



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL AND  
CITY OF SAN JOSE  
FINANCING AUTHORITY  
BOARD

**FROM:** Maria Öberg

**SUBJECT:** City of San José Financing  
Authority Lease Revenue  
Bonds, Series 2025A

**DATE:** May 27, 2025

Approved

Date:

6/4/25

**COUNCIL DISTRICT:** Citywide

## **RECOMMENDATION**

(a) City Council take the following actions:

- (1) Conduct a public hearing for the approval of the issuance by the City of San José Financing Authority Lease Revenue Bonds, Series 2025A, and apply all or a portion of the proceeds to finance and refinance the acquisition and construction of public improvements of the City of San José consisting of the Muni Water Building Project located at 3025 Tuers Road in San José, California and make a finding of significant public benefit accruing from such financing in accordance with the criteria specified in Section 6586 of the California Government Code.
- (2) Adopt a resolution authorizing and approving the issuance and sale by the City of San José Financing Authority of Lease Revenue Bonds, Series 2025A in the principal amount not to exceed \$53,000,000 to finance and refinance certain public capital improvements of the City, approving and authorizing the execution and delivery by the City of a Site Lease, a Lease Agreement, and a Continuing Disclosure Certificate, and authorizing the distribution of an Official Statement in connection with the offering and sale of such bonds and authorizing the execution of necessary documents and certificates and related actions.

(b) Governing Board of the City of San José Financing Authority adopt a resolution authorizing the issuance and sale of Lease Revenue Bonds, Series 2025A in the principal amount not to exceed \$53,000,000 to finance and refinance certain public capital improvements of the City, approving, authorizing the execution and delivery by the Authority of a Site Lease, a Lease Agreement, an Assignment

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 2

Agreement, and an Indenture of Trust, authorizing the distribution of an Official Statement in connection with the offering and sale of such bonds and authorizing the execution of necessary documents and certificates and related actions.

**UNDER BOTH THE DEBT MANAGEMENT POLICY AND SAN JOSE MUNICIPAL CODE SECTION 4.34.200, APPROVAL OF THE ISSUANCE OF THE LEASE REVENUE BONDS REQUIRES A TWO-THIRDS VOTE BY THE CITY COUNCIL (8 VOTES).**

### **SUMMARY AND OUTCOME**

Approval of these recommendations will authorize the issuance and sale by the City of San José Financing Authority of its Lease Revenue Bonds, Series 2025A (2025A Bonds) to (a) refund the City of San José Financing Authority Lease Revenue Bonds, Series 2013B (2013B Bonds) previously issued to refinance the Civic Center Garage located at 70 North Fourth Street, San José, California (Civic Center Garage Project); and (b) finance and refinance the cost related to the construction and equipping of the Administration and Operations Building for the Environmental Services Department Water Resources Division located at 3025 Tuers Road, San José, California (Muni Water Building Project).

The 2025A Bonds will be issued to:

- Refund, on a current basis, all outstanding 2013B Bonds to achieve a minimum of 3% net present value savings;
- Refinance the outstanding City of San José Financing Authority Commercial Paper Notes (CP Notes) issued for the Muni Water Building Project in the amount of \$20,700,000 at maturity;
- Provide funding for the remaining construction and equipping of the Muni Water Building in the amount of \$11,300,000; and
- Pay for the costs of issuance in the approximate amount of \$744,000.

## **BACKGROUND**

**2013B Bonds.** In May 2013, the City of San José Financing Authority (Authority) issued the 2013B Bonds<sup>1</sup> in the principal amount of \$30,445,000, to refund the Authority's variable-rate Lease Revenue Bonds, Series 2008B,<sup>2</sup> which refinanced commercial paper notes issued by the Authority to provide interim financing for the construction of the Civic Center Garage.

As of May 2025, the 2013B Bonds were outstanding in the principal amount of \$20,700,000, and all were subject to optional redemption prior to maturity as a whole or in part at a redemption price equal to the principal amount. When issued, the Authority was required to fund a debt service reserve fund (Debt Service Reserve) for the 2013B Bonds, which currently has a balance of approximately \$2 million. The refunding of the 2013B Bonds will allow the full release of the Debt Service Reserve to be applied to the refunding.

**Muni Water Building Project.** The City Council authorized issuance of CP Notes up to \$40 million as interim financing for the Muni Water Building Project on June 20, 2023.<sup>3</sup> The project includes the demolition of all three existing buildings, the parking lot, and the communication tower, and the construction of two new buildings consisting of a two-story office building, an adjacent storage building, a new communication pad and tower, and a new parking lot.

The City plans to issue, on June 5, 2025, CP Notes in the amount of \$20.7 million to fund the cost of the Muni Water Building Project to date. Staff anticipate that the Muni Water Building Project will be substantially complete in July 2025. Staff estimate that an additional \$11.3 million is needed to complete the project.

**Lease Revenue Bonds.** The Authority issues lease revenue bonds from time to time to assist the City in financing the acquisition and construction of public facilities. Unlike the City's General Obligation Bonds, no new property taxes are levied to pay the debt service on such bonds, and no voter approval is required. Instead, lease revenue bonds

---

<sup>1</sup> [Resolution 76623:](#)

<https://url.avanan.click/v2/> <https://records.sanjoseca.gov/Resolutions/RES76623.PDF> .YXAzOnB1YmxpY3Jlc291cmNlc2Fkdmlzb3J5Z3JvdXA6YTpvOmRjMzljOTBmE5NDBkM2MwYml4ODgwZjcyZDA5MTY0OjY6NTk3Njo3M2FjZDI4NDEyNTVIZDJjMTc2MTYyMmJiZWZlMjJiYzhiOTUwNGMyNWVhODA0YT M5N2QwNTNjMjZDFiNTUzOnA6VDpO

<sup>2</sup> [Resolution 79:](#)

<https://url.avanan.click/v2/> <https://records.sanjoseca.gov/Resolutions/RES79.PDF> .YXAzOnB1YmxpY3Jlc291cmNlc2Fkdmlzb3J5Z3JvdXA6YTpvOmRjMzljOTBmE5NDBkM2MwYml4ODgwZjcyZDA5MTY0OjY6OGFhMT05YWJhNGI3Nzg1OTExYzgzNWFiZmQ1NTIzOGUwYTZhZmlyNDVjZGY0OGRiOTRIMD E0N2FhNmYwYjBjNjlxYzI2OnA6VDpO

<sup>3</sup> [Resolution 160:](#)

<https://url.avanan.click/v2/> <https://records.sanjoseca.gov/Resolutions/SJFA%20RES160.pdf> .YXAzOnB1YmxpY3Jlc291cmNlc2Fkdmlzb3J5Z3JvdXA6YTpvOmRjMzljOTBmE5NDBkM2MwYml4ODgwZjcyZDA5MTY0OjY6OGVhNDoxYmY0NDY0MjNiNGM5NzJjODRIN2FIMmM3M2RhMjY5NzY2ZDBkM2EwMDgzMzlkOTZIMmE4YWE2ZDZhMGYzMjBjOnA6VDpO

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 4

are paid from City lease payments for the beneficial use and occupancy of facilities. Typically, under this structure, the City enters into a site lease with the Authority under which the City leases City-owned facilities to the Authority (Site Lease). Concurrently, the City and the Authority enter into a lease agreement, under which the Authority leases such facilities back to the City (Lease Agreement).

Under the terms of the Lease Agreement, in exchange for beneficial use and occupancy of the Leased Property (defined below), the City will make lease payments to the Authority (Lease Payments). The City will covenant under the Lease Agreement that as long as the City has beneficial use and occupancy of the Leased Property, the City will include Lease Payments in the City's annual budget and make the necessary appropriations annually.

## **ANALYSIS**

### **Public Hearing**

To authorize the issuance of the 2025A Bonds, the City Council will hold a duly noticed public hearing in accordance with Section 6586.5 of the California Government Code and will consider whether the financing of the Muni Water Building Project through the issuance of the 2025A Bonds will result in significant public benefits accruing from such financing. The public hearing will allow the City Council to hear and consider information concerning the approval of the financing by the Authority and the City for the issuance of the 2025A Bonds for the Muni Water Building Project. No later than five (5) days before the public hearing to be held by the City Council on June 17, 2025, a notice of the public hearing will be published in the *San José Post-Record*. Per Section 6586 of the California Government Code, "significant public benefits" means any of the following benefits to the citizens of the local agency:

- a) Demonstrable savings in effective interest rate, bond preparation, bond underwriting, or bond issuance costs;
- b) Significant reductions in effective user charges levied by a local agency;
- c) Employment benefits from undertaking the project in a timely fashion; or
- d) More efficient delivery of local agency services to residential and commercial development.

The completed Muni Water Building will allow for colocation of administration, customer support, engineering, and operations and maintenance teams, thereby increasing the operational efficiency of the San José Municipal Water System (SJMWS). The 2025A Bonds will be issued to finance the cost of the Muni Water Building Project over 30 years and significantly lower the user charges for SJMWS customers, creating demonstrable cash flow savings.

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 5

## **Financing Plan**

The 2025A Bonds will be issued on a tax-exempt basis to accomplish the following primary objectives:

- Realize a minimum of 3% net present value debt service savings by refunding the 2013B Bonds; and
- Provide long-term financing for the Muni Water Building Project by refinancing the outstanding CP Notes and providing new money for the remaining project costs.

Debt service on the 2025A Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2025.

**Sale of the 2025A Bonds.** The 2025A Bonds will be sold on a competitive basis, meaning the Authority will advertise the bonds for sale and accept bids from multiple potential bidders. The underwriter offering the lowest interest cost will be awarded the bonds. The objective of a competitive sale is to obtain the largest number of bids possible and thereby achieve the lowest cost of funds by appealing to a very broad segment of the dealer community. An advantage of a competitive sale for a moderately sized transaction that is highly rated, such as the 2025A Bonds, is that it typically ensures the lowest interest rates available on any one day. While underwriting firms may attempt to secure the best interest rates for the issuer, different firms have different perceptions of the market and cater to various investing clients. This is evidenced by the fact that there are seldom two identical bids submitted at a competitive sale. In addition, interest rate differentials in excess of 1/8% between low and high bidders are not uncommon.

**No New Debt Service Reserve Requirement.** Based on the City's high ratings and rating agencies' and investors' changing requirements for such reserves, the Authority will not establish a debt service reserve fund for the 2025A Bonds.

**Leased Property.** The City has proposed to lease to the Authority certain real property initially consisting of the Muni Water Building Project and one or more other properties (collectively, the Leased Property) in consideration of the payment by the Authority of an upfront rental payment. Once the Muni Water Building Project is complete and as is appropriate, one or more of the other properties may be released from the Leased Property.

**Obligation to Pay.** Under the Lease Agreement, the City agrees to pay to the Authority, its successors and assigns, Lease Payments in the amounts specified in the Lease Agreement. The Authority will assign the City's Lease Payments to the Trustee. The Lease Payments will be remitted by the City to the Trustee on each of the lease payment dates specified in the Lease Agreement.

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 6

**Source of Payments; Covenant to Budget and Appropriate.** Under the Lease Agreement, the Lease Payments are payable from any source of legally available funds of the City, subject to the abatement provisions. During periods that the City does not have beneficial use and occupancy of the Leased Property due to physical damage or destruction, in whole or in part, the Lease Agreement provides that there is an abatement of Lease Payments. Subject to the provisions of the Lease Agreement regarding abatement, the City covenants in the Lease Agreement to take all actions required to include the Lease Payments in each of its annual budgets during the term of the Lease Agreement and to make the necessary appropriations for such payments and additional rental payments annually. This covenant of the City constitutes a duty imposed by law, and each and every public official of the City is required to take all actions required by law in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements agreed to be carried out and performed by the City under the Lease Agreement.

### **2013B Bonds Refunding**

If market conditions are favorable, a portion of the proceeds of the 2025A Bonds will be used to refund all outstanding 2013B Bonds to generate a minimum of 3% net present value debt service savings in accordance with the Debt Management Policy.<sup>4</sup> Based on market rates as of May 19, 2025, the refunding is estimated to produce net present value savings of approximately \$635,000, or 3.1% of the outstanding 2013B Bonds. The actual savings will depend on the interest rates at the time the 2025A Bonds are sold, currently expected in August 2025.

The savings are subject to interest rate risk between now and the pricing of the 2025A Bonds. Other factors that could impact the pricing of the 2025A Bonds generally include the supply of and demand for tax-exempt municipal bonds, general interest rates, the ratings assigned to the 2025A Bonds, and commentary by rating agencies. Given the volatile market conditions, the available savings will differ from the estimates provided herein, and there can be no assurance that the full savings reflected here can be achieved in the bond market at the time the 2025A Bonds are sold. If the City cannot reach the 3% net present value savings threshold, the 2013B Bonds will not be refunded.

---

<sup>4</sup> Council Policy 1-15:

<https://url.avanan.click/v2/> <https://www.sanjoseca.gov/home/showpublisheddocument/96137/638808508192000000.YXAzOnB1YmXpY3Jlc291cmNlc2Fkdmlzb3J5Z3JvdXA6YTpvOmRjMzljOTBINmE5NDBkM2MwYmI4ODgwZjcyZDA5MTY0OjY6YTQzYzozNzFhYjE0YTFmM2E3NWZhY2lyMjkwODM0N2QxOTM2MWNmODBINdVIYjk3NDY3Y2E1MzE3M2I1YjdiNGMyZjEyOnA6VDpO>

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 7

**Refunding Process.** On the date the 2025A Bonds are issued (Closing Date), the Authority and the City will deliver irrevocable refunding instructions to Computershare Trust Company, National Association (Computershare), trustee of the 2013B Bonds. Pursuant to the instructions, on the Closing Date, a portion of the proceeds of the 2025A Bonds, together with other available funds, will be deposited in an escrow fund (2013B Bonds Escrow Fund) established and held by Computershare, uninvested, in cash. The funds on deposit in the 2013B Bonds Escrow Fund will be used by Computershare to pay on a date to be determined in connection with the sale of the 2025A Bonds (Redemption Date, also the Closing Date), the redemption price equal to the principal amount of refunded 2013B Bonds, plus accrued but unpaid interest to the Redemption Date, without premium.

The amounts in 2013B Bonds Escrow Fund will be irrevocably pledged solely to the payment and redemption of the outstanding 2013B Bonds as described above and will not be available for payment of the 2025A Bonds.

**Release of Debt Service Reserve Fund.** The \$2 million in funds on deposit in the Debt Service Reserve fund for the 2013B Bonds will be used as a source of funds, in addition to 2025A Bond proceeds, to refund the 2013B Bonds.

### **Refinancing of CP Notes for Muni Water Building Project**

The City plans to issue \$20.7 million in CP Notes on June 5, 2025, to fund the cost of the Muni Water Building Project to date. The payment of principal and interest on the CP Notes is supported by an irrevocable direct-pay letter of credit issued by TD Bank, N.A. the (TD Bank Letter of Credit). The CP Notes will mature on a date that is no more than 89 days after the Closing Date (CP Maturity Date).

On the CP Maturity Date, Computershare, as trustee and issuing and paying agent of the CP Notes, will draw on the TD Bank Letter of Credit an amount sufficient to pay the principal amount of the CP Notes plus accrued and unpaid interest thereon.

On the Closing Date, a portion of the proceeds of the 2025A Bonds will be deposited with Computershare and used to reimburse TD Bank for the principal portion of the draw on the TD Bank Letter of Credit. The amounts derived from the 2025A Bonds deposited with Computershare will be irrevocably pledged solely to the reimbursement of the draw on the Letter of Credit and will not be available for payment of the 2025A Bonds. The draw amount representing the accrued and unpaid interest on the CP Notes will be repaid from funds available in the Water Utility Fund on the CP Maturity Date.

## **2025A Bonds Good Faith Estimates**

The City's Municipal Advisor, Public Resources Advisory Group, Inc., has provided good faith estimates to the City with respect to the 2025A Bonds in compliance with Section 5852.1 of the California Government Code. The full good faith estimate appears as Appendix A to the Authorizing Resolution approving issuance of the 2025A Bonds.

The following summarizes the good faith estimates, all of which are subject to changing market conditions. Actuals may be higher or lower than estimated when the bonds are sold in August 2025:

- True interest cost for the 2025A Bonds is approximately 4.4%, which assumes interest rates based on market conditions as of May 19, 2025.
- Finance charges of the 2025A Bonds are estimated to be approximately \$743,594 (assumes \$501,969 in Costs of Issuance for Bond Counsel/Disclosure Counsel fees and expenses, Municipal Advisor fees and expenses, rating agency fees, title insurance, trustee fees and expenses, printing costs and other ancillary costs, and approximately \$241,625 for underwriters' discount).
- Estimated proceeds of the 2025A Bonds expected to be received by the Trustee assuming that the Estimated Principal Amount of the 2025A Bonds is sold plus net premium and based on market interest rates prevailing at the time of preparation of such estimate, less the finance charge of the 2025A Bonds, as estimated above, is approximately \$51,641,035.
- Total payment amount is estimated to be \$84,220,997 to the final maturity of the 2025A Bonds.

**2025A Bonds Estimated Sources and Uses of Funds.** The estimated sources and uses of the 2025A Bonds and other funds for the financing are shown below:



HONORABLE MAYOR AND CITY COUNCIL AND CITY OF SAN JOSE FINANCING AUTHORITY  
BOARD

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 9

<i>Sources:</i>	<i>Refunding of LRBs, Series 2013B</i>	<i>New Money LRBs, Series 2025</i>	<i>Refinance CP Notes</i>	<i>Total</i>
Bond Proceeds:				
Par Amount	17,475,000.00	10,895,000.00	19,955,000.00	48,325,000.00
Premium	<u>1,692,433.10</u>	<u>573,242.40</u>	<u>1,050,359.75</u>	<u>3,316,035.25</u>
	19,167,433.10	11,468,242.40	21,005,359.75	51,641,035.25
Other Sources of Funds:				
Reserve Fund Release	2,047,836.66			2,047,836.66
	<u>21,215,269.76</u>	<u>11,468,242.40</u>	<u>21,005,359.75</u>	<u>53,688,871.91</u>
<i>Uses:</i>	<i>Refunding of LRBs, Series 2013B</i>	<i>New Money LRBs, Series 2025</i>	<i>Refinance CP Notes</i>	<i>Total</i>
Project Fund Deposits:				
Project Fund		11,300,000.00		11,300,000.00
Refinance CP Notes		<u>11,300,000.00</u>	<u>20,700,000.00</u>	<u>20,700,000.00</u>
		11,300,000.00	20,700,000.00	32,000,000.00
Refunding Escrow Deposits:				
Cash Deposit	20,945,277.95			20,945,277.95
Delivery Date Expenses:				
Cost of Issuance	180,807.04	112,726.33	206,466.63	500,000.00
Underwriter's Discount	<u>87,375.00</u>	<u>54,475.00</u>	<u>99,775.00</u>	<u>241,625.00</u>
	268,182.04	167,201.33	306,241.63	741,625.00
Other Uses of Funds:				
Additional Proceeds	1,809.77	1,041.07	-881.88	1,968.96
	<u>21,215,269.76</u>	<u>11,468,242.40</u>	<u>21,005,359.75</u>	<u>53,688,871.91</u>

## 2025A Bond Financing Documents

Both the City Council and the Governing Board must adopt resolutions authorizing the issuance and sale of the 2025A Bonds (City Authorizing Resolution and the Authority Authorizing Resolution, collectively, the Authorizing Resolutions) and other related actions. The Authorizing Resolutions authorize the issuance and sale of the 2025A Bonds in the principal amount not to exceed \$53,000,000. Both Authorizing resolutions will be posted to the agenda webpage for this joint meeting of the City Council and Governing Board by June 6, 2025.

There are bond financing documents that require City Council and/or Authority Board approval to proceed with the issuance of 2025A Bonds. Staff recommends that the City Manager, Director of Finance, or their authorized designees and the Authority's Executive Director, Treasurer, or their authorized designees (Authorized Officers) be authorized to execute the agreements on behalf of the City and the Authority as described below. As modifications may be required prior to the closing, staff also recommends that the Authorized Officers each be authorized to execute the final

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 10

version of each of these agreements as may be modified upon consultation with the City Attorney's Office. In addition to these agreements, there are other agreements or documents that will be executed in connection with the issuance of the 2025A Bonds, the refunding of the 2013B Bonds, and the refinancing of the Muni Water Building Project CP Notes. Staff recommend that the Authorized Officers each be authorized to execute these other agreements and documents upon consultation with the City Attorney's Office.

By June 6, 2025, the following principal financing documents for the 2025A Bonds described below, in substantially final form, will be posted to the City's agenda website for the June 17, 2025 joint meeting of the City Council and Governing Board. City Council approval requires the affirmative vote by two-thirds of the City Council members (8 votes). These documents are required to be approved by City Council and Governing Board in order for the Authority to issue the 2025A Bonds.

**Official Statement.** The draft Preliminary Official Statement (POS) was reviewed and approved by the Disclosure Working Group on June 2, 2025. The distribution of the POS by the City is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the POS to include all facts that would be material to an investor in the 2025A Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the 2025A Bonds. If the City Council concludes that the POS includes all facts that would be material to an investor in the 2025A Bonds and authorizes staff to proceed with the issuance of the 2025A Bonds, then one of the actions the City will take in the Authorizing Resolution is to authorize staff to execute a certificate to the effect that the POS has been "deemed final."

The Securities and Exchange Commission (SEC) has issued guidance as to the duties of the City with respect to its approval of the POS. The SEC stated that if a member of the authorizing board has knowledge of any facts or circumstances that an investor would want to know about prior to investing in bonds, whether relating to their repayment, tax status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the POS. The SEC has stated that the steps that a member of the Council could take include becoming familiar with the POS and questioning staff and consultants about the disclosure of such facts concerning the following areas:

Purpose of Financing	Risks Related to Repayment and Tax-Exempt Status of the 2025A Bonds, as applicable
Documents for Approval, Security for the 2025A Bonds	Requested Approvals

***The information to address these areas in the Preliminary Official Statement can be found in the body of the document in the INTRODUCTION section which***

***describes the purpose of the 2025A Bonds and the source of repayment, among other things. More detailed information on these topics and on the risks related to repayment of the 2025A Bonds can be found in CERTAIN RISK FACTORS as well as in Appendix A. Appendix A provides demographic, economic, and financial information about the City. Appendix B, which provides detailed information regarding the retirement plans, is included in order to give investors an understanding of the impact of retirement costs on the City's budget.***

Staff recommends that City Council approve the POS in substantially the form posted to the agenda webpage for this meeting, with such additions thereto or changes therein as any of the Authorized Officers, acting alone, shall deem necessary, desirable, or appropriate upon consultation with the City Attorney. Staff further recommend that each Authorized Officer be authorized and directed, for and on behalf of the City and the Authority, to execute all certificates necessary to deem final the POS as of its date, with the exception of certain final pricing and related information. Staff have carefully reviewed the information contained in the draft Preliminary Official Statement and believe it to be accurate and complete in all material aspects. Staff further recommend that the Authorized Officers be authorized and directed, each acting alone for and on behalf of the City, pursuant to the Authorizing Resolutions, to execute and deliver the Official Statement with such additions thereto or changes therein, as necessary.

***If any Councilmember has any personal knowledge that any of the material information in the Preliminary Official Statement is false or misleading, the Councilmember must raise these issues prior to approval of the distribution of the document to potential investors in the 2025A Bonds.***

City staff, representatives of Anzel Galvan LLP, the City's bond and disclosure counsel for the 2025A Bonds, and representatives of Public Resources Advisory Group, Inc., the City's municipal advisor for the 2025A Bonds, will be available at the Council meeting on June 17, 2025, to address any questions, issues, and/or concerns.

**Indenture of Trust.** The Indenture is to be entered into by and between the Authority, as the issuer of the 2025A Bonds, and Wilmington Trust, National Association, as the Trustee for the 2025A Bonds. This agreement sets forth the terms of the 2025A Bonds and contains the responsibilities and duties of the Trustee and the rights of the bondholders. Wilmington Trust was selected based on prior City experience with Wilmington Trust acting as Trustee on other bond issues and their proposed fees; Wilmington Trust serves as Trustee on other lease revenue bonds of the Authority. Retaining a single bank to serve as fiscal agent for all the City's outstanding lease revenue bonds allows for administrative efficiency.

**Site Lease.** The Site Lease is between the City (as lessor) and the Authority (as lessee). The City will lease the Leased Property to the Authority. In exchange, the Authority will make an upfront rental payment (the proceeds of the 2025A Bonds), which is sufficient to provide funds for the refunding of the outstanding 2013B Bonds and the

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 12

CP Notes and to provide for the funding of the remaining project costs of the Muni Water Building Project.

**Lease Agreement.** Under the Lease Agreement, the Authority will lease the Leased Property back to the City. The City has agreed to pay semiannual Lease Payments for the beneficial use of the Leased Property, which will enable the Authority to pay debt service on the 2025A Bonds. The Lease Agreement also provides that lease payments are reduced or eliminated when there is substantial interference with the City's use and occupancy of the facilities, such as damage or destruction from "abatement events."

**Continuing Disclosure Certificate.** Pursuant to the Continuing Disclosure Certificate, the form of which is appended to the Preliminary Official Statement, the City will covenant for the benefit of owners of the Bonds to provide to the Electronic Municipal Market Access System (EMMA System) certain financial information and operating data relating to the City by not later than April 1 after the end of each fiscal year of the City, commencing on April 1, 2026, with the report for the 2024-2025 Fiscal Year (Annual Report), and to provide notices of the occurrence of certain listed events. The specific nature of the information to be contained in the Annual Report or the notices of listed events is summarized in the Continuing Disclosure Certificate. These covenants in the Continuing Disclosure Certificate will be made by the City in order to assist the underwriters of the 2025A Bonds in complying with SEC Rule 15c2-12(b)(5).

### **Financing Team Participants**

City's Municipal Advisor:

Public Resources Advisory Group,  
Inc.

Bond and Disclosure Counsel:

Anzel Galvan LLP

Underwriter of 2025A Bonds:

To be established pursuant to a  
competitive sale

Trustee for 2025A Bonds:

Wilmington Trust, N.A.

Trustee for 2013B Bonds:

Computershare Trust Company,  
National Association

Trustee for CP Notes:

Computershare Trust Company,  
National Association

## **Financing Schedule**

City Council/Governing Board Approval:	June 17, 2025
Bond Pricing (expected):	August 12, 2025
Bond Closing (expected):	August 27, 2025

## **EVALUATION AND FOLLOW-UP**

This memorandum presents a recommendation for the City Council's approval of various actions related to the issuance of the 2025A Bonds and requires no follow-up to the City Council. The Finance Department will submit an informational memorandum on the pricing results after the closing of the 2025A Bonds.

## **COST SUMMARY/IMPLICATIONS**

The refunding of the 2013B Bonds is estimated to generate approximately \$635,000 in net present value savings based on market conditions as of May 19, 2025. The financing and refinancing of the Muni Water Building Project with fixed interest rates and amortizing repayment over 30 years creates long-term benefits and stability for the rate setting of SJMWS.

Professional services (bond/disclosure counsel fees, municipal advisor fees, rating agency fees, title insurance fee, trustee fees, printing costs) and other related costs are estimated to be approximately \$500,000 and will be paid from cost of issuance proceeds from the 2025A Bonds. The bond proceeds will be net of the underwriter's discount of estimated at \$241,625. The underwriter, municipal advisor, and bond/disclosure counsel work on a contingent basis and are only paid from the bond proceeds upon the successful closing of the 2025A Bonds

## **COORDINATION**

This report was coordinated with the City Attorney's Office, the City Manager's Budget Office, and the financing team participants.

## **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the June 17, 2025 City Council meeting.

May 27, 2025

**Subject: City of San José Financing Authority Lease Revenue Bonds, Series 2025A**

Page 14

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Final Supplemental Environmental Impact Report (SEIR) for the Civic Plaza Parking Garage (Resolution No. 71732), File No. PP03-03-088.

Initial Study Mitigated Negative Declaration for the San José Municipal Water New Offices Project (RES2023-252), File No. ER22-114.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/  
Maria Öberg  
Director of Finance

For questions, please contact Qianyu Sun, Deputy Director of Finance, Debt and Treasury Management, at [Qianyu.sun@sanjoseca.gov](mailto:Qianyu.sun@sanjoseca.gov) or 408.575.7032