

COMPREHENSIVE ANNUAL DEBT REPORT

City Council
December 10, 2024
Item 3.6

Presenters:

Drew Corbett, *Acting Director of Finance*

Qianyu Sun, *Deputy Director of Finance, Debt and Treasury Management*



DEBT MANAGEMENT PROGRAM

Debt Issuance

Debt
Administration

Financial
Advisory

Policy Objectives

- ☐ 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 compliance with applicable Federal and State laws
- ☐ Assess the financial impacts of significant City projects

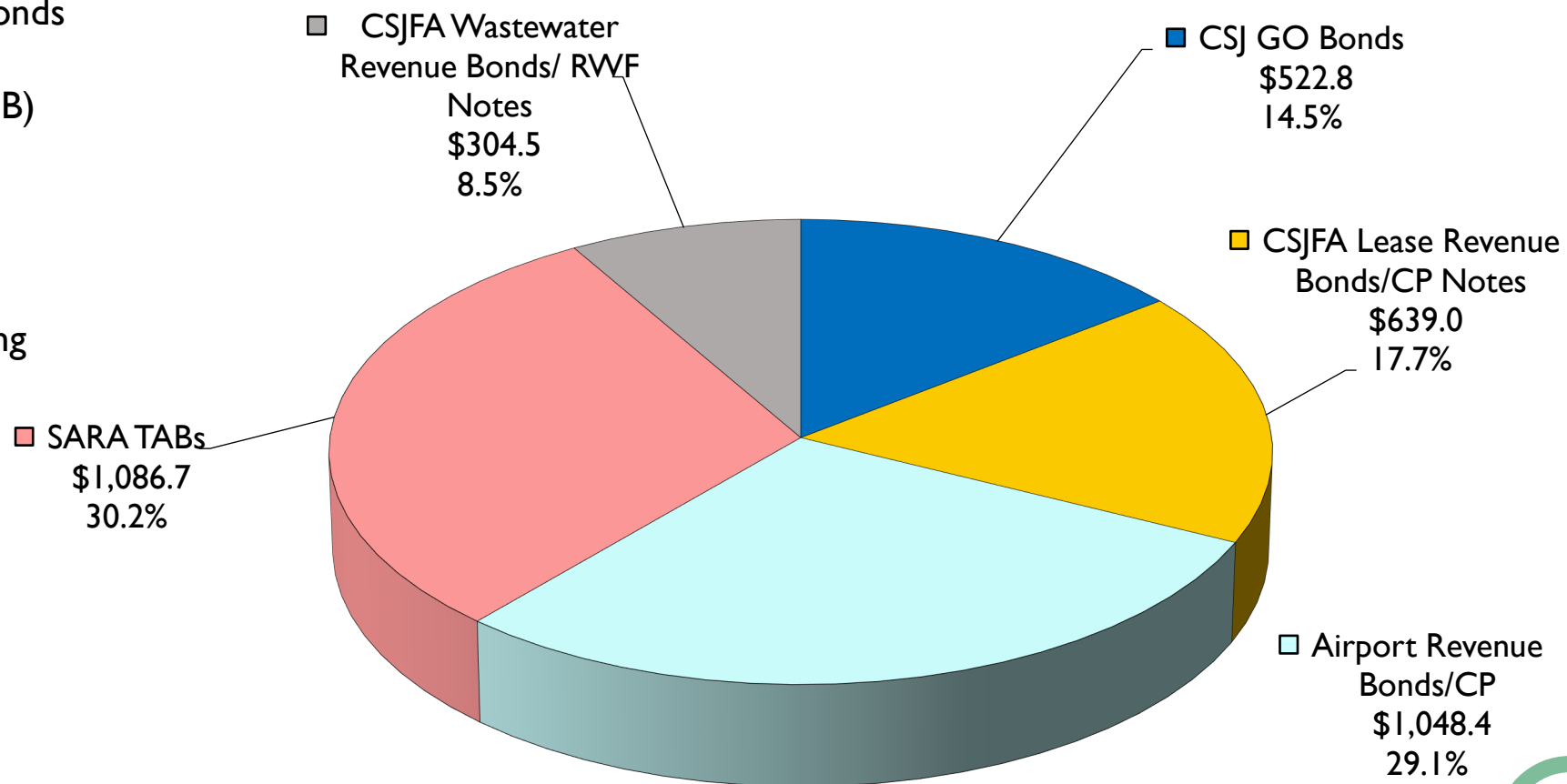


OUTSTANDING DEBT ISSUED BY ALL AGENCIES

Balance as of June 30, 2024: \$3,601,388,219
(dollars shown below in millions)

The chart excludes Multi-Family Housing Revenue Bonds and Pension, Other Post-Employment Benefits (OPEB) and other City liabilities.

As of June 30, 2024, total outstanding conduit Housing Bonds are \$770.3 million.



VARIABLE RATE PROGRAMS

(OUTSTANDING AS OF JUNE 30, 2024)

Bond Series	Project Description	Bank	Authorized Amount	Outstanding	Expiration Date
LETTERS OF CREDIT					
Airport CP Series ABC	Airport Terminal Area Improvement Program	Bank of America, N.A.	\$75,000,000	\$27,728,000	9/10/2026
City of San José Financing Authority CP	Various City Projects	U.S. Bank, N.A.	175,000,000	5,967,000	3/24/2025
REVOLVING LINE OF CREDIT					
San José-Santa Clara Regional Wastewater Facility	Wastewater System and Treatment Plant Projects	Wells Fargo Bank, N.A.	\$200,000,000	\$40,098,000	10/16/2026
REVOLVING CREDIT FACILITY					
San José Clean Energy Letter of Credit	Energy Power Provider Contracts	JPMorgan Chase Bank, N.A.	\$250,000,000	\$29,729,000	2/17/2028
TOTAL			\$700,000,000	\$103,522,000	



FY 2023-2024 DEBT ISSUANCE

- CSJFA Lease Revenue CP Notes
- CSJFA Subordinate Wastewater Revenue Notes
- CSJ Airport Subordinated Commercial Paper (CP) Notes (Non-AMT)
- Conduit Multi-family Housing Revenue Obligations:
 - Dry Creek Crossing
 - Parkmoor Community Apartments

Total Issued: \$137.2 million



FY2023-2024 MAJOR PROJECTS COMPLETED

- Professional services contracts for municipal advisors
- Credit ratings for San José Clean Energy (SJCE)
- Requests for Proposal (RFP) and selection of vendors
 - Arbitrage Rebate, Private Activity and SB 1029 consulting services
 - Special Tax Consultant services
 - Market Absorption Consultant services



FY2023-2024 HOUSING TRANSACTIONS

TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARINGS

<u>DATE</u>	<u>PROJECT</u>	<u>AUTHORIZED AMOUNT</u>
<u>CITY AS CONDUIT ISSUER</u>		
8/31/2023	Parkmoor Community Apartments	\$46,000,000
	Dry Creek Crossing	35,000,000
<u>FINANCING BY OTHER CONDUIT ISSUERS</u>		
11/14/2023	Moderia The Alameda Development	\$100,000,000
2/28/2024	Martha Gardens Apartments	80,000,000
	2880 Alum Rock Avenue	85,000,000
	Villa Del Sol	90,000,000
	Monterey Road Apartments	85,000,000



GENERAL OBLIGATION (GO) BOND RATINGS

(AS OF OCTOBER 2024)

- City continues to maintain high general obligation credit ratings of Aa1, AA+, and AAA from Moody's Investors Service (Moody's), Standard & Poor's Global Ratings (S&P) and Fitch Ratings (Fitch), respectively with stable outlooks.
 - City's GO ratings are higher than the State of California: Aa2, AA- and AA from Moody's, S&P and Fitch, respectively
 - County of Santa Clara⁽¹⁾ GO bonds are rated at AAA by both S&P and Fitch.

⁽¹⁾ Moody's does not currently rate Santa Clara County's General Obligation Bonds but maintains an Issuer rating of Aa1.



GENERAL OBLIGATION RATINGS COMPARISON

(THIRTEEN LARGEST CITIES BY POPULATION AS OF OCTOBER 31, 2024)

RATING RANK	CITY	MOODY'S	STANDARD & POOR'S	FITCH
1	San Antonio	Aaa	AAA	AA+
2 (tie)	San José	Aa1	AA+	AAA
2 (tie)	Phoenix	Aa1	AA+	AAA
2 (tie)	Austin	Aa1	AAA	AA+
5	Los Angeles	Aa2	AA	AAA
6	San Diego	Aa2	AA	AA+
7 (tie)	New York	Aa2	AA	AA
7 (tie)	Jacksonville	Aa2	AA	AA
9 (tie)	Houston	Aa3	AA	AA
9 (tie)	Fort Worth	Aa3	AA	AA
11	Dallas	A1	AA-	AA
12	Philadelphia	A1	A	A+
13	Chicago	Baa3	BBB+	A-



OTHER CREDIT RATINGS

(AS OF NOVEMBER 2024)

	Moody's	Standard & Poors	Fitch	KBRA
SAN JOSÉ CLEAN ENERGY¹				
Initial ratings for San José Clean Energy	A2	A	N/A	N/A
LEASE REVENUE BONDS²				
2013B, 2020A, 2021A	Aa2	AA	AA	N/A
2020B	Aa3	AA	AA-	N/A
2022A	Aa3	AA	AA	N/A
San José Mineta International Airport				
2014ABC, 2017A, 2021ABC	A2	A	A	N/A
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY (SARA)				
Senior Tax Allocation	Not Rated	AA	AA+	N/A
Subordinate Tax Allocation	Not Rated	AA-	AA+	N/A
REGIONAL WASTEWATER FACILITY				
2022B (Climate Certified – Green Bonds)	Not Rated	AAA	AAA	AAA

¹ No bonds outstanding.

² Moody's and Fitch determine their lease revenue bond ratings, in part, based on the "essentiality" of the leased asset. Bonds tied to an essential asset such as City Hall carry a higher rating (Aa2, AA) than bonds tied to a less essential asset such as the Ice Centre (Aa3, AA-). The Convention Center bonds are rated Aa3 and AA, respectively.



FY 2024-2025 DEBT ISSUANCE

Status	Debt	Amount
Completed	CSJ Airport Revenue Bonds, 2024A	\$76.4 million
	CCCFA Clean Energy Project Revenue Bonds, 2024E (conduit issuance by CCCFA)	\$1,243.2 million
Planned	CSJFA Lease Revenue CP Notes	\$32.0 million
	CSJFA Subordinate Wastewater Revenue Notes	\$40.0 million
	CSJ Airport Subordinate CP Notes	\$0.9 million
	Conduit Multifamily Housing Revenue Bonds	\$210.0 million
To Be Evaluated	General Obligation Bonds (Measure T)	TBD
	Tax and Revenue Anticipation Notes	TBD



FY2024-2025 MAJOR PROJECTS

- Renewal of CSJFA Lease Revenue Commercial Paper Letter of Credit
- Debt Management Software RFP
- Formation of Berryessa Community Facilities District



SUMMARY

- The Debt Management Unit continues to be highly active in the areas of issuance, administration, and financial advisory services.
- Maintaining a strong and dedicated debt management program protects the City's financial interests, credit ratings, and long-term management of debt compliance resulting in lower borrowing cost.
- Ensure compliance with regulatory requirements including local, state and federal.



RECOMMENDATION

Accept the Comprehensive Annual Debt Report for the City of San José for Fiscal Year 2023-24.

QUESTIONS

Drew Corbett, Acting Director of Finance

Qianyu Sun, Deputy Director of Finance, Debt and Treasury Management

