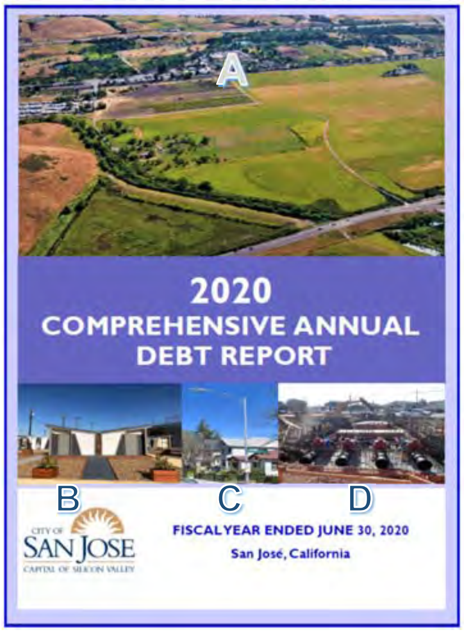
2020
COMPREHENSIVE ANNUAL DEBT REPORT



CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

FISCALYEAR ENDED JUNE 30, 2020

San José, California



The cover design of this year's Comprehensive Annual Debt Report reflects the continuing focus by the City of San José on developing smart, sustainable, and reliable infrastructure to shape America's next great city, while supporting its most vulnerable residents.

These facilities demonstrate the San José commitment to the environmental protection of wildlife and habitat, as well as water quality and flood prevention, promoting low-income housing, and the maintenance of critical City infrastructure, which are all essential components of the City of San José vision.

The main photo features the City's first significant use of Measure T funding authorized in November 2018 – the purchase and permanent protection of 937 acres in the ***North Coyote Valley*** through an innovative public and private partnership with Peninsula Open Space Trust and Santa Clara Valley Open Space Authority. This conservation transaction secures a critical "last chance" wildlife linkage between the Santa Cruz and Diablo mountain ranges, mitigating wildfire impact and building climate change resiliency.

Photo Credit: Santa Clara Valley Open Space Authority

The featured facilities are as follows:

A - ***North Coyote Valley***

B - ***Mabury Bridge Housing Community*** – On February 27, 2020, Mayor Sam Liccardo was joined by Governor Gavin Newsom at the grand opening of San José's first "tiny home" community, the ***Mabury Bridge Housing Community*** (BHC). This BHC is one of five (5) City emergency housing developments that provide interim shelter for homeless individuals on public land, and acts as the bridge between homelessness and permanent housing. The Mabury BHC, located on land leased from the Valley Transportation Authority, is the first of two bridge housing communities in San José, and is funded through various State of California homeless and housing programs.

Photo Credit: City of San José Housing Department

C - ***LED Conversion Program*** – The City owns, operates and maintains over 64,000 streetlights. The City has changed approximately 32,000 streetlights to smart, energy-efficient light-emitting diode ("LED") lighting through its ***LED Conversion Program*** since 2012. A majority of the remaining streetlights will be converted to LED lighting by the end of 2021, with the remaining inventory, consisting of specialty lights requiring customized replacements, to be subsequently updated through City maintenance projects.

Photo Credit: San José Public Works Department

D - ***Alviso Storm Pump Station*** – Storm Sewer Capacity Improvement Capacity improvement projects prevent flooding over larger areas or drainage basins by constructing large-diameter storm sewers or new pump stations that are identified through past areas. The ***Alviso Storm Pump Station*** project, funded with revenues dedicated to the construction and reconstruction of the City storm sewer system, was completed in September 2019. This project includes the installation of four (4) pumps with a total capacity of 110 cubic feet per second and more than 1,000 feet of force main along Catherine Street to discharge stormwater into the Guadalupe River. The new pump station, in conjunction with the existing 30 cubic feet per second Gold Street Pump Station, will help alleviate the impact of a 100-year flood event to the Alviso community in North San José.

Photo Credit: San José Public Works Department

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

City of San José
California

29th Comprehensive Annual Debt Report

Fiscal Year Ended June 30, 2020

Prepared by
Finance Department
Debt Management Program

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Director of Finance

29th Comprehensive Annual Debt Report
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Special Assistance – Departments and Offices

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, 2020

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CITY OF SAN JOSE
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Finance
JULIA H. COOPER, DIRECTOR

November 30, 2020

HONORABLE MAYOR AND CITY COUNCIL

**THE COMPREHENSIVE ANNUAL DEBT REPORT
OF THE CITY OF SAN JOSE**

I am pleased to present the 29th Comprehensive Annual Debt Report for the City of San José (the "Annual Debt Report") for the fiscal year ("FY") ended June 30, 2020. 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 2019-20 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 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" or "CSJFA"), 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 ("CWFA").

Debt Management staff is responsible for managing the debt issuance process for all external borrowings in which the City participates.

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 2019-20 activities reflected debt issuance of approximately $603 million. This includes a $502 million General Obligation Bonds, $18 million in subordinate wastewater revenue notes to finance capital improvements at the San José-Santa Clara Regional Wastewater Facility, $1 million Lease Revenue Commercial Paper Notes, $3 million Airport Commercial Paper Notes and $79 million of conduit multi-family housing revenue obligations.

The City continues to maintain high general credit ratings from all three national rating agencies, which affirmed the City's general obligation 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"), in June 2020, affirmed the City's general obligation rating of AA+ with a stable outlook. In conjunction with the Authority's issuance of the Series 2020A Bonds (Civic Center Refunding Project) and Series 2020B Bonds (Ice Centre Project), the City's General Obligation ratings were affirmed Aa1 by Moody's and AA+ by both S&P and Fitch in September and October 2020.

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, primary market and secondary market continuing 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 2019-20. 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 2020-21 anticipates a major focus on, reviewing refinancing options for existing Airport Revenue Bonds, planning activity for General Obligation Bonds for Measure T projects, and planning for potential new and refunding Lease Revenue bonds for the Central Service Yard and Fire Training Center. Total debt issuance in FY 2020-21 for the City and its related entities is estimated at approximately $1.20 billion comprised of new money and refunding issuances. Of that amount, $692 million has already been issued, consisting of $130 million in Tax Revenue Anticipation Notes, $356 million in Lease Revenue bonds (new issuance and refunding for Civic Center), $146 million in Lease Revenue bonds (Ice Centre expansion), and $60 million in conduit multifamily housing bonds. Of the remaining $512 million of planned issuance, it is estimated that $442 million will be for Airport Refunding bonds and $70 million in conduit multifamily housing bonds.

Additional projects for FY 2020-21 include, but are not limited to, continued development of a long-range financing plan for the 10-year, $1.4 billion capital improvement plan for the Regional Wastewater Facility. Other work effort will include the analysis and preparation of proceedings for the potential issuance of pension obligation bonds, issuance of future conduit housing bonds, and administration of outstanding conduit housing bonds, continued monitoring of private activity at tax-exempt financed facilities; and strategies to utilize and leverage improvements for downtown.

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, 2020.

A. Debt Management Program

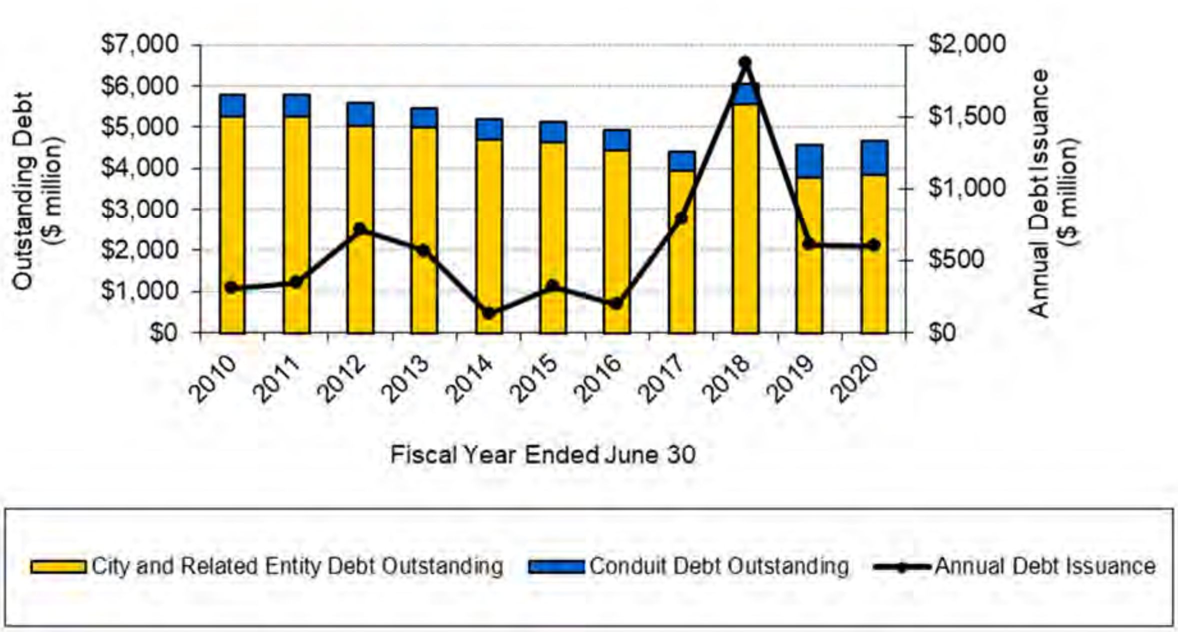
This section of the report provides an overview of debt issuance, debt administration, and debt management projects for FY 2019-20 that have been completed, currently underway, or are planned for FY 2020-21.

1. Debt Issuance

Debt Management, a program within the Finance Department, is responsible for managing the debt issuance process for all City borrowings. FY 2019-20 debt issuance totaled $603 million, composed of $502 million General Obligation Bonds, $1 million Lease Revenue Commercial Paper Notes, $3 million Airport Commercial Paper Notes, $18 million in subordinate wastewater revenue notes to finance capital improvements at the San José-Santa Clara Regional Wastewater Facility, and $79 million of conduit multi-family housing revenue obligations.

The Debt Management Program work plan for FY 2020-21 includes total debt issuance estimated at $1.20 billion of which approximately 68% represents refunding opportunities (31% of which has already occurred with the Series 2020A and Series 2020B Lease Revenue Bond issuances). Of that amount $692 million has already been issued, consisting of $130 million in Tax Revenue Anticipation Notes, $356 million in Lease Revenue bonds (new issuance and refunding for Civic Center), $146 million in Lease Revenue bonds (Ice Centre expansion) and $60 million in conduit multifamily housing bonds. Of the remaining $512 million, it is estimated that $442 million will be for Airport Refunding and $70 million in conduit multifamily housing bonds. 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. Although issuance of new debt has been more limited during the last few years, as interest rates have hit historic lows, the focus of the Debt Management Program has shifted to refinancing debt to achieve debt service savings and to eliminate certain restrictive debt covenants or constraints.

City Debt Portfolio and Debt Issuance History
FY 2009-10 through FY 2019-20



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 serves 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 2019-20

Renewal/Replacement/Expansion of Letters of Credit and Direct Placement for Variable-Rate Debt - Staff completed the following work in FY 2019-20:

- CSJFA Series 2008E (Ice Centre) - Extension of Direct Placement - In December 2013, the Authority directly placed the Series 2008E 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 a continuing covenant agreement for the private placement of the Series 2008E Bonds, which expired on June 9, 2020. City staff negotiated an extension of the direct purchase of the 2008E Bonds with U.S. Bank for a 178-day period expiring on December 4, 2020. On June 2, 2020, the City Council and Financing Authority approved the extension of the Direct Placement of the 2008E Bonds to December 4, 2020. That extension enabled U.S. Bank to continue to own the 2008E Bonds during the development and issuance of the Authority's 2020B Bonds (Ice Centre Project), in the amount of approximately $146 million issued in October 2020. Proceeds of the 2020B Bonds were used to refund the outstanding Ice Centre 2008E Bonds, in the amount of $11.175 million, and provide $120 million in net proceeds for the expansion of the Ice Centre.

<u>Redemption of Authority Lease Revenue Bonds</u> – On February 15, 2020, the Authority redeemed $8,140,000 of Lease Revenue Bonds, Series 2007A (Recreational Facilities). Funds were provided from the 2019-2020 the Adopted Operating Budget to pay down certain General Fund debt obligations using one-time available funds that resulted in the elimination of all debt associated with the Rancho del Pueblo golf course, including private activity restrictions. After the redemption of the Series 2007A Bonds, $8,235,000 in principal remained outstanding.

<u>Feasibility Study for Solar4America Ice Centre Expansion Project</u> – Debt management staff with the assistance of its municipal advisor administered the Feasibility Study process to 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) was presented to and approved by City Council in December 2019 with the required two-thirds approval to proceed with project financing. The Feasibility Study also served as a basis to aid City Council to assess whether to approve CSJFA's issuance of Lease Revenue Bonds to fund the Expansion Project. Approval of the Feasibility Study provided for the issuance of CSJFA Series 2020B Bonds to fund the fourth expansion of the Ice Centre. The Ice Centre expansion adds two new buildings, providing an additional 204,193 square feet to the original facility, two new ice sheets (bringing the total ice sheets to six), meets the increase in regional demand for "ice time" and to provides a new home arena for the San José Barracuda (AHL). The expansion also provides a shell space designed to be improved in the future for medical, sports medicine or other office uses.

<u>Administrative Disclosure Policies and Procedures ("Administrative Disclosure Policy")</u> - 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 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, who are 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 Policies and Procedures, was approved by the City Manager in June 2020 and was put into formal practice during the review of the Series 2020A Bonds (Civic Center Refunding Project) and Series 2020B Bonds (Ice Centre Project), and their respective Official Statements, SARA's

financial statements for FY 2020, the City of San José FY 2020 CAFR, and the Airport CAFR for FY 2020. Prior to the formal adoption staff was working with draft policies and procedures to guide municipal market disclosure matters.

Request for Proposals (RFP):

- Request for Proposals (RFP) – Underwriter Services for CSJFA lease revenue bonds (Ice Centre Expansion and CSJFA Refundings) – In January 2020, the City, with the assistance of its municipal advisor issued a RFP to underwriting firms, previously established from an underwriter pool established in November 2016, to provide underwriting services for two separate financings: (1) to refund Lease Revenue Bonds for the Civic Center (Series 2006A and Series 2013A) and Recreational Facilities (Series 2007A); prepayment of the City's rental obligations under the Master Equipment Lease/Purchase Agreement with Banc of America Public Capital Corp.; and to finance the construction of public improvements (the "Community Energy Department Project") and (2) to finance the construction of the Ice Centre expansion project and refund prior bonds issued for that purpose (Series 2008).

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 2019-20, the Finance Department held TEFRA hearings for the following projects:

TEFRA Hearings for Multifamily Housing Projects
City as Conduit Debt Issuer
FY 2019-20

Date	Project	Amount
11/22/2019	Page Street Apartments	$40,000,000
11/22/2019	Alum Rock Apartments	42,000,000
11/22/2019	West San Carlos Apartments	35,000,000
1/17/2020	SAHA Arya Apartments	45,000,000

- Page Street Studios – On November 22, 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 $40,000,000 to finance the acquisition, construction and development by Charities Housing Development Corporation of Santa Clara, of an 82-unit housing project affordable to low-income and very low-income residents located at 329, 341, and 353 Page Street in San José. The project received CDLAC allocation on April 14, 2020.
- Alum Rock Family Housing - On November 22, 2019, the Director of Finance held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue notes in an amount not to exceed $42,000,000, to finance the acquisition, construction, and development by Alum Rock Family Housing, L.P., a California limited partnership, of an 87-unit housing project affordable to low-income and very low-income residents located at 2350 Alum Rock in San José. The project received CDLAC allocation on April 14, 2020.
- West San Carlos - On November 22, 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 $35,000,000 to finance the acquisition, construction, and development by San Jose W San Carlos, L.P. or another entity to be created by The Danco Group (or an affiliate) (the "Owner"), to finance the acquisition, construction of an 80-unit housing project affordable to low-income and very low-income residents located at 750 West San Carlos in San José. TEFRA regulations requires that bonds must be issued within one year after the TEFRA hearing, since no bonds were issued during that timeframe, a new TEFRA must be scheduled.
- SAHA Arya - On January 17, 2020, 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 $45,000,000 to finance the acquisition, construction, and development by SAHA Arya, L.P. a California limited partnership, or another entity to be created by Satellite Affordable Housing Associates ("Satellite") (or an affiliate) (the "Owner"), to finance the acquisition, construction and development of an 87-unit housing project affordable to low-income and very low-income located at 226 Balbach Street in San José. TEFRA regulations requires that bonds must be issued within one year after the TEFRA hearing, since no bonds were issued during that timeframe, a new TEFRA must be scheduled.

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 2019-20, the Debt Management staff coordinated TEFRA hearing for the following project:

- Almaden County Day School (CEDA as issuer) – On April 14, 2020, City Council held a TEFRA meeting and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $15 million to finance the construction of a 15,000 square foot integrated gymnasium for indoor sports, a modern stage and parking lot improvements located at 6835 Trinidad Drive in San José.

b. Projects Anticipated for FY 2020-21

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

- CSJFA Regional Wastewater Facility Credit Facility – Amended and Extended Credit Agreement - The Environmental Services Department ("ESD"), acting in the lead role for the City in its capacity as co-owner and administering agent of the Regional Wastewater Facility ("RWF"), embarked upon a master Capital Improvement Program ("CIP") that will rehabilitate and modernize a substantial portion of the RWF for an estimated cost of approximately $1.4 billion over 10 years. An interim financing facility, in the form of a three-year Credit Agreement with Wells Fargo Bank, N.A. (the "Bank"), was established on October 19, 2017 in the amount of $300 million to help bridge the financing gap between cash funding of the $1.4 billion CIP for the RWF and obtaining long-term financing in the form of bonds, with an expiration of October 18, 2020. On September 29, 2020 the City and Authority approved the Second Amendment to the Credit Agreement and a Second Amended and Restated Fee Letter Agreement (Agreements) with the Bank that expires on October 18, 2023 in the amount of $300 million. It is anticipated that the Authority will pay off the interim financing facility (which bears interest at a variable interest rate) with long-term, fixed rate financing amortized over at least 30 years.
- 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. 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 a substitute Letter of Credit (LOC) and Reimbursement Agreement and related financing documents (amended Paying Agent and Dealer Agreements), for a three-year term from the effective date of September 12, 2018 until September 10, 2021 in the amount of $75 million. Before the LOC expires, City staff contemplates extending the Airport CP program in support of the Airport CIP.

Refinancings - Debt Management is monitoring options for refinancing Lease Revenue Bonds ("LRB") issued by the San José Financing Authority, including new issuance and refunding of the Central Service Yard and Fire Training Center projects. The City has engaged a financing team to prepare the potential refunding of 2011 General Airport Revenue Bonds for City Council approval in early 2021.

Request for Proposals (RFP):

- In August 2020, the City, with the assistance of its municipal advisors, issued a RFP to underwriting firms for the purpose of refunding certain outstanding Airport Revenue Bonds, expected to be refunded in the Spring 2021.
- In December 2020, the City issued an RFP for consulting services for the purpose of selecting a firm (the "MA") to advise the City on options for funding its annual

obligations to fund retirement system payments including the unfunded actuarial liabilities of the City's two retirement systems.

- In early 2021, the City anticipates issuing a RFP inviting experienced investment banking firms to serve in an underwriter pool (last established in November 2016) for various city financings and refundings.

- Affordable Housing Project TEFRA Hearings - Hold a Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) public hearings for:
    - the issuance not to exceed $45,000,000 in tax-exempt private-activity bonds by City to finance the acquisition by Blossom Hill, L.P. (the "Borrower") and rehabilitation of the Blossom Hill Apartments, a 147-unit apartment complex located at 397 Blossom Hill Road in San José; and
    - the issuance not to exceed $40,000,000 in tax-exempt private-activity bonds by City to finance the by MP Moorpark Associates, L.P. (the "Borrower") and rehabilitation of the Moorpark Apartments, a 108-unit apartment complex located at 1710 Moorpark Avenue, San José.
    - Re-TEFRA West San Carlos due to the expiration of first TEFRA in November 2020.

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 2020-21, the Debt Management staff coordinated a TEFRA hearing for the following project:

> Valley Christian School (CEDA as issuer) – On September 15, 2020, City Council held a TEFRA meeting and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $48,250,000 to finance the construction of elementary school buildings, playground and parking improvements, and acquisition of approximately 11.37 acres of land immediately adjacent to the school, located at 1500 Leigh Avenue, San José.

While other projects are possible, the City is not aware of any other projects seeking such approval during the current fiscal year.

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 regarding the restrictions on use, lease and sale of City facilities. Since then, the tax status of several projects has changed due to the SARA refunding (December 2017) and the General Obligation issuance and refunding (July 2019). Debt Management staff, with the assistance of the City Attorney's office will provide updates to that guidance to City departments to reflect changes in tax status of those affected projects as a work plan item for FY 2020-21.

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;
- Ensure financial controls are in place with respect to proceeds of debt issuances; 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, 2020, 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, 2019, those debt issues reported and submitted to CDIAC, that occurred from January 21, 2017 through June 30, 2019, are summarized in the table below:

	ISSUER	PROJECT/ISSUE	DEBT TYPE	PRINCIPAL	ISSUE DATE	FY	UPDATE	NEW
1.	San Jose- Airport	Series A	Public enterprise revenue bond	473,595,000	4/11/2017	2016-17	X	
2.	San Jose - Airport	Series B	Public enterprise revenue bond	150,675,000	4/11/2017	2016-17	X	
3.	San Jose - MHRB	Villa De Guadalupe Apts Series A-1 & A- 2	Conduit revenue note	37,700,000	5/23/2017	2016-17	X	
4.	San Jose - MHRB	Villa De Guadalupe Apts Series B	Conduit revenue bond	4,615,712	5/23/2017	2016-17	X	
5.	San Jose - MHRB	Catalonia Apartments Series C	Conduit revenue bond	16,264,154	10/17/2017	2017-18	X	
6.	CSJFA - RWF	Series A	Public enterprise revenue bond	300,000,000	10/19/2017	2017-18	X	
7.	SARA	Series A	Tax allocation bond	79,825,000	12/21/2017	2017-18	X	
8.	SARA	Series B	Tax allocation bond	264,390,000	12/21/2017	2017-18	X	
9.	SARA	Series A-T	Tax allocation bond	1,333,325,000	12/21/2017	2017-18	X	
10.	San Jose - TRAN		Tax and revenue anticipation note	150,000,000	7/2/2018	2018-19		X
11.	San Jose - MHRB	El Rancho Verde Apts Series A & B	Conduit revenue bond	318,000,000	8/28/2018	2018-19		X

The Administrative Disclosure Policies and Procedures ("Administrative Disclosure Policy") establishes a policy, process and procedures that the City (including the SARA and Other Related Entities) follow in order to promote compliance with primary disclosure and continuing disclosure requirements. It provides 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, who are 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 Administrative Disclosure Policy was approved by the City Manager in June 2020 and will be periodically reviewed and updated as needed.

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; policymakers' commitment to disciplined fiscal policies; and management's capacity to implement these decisions over several administrations. The quality and implementation of a financial plan that supports financial discipline, stability and comprehensiveness of the budgeting process to monitor revenues and control expenditures, including pension responsibilities and the implementation of large-scale infrastructure projects is also a factor. 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 and enterprise debt, CSJFA lease revenue 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. These credit ratings were confirmed by Moody's in August 2020 and by S&P and Fitch in September 2020, remain unchanged from the prior year and are the 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, sound financial management and prudent 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 either during or after Fiscal Year 2019-20 where indicated, prior to CADR publication, by issuer credit category:

As of June 30, 2020, the City of San José Financing Authority (Authority) had the following bonds in the table below:

Date	Series	Moody's	S&P	Fitch
June 30, 2020	2003A, 2006A, 2013A and 2013B	Aa2	AA	AA
	2007A, 2011A	Aa3	AA	AA
	Rating Outlook	Stable	Stable	Stable

Subsequent to June 30, 2020, the Authority issued its Taxable Lease Revenue Bonds, Series 2020A (Civic Center Refunding Project) to, among other purposes, refund the following series of Authority Bonds: Series 2006A, 2007A and 2013A Bonds. The 2020A Bonds are rated by Moody's, S&P and Fitch: Aa2, AA and AA, respectively. Also subsequent to June 30, 2020, the Authority issued its Taxable Lease Revenue Bonds, Series 2020B (Ice Centre Project) to fund an expansion of the Ice Centre and refund the Series 2008E Bonds, which had been directly placed and were unrated. The 2020B Bonds are rated by Moody's, S&P and Fitch: Aa3, AA and AA-, respectively. Ratings for these subsequent bond issues are summarized in the following table with the all the Authority's outstanding Lease Revenue Bonds:

Date	Series	Moody's	S&P	Fitch
September 24, 2020	2003A, 2013B and 2020A *(2006A*, 2007A*, and 2013A*)*	Aa2	AA	AA
	2011A	Aa3	AA	AA
	Rating Outlook	Stable	Stable	Stable
October 15, 2020	2020B	Aa3	AA	AA-
	Rating Outlook	Stable	Stable	Stable

**refunded with the 2020A Bonds*

As of June 30, 2020, the underlying ratings on the City of San José Airport Revenue Bonds were rated a by Moody's, S&P, and Fitch: A2, A and A, respectively. In October 2020, S&P downgraded the underlying rating to A- from A.

As of June 30, 2020, sewer revenue bonds issued by the San José-Santa Clara Clean Water Financing Authority were rated as follows by Moody's, S&P and Fitch: Aa2, AAA, and AAA.

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, 2020 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, 2020, the City had $469 million in general obligation debt outstanding, representing 1.6% of the debt limit.

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").

The Tax Cuts and Jobs Act ("Act"), was enacted previously on December 22, 2017. One of the provisions of the Act eliminated the ability to use tax exempt bond proceeds to advance refund tax exempt bonds issued after December 31, 2017; tax exempt bonds may continue to be issued for current refunding bonds (bonds closed no more than 90 days prior to the call date). There have been legislative 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.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

II. DEBT ISSUANCE

A. Debt Issued During FY 2019-20

FY 2019-20 debt issuances totaled $603 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 $502 million General Obligation Bonds, $17.8 million in subordinate wastewater revenue notes to finance capital improvements at the San José-Santa Clara Regional Wastewater Facility, $1.2 million Lease Revenue Commercial Paper Notes, $3 million Airport Commercial Paper Notes, and $79 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 Series 2019 A-D General Obligation Bonds – On July 25, 2019, the City issued $502,020,000 of General Obligation Bonds, Series 2019 A-D ("Series 2019 Bonds") under the authorizations, approved by the voters, as described below:

• Series 2019A-1:	$140,340,000
• Series 2019A-2	33,040,000
• Series 2019B:	66,500,000
• Series 2019C:	158,185,000
• Series 2019D:	103,935,000
Total	$502,020,000

Measure T, approved by the voters on November 6, 2018, 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 and land acquisition 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.

The Series 2019 Bonds mature over 30 years with a final maturity in 2049, with no extension of maturity date for the refunding bonds. After the first issuance of bonds in the amount of $239,900,000 under Measure T, a total of $410,100,000 remains authorized, but unissued under Measure T authorization.

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 maximum rate of 12% per annum for a period of 270 days.

During FY 2019-20, the Authority issued $1.2 million of new money commercial paper notes to finance energy conservation projects. As of June 30, 2020, $72.5 million of CP Notes were outstanding, including $3.1million of tax-exempt CP Notes at an interest rate of 0.26% and $69.4 million of taxable CP Notes at an interest rate of 0.28%. 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 in Appendix C, while most recent amendment is provided below:

Date	**City Council/City of San José Financing Authority Board Actions – Authority's Lease Revenue Commercial Paper Program**
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 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 2019-20, $17.8 million was drawn against the subordinate notes. The outstanding balance of subordinate notes drawn, as of June 30, 2020 was approximately $107 million, leaving an undrawn amount of approximately $193 million for use in capital improvements at the Wastewater System Treatment Plant facility. The initial Credit Agreement was further amended and extended prior to its scheduled expiration on October 18, 2020. The City and Authority approved the First Amendment to the Credit Agreement and an Amended and Restated Fee Letter Agreement, both with Wells Fargo Bank on June 26, 2018 in the amount of $300 million to adjust the calculation of interest and fees for tax-exempt Notes in order to address increased borrowing cost under the terms of the agreement resulting from tax changes in the Tax Cuts and Jobs Act ("Tax Act") of December 2017. The City and Authority approved the Second Amendment to the Credit Agreement and a Second Amended and Restated Fee Letter Agreement (Agreements) with Wells Fargo Bank on September 29, 2020, with a new expiration date of October 18, 2023 in the amount of $300 million. It is anticipated that the Authority will pay off the interim financing facility (which bears interest at a variable interest rate) with long-term, fixed rate financing amortized over at least 30 years.

Multifamily Housing Revenue Bonds

Lenzen Square Apartments – CDLAC approved up to $23 million for the issuance of tax-exempt debt at the June 15, 2019 meeting. City Council approved the issuance of multifamily housing bonds on August 13, 2019. The bonds were issued on August 22, 2019 for $21.5 million to provide financing for the acquisition and rehabilitation of 88 affordable housing units for low income residents.

Vista Park I Apartments - CDLAC approved up to $18.1 million for the issuance of tax-exempt debt at the May 15, 2019 meeting. City Council approved the issuance of multifamily housing bonds on September 10, 2019. The bonds were issued on October 11, 2019 for $13.2 million to provide financing for the acquisition and rehabilitation of 83 affordable housing units for low income residents.

Palm Court Senior Apartments - CDLAC approved up to $16 million for the issuance of tax-exempt debt at the May 15, 2019 meeting. City Council approved the issuance of multifamily housing bonds on August 28, 2019. The bonds were issued on October 11, 2019 for $12.2 million to provide financing for the acquisition and rehabilitation of 66 affordable housing units for low income residents.

Quetzal Gardens Apartments - CDLAC approved up to $32.2 million for the issuance of tax-exempt debt at the July 17, 2019 meeting. City Council approved the issuance of multifamily housing bonds on November 19, 2019. The bonds were issued on December 2, 2019 for $32.2 million to provide financing for the acquisition and rehabilitation of 71 affordable housing units for low income residents.

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").

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.

During FY 2019-20, the City issued $3 million of new money subordinated commercial paper notes. As of June 30, 2020, the only series outstanding was $51.9 million of Series B notes 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 in Appendix D, while most the recent amendment is provided below:

Date	**City Council Actions – Airport Commercial Paper Program**
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 2019-20.

Summary of Completed Debt Issuance
FY 2019-20

Issue Date	Issue	Size (millions)	Type	Sale Type	Municipal Advisor	Bond Counsel	Underwriter/ Private Placement	Credit Enhancement
7/25/2019	CSJ General Obligation (GO) [(2)] Series 2019A ($173,400,000) Series 2019B ($66,500,000) Series 2019C ($9,230,000)	$ 249.1	New Issuance of General Obligation Bonds	Competitive	Public Resources Advisory Group (PRAG)	Jones Hall	Citi Group, Morgan Stanley, Jefferies LLC	N/A
7/25/2019	CSJ General Obligation (GO) Series 2019C ($148,955,000) Series 2019D ($103,935,000)	252.9	General Obligation Refunding Bonds	Competitive	Public Resources Advisory Group (PRAG)	Jones Hall	Citi Group, Morgan Stanley, Jefferies LLC	N/A
8/22/2019	Lenzen Square	21.5	Multifamily Housing Revenue Notes	Private Placement	Public Financial Management (PFM)	Stradling Yocca Carlson & Rauth	FMSbonds, Inc	N/A
10/11/2019	Vista Park I	13.2	Multifamily Housing Revenue Notes	Private Placement	CSG Financial	Kutak Rock	MUFG Union Bank	N/A
10/11/2019	Palm Court	12.2	Multifamily Housing Revenue Notes	Private Placement	CSG Financial	Kutak Rock	MUFG Union Bank	N/A
12/2/2019	Quetzal Gardens	32.2	Multifamily Housing Revenue Notes	Private Placement	Ross Financial	Quint & Thimmig LLP	MUFG Union Bank	N/A
11/12/2019	CSJ Airport Subordinated Commercial Paper Notes	3.0	Airport Commercial Paper	Market Offering	Public Resources Advisory Group (PRAG)/Public Financial Management (PFM)	Orrick Herrington & Sutcliffe LLP	Citigroup (Dealer)	Bank of America Merril Lynch (LOC)
6/17/2019	CSJFA Subordinate Wastewater Revenue Notes	17.8	SJ-SC Regional Wastewater Facility	Private Placement	Public Resources Advisory Group (PRAG)	Orrick Herrington & Sutcliffe LLP	Wells Fargo, N.A	N/A
6/24/2019	CSJFA Lease Revenue Commercial Paper - Flood Issuance[(1)]	1.2	Lease Revenue Commercial Paper	Market Offering	Public Resources Advisory Group (PRAG)	Jones Hall	Barclays Capital (Dealer)	State Street/ US Bank (LOC's)
Total		**$ 603.2**						

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

B. Debt Issued in and Planned for FY 2020-21

Debt Management staff anticipate debt issuance in FY 2020-21 totaling approximately $1.2 billion in both new money and refunding issuance. Of that amount $692 million has already been issued, consisting of $130 million in Tax Revenue Anticipation Notes, $356 million in Lease Revenue bonds (new issuance and refunding for Civic Center), $146 million in Lease Revenue bonds (Ice Centre expansion), and $60 million in conduit multifamily housing bonds. Of the remaining $512 million in planned issuance, it is estimated that approximately $442 million will be for Airport Refunding bonds, and $70 million in conduit multifamily housing bonds. These financings are described below and are presented in the summary table at the end of this section.

Debt Issuance Completed in FY 2020-21

City of San José 2020 Tax and Revenue Anticipation Notes – The City issued two short-term notes for cash flow borrowing purposes to facilitate the prefunding of employer retirement contributions. Bank of America, N.A. ("Bank of America") and by U.S. Bank National Association ("U.S. Bank" and together with Bank of America, the "Banks"), each purchased a City Note in the amount of $65 million. on July 1, 2020 for a total borrowing of $130 million. Security for repayment of the 2020 Notes is a pledge of the City's FY 2020-21 secured property tax and all other legally available General Fund revenues of the City including sales tax revenues, if required. The 2020 Notes will be fully repaid before June 30, 2021. There were 2 notes. Please track CAFR language.

City of San José Financing Authority Lease Revenue Bonds – Civic Center Refunding - On September 24, 2020, the City issued $355,620,000 of Taxable Lease Revenue Bonds, Series 2020A Bonds ("2020A Bonds"). The 2020A Bonds were issued to (i) refund on a current basis, all of the outstanding 2006A Bonds in the outstanding principal amount of $51.7 million and prepay the related lease payment obligations of the City, (ii) refinance on an advanced basis, all of the outstanding 2013A Bonds in the outstanding principal amount of $267.8 million and the related lease payment obligations of the City, (iii) to refund on a current basis all of the outstanding 2007A Bonds in the outstanding principal amount of $8.2 million and prepay the related lease payment obligations of the City; (iv) prepay the City's rental obligations under the Master Equipment Lease/Purchase Agreement in the outstanding principal amount of $12.4 million (v) finance the acquisition and construction of public improvements benefitting the City, including the build-out of existing space within the 4th and San Fernando Garage for office space to be occupied by the San José Community Energy Department ("SJCE") and other city operations in the principal amount of $4.8 million; and (vi) pay the costs of issuing the 2020A Bonds. The refunding plan released $26.3 million on deposit from a reserve fund for the 2006A Bonds and the 2013A Bonds, which was used to refund the 2006A Bonds and the 2013A Bonds, and released $2.2 million from a reserve fund for the 2007A Bonds, and issued a principal amount of 2020A Bonds sufficient to prepay the 2007A Bonds and the City's lease payment obligations under the Master Equipment Lease.

City of San José Financing Authority Lease Revenue Bonds - Ice Centre Expansion - On October 15, 2020, the City issued $146,535,000 of Taxable Lease Revenue Bonds, Series 2020B Bonds ("2020B Bonds"). The 2020B Bonds were issued to (i) refund 2008E-1 Bonds in the amount of $5,590,000 and 2008E-2 Bonds in the amount of $5,585,000 for a total amount of $11,175,000 and thereby replace bonds that bear interest at a variable rate with bonds that bear interest at a fixed rate, (ii) finance the acquisition and construction of two additional ice rinks and related facilities (the "Project") at the Solar4America Ice Centre at San Jose (the "Ice Centre") in the amount of $120,000,000, (iii) fund a deposit to the debt service reserve account and capitalized interest account for the 2020B Bonds, (iv) and pay the issuing costs for the 2020B Bonds. The Project will add two additional ice rinks to meet increase in regional demand for ice time and public skating; provide an alternate home arena for the San José Barracuda; and add approximately 204,193 square feet of space to the existing Ice Centre facility.

In December 2013, the Authority directly placed the Series 2008E-1 Bonds and 2008E-2 Bonds ("2008E 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 a continuing covenant agreement for the private placement of the Series 2008E Bonds, which expired on June 9, 2020. City staff negotiated an extension of the direct purchase of the 2008E Bonds with U.S. Bank for a 178-day period expiring on December 4, 2020. On June 2, 2020, the City Council and Financing Authority approved the extension of the Direct Placement of the 2008E Bonds to December 4, 2020. That extension enabled U.S. Bank to continue to own the 2008E Bonds during the development and issuance of the 2020B Bonds issued in October 2020.

Debt Planned for FY 2020-21 includes:

Multifamily Housing Revenue Bonds/Notes

- Alum Rock Apartments - On November 22, 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 $42 million to finance the construction and development by Affirmed Housing Group, a California for-profit corporation, of an 87-unit housing project affordable to low income and very low income residents located at located at 2380 Alum Rock Avenue, in San José. Bonds were issued by the City as a conduit issuer in the amount of $36.9 million in November 2020.
- Page Street Apartments – On November 22, 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 $40 million to finance the acquisition, construction and development by Charities Housing Development Corporation a California nonprofit corporation, of an 82-unit housing project affordable to low income and very low income residents located at located at 329-353 Page Street, in San José. Bonds were issued by the City as a conduit issuer in the amount of $29.5 million in November 2020.
- SAHA Arya Apartments – On January 20, 2020, 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 acquisition, construction and development by SAHA Arya, L.P., a California limited partnership, of an 87-unit housing project affordable to low income and very low income residents located at located at 226 Balbach Street, in San José. Bonds are projected to be issued by the City as a conduit issuer in the amount not exceeding $45 million in the Winter 2020.
- Markham Plaza II Apartments – On September 15, 2020, City Council held a TEFRA hearing and approved the issuance of tax-exempt 501(c)(3) revenue bonds in an amount not to exceed $25 million to finance the acquisition and rehabilitation by Markham Plaza II, LP, a California limited partnership, of an 152-unit housing project affordable to low

income and very low income residents located at located at 2010 Monterey Road, in San José. Bonds are projected to be issued by the City as a conduit issuer in the amount not exceeding $25 million in the Winter 2020.

Other Refinancings

- The City staff is planning to refund outstanding Airport revenue bonds Series 2011A-1, 2011A-2 (approximately $187 million refunded) and Series 2011B (approximately $256 million refunded) in the combined estimated refunded amount of approximately $443 million in Spring 2021. Through a competitive process, the City has selected Citigroup Global Markets and Morgan Stanley & Co. as senior managers and five additional co-managers.
- 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 $70 million planned for Summer 2021.
- Debt Management continues to monitor opportunities to lower City and taxpayer costs through other refinancing options, including Lease Revenue Bonds and Special Tax Bonds issued in 2011 for the Convention Center, unfunded liabilities of the City's retirement systems and other refinancing ideas presented by the City's Municipal Advisors and Investment Bankers.

The table below presents a summary of completed and planned debt issued in FY 2020-21.

Summary of Completed and Planned Debt Issuance
FY 2020-21

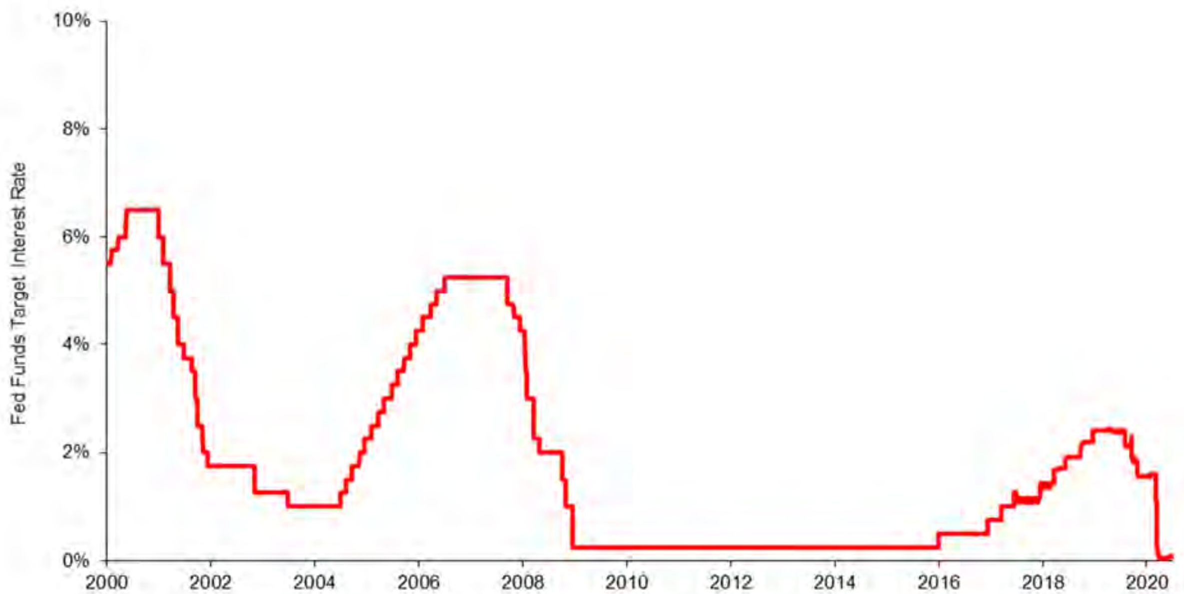
Issue Date	Issue	Size (millions)	Type	Sale Type	Municipal Advisor	Bond Counsel	Underwriter/ Private Placement	Credit Enhancement
7/3/2020	CSJ 2020 Tax and Revenue Anticipation Note	$ 130.0	Tax and Revenue Anticipation Note	Private Placement	Public Resources Advisory Group (PRAG)	Hawkins Delafield & Wood LLP	Bank of America, N.A. / US Bank	N/A
9/24/2020	CSJ Lease Revenue Refunding Bonds (Civic Center)	355.6	Lease Revenue Refunding Bonds	Negotiated	Public Resources Advisory Group (PRAG)	Jones Hall	JP Morgan BofA US Bancorp Jefferies	N/A
10/15/2020	CSJ Lease Revenue Bonds (Ice Centre)	146.4	Lease Revenue Bonds	Negotiated	Public Resources Advisory Group (PRAG)	Jones Hall	BofA JP Morgan US Bancorp	TBD
11/18/2020	Alum Rock	33.0	Multifamily Housing Revenue Notes	Private Placement	Ross Financial	Orrick Herrington & Sutcliffe LLP	Bank of America, N.A.	N/A
11/20/2020	Page Street	26.8	Multifamily Housing Revenue Notes	Private Placement	CSG Financial	Jones Hall	Bank of the West	N/A
Winter 2021	SAHA Arya (Balbach)	45.0	Multifamily Housing Revenue Notes	Private Placement	Ross Financial	Stradling Yocca Carlson & Rauth	TBD	N/A
Winter 2021	Markham Plaza II	25.0	Multifamily Housing Revenue Notes	Private Placement	CSG Financial	Jones Hall	TBD	N/A
Spring 2021	CSJ Airport Refunding Bonds (Series 2011A-1/Series 2011A-2)	186.8	General Airport Revenue Bonds	Negotiated	Advisory Group (PRAG)/Public Financial Management (PFM)	Orrick Herrington & Sutcliffe LLP	Citigroup Morgan Stanley UBS Samuel A. Ramirez	TBD
Spring 2021	CSJ Airport Refunding Bonds (Series 2011B)	255.8	General Airport Revenue Bonds	Negotiated	Public Resources Advisory Group (PRAG)/Public Financial Management (PFM)	Orrick Herrington & Sutcliffe LLP	Morgan Stanley Citigroup Barclays Siebert Williams Shank Wells Fargo	TBD
Total		**$ 1,204.3**						

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.

C. Historical 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.

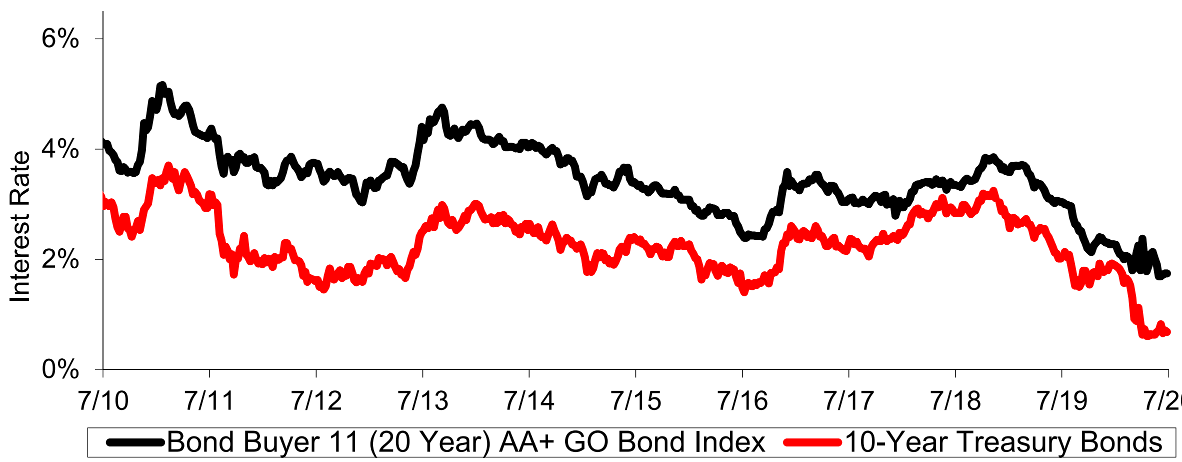
Federal Funds Target Interest Rates
January 2000 through September 2020



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 continues 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.

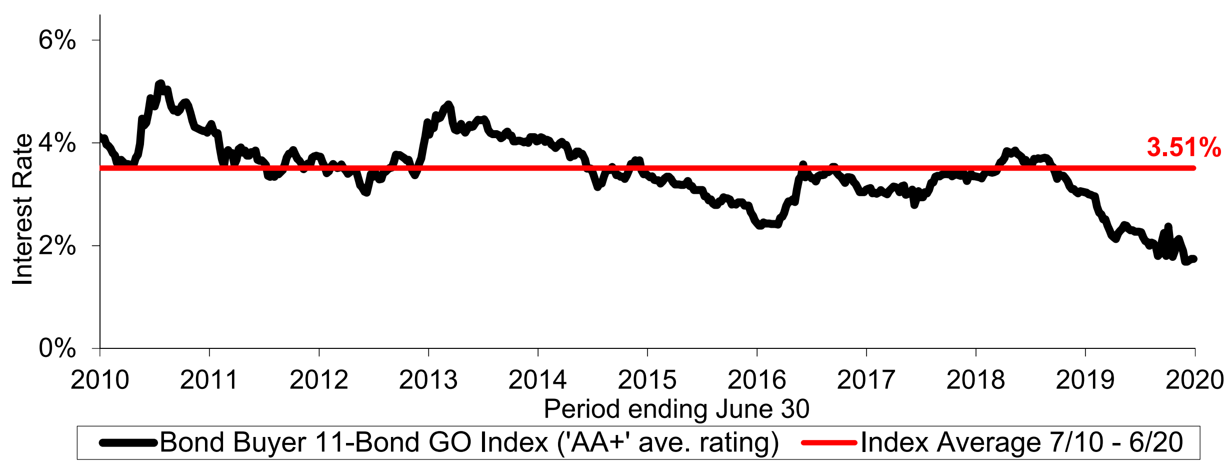
The chart below illustrates the changes in interest rates between tax-exempt (Bond Buyer 11-20 Year AA+ GO Bond Index) and taxable interest rates (10-Year Treasury Bonds) beginning in July 2010 through July 2020. Historically, taxable bonds have interest rates that are higher than tax-exempt bonds, although the gap is exacerbated by comparing a 20-year maturity index to a 10-year index.

Comparison of Tax-Exempt and Taxable Interest Rates
July 2010 through July 2020



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 2019-20.

Ten-Year History of Tax-Exempt Interest Rates
July 2010 through June 2020



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. The selection process may then proceed to oral presentations from the highest ranked proposers.

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.

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

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 LOC
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, 2020, the City had approximately $407 million in bond and commercial paper note funds, including reserve funds, held by four banking institutions serving as trustee, fiscal agent or issuing and paying agent (collectively, “trustees”). The Successor Agency had approximately $119 million in funds to pay for debt service. The table below summarizes the City’s and Successor Agency’s trustee fund balances and activity.

Trustee Summary[1]
As of June 30, 2020

Trustee	Number of Bond/CP Issues	Original Par Amount of Bonds/CP	Trustee Fund Balance
City Related			
Bank of New York	9	$ 1,279,940,000	$ 105,933,639
US Bank	8	328,985,000	43,124,482
Wells Fargo Bank	5	919,445,000	31,719,386
Wilmington Trust	4	468,980,000	226,285,596
U.S. Bank (Airport CP)	N/A	N/A	210,980
Sub-Total	26	$ 2,997,350,000	$ 407,274,084
Successor Agency			
Wilmington Trust	3	$1,677,540,000	$118,995,676
Sub-Total	3	$1,677,540,000	$118,995,676
Grand Total	**29**	**$ 4,674,890,000**	**$ 526,269,759**

[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. Subsequently, on October 26, 2019, the IRS notified the SARA that it had closed the audit on the 1996 Bonds without change to the status of the Series 1996 Bonds.

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 $274,000 (inclusive of interest and penalties through December 21, 2019).

On July 16, 2020, SARA made payment to the IRS the amount of $193,000 pursuant to a closing agreement with the IRS to close out the arbitrage rebate audit on the Series 1999 Bonds. The amount paid included interest but no penalties. The IRS considers the matter closed with no change in the status of the Series 1999 Bonds.

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 2020.

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 an Administrative Disclosure Policy and Procedures, approved by the City Manager in June 2020, 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 September 15, 2020.

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.

The interest on variable rate demand bonds is determined through a remarketing function, with rates set by the market, based on liquidity in the form of a letter of credit or standby purchase agreement for a limited period such as three years when the facility needs to be renewed, replaced or the bonds redeemed. Issuing and paying agents draw against facilities when necessary to for liquidity. Direct placements do not require a liquidity facility. The interest rate on the direct placement is generally set based on an indexed interest rate, plus a spread and have a mandatory tender expiration date. The total cost of funds under both programs is comparable, but different market conditions have provided an advantage to one or the other, especially based on internal factors affecting banks. As outlined in the table below, the City currently has approximately $580 million in letters of credit, revolving line of credit, two commercial paper programs, and two revolving line of credit facilities as of June 30, 2020, down from $598.2 million as of June 30, 2019. This represents a significant decrease over the past 10 years 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, 2020

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][5]	10/18/2023
San Jose Clean Energy Revolving Credit Facility	Energy Power Provider Contracts	Barclays Bank PLC	80,000,000[5]	11/27/2023
Total			**$580,000,000**	

(1) Commercial Paper principal or Credit Facility capacity.

(2) The Airport CP outstanding as of June 30, 2020 was $51.9 million.

(3) The CSJFA CP outstanding as of June 30, 2019 was $72.5 million.

(4) The amount drawn on the Revolving Line of Credit during FY19-20 was $17.8 million; total amount drawn as of June 30, 2020 was $106.9 million.

(5) Debt Service calculated using LIBOR.

For several years, regulators and market participants have preparing for a transition from the benchmark London Interbank Offer Rate (“LIBOR”) index which is expected to 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.

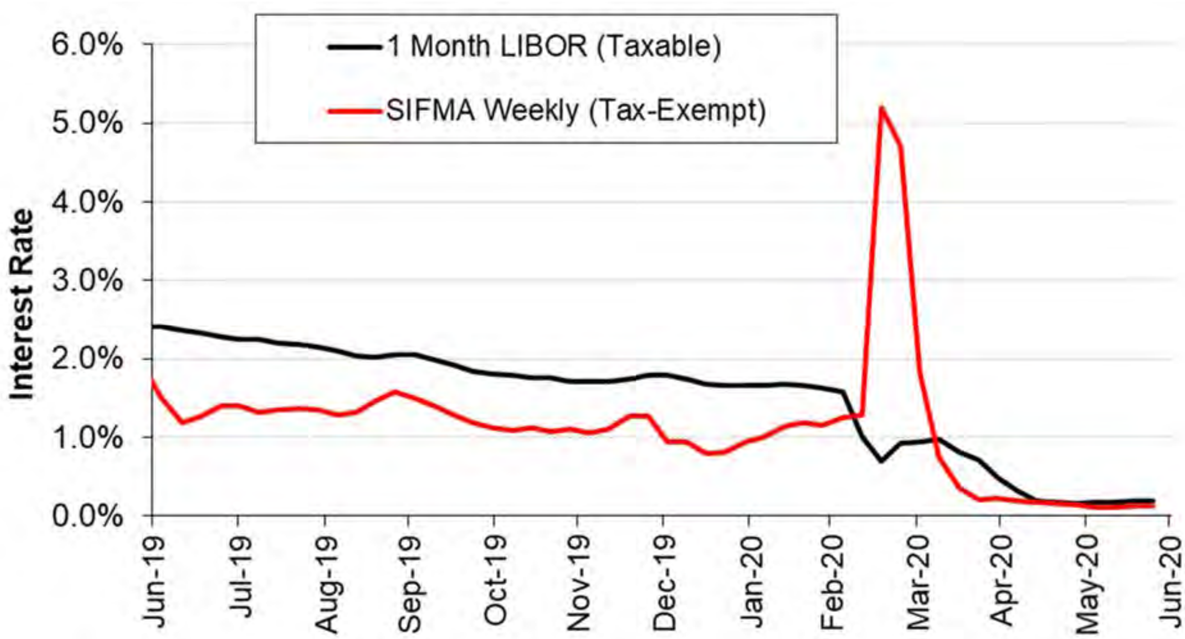
A switch of benchmark from LIBOR to SOFR for existing tax-exempt securities could be interpreted as a material change that would cause the securities to be considered newly reissued and subject to current tax laws. On October 9, 2019, the U.S. Treasury Department and the Internal Revenue Service (IRS) 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 City’s exposure to LIBOR rates is currently limited to the $300 million Credit Agreement and the $80 million Revolving Credit Agreement listed above. Bond documents for both of those transactions include provision for a transition from the LIBOR index to a new benchmark index as determined by each of the Banks. For conduit housing debt, there is some LIBOR rate exposure, but their respective bond documents also provide for a transition from the LIBOR index to a new benchmark index.

The following chart provides indicative variable rates the City and related entities paid during FY 2019-20 for both taxable and tax-exempt bond obligations. Tax-exempt weekly interest rates averaged 1.14% and taxable monthly interest rates averaged 1.44%. The SIFMA rates peaked at 5.20% on March 18, 2020, shortly after the Federal Reserve reduced its overnight lending rate to near zero as part of its effort to manage the risk of COVID-19. The SIFMA rate has since returned to levels more in line with the long-term norm.

Variable Taxable and Tax-Exempt Rates

FY 2019-20



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. Annually, Debt Management staff provides the City's Budget Office forecasted interest rates for budgeting short-term borrowing cost, in this case for the City's 2022-2026 General Fund Forecast. The rates below are based on 3-month LIBOR (for taxable rates) and 80% of 3-month LIBOR (or tax-exempt rates), plus 50bps for fees/spread and 25bps as a cushion against rising interest, as of October 26, 2020. The forward 3-month LIBOR rates are based on future rates from Bloomberg Market Data – Forward Swap Curves.

Variable Interest Rate Forecast
for Future Debt Service Payments
July 2021 – June 2026

Fiscal Year	Tax-Exempt Rates	Taxable Rates
2021-22	1.20%	1.30%
2022-23	1.40%	1.60%
2023-24	1.80%	2.10%
2024-25	2.20%	2.60%
2025-26	2.60%	3.10%

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 the use of tax - exempt proceeds for advance refunding tax exempt bonds issued after December 31, 2017. Tax exempt bond proceeds may still be used to current refund tax exempt bonds.

As discussed earlier in the report, the FY 2020-21 Debt Management work plan includes resources being committed to examination of refunding opportunities of Authority Lease Revenue Bonds and Airport Revenue Bonds. All of the refunding candidates contemplated in the FY 2020-21 Debt Management work plan will be refunded on a current basis and/or on a taxable basis if advance refunded.

CITY OF

SAN JOSE

CAPITAL OF SILICON VALLEY

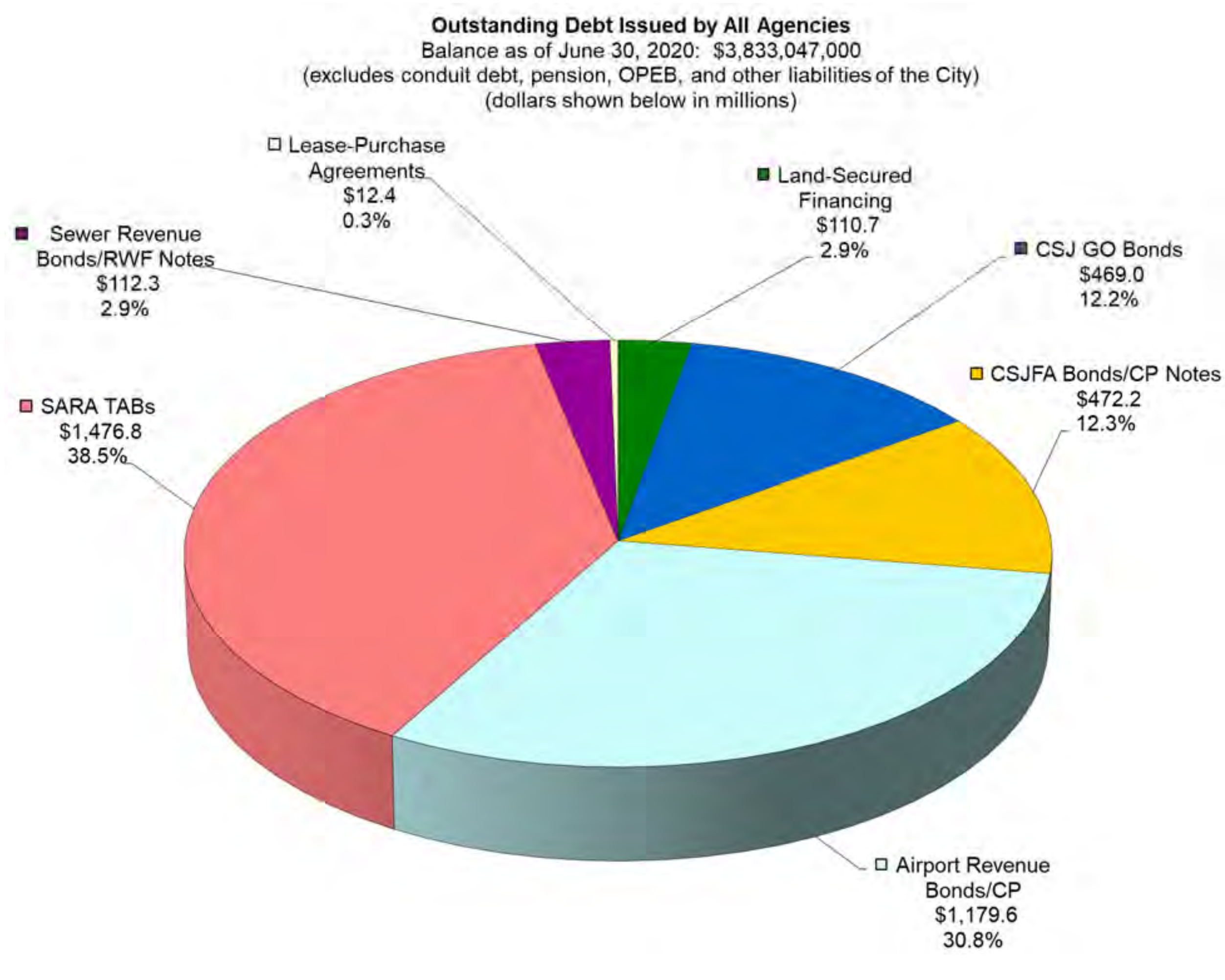
IV. CITY'S OUTSTANDING DEBT PORTFOLIO

This section includes a presentation of the City's debt portfolio, which as of June 30, 2020 was comprised of 90 different debt obligations, consisting of 86 series of bonds, two commercial paper programs, one revolving line of credit facility and one lease-purchase agreement, totaling $4.7 billion. Of the 86 series of bonds, 30 series are debt of the City, the Successor Agency, or related entities while the remaining 56 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, 2020, the City and related entities had debt outstanding totaling approximately $3.8 billion, excluding $842 million in outstanding multifamily housing revenue bonds.

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.

The following chart shows the distribution among the various categories of outstanding debt issued by the City and its related entities.

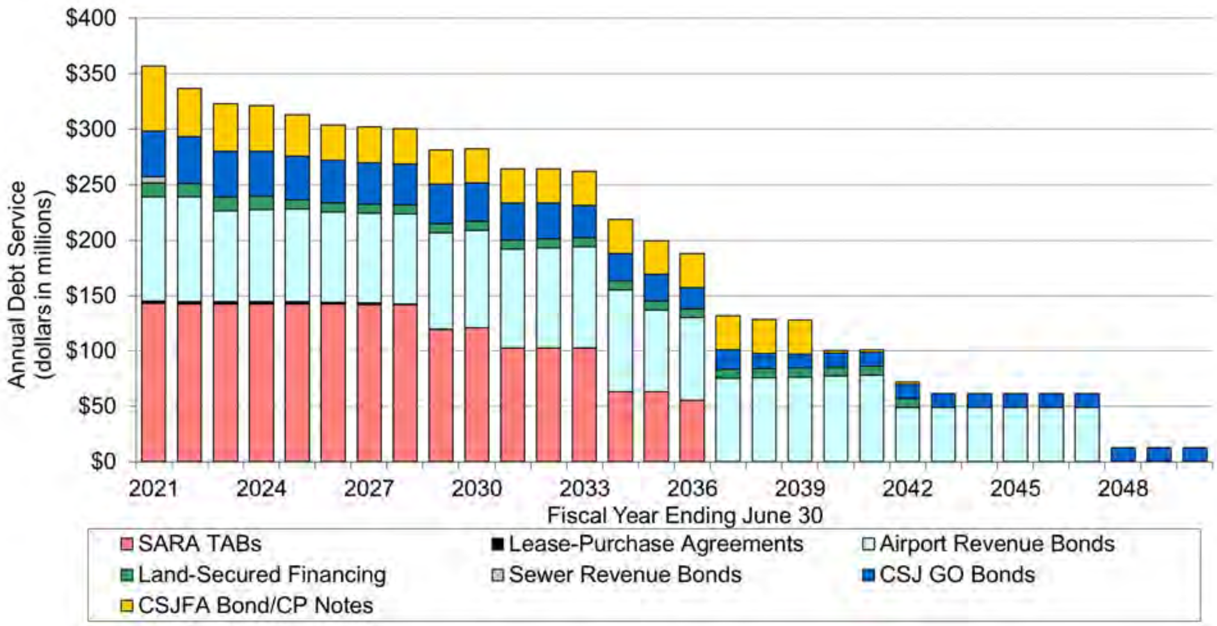


The following chart illustrates the annual debt service payments for all outstanding City-related debt except payments related to conduit debt (i.e. multifamily housing revenue bonds):

Outstanding Debt Issued by All Agencies

Annual Debt Service

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

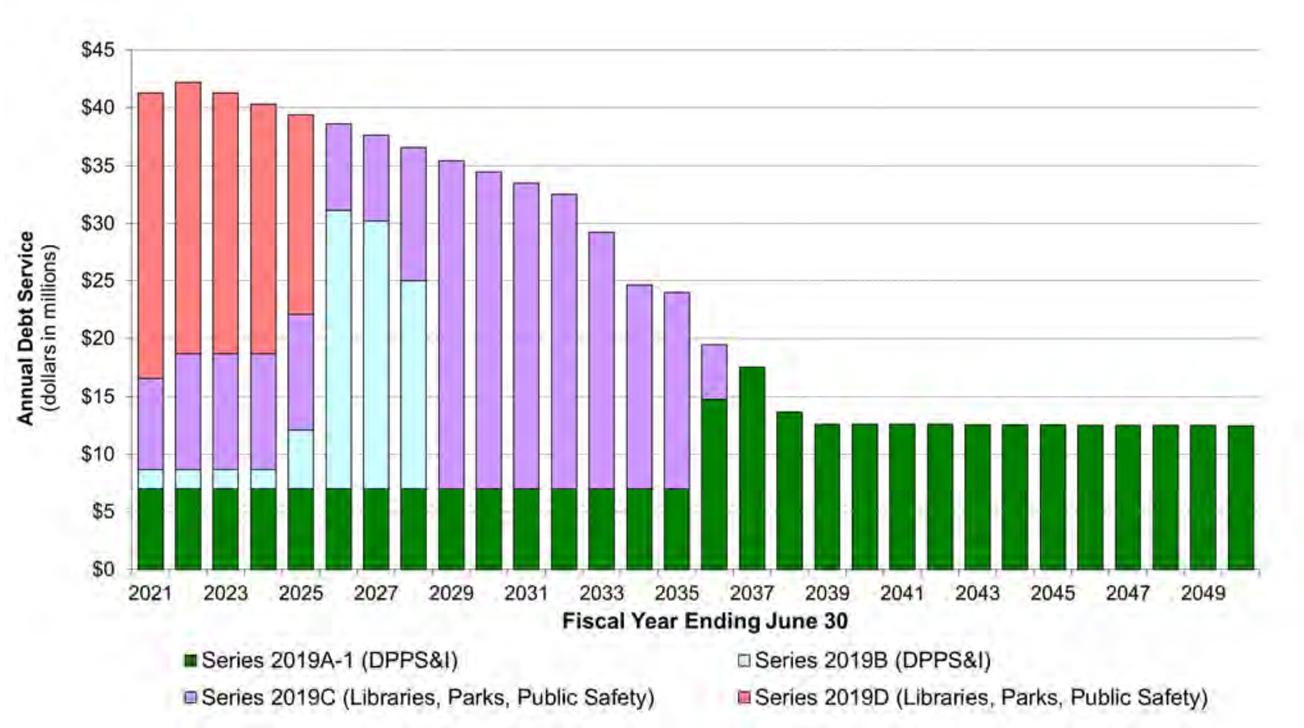


A. General Obligation Bonds

On November 6, 2018, voters approved Measure T at the ballot, authorizing total issuance of $650,000,000 of general obligation ("GO") bonds to acquire property and construct improvements to improve emergency and disaster response, repair deteriorating bridges vulnerable to earthquakes, repave streets and potholes, prevent flooding and water contamination including the acquisition of land in the Coyote Valley for these purposes, and repair critical infrastructure.

On July 25, 2019, the City of San José issued $502 million of General Obligation Bonds ("2019 GO Bonds"), to finance new projects and to refund all outstanding GO Bonds under the following authorizations: (1) Measure T, approved by the voters on November 6, 2018 in the not-to-exceed amount of $650 million for public safety, disaster preparedness, environmental protection and infrastructure purposes; (2) Measure O (approved by the voters on November 7, 2000 in the not-to-exceed amount of $211.79 million for library projects); (3) Measure P (approved by the voters on November 7, 2000 in the not-to-exceed amount of $228.03 million, and (4) Measure O (approved by the voters on March 5, 2002 in the not-to-exceed amount of $159.0 million for public safety projects). Of the 2019 GO Bonds issued, $239.9 million was issued under Measure T authorization for critical infrastructure and land acquisition projects; $9.2 million issued under prior and remaining Measure O authorizations (2000 and 2002) for library and public safety projects; and $252.9 million in GO refunding bonds that refunded all of the prior general obligation bonds issued under Measure O (2000), Measure P (2000) and Measure O (2002). At the end of FY 2020, the City has $410.1 million remaining authorization under Measure T.

General Obligation Bonds
Annual Debt Service



The table below reflects the General Obligation portfolio as of June 30, 2020

City of San José
General Obligation Bonds
Authorization Levels 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	Measure T (11/6/2018) Projects	Outstanding Balance June 30, 2020
Authorization [1]		$211,790,000	$228,030,000	$159,000,000	$650,000,000	
Series 2019A	9/1/2049	$ -	$ -	$ -	$173,400,000	$140,360,000
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 Refunding [2]	9/1/2035	-	-	-	-	148,955,000
Series 2019D Refunding [2]	9/1/2024	-	-	-	-	103,935,000
Total Issuance to Date					$239,900,000	$468,980,000
Remaining Authorization		$0	$0	$0	$410,100,000	

[1] Represents original voter approved authorization in 2000, 2002 and 2018
[2] Amounts do not total to Authorization due to amortization of Prior Bonds and refunding with Series 2019 Bonds, no new issuance in 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. Total principal and interest outstanding on the Lease as of June 30, 2020 is $12,431,424. The lease will be prepaid in full by proceeds of the Authority's Series 2020A Bonds in December 2020.

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, 2020, the total amount outstanding with recourse to the General Fund, was approximately $472 million, consisting of $400 million of lease revenue bonds and $72 million of taxable and tax-exempt commercial paper. In September 2020, the Authority issued $355.6 million in lease revenue refunding bonds, Series 2020A to refund the Series 2006A Bonds and 2013A Bonds (Civic Center Facilities), Series 2007A Bonds (Recreational Facilities), completely prepay the ESCO Lease Agreement and provide $4.8 million in Civic Center public improvements.

Non-self-supporting obligations - Several outstanding lease revenue bond issues financed projects 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 service 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. These were refunded subsequent to the FY 2020 and are no longer outstanding;
- 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.

Self-supporting obligations - Financing projects are considered self-supporting if 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 were secured by lease revenues of the Rancho Del Pueblo and the Los Lagos Golf Course projects and were issued to refund all or a portion of several series of bonds as summarized below. The 2007A bonds were refunded subsequent to the reporting year, in September 2020 with the issuance of the 2020A Bonds by the Authority.
    - 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.

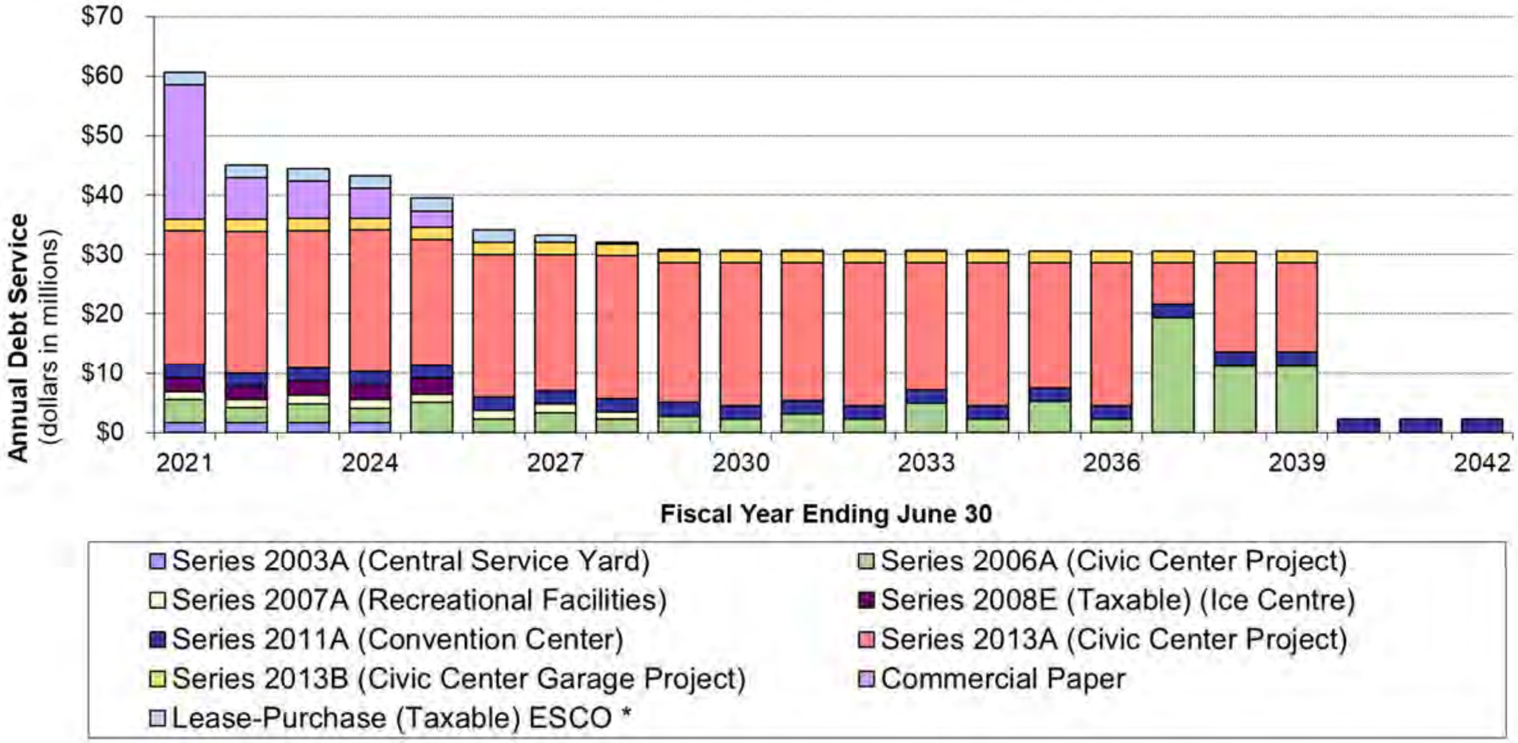
  - Series 1997A (Golf Course Project): These bonds, which were completely refunded with proceeds of the Series 2007A Bonds, financed the acquisition, renovation, and conversion of an 18-hole course to a 9-hole course with a driving range (the Rancho del Pueblo Golf Course).
  - Series 2000B (Tuers-Capitol 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 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 received fixed quarterly payments which covered debt service on the bonds and funded capital repair and replacement reserves. The Series 2008E-1 and 2008E-2 Bonds were refunded subsequent to the reporting year, in October 2020 by the Series 2020B Lease Revenue Bonds (Ice Centre Project) that also provided funds for expansion of the Ice Centre. 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 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 Convention Center Expansion and Renovation 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. In light of the impact of the COVID-19 pandemic on the special hotel tax revenues, Finance staff are monitoring the Series 2011A Bonds and the special hotel tax bonds and will provide updates separately to the City Council.

- Commercial paper notes have been 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.

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

Debt with Recourse to the City's General Fund
Annual Debt Service



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

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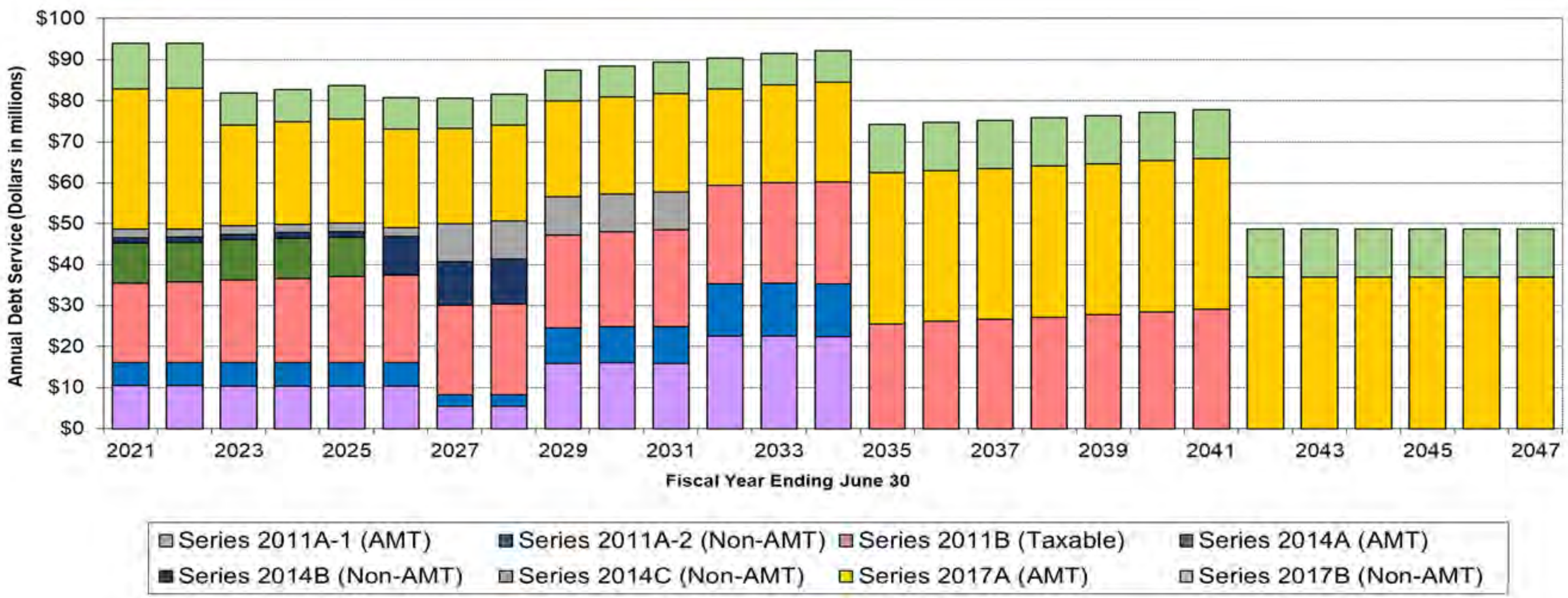
D. Enterprise Fund Obligations

1. Norman Y. Mineta San José International Airport

As of June 30, 2020, 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" or "CWFA") 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 Clean Water Financing Authority as of June 30, 2020 was $5.4 million, with a final maturity on November 15, 2020. 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 Authority, and Wells Fargo Bank, National Association (the "Bank"), the CSJFA 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 California State Revolving Fund ("SRF") loan that has since been repaid in full) and will be subordinate to payments on long-term bonds issued in the future. The Credit Agreement in place at June 30, 2020 was due to expire on October 18, 2020 but was amended prior to that date. On September 29, 2020, the City and Authority authorized the Second Amendment to the Credit Agreement and a Second Amended and Restated Fee Letter Agreement (Agreements) with the Bank that extend the term of the Agreements to October 18, 2023 in the amount of $300 million. The Agreements subsequently closed on October 15, 2020.

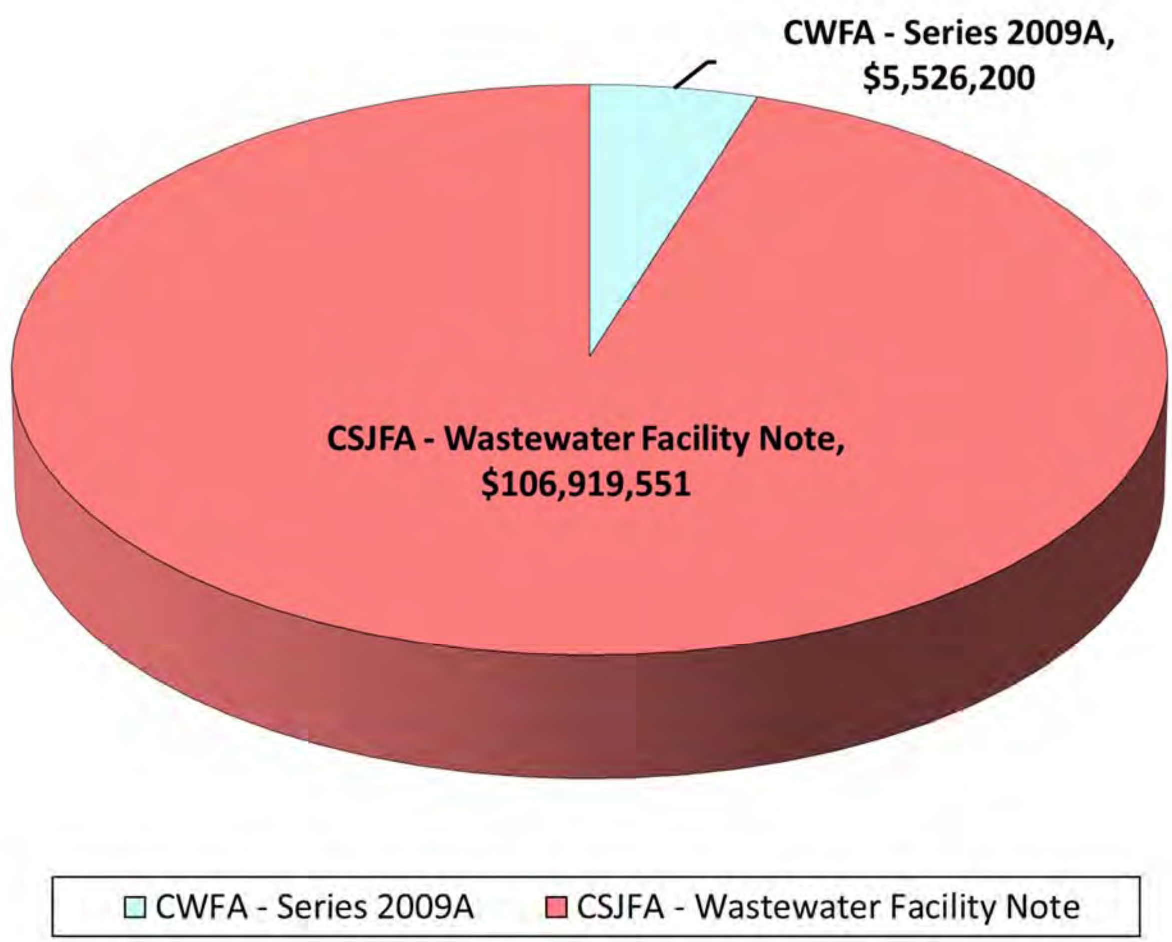
While the City is continuing to explore permanent financing options, current plans assume the Authority will pay off the interim financing facility (which bears interest at a variable interest rate) with long-term, fixed rate financing by fiscal year 2022-23, amortized over at least 30 years.

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 CWFA Series 2009A Bonds under the Improvement Agreement and the City's obligations under the SRF loans which have been repaid. The final payment on the remaining SRF loan was May 1, 2019.

As of June 30, 2020, the Authority has drawn $106,919,551 of the aggregate principal amount of $300 million, available to be drawn on the Notes through October 18, 2023, as shown in the table below.

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

Final maturity for CWFA 2009A is November 15, 2020. Final maturity for RWF Authority Notes is October 18, 2023.



E. Land-Secured Financing

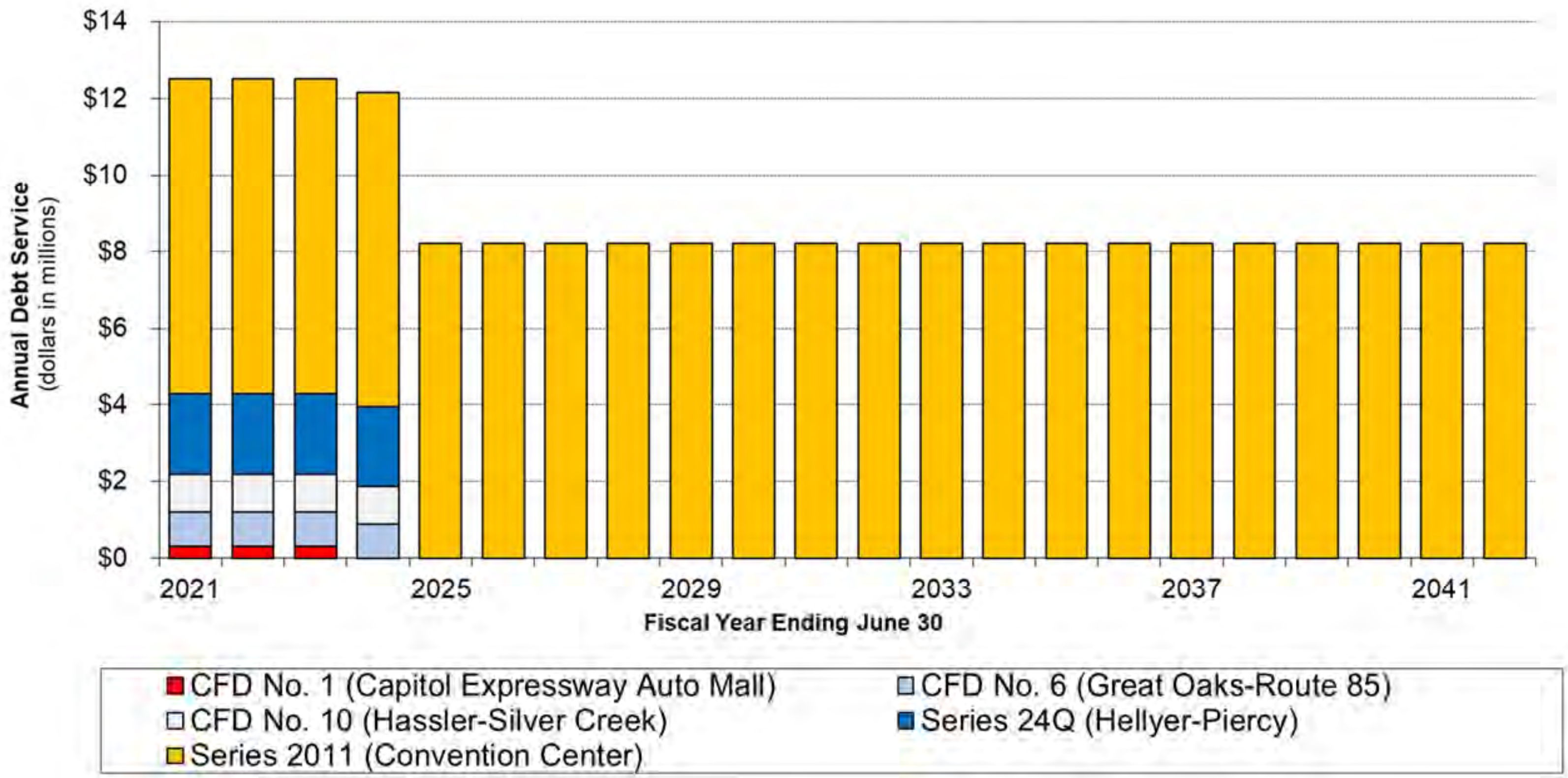
As of June 30, 2020, the City had three series of community facilities district ("CFD") bonds (On November 29, 2019, the City elected to optionally redeem all of the CFD No. 9 Bonds), one series of special assessment bonds, and a special hotel tax bond issue outstanding totaling $110.7 million. The largest outstanding bond issue is the special hotel tax bond, 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.

Land Secured Financings
As of June 30, 2020

Bond Issue	Disctrict	Date Issued	Issue Amount	Principal Outstanding (6/30/2020)	Final Maturity
Special Tax Bonds, Series 1997	CFD No. 1 (Capitol Expressway Auto Mall)	11/04/97	$ 4,100,000	$ 840,000	11/01/22
Special Tax Bonds	CFD No. 6 (Great Oaks-Route 85)	12/06/01	12,200,000	3,210,000	09/01/23
Special Tax Bonds, Series 2003	CFD No. 10 (Hassler-Silver Creek)	07/10/03	12,500,000	3,490,000	09/01/23
Limited Obligation Improvement Bonds, Series 24Q	Improvement District No. 99-218SJ (Hellyer-Piercy)	06/26/01	27,595,000	7,545,000	09/02/23
Special Hotel Tax, Series 2011	Convention Center Facilities District No. 2008-1	04/12/11	107,425,000	95,655,000	05/01/42
			$ 163,820,000	$ 110,740,000	

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

Land-Secured Bonds
Annual Debt Service



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.

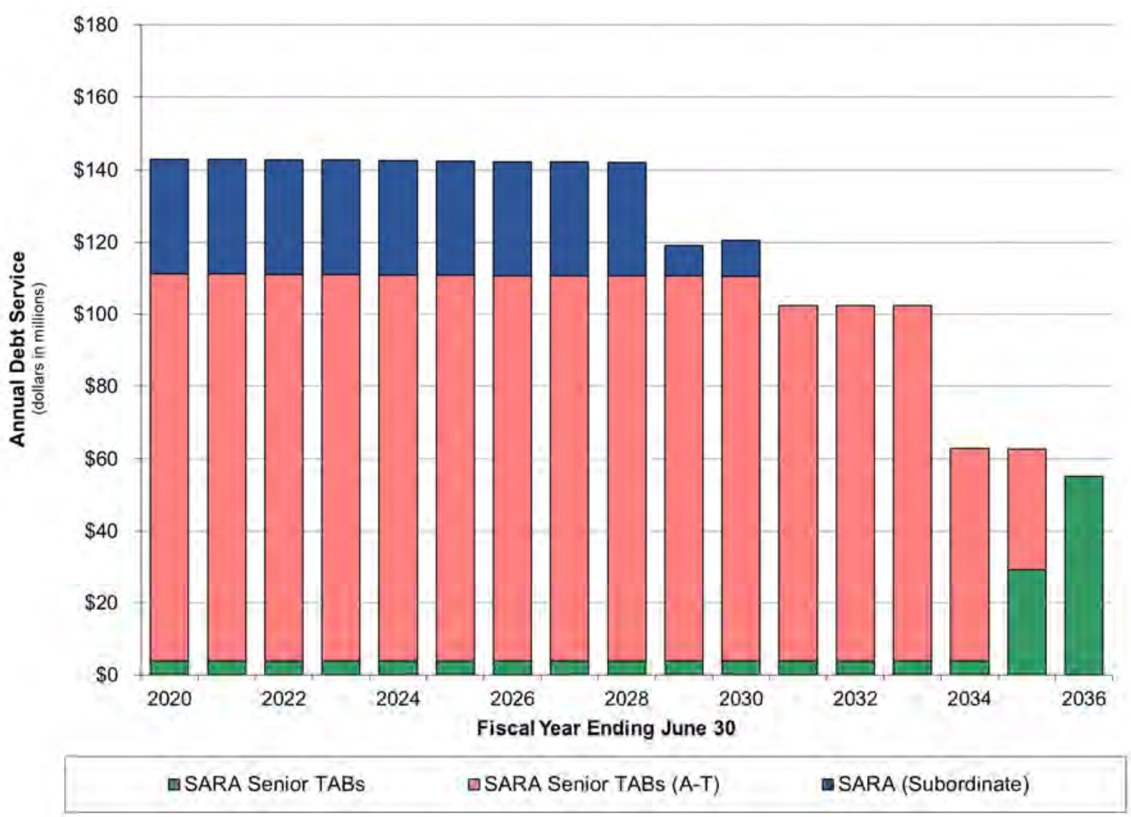
The Successor Agency is a separate public entity from the City, subject to the direction and oversight of a Board consisting of the Mayor and the other members of the City Council. The Successor Agency is also, pursuant to the Redevelopment Dissolution Law, subject to the direction and oversight of an 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 Redevelopment Property Tax Trust Fund Tax Revenues ("RPTTF") 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 that were not pledged to the repayment of the 2017 Refunding Bonds. 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, 2020, SARA had total debt outstanding of $1,476,820,000 billion, consisting approximately $1,256,855,000 in senior Tax Allocation Bonds and $219,965,000 in subordinate Tax Allocation Bonds.

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



G. Multifamily Housing Revenue Bonds

Multifamily housing revenue bonds are issued to finance the construction, acquisition and rehabilitation of rental apartment projects by private developers. 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 the production of 9,914 affordable housing units. As of June 30, 2020, the total principal amount of bonds outstanding for the housing program was $842.2 million.

In addition to serving as a conduit for financing 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. However, the state's elimination of redevelopment agencies – which were required to set aside 20% of tax increment to affordable housing - 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, 2020.

Multifamily Housing Revenue Bonds
As of June 30, 2020

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	13,853	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	3,154	12/01/32	89	8,875
El Parador Apartments	2000A	12/07/00	6,130	4,975	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	2,286	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	2,582	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	-	
Terramina Square Apts/North White Rd Proj	2001F	11/15/01	16,845	-	04/01/44	156	
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

Multifamily Housing Revenue Bonds
As of June 30, 2020

Project Name	Series	Date Issued	Issue Amount (thousands)	Balance (thousands)	Maturity/ Redemption	Affordable Units	Annual Fees
Almaden Senior Housing Apartments	2001G	12/05/01	6,050	2,295	07/15/34	65	7,563
Betty Anne Gardens Apartments	2002A	04/05/02	11,000	5,350	04/01/34	76	13,750
El Paseo Apartments	2002B	04/05/02	9,600	3,645	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	9,800	07/15/35	119	13,750
Monte Vista Gardens Senior Hsg Apts, Phase II	2002C-1	07/24/02	3,465	2,489	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	5,595	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	2,814	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	7,275	12/15/35	100	17,500
Fallen Leaves Apartments	2002J-1	12/18/02	13,360	8,845	06/01/36	159	23,500
Fallen Leaves Apartments	2002J-2 (Sub.)	12/18/02	3,340	2,365	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	14,790	06/21/36	152	19,113
The Oaks of Almaden Apartments	2003B-1	07/29/03	4,365	3,015	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	22,000	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	7,125	03/01/37	70	10,781
Trestles Apartments	2004A (Sub.)	03/04/04	1,300	1,289	04/15/37	-	na
Vintage Tower Apartments	2004B-1	06/28/04	4,150	2,568	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	11,763	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	4,066	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	3,120	06/01/38	99	7,500
Paseo Senter II	2005C-2	12/21/05	19,776	-	12/01/08	-	
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	4,446	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	10,440	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	6,925	01/01/44	83	17,000
Brookwood Terrace Family Apts	2009B-2	12/23/09	5,445	-	01/01/44	-	na

Multifamily Housing Revenue Bonds
As of June 30, 2020

Project Name	Series	Date Issued	Issue Amount (thousands)	Balance (thousands)	Maturity/ Redemption	Affordable Units	Annual Fees
Fourth Street Apts	2010A-1	06/04/10	5,620	4,779	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	7,215	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	2,273	09/01/45	92	7,500
Taylor Oaks Apartments	2011A-1	10/21/11	3,950	3,690	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	25,197	10/01/44	182	33,900
1st and Rosemary Senior Apartments	2012D	04/19/12	15,500	9,156	10/01/44	105	12,319
Mayfair Court Apartments	2012B-1	04/20/12	5,220	4,555	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	49,235	03/01/26	60	65,550
3rd Street Residential Apartments	2013A	06/27/13	6,630	3,763	07/01/33	36	8,288
Cambrian Center	2014A-1	10/17/14	19,035	12,274	05/01/47	151	32,047
Cambrian Center	2014A-2	10/17/14	19,035	12,274	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	10,790	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	21,163	05/01/48	112	28,375
Town Park Towers Apartments	2015C	10/14/15	45,250	22,245	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	6,554	06/01/34	70	8,353
Villa De Guadalupe	2017A1 & A2	05/23/17	37,700	28,980	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	12,564	04/01/39	50	7,593
El Rancho Verde	2018A	08/28/18	277,700	277,700	09/01/48	700	50,000
El Rancho Verde	2018B	08/28/18	40,300	40,300	09/01/20	0	na
Lenzen Square	2019A-1	08/22/19	18,500	18,500	08/01/59	87	0
Lenzen Square	2019A-2	08/22/19	3,000	3,000	08/01/59	0	0
Markham I	2019B-1	10/01/19	18,000	9,506	10/01/22	152	0
Markham II	2019B-2	10/01/19	5,000	-	10/01/22	-	0
Vista Park I	2019C	10/11/19	13,245	8,738	06/01/38	82	0
Palm Court Sr	2019D	10/11/19	12,247	6,241	06/01/38	65	0
Quetzal Gardens	2019E	12/20/19	32,208	51	07/01/37	70	0
Grand Total			**$ 1,667,532**	**$ 851,745**		**9,346**	**$ 898,786**

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 6/30/2020

	Issue Amount *(thousands)*	Issue Date	Call Date [2]	Final Maturity	Balance *(thousands)*
Long-Term Debt					
Governmental Activities					
City of San Jose					
General Obligation Bonds:					
Series 2019A-1 (DPPS&I)	$ 140,360	07/25/2019	9/1/2029	09/01/2049	$ 140,360
Series 2019B (DPPS&I)	66,500	07/25/2019	Anytime	09/01/2027	66,500
Series 2019C (Libraries, Parks, Public Safety)	158,185	07/25/2019	9/1/2029	09/01/2035	158,185
Series 2019D (Libraries, Parks, Public Safety)	103,935	07/25/2019	Anytime	09/01/2024	103,935
Lease-Purchase Agreement (Taxable) ESCO	19,286	05/29/2014	6/1/2018	06/01/2034	12,431
	$ 488,266				$ 481,411
City of San Jose Financing Authority					
Lease Revenue Bonds[1]:					
Series 2003A (Central Service Yard)	$ 22,625	09/18/2003	10/15/2013	10/15/2023	$ 6,045
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	9,195
Series 2008E-1 (Taxable) (Ice Centre)	13,015	07/03/2008	Any Time	06/01/2025	5,590
Series 2008E-2 (Taxable) (Ice Centre)	13,010	07/03/2008	Any Time	06/01/2025	5,585
Series 2011A (Conventional Center)	30,985	04/12/2011	5/1/2021	05/01/2042	28,040
Series 2013A (Civic Center Project)	305,535	05/28/2013	6/1/2023	06/01/2039	267,830
Series 2013B (Civic Center Garage Project)	30,445	06/19/2013	6/1/2023	06/01/2039	25,685
	$ 509,610				$ 399,640
Special Assessment Bonds					
Series 24Q (Hellyer-Piercy)	$ 27,595	06/26/2001	3/2/2002	09/02/2023	$ 7,505
Special Tax Bonds					
CFD No. 1 (Capitol Expressway Auto Mall)	$ 4,100	11/18/1997	11/1/2009	11/01/2022	$ 840
CFD No. 6 (Great Oaks-Route 85)	12,200	12/18/2001	9/1/2010	09/01/2023	3,210
CFD No. 10 (Hassler-Silver Creek)	12,500	07/23/2003	9/1/2010	09/01/2023	3,490
Series 2011 (Convention Center)	107,425	04/12/2011	5/1/2021	05/01/2042	95,655
	$ 136,225				$ 103,195
Government Activities Totals	**$ 1,161,696**				**$ 991,751**
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	$ 118,575
Series 2011A-2	86,380	07/28/2011	3/1/2021	03/01/2034	68,225
Series 2011B	271,820	12/14/2011	3/1/2021	03/01/2041	255,760
Series 2014A (AMT)	57,350	10/07/2014	3/1/2024	03/01/2026	42,135
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	435,995
Series 2017B (Non-AMT)	150,675	04/11/2017	3/1/2027	03/01/2047	138,705
	$ 1,258,520				$ 1,127,690

Summary of Outstanding Debt (Continued) As of 6/30/2020	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	$ 5,410
	$ 21,420				$ 5,410
Business-Type Activity Totals	**$ 1,279,940**				**$ 1,133,100**
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	1,177,030
Series 2017B Subordinate	264,390	12/21/2017	8/1/2027	8/1/2029	219,965
Private Purpose Trust Activities Totals	**$ 1,677,540**				**$ 1,476,820**
Long-Term Debt Totals	**$ 4,119,176**				**$ 3,601,671**
Short-Term Debt					
City of San Jose Financing Authority					
Lease Revenue Commercial Paper Notes [3]	$ 125,000	Various	Any Time	Various	$ 72,526
Wastewater System (RWF) Notes Payable[3]	300,000	Various	Any Time	Various	106,920
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	$ 51,930
Short-Term Debt Totals	**$ 580,000**				**$ 231,376**
GrandTotals	**$ 4,699,176**				**$ 3,833,047**

[1] Does not reflect redemption of ESCO Lease Purchase Agreement, CSJFA 2006A, 2007A, 2008E-1 & E-2 and 2013A Bonds. It also does not include CSJFA 2020A & 2020B Bonds, which were issued after June 30, 2020.

[2] In general, bonds are callable on any date after the stated call date. Debt obligations with "anytime" have interest costs calculated on a short-term, variable rate basis whith call/redeption dates/provisions prescribed by their respective bond documents (eg. redemption on any interest payment date) or have an expiration period by which payments can be accelerated, paid in full or extended as prescribed in their respective bond documents. The taxable Series 2019B and Series 2019D Bonds can be called at anytime under make-whole call provisions.

[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.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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.

APPENDIX B:

POLICY FOR THE ISSUANCE OF MULTIFAMILY

HOUSING REVENUE BONDS

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

City of San José, California

COUNCIL POLICY

TITLE	POLICY FOR THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS	PAGE 1 of 9	POLICY NUMBER 1-16
EFFECTIVE DATE	June 11, 2002	REVISED DATE: March 27, 2018	
APPROVED BY COUNCIL ACTION	June 11, 2002, Item 3.7, Resolution No. 71023; December 6, 2005, Item 3.5, addition of TEFRA Fee and amendment of Annual Monitoring Fee policy; Reaffirmed March 27, 2018, Item 4.1, Resolution No. 78538.		

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.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

APPENDIX C:

CITY OF SAN JOSE FINANCING AUTHORITY'S

LEASE REVENUE COMMERCIAL PAPER PROGRAM

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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.

APPENDIX D:

AIRPORT COMMERCIAL PAPER PROGRAM

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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.

APPENDIX E:

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.

Rating Scale

Moody's Long-term	**Moody's** Short-term			**S&P** Long-term	**S&P** Short-term	**Fitch** Long-term	**Fitch** Short-term
Aaa	MIG1	VMIG1	P-1	AAA	A-1+	AAA	F1+
Aa1				AA+		AA+	
Aa2				AA		AA	
Aa3				AA-		AA-	
A1				A+	A-1	A+	F1
A2				A		A	
A3	MIG2	VMIG2	P-2	A-	A-2	A-	F2
Baa1	MIG3	VMIG3		BBB+		BBB+	
Baa2			P-3	BBB	A-3	BBB	F3
Baa3				BBB-		BBB-	
Ba1	SG	SG	Not prime	BB+	B	BB+	B
Ba2				BB		BB	
Ba3				BB-		BB-	
B1				B+		B+	
B2				B		B	
B3				B-		B-	
Caa1				CCC+	C	CCC	C
Caa2				CCC			
Caa3				CCC-			
Ca				CC			
				C			
C				D	/	DDD	/
/						DD	
/						D	

A-category = Highest quality
B-category = Medium grade, speculative
C-category = Lowest grade, highest speculation
D-category = Default, questionable value

Current Ratings Summary *As of November 2020*			
	Moody's	**S&P**	**Fitch**
City of San José			
General Obligation Bonds			
Series 20019A (Disaster Preparedness, Public Safety and Infrastructure)	Aa1	AA+	AA+
Series 2019B (Disaster Preparedness, Public Safety and Infrastructure)	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 2011A (Convention Center)	Aa3	AA	-
Series 2013B (Civic Center Garage)	Aa2	AA	AA
Series 2020A (Civic Center Refunding)	Aa2	AA	AA
Series 2020B (Ice Centre Project)	Aa3	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]	Aa2	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 9/10/2021) [4]	P-1	A-1	F1
CP Series A-2 (Private Activity Non-AMT)			
LOC: Bank of America N.A. (expires 9/10/2021) [4]	P-1	A-1	F1
CP Series B (AMT)			
LOC: Bank of America N.A. (expires 9/10/2021) [4]	P-1	A-1	F1
CP Series C (Taxable)			
LOC: Bank of America N.A. (expires 9/10/2021) [4]	P-1	A-1	F1
Clean Water Financing Authority			
Sewer Revenue Refunding Bonds			
Series 2009[6]A	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.

(6) The Series 2009A mature on November 15, 2020.

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

APPENDIX F:

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, 2020, is shown in this appendix. The City makes no representations as to the completeness or accuracy of such statement.

CITY OF SAN JOSE
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2020

SCHEDULE XI

City Net Taxable Assessed Valuation (in thousands) $ 196,069,900

	% Applicable	Outstanding Debt as of 06/30/20	Estimated Share of Overlapping Debt
City Direct Debt	100.00%	$ 1,100,507	$ 1,100,507
Direct Tax and Assessment Debt:			
City of San José Community Facilities Districts	100.00%	$ 7,540	$ 7,540
City of San José Special Assessment Bonds	100.00%	7,505	7,505
		15,045	15,045
Overlapping Tax and Assessment Debt:			
Alum Rock Union School District	77.89%	97,885	76,242
Berryessa Union School District	94.90%	80,283	76,192
Cambrian School District	64.27%	48,500	31,169
Campbell Union High School District	59.60%	369,655	220,318
Campbell Union School District	47.58%	218,860	104,134
Cupertino Union School District	15.79%	281,813	44,512
East Side Union High School District	96.04%	873,309	838,734
Evergreen School District	99.40%	143,995	143,138
Foothill-DeAnza Community College District	3.95%	607,961	24,045
Franklin-McKinley School District	99.50%	138,155	137,464
Fremont Union High School District	8.79%	520,515	45,743
Gavilan Joint Community College District	5.14%	124,070	6,371
Los Gatos Union School District	1.81%	76,655	1,384
Los Gatos-Saratoga Joint Union High School District	0.88%	88,930	783
Luther Burbank School District	18.98%	18,347	3,481
Midpeninsula Regional Open Space District	0.01%	88,810	10
Moreland School District	74.21%	98,962	73,442
Morgan Hill Unified School District	11.88%	118,685	14,097
Mount Pleasant School District	88.40%	28,241	24,967
Oak Grove School District	99.92%	228,549	228,364
Orchard School District	100.00%	36,282	36,282
San José Unified School District	98.45%	527,019	518,840
San José-Evergreen Community College District	85.25%	857,236	730,759
Santa Clara County	37.86%	881,455	333,684
Santa Clara Unified School District	22.24%	1,043,175	231,971
Santa Clara Valley Water District Benefit Assessment District	37.86%	65,495	24,794
Union School District	72.62%	112,109	81,410
West Valley Community College District	32.07%	617,330	197,965
Subtotal Overlapping Tax and Assessment Debt		8,392,281	4,250,295
Total Direct and Overlapping Tax and Assessment Debt		8,407,326	4,265,340

Overlapping Other Debt:			
Alum Rock Union School District Certificates of Participation	77.89%	15,920	12,400
Berryessa Union School District Certificates of Participation	94.90%	3,900	3,701
Campbell Union High School District General Fund Obligations	59.60%	20,000	11,920
Campbell Union School District General Fund Obligations	47.58%	2,440	1,161
East Side Union High School District Post Employment Obligations	96.04%	27,475	26,387
Foothill-DeAnza Community College District General Fund Obligations	3.95%	24,093	953
Franklin-McKinley School District Certificates of Participation	99.50%	3,010	2,995
Gavilan Joint Community College District General Fund Obligations	5.14%	13,030	669
Los Gatos-Saratoga Joint Union High School District Certificates of Participation	0.88%	2,634	23
Midpeninsula Regional Open Space Park District General Fund Obligations	0.01%	111,986	12
Morgan Hill Unified School District Certificates of Participation	11.88%	13,505	1,604
San José Unified School District Certificates of Participation	98.45%	9,395	9,249
San José-Evergreen Community College District Benefit Obligations	85.25%	47,450	40,449
Santa Clara County Board of Education Certificates of Participation	37.86%	3,480	1,317
Santa Clara County General Fund Obligations	37.86%	966,725	365,963
Santa Clara County Pension Obligation Bonds	37.86%	346,997	131,359
Santa Clara County Vector Control District Certificates of Participation	37.86%	2,010	761
Santa Clara Unified School District Certificates of Participation	22.24%	13,570	3,018
West Valley-Mission Community College District General Fund Obligations	32.07%	50,780	16,284
Total Gross Direct and Overlapping General Fund Debt		1,678,399	630,227
Total Overlapping Debt		$ 10,085,725	
Total Direct and Overlapping Debt			$ 4,895,567

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses in the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore, responsible for repaying the debt, of each overlapping government. The City direct debt in this schedule includes bonds, notes, certificate of participation, loans, and capital leases.

Source: California Municipal Statistics, Inc.
Finance Department, County of Santa Clara

APPENDIX G:

SPECIAL TAX ANNUAL REPORT

CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

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 2019-20

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 (Measure O – GO Bonds)	See Note 2	See Note 2	20 Completed, Misc. projects
11/07/2000	San José Neighborhood Parks and Recreation Bonds (Measure P – GO 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 (Measure O – GO Bonds)	See Note 2	See Note 2	30 Completed, 1 Design
11/06/2018	Public Safety and Infrastructure Bonds (Measure T- GO Bonds)	See Note 2	See Note 2	2 Completed, 11 On-going
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. 5B (North Coyote Valley Services)	$0	$0	No Activity
09/03/2002	Community Facilities District No. 8 (Communications Hill)	$567,327	$1,123,219	On-going Maintenance
12/17/2002	Community Facilities District No. 9 (Bailey/Highway 101)	$8,195,969	$0	Project Completed
04/01/2003	Community Facilities District No. 10 (Hassler-Silver Creek)	$1,082,320	$0	Project Completed
06/07/2005	Community Facilities District No. 11 (Adeline-Mary Helen)	$54,870	$164,208	On-going Maintenance
11/08/2005	Community Facilities District No. 12 (Basking Ridge)	$168,719	$476,326	On-going Maintenance
06/16/2009	Convention Center Financing District	$76,157	$48,350	On-going
09/20/2011	Community Facilities District No. 14 (Raleigh-Charlotte)	$589,132	$558,167	On-going Maintenance
10/02/2012	Community Facilities District No. 13 (Guadalupe Mines)	$76,157	$55,433	On-going Maintenance
06/03/2014	Library Parcel Tax (Measure B)	$9,686,670	See Note 1	On-going
06/17/2014	Community Facilities District No. 15 (Berryessa-Sierra)	$134,605	$97,322	On-going Maintenance
06/06/2017	Community Facilities District No. 16 (Raleigh-Coronado)	$408,995	$182,252	On-going Maintenance
08/14/2018	Community Facilities District No. 17 (Raleigh-Coronado)	$88,020	$37,853	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] On July 25, 2019, the City issued $502 million of General Obligation Bonds ("2019 GO Bonds"), to finance new projects under Measure T, and to refund all outstanding GO Bonds issued under prior authorizations of Measure O (2000) and P (2000) and Measure O (2002). The 2019 GO Bonds provided $239.9 million for Measure T critical infrastructure and land acquisition projects; $9.2 million for prior and remaining Measure O (2000 and 2002) library and public safety projects; and $252.9 million in GO refunding bonds that refunded all of the prior general obligation bonds issued under Measure O (2000), Measure P (2000) and Measure O (2002). 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.

CITY OF
SAN JOSE
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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 refinancing of tax exempt bonds 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 the use of tax exempt proceeds to the advance refunding for taxable bonds issued after December 31, 2017.

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. In California, Assessed Valuation is typically less than Market Value as the State's constitution limits the growth in A.V. to the lesser of 2% or actual growth.

Basis Point: One basis point is equal to 1/100 of one percent or 0.01%. 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 Agreement: The document, in a Lease Revenue Bond issue, is the means by which the issuer leases to another public entity (the "obligor") the facility or 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.

Lease Revenue Bonds: A lease revenue bond is a bond secured by rental payments, generally pledged from the General Fund, for the beneficial use and occupancy of assets, such as a building. Lease rental bonds do not require voter approval, by virtue of a legal exception to the Constitutional debt limitation. These payments are included in the City Budget as part of the annual appropriation process based on a bond covenant to budget and appropriate in the lease documents.

Letter of Credit (LOC): Letters of Credit are irrevocable obligations of a financial institution that obligate it to provide sufficient funds to make all required payments of principal, interest (premium, if any) and purchase price due to bondholders or holders of CP in a full and timely manner. Letters of Credit and Line 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" or "Standby Bond Purchase Agreement".

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.

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.

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, Fitch Ratings and Kroll.

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 the use of tax exempt proceeds for advance refunding for tax exempt bonds issued after December 31, 2017.

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.

Sale Date: 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.

Serial Bonds: 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.

SIFMA Index: 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>SOFR:</u> Secured Overnight Financing Rate is a secured interbank overnight interest rate and reference rate established as an alternative to Libor and it is based on transactions in the U.S. Treasury repurchase market where investors offer banks overnight loans backed by their bond assets.

<u>Standby Bond Purchase Agreement (SBPA)</u>: a type of liquidity facility provided by a bank or other qualified financial institution (Liquidity Provider) to purchase variable rate demand obligations that are not remarketed.

<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: The rating assigned by a rating agency to an credit enhanced security, on a stand-alone basis, without regard to the credit enhancement.

Variable Rate: An interest rate which periodically changes based upon an index or remarketing 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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