

# **FOURTH QUARTER FINANCIAL REPORT FISCAL YEAR 2024-2025**

## **Public Safety, Finance and Strategic Support Committee**

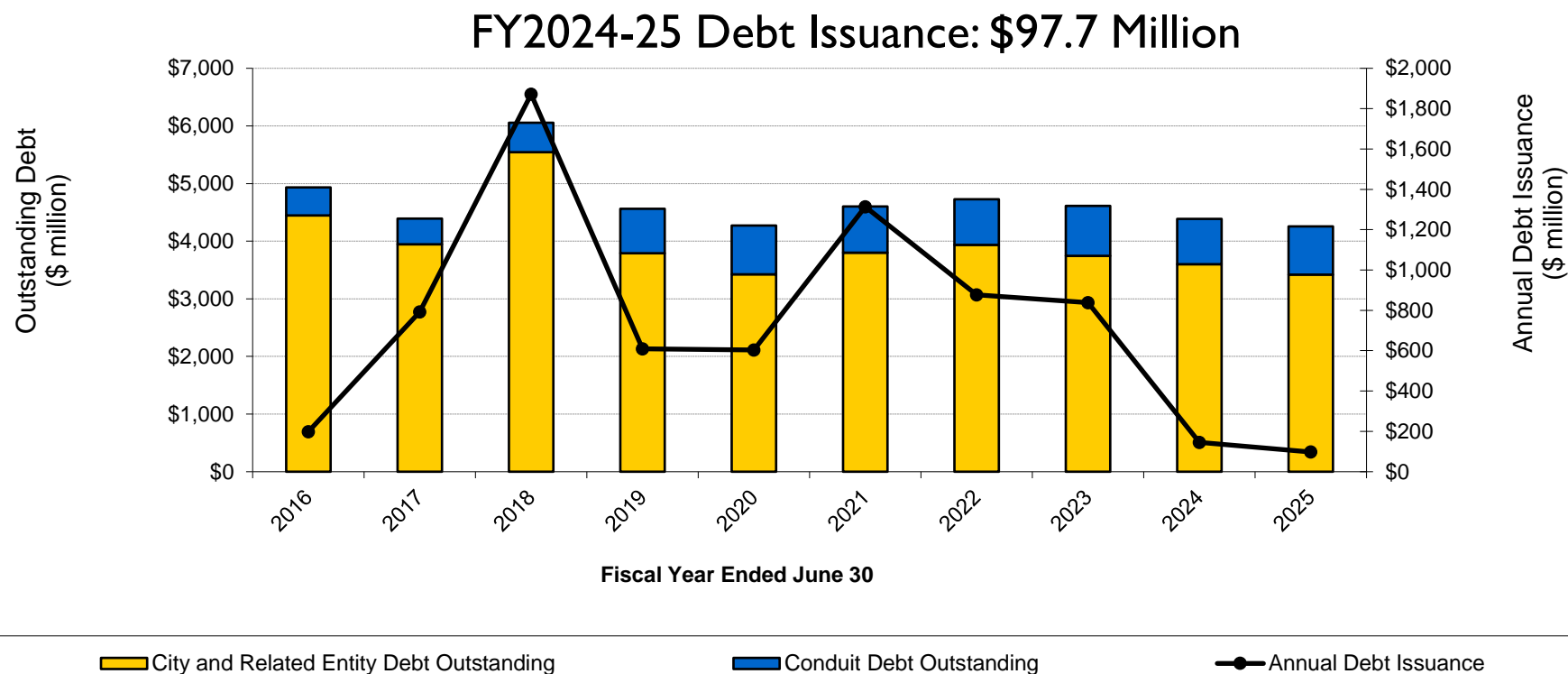
**Prepared by the Finance Department  
July 28, 2025**



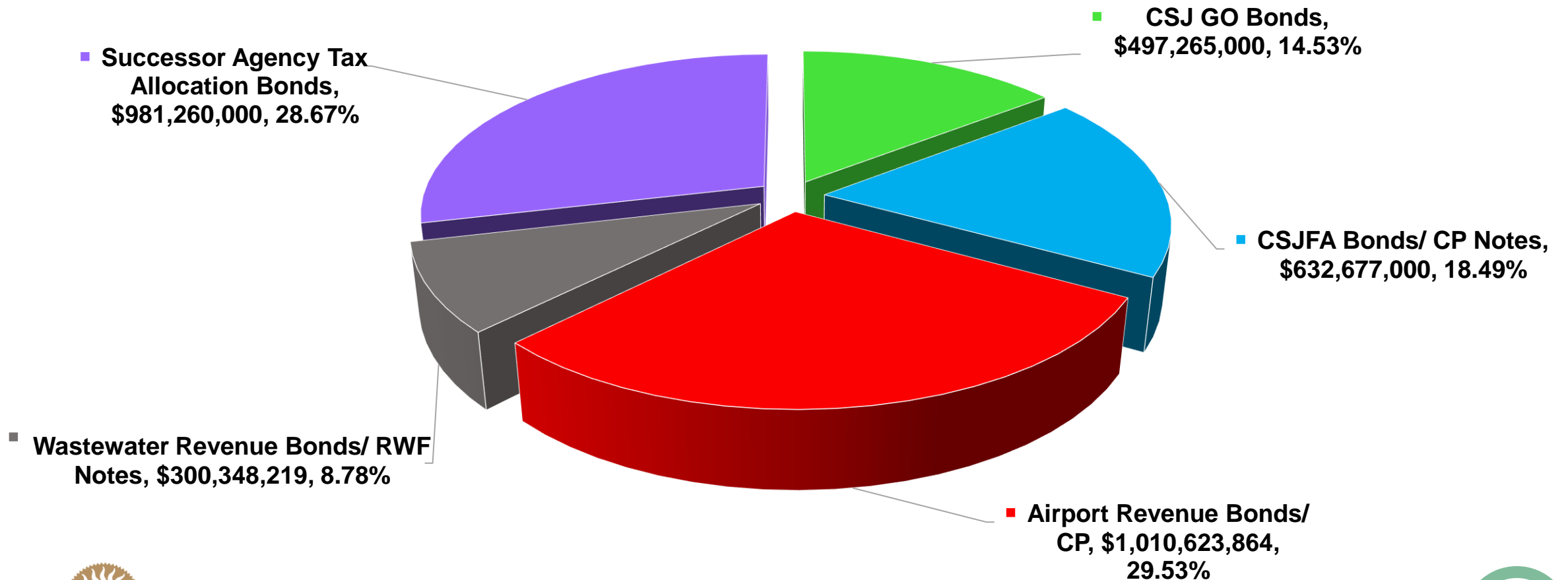
# **FOURTH QUARTER DEBT MANAGEMENT REPORT FISCAL YEAR 2024-2025**



# ALL OUTSTANDING DEBT: \$4.26 BILLION (CITY AND ALL AGENCIES)



# DIRECT OUTSTANDING DEBT: \$3.42 BILLION (EXCLUDING MULTIFAMILY HOUSING REVENUE BONDS)



# DEBT ISSUANCE

- \$20.7 million in CSJFA T/E Commercial Paper (Muni Water Building)
- To be closed in FY 2025-26
  - \$209.6 million CSJ General Obligation Bonds, Series 2025ABC
  - \$47.4 million CSJFA Lease Revenue Bonds, Series 2025A
  - Multifamily Housing Revenue Bonds (MHRB)
    - Arcade, Series 2025A,
    - 525 North Capitol, Series 2025B
    - La Moraga, Series 2025C



# DEBT MANAGEMENT

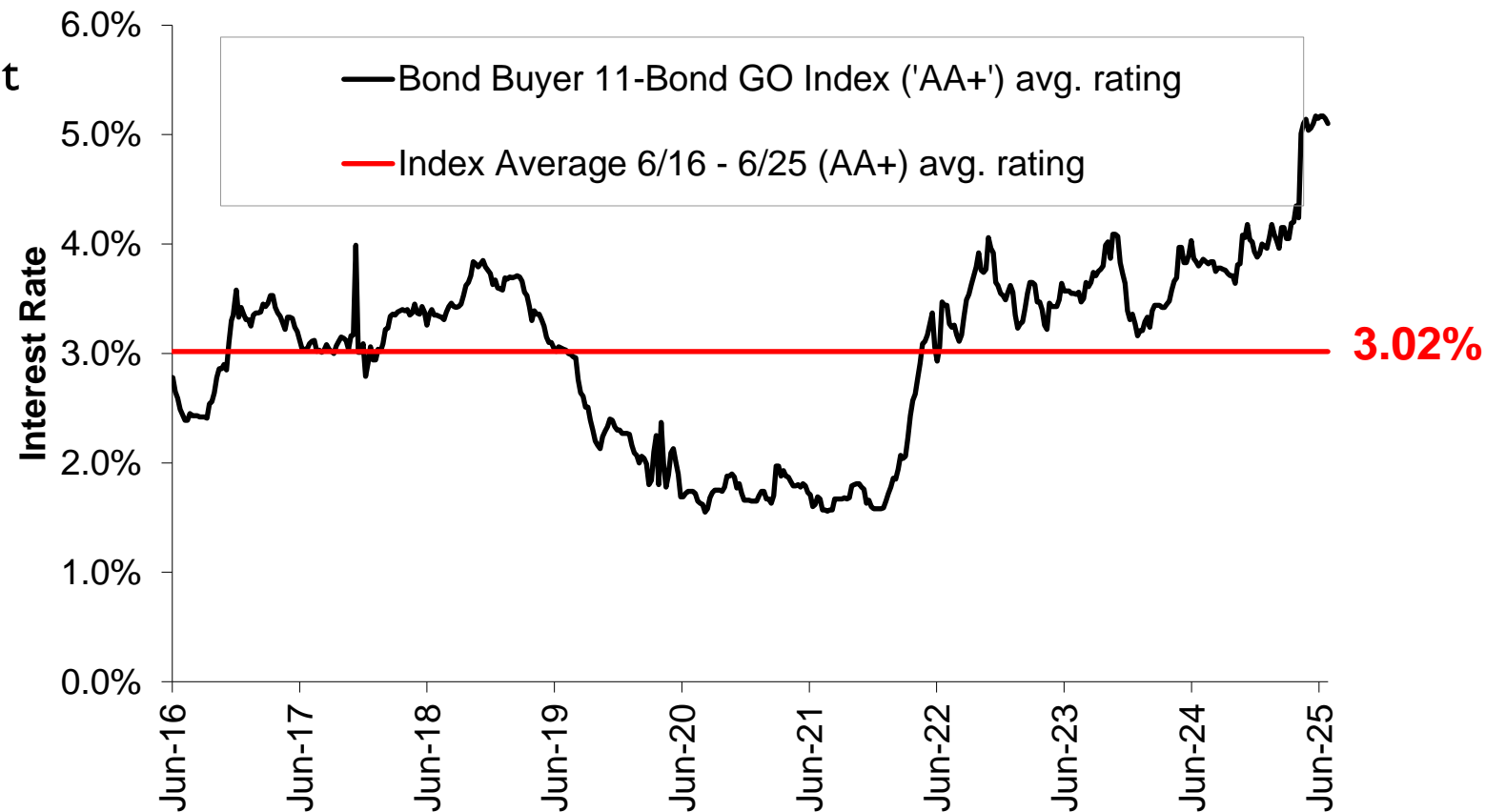
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- Renewed CSJFA CP LOC with TD Bank
- Received CP issuance authorization of \$23 million for the Advanced Metering Infrastructure
- Tax Equity and Fiscal Responsibility Hearings for Arcade, 525 North Capitol, Paseo Senter I and La Moraga Apartments (refinancing)
- Reduced SJCE Revolving Credit Agreement with JPMorgan by \$75 million
- RFP solicitations for Debt Management Software and SARA Fiscal Consultant Services



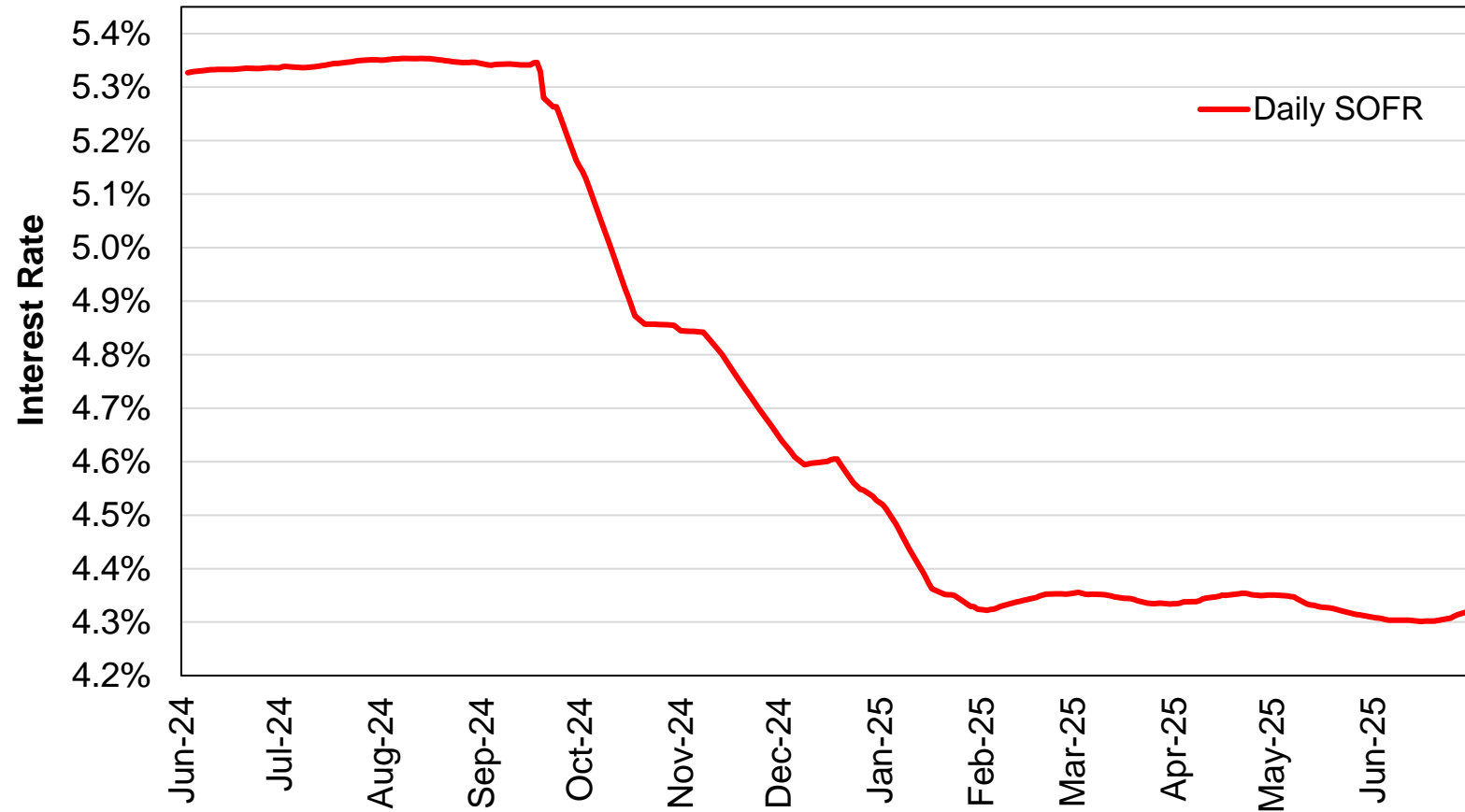
# BOND BUYER GO BOND YIELD INDEX

10-year history of higher rated (“AA+”) General Obligation debt (20-year term) yield averaged 3.02% and is currently at 5.10% (as of 6/26/2025).



# SOFR RATES

- The Daily Secured Overnight Financing Rate (SOFR) interest rate is 4.32% (as of 6/30/25).
- The City uses SOFR as a proxy for forecasting interest rates for various short-term debt instruments.





# GENERAL OBLIGATION CREDIT RATINGS AS OF JUNE 30, 2025

The City's GO Ratings are higher than the State of California's ratings and analogous to Santa Clara County's ratings, which is to be expected given the extent of the tax base and other credit fundamentals that the City and the County share:

| Entity                            | Moody's | S&P | Fitch |
|-----------------------------------|---------|-----|-------|
| City of San José                  | Aa1     | AA+ | AAA   |
| State of California               | Aa2     | AA- | AA    |
| Santa Clara County <sup>(1)</sup> | N/A     | AAA | AAA   |

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



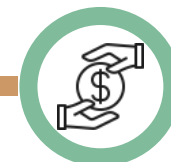
# GENERAL CITY CREDIT RATINGS AS OF JUNE 30, 2025

The City of San José continues to maintain very high credit ratings.

| Type of Rating   | Moody's                        | S&P             | Fitch                          |
|--|--------------------------------|-----------------|--------------------------------|
| <b>Issuer Rating</b>                                   | Aa1<br>(stable)                | AA+<br>(stable) | AA+<br>(stable)                |
| <b>General Obligation Bonds</b>                        | Aa1<br>(stable)                | AA+<br>(stable) | AAA<br>(stable)                |
| <b>Lease Revenue Bonds<br/>(Essential Assets)</b>      | Aa2<br>(stable)                | AA<br>(stable)  | AA<br>(stable)                 |
| <b>Lease Revenue Bonds<br/>(Less Essential Assets)</b> | Aa3 <sup>(1)</sup><br>(stable) | AA<br>(stable)  | AA- <sup>(2)</sup><br>(stable) |

(1) Moody's assigns a rating of Aa3 to CSJFA 2020B and 2022A bonds which the rating agency considers less essential assets.

(2) Fitch assigns a rating of AA- to CSJFA 2020B bonds which the rating agency considers less essential assets.



# OTHER CITY CREDIT RATINGS AS OF JUNE 30, 2025

| Type of Rating                               | Moody's        | S&P             | Fitch                        | KBRA (Kroll) <sup>1</sup>      |
|--|----------------|-----------------|------------------------------|--------------------------------|
| <b>San José Airport Bonds</b>                | A2<br>(stable) | A<br>(stable)   | A<br>(stable)                | N/A                            |
| <b>Wastewater Revenue Bonds</b>              | N/A            | AAA<br>(stable) | AAA<br>(stable)              | AAA <sup>(1)</sup><br>(stable) |
| <b>SARA Senior Tax Allocation Bonds</b>      | N/A            | AA<br>(stable)  | AA+<br>(stable)              | N/A                            |
| <b>SARA Subordinate Tax Allocation Bonds</b> | N/A            | AA-<br>(stable) | AA+<br>(stable) <sup>2</sup> | N/A                            |
| <b>San José Clean Energy (Issuer)</b>        | A2<br>(stable) | A<br>(stable)   | N/A                          | N/A                            |

(1) KBRA (Kroll) has assigned a rating to the CSJFA Wastewater Revenue Bonds exclusively.

(2) SARA Subordinate TABs were upgraded by Fitch to AA+ on 10/3/2024.



# **FOURTH QUARTER INVESTMENT MANAGEMENT REPORT FOR FISCAL YEAR 2024-2025**



# INVESTMENT POLICY

## (COUNCIL POLICY 1-12)

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- Investments meet the requirements of the City's Investment Policy and conform with California Government Code section 53601
- Authorized investments are only highly-rated fixed income securities
- Investment Policy is reviewed annually and was last adopted by resolution of the City Council on March 11, 2025
- Investment Program is audited semi-annually for compliance purposes



# INVESTMENT OBJECTIVES & REPORTING

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- Manage investments to meet the City's Investment Policy objectives:
  - Safety
  - Liquidity
  - Yield
- Quarterly reports are available to the public
  - On-line
  - In PSFSS Committee agenda packets
  - In City Council agenda packets (for acceptance)



# PORTFOLIO PERFORMANCE SUMMARY

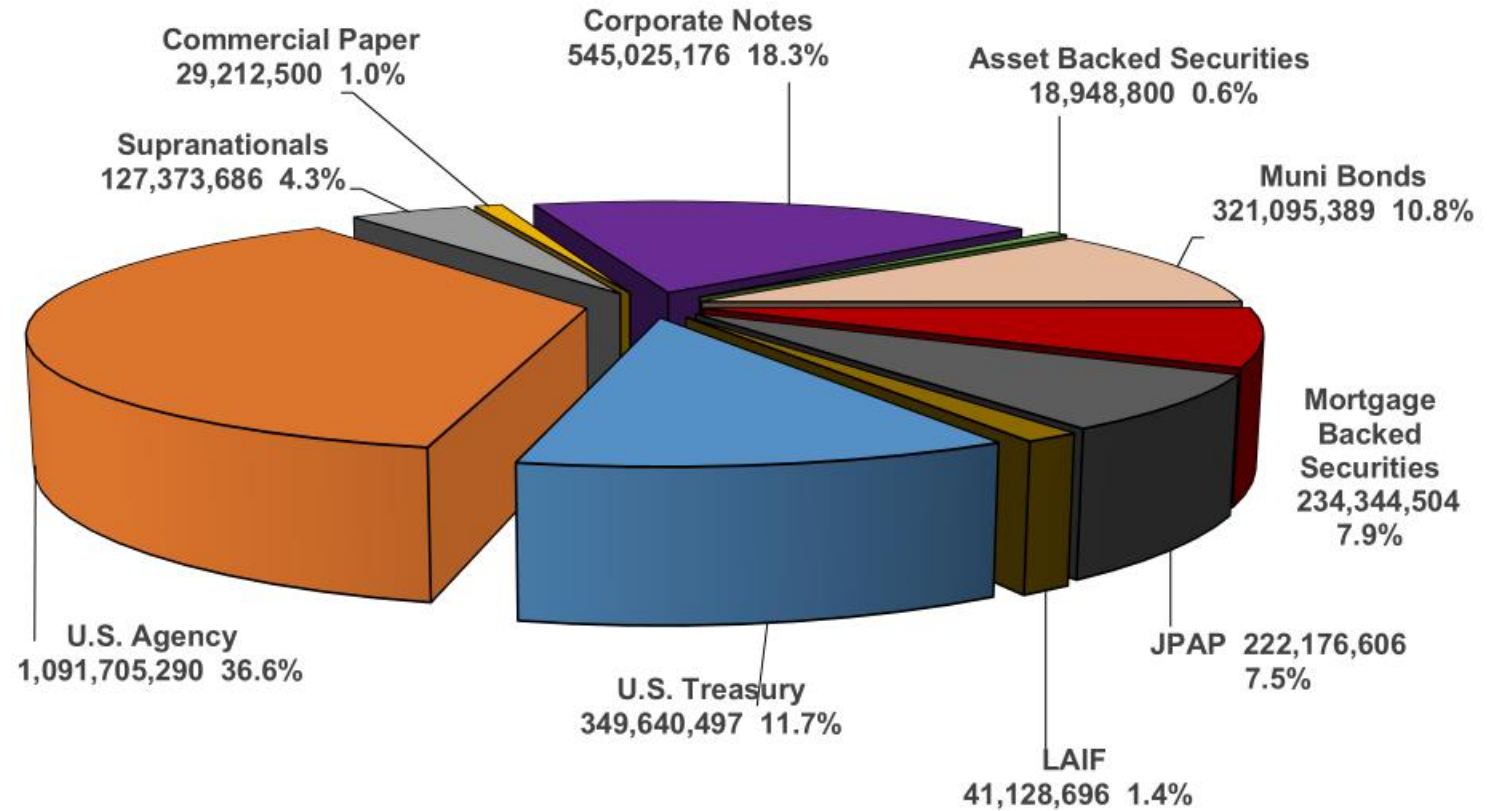
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|   |                 |
|---|-----------------|
| Size of Total Portfolio                               | \$2,980,651,143 |
| Earned Interest Yield                                 | 3.805%          |
| Weighted Average Maturity                             | 560 days        |
| Fiscal Year-to-Date Net Income Recognized             | \$95,819,164    |
| Exceptions to the City Investment Policy this Quarter | None            |



# PORTFOLIO INVESTMENTS

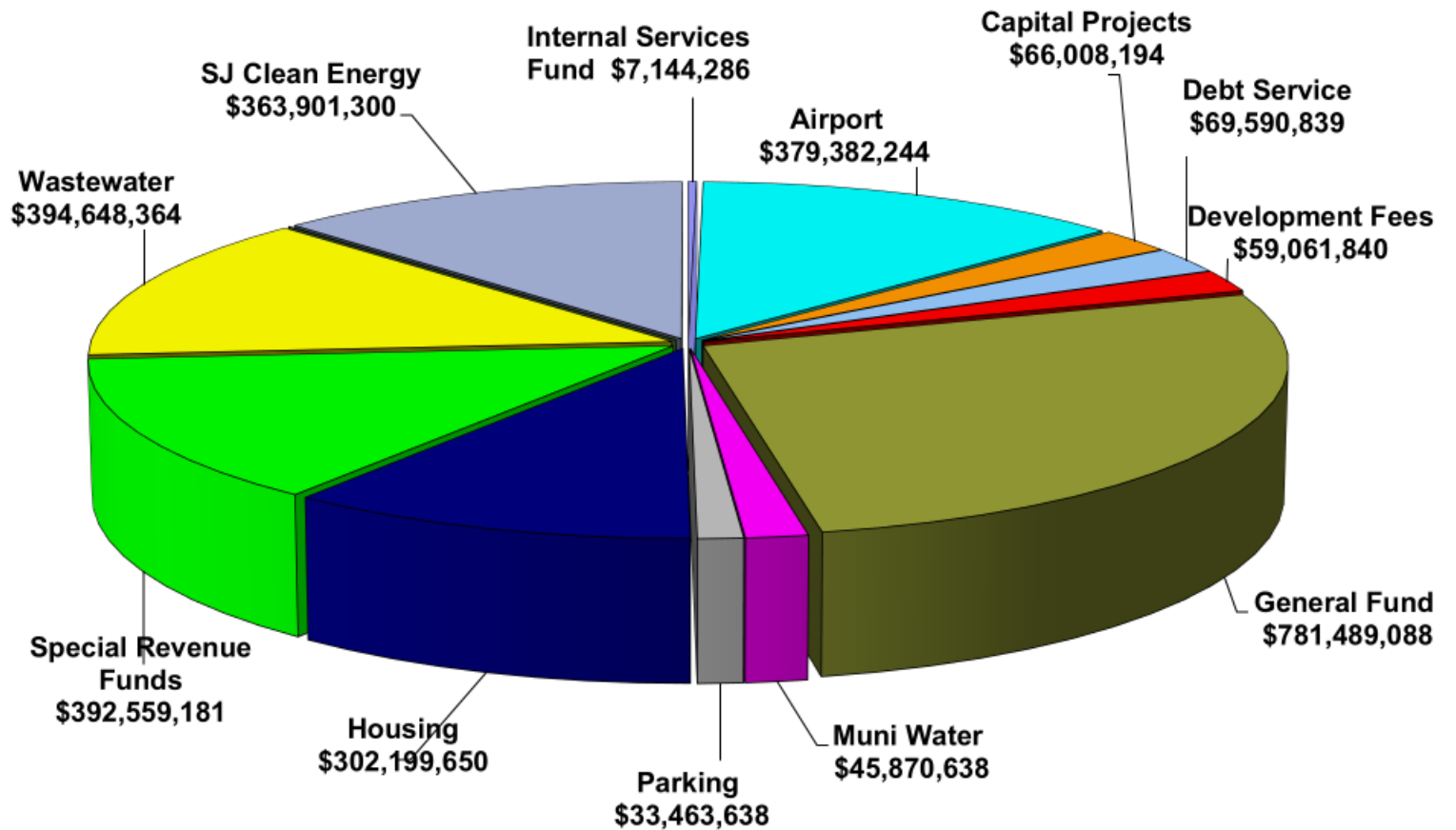
Total Investment Portfolio:  
\$2,980,651,143





# INVESTMENTS BY FUND

The \$781 million in the General Fund presented includes \$339,656,665 of General Fund monies, as well as \$441,832,423 in other, separately tracked general funds, such as the Depositor Fund, Developer Fees and other smaller funds and reserves.



# GENERAL FUND BALANCE

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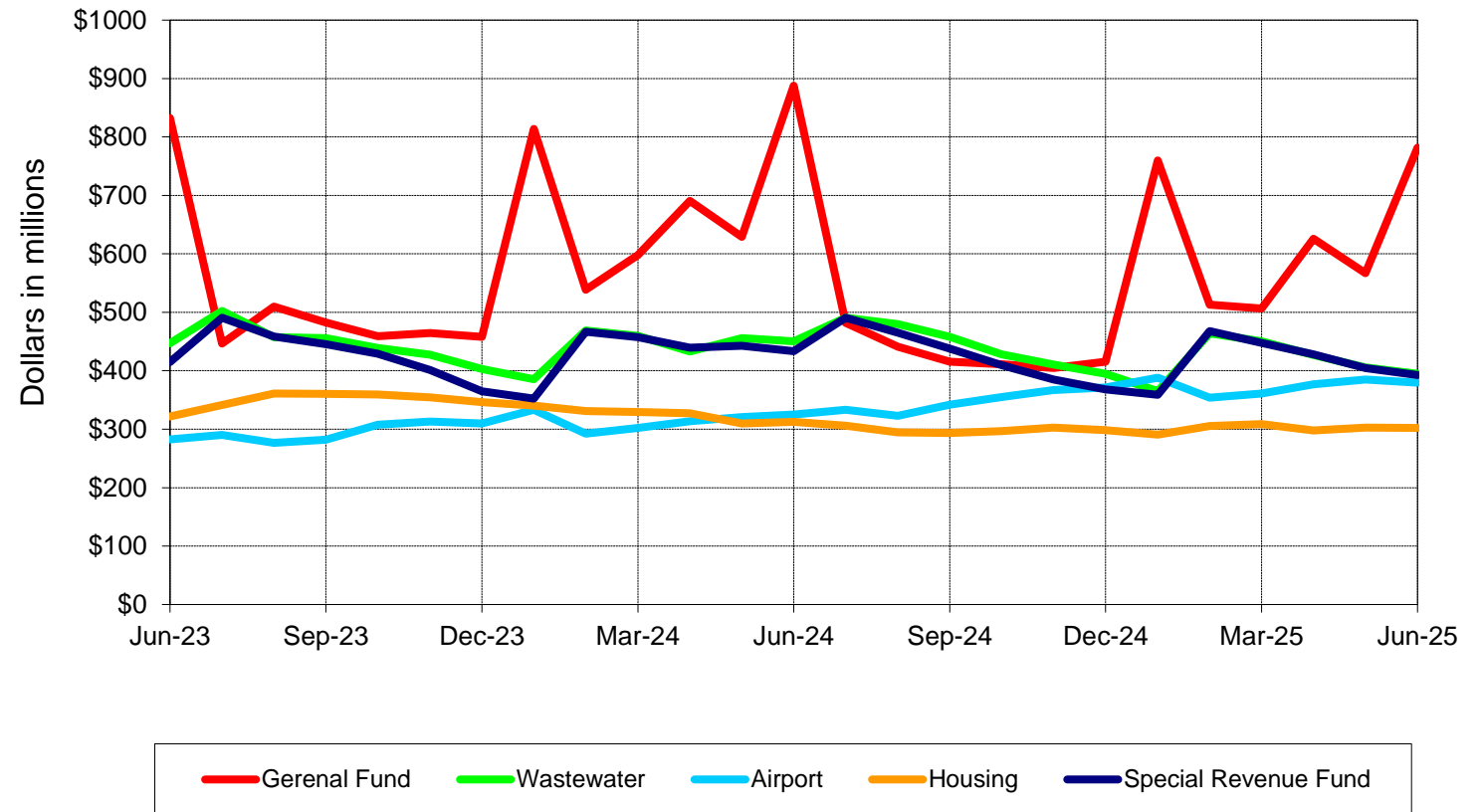
- The General Fund balances increased by \$275 million with the receipt of property taxes in June and ended with a balance of \$781 million as of June 30, 2025. General Fund cash balances usually peak during the months of January and June, when the bulk of property taxes are received, and decline in the summer months due to retirement prefunding, debt service payments and operational expenditures.
- Projected investment maturities, cash and revenues are sufficient to cover anticipated expenditures for the next six months



# COMPARISON OF CASH BALANCES

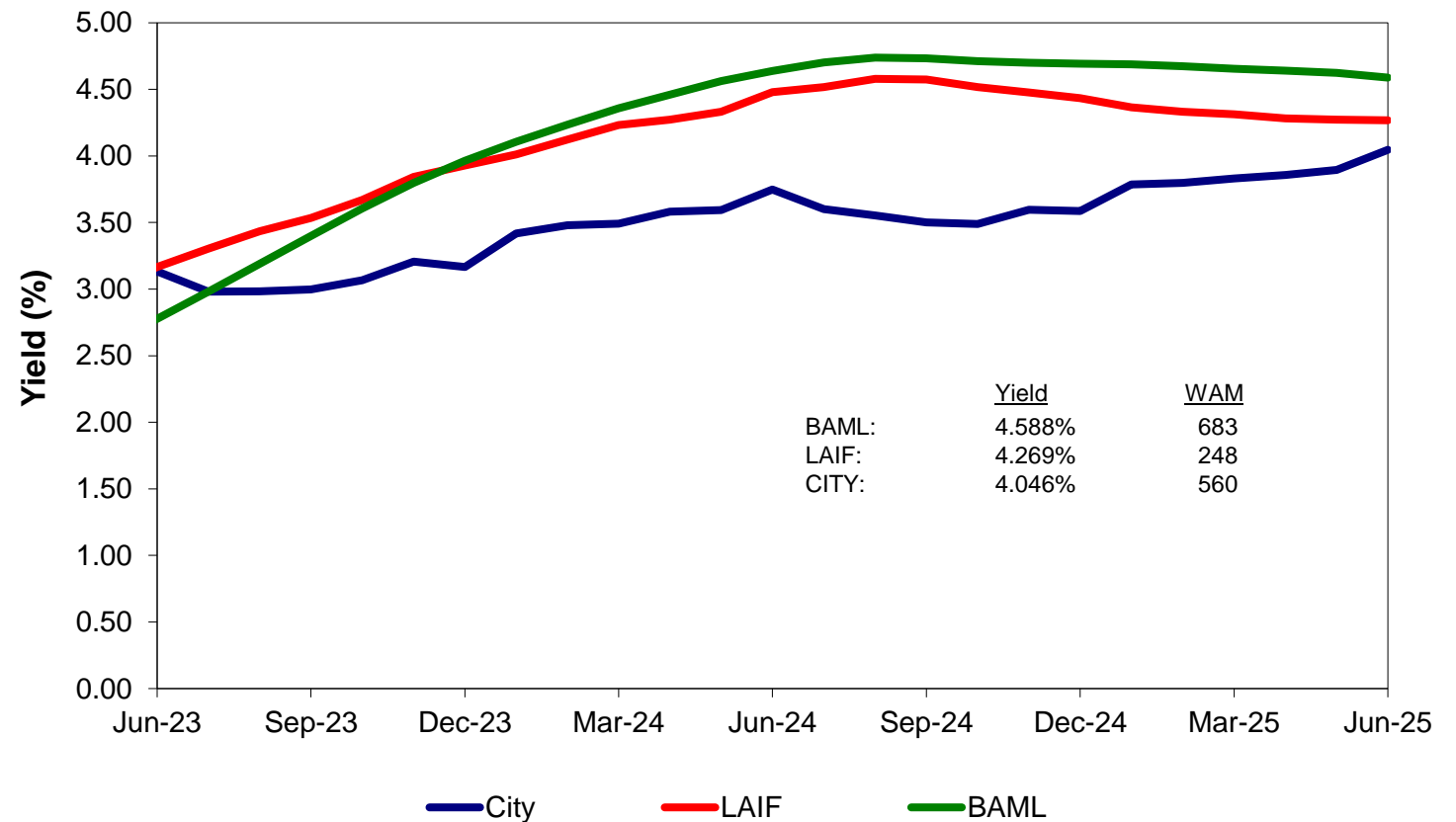
## (BY SELECT FUNDS)

The following graph compares monthly balances of the five largest City funds as reported by FMS.



# BENCHMARK COMPARISONS

- City refers to City's Portfolio, and the yield data are month-end weighted average yields.
- LAIF refers to the State of CA Local Agency Investment Fund and yield data are average monthly effective yields.
- BAML refers to Bank of America Merrill Lynch 1-3 Year AAA-A US Corporate & Government Index and yield data are rolling 2-year effective yield.



# INVESTMENT STRATEGY

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- Continue matching known expenditures with suitable investments within the 24-month horizon
- Extend a portion of the portfolio beyond two-year term, when appropriate, to provide income and structure to the portfolio
- Maintain the diversification of the portfolio
- Focus on core objectives of safety, liquidity, and yield



# **FOURTH QUARTER REVENUE MANAGEMENT REPORT FOR FISCAL YEAR 2024-2025**



# REVENUE MANAGEMENT PROGRAMS

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- Finance Department Revenue Management focuses on collecting outstanding receivables, with an emphasis on reducing delinquent accounts and enhancing revenue compliance, through four primary collection programs:
  - Accounts Receivable
  - Business Tax
  - Compliance and Monitoring
  - Utility Billing
- Efforts may span several reporting periods, and actual collections are reported as funds are received by the City.



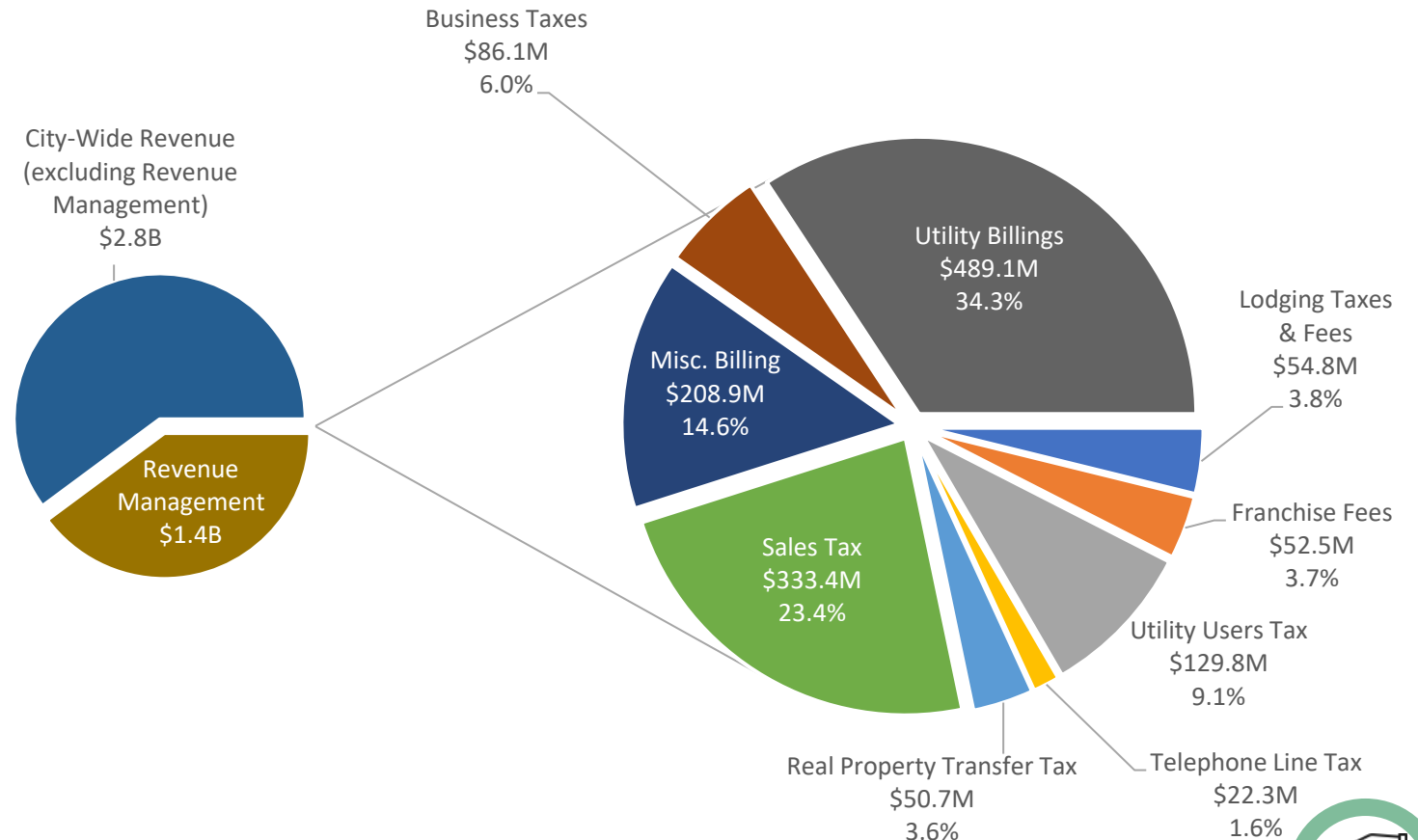
# REVENUE MANAGEMENT PORTFOLIO

## FY 2023-24 REVENUE (\$ IN MILLIONS)

Total Revenue: \$4.231B

Source: 2023-24 City Manager's  
Budget Office Annual Report

(Graph is updated annually)



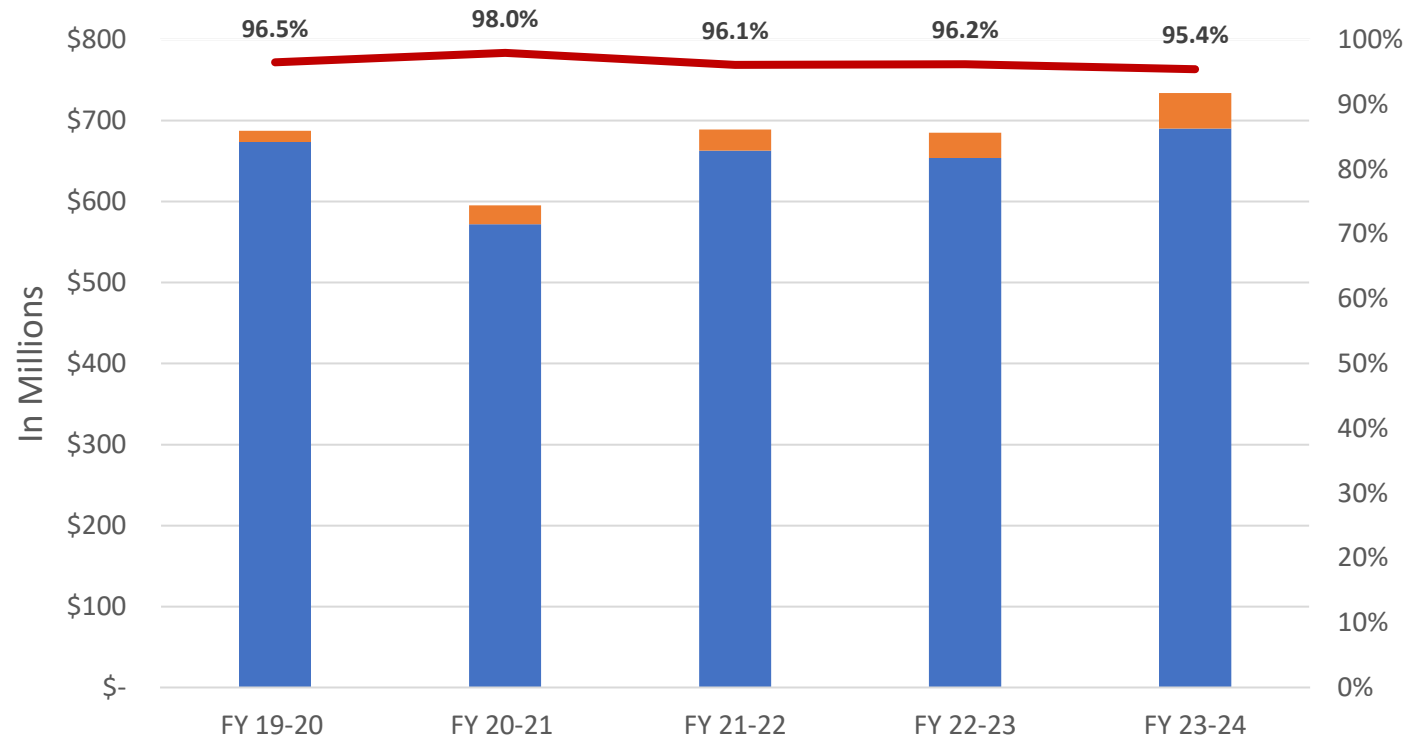


# INVOICING AND PAYMENTS

## FIVE-YEAR HISTORY (FY 2019-20 TO FY 2023-24)

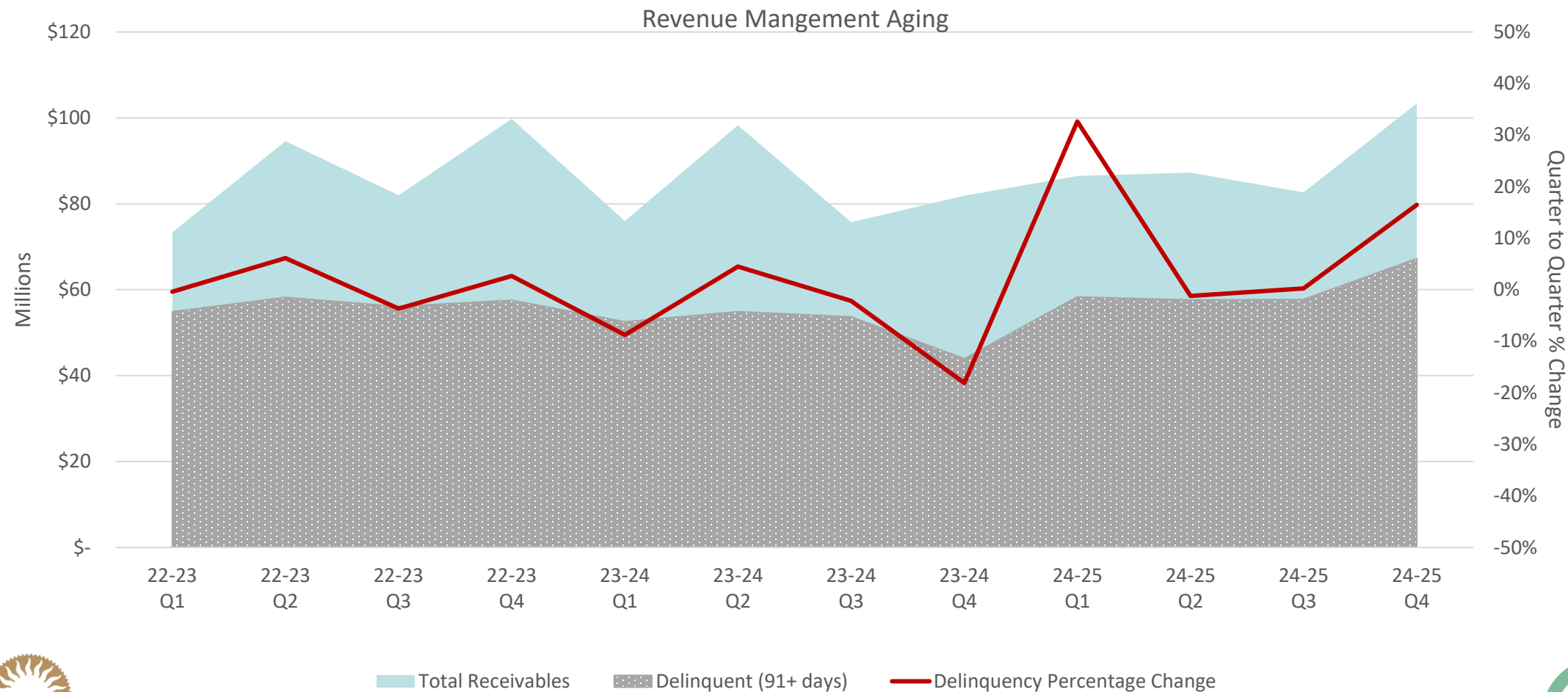
Includes invoices billed through the Business Tax System, the centralized Accounts Receivable system (RevQ), and the Utility Billing System.

(Graph is updated annually)



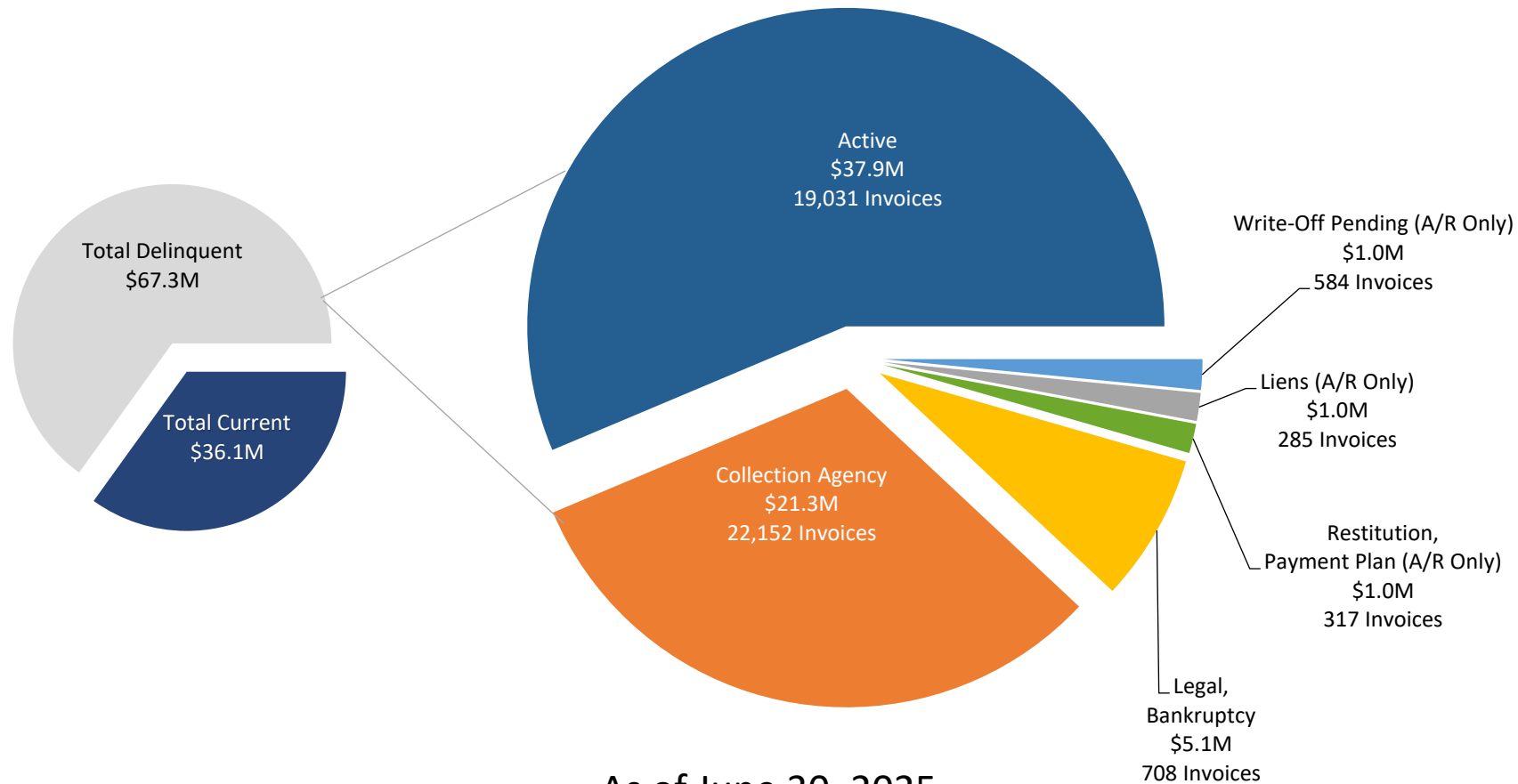
# OUTSTANDING RECEIVABLES

## THREE-YEAR HISTORY (FY 2022-23 Q1 TO FY 2024-25 Q4)



# FY 2024-25 Q4 DELINQUENT RECEIVABLES

## COLLECTION STATUS SUMMARY (\$ IN MILLIONS\*)



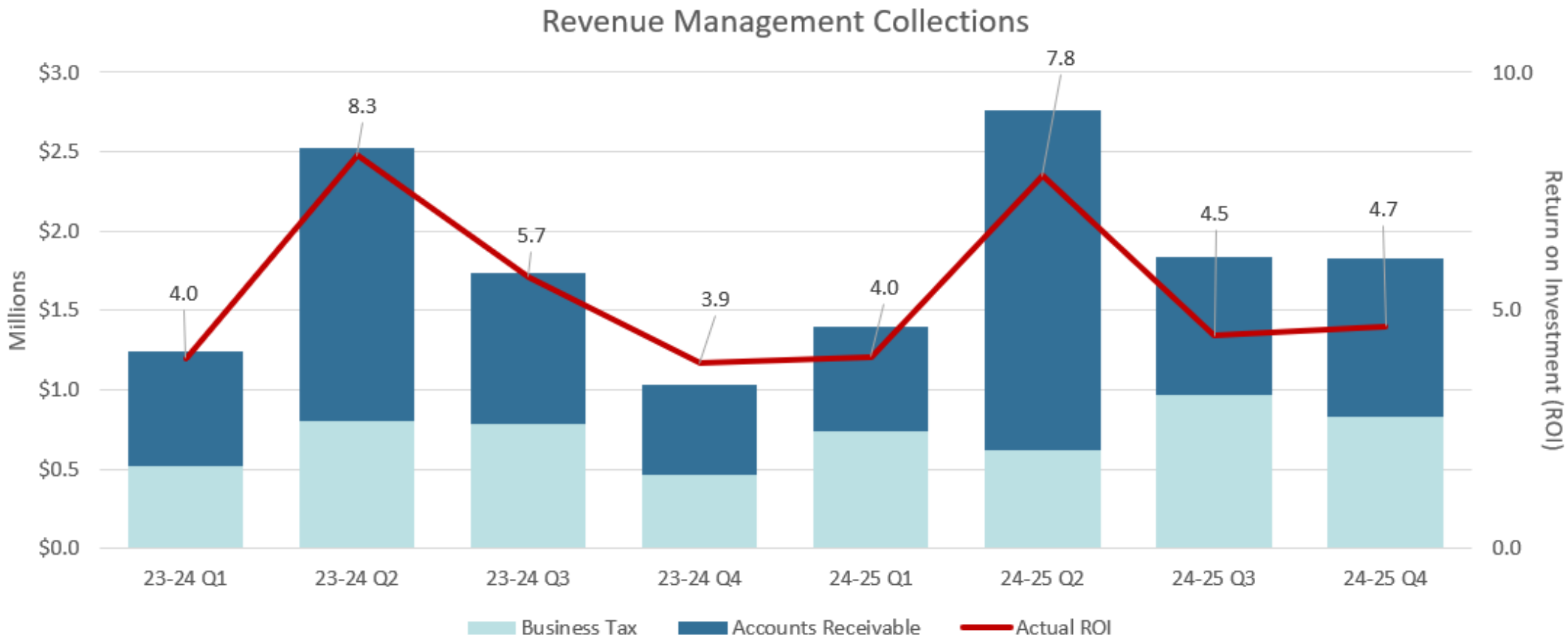
\*Rounded

As of June 30, 2025



# COLLECTIONS & RETURN ON INVESTMENT

## REVENUE MANAGEMENT COLLECTIONS (FY 2023-24 Q1 To FY 2024-25 Q4)



# REVENUE COMPLIANCE REVENUE RECOVERY

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- Revenue Compliance and Monitoring conducts cyclical tax and fee audits and revenue collections for a variety of programs (e.g., Sales and Use Tax, Hotel Taxes/Lodging Fees, Utilities, Telecommunications, and Cannabis).
- In Q4, ~\$1.6M was recovered in delinquent collections and audits (cannabis business tax, hotel tax, telecommunications user tax, utility user tax, and sales and use tax).



# ACCOUNTS RECEIVABLE & UTILITY BILLING AMNESTY PROGRAMS

- These Amnesty Programs offer an opportunity to have accumulated penalties and interest waived in exchange for payment of the principal amount due
- Amnesty Program Application Period: April 1 – September 30, 2025

| Accounts Receivable Amnesty |        |
|-----------------------------|--------|
| Program Target              | \$675K |
| FY24-25 Payments            | \$391K |
| Amnesty Waivers to Date     | \$197K |
| FY25-26 Target              | \$284K |

| Utility Billing Amnesty |        |
|-------------------------|--------|
| Program Target          | N/A    |
| FY24-25 Payments        | \$278K |
| Amnesty Waivers to Date | \$675K |
| FY25-26 Target          | N/A    |



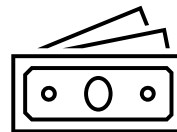
# **FOURTH QUARTER PURCHASING AND RISK MANAGEMENT REPORT FOR FISCAL YEAR 2024-2025**



# PURCHASING PROGRAM

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The Purchasing Division of the Finance Department is responsible for the centralized procurement of equipment, supplies, materials, Information Technology (IT), and non-consulting services, pursuant to the City of San José Municipal Code Title 4, Chapter 4.12.





# PURCHASING TRANSACTIONS COMPLETED

## FOURTH QUARTER FY 2024-25

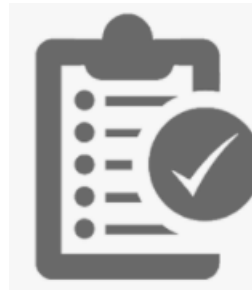
| DESCRIPTION   | FOURTH QUARTER<br>TRANSACTIONS | FISCAL YEAR<br>TO DATE |
|---|--------------------------------|------------------------|
| SOLICITATIONS COMPLETED (RFX)                                 | 39                             | 159                    |
| PURCHASE ORDERS & PURCHASE ORDER ADJUSTMENTS EXECUTED         | 430                            | 1,884                  |
| CONTRACTS NEGOTIATED & EXECUTED                               | 3                              | 13                     |
| AMENDMENTS, CHANGE ORDERS, SERVICE ORDERS, & OPTIONS EXECUTED | 51                             | 145                    |
| COUNCIL MEMORANDA ISSUED                                      | 29                             | 82                     |
| PURCHASE ORDER DOLLARS PROCURED                               | \$59,525,113                   | \$302,926,055          |
| CONTRACT DOLLARS PROCURED                                     | \$8,782,787                    | \$22,286,485           |



# RISK MANAGEMENT PROGRAM

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The Division is responsible for the procurement and oversight of the City's property and casualty insurance programs and providing contractual risk management services, property subrogation claims reporting and other key services to City Departments.



# RISK MANAGEMENT TRANSACTIONS COMPLETED

## FY 2024-25, FOURTH QUARTER

| Transaction Type  | Fourth Quarter Transactions | Fiscal Year to Date |
|---|-----------------------------|---------------------|
| Request for Contract Insurance Specifications           | 273                         | 1,232               |
| Request for Insurance Compliance Review                 | 273                         | 695                 |
| Request for Letters of Self-Insurance                   | 32                          | 83                  |
| Subrogation Dollars Billed to Responsible Third Parties | \$71,186                    | \$271,236           |
| Council and Committee Memorandums Issued                | 2                           | 4                   |



# RECOMMENDATION

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(1) Accept the Fourth Quarter (period ended June 30, 2025) Financial Reports for Fiscal Year 2024-2025 for the following programs:

- (a) Debt Management;
- (b) Investment Management;
- (c) Revenue Management; and
- (d) Purchasing and Risk Management;

(2) Refer and cross-reference the Fourth Quarter Financial Reports for Fiscal Year 2024-2025 to the September 9, 2025 City Council meeting for full adoption.

