0.11%	0.09%	1.99%	0.02%	-1.88%
Core Portfolio (yield at market)	0.48%	0.47%	1.68%	0.01%	-1.20%
U.S. Treasury - 3 Year	0.15%	0.11%	1.42%	0.04%	-1.27%
Core Portfolio (yield at cost)	1.87%	1.90%	2.30%	-0.03%	-0.43%
<b>Average Maturity of Investments (in days)</b>					
Liquidity Portfolio	87	100	98	(12)	(11)
Core Portfolio	1,053	1,068	1,043	(15)	10
<b>Current Month Earnings</b>					
Governmental Funds	\$ 385,069	\$ 556,625	\$ 482,691	\$ (171,556)	\$ (97,622)
Agency Funds	15,613	22,461	19,959	(6,849)	(4,346)
Total Current Month Earnings	<u>\$ 400,682</u>	<u>\$ 579,086</u>	<u>\$ 502,650</u>	<u>\$ (178,405)</u>	<u>\$ (101,968)</u>
<b>Fiscal Year to Date Earnings</b>					
Governmental Funds	\$ 941,694	\$ 556,625	\$ 1,099,427	\$ 385,069	\$ (157,733)
Agency Funds	38,074	22,461	45,309	15,613	(7,235)
Total Year to Date Earnings	<u>\$ 979,768</u>	<u>\$ 579,086</u>	<u>\$ 1,144,736</u>	<u>\$ 400,682</u>	<u>\$ (164,967)</u>

### **Certifications and Attachment**

In accordance with the requirements of the Investment Policy, as Finance Director/Treasurer I certify to the following:

- All investment activities since the last report have been made in full compliance with the Investment Policy.
- The City will meet its expenditure requirements for the next six months.

The tables and charts included in the body of this report provide an overview of the City's cash and investment holdings. The attachment contains a complete description of the portfolio, including the types of investments, issuers, maturity dates, par values and current market values.

This report is available at the City's website on the Financial Reports page:  
<https://www.fremont.gov/1593/Financial-Reports>.

If you have any questions, please contact me at (510) 494-4610.



David Persselin  
 Finance Director/Treasurer





**City of Fremont Treasurer's Report**  
Cash and Investment Portfolio - August 31, 2020

Portfolio	CUSIP/ Account	Issuer/Institution	Par Amount	Coupon	Maturity	Original Cost/ Balance	Yield	Market Value	Accrued Interest	S&P Rating	Moody's Rating
<b>Money Market Funds</b>											
Core	X9USDMOR3	Morgan Stanley	928,574.47	0.02%	Daily	928,574.47	0.02%	928,574.47	-	AAAm	Aaa-mf
Liquidity	TFFXX	BlackRock	-	0.00%	Daily	-	0.00%	-	-	AAAm	Aaa-mf
<b>Subtotal</b>			<b>928,574.47</b>			<b>928,574.47</b>		<b>928,574.47</b>	<b>-</b>		
<b>Government Investment Pools</b>											
Liquidity	98-01-318	Local Agency Investment Fund	75,000,000.00	0.78%	Daily	75,000,000.00	0.78%	75,368,459.63	-	NR	NR
Liquidity	6037-001	California Asset Management Program	120,325,172.39	0.30%	Daily	120,325,172.39	0.30%	120,325,172.39	-	AAAm	NR
<b>Subtotal</b>			<b>195,325,172.39</b>			<b>195,325,172.39</b>		<b>195,693,632.02</b>	<b>-</b>		
<b>Total City Investments</b>			<b>\$ 380,711,875.80</b>			<b>\$ 380,691,634.21</b>		<b>\$ 388,148,060.39</b>	<b>\$ 731,259.05</b>		
								Unrecognized Gain/(Loss):	\$	7,456,426.18	
<b>City Investments by Portfolio</b>											
Core Portfolio						\$	185,366,461.82				
Liquidity Portfolio							195,325,172.39				
Unrecognized Gain/(Loss) - Adjusted for Unsettled Trades							7,456,426.18				
<b>Subtotal</b>						<b>388,148,060.39</b>					
<b>Checking Accounts</b>											
General City	Bank of America					5,798,422.90	0.00%				
Police Bail	Bank of America					500.00	0.00%				
<b>Subtotal</b>						<b>5,798,922.90</b>					
<b>Petty Cash</b>											
001-12001	City Manager's Office					500.00					
001-14000	Finance Administration					2,750.00					
001-15000	Human Resources					200.00					
001-21010	Police Chief's Office					7,000.00					
001-21110	Police Administration					7,400.00					
001-21910	Animal Shelter					500.00					
001-21999	Police Investigative Services - Bail					200.00					
102-53410	Youth Service Center					270.00					
108-53990	Family Resource Center					40.00					
186-53310	Senior Center					250.00					
189-00000	Recreation Snack Bars					3,500.00					
189-61002	Recreation Administration					2,000.00					
189-61003	Recreation Registration					200.00					
189-61011	Water Park					6,940.00					
189-61022	Tennis Center					175.00					
189-61047	Boat Rental					375.00					
<b>Subtotal</b>						<b>32,300.00</b>					
<b>Total City Cash and Investments</b>						<b>\$ 393,979,283.29</b>					
<b>Cash with Fiscal Agents</b>											
<b>Agency Fund Checking Accounts</b>											
SACMCTF JPA	Bank of America					33,801.88	0.18%				
FRC Corp.	Heritage Bank					119,265.96	0.16%				
<b>Subtotal</b>						<b>153,067.84</b>					
<b>Lease Financing Trust Accounts</b>											
2017B Lease Revenue Bonds - Bank of New York											
657938	Bond Fund					36.92	0.03%				
657939	Interest Account					-					
2019 Lease Revenue Bonds - MUFG Union Bank											
6712257501	Bond Fund					99.60	0.01%				
6712257502	Interest Account					-					
<b>Subtotal</b>						<b>136.52</b>					
<b>Community Facilities District Accounts</b>											
2015 CFD 1 Special Tax Bonds - Bank of New York											
515408	Reserve Fund					5,012,842.50	0.01%				
515409	Bonds Fund					47,089.64	0.01%				
515437	Special Tax Fund					2,542,163.49	0.01%				
2019 CFD 2 Special Tax Bonds - Wilmington Trust											
136496-000	Special Tax Fund					-					
136496-002	Bond Fund					570,775.00	0.01%				
136496-004	Reserve fund					1,087,461.84	0.01%				
136496-005	Bond Proceeds					17,461,715.55	0.01%				
<b>Subtotal</b>						<b>26,722,048.02</b>					
<b>Pollution Remediation Escrow</b>											
Centerville USD Pollution Remediation Escrow - Heritage Bank											
1894716230	Escrow Account					1,107,747.28	0.05%				
<b>Subtotal</b>						<b>1,107,747.28</b>					
<b>Construction Retention Escrows</b>											
DeSilva Gates Construction Retention Escrow - California Bank of Commerce											
1093392	Escrow Account					139,071.40	0.00%				
Zovich & Sons, Inc. Construction Retention Escrow - Merchants Bank of Commerce											
02-701626	Escrow Account					339,238.70	0.00%				
<b>Subtotal</b>						<b>478,310.10</b>					
<b>Total Cash with Fiscal Agents</b>						<b>\$ 28,461,309.76</b>					
<b>Grand Total</b>						<b>\$ 422,440,593.05</b>					