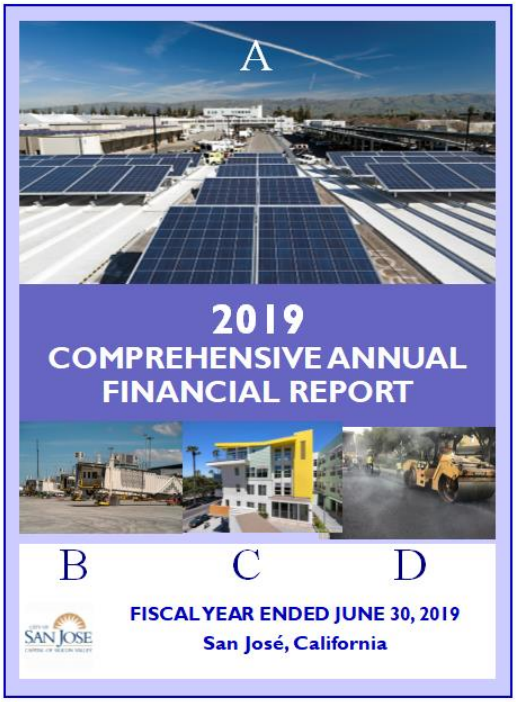
2019
COMPREHENSIVE ANNUAL DEBT REPORT

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

FISCAL YEAR ENDED JUNE 30, 2019
San José, California



The cover design of this year's Comprehensive Annual Debt Report is inspired by the City of San José's Clean Energy program (SJCE), which reached its first anniversary during the fiscal year ended June 30, 2019. At the November 6, 2018 City Council meeting, Council approved the launch of power services to San José residents and businesses that included 45% renewable power from wind, solar, geothermal, and small hydroelectric facilities, and 35% carbon-free power from large hydroelectric power plants, for a total of 80% carbon-free power. Citywide services to homes and businesses began in February 2019. To meet San José customers' increased demand for renewable energy, reaching 2,000 GWh annually by 2022, SJCE currently buys power from existing power plants. In August 2019, SJCE executed its first long-term power purchasing agreement (PPA) to build new renewable energy sources dedicated to serve SJCE customers.

The main photo features the City of San José Central Service Yard with solar panels. The solar panels are leased from SunEdison and generate approximately 1,250,000 kWh annually.

The featured facilities are as follows:

A – City of San José Central Service Yard solar panels

B – Interim gates at the Mineta San José International Airport

C – Second Street Studios – Project funded by a unique private-public partnership between nonprofits, government, and local corporations. The project provides 134 units for individuals transitioning from homelessness by including additional support services, like case management, medical care, and behavioral health services. (photo taken by Bernard Andre)

D – City of San José Department of Transportation - Street works and repairs

These facilities demonstrate the City's commitment to ensuring sustainable production of the renewable energy, promoting low income housing and maintenance of critical City infrastructure, which are all essential components of San José's vision.

More information about the City of San José is available on the City's website at the following URL: http://www.sanjoseca.gov

City of San José
California

28th Comprehensive Annual Debt Report

Fiscal Year Ended June 30, 2019

Prepared by
Finance Department
Debt Management Program

Julia H. Cooper
Director of Finance

28th Comprehensive Annual Debt Report
City of San José
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City Attorney's Office
City Manager's Office
Community Energy Department
Environmental Services Department
Fire Department
Housing Department
Library Department
Norman Y. Mineta San José International Airport
Parks, Recreation & Neighborhood Services Department
Police Department
Public Works Department
Transportation Department

CITY OF SAN JOSE
COMPREHENSIVE ANNUAL DEBT REPORT
FISCAL YEAR ENDED JUNE 30, 2019

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Finance
JULIA H. COOPER, DIRECTOR

November 14, 2019

HONORABLE MAYOR AND CITY COUNCIL

THE COMPREHENSIVE ANNUAL DEBT REPORT OF THE CITY OF SAN JOSE

I am pleased to present the 28th Comprehensive Annual Debt Report for the City of San José (the "Annual Debt Report") for the fiscal year ("FY") ended June 30, 2019. The Annual Debt Report is submitted for review and approval by the City Council in accordance with the City's Debt Management Policy that was originally approved by the City Council on May 21, 2002 and has been amended several times with the most recent amendments approved on March 7, 2017. This Annual Debt Report covers FY 2018-19 and discusses the activities undertaken and managed by the Debt Management Program. The major sections in the Annual Debt Report include:

- Overview of the City's Debt Management Program
- Summary of Recent Debt Issuance Activity
- Discussion of Key Debt Administration Tasks
- Review of the City's Outstanding Debt Portfolio

In addition, the Annual Debt Report includes a glossary to help guide the reader in understanding municipal finance terms.

The discussions of debt management activities in the Annual Debt Report pertain to activities managed by the City's Debt Management Program and the section of the Annual Debt Report pertaining to the City's outstanding debt portfolio includes all debt issued by the City of San José, City of San José Financing Authority (the "Authority"), the Successor Agency to the Redevelopment Agency of the City of San José (the "Successor Agency" or "SARA") and the San José-Santa Clara Clean Water Financing Authority.

Debt Management staff is responsible for managing the debt issuance process for all external borrowings in which the City participates. Pursuant to California State Law, redevelopment agencies were dissolved with ABX1 26 effective February 1, 2012. It should be noted that effective April 16, 2013, the City's Director of Finance was appointed by the Board of the Successor Agency to serve as SARA's Chief Financial Officer. During FY 2013-14 administration of debt previously issued by the Successor Agency was transitioned to staff in the City's Finance Department, with some assistance from SARA staff. The full transition of non-debt related activities (i.e. payroll, accounts receivable and contract management) was completed in FY 2017-18.

In addition to the activities and programs described above, the Annual Debt Report includes a review of Debt Management Policies, rating agency relations and credit maintenance issues, and a discussion of legislative and regulatory issues.

DEBT MANAGEMENT ACTIVITIES

Debt issuance is a key component of the Debt Management staff activities. As illustrated in the graph on page two, FY 2018-19 activities reflected debt issuance of approximately $640 million. This includes a $150 million tax and revenue anticipation note, $71 million in subordinate wastewater revenue notes to finance capital improvements at the San José-Santa Clara Regional Wastewater Facility, $46 million Lease Revenue Commercial Paper Notes, $55 million Airport Commercial Paper Notes and $318 million of conduit multi-family housing revenue obligations.

The City continues to maintain high general credit ratings from all three national rating agencies. In June 2019 all three rating agencies affirmed the City's general oblation rating in conjunction with the July 2019 issuance of the Series 2019 A-D General Obligation Bonds. Moody's Investors Service ("Moody's") affirmed the City's general obligation rating of Aa1 with a stable outlook, Standard & Poor's ("S&P") affirmed the AA+ rating with a stable outlook and Fitch Ratings ("Fitch") affirmed the City's general obligation rating of AA+ with a stable outlook.

The ratings reflect: the diversity of the local economy, anchored by a strong technology presence with the ability to provide financial resilience through economic downturns; very strong management with sound financial policies and practices; healthy reserves and liquidity as well as strong budgetary practices. Overall, the maintenance of these ratings translates to significant interest cost savings in the City's debt program, which in turn benefit the taxpayers of the San José community.

In addition to providing the core debt management services of debt issuance, market disclosure, bank contract compliance reporting, budgeting and forecasting, debt service invoice processing, funds' management, accounting, and professional services procurements, a significant amount of Debt Management staff resources were devoted to providing financial advisory services to numerous citywide projects during FY 2018-19. These projects included:

- 10-year Capital Funding Strategy for the Regional Wastewater Facility ("RWF");
- Renewal/Extension of Direct Placement agreements;
- Active participation in the management of SARA operations and financial budgeting, reporting and accounting;
- Analysis of energy conservation and sustainability measure financing; and
- Management of a RFP process for Feasibility Consultant Services for the purpose of selecting a consultant in connection with the potential Solar4America Ice Centre Expansion Project.

The Debt Management Program work plan for FY 2019-20 anticipates a major focus on reviewing refinancing options for existing Lease Revenue debt and potential new Lease Revenue debt for the Ice Centre expansion. Total debt issuance in FY 2019-20 for the City and its related entities is estimated at approximately $815 million comprised of new money and refunding issuances. Of that amount, $572 million has already been issued, consisting of $502 million in General Obligation bonds (new issuance and refunding) and $70 million in conduit multifamily housing bonds. Of the remaining $243 million of planned issuance, it is estimated that $140 million will be issued for the expansion of the Solar4America Ice Centre pending City Council approval of feasibility report and direction to proceed, $45 million in conduit multifamily housing bonds, up to $51.7 million of Lease Revenue refunding bonds and up to $6.5 million in commercial paper for the expansion of the City Hall campus to accommodate additional office space for the San José Community Energy Department ("SJCE Department") in the 4th and San Fernando street garage.

Additional projects for FY 2019-20 include, but are not limited to continued efforts in the development of a long-range financing plan for the 10-year, $1.4 billion capital improvement plan for the Regional Wastewater Facility. Other work efforts include the renewal and extension of the Direct Placement agreement with US Bank for the Series 2008E Bonds (Ice Centre), continued monitoring of private activity at tax-exempt financed facilities; strategies to utilize and leverage improvements for downtown projects; and adoption of the Administrative Disclosure Policy and Procedures.

ACKNOWLEDGMENTS

The preparation of this Annual Debt Report represents the culmination of a concerted team effort led by the Finance Department's Debt Management staff as well as special assistance and support from key departments and offices throughout the City. Of particular note is the ongoing collaboration and support between the Finance Department and the City Attorney's Office. The support received from the City Attorney's Office cannot be overlooked and is integral to the success of the City's Debt Management program. In addition, City departments who have participated in partnership with the Debt Management program should be recognized for responding so positively to the requests for detailed information that are required for every debt issuance, as well as for the information they provide to the Debt Management staff for the ongoing management and monitoring of the City's outstanding debt portfolio. The City's municipal advisors and bond counsels are acknowledged for providing a significant contribution to the City's success in its Debt Management program, especially for the role they have played in helping to secure and maintain the City's excellent bond ratings.

Finally, I wish to express my sincere appreciation to the Mayor, City Council, and the City Manager for providing leadership, policy direction, and support in guiding the City to a secure, strong financial condition. Their leadership ensures that necessary financial resources can be available to provide capital facilities and affordable housing to our community.

Respectfully submitted,

Julia H Cooper

JULIA H. COOPER
Director of Finance

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

I. OVERVIEW

The Overview section of the Annual Debt Report includes a discussion of the Debt Management Program, Review of Debt Management Policies, Rating Agency Relations and Credit Maintenance, and Legislative and Regulatory Issues.

The Annual Debt Report does not include discussions of the City's obligations related to pension and other postemployment benefits. For details relating to pension and OPEB unfunded liabilities, please refer to "Defined Benefit Retirement Plans" section in the Notes to the Comprehensive Annual Financial Report for the City of San José for the fiscal year ended June 30, 2019.

A. Debt Management Program

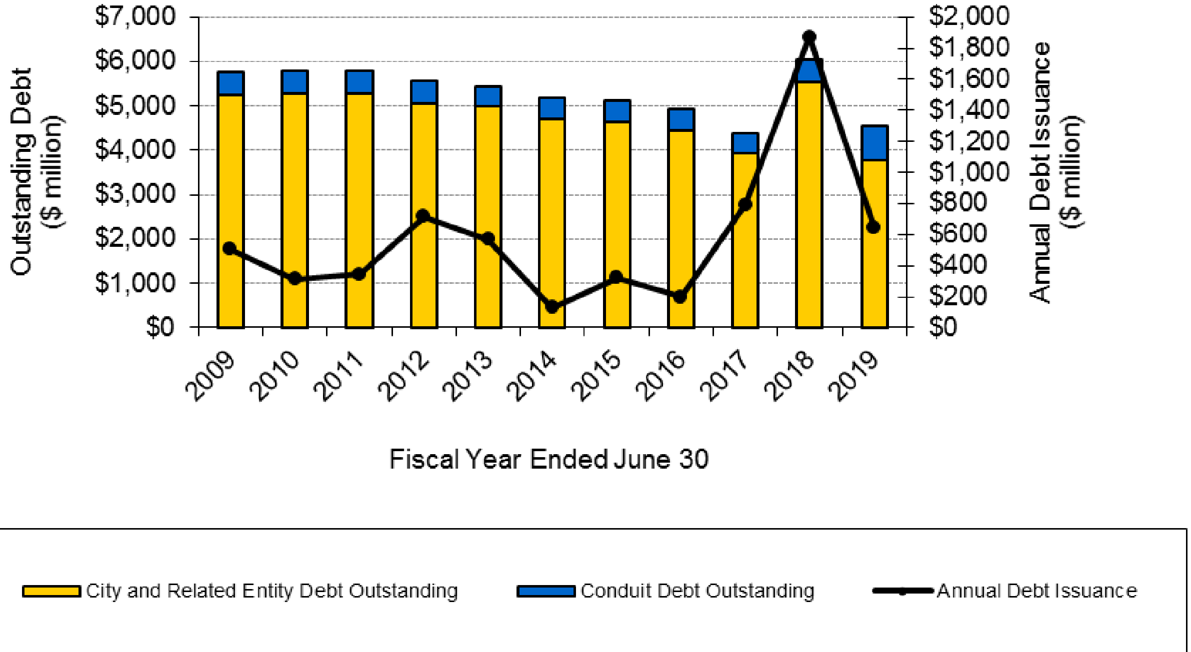
This section of the report provides an overview of debt issuance, debt administration, and debt management projects for FY 2018-19 that have been completed, currently underway, or are planned for FY 2019-20.

1. Debt Issuance

Debt Management, a program within the Finance Department, is responsible for managing the debt issuance process for all City borrowings. FY 2018-19 debt issuance totaled $640 million, composed of a $150 million tax and revenue anticipation note ("TRAN"), $71 million in subordinate wastewater revenue notes to finance capital improvements at the San José-Santa Clara Regional Wastewater Facility, $46 million Lease Revenue Commercial Paper Notes, $55 million Airport Commercial Paper Notes and $318 million of conduit multi-family housing revenue obligations.

The Debt Management Program work plan for FY 2019-20 includes total debt issuance estimated at $815 million of which approximately 37% represents refunding opportunities (31% of which has already occurred with the Series 2019 A-D GO Bond issuance). Of that amount $572 million has already been issued, consisting of $502 million in General Obligation bonds (new issuance and refunding) and $70 million in conduit multifamily housing bonds. Of the remaining $243 million, it is estimated that $140 million will be issued for the expansion of the Solar4America Ice Centre pending Council approval, $45 million in conduit multifamily housing bonds and $51.7 million of Lease Revenue refunding bonds and up to $6.5 million in commercial paper for the expansion of the City Hall campus to accommodate additional office space for the SJCE Department. The following graph illustrates the size of the City's debt portfolio and the dollar volume of debt issued in each of the last ten years. In the last few years the focus has been on refunding of debt, not issuance of new debt.

City Debt Portfolio and Debt Issuance History
FY 2008-09 through FY 2018-19



2. Debt Administration

After debt issuance, the Debt Management staff is responsible for administering the debt portfolio. As part of the City's statutory compliance program, the Special Tax Annual Report (required by State law) has been incorporated into this Annual Debt Report as Appendix E. Section III of this report ("Debt Administration") provides a detailed discussion of debt administration tasks performed by Debt Management staff.

3. Debt Management Projects

In addition to debt issuance and administration, Debt Management staff serve in a financial advisory role to other City departments to assist in the review of capital funding options. Various projects and administrative efforts are described below.

a. Projects in FY 2018-19

Renewal/Replacement/Expansion of Letters of Credit and Direct Placement for Variable-Rate Debt - Staff completed the following work in FY 2018-19:

- City of San José Financing Authority Lease Revenue Commercial Paper - Extension and Expansion of LOC Facilities - In May 2018, the City staff, with assistance of its municipal advisor, elected to commence negotiations with State Street Bank and U.S. Bank (collectively the "Banks") as joint provider (each providing 50%) to support the extension of the CSJFA Lease Revenue CP program set to expire on

November 30, 2018 and to expand the CP program from $85 million to $125 million. In August 2018, the City Council/Authority Board approved recommendations authorizing the staff: to negotiate and execute the amendments to the two Letters of Credit and Reimbursement Agreements and related financing documents; to extend the respective letters of credit provided by each bank supporting the Authority's Lease Revenue Commercial Paper Notes Program for 3.5 years to February 23, 2022; and allow for the increase of the aggregate principal size of the Commercial Paper program from $85 million to $125 million, with each bank providing 50% of the credit support.

- Norman Y. Mineta San Jose International Airport - Replacement LOC Facility - In May 2018, the City staff, with assistance of its municipal advisors released a joint RFP to banks and/or financial institutions to provide an approximately $82 million ($75 million plus interest at the maximum rate for 270 days) Letter of Credit to support the Norman Y. Mineta San José International Airport Subordinate Commercial Paper Notes, Series A-C to facilitate the issuance of CP Notes to finance the proposed terminal area projects, including the Interim Gate Facility project. In June 2018, the City selected Bank of America, N.A. ("BofA") as the new LOC bank provider replacing Barclays as the former provider.

  In August 2018, the City Council approved recommendations that the staff negotiate and execute a substitute Letter of Credit and Reimbursement Agreement and related financing documents (amended Paying Agent and Dealer Agreements), which would result in the substitution of the letter of credit (LOC) for a three-year term from the effective date of September 12, 2018. The LOC will continue supporting the Airport CP program until September 10, 2021 and allow for the increase of the aggregated principal size of the Commercial Paper program from $38 million to $75 million. The LOC of $75 million will provide additional financing capacity for funding of interim gates at the Airport.

- Clean Energy Program - On September 25, 2018, Council authorized the City to enter into a Revolving Credit Agreement ("Agreement") by and between the City and Barclays Bank PLC. The Agreement is in the form of a revolving line of credit facility and a standby letter of credit facility in an amount not to exceed $50 million for the purpose of financing start-up cost of the City of San José Clean Energy program ("SJCE"), purchase power, and in the case of standby letters of credit, secure payments under power purchase agreements and other costs associated with the Community Energy Implementation Plan. Effective on November 27, 2018, the Bank and the City entered into the Credit Agreement providing a credit facility in the form of a commitment by the Bank to issue revolving loans to the City under the Revolving Line of Credit Facility in an aggregate principal amount not to exceed $20,000,000 (the "Revolving Line of Credit Facility Sublimit") and standby letters of credit for the account of the City under the Standby Letter of Credit Facility in an aggregate principal amount not to exceed $35,000,000 (the "Standby Letter of Credit Facility Sublimit"), provided, however, that the aggregate principal amount outstanding under the Revolving Line of Credit Facility and the Standby Letter of Credit Facility shall not to exceed $50,000,000 at any one time (the "Aggregate Commitment").

  On April 30, 2019, the City Council authorized the City Manager, the Director of Finance, the Assistant Director of Finance or their authorized designees to negotiate, execute and deliver the First Amendment to the Revolving Credit Agreement with the

Bank to increase the sublimit for the Revolving Line of Credit Facility thereunder from an aggregate principal amount not to exceed $20,000,000 to $30,000,000, increase the sublimit for the Standby Letter of Credit Facility thereunder from an aggregate principal amount not to exceed $35,000,000 to $65,000,000, increase the Aggregate Commitment to issue revolving loans and standby letters of credit from an aggregate principal amount not to exceed $50,000,000 to $80,000,000 outstanding at any one time, and increase certain fees payable by the City to the Bank in connection with the credit facilities under the Credit Agreement and to clarify that the City is allowed to draw on the revolving line of credit to fund the operating reserve account as discussed herein. Effective May 10, 2019, the Bank and the City entered into the First Amendment to the Revolving Credit Agreement to issue revolving loans and standby letters of credit for the purposes and within the limits mentioned above. The City's obligations under the First Amendment to the Revolving Credit Agreement continue to be secured solely by a pledge and lien on revenues of SJCE, including revenues deposited in an operating reserve account held by the City pursuant to the Credit Agreement. The credit facility is set to expire on November 27, 2023.

SARA Housing and Urban Development ("HUD") Loans – After a competitive solicitation on October 10, 2018, the SARA sold the Convention Center – South Hall to the City for $47 million. The property was used as collateral for SARA HUD loans obtained from the U.S. Department of HUD. The HUD loans were paid in full at the closing.

Request for Proposals (RFP):

- RFP for Feasibility Consultant Services – Ice Centre Expansion Project - In December 2018 the City, with the assistance of its municipal advisor, issued a RFP to consulting firms to prepare a feasibility study ("Study") for presentation to the City Council in connection with the Solar4America Ice Centre Expansion Project (the "Project"). The Feasibility Study is required to comply with Section III.D.2.b. of the City's Debt Management Policy and requires two-thirds Council approval to proceed with project financing and requires the following:

  "Prior to embarking on a lease financing in which project revenues are identified as the repayment source, a feasibility study will be performed to determine the volatility of the revenue and provide a sensitivity analysis on project revenue projections including worst/best case scenarios, including without limitation, the impact on any repayment source identified as the backstop to the project revenues as the repayment source."

  The Project if approved, will be financed through the issuance of Lease Revenue Bonds by the City of San José Financing Authority (the "Bonds") and secured by lease payments made by the City to the Authority for the lease of the Project. It is anticipated that the City will fund its lease payments from lease payments to be paid to the City by Sharks Ice, LLC ("Sharks Ice") pursuant to a Lease and Management Agreement (the Agreement). Under the lease revenue bond structure, the City would have the legal obligation to make lease payments to repay debt service on the contemplated lease revenue bonds so long as there is beneficial use and occupancy of the Project. As the source of such lease payments, would be the payments made by Sharks Ice under the Agreement. In January 2019, the City received proposals from six firms, with the City selecting Strategic Venue Studies/Sports Synergy in February 2019. The feasibility study is in progress.

Affordable Housing Project TEFRA Hearings - The Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") requires a published notice, public hearing and approval by elected officials for issuance of qualified private activity bonds, such as multifamily housing revenue bonds. The City's Policy for the Issuance of Multifamily Housing Revenue Bonds, adopted by Council in June 2002, and San José Municipal Code Chapter 5.06 delegated the authority to hold TEFRA hearings for multifamily housing projects, with the City as the conduit issuer, to the Director of Finance. The Housing Policy was last amended/re-affirmed on March 13, 2018, to comply with the California Debt Limit Allocation Committee ("CDLAC"), Regulation 5031(c), which required City Council to re-affirm the existing bond policies and procedures, by resolution of the City Council, to refresh the current documents, and to conform the CDLAC policy requiring re-approval of the issuer's policy and post-issuance policies at least every ten (10) years. In FY 2018-19, the Finance Department held TEFRA hearings for the following projects:

TEFRA Hearings for Multifamily Housing Projects
City as Conduit Debt Issuer
FY 2018-19

Date	Project	Amount
3/6/2019	Vista Park I Apartments	$19,000,000
3/6/2019	Palm Court Senior Apartments	16,000,000
3/6/2019	Markham Plaza I Apartments	26,000,000
3/6/2019	Lenzen Square Apartments	23,000,000
5/6/2019	Quetzal Gardens Apartments	45,000,000

- Vista Park I Apartments - On March 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $19 million to finance the costs of acquisition, rehabilitation by Vista Park I, L.P., a California Limited Partnership, of an 83-unit housing project affordable to low income and very low income residents located at 3955 Vista Park Drive, San José, California.

- Palm Court Senior Apartments - On March 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $16 million to finance the costs of acquisition, rehabilitation by Palm Court San José, L.P., a California Limited Partnership, of a 66-unit housing project affordable to low income and very low income residents located at 1200 Lick Avenue, San José, California.

- Markham Plaza I Apartments - On March 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $26 million to finance the costs of acquisition, rehabilitation by Markham Plaza I, L.P., a California Limited Partnership, of a 153-unit housing project affordable to low income and very low income residents located at 2000 Monterey Road, San José, California.

- Lenzen Square Apartments - On March 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $23 million to finance the costs of acquisition, rehabilitation by Lenzen Square Community Partners, L.P., a California Limited Partnership, of an 88-unit housing project affordable to low income and very low income residents located at 790 Lenzen Avenue, San José, California.

- Quetzal Gardens Apartments - On May 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $45 million to finance the costs of construction by Resources Community Development, on behalf of Quetzal Gardens, L.P., or another entity to be created by Resources Community Development (the "Borrower"), of a 71-unit multifamily rental housing facility to lower income residents to be located at 1695 Alum Rock Avenue in the City of San José, California.

TEFRA Hearings for Other Conduit Financings - Debt Management staff coordinates with the other Conduit issuers (e.g. the California Enterprise Development Authority ("CEDA"), California Municipal Finance Authority ("CMFA"), or California Statewide Community Development Authority (CSCDA)) to prepare the required documentation for the City Council to hold a TEFRA hearing and approve the issuance of tax-exempt bonds for the projects located in the City. In FY 2018-19, the Debt Management staff coordinated TEFRA hearings for the following projects:

Lincoln Glen Manor (CMFA as issuer) - On October 16, 2018 City Council held a TEFRA meeting and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $7 million to finance the conversion of 12 independent living units to 17 memory care units and to make certain other facility capital improvements, all located at its multi-level rental, continuing care retirement community at 2671 Plummer Avenue in San José, California.

Valley Palms Apartments (CSCDA as issuer) - On February 5, 2019 City Council held a TEFRA meeting and approved the issuance of private-activity bonds for the acquisition and rehabilitation of the Valley Palms Apartments, a 354-unit apartment complex located at 2155 and 2245 Lanai Avenue in San José, California.

b. Projects Anticipated for FY 2019-20

Renewal/Replacement of Letters of Credit and Direct Placement for Variable Rate Debt:

- CSJFA Series 2008E (Ice Centre) - Extension of Direct Placement - In December 2013, the Authority directly placed the Series 2008CDE Bonds with U.S. Bank National Association ("U.S. Bank") and in connection with the direct placement, the City, the Authority and U.S. Bank entered into separate continuing covenant agreements for the private placement of the Series 2008CD Bonds and the Series 2008E Bonds. In February 2019, sale of the Dolce Hayes Mansion closed and the City received sufficient proceeds to fully redeem the Series 2008CD Bonds, thereby eliminating the Direct Placement for the Series 2008CD Bonds with U.S. Bank. The Direct Placement of the Series 2008E Bonds expires on December 13, 2019. It is anticipated that the City will extend the agreement with U.S. Bank before expiration.

- City of San José Financing Authority Lease Revenue Commercial Paper - Community Energy Office Space - On April 30, 2019 Council authorized the City to issue commercial paper to finance up to $6.5 million for construction of a full build-out of ground floor retail space in the 4th and San Fernando Garage for office space for San José Community Energy Department and other City operations. The project is expected to start in the Spring of 2020 and be completed in the fall of 2020.

Refinancings - Debt Management is reviewing options for refinancing existing Lease Revenue Bonds ("LRB") issued by the San José Financing Authority.

Feasibility Study for Solar4America Ice Centre Expansion Project – Debt management staff with the assistance of its municipal advisor will review the Feasibility Study, determine the financial viability of the Ice Centre expansion, including a financial analysis from the municipal advisor on the project's ability to support debt service payments from project revenue. As required by the City's Debt Policy, the Feasibility Study (including the financial analysis) will be presented to City Council during the winter of 2019 for approval, which requires two-thirds approval to proceed with project financing. If approved, it is anticipated that bonds will be issued in the Spring of 2020 to enable the commencement of operation on the new facility in the Spring of 2022. The project will increase the number of ice rinks (or sheets) from 4 to 6. The expanded facility will provide a competition rink for the San Jose Barracuda (the San Jose Shark's minor league team) that would include up to 4,200 fixed seats, locker rooms, a ticket lobby, concessions, private suites, club seating and a lounge. The facility will also provide a community rink for recreational and public ice skating and physical therapy/medical office space. To meet anticipated parking needs of the expanded facility, the Sharks will enter into a long-term use agreement with San José State University on the use of a new (to be constructed) 1,500 parking structure, on-site parking and adjacent City-owned parking sites. The expected construction cost of the facility is approximately $114 million and is anticipated to be financed by the Authority through the issuance of approximately $145 million taxable lease revenue bonds. Any bond financing will include a refunding of the outstanding Series 2008E Bonds.

Museum Place mixed-use development project - On August 29, 2017 Council approved the Museum Place Development project to be developed by Insight King Wah, LLC ("Original Developer"). The City and the Original Developer also entered into a Disposition and Development Agreement ("DDA") for the Museum Place project that enables the City to replace the aging Parkside Hall facility with a mixed-use high rise building that incorporates the private uses of hotel, office, retail and residential, with up to 60,475 square feet of new space for the Tech Museum of Innovation (the "Tech") and a garage containing approximately 500 parking spaces. The Tech will be responsible for the tenant improvements required to meet their planned uses.

On June 26, 2018, the City Council consented to an assignment of the Original Developer's interest in the DDA to Museum Place Owner LLC ("New Developer"). The New Developer has indicated a desire to focus on office, retail, and the Tech expansion space, likely reducing or eliminating the residential and hotel components of the project. Any amendment of the DDA will require City Council approval and the New Developer is currently working with the appropriate City departments to obtain any additional analysis and any new entitlements. The DDA provides that the parties will explore the feasibility of forming a community facilities district ("CFD") to finance the Tech expansion and possibly other public improvements within the Museum Place Development. The City and Museum Place Development LLC anticipate Council review of an amended Disposition and Development Agreement in December 2019. The re-imagined project includes more than 900,000 square feet of Class A office, 60,000 square feet of expansion space for the Tech Museum, and 8,500 square feet of retail. An earlier development project anticipated use of a Community

Financing District in support of public parking in the project. The updated project addresses parking in a more urban and shared program that does not require the use of a CFD.

Multifamily Housing Underwriter Pool - The underwriter pool previously established for public offerings of multifamily conduit housing bond issuances expired in December 2018, last established in July 2012 with periodic renewals. During the pool's existence there have been very few publicly offered multifamily housing revenue bonds – none have been offered in the last five fiscal years. The recent trend of multifamily housing financing has been the direct purchase of the City issued bonds and/or notes by a bank lender, not offered for purchase by the public, rendering the pool unnecessary. Debt management staff will monitor any changes in current trend and evaluate the creation of a new multifamily housing underwriter pool at that time. There is no anticipated need for a multifamily housing underwriter pool in Fiscal Year 2019-20.

Private Activity Analysis - Debt Management staff continue to assess and track the use of tax-exempt financed projects and facilities in order to comply with federal tax restrictions on private activity uses of tax-exempt financed facilities. Procedures continue to be refined and updated in order to monitor the use of projects previously financed as well as projects to be financed. In September 2016, guidance was provided to all City departments in regards to the restrictions on use, lease and sale of City facilities. Debt Management staff, with the assistance of the City Attorney's office provided updates to that guidance to reflect changes in tax status of projects affected by the SARA refunding (December 2017) and the General Obligation issuance and refunding (July 2019).

Administrative Disclosure Policies and Procedures ("Administrative Disclosure Policy") - The City Attorney's Office has taken the lead role, with significant input from the Finance Department, to develop a policy and process that the City (including the SARA and Other Related Entities) will follow in order to promote compliance with primary disclosure and continuing disclosure requirements. Specifically, the Disclosure Policies and Procedures will provide administrative procedures governing development of disclosure documents to foster compliance with applicable federal securities laws related to the sale of securities and ongoing disclosure obligations for outstanding securities. In this regard these procedures provide for the creation of disclosure working groups that include the City Manager, City Attorney, City Budget Director, City Finance Director, and other senior departmental staff as needed, that will be responsible for the review and release of disclosure documents related to the sale of securities and provide for on-going training of staff and City Council on disclosure issues. The Disclosure Policies and Procedures are intended to be flexible to address updates and changes as necessary. The Administrative Disclosure Policy, although not officially implemented by the City Manager, was put into practice during the review of the Series 2019 A-D General Obligation Bond issuance (and its Official Statement), SARA's financial statements for FY 2019, the City of San José FY 2019 CAFR, and the Airport CAFR for FY 2019.

B. Review of Debt Management Policies

1. Debt Management Policy

On May 21, 2002, City Council adopted, by Resolution No. 70977, a Debt Management Policy (Appendix A) which establishes the following equally important objectives in order to obtain cost-effective access to the capital markets:

- Minimize debt service and issuance costs;
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Maintain full and complete financial disclosure and reporting; and
- Ensure compliance with applicable State and Federal laws.

The general Debt Management Policy ("Policy") establishes parameters for when and how the City may enter into debt obligations but permits sufficient flexibility to allow the City to take advantage of opportunities that may arise. The Debt Management Policy was most recently amended on March 7, 2017, to comply with California Senate Bill 1029 which requires additional reporting requirements of debt issued by the City (including that of the SARA and the Authority) to the California Debt and Investment Advisory Commission (CDIAC).

On January 31, 2019, the City complied with the California Senate Bill 1029 with submission of the Annual Debt Transparency Report for debt issued on or after January 21, 2017. For the reporting period ending June 30, 2018, those debt issues include: the San José International Airport Refunding Bonds, Series 2017A and 2017B; Wastewater Revenue Notes, Series 2017A; Multifamily Housing Revenue Bonds, Series 2017C (Catalonia Apartments); Multifamily Housing Revenue Bonds (Villa De Guadalupe), Series 2017A-1 & A-2 and Series 2017B; SARA Tax Allocation Bonds, Series 2017A, Series 2017A-T and Series 2017B; and Tax and Revenue Anticipation Notes 2018.

2. Policy for the Issuance of Multifamily Housing Revenue Bonds

In addition to the general Debt Management Policy, the City Council approved by Resolution No. 71023 on June 11, 2002 a supplemental Policy for the Issuance of Multifamily Housing Revenue Bonds (the "Housing Policy") (Appendix B). The Housing Policy was last amended/re-affirmed on March 13, 2018, to comply with the California Debt Limit Allocation Committee ("CDLAC"), Regulation 5031(c), which required City Council to re-affirm the existing bond policies and procedures, by resolution of the City Council, to refresh the current documents, and to conform the CDLAC policy requiring re-approval of the issuer's policy and post-issuance policies at least every ten (10) years.

C. Rating Agency Relations and Credit Maintenance

1. Credit Analysis Process

Municipal bond ratings provide investors with a simple way to compare the relative investment quality of different bonds. Bond ratings express the opinions of the rating agencies as to the issuer's ability and willingness to pay debt service when it is due. As part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) adopted in August 2014, credit rating agencies have adopted and followed new requirements to enhance governance, protect against conflicts of interest, and increase transparency to improve the quality of credit ratings and increase credit rating agency accountability. In general, the credit rating analysis includes the evaluation of the relative strengths and weaknesses of the following four factors as they affect an issuer's ability to pay debt service:

a. *Fiscal Factors*

Financial results have the most significant impact on the rating process. The rating review involves an examination of results of operations, including a review of the actual fiscal performance versus planned budget performance. The financial statements are examined with emphasis on current financial position and fund balances, as well as three and five year trends in planning and budgeting procedures. Pension liabilities are also important in the analysis process.

b. Economic Factors

The overall economic strength is heavily weighted in the evaluation of creditworthiness by diversity of both the economic base and, as applicable, the tax base. The diversity of industries reflects an agency's ability to weather industry-specific downturns as well as general economic recession. Property values, employment levels, income levels, costs of living, and other factors impacting the wealth of the taxpayers provide an indication of the strength of a tax base.

c. Debt Factors

Overall debt burden is considered in the credit analysis process. In addition to government regulated debt ceilings, the ability to maintain manageable debt levels and debt service coverage is evaluated. Other positive indicators are proper management of existing debt, proactive efforts in identifying and executing financially prudent refunding opportunities, and closely matching capital financing structures to the funding needs of the project.

d. Administrative/Management Factors

Administrative and management factors include the examination of the form of government and assessment of ability to implement plans as well as to fulfill legal requirements. The focus is on the capabilities of management staff and related entities, which is seen as a vital ingredient in assessing its credit quality. Managerial and legislative willingness to make difficult decisions, the development of financial policies, and the reliability and continuity of regularly-updated accounting and financial information are key. Management that maintains regular contact with the rating agencies is well regarded.

2. Rating Summary

The ratings for the City's general obligation, lease revenue, enterprise debt, and the successor agency tax allocation bonds are summarized in Appendix C.

The City's current general obligation credit ratings are Aa1/AA+/AA+ from Moody's, S&P, and Fitch, respectively. The City remains one of the highest rated large cities (with populations over 250,000) in California and third highest among the nation's ten largest cities. The ratings continue to reflect the diversity of the local economy anchored by a strong technology presence and sound financial operations and strong budgetary practices. Overall, the maintenance of these ratings translates to significant interest cost savings in the City's debt program which in turn benefit the taxpayers of the San José community.

Rating Agency Credit Reviews

The rating agencies conduct periodic and regular credit reviews as part of their required surveillance compliance of the City's and related entities outstanding bonds. Responding to the rating agencies' request for information relevant to their credit analysis involves a coordinated effort by Debt Management staff with City departments. Below are rating actions that occurred during Fiscal Year 2018-19 by issuer credit category:

General Obligation

- Moody's affirmed its "Aa1" GO rating, Stable Outlook, on the City of San José outstanding General Obligation Bonds in June 2019.
- S&P affirmed its "AA+" GO rating, Stable Outlook, on the City of San José outstanding General Obligation Bonds in June 2019.
- Fitch affirmed its "AA+" GO rating, Stable Outlook, on the City of San José outstanding General Obligation Bonds in June 2019.

Airport

- Moody's affirmed its "A2" rating, Stable Outlook, on the City of San José's General Airport Revenue Bonds in April 2019.
- On September 27, 2019 prior to CADR publication, Fitch upgraded the senior Airport Revenue Bonds to "A" from "A-".

CSJFA

- S&P upgraded the long-term and underlying ratings on the Special Hotel Tax Revenue Bonds, Series 2011 to "A+" from "A-".

3. Legal Debt Margins

General obligation debt is debt secured by the City's property tax revenues. Section 1216 of the San José City Charter limits outstanding general obligation debt of the City to 15% of the total assessed value of all real and personal property within the City limits ("debt limit"). The City's gross assessed value of taxable property as of June 30, 2019 was $195.2 billion, which results in a total debt limit of approximately $29.3 billion (total assessed value x 15% = debt limit). As of June 30, 2019, the City had $323.1 million in general obligation debt outstanding, representing 1.1% of the debt limit. For purposes of calculating the debt limit for the Series 2019 A-D General Obligation Bonds, issued on July 9, 2019 (after the end of FY 2018-19), the City had $502.02 million in general obligation debt outstanding, representing 1.7% of the debt limit and a debt margin of $28.8 billion. As of September 1, 2019, $469 million in general obligation debt is outstanding, representing 1.6% of the debt limit and a debt margin of $28.8 billion.

D. Legislative and Regulatory Issues

Debt Management staff review federal and state legislative referrals for potential impact to the outstanding debt portfolio. Staff also monitor regulatory changes proposed by governmental agencies such as the Internal Revenue Service ("IRS"), the Securities and Exchange Commission ("SEC"), and the Municipal Securities Rule Making Board ("MSRB"), as well as industry organizations such as the National Association of Bond Lawyers ("NABL"), the National Federation of Municipal Analysts ("NFMA"), and the Government Finance Officers Association ("GFOA").

During FY 2017-18, the Tax Cuts and Jobs Act ("Act"), was enacted on December 22, 2017. One of the provisions of the Act was to eliminate advance refundings for municipal bonds issued after December 31, 2017 by making interest on advance refunding bonds taxable, interest on current refunding bonds would remain tax-exempt. There have been efforts to reinstate the federal tax exemption for interest income earned on advance refunding bonds since the enactment, but at the time this report was published no new provision has been passed.

II. DEBT ISSUANCE

A. Debt Issued During FY 2018-19

FY 2018-19 debt issuances totaled $640 million to fund projects or to refund outstanding debt and meet cash flow needs or provide conduit funding for affordable housing projects. This amount is composed of a $150 million tax revenue anticipation note, $71 million in subordinate wastewater revenue notes to finance capital improvements at the San José-Santa Clara Regional Wastewater Facility, $46 million in Lease Revenue Commercial Paper Notes, $55 million Airport Commercial Paper Notes and $318 million of conduit multi-family housing revenue obligations. These financings are described below and are presented in the summary table at the end of this section.

City of San José 2018 Tax and Revenue Anticipation Note - The City issued a short-term note for cash flow borrowing purposes to facilitate the prefunding of employer retirement contributions. A $150 million Tax and Revenue Anticipation Note (the "2018 Note") was purchased by Bank of America, N.A., on July 2, 2018. Security for repayment of the 2018 Note was a pledge of the City's FY 2018-19 secured property tax and all other legally available General Fund revenues of the City including sales tax revenues, if required. The 2018 Note was fully repaid on April 1, 2019.

City of San José Financing Authority Subordinate Wastewater Revenue Notes - On October 3, 2017 the City Council/Authority Board approved the Authority entering into a credit agreement with Wells Fargo Bank with a three year term ("Credit Agreement") under which the Authority will issue subordinate wastewater revenue notes (the "Subordinate Notes") from time to time in an aggregate principal amount not to exceed $300 million outstanding at any time, and request advances of funds under the notes for the purpose of financing Wastewater System and Treatment Plant Projects. The Notes are supported by wastewater net system revenues and have no claim against the City's General Fund. This transaction closed on October 19, 2017. This interim financing facility is part of a long-term plan to provide funding for the RWF CIP at the lowest possible cost and with the least risk. During FY 2018-19, $70.6 million was drawn against the subordinate notes. The outstanding balance of subordinate notes drawn, as of June 30, 2019 was approximately $89 million, leaving an undrawn amount of approximately $211 million for use in capital improvements at the Wastewater System Treatment Plant facility. The Credit Agreement expires on October 18, 2020.

El Rancho Verde Apartments - CDLAC approved up to $318 million for the issuance of tax-exempt debt at the July 18, 2018 meeting for the project. City Council approved the issuance of multifamily housing revenue notes on August 7, 2018. The notes were issued on August 28, 2018 for $318 million to provide financing for the acquisition and rehabilitation of 696 affordable housing units for low-income residents.

City of San José Financing Authority Lease Revenue Commercial Paper Notes - The Authority's CP Program utilizes a lease revenue financing structure. Under this program, the Authority is able to issue commercial paper notes ("CP Notes") with maturities not exceeding 270 days. The CP Notes are secured by a pledge of lease revenues from various City assets (the Animal Care Center, Fire Station No. 1, Fire Station No. 3, the Police Communications Center, the South San José Police Substation, and the Tech Museum) and two direct-pay letters of credit ("LOCs") provided by State Street Bank and Trust Company ("State Street") and U.S. Bank (together, the "Banks") pursuant to Letter of Credit and Reimbursement Agreements by and among the

Authority, the City and each Bank, as amended. Per the terms of the respective Reimbursement Agreements, each Bank's LOC was scheduled to expire on November 30, 2018 (the "Letter of Credit Expiration Date"). In August 2018, the City Council and Financing Authority Board authorized actions necessary to extend the Letter of Credit Expiration Date, with a new scheduled expiration date of February 23, 2022 and to increase the principal amount available in aggregate under both LOCs from $85 million to $125 million. Under each Reimbursement Agreement, the Financing Authority has executed a Revolving Note payable to each Bank in the amount of $67,123,288 that is equal to the principal of each Bank's commitment under its LOC and interest calculated at the rate of 12% per annum for a period of 270 days.

During FY 2018-19, the Authority issued $46.2 million of new money commercial paper notes. Of the $46.2 million issued, $42.4 million was issued to finance the purchase of Convention Center-South Hall from the Successor Agency and $3.8 million was issued to finance the flood projects. The Authority redeemed $7.9 million in CP Notes, including $2.8 million for the Convention Center Renovation project, $2.1 million for the flood project, $0.6 million for the Energy Services Company ("ESCO") Conservation project, $1.8 million for the Convention Center–Exhibit Hall project, and $0.6 million for the Central Service Yard II project.

As of June 30, 2019, $77.9 million of CP Notes were outstanding, including $3.8 million of tax-exempt CP Notes at an interest rate of 1.48% and $74.1 million of taxable CP Notes at an interest rate of 2.40%. The CP Program was initially established in January 2004 and has been amended and expanded through various City Council and Authority Board actions over time. A summary of these program amendments is provided below.

Date	City Council/City of San José Financing Authority Board Actions – Authority's Lease Revenue Commercial Paper Program
January 13, 2004	Authorized the issuance of tax-exempt CP Notes in an amount not to exceed $98 million to finance public improvements of the City including the offsite parking garage for the new City Hall and non-construction costs for technology, furniture, equipment, and relocation services for the new City Hall.
November 9, 2004	Authorized the issuance of tax-exempt CP Notes to provide additional funding for the "Integrated Utility Billing, Customer Service and Performance Management System" (the "CUSP Project").
June 21, 2005	Authorized the issuance of taxable CP Notes, under the same $98 million not to exceed limitation as the tax-exempt notes. This subsequent authorization permits the Authority to issue taxable CP Notes to pay for expenses otherwise authorized under the CP Program, but ineligible to be paid from tax-exempt CP proceeds.
November 15, 2005	Authorized expanding the capacity of the CP Program from $98 million to $116 million and authorizing the issuance of CP Notes to pay a portion of the costs of the Phase II improvements at the City's Central Service Yard and a portion of the demolition and clean-up costs at the City's Main Service Yard.
May 22, 2007	Authorized the issuance of CP Notes in an amount not to exceed $8.25 million to pay for capital improvements at the City's HP Pavilion (Arena).
October 21, 2008	Authorized the issuance of CP Notes to refund bonds and other obligations of the City or the Authority pursuant to Government Code Sections 53570 et seq. and 53580 et seq.
December 8, 2009	Authorized staff to amend and renew the Letter of Credit and Reimbursement Agreement supporting the CP Notes in order to extend the term to January 27, 2013.
April 27, 2010	Authorized the issuance of CP Notes to fund a loan to the low and moderate income housing fund and to fund short-term cash flow needs of the City.
March 15, 2011	Authorized the execution and delivery of a Third Amendment to the Site Lease, a Third Amendment to the Sublease, and other related actions pertaining to the CP Program in order to provide for the substitution of certain components of the property under the Site Lease and the Sublease.
June 19, 2012	Authorized the issuance of CP Notes in an amount not to exceed $10.0 million to provide funding for additional projects for the Convention Center Expansion and Renovation Project.
December 4, 2012	Authorized staff to amend and restate the Letter of Credit and Reimbursement Agreement supporting the CP Notes in order to extend the term to March 15, 2013.

February 12, 2013	Authorized staff to negotiate two new Letter of Credit and Reimbursement Agreements supporting the CP Notes and to extend those terms; and authorized the execution and delivery of a Fourth Amendment to the Site Lease, a Fourth Amendment to the Sublease, and other related actions in order to provide for the substitution of certain components of the property under the Site Lease and the Sublease. In connection with these actions, also reduced the capacity of the CP Program to $85 million from $116 million.
June 17, 2014	Authorized the execution and delivery of a Fifth Amendment to the Site Lease, a Fifth Amendment to the Sublease, and other related actions in order to provide for the addition of a component of property (the Tech Museum) under the Site Lease and the Sublease to provide an additional pledged asset.
September 15, 2015	Authorize the issuance of CP Notes in an amount not to exceed $3.5 million to provide additional financing for the Water Meter Replacement Project.
June 21, 2016	Authorize the issuance of CP Notes in an amount not to exceed $10.0 million to provide additional financing for the Conservation Projects.
January 31, 2017	Authorize the issuance of CP Notes in an amount not to exceed $15.0 million to provide financing for the Convention Center Exhibit Hall Project.
August 29, 2017	Authorize the issuance of CP Notes in an amount not to exceed $10.0 million to provide financing for start-up costs for the San José Clean Energy Project.
February 13, 2018	Authorize the issuance of CP Notes in an amount not to exceed $21.0 million to provide financing for the Flood Recovery Project.
August 14, 2018	Authorize the extension of the respective letters of credit supporting the Authority's Lease Revenue Commercial Paper Notes Program for 3.5 years to February 23, 2022, and increase of the aggregate principal size of the Commercial Paper program from $85 million to $125 million, with each bank providing 50% of the credit support. Authorize the issuance of CP notes in an amount not to exceed $47 million to finance the purchase of the San José Convention Center South Hall property.

City of San José, California, San José International Airport Subordinated Commercial Paper Notes - The Airport CP program was established in November 1999, pursuant to Council Resolution 69200, to provide interim financing for Airport capital needs in anticipation of issuance of long-term fixed-rate airport revenue bonds. Airport CP Notes are debt obligations backed by Net General Airport Revenues (Airport's gross revenues less maintenance and operation expenses) and are subordinate to Airport senior lien debt, also backed by these revenues and one direct-pay letter of credit ("LOC") provided by Bank of America, N.A.

During FY 2018-19 the LOC issued by Barclays was scheduled to expire on February 8, 2019 and was in the aggregate principal amount of $38 million. On September 12, 2018, the City substituted the letter of credit supporting the Subordinated Commercial Paper Notes issued by Barclays Bank PLC with a letter of credit issued by Bank of America, N.A. ("BofA"). Pursuant to a Letter of Credit and Reimbursement Agreement between the City and BofA, BofA issued its irrevocable transferrable letter of credit in the initial stated amount of $81,658,000 (to cover principal of $75,000,000 and interest on the Subordinated Commercial Paper Notes accruing calculated at a rate of 12% for 270 days based on a 365-day year) that is scheduled to expire on September 10, 2021 unless sooner terminated or extended pursuant to its terms. The $75 million principal amount of the letter of credit issued by BofA is larger than the $38 million principal amount of the letter of credit issued by Barclays and was secured in order to provide additional capacity for the issuance of the Subordinated Commercial Paper Noted to finance terminal area projects.

As of June 30, 2019, $52.2 million of Series B notes were outstanding at an interest rate of 1.54%, Series A2 and Series C notes were both fully redeemed in November 2018 and July 2017, respectively.

As noted above, the Airport CP Program was initially established in 1999, and it has been expanded and amended by various City Council actions. A summary of these program amendments is provided below.

Date	City Council Actions – Airport Commercial Paper Program
November 2, 1999	Council adopted Resolution No. 69200 approving the implementation of a commercial paper program (the "Airport CP Program") for the Norman Y. Mineta San José International Airport (the "Airport"), which authorized the issuance of up to $100 million through a combination of three series of commercial paper notes: Series A (Non-AMT), Series B (AMT), and Series C (Taxable).
June 20, 2006	Council approved an expansion of the Airport CP Program from $100 million to $200 million to ensure that funding would be available for the award of the design and construction contracts related to the amended Airport Master Plan projects and to pay costs related to the Airport's lease of the former FMC property.
January 9, 2007	Council approved an expansion of the Airport CP Program from $200 million to $450 million to ensure that funding would be available for the design and construction contracts related to the re-phased Airport Master Plan projects. The Series A-C Notes of the Airport CP Program were secured by letters of credit issued on a several, not joint, basis by J.P. Morgan Chase Bank, N.A. ("J.P. Morgan"), Bank of America, N.A. ("Bank of America"), and Dexia Credit Local, acting through its New York Branch ("Dexia"), pursuant to the Second Amended and Restated Letter of Credit and Reimbursement Agreement (the "JPM/BofA/Dexia Agreement").
March 25, 2008	Council approved an expansion of the Airport CP Program from $450 million to $600 million primarily to refund the Series 2004A/B Bonds that were adversely impacted by disruptions in the financial markets related to auction rate securities. This expansion was accomplished through a combination of three additional series of commercial paper notes: Series D (Non-AMT), Series E (AMT), and Series F (Taxable)), and is secured by a letter of credit issued by Lloyds TSB Bank plc, acting through its New York Branch ("Lloyds"), pursuant to a Letter of Credit and Reimbursement Agreement (the "Agreement").
September 1, 2009	Council adopted a resolution authorizing the issuance of tax-exempt private activity Non-AMT commercial paper notes as provided for in the American Recovery and Reinvestment Act of 2009. At that time, the Series A Notes were redesignated as Series A-1 (Non-AMT) and Series A-2 (Non-AMT/Private Activity) and the Series D Notes were authorized to be redesignated as Series D-1 (Non-AMT) and Series D-2 (Non-AMT/Private Activity).
November 9, 2010	Council authorized an amendment to the JPM/BofA/Dexia Agreement that extended the term of the agreement for two months from December 2, 2010 to February 2, 2011, removed Dexia Credit Local as a party to the agreement, reduced the amount of available credit from $450 million to approximately $283 million, and amended other terms of the Agreement. The two-month extension provided additional time to complete negotiations related to the replacement letters of credit approved by the City Council on January 11, 2011.

January 11, 2011	Council approved letter of credit and reimbursement agreements with each of J.P. Morgan, Bank of America, Citibank, and Wells Fargo Bank. The terms of the agreements range from one year to three years and the replacement letters of credit provide aggregate credit support of $383 million to the Airport CP program.
April 26, 2011	Council approved an amended and restated letter of credit and reimbursement agreement (the "Amended Agreement") with Lloyds, which provided for the extension of the credit facility for the Series D, Series E and Series F Notes to September 7, 2011 from its previous termination date of May 7, 2011. The Amended Agreement provided aggregate credit support of $140 million to the Airport CP program.
June 21,2011 and November 15, 2011	Council approved the issuance of Airport Revenue Bonds, Series 2011A-1 and Series 2011B to refund a significant portion of the outstanding commercial paper notes. As a result of these bond issuances, the total outstanding Airport CP was reduced from $410 million, as of July 1, 2011, to $52 million, as of December 31, 2011.
February 4, 2014	Since December 2011, letters of credit issued by Bank of America, Citibank, JPMorgan and Lloyds have been terminated or expired. The letter of credit issued by Wells Fargo Bank, N.A., by Council, was replaced with one issued by Barclays Bank PLC on February 11, 2014 and is scheduled to expire on February 9, 2018.
September 8, 2015	The City directed U.S. Bank N.A, as Issuing & Paying Agent, to decrease the stated amount of the letter of credit established by Barclays Bank PLC (Barclays) from $60 million in capacity to $38 million in capacity. The Barclays LOC was subsequently extended to February 8, 2019.
August 28, 2018	Council authorized the substitution of the LOC provided by Barclays with a LOC provided by Bank of America, N.A. in an aggregate principal amount of $75 million and with expiration date of September 10, 2021.

The table below presents a summary of debt issued in FY 2018-19.

Summary of Completed Debt Issuance
FY 2018-19

Issue Date	Issue	Size (millions)	Type	Sale Type	Municipal Advisor	Bond Counsel	Underwriter/ Private Placement	Credit Enhancement
7/2/2018	CSJ 2018 Tax and Revenue Anticipation Note	$150.0	Tax and Revenue Anticipation Note	Private Placement	Public Resources Advisory Group (PRAG)	Hawkins Delafield & Wood LLP	Bank of America, N.A.	N/A
8/28/2018	CSJ El Rancho Verde	318.0	Multifamily Housing Revenue Bonds	Private Placement	Ross Financial	Jones Hall	Citi Community Capital	N/A
9/12/2018	CSJ Airport Subordinated Commercial Paper Notes	55.0	Airport Commercial Paper	Market Offering	Public Resources Advisory Group (PRAG)/Public Financial Management (PFM)	Orrick Herrington & Sutcliffe LLP	Citigroup (Dealer)	Bank of America Merril Lynch (LOC)
9/28/2018	CSJFA Lease Revenue Commercial Paper - SJ Convention Center South Hall (1)	42.4	Lease Revenue Commercial Paper	Market Offering	Public Resources Advisory Group (PRAG)	Jones Hall	Barclays Capital (Dealer)	State Street/ US Bank (LOC's)
6/13/2019	CSJFA Lease Revenue Commercial Paper - Flood Issuance(1)	3.8	Lease Revenue Commercial Paper	Market Offering	Public Resources Advisory Group (PRAG)	Jones Hall	Barclays Capital (Dealer)	State Street/ US Bank (LOC's)
6/25/2019	CSJFA Subordinate Wastewater Revenue Notes	70.6	SJ-SC Regional Wastewater Facility	Private Placement	Public Resources Advisory Group (PRAG)	Orrick Herrington & Sutcliffe LLP	Wells Fargo, N.A	N/A
Total		**$639.8**						

Issuer Key: CSJ-City of San José: CSJFA-City of San José Financing Authority

(1) The Reported size of commercial paper debt issuance includes only new money, not the reissuance of outstanding notes or redemptions.

B. Debt Issued in and Planned for FY 2019-20

Debt Management staff anticipate debt issuance in FY 2019-20 totaling approximately $815 million in both new money and refunding issuance. Of that amount $572 million has already been issued, consisting of $502 million in General Obligation Bonds (new issuance and refunding, more fully described below) and $70 million in conduit multifamily housing bonds. Of the remaining $243 million in planned issuance, it is estimated that approximately $140 million will be issued for the expansion of the Solar4America Ice Centre pending Council approval, $45 million in conduit multifamily housing bonds, up to $51.7 million of Lease Revenue refunding bonds and up to $6.5 million in commercial paper for the expansion of the City Hall campus to accommodate additional office space for the SJCE Department. These financings are described below and are presented in the summary table at the end of this section.

Debt Issuance Completed in FY 2019-20

City of San José Series 2019 A-D General Obligation Bonds - On July 9, 2019, the City sold $502,020,000 of General Obligation Bonds, Series 2019 A-D ("Series 2019 Bonds") under the Measure T authorization, approved by the voters on November 6, 2018. Measure T authorized the not-to-exceed amount of $650,000,000 for the purpose of acquiring property for and constructing improvements in order to improve emergency and disaster response, repair deteriorating bridges vulnerable to earthquakes, repave streets and potholes in the worst condition, prevent flooding and water contamination including the acquisition of land in the Coyote Valley for these purposes, and repair critical infrastructure.

The Series 2019 Bonds consisted of five series of bonds issued and authorized under Measure T, and authorized, but unissued, under Measure O (2000) and Measure O (2002). The Series 2019 Bonds provided funding for new capital projects and refunding of prior general obligation bonds. The 2019 Bonds were sold by competitive bid with an aggregate true interest cost of 2.867%. The individual components of the Series 2019 Bonds are more fully described below:

- New Issuance Measure T - the first issuance of general obligation bonds under Measure T authorization in the amount of $239,900,000, consisting of the Series 2019A Bonds (in the amount of $173,400,000) and taxable Series 2019B (in the amount of $66,500,000) for critical infrastructure projects authorized under Measure T.
- New Issuance (Prior Authorization) - the Series 2019C Bonds provided $9,230,000 in new issuance under the remaining authorization of (Measure O, 2000 and Measure O, 2002) as follows (there was no remaining authorization under Measure P (2000)):
    - $5,905,000 for Library projects and constitute the seventh (and final) issuance of general obligation bonds pursuant to Measure O (2000).
    - $3,325,000 for Public Safety projects and constitute the sixth (and final) issuance pursuant to Measure O (2002).
- Refunding of Prior General Obligation Bonds - the Series 2019C Bonds and taxable Series 2019D Bonds provided funds in the amount of $148,955,000 and $103,935,000, respectively, to refund all of the prior general obligation bonds issued under Measure O (2000), Measure P (2000) and Measure O (2002) authorizations, outstanding in the amount of $323,110,000.

The Series 2019 Bonds mature over 30 years with a final maturity in 2049, with no extension of maturity date for the refunding bonds. A total of $410,100,000 remains authorized, but unissued under Measure T. The table below provides a history of the issuance of GO bonds under each of the four bond authorizations approved by the voters in 2000, 2002 and 2018.

General Obligation Bonds
Authorization Levels and Issuance Amounts

	Measure O (2000)	**Measure P (2000)**	**Measure O (2002)**	**Measure T (2018)**
	Library Projects	Parks Projects	Public Safety Projects	Disaster Preparedness Public Safety & Infrastructure
Initial Authorization	$211,790,000	$228,030,000	$159,000,000	$650,000,000
Issuances:				
2001 Bonds	31,000,000	40,000,000		
2002 Bonds	30,000,000	46,715,000	39,375,000	
2004 Bonds	58,300,000	46,000,000	14,400,000	
2005 Bonds	21,300,000		25,000,000	
2006 Bonds	60,000,000	45,400,000		
2007 Bonds		22,100,000	67,900,000	
2008 Bonds	5,285,000	27,815,000		
2009 Bonds			9,000,000	
2019 Bonds	5,905,000		3,325,000	239,900,000
Total Issuances	$211,790,000	$228,030,000	$159,000,000	$239,900,000
Remaining Authorization	$0	$0	$0	$410,100,000

Presented below is a summary of the City's general obligation bond authorizations, the amounts utilized in prior general obligation bond issues, the 2019 Bonds funding amount, and the remaining amounts of voter authorization.

City of San José
General Obligation Bonds
Authorization Levels and Issuance Amounts, and Outstanding Balances

	Final Maturity	Measure O (11/07/2000) Library Projects	Measure P (11/07/2000) Parks Projects	Measure O (03/05/2002) Public Safety Projects	GO 2019 Refunding	Measure T (11/6/2018) Projects	2019 Issuance Total
Authorization		$211,790,000	$228,030,000	$159,000,000		$650,000,000	$502,020,000
Series 2019A	9/1/2049	$ -	$ -	$ -	$ -	$173,400,000	$173,400,000
Series 2019B	9/1/2027	-	-	-	-	66,500,000	66,500,000
Series 2019C	9/1/2024	5,905,000	-	3,325,000	-	-	9,230,000
Series 2019C	9/1/2035	-	-	-	148,955,000	-	148,955,000
Series 2019D	9/1/2024	-	-	-	103,935,000	-	103,935,000
Total Issuance to Date		$211,790,000	$228,030,000	$159,000,000	$252,890,000	$239,900,000	$502,020,000
Remaining Authorization		$0	$0	$0	N/A	$410,100,000	

Multifamily Housing Revenue Bonds/Notes - Federal tax law places certain limits on the amount of tax-exempt private activity debt that may be issued by a local agency. Prior to financing multifamily housing projects on a tax-exempt basis, these projects must receive an allocation of the State's private activity volume cap received from the CDLAC. An unused balance in the allocation limit can occur when issuance for projects is below the allocation limit. In order to utilize the balance of that allocation, the City must request an extension from the IRS to use that balance within three years for use on multifamily housing projects. Based on multifamily conduit housing issues in FY2019-20 there is approximately $14 million in unused allocation balance that must be applied for extension.

- Lenzen Square Apartments - On March 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $23 million to finance the costs of acquisition, rehabilitation by Lenzen Square Community Partners, L.P., a California Limited Partnership, of an 88-unit housing project affordable to low income and very low income residents located at 790 Lenzen Avenue, San José, California. Bonds were issued in the amount of $21.5 million in August 2019.

- Vista Park I Apartments - On March 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $19 million to finance the costs of acquisition, rehabilitation by Vista Park I, L.P., a California Limited Partnership, of a 83-unit housing project affordable to low income and very low income residents located at 3955 Vista Park Drive, San José, California, 95136. Bonds were issued in the amount of $13.2 million in October 2019.

- Palm Court Senior Apartments - On March 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $16 million to finance the costs of acquisition, rehabilitation by Palm Court San José, L.P., a California Limited Partnership, of a 66-unit housing project affordable to low income and very low income residents located at 1200 Lick Avenue, San José, California. Bonds were issued in the amount of $12.2 million in October 2019.

- Markham Plaza I Apartments - Multifamily Housing Revenue Bonds/Notes - On March 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $26 million to finance the costs of acquisition, rehabilitation by Markham Plaza I, L.P., a California Limited Partnership, of a 153-unit housing project affordable to low income and very low income residents located at 2000 Monterey Road, San José, California. Bonds were issued in the amount of $23 million in October 2019.

Debt Planned for FY 2019-20 includes:

City of San José Financing Authority Lease Revenue Bonds - Ice Centre Expansion - Debt management staff and its municipal advisor are working with the Sharks to explore the financial feasibility of expanding the Ice Centre from 4 ice rinks to 6 ice rinks. The final Feasibility Report, (and Plan of Finance) for the expansion project must be approved by two-thirds of the City Council as required by the Debt Policy. If approved, it is expected that an estimated lease revenue bond issuance of approximately $140 million would be sufficient to provide funds for construction and to fully refund the Series 2008E Bonds (that funded a prior expansion of the Ice Centre) outstanding in the amount of $13.1 million as of June 30, 2019. The lease revenue bonds will be secured by lease payments made by the City to the Authority for the lease of the Project. It is anticipated that the City will fund its lease payments from lease payments to be paid to the City by Sharks Ice, LLC (Sharks Ice) pursuant to a Lease and Management Agreement (the Agreement). Under the lease revenue bond structure, the City would have the legal obligation to make lease payments to repay debt service on the contemplated lease revenue bonds so long as there is beneficial use and occupancy of the Project. The source of such lease payments would be made by Sharks Ice under the Agreement. If approved by the Council, it is anticipated that bonds for this project will be issued in Spring of 2020.

City of San José Financing Authority Lease Revenue Commercial Paper - Community Energy Office Space - On April 30, 2019 Council authorized the City to issue commercial paper to finance up to $6.5 million for construction of a full build-out of ground floor retail space in the 4th and San Fernando Garage for office space for San José Community Energy Department and other City operations. The project is expected to start in the Spring of 2020.

Multifamily Housing Revenue Bonds/Notes

- Quetzal Gardens Apartments - Multifamily Housing Revenue Bonds/Notes - On May 6, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $45 million to finance the construction costs by Resources Community Development, on behalf of Quetzal Gardens, L.P., or another entity to be created by Resources Community Development (the “Borrower”), of a 71-unit multifamily rental housing facility to lower income residents located at 1695 Alum Rock Avenue in the City of San José, California. Bonds are projected to be issued by the City as a conduit issuer in the amount of $45 million in November 2019.

Other Refinancings - Debt Management is reviewing refinancing options for Lease Revenue Bonds (“LRB”) issued by the City of San José Financing Authority, in an approximate amount of $51.7 million.

Summary of Completed and Planned Debt Issuance
FY 2019-20

Issue Date	Issue	Size (millions)	Type	Sale Type	Municipal Advisor	Bond Counsel	Underwriter/ Private Placement	Credit Enhancement
7/9/2019	CSJ General Obligation (GO) [2]	249.1	New Issuance of General Obligation	Competitive	Public Resources Advisory Group (PRAG)	Jones Hall	Citi Group, Morgan Stanley, Jefferies LLC	N/A
7/9/2019	CSJ General Obligation (GO)	252.9	General Obligation Refunding Bonds	Competitive	Public Resources Advisory Group (PRAG)	Jones Hall	Citi Group, Morgan Stanley, Jefferies LLC	N/A
8/22/2019	Lenzen Square	21.5	Multifamily Housing Revenue Notes	Private Placement	Public Financial Management (PFM)	Stradling Yocca Carlson & Rauth	FMSbonds, Inc	N/A
10/11/2019	Vista Park I	13.2	Multifamily Housing Revenue Notes	Private Placement	CSG Financial	Kutak Rock	MUFG Union Bank	N/A
10/11/2019	Palm Court	12.2	Multifamily Housing Revenue Notes	Private Placement	CSG Financial	Kutak Rock	MUFG Union Bank	N/A
10/30/2019	Markham Plaza I	23.0	Multifamily Housing Revenue Notes	Private Placement	Ross Financial	Jones Hall	Citi Community Capital	N/A
Winter 2019	Quetzal Gardens	45.0	Multifamily Housing Revenue Notes	Private Placement	Ross Financial	Quint & Thimmig LLP	MUFG Union Bank	N/A
Spring 2020	CSJ Lease Revenue Bonds (Ice Centre)	140.0	Lease Revenue Bonds	Negotiated	Public Resources Advisory Group (PRAG)	TBD	TBD	TBD
Spring 2020	CSJFA Lease Revenue Commercial Paper - City Hall Campus Expansion	6.5	Lease Revenue Commercial Paper	Market Offering	Public Resources Advisory Group (PRAG)	Jones Hall	Barclays Capital (Dealer)	State Street/ US Bank (LOC's)
Summer 2020	CSJ Lease Revenue Bonds (multiple series)	51.7	Lease Revenue Refunding Bonds	TBD	TBD	TBD	TBD	TBD
Total		**$815.2**						

Issuer Key: CSJ-City of San José: CSJFA-City of San José Financing Authority

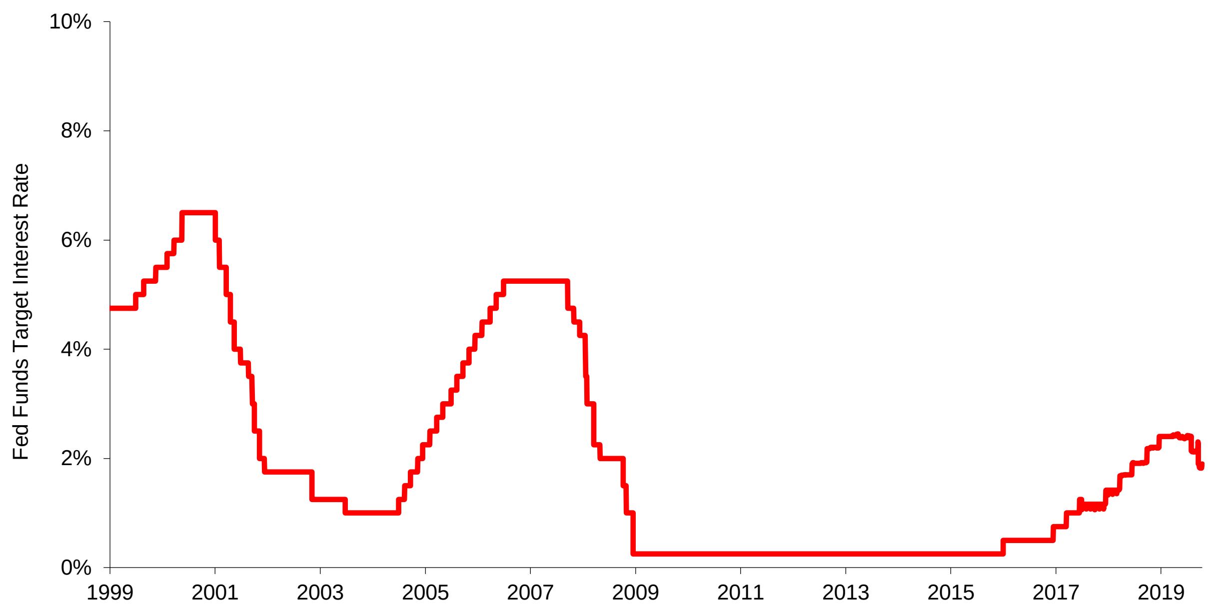
(1) The reported size of commercial paper debt issuance includes only new money, not the reissuance of outstanding notes or redemptions.

(2) Measure T (approved by voters on November 6, 2018) GO authorization in the amount of $650 million

C. Current Market Conditions

In response to the deteriorating economy and financial market disruptions, the Federal Open Market Committee (the "FOMC") aggressively reduced the Fed Funds target interest rate from 2.00% in April 2008 to a range of 0.00% to 0.25% in December 2008. The FOMC maintained this range of 0.00% to 0.25% until December 2015, at which point the FMOC began raising rates through early 2019. The FMOC began lowering the fed fund rates starting May 2019.

Federal Funds Target Interest Rates
January 1999 through September 2019



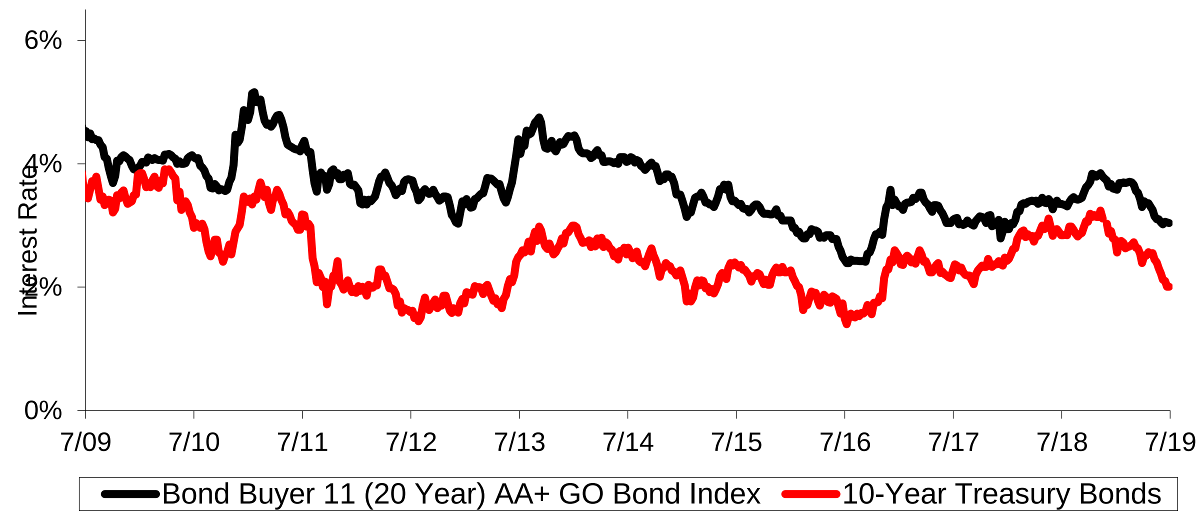
In the aftermath of the financial market crisis, the financial industry has transformed and consolidated significantly, which has contributed to a tightening of credit standards, decreased the availability of credit facilities, and produced more stringent capital adequacy requirements for banks. Although the historical trend for variable rate bonds has been consistently lower than fixed rate bonds, this may not hold true in the future. Staff continue to monitor how future regulatory proposals to regulate the banking industry, such as Basel III, and financial market changes may impact the City's variable rate program and will recommend adjustments to the program as appropriate.

There has been discussion that the London Interbank Offer Rate ("LIBOR") index will be eliminated by the end of 2021. In the municipal market a large volume of bank loans, floaters and interest rate swaps use LIBOR to calculate cash interest rates. The new benchmark, U.S. Secured Overnight Financing Rate (SOFR), intended to work alongside LIBOR, is expected to be increasingly used on new transactions and amendments of existing contracts that extend beyond the end of 2021.

A switch of benchmark from LIBOR to SOFR for existing tax-exempt securities could be interpreted as a material change that would cause the securities to be considered newly reissued and subject to current tax laws. On October 9, 2019, the U.S. Treasury Department and the Internal Revenue Service (IRS) issued proposed regulations providing guidance to taxpayers on the tax consequences of modifying financial instruments and contracts in advance of the upcoming phase-out of the LIBOR and other interbank rates (collectively, IBORs). The detailed report on guidance on the transition can be found in the federal register website.

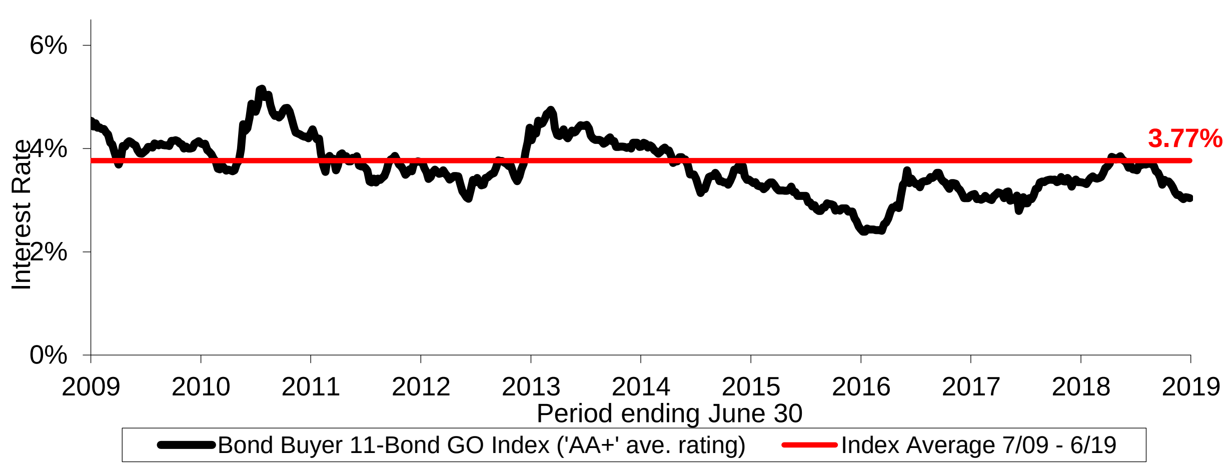
The chart below illustrates the changes in interest rates between tax-exempt (Bond Buyer 11-20 Year AA+ GO Bond Index) and taxable interest rates (10-Year Treasury Bonds) beginning in July 2009 through July 2019. Historically, taxable bonds have interest rates that are higher than tax-exempt bonds; however, a strong demand for U.S. Treasury Securities has resulted in the current trend where tax-exempt bonds are trading at higher interest rates than taxable bonds.

Comparison of Tax-Exempt and Taxable Interest Rates
July 2009 through July 2019



Despite the market disruptions and changes in investor demand for tax-exempt bonds, as can be seen in the following chart, tax-exempt long-term interest rates remained below their ten-year average throughout FY 2018-19.

Ten-Year History of Tax-Exempt Interest Rates
July 2009 through June 2019



D. Selection of Debt Financing Teams

The selection of the municipal advisor and underwriter for a financing engagement is generally done in the form of a competitive request for proposals ("RFP") or request for qualifications ("RFQ") process. Written proposals are reviewed by representatives from the Finance Department and other City departments involved with the financing.

Municipal Advisory Pool - Debt Management staff conducted a RFP process for municipal advisory services in March 2017 for engagements that included City General Municipal Advisor, Airport Municipal Advisor, and Wastewater Facilities Municipal Advisor. Municipal advisory pools were formulated in the following areas: general city, land-secured; multifamily housing and SARA. From the general city pool, Public Financial Management was selected for the Clean Energy program and from the land-secured pool, Fieldman, Rolapp & Associates was selected for the Museum Place CFD project.

The general municipal advisors selected will remain through June 30, 2022.

General Municipal Advisors and Municipal Advisory Pool Eligible List
July 2017 to June 2022[1]

City General Municipal Advisor:	Public Resources Advisory Group
Airport General Co-Municipal Advisors:	Public Financial Management Public Resources Advisory Group
Clean Energy Municipal Advisor	Public Financial Management
Wastewater Facilities Municipal Advisor:	Public Resources Advisory Group
Successor Agency Municipal Advisors (Refunding)	Public Financial Management Ross Financial
Multifamily Housing Program Municipal Advisors (Pool):	CSG Advisors Public Financial Management Ross Financial
General City Municipal Advisor (Pool):	Fieldman, Rolapp & Associates Montague DeRose & Associates Public Financial Management Public Resources Advisory Group
Land-Secured Financings (Pool):	Fieldman, Rolapp & Associates Public Financial Management

1. City anticipates that the Municipal Advisory Services Agreements will operate under a three–year agreement (June 2020) with two one-year options for renewal subject to annual appropriation of funds.

III. DEBT ADMINISTRATION

A. Debt Administration System

The Debt Management staff continually work to improve the comprehensive debt administration system. Inputs to the system come from financing documents, trustee reports, reports from the City's remarketing agents and collateral agents, contracts with financial services providers, and reports and requests from City staff. These inputs provide the data needed to ensure that the City meets its debt administration obligations to:

- Pay debt service;
- Issue, invest, and disburse bond funds;
- Monitor trustee-held accounts and investment agreements;
- Comply with bond covenants and IRS requirements;
- Provide continuing disclosure and other reports to the municipal bond market;
- Ensure market pricing of variable rate debt;
- Manage liquidity and credit enhancement contracts; and
- Evaluate potential refunding opportunities.

B. Compliance and Monitoring

Compliance and monitoring activities constitute a large and growing portion of the Debt Management staff's daily tasks. While the process of assembling a specific bond financing project may take several months, compliance with the provisions of bond covenants last the entire life that the bonds are outstanding, up to 30 years or more. Debt Management staff also monitors compliance with IRS regulations governing tax-exempt debt. Debt Management staff work very closely with other City departments as well as with the City Attorney's Office and the Budget Office to manage the investment, disbursement, and compliance/continuing disclosure requirements of the debt portfolio.

This table presents a summary of compliance items currently monitored and provided by Debt Management staff.

SUMMARY OF COMPLIANCE REQUIREMENTS

Item Descriptions (5)	Airport	Airport CP	CWFA	GO	SARA[4]	Lease-Backed	Lease-Backed CP	Land-Backed	TRAN	Clean Energy CP
1. Annual Compliance Report/Certificate	✓	✓	✓		✓					✓
2. Budget Distribution		✓				✓				
3. CAFR Distribution	✓	✓		✓	✓	✓	✓		✓	
4. CDIAC Annual Debt Transparency Report	✓	✓	✓	✓	✓	✓	✓	✓	✓	
5. Certificate of adequate Budgeted Debt Service			✓			✓	✓			
6. Certificate of Property Insurance	✓	✓	✓			✓	✓			
7. Certificate of the City/ No Event of Default Certificate						✓	✓		✓	
8. Continuing Disclosure (SEC Rule 15c2-12)[1]										
i) Annual Report[2]	✓	✓	✓	✓	✓	✓	✓	✓		
ii) Material Events Notice[3]	✓	✓	✓	✓	✓	✓	✓	✓		
9. Investment Policy	✓					✓				
10 Special Reporting										
i) Tax Roll				✓	✓			✓		
ii) Quarterly Billing						✓				
iii) Other Available Funds Report	✓									
iv) Quarterly Financials & Compliance Certificate/Quarterly Report		✓								✓
v) Special Tax Annual Report								✓		
vi) Airport Commercial Paper Debt Service Certification		✓								

(1) The variable rate Lease Revenue Bonds and CP programs are not subject to Continuing Disclosure obligations. However, the banks providing letters of credit support or the banks that have directly purchased the lease revenue bonds require copies of applicable reports and material events notices posted to EMMA pursuant to the City's continuing disclosure agreements.

(2) Annual Report includes: Annual Financial Information and Operating Data, and Audited Financial Statements or CAFR.

(3) Material Events include: (1) Principal/Interest Payment Delinquency, (2) Non-payment Related Default, (3) Unscheduled Draw on Debt Service Reserve Reflecting Financial Difficulties, (4) Unscheduled Draw on Credit Enhancement Reflecting Financial Difficulties, (5) Substitution of Credit or Liquidity Provider, or Its Failure to Perform, (6) Adverse Tax Opinion or Event Affecting the Tax-exempt Status of the Security, (7) Modification to the Rights of Security Holders, (8) Bond Call/Defeasance, (9) Release, Substitution or Sale of Property Securing Repayment of the Security, (10) Rating Change, and (11) Failure to Provide Event Filing Information as Required. For municipal bonds issued on or after December 1, 2010, reportable material events also include: Tender Offer/Secondary Market Purchases; Merger/Consolidation/Acquisition and Sale of All or Substantially All Assets; Bankruptcy, Insolvency, Receivership, or Similar Event; and Successor, Additional or Change in Trustee. Effective February 27, 2019, additional amendments require municipal issuer to post a notice to EMMA within 10 business days when (1) it incurs Financial Obligation if material; (2) there is a default, modifications of terms, acceleration or other similar terms of a financial obligation that reflect financial difficulties.

(4) Successor Agency to the Redevelopment Agency of the City of San José Refunding Bonds.

(5) Multi-Family Housing Revenue bonds/notes are excluded from compliance requirements because they are conduit obligations. The Borrower takes full responsibility for compliance and continuing disclosure on these obligations.

1. Trustee Activities

As of June 30, 2019, the City had approximately $224 million in bond and commercial paper note funds, including reserve funds, held by three banking institutions acting as trustee, fiscal agent or issuing and paying agent (collectively, “trustees”). As of June 30, 2019, the Successor Agency had approximately $118 million in bond funds, including reserve funds, held by one banking institution acting as trustee. The table below summarizes the City’s and Successor Agency’s trustee fund balances and activity. This table does not include the addition of $250 million on deposit in construction funds with Wilmington Trust in July 2019 from the proceeds of the Series 2019 A-D General Obligation Bond issuance.

Trustee Summary[1]
As of June 30, 2019

Trustee	Number of Bond/CP Issues	Original Par Amount of Bonds/CP	Trustee Fund Balance
City Related			
Bank of New York	9	$1,874,835,000	$105,545,906
US Bank	9	453,695,000	37,562,216
Wells Fargo Bank	13	1,268,210,000	50,814,678
U.S. Bank (Airport CP)	N/A	N/A	30,001,503
Sub-Total	31	$3,596,740,000	$223,924,303
Successor Agency			
Wilmington Trust	3	$1,677,540,000	$117,797,328
Sub-Total	3	$1,677,540,000	$117,797,328
Grand Total	**34**	**$5,274,280,000**	**$341,721,631**

[1] Does not include multifamily housing revenue bonds funds held.

2. Bond Proceeds Expenditures and Reimbursement Procedures

The City’s use of tax-exempt bond proceeds is limited by Federal and State law, and in some cases, by the ballot language authorizing the debt. Generally, tax-exempt bond proceeds, including interest earnings on bond funds, may only be spent for governmental purposes and only on capital projects. In the case of voter-approved debt, the bond proceeds may only be used for the purposes described in the ballot language authorizing the debt. To provide accountability in managing bond funds, most of the City’s bond-financed project funds are held by trustees, who disburse the construction or improvement funds only after Debt Management staff has reviewed a disbursement request from the City department managing the project.

Disbursement requests are reviewed and approved by department heads or their deputies before they are submitted to Debt Management. Debt Management staff then reviews, reconciles, and qualifies the bond-financed project expenditures before submitting disbursement requests to the trustees. When there is an ambiguity, the City Attorney’s Office assists in determining the eligibility of expenditure items.

3. Arbitrage Rebate

Debt Management staff actively monitor proceeds of tax-exempt bonds for arbitrage compliance purposes. Arbitrage is the profit that results from investing low-yield tax-exempt bond proceeds in higher-yield securities (also referred to as positive arbitrage). Federal law stipulates that investment earnings in excess of the bond yield are arbitrage earnings and must be rebated to the U.S. Treasury. However, if a jurisdiction meets certain IRS expenditure exceptions for bond proceeds, the arbitrage earnings do not have to be rebated to the U.S. Treasury.

The investment of bond proceeds is managed in accordance with the City's Investment Policy and the Permitted Investment provisions of the governing documents of each series of bonds. For some types of bond funds, particularly a construction fund that must be held in short-term securities, a fund may earn at a rate less than the bond yield. The fund is said to be earning negative arbitrage. Through careful management of its investments, the City can use positive arbitrage earnings in one account of a bond series to offset negative arbitrage in another account of the same series.

Although arbitrage earnings are rebated to the U.S. Treasury on a five-year installment basis, Debt Management staff conduct annual rebate calculations to assure that the City stays current on compliance issues and to facilitate appropriate budgeting and accounting for any potential rebate liability. Since FY 2018, the Debt Management staff has conducted and managed rebate calculations for SARA to ensure and maintain compliance with the IRS.

In addition to performing its own annual calculations, the City retains the services of BLX, a subsidiary of Orrick, Herrington & Sutcliffe LLP, to: (1) review the City's arbitrage compliance at five-year anniversary dates when rebate is actually due to the Federal Government; (2) compute annual and five-year installment arbitrage rebate liability on the more complex financings; and (3) provide technical assistance to the City in the area of arbitrage rebate compliance. This third-party review provides an added level of confidence that the City is in compliance with the arbitrage regulations. Such review is particularly important given that the IRS has a random audit and target audit programs for tax-exempt bond issues.

None of the City's tax-exempt bond issues currently have a positive arbitrage rebate liability.

On July 8, 2019, the SARA received two letters from the Internal Revenue Service the ("IRS") notifying SARA that three series of Agency Bonds had been selected for audit: $59,000,000 Merged Area Redevelopment Project Revenue Bonds consisting of the $29,500,000 1996 Series A and the $29,500,000 1996 Series B ("Series 1996 Bonds") and the $240,000,000 Merged Area Redevelopment Project Tax Allocation Bonds, Series 1999 ("Series 1999 Bonds"). The Agency Bonds under audit were refunded by SARA's taxable 2017 Series A-T Senior Taxable Tax Allocation Refunding Bonds.

The SARA anticipates receiving a letter from the IRS in which the IRS advises that it will close the audit of the 1996 Bonds without change to the status of the 1996 Bonds. However, there is no assurance that the IRS will in fact issue such a letter.

On November 12, 2019, the SARA received a Form 5701-B, Notice of Proposed Issue, and Form 886-A, Explanation of Items, from the IRS asserting a rebate liability with respect to the 1999 Bonds as of December 21, 2017, in the amount of $274,239.75 (inclusive of interest and penalties through December 21, 2019). The SARA disagrees with the IRS's assertion and intends to submit a timely response to the Forms 5701-B and 886-A. The SARA has no formal notification or receipt of a “Proposed Adverse Determination” from the IRS that would adversely affect the tax-exempt status of the 1999 Bonds as of the date of this Notice and cannot therefore determine the full scope or exact substance of the same, nor evaluate the probability of success, or appeal or resolution via closing agreement, of the same. The SARA anticipates timely appealing any such Proposed Adverse Determination, if ever issued by the IRS. In the event the IRS were to issue any such Proposed Adverse Determination and, thereafter, prevail in its conclusion that a rebate liability exists with respect to the 1999 Bonds, the SARA does not believe such conclusion will have a material adverse effect on the finances of the SARA.

4. Continuing Disclosure

On November 10, 1994, the Securities and Exchange Commission (“SEC”) adopted amendments to existing federal regulations (“Rule 15c2-12” or the “Rule”) under which municipalities issuing securities on or after July 3, 1995 are required to:

1. Prepare official statements meeting current requirements of the Rule;
2. Annually file certain financial information and operating data with national and state repositories; and
3. Prepare announcements of the significant events enumerated in the Rule.

Effective July 1, 2009, the SEC requires all municipal issuers and other obligated persons to make all continuing disclosure filings electronically to an on-line, electronic filing system, known as the Electronic Municipal Market Access system (“EMMA”) maintained by the Municipal Securities Rulemaking Board (“MSRB”) instead of making these continuing disclosure filings with national and state repositories as originally required by Rule 15c2-12. Subsequently, the SEC amended Rule 15c2-12, for municipal bonds issued on or after December 1, 2010, to: (1) increase the number of events required to be reported as significant events from 11 to 14; (2) require that certain events previously required to be reported only if material to be reported regardless of materiality; (3) impose the requirement to report significant events within 10 business days from the occurrence of the event; (4) remove the exemption from the continuing disclosure for variable rate demand and other demand securities; and (5) amend the provisions regarding reporting of certain adverse tax events.

Since 2012, the MSRB has been advocating for increased voluntary disclosure of bank loans and alternative financings by municipal bond issuers to enable current bondholders and prospective investors to assess a municipal entity’s creditworthiness and evaluate the potential impact of these financings. This information would be disclosed on the EMMA website. The City’s bank loans are listed on the following page entitled Summary of Letters of Credit and Direct Placement Banks, and will be voluntarily submitted during its annual compliance process in December 2019.

The new SEC rule 15c2-12 continuing disclosure obligation became effective on February 27, 2019 for bonds issued after this date. The amendments generally require a municipal issuer or obligated person to post a notice to EMMA within 10 business days when (1) it incurs a financial obligation (e.g. a debt obligation such as a loan), if material, or enters into an agreement related to a financial obligation that includes default, remedies, priority of rights or similar terms that will affect other bond holders, if material; or (2) there is a default, modifications of terms, acceleration or other similar terms of a financial obligation that reflect financial difficulties.

As noted above, the City has a draft Administrative Disclosure Policy and Procedures that includes procedures related to continuing disclosure to guide staff in meeting the City's and SARA's continuing disclosure obligations. Continuing disclosure, as well as compliance reporting, will continue to be a significant and important part of Debt Management's administration of outstanding debt.

C. Investment of Bond Proceeds

Debt Management staff work closely with bond trustees and Investment staff to manage the investment and disbursement of bond proceeds. Bond proceeds are invested in accordance with bond covenants and with the provisions of the City's Investment Policy, which was most recently amended on March 19, 2019.

D. Outstanding Variable-Rate Debt

The City's and Agency's outstanding debt portfolios, as described in Section IV, include variable rate bonds and commercial paper notes that are secured by letters of credit or are purchased directly by a bank ("direct placements"). Administration of letter of credit facilities and direct placements presents an ongoing and significant work effort for Debt Management staff and the City Attorney's Office. This work effort is related to the renewal efforts. The agreements with the banks typically require renewal every three years and market activity requires ongoing review and monitoring given the variable rate nature of the obligations. Banks have become increasingly interested in purchasing variable rate bonds directly from municipal bond issuers in order to avoid the federal banking requirement to set aside capital reserves for letters of credit.

Issuing and paying agents draw against letters of credit when necessary to make payments of principal and interest on the outstanding debt. Direct placements do not require a letter of credit but include a variable index interest rate and have a mandatory tender expiration date. The total cost of funds under both programs is similar. As outlined in the table below, the City currently has approximately $598.2 million in letters of credit, revolving line of credit and direct placement bonds supporting two series of variable rate bonds, two commercial paper programs, and two revolving line of credit facilities as of June 30, 2019, up from $472.8 million as of June 30, 2018. This represents a significant decrease from the *City's variable rate exposure of over $1 billion as of June 30, 2010.*

Summary of Letters of Credit and Direct Placement Banks
As of June 30, 2019

Bond Series	Project Description	Bank	Authorized Amount [1]	Expiration Date
Letters of Credit				
Airport Commercial Paper Series ABC	Airport Terminal Area Improvement Program	Bank of America	$75,000,000[2]	9/10/2021
City of San José Financing Authority Commercial Paper	Various City projects	State Street/ US Bank	125,000,000[3]	2/23/2022
Revolving Line of Credit				
San Jose-Santa Clara Regional Wastewater Facility	Wastewater System and Treatment Plant Projects	Wells Fargo Bank, N.A.	300,000,000[4]	10/19/2020
San Jose Clean Energy Revolving Credit Facility	Energy Power Provider Contracts	Barclays Bank PLC	80,000,000	11/27/2023
Direct Placement				
City of San José Financing Authority Lease Revenue Bonds Series 2008E-1 and Series 2008E-2	Ice Centre	US Bank	18,210,000	12/13/2019
Total			**$598,210,000**	

[1] Commercial paper principal or Credit facility capacity.

[2] The Airport CP outstanding as of June 30, 2019 was $52.2 million.

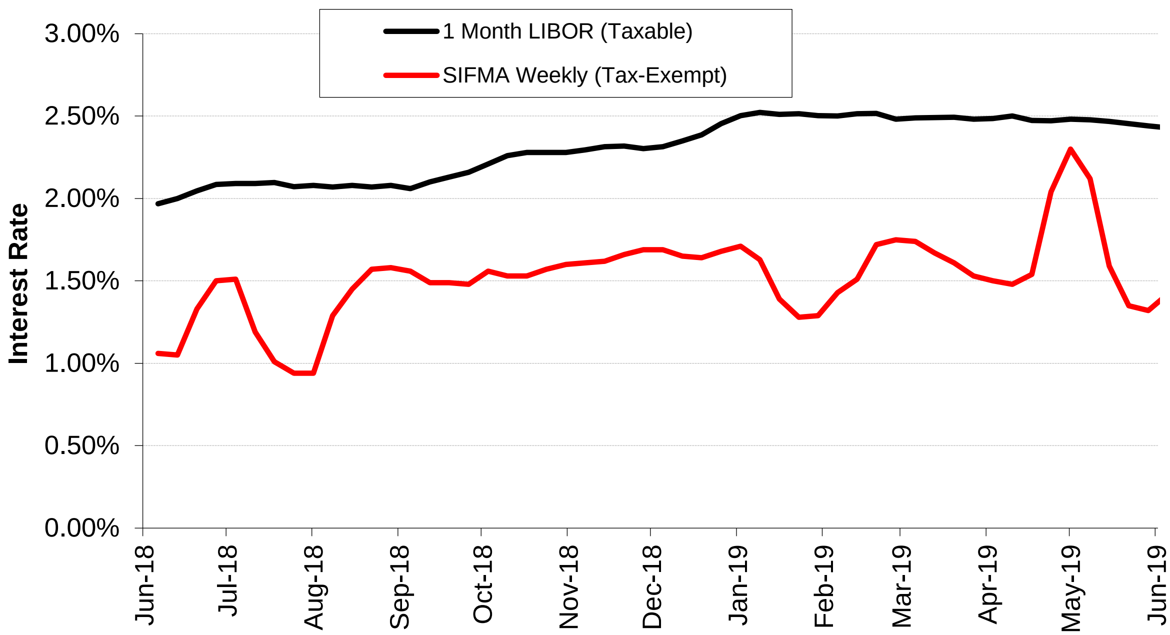
[3] The CSJFA CP outstanding as of June 30, 2019 was $77.9 million.

[4] The amount drawn on the Revolving Line of Credit as of June 30, 2019 was $89.1 million.

The following chart provides indicative variable rates the City and related entities paid during FY 2018-19 for both taxable and tax-exempt bond obligations. Tax-exempt weekly interest rates averaged 1.13% and taxable monthly interest rates averaged 1.54%. The noticeable spike in SIFMA in late April 2019 was seasonal as municipal Money Market Funds ("MMFs") have more demand for tax advantage investment options that often occur in April and at the beginning of July.

Variable Taxable and Tax-Exempt Rates

FY 2018-19



To develop budget estimates for variable rate debt, Debt Management staff undertakes a comprehensive analysis which takes into account historical rates, trends and future projections. The forecast below is based on 1-month and 3-month LIBOR future rates from Bloomberg.

Variable Interest Rate Forecast
for Future Debt Service Payments
July 2019 – June 2020

	Tax-Exempt Rates	Taxable Rates
1 month LIBOR [(1)]	1.04% - 1.64%	1.30% - 2.05%
3 month LIBOR [(1)]	1.15% - 1.92%	1.44% - 2.40%

[(1)] Based on future LIBOR from Bloomberg

E. Refunding Opportunities

Debt Management staff review and analyze the outstanding debt portfolio with the goal of identifying opportunities to refund or restructure certain series to reduce annual debt service obligations.

Generally, fixed rate bonds can be refunded in two ways: as a current refunding or as an advance refunding. A current refunding is a refinancing in which the refunding bonds (new bonds) are issued less than 90 days before a date on which the refunded bonds (old bonds) can be called. The proceeds of the refunding bonds are applied immediately to pay principal, interest, and a call premium, if any, on the refunded bonds. Thereafter, the revenues originally pledged to the payment of the refunded bonds are pledged to the payment of the refunding bonds.

An advance refunding is the refinancing of outstanding bonds by the issuance of a new issue of bonds more than 90 days prior to the date on which the outstanding bonds are callable. Certain types of tax-exempt bonds, such as the bonds issued to finance airport terminal improvements, are not eligible to be advance refunded. The proceeds of advance refunding bonds are invested in an escrow until the first call date of the bonds to be refunded. Accordingly, for a period of time, both the issue being refunded and the refunding bond issue are outstanding until the refunded bonds are redeemed from the refunding escrow on their call date. The Tax Cuts and Jobs Act ("Act"), enacted on December 22, 2017, effectively eliminated advance refunding for tax-exempt municipal bonds issued after December 31, 2017 by making interest on advance refunding bonds taxable. Interest on current refunding bonds remains tax-exempt.

As discussed earlier in the report, the FY 2019-20 Debt Management work plan includes resources being committed to examination of refunding opportunities of Lease Revenue Bonds. All of the refunding candidates contemplated in the FY 2019-20 Debt Management work plan will be refunded on a current basis.

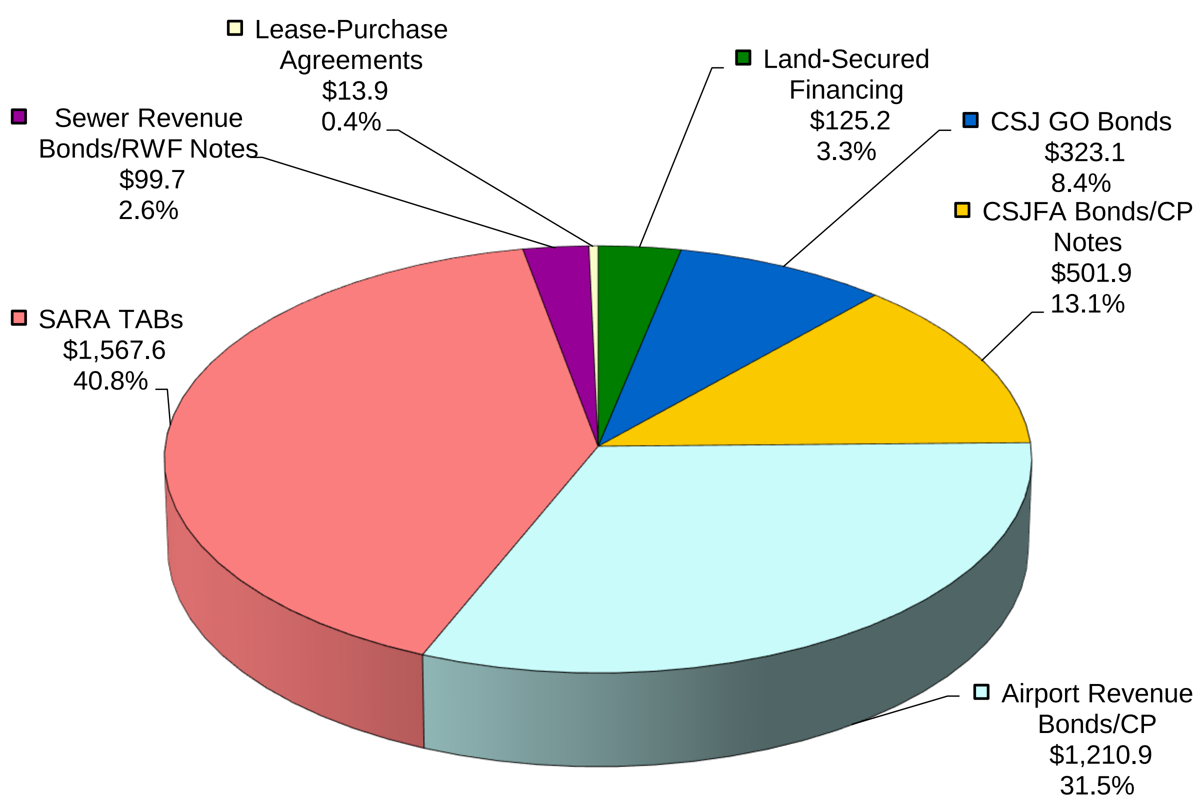
IV. CITY'S OUTSTANDING DEBT PORTFOLIO

This section includes a presentation of the City's debt portfolio, which as of June 30, 2019 was comprised of 87 series of bonds, two commercial paper programs, one revolving line of credit facility and one lease-purchase agreement, totaling $4.5 billion. Of the 87 series of bonds, 34 series are debt of the City, the Successor Agency, or related entities while the remaining 49 series are multifamily housing revenue bonds for which a private developer is the obligor and the City is a conduit issuer. This analysis includes all debt issued by the City of San José, the Successor Agency, and various financing authorities of which the City is a member and is obligated to make payment.

As of June 30, 2019, the City and related entities had debt outstanding totaling approximately $3.8 billion, excluding $772 million in outstanding multifamily housing revenue bonds. The following chart shows the distribution among the various categories of outstanding debt issued by the City and its related entities: general obligation, Authority, airport, sewer (San José-Santa Clara Clean Water Financing Authority), land-secured (assessment districts and community facilities districts), SARA, and Lease-Purchase Agreements.

A summary table of all outstanding debt by series, excluding multifamily housing revenue bonds, is included in subsection I. Summary of Outstanding Debt. The multifamily housing revenue bonds are summarized in a separate table in subsection F. Multifamily Housing Revenue Bonds.

Outstanding Debt Issued by All Agencies
Balance as of June 30, 2019: $3,842,287,000
(excludes conduit debt, pension, OPEB, and other liabilities of the City)
(dollars shown below in millions)

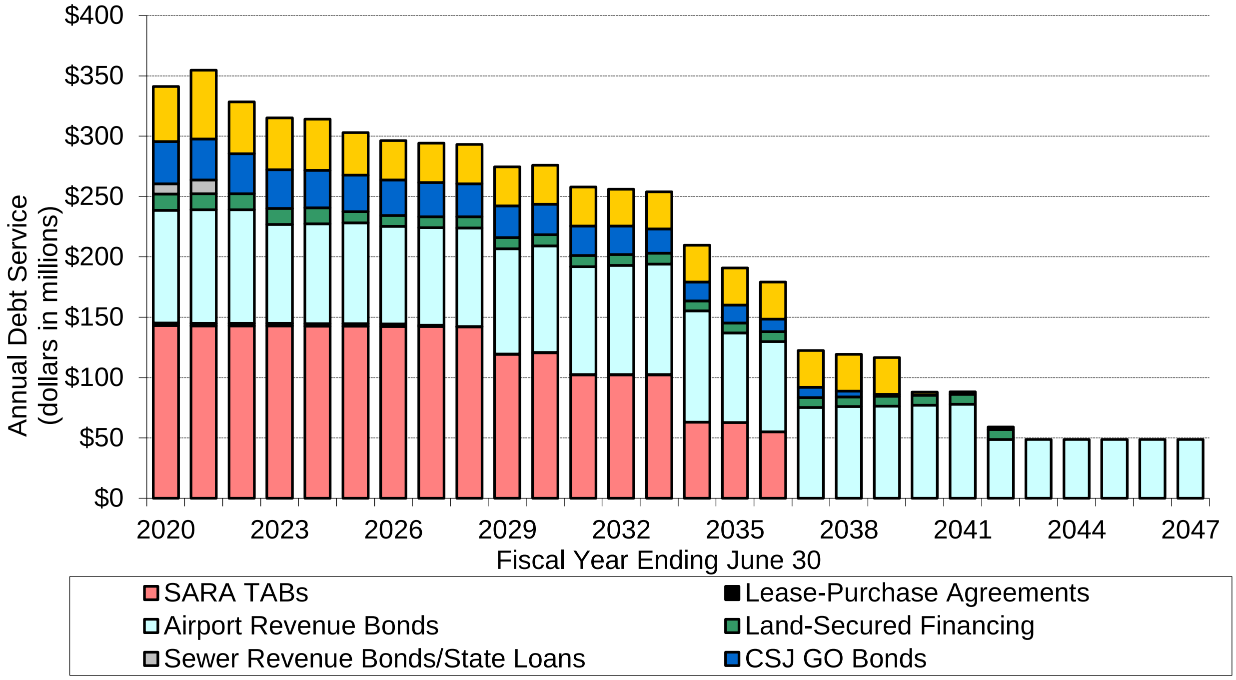


The following chart illustrates the annual debt service payments for all outstanding City-related debt except payments related to conduit debt (i.e. multifamily housing revenue bonds):

Outstanding Debt Issued by All Agencies

Annual Debt Service

(excludes conduit debt, pension, OPEB, and other liabilities of the City)

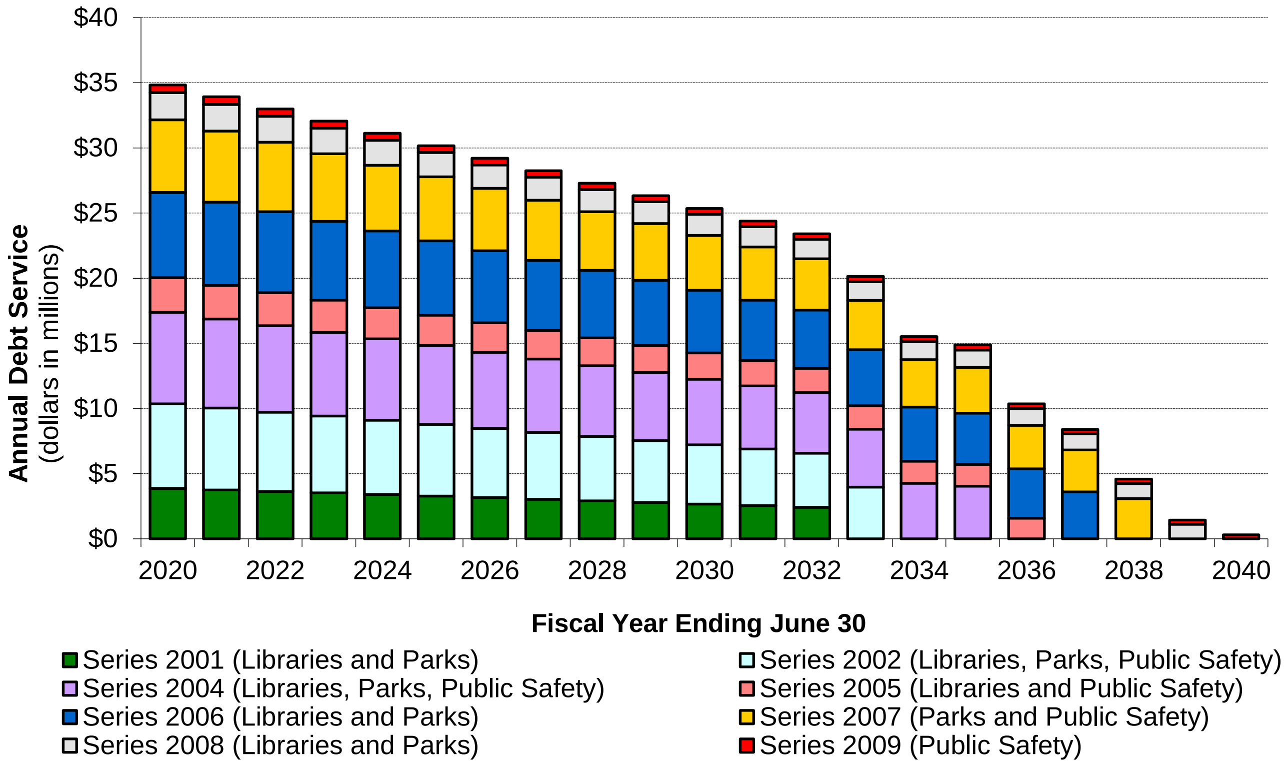


A. General Obligation Bonds

In 2000 and 2002, voters approved three ballot measures (Measures 2000 O and P and Measure 2002 O) that authorized total issuance of $598,820,000 of general obligation ("GO") bonds for library, parks, and public safety projects. The outstanding balance as of June 30, 2019 was approximately $323.1 million.

Subsequent to June 30, 2019, the City sold $502,020,000 of General Obligation Bonds ("2019 GO Bonds") on July 9, 2019 under three separate authorizations: (1) Measure T, approved by the voters on November 6, 2018 in the not-to-exceed amount of $650,000,000 for the purpose of acquiring property for and constructing improvements in order to improve emergency and disaster response, repair deteriorating bridges vulnerable to earthquakes, repave streets and potholes in the worst condition, prevent flooding and water contamination including the acquisition of land in the Coyote Valley for these purposes, and repair critical infrastructure; (2) Measure O (approved by the voters on November 7, 2000 in the not-to-exceed amount of $211,790,000 for library projects); and (3) Measure O (approved by the voters on March 5, 2002 in the not-to-exceed amount of $159,000,000 for public safety projects). The 2019 GO Bonds also refunded all outstanding general obligation debt. The annual debt service in the table below does not include the 2019 GO Bonds issued after June 30, 2019.

General Obligation Bonds
Annual Debt Service



The below table reflects the General Obligation portfolio after the issuance of the 2019 GO Bonds:

City of San José
General Obligation Bonds

Authorization Levels, Issuance Amounts, and Outstanding Balances

					Series 2019A-D Bonds			
	Final Maturity	Measure O (11/07/2000) Library Projects	Measure P (11/07/2000) Parks Projects	Measure O (03/05/2002) Public Safety Projects	GO Refunding	Measure T (11/6/2018) Projects	Issuance Total	Outstanding Balance September 30, 2019
Authorization		$211,790,000	$228,030,000	$159,000,000		$650,000,000	$502,020,000	
Series 2019A*	9/1/2049	$ -	$ -	$ -	$ -	$173,400,000	$173,400,000	$140,360,000
Series 2019B	9/1/2027	-	-	-	-	66,500,000	66,500,000	66,500,000
Series 2019C	9/1/2024	5,905,000	-	3,325,000	-	-	9,230,000	9,230,000
Series 2019C	9/1/2035	-	-	-	148,955,000	-	148,955,000	148,955,000
Series 2019D	9/1/2024	-	-	-	103,935,000	-	103,935,000	103,935,000
Total Issuance to Date		$211,790,000	$228,030,000	$159,000,000	$252,890,000	$239,900,000	$502,020,000	$468,980,000
Remaining Authorization		$0	$0	$0	N/A	$410,100,000		

** Does not include the Series 2019A-2 Bonds in the amount of $33,040,000, and is not included in the 2019-20 GO Tax Levy calculation. The 2019A-2 Bonds were paid in full in September 2019.*

B. City of San José Lease-Purchase Agreement

On May 20, 2014, the City Council approved the execution of a master equipment lease-purchase agreement (the "Agreement") with Banc of America Public Capital Corp (the "Bank") under which the City could enter into separate schedules for the acquisition, purchase, financing, and leasing of energy conservation equipment to be installed at City-owned facilities in a principal amount not to exceed $30 million with the Bank or one of its affiliates. The schedules are referred to as "Leases". The financing was secured as a result of the Energy Services Agreement that the City entered into with Chevron Energy Solutions (which was acquired by OpTerra Energy Services in 2014) to design the projects and procure the equipment to be acquired and installed. Each piece of equipment is leased by the City from the Bank for a period not to exceed its useful life, capped at 20 years. Upon full payment of all amounts owed under a lease, the City will own all equipment free and clear and the Bank's security interest in the equipment will cease. The only lease entered into under the Agreement was completed in FY 2013-14, and was used to finance streetlight lamp replacement and adaptive controls only under the ESCO agreement. Due to unanticipated cost increases of the streetlight replacement project, most of the Lease proceeds were expended on the streetlight replacement project that was accepted by the City in June 2017. The unexpended Lease proceeds in the approximate amount of $2,852,000 that remained at the completion of the streetlight replacement project were used to pay debt service on the Lease through calendar year 2018. Total principal and interest outstanding on the Lease as of June 30, 2019 is approximately $17,249,000, with the final payment due on June 1, 2034.

C. City of San José Financing Authority Obligations

The financing projects included in this category include bond-financed capital projects which the City's General Fund bears the majority of the debt burden. As of June 30, 2019, the total amount outstanding with recourse to the General Fund, was approximately $502 million, consisting of $424 million of lease revenue bonds and $78 million of taxable and tax-exempt commercial paper.

In December 2017, the Successor Agency to the Redevelopment Agency of the City of San José (the "Successor Agency") issued $1.68 billion in Tax Allocation Refunding Bonds, consisting of two taxable series (Series 2017A-T and Series 2018B) and one tax-exempt series (Series 2017A). The Series 2017 A-T, refunded two series of the bonds issued by the Authority that were obligations of the Successor Agency; the Authority's Revenue Bonds, Series 2001A (4th & San Fernando Parking Facility Project) (the "2001A Bonds") and the Authority's Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project) (the "2001F Bonds"). The Successor Agency refunding transaction defeased the Series 2001A Bonds and Series 2001F Bonds also provided for the termination of previous agreements entered into by the Authority, the Pledge Agreement and Reimbursement Agreement, respectively.

Several outstanding lease revenue bond issues financed projects that are considered non-self-supporting as they do not generate revenues that can be applied to offset the City's lease payments. Although City special funds or other revenue sources may be earmarked to make these payments, the City's General Fund bears the majority of the debt burden. Below is a short description of each of the non-self-supporting projects:

- Series 2003A Bonds, which refunded the bonds issued to finance site acquisition and construction costs of the City's Central Service Yard;
- Series 2006A, and 2013A Bonds, which refunded the City Hall project;

- Series 2013B Bonds, which refunded the bonds issued to finance the land acquisition and construction of the City Hall Employee Parking Garage; and
- Commercial paper notes issued to provide funding for Central Service Yard Phase II improvements.

Commercial paper notes issued to provide funding for the following projects (self-supporting): Convention Center Expansion and Renovation Project; Convention Center Exhibit Hall renovations; Energy Conservation equipment; Community Energy startup costs; and Flood Recovery Project Improvements.

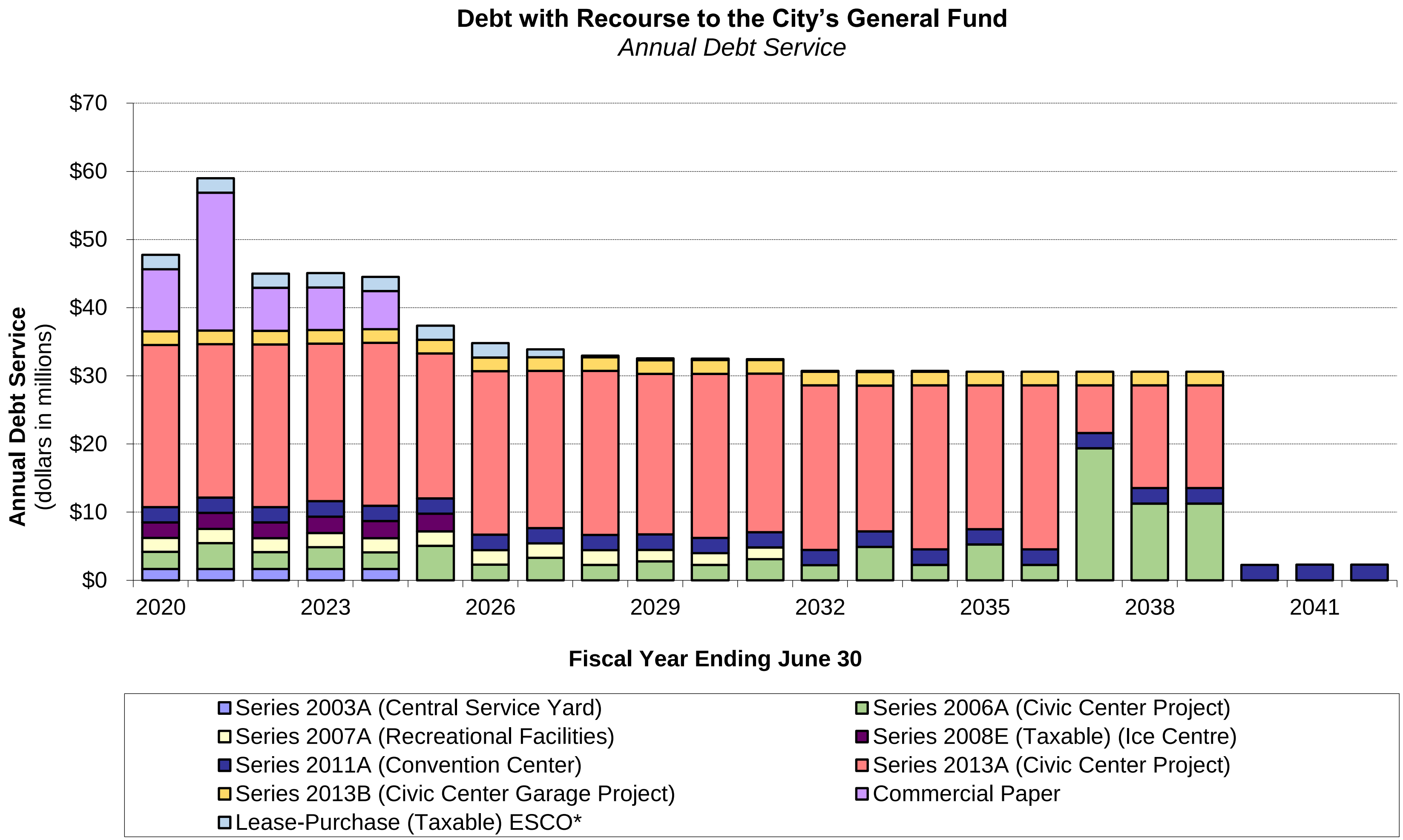
Financing projects are considered self-supporting where revenue generated from the project can be applied to offset, in whole or in part, the City's lease payments. To the extent that offsetting revenues are insufficient to completely cover the debt service payments for any of these bonds, the City's General Fund is committed to making up the difference. A short description of each of these self-supporting projects is listed below.

- Series 2007A (Recreational Facilities Refunding Project): These fixed rate bonds refunded all or a portion of several series of bonds as summarized below. After application of funds budgeted to redeem approximately $10 million of 2007A Bonds, the only project remaining is the Los Lagos golf course.
    - Series 1993B (Community Facilities Project): These bonds, which were partially refunded with proceeds of the Series 2007A Bonds, financed the construction of the Berryessa Community Center and the Ice Centre of San José, acquisition of Murdock Park, and made other funds available for the Hayes Mansion Phase I Improvement Project.
    - Series 1997A (Golf Course Project): These bonds, which were completely refunded with proceeds of the Series 2007A Bonds, financed the acquisition, renovation, and conversion of an 18-hole course to a 9-hole course with a driving range (the Rancho del Pueblo Golf Course).
    - Series 2000B (Tuers-Capitol Golf Course/Camden Park Refunding): These bonds, which were completely refunded with proceeds of the Series 2007A Bonds, financed construction of the City's 18-hole Los Lagos Golf Course and refunded outstanding certificates of participation issued by the Association of Bay Area Governments ("ABAG") for the Camden Neighborhood Park.
- Series 2008C and Series 2008D (Hayes Mansion Refunding Project): These variable rate bonds refunded the Series 2001 Bonds issued to finance the Hayes Mansion Phase III improvements and refund the Series 1995 Bonds issued to finance the Hayes Mansion Phase II improvements. On February 5, 2019, the City received sufficient proceeds from the sale of the Dolce Hayes Mansion to fully redeem the Series 2008C Bonds and Series 2008D on February 6, 2019, in the principal amount of $10,915,000 and $17,545,000, respectively.
- Series 2008E-1 and 2008E-2 (Ice Centre Refunding Project): These variable rate bonds refunded the Series 2000C Bonds, which financed or refinanced the construction of the Ice Centre and the construction of an additional ice rink at the facility, and the Series 2004A Bonds, which financed the expansion and renovation of the facility including construction of a fourth ice rink. Under the operator's Lease and Management Agreement with the City, the City receives fixed quarterly payments which covers debt

service on the bonds and funds capital repair and replacement reserves. To date, the General Fund has not subsidized debt service on these bonds.

- Series 2011A (Convention Center Expansion and Renovation Project): On April 12, 2011, a total of $138,400,000 of tax-exempt bonds were sold in two series. The City of San José issued $107,425,000 of special hotel tax bonds and the Authority issued its $30,985,000 Series 2011A tax-exempt lease revenue bonds to finance the costs of the Project. Only the lease revenue bonds are included in this category. The special hotel-tax bonds are reflected in the Land-Secured Financing section later in this report. Special hotel tax revenue remaining after funding principal and interest due on the special hotel tax bonds, (senior obligations), revenue is pledged to the payment of interest and principal on the Series 2011A lease revenue bonds. To date, special hotel tax revenues have been sufficient for payment on the 2011A Bonds.

The following chart illustrates the annual debt service associated with the bonds in this category.



* Lease Purchase Agreement is with the City, not the City of San José Financing Authority.

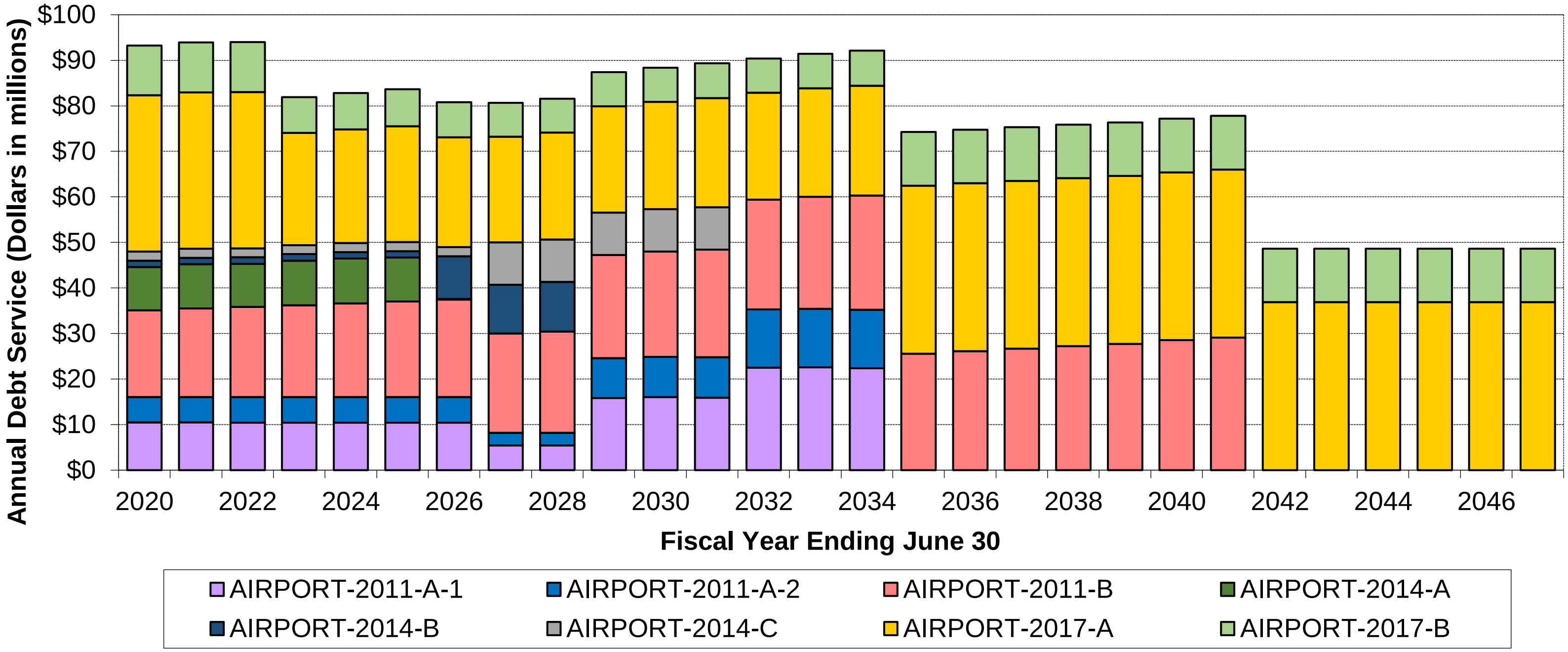
D. Enterprise Fund Obligations

1. Norman Y. Mineta San José International Airport

As of June 30, 2019, the total amount of Airport obligations outstanding was $1.2 billion, consisting of senior debt of $1.1 billion and $52 million of outstanding commercial paper ("CP"). The Airport's CP is subordinate to the revenue bonds.

The following chart illustrates the annual debt service requirements. CP is not shown in the graph because CP provides flexibility with amortization of principal and does not a have fixed amortization schedule.

Airport Revenue Bonds
Annual Debt Service



2. Debt Related to the San José-Santa Clara Regional Wastewater Facility

The San José – Santa Clara Clean Water Financing Authority (the "Clean Water Financing Authority") was created pursuant to a Joint Exercise of Powers Agreement between the City and the City of Santa Clara. The purpose was to finance the acquisition of, and additions and improvements to the existing San José – Santa Clara Water Pollution Control Plant (the "Plant"), currently known as the San José – Santa Clara Regional Wastewater Facility (the "RWF"). The total amount of outstanding sewer revenue bonds issued by the San José-Santa Clara Clean Water Financing Authority as of June 30, 2019 was $10.5 million. The Improvement Agreement, as amended, by and among the Clean Water Financing Authority, the City of San José, and the City of Santa Clara provides the terms and conditions under which the City of San José and the City of Santa Clara agree to make payments to the Clean Water Financing Authority for debt service on the Clean Water Financing Authority Series 2009A Bonds, the only series of Clean Water Financing Authority Bonds that are outstanding. With respect to the Series 2009A Bonds, the City of Santa Clara has no repayment obligation under the Improvement Agreement. The City of Santa Clara cash-funded its share of the South Bay Water Recycling Project in lieu of participating in the bond financings that were refunded by the Series 2009A Bonds.

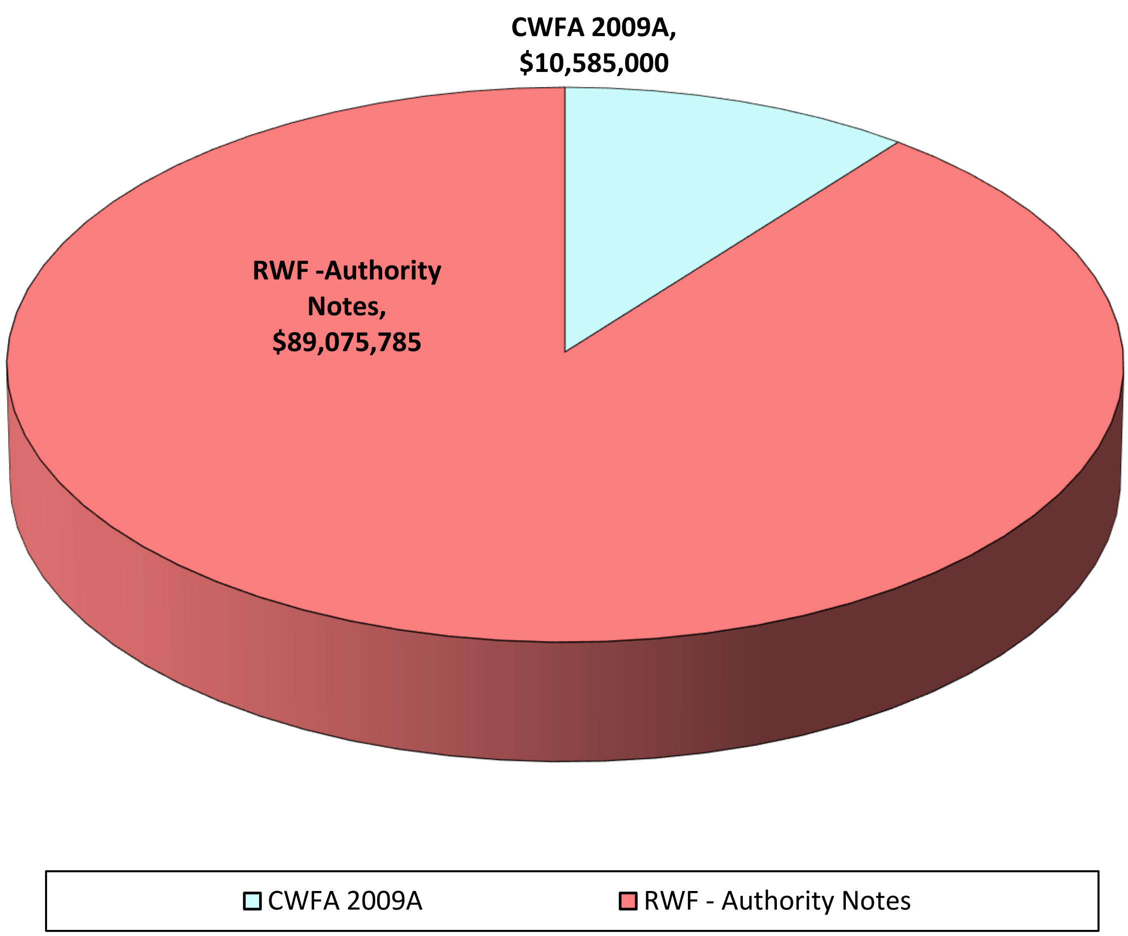
In November 2013, the City Council approved the Plant Master Plan ("PMP"), a 30-year planning-level document focused on long-term rehabilitation and modernization of the RWF. The PMP recommends more than 114 capital improvement projects to be implemented over a 30-year planning period at an estimated investment level of approximately $2 billion.

On October 19, 2017, pursuant to a Credit Agreement dated as of October 1, 2017 ("Credit Agreement") by and among the City, the Financing Authority, and Wells Fargo Bank, National Association (the "Bank"), the Financing Authority issued to the Bank (i) a subordinate tax-exempt wastewater revenue note in an amount not to exceed $300 million and (ii) a subordinate taxable wastewater revenue note in an amount not to exceed $300 million outstanding at any one time. The Credit Agreement effectively established an interim financing program under a three-year contract that enables the issuance of subordinate wastewater revenue notes that can be outstanding at any one time in an amount not to exceed $300 million to finance capital improvements at the RWF. Advances on the notes will be made on a regular basis to reimburse the City for capital costs incurred at the RWF. The source of repayment of the notes, including associated fee and interest costs, are installment payments made by the City to the Authority from pledged net system revenues received by the City related to the wastewater treatment system. Payments on the Notes are subordinate to payments on previously issued, currently outstanding obligations payable from net system revenues (Clean Water Financing Authority, Sewer Revenue Refunding Bonds, Series 2009A (the "CWFA 2009A Bonds") and the State Revolving Fund loan) and will be subordinate to payments on long-term bonds issued in the future. It is anticipated that the amounts outstanding on the notes will be refinanced during fiscal year 2020-21.

The City of San José and the City of Santa Clara have agreements with each of the tributary agencies for those agencies' share of capital costs and on-going operation expenses of the wastewater treatment system. The tributary agencies include the City of Milpitas, West Valley Sanitation District, Cupertino Sanitation District, Burbank Sanitary District, and County Sanitation District 2-3. These revenue streams along with other revenue sources generated from the wastewater treatment system and revenue from cities' sewer systems are applied toward the payment obligation to the City for repayment of the Series 2009A Bonds under the Improvement Agreement and the City's obligations under the CA SRF Loans. The final payment on the California State Revolving fund loan was May 1, 2019.

The Authority has drawn $89,075,785 of the aggregate principal amount of $300 million available to be drawn on the Notes through October 2019, as shown in the table below.

Clean Water Financing Authority Debt and Authority Notes Outstanding

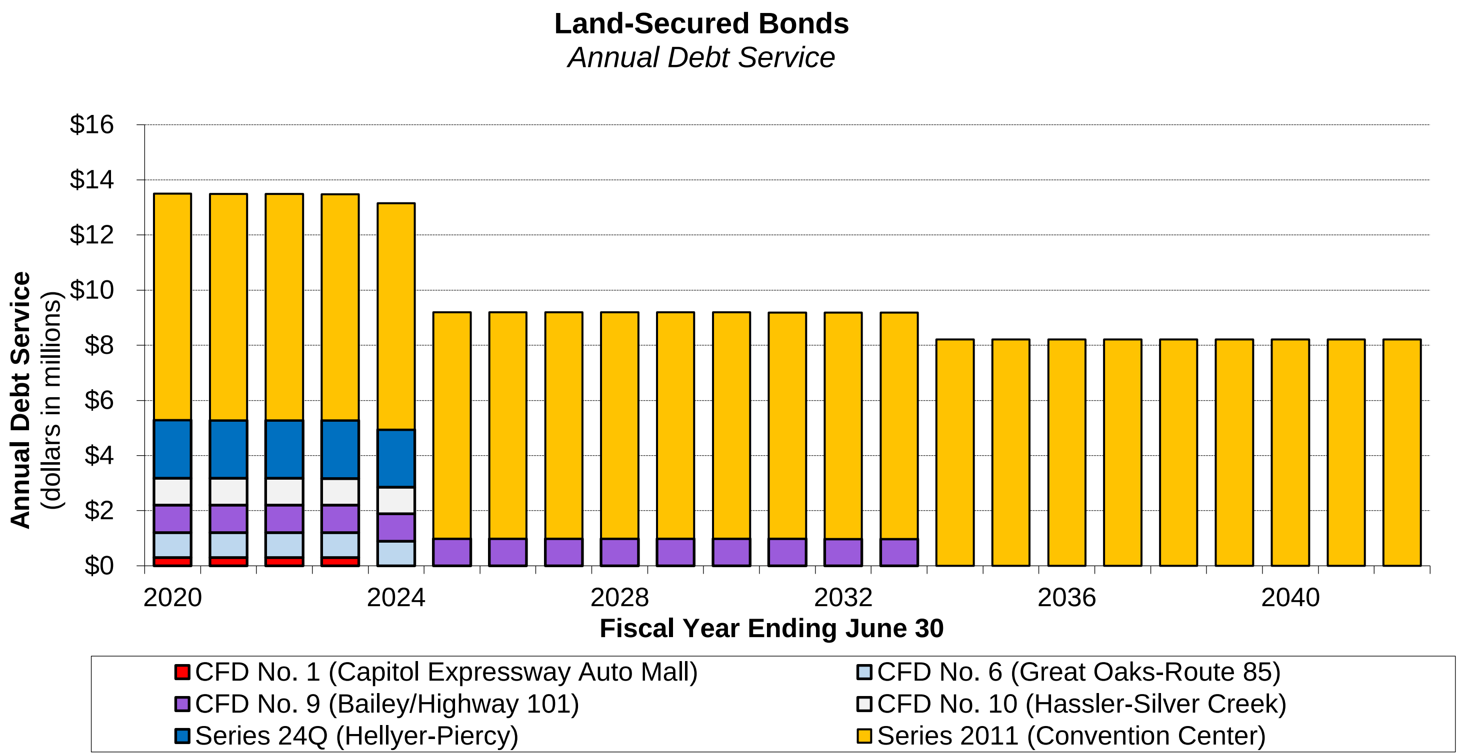


Final maturity for CWFA 2009A is November 15, 2020. Final maturity for RWF Authority Notes is 2021.

E. Land-Secured Financing

As of June 30, 2019, the City had four series of community facilities district ("CFD") bonds, one series of special assessment bonds, and a special hotel tax bond issue outstanding totaling $125.2 million. The largest outstanding bond issue is the Series 2011, Convention Center Expansion and Renovation Project. The City issued $107.4 million of special hotel tax bonds which together with the Authority-issued $31.0 million in lease revenue bonds are payable from the special tax imposed on hotel properties within the Convention Center Financing District ("CCFD"). The lease revenue bonds are reflected in the Authority section presented earlier in the report.

The chart below illustrates the total annual debt service requirements for the improvement district and community facilities district debt outstanding.



F. Successor Agency to the Redevelopment Agency of the City of San José

The former Redevelopment Agency of the City of José ("Agency") was established in 1956 by the San José City Council as a public entity legally separate from the City of San José ("City"). In January 1975, the City Council declared itself the Agency Board, replacing a separate board. Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a "Redevelopment Area". Redevelopment projects were developed in cooperation with private developers. Public redevelopment projects were also developed under cooperation agreements between the Agency and the City or other public entity that would own the project.

On June 28, 2011, Assembly Bill X1 26 ("AB X1 26") was enacted. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26, and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. AB X1 26 has since been amended by AB 1484 in 2012 and by SB 107 in 2015. AB X1 26, as so amended, is referred to herein as the Redevelopment Dissolution Law. The legislation provides for successor agencies and oversight boards to be responsible for overseeing the dissolution process and the wind down of redevelopment activity. On January 24, 2012, the City Council affirmed its decision to serve as the Successor Agency, effective February 1, 2012. SARA is a component unit of the City. Also upon dissolution, the City Council elected to retain the housing assets, functions and powers previously performed by the Agency.

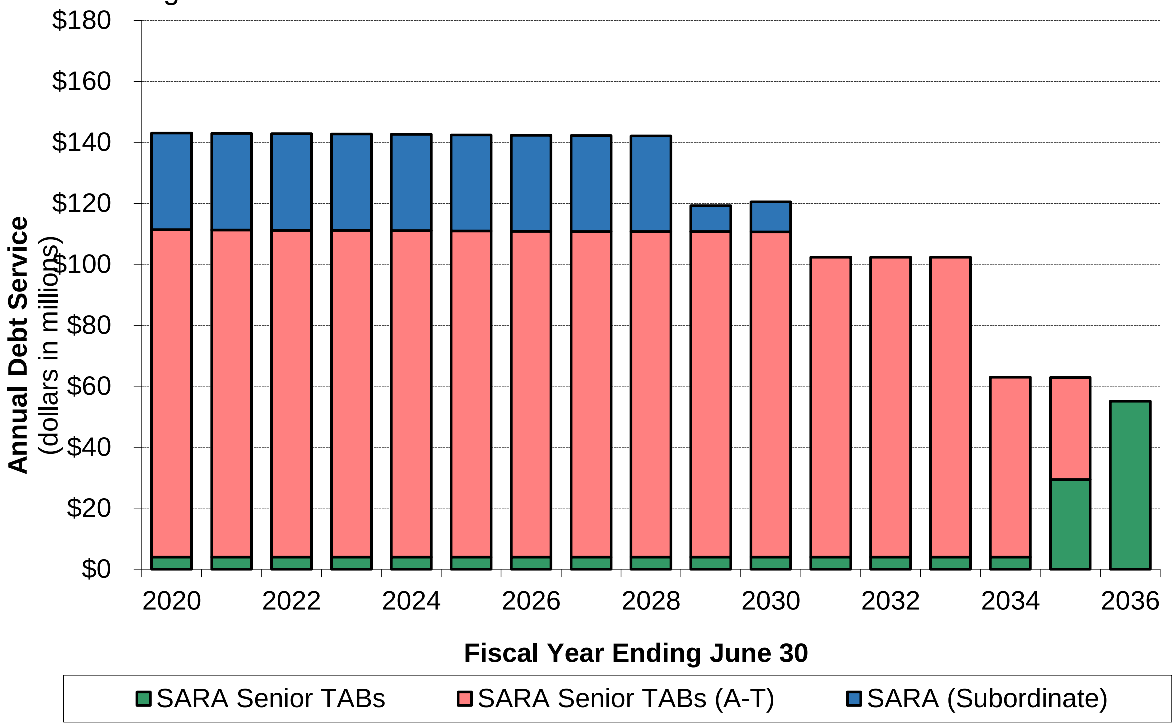
The Successor Agency is a separate public entity from the City, subject to the direction and oversight of a Board consisting of the Mayor and the other members of the City Council. The Successor Agency is also, pursuant to the Redevelopment Dissolution Law, subject to the direction and oversight of an Oversight Board. Through June 30, 2018, the Oversight Board was comprised of seven member representatives from local government bodies: two appointed by the Mayor; two appointed by the County of Santa Clara ("County"); one appointed by the County Superintendent of Education; one appointed by the Chancellor of California Community Colleges; and one appointed by the largest special district taxing entity in the Merged Project Area (currently the Santa Clara Valley Water District). In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

On December 21, 2017, the Successor Agency issued 2017 Senior Tax Allocation Refunding Bonds and the 2017 Subordinate Tax Allocation Refunding Bonds (the "2017 Refunding Bonds"). The 2017 Refunding Bonds were issued in the aggregate principal amount of $1,677,540,000, in two senior series and one subordinate series: (i) $79,825,000 of the tax-exempt senior lien 2017 Series A Bonds (the "2017A Bonds"), (ii) $1,333,325,000 of taxable senior lien 2017 Series A-T Bonds (the "2017A-T Bonds") and collectively (the "2017 Senior Tax Allocation Refunding Bonds"), and (iii) $264,390,000 of tax-exempt subordinate lien 2017 Series B Bonds (the "2017 Subordinate Tax Allocation Refunding Bonds" or " 2017B Bonds").

Proceeds of the 2017 Refunding Bonds were used to redeem and defease or prepay (i) 23 series of Successor Agency Senior and Subordinate Tax Allocation Bonds, the 4th and San Fernando Parking Facility Pledge Agreement entered into in connection with the Authority's Series 2001A Bonds and the Second Amended and Restated Reimbursement Agreement entered into in connection with the Authority's Series 2001F Bonds (collectively, the "Refunded Obligations") and (ii) pay the costs of issuing the 2017 Bonds, including the cost of debt service reserve insurance policies. The 2017 Refunding Bonds generated total debt service savings of $253,855,595 over the next eighteen years and net present value savings of $185,599,774 (discounted at the all-in true interest cost) or 10.82% of the Refunded Obligations.

The 2017 Refunding Bonds are secured and payable from Tax Revenues which is generally defined as the portion of property tax revenues collected in the Merged Project Area derived from incremental growth in assessed property values over the initial base year values in each of 17 component areas, less certain County administrative fees and the AB1290 statutory pass-through payment to the San José Unified School District and excluding the amounts collected pursuant to the pension override or State Water Project override provisions of the Dissolution Law. All other AB1290 statutory pass through payments and the negotiated pass through payments to Santa Clara County were subordinated to the 2017 Refunding Bonds. As of June 30, 2019, SARA had total debt outstanding of $1,893,567 billion, consisting approximately $1,617,104 billion in senior Tax Allocation Bonds and $276,463 million in subordinate Tax Allocation Bonds.

The following chart illustrates the total annual debt service requirements for SARA debt outstanding:



On October 10, 2018, the SARA sold one property (Convention Center South Hall Site) to the City for $47,000,000. The property was used as collateral for several HUD loans associated with the former Agency and the HUD loans ($16,310,000 principal plus $82,000 accrued interest) were paid in full at closing. The net sale proceeds of $30,594,000 were remitted to the County Auditor-Controller and were subsequently distributed to the appropriate local taxing entities per the Health and Safety Code.

G. Multifamily Housing Revenue Bonds

Multifamily housing revenue bonds are issued to finance the development (which includes new construction as well as acquisition and rehabilitation) by private developers of certain rental apartment projects. The City issues the bonds, typically on a tax-exempt basis, and then lends the proceeds to the developer/borrower. The bonds are limited obligations of the City, payable solely from loan repayments by the borrower and any credit enhancement. For multifamily housing revenue bonds to qualify for tax-exemption, generally one of two restrictions must apply: either at least 20 percent of the units in the housing development must be reserved for occupancy by individuals and families of very-low income (50% of area median income) or at least 40 percent of the units must be reserved for occupancy by individuals and families of low income (60% of area median income).

Since November 1985, the City has issued \$1.6 billion of bonds and notes for the City's multifamily housing program, which has financed 8,587 affordable housing units. As of June 30, 2019, the total principal amount of bonds outstanding for the housing program was \$771.9 million. It is important to note that in addition to conduit financing through multifamily housing revenue bonds, there are other vehicles available to the City to assist with the financing of affordable housing units, including loans, grants and 9% tax-credits. The elimination of redevelopment agencies statewide has significantly reduced the City's ability to facilitate the financing of affordable housing. The information presented in this report only represents affordable housing projects that were financed, in whole or in part, with bonds issued by the City. The table presented on the following pages summarizes the City's portfolio of multifamily revenue bonds and represents information provided by the City of San Jose Housing Department as of June 30, 2019.

Multifamily Housing Revenue Bonds
As of June 30, 2019

Project Name	Series	Date Issued	Issue Amount *(thousands)*	Balance *(thousands)*	Maturity/ Redemption	Affordable Units	Annual Fees
Fairway Glen	1985A	11/18/85	10,100	-	04/15/07	29	
Foxchase Drive	1985B	11/18/85	11,700	-	05/15/08	29	
Somerset Park Apartments	1987A	11/20/87	8,000	-	08/01/05	26	
Timberwood Apartments	1990A	02/01/90	13,425	-	09/01/05	166	
Timberwood Apartments	1990B (Sub.)	02/01/90	1,500	-	08/01/05	-	
Countrybrook Apartments	1992A	04/15/92	20,090	-	04/01/12	72	
Countrybrook Apartments	1992B (Tax.)	04/15/92	1,000	-	04/01/97	-	
Siena at Renaissance Square	1996A	08/22/96	50,000	-	12/01/29	271	
Siena at Renaissance Square	1996B	08/22/96	10,000	-	04/01/98	-	
Almaden Lake Village Apartments	1997A	03/27/97	25,000	25,000	03/01/32	142	33,750
Almaden Lake Village Apartments	1997B	03/27/97	2,000	-	03/29/00	-	
Coleman Senior Apartments	1998	04/24/98	8,050	-	05/01/30	140	
Italian Gardens Senior Apartments	1998	04/24/98	8,000	-	05/01/30	146	
Carlton Plaza	1998A	04/24/98	12,000	-	10/15/32	28	
Carlton Plaza	1998A (Tax.)	04/24/98	2,600	-	04/02/01	-	
The Gardens Apartments	1999A	05/12/99	18,970	-	01/01/32	286	
The Gardens Apartments	1999B (Tax.)	05/12/99	2,930	-	01/01/11	-	
Helzer Court Apartments	1999A	06/02/99	16,948	14,123	12/01/41	153	26,123
Helzer Court Apartments	1999B	06/02/99	3,950	-	12/01/08	-	
Helzer Court Apartments	1999B (Tax.)	06/02/99	2,271	-	12/01/04	-	
Ohlone-Chynoweth Commons Apartments	1999	06/04/99	16,200	-	06/01/39	192	20,250
Kimberly Woods Apartments	1999A	12/20/99	16,050	-	12/01/29	42	
Almaden Lake Village Apartments	2000A	03/29/00	2,000	2,000	03/01/32	-	
Sixth and Martha Family Apartments Phase I	2000	07/21/00	9,900	-	03/01/33	102	
Craig Gardens Apartments	2000A	12/05/00	7,100	3,310	12/01/32	89	8,875
El Parador Apartments	2000A	12/07/00	6,130	5,080	01/01/41	124	14,413
El Parador Apartments	2000B	12/07/00	900	-	01/01/16	-	na
El Parador Apartments	2000C	12/07/00	4,500	-	01/01/04	-	
Monte Vista Gardens Senior Housing	2000A	12/08/00	3,740	2,391	07/15/33	68	9,350
Willow Glen Senior Apartments	2000A	12/08/00	9,700		02/01/03	132	
Willow Glen Senior Apartments	2000B	12/08/00	1,320	-	02/01/03	-	
San Jose Lutheran Seniors Apartments	2001A-1	07/11/01	3,850	2,700	02/15/34	62	6,250
San Jose Lutheran Seniors Apartments	2001A-2	07/11/01	1,150	-	02/15/04	-	
Sixth and Martha Family Apartments Phase II	2001C	08/01/01	9,000	-	04/01/34	87	
The Villages Parkway Senior Apartments	2001D	08/01/01	6,800	-	04/01/34	78	
Lenzen Housing	2001B	08/22/01	8,395	-	02/20/43	87	
Lenzen Housing	2001B (Sub.)	08/22/01	1,100	-	10/01/03	-	

Multifamily Housing Revenue Bonds
As of June 30, 2019

Project Name	Series	Date Issued	Issue Amount *(thousands)*	Balance *(thousands)*	Maturity/ Redemption	Affordable Units	Annual Fees
Terramina Square Apts/North White Rd Proj	2001F	11/15/01	16,845	-	04/01/44	156	21,056
Villa de Guadalupe Apartments	2001E	11/27/01	6,840	-	01/01/32	41	n/a
Villa de Guadalupe Apartments	2001E (Tax.)	11/27/01	760	-	04/01/12	-	na
Almaden Senior Housing Apartments	2001G	12/05/01	6,050	2,385	07/15/34	65	7,563
Betty Anne Gardens Apartments	2002A	04/05/02	11,000	5,550	04/01/34	76	13,750
El Paseo Apartments	2002B	04/05/02	9,600	3,845	10/01/34	98	12,000
Sunset Square Apartments	2002E	06/26/02	10,904		06/01/34	94	n/a
Villa Monterey Apartments	2002F	06/27/02	11,000	10,300	07/15/35	119	13,750
Monte Vista Gardens Senior Hsg Apts, Phase II	2002C-1	07/24/02	3,465	2,544	02/01/35	48	4,581
Monte Vista Gardens Senior Hsg Apts, Phase II	2002C-2	12/13/02	200	-	02/01/05	-	
Pollard Plaza Apartments	2002D	08/06/02	14,000	5,795	08/01/35	129	17,500
Evans Lane Apartments	2002H	10/08/02	31,000	-	04/15/36	236	n/a
Hacienda Villa Creek Senior Apartments	2002G-1	10/10/02	4,453	2,929	12/01/34	79	8,750
Hacienda Villa Creek Senior Apartments	2002G-2	10/10/02	2,547	-	05/12/06	-	
Kennedy Apartment Homes	2002K	12/11/02	14,000	7,475	12/15/35	100	17,500
Fallen Leaves Apartments	2002J-1	12/18/02	13,360	9,185	06/01/36	159	23,500
Fallen Leaves Apartments	2002J-2 (Sub.)	12/18/02	3,340	2,445	05/01/36	-	na
Fallen Leaves Apartments	2002J-3 (Jr. Sub.)	12/18/02	2,100	-	07/31/07	-	
Turnleaf Apartments	2003A	06/26/03	15,290	15,090	06/21/36	152	19,113
The Oaks of Almaden Apartments	2003B-1	07/29/03	4,365	3,129	02/15/36	125	10,438
The Oaks of Almaden Apartments	2003B-2	07/29/03	3,985	-	10/04/05	-	
Cinnabar Commons	2003C	08/07/03	25,900	22,400	02/01/37	243	32,375
Almaden Family Apartments	2003D	11/14/03	31,300	24,615	11/15/37	223	39,125
Trestles Apartments	2004A	03/04/04	7,325	7,325	03/01/37	70	10,781
Trestles Apartments	2004A (Sub.)	03/04/04	1,300	1,131	04/15/37	-	na
Vintage Tower Apartments	2004B-1	06/28/04	4,150	2,656	01/15/37	59	6,875
Vintage Tower Apartments	2004B-2	06/28/04	1,350	-	11/01/06	-	
Delmas Park	2004C-1	10/15/04	13,780	11,941	01/01/47	122	24,224
Delmas Park	2004C-2	10/15/04	5,599	-	06/01/07	-	
Raintree Apartments	2005A	02/01/05	21,100	-	02/01/38	174	0
Paseo Senter I	2005B-1	12/21/05	6,142	4,188	12/01/38	115	7,500
Paseo Senter I	2005B-2	12/21/05	23,805	-	06/01/09	-	
Paseo Senter II	2005C-1	12/21/05	4,903	3,219	06/01/38	99	7,500
Paseo Senter II	2005C-2	12/21/05	19,776	-	12/01/08	-	

Multifamily Housing Revenue Bonds
As of June 30, 2019

Project Name	Series	Date Issued	Issue Amount *(thousands)*	Balance *(thousands)*	Maturity/ Redemption	Affordable Units	Annual Fees
Casa Feliz Studio Apartments	2007A	06/13/07	11,000	-	12/01/09	60	7,500
Almaden Family Apartments	2007B (Sub.)	12/17/07	6,385	-	11/15/37	124	na
Curtner Studios	2007C-1	12/19/07	5,520	4,575	12/01/39	178	7,500
Curtner Studios	2007C-2	12/19/07	3,275	-	06/01/09	-	
Fairgrounds Senior Housing Apartments	2008B	05/08/08	26,000	10,650	05/01/41	199	32,500
Las Ventanas Apartments	2008B	07/15/08	25,900	25,900	07/01/38	236	38,750
Brookwood Terrace Family Apts	2009B-1	12/23/09	7,780	7,065	01/01/44	83	17,000
Brookwood Terrace Family Apts	2009B-2	12/23/09	5,445	-	01/01/44	-	na
Fourth Street Apts	2010A-1	06/04/10	5,620	4,870	05/01/43	99	7,500
Fourth Street Apts	2010A-2	06/04/10	17,380	-	05/01/13	-	na
Orvieto Family Apartments	2010B-1	07/20/10	7,760	7,305	08/01/29	91	17,750
Orvieto Family Apartments	2010B-2	07/20/10	6,440	-	08/01/29	-	
Kings Crossing Apartments	2010C	09/17/10	24,125	2,372	09/01/45	92	7,500
Taylor Oaks Apartments	2011A-1	10/21/11	3,950	3,745	10/01/28	58	7,875
Taylor Oaks Apartments	2011A-2	10/21/11	2,350	-	04/01/24	-	na
1st and Rosemary Family Apartments	2012C	04/19/12	35,500	25,564	10/01/44	182	33,900
1st and Rosemary Senior Apartments	2012D	04/19/12	15,500	9,290	10/01/44	105	12,319
Mayfair Court Apartments	2012B-1	04/20/12	5,220	4,651	10/01/44	92	27,500
Mayfair Court Apartments	2012B-2	04/20/12	16,780	-	10/01/44	-	na
La Moraga Apartments	2012E	09/07/12	52,440	-	03/01/26	60	65,550
3rd Street Residential Apartments	2013A	06/27/13	6,630	3,821	07/01/33	36	8,288
Cambrian Center	2014A-1	10/17/14	19,035	12,443	05/01/47	151	32,047
Cambrian Center	2014A-2	10/17/14	19,035	12,443	05/01/47	-	na
Cambrian Center	2014A-3	10/17/14	1,695	-	11/01/18	-	na
Cambrian Center	2014A-4	10/17/14	1,695	-	11/01/18	-	na
Parkview Family Apartments	2014B	11/13/14	13,600	-	06/01/16	89	0
Parkview Senior Apartments	2014C	11/13/14	14,630	-	06/01/16	140	0
Poco Way Apartments	2015A-1	02/01/15	21,833	10,998	09/01/47	130	14,406
Poco Way Apartments	2015A-2	02/01/15	3,000	-	09/01/47	-	na
Canoas Terrace Apartments	2015B	10/30/15	22,700	21,428	05/01/48	112	28,375
Town Park Towers Apartments	2015C	10/14/15	45,250	22,523	04/01/48	216	28,750
Casa del Pueblo Apartments	2015D	12/04/15	30,000	-	12/01/17	163	0
Don de Dios Apartments	2016A	12/22/16	17,376	6,633	06/01/34	70	21,720
Villa De Guadalupe	2017A1 & A2	05/23/17	37,700	37,700	03/01/52	41	41,995
Villa De Guadalupe Junior	2017B	05/23/17	4,616	4,616	03/01/52	-	na
Catalonia Apartments	2017C	10/17/17	16,264	12,648	04/01/39	50	20,330
El Rancho Verde	2018A	08/28/18	277,700	277,700	09/01/48	700	0
El Rancho Verde	2018B	08/28/18	40,300	40,300	09/01/20	0	na
Grand Total			**$ 1,565,332**	**$ 771,988**		**8,890**	**$ 895,947**

H. Summary of Outstanding Debt

The following table summarizes all outstanding debt by series, excluding multifamily housing revenue bonds, pension, OPEB, and other liabilities of the City.

Summary of Outstanding Debt
As of 6/30/2019

	Issue Amount *(thousands)*	Issue Date	Call Date [2]	Final Maturity	Balance *(thousands)*
Long-Term Debt					
Governmental Activities					
City of San Jose					
General Obligation Bonds[1]:					
Series 2001 (Libraries and Parks)	$ 71,000	06/06/2001	9/1/2011	09/01/2031	$ 30,745
Series 2002 (Libraries, Parks, Public Safety)	116,090	07/18/2002	9/1/2012	09/01/2032	54,170
Series 2004 (Libraries, Parks, Public Safety)	118,700	07/14/2004	9/1/2013	09/01/2034	63,310
Series 2005 (Libraries and Public Safety)	46,300	06/23/2005	9/1/2015	09/01/2035	26,265
Series 2006 (Libraries and Parks)	105,400	06/29/2006	9/1/2016	09/01/2036	63,270
Series 2007 (Parks and Public Safety)	90,000	06/20/2007	9/1/2015	09/01/2037	57,000
Series 2008 (Libraries and Parks)	33,100	06/25/2008	9/1/2016	09/01/2038	22,050
Series 2009 (Public Safety)	9,000	06/25/2009	9/1/2017	09/01/2039	6,300
Lease-Purchase Agreement (Taxable) ESCO	19,286	05/29/2014	6/1/2018	06/01/2034	13,891
	$ 608,876				$ 337,001
City of San Jose Financing Authority					
Lease Revenue Bonds:					
Series 2003A (Central Service Yard)	$ 22,625	09/18/2003	10/15/2013	10/15/2023	$ 7,400
Series 2006A (Civic Center Project)	57,440	06/01/2006	6/1/2016	06/01/2039	51,670
Series 2007A (Recreational Facilities)	36,555	06/28/2007	8/15/2017	08/15/2030	18,550
Series 2008E-1 (Taxable) (Ice Centre)	13,015	07/03/2008	Any Time	06/01/2025	6,550
Series 2008E-2 (Taxable) (Ice Centre)	13,010	07/03/2008	Any Time	06/01/2025	6,540
Series 2011A (Conventional Center)	30,985	04/12/2011	5/1/2021	05/01/2042	28,705
Series 2013A (Civic Center Project)	305,535	05/28/2013	6/1/2023	06/01/2039	277,975
Series 2013B (Civic Center Garage Project)	30,445	06/19/2013	6/1/2023	06/01/2039	26,555
	$ 509,610				$ 423,945
Special Assessment Bonds					
Series 24Q (Hellyer-Piercy)	$ 27,595	06/26/2001	3/2/2002	09/02/2023	$ 9,135
Special Tax Bonds					
CFD No. 1 (Capitol Expressway Auto Mall)	$ 4,100	11/18/1997	11/1/2009	11/01/2022	$ 1,090
CFD No. 6 (Great Oaks-Route 85)	12,200	12/18/2001	9/1/2010	09/01/2023	3,900
CFD No. 9 (Bailey/Highway 101)	13,560	02/13/2003	9/1/2013	09/01/2032	9,015
CFD No. 10 (Hassler-Silver Creek)	12,500	07/23/2003	9/1/2010	09/01/2023	4,260
Series 2011 (Convention Center)	107,425	04/12/2011	5/1/2021	05/01/2042	97,785
	$ 149,785				$ 116,050
Government Activities Totals	**$ 1,295,866**				**$ 886,131**
Business-Type Activities					
Norman Y. Mineta San Jose International Airport					
Revenue Bonds:					
Series 2011A-1 (AMT)	$ 150,405	07/28/2011	3/1/2021	03/01/2034	$ 122,100
Series 2011A-2	86,380	07/28/2011	3/1/2021	03/01/2034	70,230
Series 2011B	271,820	12/14/2011	3/1/2021	03/01/2041	258,150
Series 2014A (AMT)	57,350	10/07/2014	3/1/2024	03/01/2026	49,155
Series 2014B (Non-AMT)	28,010	10/07/2014	3/1/2024	03/01/2028	28,010
Series 2014C (Non-AMT)	40,285	10/07/2014	3/1/2024	03/01/2031	40,285
Series 2017A (AMT)	473,595	04/11/2017	3/1/2027	03/01/2047	448,205
Series 2017B (Non-AMT)	150,675	04/11/2017	3/1/2027	03/01/2047	142,595
	$ 1,258,520				$ 1,158,730

Summary of Outstanding Debt (Continued) As of 6/30/2019						
		Issue Amount *(thousands)*	Issue Date	Call Date [2]	Final Maturity	Balance *(thousands)*
Clean Water Financing Authority						
Revenue Bonds:						
Series 2009A	$	21,420	01/29/2009	Non-callable	11/15/2020	$ 10,585
	$	21,420				$ 10,585
Business-Type Activity Totals	**$**	**1,279,940**				**$ 1,169,315**
Private Purpose Trust Activities						
Sucessor Agency						
Tax Allocation Bonds:						
Series 2017A Senior	$	79,825	12/21/2017	8/1/2027	8/1/2035	$ 79,825
Series 2017A-T Senior Taxable		1,333,325	12/21/2017	8/1/2027	8/1/2034	1,247,600
Series 2017B Subordinate		264,390	12/21/2017	8/1/2027	8/1/2029	240,155
Private Purpose Trust Activities Totals	**$**	**1,677,540**				**$ 1,567,580**
Long-Term Debt Totals	**$**	**4,253,346**				**$ 3,623,026**
Short-Term Debt						
City of San Jose Financing Authority						
Lease Revenue Commercial Paper Notes [3]	$	125,000	Various	Any Time	Various	$ 77,969
Wastewater System (RWF) Notes Payable[3]		300,000	Various	Any Time	Various	89,076
Clean Energy Revolving Credit Facility[3]		80,000	Various	Any Time	11/27/2023	-
Norman Y. Mineta San Jose International Airport						
Airport Revenue Commercial Paper Notes [3]	$	75,000	Various	Any Time	Various	$ 52,216
Short-Term Debt Totals	**$**	**580,000**				**$ 219,261**
GrandTotals	**$**	**4,833,346**				**$ 3,842,287**

(1) Does not include 2019A-D GO Bonds which were issued after June 30, 2019.

(2) In general, bonds are callable on any date after the stated call date. Because of the various interest payment modes, variable rate bonds are noted with "Anytime" and fixed-rate bonds are noted with an actual call date.

(3) The dollar amounts in the Issue Amount column for all commercial paper notes or credit facility are authoirzied amounts and the dollar amounts in the Balance column are the outstanding amounts that have been drawn.

APPENDIX A:

DEBT MANAGEMENT POLICY

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

EXHIBIT A

City of San José, California

COUNCIL POLICY

TITLE DEBT MANAGEMENT POLICY	**PAGE** 1 of 12	**POLICY NUMBER** 1-15
EFFECTIVE DATE May 21, 2002	**REVISED DATE** March 7, 2017	

APPROVED BY COUNCIL ACTION
5/21/02, Item 3.3, Res. No. 70977; 12/4/12, Item 3.7(b), Res. No. 76500, 6/10/14, Item 3.6(d), Res. No. 77020, 6/9/15, Item 3.12, Res. No. 77385; 3/7/17, Item SJFA(2)(a) Res. No. 78102.

POLICY

This Debt Management Policy sets forth certain debt management objectives, and establishes overall parameters for issuing and administering debt for which the City is financially obligated or is responsible for managing ("Debt Program"). Recognizing that cost-effective access to the capital markets depends on prudent management of the Debt Program, this Debt Management Policy (alternatively, "Policy") has been adopted by resolution.

DEBT MANAGEMENT OBJECTIVES AND GOALS

The purpose of this Debt Management Policy is to assist the pursuit of the following equally-important objectives and goals:

- Minimize debt service and issuance costs;
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Maintain full and complete financial disclosure and reporting;
- Ensure financial controls are in place with respect to proceeds of debt issuances; and
- Ensure compliance with applicable State and Federal laws.

GENERAL PROVISIONS

I. SCOPE OF APPLICATION

A. Entities Covered.

These policies establish the parameters within which debt may be issued by the City of San José, the City of San José Financing Authority, the Successor Agency to the Redevelopment Agency of the City of San José ("Successor Agency") and the City of San José Parking Authority ("Covered Entities"). Additionally, these policies apply to debt issued by the City on behalf of assessment, community facilities, or other special districts, and conduit-type financing by the City for multifamily housing or industrial development projects.

The City, as a member of Joint Powers Authorities such as the San José-Santa Clara Clean Water Financing Authority, will take these policies into account when considering approval of the issuance of Joint Powers Authority debt for which the City is financially obligated.

Supplemental policies, tailored to the specifics of certain types of financings, may be adopted by the City Council in the future. These supplemental policies may address, but are not limited to, the City's general obligation, lease revenue, enterprise, multifamily housing, and land-secured financings.

B. Types of Debt.

1. The following types of debt may be issued under this Policy subject to State and Federal law, the City's Charter, City's Municipal Code and City Council Policies, as may be applicable. Prior to issuance of debt, a reliable revenue source shall be identified to secure repayment of the debt.

   a. general obligation bonds.

   b. bond or grant anticipation notes.

   c. lease revenue bonds or notes, certificates of participation and lease purchase transactions.

   d. other revenue bonds or notes and certificates of participation.

   e. tax and revenue anticipation bonds or notes.

   f. land-secured financings, such as special tax revenue bonds and limited obligation assessment bonds.

g. tax increment financings to the extent permitted under State law.

h. conduit financings, such as financings for affordable rental housing and qualified 501 (c)(3) organizations.

2. Debt may be publicly issued or privately placed and may be issued on either a long term basis ("Long-term Borrowing") or short-term basis ("Short-term Borrowing") consistent with the provisions of this Policy.

3. From time to time, a Covered Entity may find that other forms of debt would further its public purposes and may approve the issuance of such debt without an amendment of this Policy.

II. RESPONSIBILITY FOR DEBT MANAGEMENT ACTIVITIES

The Finance Department will be responsible for managing and coordinating all activities related to the issuance and administration of debt, including the implementation of internal control procedures to ensure that the proceeds of debt will be directed to the intended use. The Director of Finance is appointed by the City Manager and is subject to his or her direction and supervision. In accordance with the City Charter, Article VIII, Section 806, the Director of Finance is charged with responsibility for the conduct of all Finance Department functions. Additionally, the Director of Finance serves as the Chief Financial Officer of the Successor Agency and as the Chief Financial Officer is responsible for the oversight of the Successor Agency's financial affairs, including use of the proceeds of debt issued by the Successor Agency.

Departments implementing debt-financed capital programs will work in partnership with the Finance Department to provide information and otherwise facilitate the issuance and administration of debt.

A. Debt Management Policy Review and Approval.

This Policy, adopted by resolution of each of the Covered Entities, will be reviewed annually by the Finance Department to ensure that the Policy remains current. It is the intention of the City Council that any modifications to this Policy will be reviewed by the assigned City Council Committee and forwarded to the City Council with the Committee's recommendation, unless otherwise directed by the City Council. Any modifications to this Policy are subject to approval by resolution of each of the Covered Entities.

B. Annual Debt Report.

The Finance Department will prepare an annual debt report for review by the assigned City Council Committee and forwarded by the Committee to the City

Council and the boards of the other Covered Entities for their consideration. The content of the annual debt report will include a summary of credit ratings, outstanding and newly-issued debt, a discussion of anticipated debt issues, refunding opportunities, a review of legislative, regulatory, and market issues, and an outline of any new or proposed changes to this Debt Management Policy.

C. Debt Administration Activities.

The Finance Department is responsible for debt administration activities, particularly investment of bond proceeds, monitoring compliance with bond covenants, implementing internal control procedures to ensure the use of proceeds of bonds or other debt will be directed to the intended use, monitoring use of facilities financed with tax-exempt debt, continuing disclosure, monitoring arbitrage compliance for tax-exempt debt, and ongoing interactions with credit rating agencies all of which shall be centralized within the Department.

III. PURPOSES FOR WHICH DEBT MAY BE ISSUED

A. Long-term Borrowing.

Long-term borrowing may be used to finance the acquisition or improvement of land, facilities, or equipment for which it is appropriate to spread these costs over more than one budget year and, with respect to the City, will be reflected in the Adopted Annual Capital Budget and Adopted Five-Year Capital Improvement Plan. Long-term borrowing may also be used to fund capitalized interest, costs of issuance, required reserves, and any other financing-related costs which may be legally capitalized. Long-term borrowing shall not be used to fund normal and re-occurring operating costs.

B. Short-term Borrowing.

In general, short-term borrowing through financing vehicles, such as commercial paper and lines of credit, will be considered as an interim source of funding for a capital improvement in anticipation of long-term borrowing or for the acquisition of equipment. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other financing-related costs. The final maturity of the debt issued to finance the project shall be consistent with the economic or useful life of the project and, unless the City Council determines that extraordinary circumstances exist, must not exceed seven (7) years. The City Council may also authorize the use of a short-term financing vehicle with a maturity longer than seven (7) years consistent with the useful life of the financed project if use of a short-term financing vehicle would be a beneficial component to the applicable debt portfolio. Additionally, short-term borrowing may be considered if available cash is insufficient to meet short-term operating needs.

C. Refunding.

Periodic reviews of outstanding debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve objectives relating to changes in covenants, call provisions, operational flexibility, tax status, issuer, or the debt service profile.

In general, refundings which produce a net present value savings of at least three percent (3%) of the refunded debt will be considered economically viable. Refundings which produce a net present value savings of less than three percent (3%) will be considered on a case-by-case basis. Refundings with negative savings will not be considered unless there is a compelling public policy objective that is accomplished by retiring the debt.

D. Lease Financing.

1. As used in this section, the term “lease financing” means any lease or sublease made between the City and another party for the purpose of financing the acquisition, construction or improvement by the City of real property or equipment. By way of example and not limitation, the term “lease financing” includes certificates of participation, lease revenue bonds or lease revenue notes.

2. Prior to bringing a lease financing to the City Council for approval, the Finance Department will perform initial due diligence on the project to be financed. The Finance Department’s due diligence review will include the following elements:

   a. Any lease financing must have an identified revenue source for repayment, which may include the general fund, eligible special funds or project revenues.

   b. Prior to embarking on a lease financing in which project revenues are identified as the repayment source, a feasibility study will be performed to determine the volatility of the revenue and provide a sensitivity analysis on project revenue projections including worst/best case scenarios, including without limitation, the impact on any repayment source identified as the backstop to the project revenues as the repayment source.

   c. The Finance Department will present the results of the due diligence review including any feasibility study to the City Council for review and consideration, in order to proceed with the preparation of the documents necessary for the lease financing, two-thirds majority approval by the City Council of the proposed plan of finance is required.

d. At the time the Finance Department brings forward the lease financing for City Council approval, the Finance Department will also provide the City Council with an update to the due diligence report and any feasibility study. Approval of the lease financing will require two-thirds majority approval by the City Council.

3. The provisions of this section will not apply to a refunding of a lease financing transaction.

DEBT ISSUANCE

I. DEBT CAPACITY

The Covered Entities will keep outstanding debt within the limits of applicable law and at levels consistent with its credit worthiness objectives. Without limiting the foregoing, the City will keep outstanding debt within the limits of the City's Charter, and the Successor Agency will issue debt to refund its outstanding debt consistent with applicable law.

In particular, the City will assess the impact of new debt issuance on the long-term affordability of all outstanding and planned debt issuance. Such analysis recognizes that the City has limited capacity for debt service in its budget, and that each newly issued financing will obligate the City to a series of payments until the bonds are repaid.

II. CREDIT QUALITY

Each Covered Entity seeks to obtain and maintain from rating agencies as selected by the applicable Covered Entity the highest possible credit ratings for all categories of short-term and long-term debt. The Covered Entities will not issue bonds directly or on behalf of others that do not carry investment grade ratings. However, the City will consider the issuance of non-rated special assessment, community facilities, multifamily housing, and special facility bonds.[1]

[1] In most cases, a bond which cannot achieve an investment-grade rating will not be rated at all, because there is little value from a bond-marketing perspective in a below investment-grade rating.

III. STRUCTURAL FEATURES

A. Debt Repayment.

Debt will be structured for a period consistent with a fair allocation of costs to current and future beneficiaries of the financed capital project and, consideration will be given, so that the maturity of the debt issue is consistent with the economic or useful life of the capital project to be financed.

B. Variable-rate Debt.

A Covered Entity may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of the securities. Such issuance must be consistent with applicable law and covenants of pre-existing bonds, and in an aggregate amount consistent with creditworthiness objectives. When making the determination to issue bonds in a variable-rate mode, consideration will be given in regards to the useful life of the project or facility being financed or refinanced or the term of the project requiring the funding, market conditions, and the overall debt portfolio structure when issuing variable rate debt for any purpose.

C. Derivatives.

Derivative products[2] may have application to certain borrowing programs. In certain circumstances these products can reduce borrowing cost and assist in managing interest rate risk. However, these products carry with them certain risks not faced in standard debt instruments. The Director of Finance will evaluate the use of derivative products on a case-by-case basis to determine whether the potential benefits are sufficient to offset any potential costs.

IV. PROFESSIONAL ASSISTANCE

The Covered Entities will utilize the services of independent financial/municipal advisors and bond counsel on all debt financings. The Director of Finance has the authority to periodically select service providers as necessary

to meet legal requirements and minimize net debt costs. Such services, depending on the type of financing, may include financial advisory, underwriting, trustee, verification agent, escrow agent, arbitrage consulting, and special tax consulting. The City Attorney's Office is responsible for selection of bond counsel and for publicly issued debt, disclosure counsel. Additionally, the City Attorney's Office will be responsible for the selection of disclosure counsel in those circumstances where the City Attorney's

[2] A derivative product is a financial instrument which "derives" its own value from the value of another instrument, usually an underlying asset such as a stock, bond, or an underlying reference such as an interest rate index.

Office determines it to be necessary or desirable to retain disclosure counsel to generally advise a Covered Entity with respect to its obligations under state and federal securities laws. The goal in selecting service providers, whether through a competitive process or when appropriate, a sole-source selection, is to achieve an appropriate balance between service and cost.

V. METHOD OF SALE

Except to the extent a competitive process is required by law, the Director of Finance shall be responsible for determining the appropriate manner in which to offer any securities to investors. The preferred method of sale is competitive bid. However, other methods such as negotiated sale and private placement may be considered on a case-by-case basis.

DISCLOSURE PRACTICES AND PROCEDURES

I. STATEMENT OF POLICY

The Covered Entities are committed to full and complete primary (prior to issuance) and secondary (post issuance) market disclosure in accordance with disclosure requirements established by the Securities and Exchange Commission and Municipal Securities Rulemaking Board, as may be amended from time to time. The Covered Entities are also committed to cooperating fully with rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, timely, and accurate financial information.

II. IMPLEMENTATION OF POLICY OBJECTIVES

A. Definitions.

For purposes of this section, the following definitions apply.

"Continuing Disclosure Agreement" means the certificate or agreement entered into by the City in connection with the sale of bonds in order to satisfy the requirements of Securities and Exchange Rule 15c2-12 that requires the City or Successor Agency, as applicable, to provide specified information and annual reports while the bonds remain outstanding.

"Offering Document" means the document prepared in connection with the sale of bonds to the public.

B. Written Policies and Procedures.

In order to carry out these policies objectives, the City Manager, in consultation with the City Attorney, will implement written disclosure policies and procedures related to the provision of financial and other relevant information to investors including preparation and review of Offering Documents before submission to the City Council or Successor Agency Board for approval, compliance with Continuing Disclosure Agreements, and other related topics.

C. Review and Approval of Offering Documents.

A Covered Entity's consideration of the approval of bonds and the Offering Document related to the bonds is to be placed on the applicable agenda as a new business matter and not on the Consent Calendar. Any Offering Document to be issued in connection with the sale of the bonds is to be transmitted to the Covered Entity's governing board in substantially final form for its consideration and approval to release to investors, subject to any updating required to make the Offering Document accurate and complete. The Covered Entity's review will consider whether the Offering Document includes all material information to an investor in the bonds -- meaning information where there is a substantial likelihood that the information would have actual significance in the deliberations of the reasonable investor. At the Covered Entity meeting at which the proposed sale of bonds is considered, the Covered Entity will have the opportunity to address questions to staff and the professional advisors regarding the information presented in the Offering Document.

D. Responsibility for Disclosure.

The City Manager and the Director of Finance are the designated officials for communicating information concerning the finances and other information about the City and the Successor Agency that a reasonable investor would consider to be material in making a decision to purchase or sell debt issued by the City, the Successor Agency or a Covered Entity on behalf of the City. Communications from other City or Successor Agency officials or employees regarding the financial condition of the City or Successor Agency will not be considered to be official communications to the investor marketplace.

DEBT ADMINISTRATION – INVESTMENTS, USE OF PROCEEDS AND TAX COMPLIANCE

I. INVESTMENT AND USE OF PROCEEDS

Investments of proceeds of bonds or other forms of debt shall be consistent with federal tax requirements and any applicable State law requirements, the City's Investment Policy as modified from time to time, and with requirements contained in the governing documents.

The Department of Finance will be responsible for the implementation of internal control procedures to ensure that the proceeds of debt, regardless of tax status, will be directed to the intended use. This responsibility is in addition to the specific requirements related to the monitoring use of tax-exempt proceeds specified below.

II. FEDERAL TAX COMPLIANCE

A. Responsible Department.

The Department of Finance will have primary responsibility for all ongoing tax compliance matters relating to tax-exempt debt issued by the City or a Covered Entity. The Director of Finance, in consultation with the City Attorney who may in turn consult with bond counsel, will be responsible for monitoring ongoing tax compliance matters relating to tax-exempt debt, including compliance with the arbitrage rebate requirements of Section 148 of the Internal Revenue Code, as set forth below. It is contemplated that additional policies and procedures will be implemented by either or both the City Manager and the Director of Finance to supplement the policies and procedures set forth in this Policy.

B. Arbitrage Compliance.

The Department of Finance will maintain a system of record keeping and reporting to meet the arbitrage compliance requirements of federal tax law for tax-exempt debt. In connection with this responsibility, the Department will:

1. program payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of bonds or notes, and no later than 60 days after the last bond or notes of each issue is redeemed;

2. during the construction period of each capital project financed in whole or in part by bonds or notes, monitoring the investment and expenditure of proceeds and consult with rebate experts as necessary to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the bonds or notes; and

3. retain copies of all arbitrage reports and account statements as described below in “Record Keeping Requirements”.

C. Use of Tax-Exempt Debt and Facilities.

The Director of Finance, together with the applicable City departments, will be responsible for:

1. monitoring the use of tax-exempt proceeds and the use of tax-exempt financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the debt to ensure compliance with covenants and restrictions set forth in the governing documents relating to the debt;

2. maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of tax-exempt debt, including a final allocation of tax-exempt proceeds as described below under "Record Keeping Requirements";

3. consulting with the City Attorney's Office and bond counsel in the review of any contracts or arrangements involving use of tax-exempt financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the governing documents relating to the tax-exempt debt;

4. maintaining records for any contracts or arrangements involving the use of tax-exempt financed or refinanced assets as described below under "Record Keeping Requirements";

5. conferring at least annually with personnel responsible for tax-exempt financed or refinanced assets to identify and discussing any existing or planned use of tax-exempt financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the governing documents relating to the tax-exempt debt; and

6. to the extent that the City discovers that any applicable tax restrictions regarding use of tax-exempt proceeds and tax-exempt-financed or refinanced assets will or may be violated, consulting promptly with the City Attorney's Office and bond counsel to develop a course of action to remediate any identified violation.

D. Record Keeping Requirements.

The Department of Finance and other applicable City departments, as may be necessary, will be responsible for maintaining the following documents for the term of each issue of tax-exempt debt (including debt issued to refinance existing debt, if any) plus at least three years:

1. a copy of the closing transcript(s) and other relevant documentation delivered to the City at or in connection with closing of the issue of tax-exempt, including any elections made by the City in connection therewith;

2. a copy of all material documents relating to capital expenditures financed or refinanced by tax-exempt debt proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for tax-exempt debt proceeds and evidence as to the amount and date for each draw down of tax-exempt debt proceeds, as well as documents relating to costs paid or reimbursed with tax-exempt debt proceeds and records identifying the assets or portion of assets that are financed or refinanced with tax-exempt debt proceeds, including a final allocation of tax-exempt debt proceeds;

3. a copy of all contracts and arrangements involving the use of tax-exempt debt-financed or refinanced assets; and

4. a copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements, in connection with any investment agreements, and copies of all bidding documents, if any.

CITY OF SAN JOSE

CAPITAL OF SILICON VALLEY

APPENDIX B:

POLICY FOR THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS

GENERAL MATTERS

I. ISSUER

The City of San José (the "City") shall be the issuer of all bonds financing multifamily housing rental projects (a "Project" or "Projects") within the City, except as provided below. The City's Housing Department and Finance Department will consider other issuing agencies as follows:

A. **The Redevelopment Agency**

Not applicable.

B. **ABAG, CSCDA, Other Conduits**

The City may agree to the issuance of bonds by the Association of Bay Area Governments ("ABAG"), California Statewide Community Development Authority ("CSCDA") or a similar issuing conduit provided that the City is not making a loan or grant to the Project and the Project is one of multiple projects being financed by the Project Sponsor through such issuing conduit agency in the same California Debt Limit Allocation Committee ("CDLAC") round under a similar financing program so as to result in economies of issuance.

C. **Special circumstances**

Another agency may issue bonds when merited by special circumstances of the Project and the financing.

Where the City is not the issuer of bonds for a Project, it shall be the City's policy to require the issuer to assume full responsibility for issuance and on-going compliance of the bond issue with federal tax and state laws. Where feasible, however, the City shall seek to hold The Equity and Fiscal Responsibility Act of 1986 Hearing, better known as the "TEFRA" Hearing for such Project.

II. FINANCING TEAM

The City shall select the financing team for all multifamily housing revenue bonds issued by the City. The Finance Department is responsible for selecting the financial advisor, trustee and the investment banker/underwriter (assuming a negotiated public sale of bonds). The City Attorney's Office is responsible for selecting the bond counsel firm. The financial advisor, investment banker and bond counsel shall be selected from approved lists determined from time to time by a request for qualifications/proposal process.

III. COORDINATION AMONG CITY DEPARTMENTS

The City recognizes that the issuance of housing bonds entails a coordinated effort among the Housing Department, Finance Department and City Attorney's Office. The Housing Department shall ensure that the Finance Department and the City Attorney's Office are provided with regular updates on projects that may involve the issuance of bonds.

THE FINANCING PROCESS

I. INITIAL MEETING WITH PROJECT SPONSOR

A. **Prior Due Diligence**

Prior to arranging an initial meeting with the Project Sponsor, the Housing Department shall perform initial due diligence on the Project Sponsor, including whether the Project Sponsor has ever failed to use an allocation from CDLAC and whether the Project Sponsor has failed to comply with the terms of any other City financings or City loans.

B. **Determination of Readiness**

Following the initial meeting, City representatives shall determine if the project is in a state of sufficient "readiness" to proceed with the CDLAC application process. This includes the status of the project in terms of the development process. In general, a project will be deemed "not ready" if the discretionary planning approvals will not have been completed by the time of the CDLAC application.

C. **Selection of Financing Team**

Following a determination of readiness, the Finance Department and City Attorney shall recommend the financial advisor, underwriter (if applicable) and bond counsel, as the case may be, for each project.

II. DEPARTMENTAL APPROVALS

Pursuant to the Delegation of Authority by the City Council, both the City's Directors of Finance and Housing must approve each Project, the financing, and the filing of a CDLAC application before the City can make an application to CDLAC for private activity bond allocation. The approval of the Finance and Housing Directors shall be evidenced by a jointly signed "Notice to Proceed" addressed to the Project Sponsor. The Notice to Proceed shall describe the project, identify the developer or Project Sponsor, the affordability mix, the proposed plan of finance and the amount of bond funding requested.

A. **Resolution**

The City Attorney's Office will be responsible for preparing a resolution for joint approval by the Directors of Finance and Housing. The resolution will:

1. Memorialize the Council's intent to issue the debt in order to induce others to provide project financing;
2. Authorize the filing of a CDLAC application; and
3. Authorize the execution of a Deposit and Escrow Agreement.

B. **TEFRA HEARING**

The TEFRA hearing will be held before the Director of Finance on the date specified in the TEFRA Notice. The Director of Finance has the discretion to have the TEFRA hearing held by the City Council.

III. CDLAC APPLICATIONS

A. **Description**

Before the City is legally able to issue private activity tax-exempt bonds for a project, an application must be filed with CDLAC in Sacramento and an allocation of the State ceiling on qualified private activity bonds must be approved by CDLAC.

B. **City to File**

The City is the applicant to CDLAC for each project to be financed with tax-exempt bonds issued by the City. The Housing Department will file all applications to CDLAC on behalf of project sponsors.

C. **Project Sponsor to Prepare Application**

Each project sponsor shall take responsibility for preparing the CDLAC application for its project with input from City representatives, the City's financial advisor and bond counsel.

D. **Deposit and Escrow Agreement**

The City will not file a Project Sponsor's CDLAC application unless the Project Sponsor executes a Deposit and Escrow Agreement and makes the necessary deposits specified in this Agreement. The Deposit and Escrow Agreement shall contain the items identified below. It shall be the responsibility of the Housing Department to see that all requirements under the Deposit and Escrow Agreement are met.

1. CDLAC Performance Deposit

   The Deposit and Escrow Agreement must require the payment of the CDLAC performance deposit, provided that current CDLAC rules require the payment of such deposit to the issuer.

2. City of San José Performance Deposit

   In addition to the CDLAC performance deposit, the Deposit and Escrow Agreement shall require the Project Sponsor to deposit $50,000 with the City as a City of San José performance deposit. This deposit shall be forfeited in the event that the City, on behalf of the Project Sponsor, receives an allocation but does not issue bonds. The deposit may be applied to pay costs of issuance or returned to the Project Sponsor as soon as practicable. By agreement between the City and the Project Sponsor, the Project Sponsor may designate its City loan as the source of payment in the event of forfeiture.

3. Financing Team Fees

   The Deposit and Escrow Agreement shall identify, if available, the fees of the bond counsel, financial advisor, and underwriter (if applicable). It shall be the responsibility of the Finance Department and the City Attorney's Office to identify these fees.

IV. **COUNCIL APPROVAL**

A. **Staff Report**

The Finance Department, in conjunction with the Housing Department and City Attorney's Office, shall prepare a staff report recommending final Council approval for a bond issue. The staff report shall be submitted to the City Manager's Office in accordance with the timing requirements of the then-current City procedures.

The staff report shall specify the approvals that are recommended, provide background on the project being financed, describe the financing structure, indicate any exceptions to the City's investment policy, describe the financing documents to be approved, identify the financing team participants, and seek approval of consultant agreements and financing participants that have not previously been approved by Council. The staff report should indicate if a separate City loan is being provided. However, the terms of that loan should be discussed in a separate staff report which, whenever possible, shall be submitted for the same agenda. The staff report shall be signed by the Directors of Finance and Housing.

The staff report should be submitted only after the major transaction terms (e.g., financing structure, security provisions, bond amount, maximum maturity, etc.) are identified and agreed to by the parties. The staff report may note that the bond issue is contingent upon certain other approvals and may identify certain issues to be resolved at a later time.

B. **Substantially Final Documents**

The City Council shall approve documents that are "substantially final" documents. Documents are in "substantially final" form if they identify the final security provisions and financing structure for the transaction. The City Attorney's Office shall determine whether documentation is in substantially final form.

C. **Council Meeting**

The Council meeting shall occur on a date after which all approvals from major financial participants (e.g., credit enhancement provider, bond purchaser, tax credit investor) have been obtained. At the discretion of the City Attorney and Finance Department, the Council may proceed with its approval process without such other final approvals if: (1) such final approval is likely; (2) the Council's approval is subject to such other party's final approval; and (3) the Council approval process cannot be delayed without jeopardizing the financing.

V. **BOND SALE AND CLOSING**

A. **Timing**

The bond sale and closing may commence only after the Council authorizes the bond issue, including the distribution of a Preliminary Official Statement, if applicable.

B. **Investment Agreements**

If authorized by the Council, the Project Sponsor, through its representative, which may include the underwriter or financial advisor, may solicit investment agreement providers for the purpose of reinvesting bond proceeds and revenues. The investment agreement providers must meet the City's requirements and the requirements in the bond resolution and trust indenture for the bonds. Bond counsel and the financial advisor shall review the investment agreement solicitation forms, the eligible providers, and the investment agreements.

C. **Payment of Issuance Fee**

The City's issuance fee shall be funded from the Costs of Issuance Fund held by the Trustee.

D. **Information Memorandum to Council**

Promptly after the issuance of all bonds for a CDLAC round, the City Finance Department shall prepare an information memorandum summarizing the salient points of each bond issue.

CITY FEES

I. **TEFRA HEARING FEE**

The City shall charge a fee of $5,000 for the administrative costs associated with holding a TEFRA hearing relating to a Project. The fee shall be payable prior to the date that notice of the TEFRA hearing is published. No separate TEFRA hearing fee shall be charged if the City or Redevelopment Agency is issuing the bonds for the Project.

II. **ISSUANCE FEE**

The City shall charge a fee for the administrative costs associated with issuing the bonds for a Project Sponsor. The fee shall be payable at bond closing and may be contingent on the bond sale. The issuance fee shall be based on the total amount of the bonds (both tax-exempt and taxable) to be issued in accordance with the following sliding scale:

$0 to $10 million: 0.5% of the principal amount of bonds issued, with a minimum fee of $30,000.

Over $10 million: 0.5% of the first $10 million principal amount of bonds; 0.25% of any additional amount.

III. **ANNUAL MONITORING FEE**

The City shall charge an annual fee for monitoring the restricted units. The fee shall be in an amount equal to 0.125% of the original principal amount of tax-exempt bonds issued. Except for non-profit or government agency Project Sponsors, the fee shall not be reduced until all of the tax-exempt bonds are retired and the bond regulatory agreement ceases to have validity or is no longer in effect, at which time it will terminate. Upon conversion to permanent financing, a nonprofit or government agency Project Sponsor, may have a reduction in their annual fee to 0.125% of the permanent bond amount after conversion subject, to a minimum annual fee of $7,500.

The City annual monitoring fee shall be paid "above the line," i.e., on a parity with bond debt service and trustee fees. This parity provides the greatest assurance that the City's fee will be paid, although it may reduce the amount that the Project Sponsor's lender may be willing to underwrite. The City may determine, at its sole discretion, to subordinate all or a portion of its annual fee to bond debt service only when the Housing Department has made a substantial loan to the Project, so long as the Project Sponsor provides adequate assurance of the payment of such fees. The City shall not subordinate its fee in circumstances where no City funds are subsidizing the Project.

CREDIT CONSIDERATIONS

I. **CREDIT ENHANCEMENT**

A. **General Policy**

It shall be the general policy of the City to encourage the use of credit enhancement for bonds issued by the City. Credit enhancement shall be a requirement for any multifamily bonds that are publicly distributed. The minimum rating on such credit enhancement shall be "A" or higher by Moody's, Standard & Poor's, and/or Fitch. This policy shall be subject to the exceptions described below.

B. **Forms of Credit Enhancement**

Credit enhancement may be in the form of a bank letter of credit, bond insurance, surety, financial guaranty, mortgage-backed security (e.g., Fannie Mae, Freddie Mac or Ginnie Mae) or other type of credit enhancement approved by the market. If the City has not previously issued bonds with a particular kind of credit enhancement, the Finance Department and financial advisor shall determine whether such credit enhancement is acceptable and whether marketing restrictions shall be imposed.

C. **Project Sponsor Responsibility**

It shall be the responsibility of the Project Sponsor to obtain and pay for the costs of credit enhancement. The City will assume no responsibility therefor.

II. **NON-CREDIT ENHANCED BONDS**

A. **General Policy**

It shall be the general policy of the City to require bonds that are not secured with credit enhancement to be sold through private placement or through a limited public offering to institutional or accredited investors. As an exception to this policy, the City may authorize the public distribution of non-credit enhanced bonds that are rated at least in the "A" category by Moody's, Standard & Poor's, and/or Fitch, after consultation with the underwriter and financial advisor. In connection with such authorization, the City shall consider the sophistication of the Project Sponsor, its financial resources, commitment to the community and other factors.

B. **Additional Requirements for Non-Rated Bonds**

Non-rated bonds must comply with the following additional requirements:

1. Minimum Denominations and Number of Bondholders

   In order to limit the transferability of non-rated bonds, the City shall seek minimum denominations of at least $100,000. In addition, the City may also limit the number of bondholders to further limit the transferability of non-rated bonds.

2. Qualified Institutional Buyer ("QIB") Letter

   The bond purchaser in a private placement or limited public offering must certify that it is a qualified or accredited investor (a "big boy letter"). Such letter must be signed by subsequent bond purchasers so long as the bonds remain unrated.

REFUNDING/RESTRUCTURING/REMARKETING

I. **General**

The City has issued both fixed rate and variable rate multifamily bonds. On occasion, the Project Sponsor may ask the City to refund those bonds to lower the interest rate, to remarket the bonds with a new credit enhancement, and/or to remarket the bonds as fixed rate bonds. The Project Sponsor will be responsible for all costs and fees related to the refunding.

II. **Optional Refunding**

A. **Reasons to Refund Outstanding Bonds**

A Project Sponsor may ask the City to refund its outstanding bonds for one of several reasons:

1. Lower the interest rate on fixed rate bonds at the call date (through the issuance of fixed rate or variable rate refunding bonds);
2. Substitute a new credit structure that was not expressly provided for in the existing documents; or
3. Restructure the existing debt.

B. **Financing Team**

The City shall select the financing team to implement the refunding. Where possible and if desired by the City, the financing team shall consist of the bond counsel, financial advisor and, if applicable, underwriter that were retained for the original financing.

C. **Legal/Documentation**

New documents shall be prepared to meet the City's then-current legal, credit, financial, and procedural requirements. The City shall follow the documentation process applicable to new bonds. Because the City's primary purpose in issuing multifamily housing bonds is to preserve and increase the supply of affordable housing in the City, if federal or state affordability, income, and/or rent restrictions have changed between the time of the original financing and the refunding bonds, the more restrictive provisions shall apply. If new requirements are more restrictive than existing requirements, the new requirements shall be applied in phases to new tenants over a period of time, not to exceed five (5) years, as determined by the Housing Department staff and the City Attorney.

D. **Bond Maturity**

Subject to the approval of bond counsel, the final maturity of the refunding bonds may be later than the final maturity of the prior bonds so as to allow the Project Sponsor the longest possible period for repayment under federal law.

E. **Compliance**

The City shall not proceed with a refunding if the Project is not in compliance with the current regulatory agreement, continuing disclosure reporting, or arbitrage rebate reporting and payment.

F. **Fees**

The Project Sponsor shall pay the following City fees in connection with the refunding:

1. Issuance Fee

   The City shall charge an issuance fee in accordance with the City's current policy on issuance fees for new projects.

2. Annual Monitoring Fee

   The City shall continue to charge the same annual fee for monitoring the Project as for the original bonds. Such fee shall not be reduced even if the refunding bond size is lower.

G. **Cash Flow Savings**

Cash flow savings from refunding fixed rate bonds at a lower fixed interest rate or a variable rate shall be applied as follows:

1. Projects with a City Loan

   A portion of the projected cash flow savings, to be determined by the Housing Department, shall be used to accelerate the repayment of the City loan, subject to restrictions in existing documents.

2. Projects with No City Loan

   The City Housing Department shall require the Project Sponsor to provide affordability or other financial concessions to the City as a condition for refunding. Such concessions may include increasing the percentage of affordable units and extending the term of affordability restrictions.

H. **City Council Approval**

All refunding bonds and related legal documentation must be approved by the City Council in accordance with the procedures set for the issuance of new bonds.

III. **DEFAULT REFUNDING**

A. **General**

In the event of a default on the bonds or the underlying mortgage, a fixed rate bond issue may be refundable in advance of the call date without premium. The issue does not arise with variable rate bonds, as such bonds are callable at any time. Default refunding bonds are an area of potential sensitivity for the City as it will not want a developer to manufacture a default to take advantage of more favorable interest rates.

B. **Financing Team**

The City shall select the financing team to implement the refunding. Where possible and if desired by the City, the financing team shall consist of the bond counsel, financial advisor and, if applicable, underwriter that were retained for the original financing.

C. **Confirming the Default**

To confirm a default, the City must receive a notice from an independent party, such as the bond trustee. If applicable, notice of cash flow insufficiency is then filed as part of the Continuing Disclosure

Certificate. In addition, the City shall retain, at the expense of the Project Sponsor, an independent feasibility consultant to review the default. The City will proceed with the transaction only if a review by staff and the independent consultant indicates that:

1. Net cash flow from the Project is currently insufficient to pay debt service on the outstanding bonds and is unlikely to do so within a reasonable period;
2. The Project is being operated in accordance with reasonable real estate management practices and the net operating income has not been artificially reduced by failing to rent units actively, inflating operating expenses, or other reasons within the control of the Project Sponsor; and
3. The Project Sponsor has provided audited operating statements, Continuing Disclosure filings (if applicable), and arbitrage rebate reports for all years, has cooperated in providing requested information, and has used operating income and other resources to pay debt service.

D. **Additional Requirements**

1. Indemnification

   The City shall be indemnified as to any costs incurred as a result of the refunding. Such indemnification shall come from a party or parties with adequate net worth or other financial capacity and whose assets are not limited to ownership of the Project.

2. Future Debt Coverage

   The analysis of the feasibility consultant shall show that, upon the refunding, the Project's current net operating income will be at least sufficient to pay the revised debt service plus a reasonable coverage ratio (or adequate non-bond proceeds will be available to cover such deficiencies). In other words, the City shall not proceed with the refunding if it will not cure the cash flow problem.

3. Bond Counsel Review

   Bond counsel shall have determined that the original bond and disclosure documents provided adequate disclosure of such a potential redemption and that the provisions of the prior documents have been satisfied.

4. Compliance

   The City shall not proceed with a refunding if the Project is not in compliance with the current regulatory agreement, continuing disclosure reporting, or arbitrage rebate reporting and payment.

E. **Fees**

The fees and expenses of the feasibility consultant, financial advisor and bond counsel shall not be contingent on their findings or completion of a refunding. The City shall require that the Project Sponsor deposit the estimated fees and expenses with the City prior to the commencement of any analysis.

F. **Affordability Restrictions**

The affordability requirements for a default refunding shall be the same as those listed under "Legal/Documentation" for an optional refunding.

G. **City Council Approval.**

1. Initial City Council Approval

   The Finance Department, in conjunction with the Housing Department and City Attorney's Office, shall obtain initial City Council approval prior to proceeding with any documentation for a default refunding. Initial City Council approval shall occur after the independent feasibility consultant performs the initial analysis, a default is confirmed, and it is determined that a refunding will cure the cash flow problem.

2. Final City Council Approval

   The Finance Department, in conjunction with the Housing Department and City Attorney's Office, shall obtain final City Council authorizing the bond issue and execution of the relevant documentation.

H. **City Fees**

The City shall charge the same issuance fee and annual monitoring fee that it otherwise would in conjunction with a new bond issue.

IV. **REMARKETING**

A. **General**

A Project Sponsor may ask the City to remarket outstanding bonds under one of three basic scenarios: (1) converting variable rate bonds to fixed rate bonds; (2) a mandatory tender of bonds; or (3) substituting a new credit enhancement for the bonds in accordance with existing documentation.

B. **Financing Team**

The City shall select the financing team to implement the refunding. Where possible and if desired by the City, the financing team shall consist of the bond counsel, financial advisor and, if applicable, underwriter that were retained for the original financing.

C. **Legal/Documentation**

A remarketing of fixed rate bonds will not require new legal documentation. However, the City Attorney's Office, in conjunction with bond counsel, may require a new disclosure document. A remarketing of bonds with a new credit enhancement may require amended documentation, as well as a new disclosure document, as determined by the City Attorney's Office and bond counsel.

D. **Fees**

A remarketing will not result in the payment of additional or revised City issuance or annual fees. However, the City shall charge a fee of $10,000 to $25,000 to the Project Sponsor for administrative costs.

E. **Council Approval**

All remarketed bonds and any related documentation shall be approved by the City Council prior to any remarketing.

APPENDIX C:

CURRENT RATINGS SUMMARY

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

CURRENT RATINGS SUMMARY

The table below shows the long-term and short-term ratings scales from Moody's Investor Service (Moody's), Standard & Poor's (S&P) and Fitch Ratings (Fitch). The ratings for bonds issued by the City and its related entities are summarized on the Current Ratings Summary table on the following pages.

<table>
<tr><th colspan="8">Rating Scale</th></tr>
<tr><th colspan="4">Moody's</th><th colspan="2">S&P</th><th colspan="2">Fitch</th></tr>
<tr><th>Long-term</th><th colspan="3">Short-term</th><th>Long-term</th><th>Short-term</th><th>Long-term</th><th>Short-term</th></tr>
<tr><td>Aaa</td><td rowspan="6">MIG1</td><td rowspan="6">VMIG1</td><td rowspan="6">P-1</td><td>AAA</td><td rowspan="4">A-1+</td><td>AAA</td><td rowspan="4">F1+</td></tr>
<tr><td>Aa1</td><td>AA+</td><td>AA+</td></tr>
<tr><td>Aa2</td><td>AA</td><td>AA</td></tr>
<tr><td>Aa3</td><td>AA-</td><td>AA-</td></tr>
<tr><td>A1</td><td>A+</td><td rowspan="2">A-1</td><td>A+</td><td rowspan="2">F1</td></tr>
<tr><td>A2</td><td>A</td><td>A</td></tr>
<tr><td>A3</td><td>MIG2</td><td>VMIG2</td><td rowspan="2">P-2</td><td>A-</td><td rowspan="2">A-2</td><td>A-</td><td rowspan="2">F2</td></tr>
<tr><td>Baa1</td><td rowspan="3">MIG3</td><td>VMIG3</td><td>BBB+</td><td>BBB+</td></tr>
<tr><td>Baa2</td><td rowspan="16">SG</td><td rowspan="2">P-3</td><td>BBB</td><td rowspan="2">A-3</td><td>BBB</td><td rowspan="2">F3</td></tr>
<tr><td>Baa3</td><td>BBB-</td><td>BBB-</td></tr>
<tr><td>Ba1</td><td rowspan="14">SG</td><td rowspan="14">Not prime</td><td>BB+</td><td rowspan="6">B</td><td>BB+</td><td rowspan="6">B</td></tr>
<tr><td>Ba2</td><td>BB</td><td>BB</td></tr>
<tr><td>Ba3</td><td>BB-</td><td>BB-</td></tr>
<tr><td>B1</td><td>B+</td><td>B+</td></tr>
<tr><td>B2</td><td>B</td><td>B</td></tr>
<tr><td>B3</td><td>B-</td><td>B-</td></tr>
<tr><td>Caa1</td><td>CCC+</td><td rowspan="5">C</td><td rowspan="5">CCC</td><td rowspan="5">C</td></tr>
<tr><td>Caa2</td><td>CCC</td></tr>
<tr><td>Caa3</td><td>CCC-</td></tr>
<tr><td>Ca</td><td>CC</td></tr>
<tr><td></td><td>C</td></tr>
<tr><td>C</td><td rowspan="3">D</td><td rowspan="3">/</td><td>DDD</td><td rowspan="3">/</td></tr>
<tr><td>/</td><td>DD</td></tr>
<tr><td>/</td><td>D</td></tr>
<tr><td colspan="8">A-category = Highest quality
B-category = Medium grade, speculative
C-category = Lowest grade, highest speculation
D-category = Default, questionable value</td></tr>
</table>

Current Ratings Summary
As of November, 2019

	Moody's	S&P	Fitch
City of San José			
General Obligation Bonds			
Series 2019A-1 (Disaster Preparedness, Public Safety and Infrastructure)	Aa1	AA+	AA+
Series 20019A-2 (Disaster Preparedness, Public Safety and Infrastructure)	Aa1	AA+	AA+
Series 2019B (Disaster Preparedness, Public Safety and Infrastructure) (1)	Aa1	AA+	AA+
Series 2019C (Libraries, Parks and Public Safety)	Aa1	AA+	AA+
Series 2019D (Libraries, Parks and Public Safety)	Aa1	AA+	AA+
City of San José Financing Authority			
Lease Revenue Bonds			
Series 2003A (Central Service Yard) (1)	Aa2	AA	AA
Series 2006A (Civic Center Project) (1)	Aa2	AA	AA
Series 2007A (Recreational Facilities) (1)	Aa3	AA	AA
Series 2008E (Taxable) (Ice Centre) Bank-Owned: U.S. Bank (expires 12/13/2019)	Not rated	Not rated	Not rated
Series 2011A (Convention Center)	Aa3	AA	-
Series 2013A (Civic Center)	Aa2	AA	AA
Series 2013B (Civic Center Garage)	Aa2	AA	AA
Commercial Paper Notes			
Lease Revenue Commercial Paper Notes			
LOC: State Street/U.S. Bank (expires 2/23/22)	P-1	A-1+	F1+
Wastewater Revenue Notes			
Regional Wastewater Facility (Obligor Rating) (5)	Aaa	AAA	AAA

Norman Y. Mineta San José International Airport			
Airport Revenue Bonds			
Series 2011A-1 (AMT)	A2	A	A
Series 2011A-2 (Non-AMT)	A2	A	A
Series 2011B (Taxable) (2)	A2	A	A
Series 2014A (AMT)	A2	A	A
Series 2014B (Non-AMT)	A2	A	A
Series 2014C (Non-AMT)	A2	A	A
Series 2017A (AMT) (3)	A2	A	A
Series 2017B (AMT)	A2	A	A
Subordinated Commercial Paper Notes			
CP Series A-1 (Non-AMT)			
LOC: Bank of America N.A. (expires 10/10/2021) (4)	P-1	A-1	F1
CP Series A-2 (Private Activity Non-AMT)			
LOC: Bank of America N.A. (expires 10/10/2021) (4)	P-1	A-1	F1
CP Series B (AMT)			
LOC: Bank of America N.A. (expires 10/10/2021) (4)	P-1	A-1	F1
CP Series C (Taxable)			
LOC: Bank of America N.A. (expires 10/10/2021)(4)	P-1	A-1	F1
Clean Water Financing Authority			
Sewer Revenue Refunding Bonds			
Series 2009A	Aa2	AAA	AAA
Special Hotel Tax Revenue Bonds			
Series 2011 (Convention Center)	A2	A+	-
Successor Agency to the Redevelopment Agency			
SARA Tax Allocation Bonds			
Series 2017A Senior	--	AA-	AA
Series 2017(A-T) (Senior Taxable)	--	AA-	AA
Series 2017B Subordinate	--	AA-	AA

(1) Insured by Ambac - Not rated

(2) Insured by Assured Guaranty Municipal Corp. ("AGM") - A2/AA/NR

(3) Insured by Build America Mutual ("BAM") – NR/AA/NR

(4) Bank of America replaced Barclays as the LOC provider effective September 1, 2018

(5) Obligor Ratings means the ratings assigned by each Rating Agency to the Clean Water Financing Authority Series 2009A bonds while outstanding, thereafter ratings may be assigned based on at least one issue of unenhanced long-term debt constituting, or secured by obligations constituting parity obligations under the master resolution.

"-" denotes bonds that are not rated by the respective rating agency.

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

APPENDIX D:

OVERLAPPING DEBT REPORT

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

OVERLAPPING DEBT REPORT

Contained within the City are overlapping local agencies providing public services. These local agencies have outstanding bonds issued in the form of general obligation, lease revenue, and special assessment bonds. A statement of the overlapping debt of the City, prepared by California Municipal Statistics, Inc., as of June 30, 2019, is shown in this appendix. The City makes no representations as to the completeness or accuracy of such statement.

CITY OF SAN JOSÉ
STATEMENT OF DIRECT AND OVERLAPPING DEBT

Direct and Overlapping Tax and Assessment Debt:	**% Applicable**	**Debt 6/30/19**
Santa Clara County	37.677%	$356,884,079
Foothill-De Anza Community College District	3.992	24,756,144
Gavilan Joint Community College District	5.149	6,525,585
San José-Evergreen Community College District	85.376	398.420.422
West Valley Community College District	31.729	201,577,510
Morgan Hill Unified School District	11.933	16,173,988
San José Unified School District	98.415	491,311,324
Santa Clara Unified School District	22.141	236,428,240
Campbell Union High School District	59.384	231,208,635
East Side Union High School District	96.189	897,005,008
Fremont Union High School District	8.820	49,586,930
Los Gatos-Saratoga Joint Union High School District	0.886	848,434
Alum Rock Union School District	77.230	77,801,502
Berryessa Union School District	95.919	78,416,690
Cambrian School District	64.304	31,840,090
Campbell Union School District	46.639	90,841,223
Cupertino Union School District	15.720	43,110,261
Evergreen School District	99.403	137,143,524
Franklin-McKinley School District	99.466	135,755,093
Los Gatos Union School District	1.818	1,472,126
Luther Burbank School District	19.790	1,698,396
Moreland School District	74,923	77,726,807
Mount Pleasant School District	88.104	16,376,059
Oak Grove School District	99.914	205,121,003
Orchard School District	100.000	37,510,982
Union School District	72.469	74,826,524
City of San José	**100.000**	**323,110,000**
City of San José Community Facilities Districts	100.000	18,265,000
City of San José Special Assessment Bonds	100.000	9,135,000
Midpeninsula Regional Open Space District	0.012	11,095
Santa Clara Valley Water District Benefit Assessment District	37.899	27,718,969
Total Direct and Overlapping Tax and Assessment Debt		$ 4,298,606,643

	% Applicable	Debt 6/30/19
Direct and Overlapping General Fund Debt:		
Santa Clara County General Fund Obligations	37.677%	$267,709,824
Santa Clara County Pension Obligations	37.677	132,765,791
Santa Clara County Board of Education Certificates of Participation........	37.677	1,603,156
Foothill-De Anza Community College District General Fund Obligation ...	3.992	1,066,782
Gavilan Joint Community College District General Fund Obligations….	5.149	694,394
San José-Evergreen Community College District Benefit Obligations	85.376	40,510,912
West Valley-Mission Community College District General Fund Obligations	31.729	19,735,438
Morgan Hill Unified School District Certificates of Participation	11.933	1,611,552
San José Unified School District Certificates of Participation....................	98.415	10,633,741
Santa Clara Unified School District Certificates of Participation................	22.141	3,025,568
East Side Union High School District Benefit Obligations	96.189	27,130,107
Los Gatos-Saratoga Joint Union High School District Certificates of Participation..	0.886	31,347
Campbell Union High School District General Fund Obligations...............	59.384	5,938,400
Alum Rock Union School District Certificates of Participation	77.230	14,048,137
Berryessa Union School District Certificates of Participation	95.919	4,191,712
Campbell Union School District General Fund Obligations	46.639	1,249,925
Franklin-McKinley School District Certificates of Participation	99.466	3,322,164
City of San José General Fund Obligations...	**100.000**	**423,945,000**
Midpeninsula Regional Open Space Park District General Fund Obligations	0.012	14,094
Santa Clara County Vector Control District Certificates of Participation ...	37.677	845,849
Total Gross Direct and Overlapping General Fund Debt		$960,073,893
Less: Santa Clara County supported obligations		(121,270,377)
Total Net Direct and Overlapping General Fund Debt		$ 838,803,516
Overlapping Tax Increment Debt (Successor Agency)	100.000	$ 1,1,567,580,000
Total Direct Debt		**$ 747,055,000**
Total Gross Overlapping Debt		$ 6,079,205,536
Total Net Overlapping Debt		$ 5,957,935,159
Gross Combined Total Debt[1]		$ 6,826,260,536
Net Combined Total Debt		$ 6,704,990,159

Ratios to 2017-18 Assessed Valuations:

Direct Debt ($323,110,000)..	0.18%
Total Direct and Overlapping Tax and Assessment Debt..........................	2.36%
Total Direct Debt ($747,055,000)	0.41%
Gross Combined Total Debt	
Net Combined Total Debt	3.75%
	3.69%

Ratios to Redevelopment Successor Agency Incremental Valuation ($30,623,181,537):

Total Overlapping Tax Incremental Debt	5.12%

(1) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue bonds and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

Source: California Municipal Statistics, Inc.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

APPENDIX E:

SPECIAL TAX ANNUAL REPORT

SPECIAL TAX ANNUAL REPORT

This information is provided in the Annual Debt Report to the City Council pursuant to California Government Code Sections 50075, 50075.3, 53410 and 53411. California Government Code Section 50075 requires that on or after January 1, 2001, any local special tax measure that is subject to voter approval that would provide for the imposition of a special tax by a local agency shall provide accountability measures that include an annual report. California Government Code Sections 53410 and 53411 require the same type of annual report for voter approved bond measures.

Pursuant to Government Code Section 50075.3 and 53411, the Chief Financial Officer of the levying local agency shall file the annual report with its governing body no later than January 1, 2002, and at least once a year thereafter. The annual report shall contain both of the following: (a) the amount of funds collected and expended; and (b) the status of any project required or authorized to be funded as identified in the applicable measure.

Special Tax Annual Report
FY 2018-19

Date of Election	Special Tax or Bond Measure	YTD Revenue Status by Fund[1]	YTD Program Expense by Fund[1]	Status of Funded Projects
11/07/2000	San José Neighborhood Libraries Bonds	See Note 2	See Note 2	20 Completed, Misc. projects
11/07/2000	San José Neighborhood Parks and Recreation Bonds	See Note 2	See Note 2	95 Completed, 2 Design/Construction
03/05/2002	San José 911, Fire, Police and Paramedic Neighborhood Security Act	See Note 2	See Note 2	30 Completed, 1 Design
03/27/2001	Community Facilities District No. 6 (Great Oaks-Route 85)	$984,856	$938,360	Project Completed
06/19/2001	Community Facilities District No. 5A (North Coyote Valley Facilities)	$0	$0	No Activity
06/19/2001	Community Facilities District No. 5B (North Coyote Valley Services)	$0	$0	No Activity
09/03/2002	Community Facilities District No. 8 (Communications Hill)	$503,561	$1,031,558	On-going Maintenance
12/17/2002	Community Facilities District No. 9 (Bailey/Highway 101)	$1,083,106	$1,049,022	Project Completed
04/01/2003	Community Facilities District No. 10 (Hassler-Silver Creek)	$1,152,852	$1,097,727	Project Completed
06/07/2005	Community Facilities District No. 11 (Adeline-Mary Helen)	$66,140	$53,870	On-going Maintenance
11/08/2005	Community Facilities District No. 12 (Basking Ridge)	$521,430	$184,298	On-going Maintenance
06/16/2009	Convention Center Financing District	$32,321,636	$28,550,650	On-going
09/20/2011	Community Facilities District No. 14 (Raleigh-Charlotte)	$577,168	$545,695	On-going Maintenance
10/02/2012	Community Facilities District No. 13 (Guadalupe Mines)	$84,660	$72,806	On-going Maintenance
06/03/2014	Library Parcel Tax (Measure B)	$9,457,631	$11,469,240	On-going
06/17/2014	Community Facilities District No. 15 (Berryessa-Sierra)	$136,275	$42,218	On-going Maintenance
06/06/2017	Community Facilities District No. 16 (Raleigh-Coronado)	$364,557	$112,786	On-going Maintenance
08/14/2018	Community Facilities District No. 17 (Raleigh-Coronado)	$0	$0	On-going Maintenance

[1] The fiscal year revenue by fund includes all revenue entries including special taxes collected for General Obligation Bonds, Community Facilities Districts, Convention Center Financing District, and library parcel tax (Measure B 2014). The fiscal year expenses by fund include debt service, administration, and maintenance service charge for General Obligation, Community Facilities Districts, and Convention Center Financing District bonds. A detailed annual report on the expenditure of library parcel taxes is prepared by the City's external auditor, which is available on the City Auditors website after the CADR has been approved and distributed.

[2] The City has issued eight series of General Obligation Bonds through FY 2018-19 for a total of $589,590,000 to fund projects authorized by voters under these measures. In FY 2018-19, $35,375,957 was collected and $35,287,737 was expended to pay debt service on the series 2001, 2002, 2004, 2005, 2006 2007, 2008, and 2009 Bonds. The City's external auditor prepares a detailed annual report on each of the General Obligation Bond measures which is available on the City Auditor's website after the CADR has been approved and distributed.

GLOSSARY

Accrued Interest: In general, interest that has been earned on a bond, but not yet paid – usually because it is not yet due. More specifically, this term is often used to refer to interest earned on a bond from its dated date to the closing date.

Ad Valorem Tax: A tax which is based on the value (assessed value) of property.

Advance Refunding: A procedure whereby outstanding bonds are refinanced from the proceeds of a new bond issue more than ninety (90) days prior to the date on which the outstanding bonds ("refunded bonds") become due or are callable. Federal legislation, the Tax Cuts and Jobs Act, enacted on December 22, 2017, eliminated advance refunding for municipal bonds issued after December 31, 2017 by making interest on advance refunding bonds taxable.

Alternative Minimum Tax (AMT): An income tax based on a separate and alternative method of calculating taxable income and separate and alternative schedule of rates. With respect to bonds, the interest on certain types of qualified tax-exempt private activity bonds is included in income for purposes of the individual and corporate alternative minimum tax.

Amortization: The process of paying the principal amount of an issue of securities by periodic payments either directly to bondholders or to a sinking fund for the benefit of bondholders.

Arbitrage: With respect to municipal bonds, "arbitrage" is the profit made from investing the proceeds of tax-exempt bonds in higher-yielding securities.

Arbitrage Rebate: Payment of arbitrage profits to the United States Treasury by a tax-exempt bond issuer.

Assessed Valuation or Assessed Value: The appraised value of a property as set by a taxing authority for purposes of ad valorem taxation. The method of establishing assessed valuation varies from state to state.

Basis Point: One basis point is equal to 1/100 of one percent. If interest rates increase from 4.50% to 4.75%, the difference is referred to as a 25 basis point increase.

Bond: Any interest-bearing or discounted government or corporate security that obligates the issuer (borrower) to pay the bondholder a specific sum of money (interest), usually at specific intervals, and to repay the principal amount of the loan at maturity.

Bond Counsel: An attorney or a firm of attorneys, retained by the issuer, that gives the legal opinion delivered with the bonds confirming that (i) the bonds are valid and binding obligations of the issuer; (ii) the issuer is authorized to issue the proposed securities; (iii) the issuer has met all legal requirements necessary for issuance, and; (iv) and in the case of tax-exempt bonds, that interest on the bonds is exempt from federal and state income taxes.

Bond Insurance: Non-cancellable insurance purchased from a bond insurer by the issuer or purchaser of a bond or series of bonds pursuant to which the insurer promises to make scheduled payments of interest, principal and mandatory sinking fund payments on an issue if the issuer fails to make timely payments. When an issue is insured, the investor relies on the creditworthiness of the insurer rather than the issuer. Payment of an installment by the insurer does not relieve the issuer of its obligation to pay that installment; the issuer remains liable to pay that installment to the insurer.

Bond Insurer: A company that pledges to make all interest and principal payments when due if the issuer of the bonds defaults on its obligations. In return, the bond issuer or purchaser pays a premium ("bond insurance premium") to the insurance company. Insured bonds generally trade on the rating of the bond insurer rather than the rating on the underlying bonds, since the bond insurer is ultimately at risk for payment of the principal and interest due on the bonds.

Bond Purchase Contract or Agreement: In a negotiated sale, the bond purchase contract is an agreement between an issuer and an underwriter or group of underwriters in a syndicate or selling group who have agreed to purchase the issue pursuant to the price, terms and conditions outlined in the agreement.

Bond Resolution: See Indenture/Bond Resolution/Trust Agreement.

Bond Series: An issue of bonds may be structured as multiple bond series reflecting differences in tax status, priority of debt service payment, or interest rate mode, as well as to facilitate marketing of the bonds.

Bondholder: The owner of a bond. Bondholders may be individuals or institutions such as banks, insurance companies, mutual funds, and corporations. Bondholders are generally entitled to receive regular interest payments and return of principal when the bond matures.

Call: The terms of the bond giving the issuer the right or requiring the issuer to redeem or "call" all or portion of an outstanding issue of bonds prior to their stated date of maturity at a specified price, usually at or above par.

CSJFA: City of San José Financing Authority.

Closing Date (Delivery Date): The date on which an issue is delivered by the issuer to, and paid for by, the original purchaser (underwriter), also called the delivery date. This date may be a different date than the sale date or the dated date.

Commercial Paper: Short-term, unsecured promissory notes, usually backed by a line of credit and/or letter of credit with a bank, with maturities between 1 day through 270 days.

Competitive Sale: The sale of bonds to the bidder presenting the best sealed bid at the time and place specified in a published notice of sale (also called a "public sale").

Coupon: Interest rate on a bond or note that the issuer promises to pay to the bondholder until maturity, expressed as an annual percentage of the face value of the bond.

CUSIP: The acronym for "Committee on Uniform Security Identification Procedures", which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, United States government and corporate securities. A separate CUSIP number is assigned for each maturity of each issue and is printed on each bond and generally on the cover of the Official Statement.

CWFA: San José-Santa Clara Clean Water Financing Authority.

Dated Date: The dated date is the date on which interest on the bonds begins to accrue to the benefit of bondholders.

Debt Retirement: Repayment of debt.

Debt Service: The total interest, principal and mandatory sinking fund payments due at any one time.

Debt Service Coverage: The ratio of pledged revenues available annually to pay debt service on the annual debt service requirement. Pledged revenues are either calculated before operating and maintenance expenses ("Gross Revenue") or net of operating and maintenance expenses ("Net Revenue"). This ratio is one indication of the margin of safety for payment of debt service.

Debt Service Reserve Fund/Account: An account from which moneys may be drawn to pay debt service on an issue of bonds if pledged revenues and other amounts available to satisfy debt service are insufficient. The size of the debt service reserve fund and investment of moneys in the fund/account are subject to restrictions contained in federal tax law for tax-exempt bonds.

Default or Event of Default: Failure to make prompt debt service payment or to comply with other covenants and requirements specified in the financing agreements for the bonds.

Defeasance: Usually occurs in connection with the refunding of an outstanding issue by final payment or provision for future payment of principal and interest on a prior issue. In an advance refunding, the defeasance of the bonds being refunded is generally accomplished by establishing an escrow of high quality securities to provide for payment of debt service on the bonds to redemption or maturity.

Direct Placement or Direct Purchase: See "Private Placement".

EMMA: Electronic Municipal Market Access ("EMMA") is the municipal disclosure website sponsored by the Municipal Securities Rule Making Board ("MSRB"). As of July 1, 2009, municipal issuers are required to file disclosure through EMMA in lieu of filing disclosure with the NRMSIRs.

Federal Open-Market Committee ("FOMC"): Committee that sets interest and credit policies for the Federal Reserve Board (the "Fed"), the United States' central bank. The Committee's decisions are closely watched and interpreted by economists and stock and bond markets analysts, who try to predict whether the Fed is seeking to tighten credit to reduce inflation or to loosen credit to stimulate the economy.

Financial Industry Regulatory Authority ("FINRA"): A self-regulatory organization, formerly known as the National Association of Securities Dealers (NASD), that enforces MSRB rules applicable to the municipal securities activities of its member broker-dealers, administers the MSRB's professional qualification examinations and handles arbitration proceedings relating to municipal securities for its member broker-dealers and for bank dealers. FINRA also adopts rules governing the conduct of its members with respect to most types of securities other than municipal securities.

Fiscal Agent: A commercial bank or trust company designated by an issuer under the Indenture or Bond Resolution to act as a fiduciary and as the custodian of moneys related to a bond issue. The duties are typically limited to receiving moneys from the issuer which is to be held in funds and accounts created under the Indenture or Bond Resolution and paying out principal and interest to bondholders.

General Obligation Bond: A bond which is secured either by a pledge of the full faith and credit of an issuer or by a promise to levy taxes in an unlimited amount as necessary to pay debt service, or both. With very few exceptions, local agencies in California are not authorized to issue "full faith and credit" bonds. Typically, general obligation bonds of a city are payable only from ad valorem property taxes which are required to be levied in an amount sufficient to pay debt service. Under the State Constitution, a city's authority to issue general obligation bonds must be approved by a two-thirds vote of the electorate and the bond proceeds are limited to the acquisition and improvement of real property.

Indenture/Bond Resolution/Trust Agreement: An agreement executed by an issuer and a fiscal agent/trustee which pledges certain revenues and other property as security for the repayment of the bonds, sets forth the terms of the bonds and contains the responsibilities and duties of the trustee and the rights of the bondholders. The rights of the bondholders are set forth in the indenture provisions relating to the timing of the interest and principal payments, interest rate setting mechanisms (in the case of variable-rate bonds), redemption provisions, events of default, remedies and the mailing of notices of various events.

Issuance: Sale and delivery of a series of bonds or other securities.

Issue: One or more bonds or series of bonds initially delivered by an issuer in a substantially simultaneous transaction and which are generally designated in a manner that distinguishes them from bonds of other issues. Bonds of a single issue may vary in maturity, interest rate, redemption and other provisions.

Issuer: An entity that borrows money through the sale of bonds or notes and is committed to making timely payments of interest and principal to bondholders.

Lease Revenue Bonds: Bonds issued by one public entity, such as the City of San José Financing Authority, on behalf of another public entity, such as the City of San José. A lease revenue bond issue is repaid from lease payments on an asset pledged as security to the bondholders. The pledged asset is not necessarily the asset financed with the bond proceeds. The City makes the lease payments to the Authority and covenants to annually budget and appropriate funds to make the lease payments so long as the leased asset is able to be used. These payments are included in the City Budget as part of the annual appropriation process.

Letter of Credit: An arrangement between an issuer and a bank which provides additional security that money will be available to pay debt service on a bond issue. Customarily, a letter of credit is issued by a commercial bank directly to the trustee allowing the trustee, if certain conditions are met, to draw upon the letter of credit by submitting to the bank a written request for payment. Letters of Credit are also referred to as liquidity facilities in connection with obligations such as commercial paper and variable-rate bonds.

LIBOR: An acronym for London Interbank Offered Rate, a rate that the most creditworthy international banks dealing in Eurodollars charge each other for large loans. The LIBOR rate is usually the basis for other large Eurodollar loans to less creditworthy corporate and government borrowers. This rate is often used as a benchmark for short-term taxable municipal securities.

Line of Credit: Also referred to as a liquidity facility, is a contract between the issuer and a bank that provides a source of borrowed moneys to the issuer in the event that moneys available to pay debt service, for example on commercial paper.

Liquidity: The ease with which an investment may be converted to cash.

Liquidity Facility: See “Letter of Credit” and “Line of Credit”.

Maturity: With respect to a single bond, the date upon which the principal of the bond is due; with respect to an issue, all of the bonds of an issue which are due on a single date.

Municipal Securities Rulemaking Board (“MSRB”): An independent, self-regulatory organization established by Congress in 1975 having general rulemaking authority over municipal securities market participants, generally brokers and dealers. The MSRB is required by federal law to propose and adopt rules in the areas which include professional qualification standards, rules of fair practice, record keeping, the scope and frequency of compliance examinations, the form and content of municipal bond quotations, and sales to related portfolios during the underwriting period.

Municipal Advisor: A person or entity (with certain exceptions) who (a) advises to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms, and other similar matters concerning such financial products or issues, or (b) solicits a municipal entity, for compensation, on behalf of an unaffiliated municipal securities dealer, municipal advisor, or investment adviser to engage such party in connection with municipal financial products, the issuance of municipal securities, or investment advisory services. A consultant who advises the issuer on matters pertinent to a bond issue, such as structure, cash flow, timing, marketing, fairness of pricing, terms, bond ratings, and at times investment of bond proceeds. A municipal advisor may also be hired to provide analysis relating to an issuer's debt capacity or future debt issuance. A Municipal Advisor is subject to fiduciary duty in dealing with their clients. This means the adviser must hold the client's interest above its own in all matters.

National Association of Security Dealers ("NASD"): A self-regulatory organization established as a "registered securities association" pursuant to the Securities Exchange Act of 1934, for the purpose of preventing fraudulent and manipulative acts and practices; promoting just and equitable principles of trade among over-the-counter brokers and dealers; and promoting rules of fair practice and self-discipline in the securities industry.

Negotiated Sale: The sale of bonds, the terms and price of which are negotiated by the issuer through an exclusive agreement with a previously selected underwriter and/or underwriting syndicate.

Non-AMT Bond: Interest on such bonds are not subject to the federal alternative minimum tax.

NRMSIR: An acronym for Nationally Recognized Municipal Securities Information Repository. NRMSIRs were the repositories for all annual reports and event notices filed under SEC Rule 15c2-12; however, as of July 1, 2009 issuers are required to file such disclosure with the MSRB's EMMA system. See *EMMA*.

Official Statement: A document containing information about the bonds being offered, the issuer, and the sources of repayment of the bonds. Federal securities law generally requires that if an Official Statement is used to market an issue of bonds, it must fully and accurately disclose all facts that would be of interest (material) to a potential buyer of bonds.

Par/Par Value: Refers to the principal amount of a bond or the total principal amount of a bond series or issue.

Parity Bonds: Two or more issues of bonds which have the same priority of claim or lien against the issuer's pledge of particular revenues, e.g., revenues from an enterprise such as an airport or parking garage. With respect to the initial issue of bonds, called the "prior issue", the indenture or bond resolution normally provides the requirements which must be satisfied before subsequent issues of bonds, called "additional parity bonds" may be issued.

Present Value: The current value of a future payment, or stream of payments, calculated by discounting the future payments by an appropriate interest rate. Alternatively, present value is the amount of money which should be invested today to return a certain sum at a future time.

Private Placement: The sale of bonds by the issuer directly to one or more investors rather than through an underwriter. Often, the terms of the issue are negotiated directly between the issuer and the investor. Sometimes, an investment banker will act as the placement agent; bring parties together and act as an intermediary in the negotiations. Instead of an Official Statement, an Offering Circular, Offering Memorandum or Private Placement Memorandum may be prepared.

Project Lease: The document, in a Lease Revenue Bond issue, is the means by which the issuer leases to another public entity (the "obligor") the project to be acquired or constructed with the proceeds of the bond issue and by which the obligor agrees to make periodic lease payments to the issuer, generally for the period of time the bond issue is outstanding.

Proceeds: Funds received by the issuer upon sale of the bonds which may include accrued interest and a premium. For tax purposes bond proceeds include interest earnings on the sale proceeds.

Ratings: An opinion by a rating agency of the credit-worthiness of a bond.

Rating Agencies: The organizations which provide, for a fee customarily paid by the issuer, an independent appraisal of the credit quality and likelihood of timely repayment of a bond issue. The term is most often used to refer to the three nationally recognized agencies, Moody's Investor Services, Inc., Standard & Poor's Corporation, and Fitch Ratings.

Redemption: The payment of principal of a bond, whether at maturity, or, under certain circumstances described in the bond, prior to maturity. Redemption of a bond by the issuer prior to maturity is sometimes referred to as "calling the bond."

Refunding: An issue of new bonds (the "refunding bonds") to pay debt service on a prior issue (the "refunded bonds"). Generally, the purpose of a refunding is either to reduce the debt service on the financing or to remove or replace restrictive covenant imposed by the terms of the refunded bonds. The proceeds of the refunding bonds are either deposited in a defeasance escrow to pay the refunded bonds on a date more than 90 days after the issuance ("Advance Refunding") or applied to the payment of the refunded bonds within 90 days of the issuance ("Current Refunding"). As noted above under "Advance Refunding", the Tax Cuts and Jobs Act, enacted on December 22, 2017, eliminated advance refunding for municipal bonds issued after December 31, 2017 by making interest on advance refunding bonds taxable.

Reserve Fund/Account: See Debt Service Reserve Fund/Account

Revenue Bond: A bond which is payable solely from a specific source of revenue. Revenue bonds do not permit the bondholders to compel taxation or legislative appropriation of funds not pledged for payment of debt service. Revenue bonds are issued to acquire or construct assets owned by the City whereby the City pledges income derived from the asset or enterprise to pay the debt service.

SARA: Successor Agency to the Redevelopment Agency of the City of San José created in 2012.

<u>Sale Date</u>: In the case of a negotiated sale, the date on which the bond purchase agreement is signed, and in the case of a competitive sale, the date on which the bonds are awarded to the winning bidder.

<u>Serial Bonds</u>: Bonds of an issue which are payable as to principal in amounts due at successive regular intervals, generally annual or semiannual and generally in the early years of the term of the issue. An issue may consist of both serial bonds and term bonds.

<u>SIFMA Index</u>: An index published by the Securities Industry and Financial Markets Association ("SIFMA"). The index is produced from Municipal Market Data and is a 7-day high-grade market index comprised of tax-exempt variable-rate demand obligations. SIFMA was formed through the merger between the Securities Industry Association (SIA) and the Bond Market Association ("BMA"). Formerly referred to as the BMA Index.

<u>Sinking Fund</u>: An account, sometimes called a debt service fund or sinking fund to provide for the redemption or payment at maturity of term bonds. Generally, sinking fund payments are mandatory in a specified amount for each payment period to provide for the periodic redemption of term bonds prior to their final maturity. The individual term bonds to be redeemed each year are customarily selected at random by the trustee.

<u>Surety</u>: In the public finance context, a surety policy is a form of insurance provided by a bond insurer to satisfy a reserve fund requirement for a bond issue. Under this arrangement, instead of depositing cash in a reserve fund, the issuer buys a surety policy by paying a one-time premium equal to a percentage of the face amount of the policy. If the reserve fund is needed to make a debt service payment, the trustee notifies the surety provider and the provider makes the payment, up to the face amount of the policy. The issuer then has an obligation to reimburse the provider for the payment, plus interest.

<u>Tax Allocation Bonds</u>: Bonds secured by the incremental property tax revenues generated from a redevelopment project area. As usually structured, a project area is designated, its property tax base frozen, and revenue from the incremental growth of the property tax base is used to provide additional funds for further redevelopment or for debt service on bonds issued for redevelopment purposes.

<u>Tax and revenue anticipation notes (TRANs)</u>: Notes issued in anticipation of receiving future tax receipts and revenues at a future date.

<u>Tax-Exempt Bonds</u>: Bonds whose interest is exempt from federal income taxation. In California, the interest on bonds issued by a California governmental entity is also exempt from state income tax.

<u>Tax Equity and Fiscal Responsibility Act ("TEFRA")</u>: As a pre-condition for the exclusion from gross income for federal income tax purposes of interest on all qualified private activity bonds, TEFRA requires, among other things, that the issue be approved (a "TEFRA approval") either by an elected official or body of elected officials of the applicable governmental entity after a public hearing (a "TEFRA hearing") following reasonable public notice (a "TEFRA notice") or by voter referendum of such governmental entity.

Term Loan: A loan from a bank for a specific amount that has a specified repayment schedule. Term loans generally accrue interest at a floating rate and mature between one and ten years.

Term Bonds: Bonds coming due in a single maturity. The issuer generally agrees to make periodic payments into a sinking fund for mandatory redemption of term bonds before maturity or for payment at maturity.

Trust Agreement: See Indenture/Bond Resolution/Trust Agreement.

Trustee: Financial institution, with trust powers which acts in a fiduciary capacity for the benefit of the bondholders in enforcing the terms of the Trust Agreement or Indenture.

Underwriter: An investment banking firm which, singly or as a member of an underwriting group or syndicate, agrees to purchase a new issue of bonds from an issuer for resale and distribution to investors. The underwriter may acquire the bonds either by negotiation with the issuer or by award on the basis of competitive sale.

Underlying Rating: In the case of a security for which credit enhancement has been obtained, the rating assigned by a rating agency to such security, on a stand-alone basis, without regard to credit enhancement.

Variable Rate: An interest rate which periodically changes based upon an index or pricing procedure. Variable-rate bonds generally have a "demand" feature allowing the bondholder to demand that the issuer or another party repurchases the bond upon a specified number of days' notice or at certain times which reflect the intervals at which the rate varies.

Yield: In general, rate of return on bonds or on any capital investment. Technically, yield is the discount rate which makes the present value of all future streams of payments equal to the present value.

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