



**CITY OF SAN JOSÉ
CALIFORNIA**

**33RD COMPREHENSIVE ANNUAL DEBT REPORT
FISCAL YEAR ENDED JUNE 30, 2024**



CITY OF SAN JOSÉ
33RD COMPREHENSIVE ANNUAL DEBT REPORT

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Environmental Services Department
Fire Department
Housing Department
Library Department
San José Mineta International Airport
Parks, Recreation and Neighborhood Services Department
Police Department
Public Works Department
Transportation Department

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LETTER OF TRANSMITTAL

November 12, 2024

HONORABLE MAYOR AND CITY COUNCIL
AND RESIDENTS OF THE CITY OF SAN JOSÉ

THE 33RD COMPREHENSIVE ANNUAL DEBT REPORT OF THE CITY OF SAN JOSÉ

I am pleased to present the 33rd Comprehensive Annual Debt Report (CADR) for the City of San José (City) for the fiscal year (FY) ended June 30, 2024. The CADR is submitted for review and acceptance by the City Council in accordance with the City Council Debt Management Policy, with the most recent amendment approved on March 21, 2023. This CADR discusses the debt management activities for FY 2023-24 by the Department of Finance (Finance) Debt & Treasury Management Division. The major sections in the CADR include:

- Overview of the City Debt Management Program and Policies
- Debt Issuance for FY 2023-24 and Debt Planning for FY 2024-25
- Discussion of Key Debt Administration Tasks
- City's Outstanding Debt Portfolio

The CADR section pertaining to the City's outstanding debt portfolio includes all debt issued by the City of San José, the City of San José Financing Authority (CSJFA) and the Successor Agency to the Redevelopment Agency of the City of San José (Successor Agency). The Finance Debt Management Program is responsible for managing the City's debt issuance and administration activities for all borrowings.

In addition to the major sections above, the CADR includes rating agency relations and credit maintenance issues, and a discussion of legislative and regulatory issues.

A glossary is provided at the end of the document, presenting definitions of commonly used terms found in this CADR.

DEBT MANAGEMENT ACTIVITIES

Debt issuance is a key component of the City's Debt Management Program (Debt Management). The City issued \$137.2 million in long- and short-term debt in FY 2023-24 to finance capital improvements and operational needs.

The City continues to maintain high general credit ratings from three of the major national bond rating agencies. Moody's Investors Service, Inc. (Moody's) updated its credit opinion on the City's "Aa1" credit profile in December 2023, citing an exceptionally vibrant and diverse economy and the City's integration into the broader Bay Area. Airport debt ratings were affirmed "A2" by Moody's in August 2023, "A" by S&P Global Ratings (S&P) in April 2024 and "A" by Fitch Ratings (Fitch) in June 2024. In November 2023, both Fitch and Kroll Bond Rating Agency (KBRA) conducted surveillance on the 2022B Wastewater Revenue Bonds and maintained the bond rating at "AAA". The Successor Agency's tax allocation bonds were upgraded by Fitch in October 2023 from "AA/AA-" to "AA+/AA", reflecting strong pledged revenue growth and diminished leveraging risks.

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 and strong management with sound financial policies and practices, with healthy reserves and liquidity as well as strong budgetary practices. Overall, the maintenance of these ratings translates into significant interest cost savings to Debt Management, which in turn benefits the taxpayers and residents of the San José community.

Debt Management staff provides the core debt administration services of debt issuance and redemption, primary market and secondary market continuing disclosure, arbitrage monitoring, compliance reporting, budgeting and forecasting, debt service payment processing, funds management, and professional services procurements.

Debt Management resources were also devoted to providing financial advisory services to additional projects during FY 2023-24. These projects included:

- San José Clean Energy's standalone issuer credit ratings;
- Direction to evaluate and initiation of conduit financing for acquisition of long-term supply of electricity on a prepaid basis;
- Negotiation of funding for services and begin evaluation of the potential formation of Berryessa Community Facility District (CFD);
- Records collection on variable rate demand obligations issued since 2008; and
- Participation in the management of Successor Agency operations and finances including budgeting, reporting, and accounting.

The Debt Management work plan for FY 2024-25 primarily focuses on debt issuance, including refunding of San José Mineta International Airport revenue bonds, conduit issuance of clean energy project revenue bonds through the California Community Choice Financing Authority, issuance of a third tranche of GO Bonds under Measure T authorization, and CSJFA lease revenue bonds. Additionally, the plan includes the issuance of commercial paper notes for Airport and CSJFA, drawing on the subordinate wastewater revenue notes for capital improvements at the Wastewater Facility, and issuance of multifamily housing revenue notes and bonds. Furthermore, Debt Management staff will continue the formation process for the

Berryessa CFD and assess the potential issuance of Tax and Revenue Anticipation Notes (TRAN) to facilitate the prefunding of employer retirement contributions.

Acknowledgements

The preparation of this CADR represents the culmination of a concerted team effort led by the Finance Department 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 go unnoticed and is integral to the success of the City's Debt Management. In addition, City departments who have participated in partnership with Debt Management are recognized for responding positively to the requests for detailed information 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 counsel are acknowledged for providing a significant contribution to the City's success in its Debt Management, especially for the role each has played in helping to secure and maintain the City's excellent bond ratings.

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 necessary financial resources can be available to provide capital facilities and affordable housing for our community.

Respectfully submitted,

Drew Corbett

Drew Corbett
Acting Director of Finance



I. OVERVIEW

The Overview section of the CADR includes a discussion of Debt Management, review of Debt Management Policies, Rating Agency relations and credit maintenance, and legislative and regulatory issues. The CADR does not include discussions of the City’s obligations related to pension and other postemployment benefits (OPEB). For details relating to pension and OPEB unfunded liabilities, please refer to the “Defined Benefit Retirement Plans” section in the Notes to the Annual Comprehensive Financial Report for the City of San José for the fiscal year ended June 30, 2024.

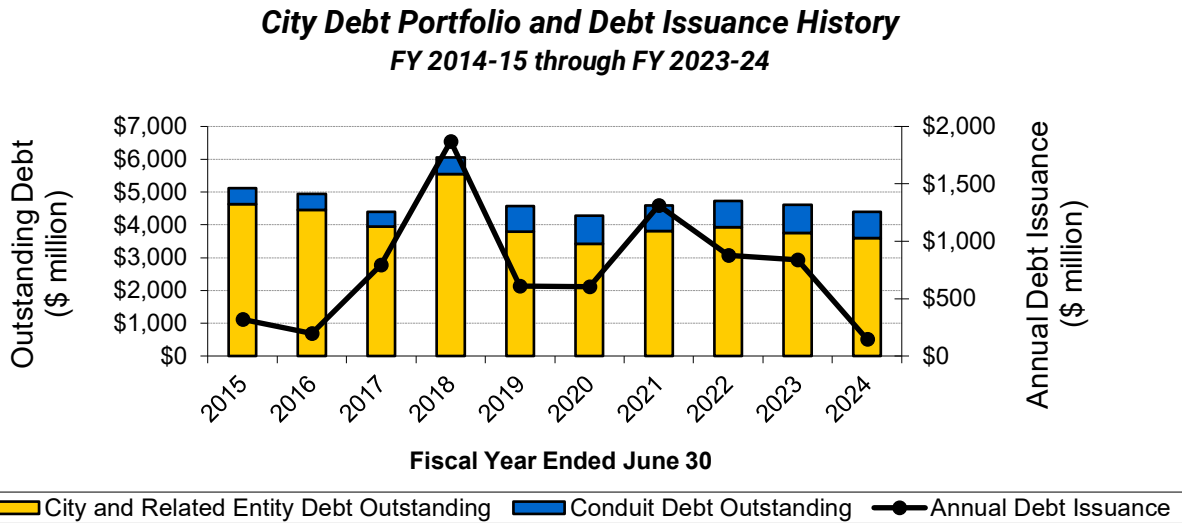
A. DEBT MANAGEMENT PROGRAM

Debt Management is a division within the Finance Department’s Debt & Treasury Management and provides oversight of debt issuance, debt administration, and debt management projects.

1. DEBT ISSUANCE

FY 2023-24 debt issuance totaled \$137.2 million, including \$0.3 million in Taxable CSJFA Lease Revenue Commercial Paper Notes (CSJFA CP Notes), \$40.0 million in CSJFA Subordinate Wastewater Revenue Notes to finance capital improvements at the San José-Santa Clara Regional Wastewater Facility, \$17.7 million in CSJ Airport Subordinated CP Notes (Airport CP Notes), and \$79.2 million of conduit multifamily housing revenue notes.

Below is a graph that shows ten years of historical outstanding debt and debt issuance.



The total debt issuance planned for FY 2024-25 includes 1) the issuance of \$76.4 million of Airport Revenue Refunding Bonds, which closed in July 2024; 2) issuance of the third tranche of GO Bonds under the Measure T authorization; 3) taxable and tax-exempt CSJFA CP notes for various projects; 4) Airport CP Notes to finance the

construction of an airport facility building; and 5) a draw on Subordinate Wastewater Revenue Notes for capital improvements at RWF. Please refer to Table 2 for the estimated issuance amounts and other details.

The City plans to issue clean energy project revenue bonds through California Community Choice Financing Authority in the coming fiscal year. As the project participant, the City will apply the bond proceeds to prepay assigned power purchase agreements and achieve operating savings.

2. DEBT ADMINISTRATION

After debt issuance, Debt Management staff is responsible for administering the debt portfolio. 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 Completed in FY 2023-24

Contracts for Municipal Advisors General Services. The professional services contracts for the municipal credits were executed during FY 2023-24 with various municipal advisors.

The executed contracts with the selected municipal advisors for these engagements are set for an initial term of three years, with two one-year optional extensions, allowing the firms to serve the City until June 30, 2028. Municipal advisors selected on a retainer basis may also be assigned to pools for deal-based work.

Credit Ratings for San José Clean Energy. San José Clean Energy (SJCE) is the community choice aggregation program of the City and was established by the City in 2017 to support the City's transition to clean energy and provide its residents and businesses local control over electricity prices, resources and services. SJCE launched its operation over the course of three phases and became fully operational by February 2019, supplying energy to business and residential customers within the City jurisdictional boundaries.

To further its operational success, SJCE requested Finance staff to assist its effort in obtaining standalone credit ratings. Finance engaged the municipal advisor and rating agencies experienced in rating community choice aggregators, and collaborated with the SJCE on the rating agency presentations. In late spring of 2024, SJCE received "A2" rating from Moody's and "A" rating from Standard and Poor's.

Affordable Housing Project TEFRA hearings. The Tax Equity and Fiscal Responsibility Act of 1982 requires a published notice, public hearing, and approval by elected officials for the issuance of qualified private activity bonds such as multifamily

housing revenue bonds. The City’s policy for the Issuance of Multifamily Housing Revenue Bonds (Housing Policy), adopted by City 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.

Per Housing Policy, the City Council holds TEFRA hearings for multifamily housing projects to be financed by other conduit issuers (e.g., the California Enterprise Development Authority, California Municipal Finance Authority, or California Statewide Community Development Authority). However, the City Council can delegate the authority to the Director of Finance on special circumstances. On December 5, 2023, the City Council authorized exceptions to the Housing Policy for the issuance of Multifamily Housing Revenue Bonds, which allowed CMFA to issue bonds for the four developments, including Martha Gardens Apartments, 2880 Alum Rock Avenue, Villa Del Sol, and Monterey Road Apartments, and delegated the Director of Finance to hold TEFRA hearings for these projects.

The Housing Policy was last amended and re-affirmed on March 27, 2018, to comply with the California Debt Limit Allocation Committee (CDLAC), Regulation 5031(c), which required the 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 to the CDLAC policy requiring re-approval of the issuer’s policy and post-issuance policies at least every ten (10) years. In FY 2023-24, the City held TEFRA hearings for the following projects:

TEFRA HEARINGS FOR TAX-EXEMPT BONDS/NOTES FY 2023-24		
DATE	PROJECT	AUTHORIZED AMOUNT
CITY AS CONDUIT ISSUER		
8/31/2023	Parkmoor Community Apartments	\$46,000,000
	Dry Creek Crossing	35,000,000
FINANCING BY OTHER CONDUIT ISSUERS		
11/14/2023	Moderia The Alameda Development	\$100,000,000
2/28/2024	Martha Gardens Apartments	80,000,000
	2880 Alum Rock Avenue	85,000,000
	Villa Del Sol	90,000,000
	Monterey Road Apartments	85,000,000

Parkmoor Community Apartments. The housing project consisted of a tax-exempt note to finance the construction and development of an 81-unit (including two unrestricted manager’s units) multifamily rental housing project located at 1510-1540 Parkmoor Avenue in the City, to be occupied by extremely low-income, very low-income, and low-income households. The note was issued on November 9, 2023.

Dry Creek Crossing. The housing project consisted of tax-exempt note to finance the construction, and development of a 64-unit (including one unrestricted manager's unit) multifamily rental housing project located at 2388 South Bascom Avenue in the City, to be occupied by extremely low-income, very low-income, and low-income households. The note was issued on November 14, 2023.

Modera The Alameda Development. On November 14, 2023, the City Council approved the California Municipal Finance Authority (CMFA) to issue not to exceed \$100 million of tax-exempt 501(c)(3) bonds to finance the acquisition of the Modera development, with no City funding, transitioning 167 market-rate units and one restricted manager's unit to deed-restricted affordable apartments located at 787 The Alameda in San José by Catalyst Impact Fund, a California nonprofit public benefit corporation. The approval enabled CMFA to move forward with its financing plan of acquiring, rehabilitating, and improving the development and creating affordable housing.

Martha Gardens Apartments. The hearing was on the proposed issuance, by CMFA, of tax-exempt Multifamily Housing Revenue Notes and/or in an amount not to exceed \$80.0 million. Proceeds from the sale of the proposed notes would provide financing for the construction and development of 166 units (including two unrestricted manager's units) located at 802 South 1st Street, San José, CA 95110. Construction was expected to commence in May 2024 and continue through May 2026.

2880 Alum Rock Avenue. The hearing was on the proposed issuance, by CMFA, of tax-exempt Multifamily Housing Revenue Notes and/or in an amount not to exceed \$85.0 million. Proceeds from the sale of the proposed notes would provide financing for the construction and development of 164 units (including two unrestricted manager's units) located at 2880 Alum Rock Avenue, San José, CA 95127. Construction was expected to commence in May 2024 and continue through May 2026.

Villa Del Sol. The hearing is on the proposed issuance, by CMFA, of tax-exempt Multifamily Housing Revenue Notes and/or Bonds in an amount not to exceed \$90.0 million. Proceeds from the sale of the proposed notes would provide financing for the construction and development of 194 units (including two unrestricted manager's units) located at 1936 Alum Rock Avenue, San José, CA 95116. Construction was expected to commence in May 2024 and continue through May 2026.

Monterey Road Apartments. The hearing was on the proposed issuance, by CMFA, of tax-exempt Multifamily Housing Revenue Notes and/or in an amount not to exceed \$85.0 million. Proceeds from the sale of the proposed notes would provide financing for the construction and development of 426 units (including four unrestricted manager's units) located at 4300 and 4310 Monterey Road, San José, CA 95111.

Construction was expected to commence in May 2024 and continue through May 2026.

Request for Proposals (RFP). Debt Management staff completed three RFP solicitations.

Arbitrage Rebate, Private Activity and SB 1029 Consulting Services. In January 2024, the City issued an RFP for arbitrage rebate, private activity, and SB1029 services. In February 2024, the City staff reviewed and evaluated the RFP responses and selected BLX Group LLC. The contract with BLX Group LLC is set for an initial term of three years, with two one-year optional extensions, allowing the firm to serve the City until June 30, 2029.

Special Tax Consultant Services. In May 2024, the City issued an RFP soliciting proposals for special tax consulting services for special district formation and land-secured bond financing. In May 2024, the City staff reviewed and evaluated the RFP responses and selected two firms, Goodwin Consulting Group and DTA, for the City's special tax consultant pool.

Market Absorption Consultant Services. In May 2024, the City issued an RFP soliciting responses from experienced market absorption consultants for special district formation and land-secured bond financing. In June 2024, the City staff reviewed and evaluated the RFP responses and issued the Notice of Intent to Award to Robert Charles Lesser & Co. (RCLCO).

(b) Projects Ongoing and/or Anticipated for FY 2024-25

Pension Obligation Bonds. Since at least 2007, the City has been exploring options for controlling retirement unfunded liability costs, including issuing Pension Obligation Bonds (POBs), due to the difference between the City's cost of providing retirement benefits and the assets the City has set aside to pay these benefits.

On October 5, 2021, the City Council adopted a resolution authorizing the issuance of bonds to refund and repay certain pension obligations, approving the form and authorizing the execution of a Trust Agreement and Bond Purchase Agreement; authorizing judicial validation proceedings relating to the issuance of such bonds and approving additional actions related thereto. The pension obligations include the unfunded liability for both the Police and Fire Department Retirement Plan and the Federated City Employees' Retirement System Plan (Unfunded Liability), and the annually required retirement contribution that are due and payable within 12 months of the issuance of the bonds (Current Obligation). The proposed final aggregate principal amount of the bonds may not be greater than \$3.5 billion, or the sum of the City's unfunded liability and current obligation as calculated by the actuary for both Retirement Plans, together with the costs of issuing the Bonds. The Trust Agreement will not constitute an obligation for which the City is obligated or permitted to levy or pledge any form of taxation or for which the City has levied or pledged or will levy or pledge any form of taxation.

A validation complaint was filed on November 18, 2021. Howard Jarvis Taxpayers Association and Citizens for Fiscal Responsibility filed an answer challenging the City's authority to issue bonds without voter approval. The trial court held a bench trial on August 22, 2022, and issued a decision on December 9, 2022 validating the City's authority to issue pension obligation bonds. The validation judgment was entered on February 6, 2023, and Howard Jarvis Taxpayers Association and Citizens for Fiscal Responsibility appealed the decision. On May 9, 2024, the Court of Appeal of the Sixth Appellate District Court published an opinion that unanimously affirmed the City's authority to issue bonds without voter approval. Howard Jarvis Taxpayers Association et al. petitioned for review, and the California Supreme Court granted review on August 14, 2024, but no hearing date has been set. If the City obtains a favorable judgment, the size and timing of the actual bond issuance would require the City Council's approval of offering documents including disclosures and would be contingent on favorable market conditions. Prior to actual issuance of the pension obligation bonds, the City Council will consider adoption of a pension funding policy.

Debt Management Software RFP. The City anticipates issuing an RFP soliciting proposals from qualified vendors for a software solution to manage its debt portfolio.

Land-Secured Financing – Berryessa Community Facilities District. The City is exploring potential formation of the Berryessa Community Facilities District, which is located on Berryessa Road by the Bay Area Rapid Transit (BART) station in San José. For this project, the City has selected Fieldman, Rolapp & Associates, Inc. to serve as the Municipal Advisor and Goodwin Consulting Group as the special tax consultant.

City of San José Financing Authority Lease Revenue Commercial Paper Letter of Credit. City Council authorized an amendment to the Letter of Credit and Reimbursement Agreement with US Bank in August 2021, increasing the aggregate principal authorized to be issued by the CSJFA Lease Revenue Commercial Paper Program to \$175 million and extending the expiration date to March 2025. Staff will explore options to continue support by letter of credit for the commercial paper program several months before the current agreement expires.

B. REVIEW OF DEBT MANAGEMENT POLICIES

1. CITY COUNCIL DEBT MANAGEMENT POLICY

On May 21, 2002, the City Council adopted a Debt Management Policy (Debt Policy) by Resolution No. 70977, Council Policy No. 1-15 (Appendix A), which establishes the following objectives 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 Debt 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 Policy was recently amended on March 21, 2023, to expand record-keeping requirements.

2. ADMINISTRATIVE DISCLOSURE POLICIES AND PROCEDURES

The Administrative Disclosure Policies and Procedures¹ (Administrative Disclosure Policy) establish a policy, process, and procedures that the City, including the Successor Agency and other related entities, follows to promote compliance with primary disclosure and continuing disclosure requirements. The Administrative Disclosure Policy 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. The Administrative Disclosure Policy also provides for on-going training of staff and City Council on disclosure issues. The Administrative Disclosure Policy was first approved by the City Manager in June 2020, and revised in March 2023. The City will periodically review and update the Administrative Disclosure Policy as needed as a best practice.

3. POLICY FOR THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS

In addition to the Debt Policy, the City Council approved, by Resolution No. 71023 on June 11, 2002, Council Policy No. 1-16, a supplemental policy for the issuance of multifamily housing revenue bonds (Housing Policy) (See Appendix B). The Housing Policy was last amended and re-affirmed on March 27, 2018, to comply with California Debt Limit Allocation Committee (CDLAC), Regulation 5031(c), which required the 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 to 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 opinion of the respective rating agency as to the issuer's ability and willingness to pay debt service when it is due. While the criteria for evaluating municipal bonds vary by type of bond, the credit rating analysis in general includes the evaluation of the relative strengths

¹ [CPM 7 Disclosures Policies and Procedures \(sanjoseca.gov\)](https://www.sanjoseca.gov/cpm7-disclosures-policies-and-procedures)

and weaknesses of the following four factors as they affect an issuer's ability to pay debt service:

(a) Fiscal Factors

Financial results have a significant impact on the rating process. The rating review involves an examination of the 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 and Other Post-Employment Benefits (OPEB) liabilities are also important in the analytical process.

(b) Economic Factors

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 employing residents and paying taxes reflects an issuer'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 affecting 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 its ability to implement plans as well as fulfill legal requirements, policymakers' commitment to disciplined fiscal policies, and management's capacity to implement these decisions across 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 are seen as a vital ingredient in assessing an issuer's 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.

The formal criteria used by each of the four major rating agencies currently rating some of the City's debt – Moody's, S&P, Fitch and KBRA – are independently established by the respective rating agencies, can vary among the rating agencies and are subject to change over time.

2. RATING SUMMARY

A complete listing of the ratings for the City's general obligation and enterprise debt, CSJFA lease revenue, and the Successor Agency tax allocation bonds is provided in Appendix E. This section covers rating activity during the 2023-24 fiscal year:

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 Fiscal Year 2023-24 (or, where indicated, after the fiscal year prior to CADR publication), by issuer credit category:

- Successor Agency to the Redevelopment Agency of the City of San José – Fitch upgraded the 2017 Tax Allocation Refunding Bonds Series A and A-T from “AA” to “AA+” and Series B from “AA-” to “AA” in October 2023 based on the resilience of each debt structure along with strong assessed value and tax increment revenue growth. The outlook remained stable.
- CSJFA Wastewater Revenue Bonds, Series 2022B – In November 2023, both Fitch and KBRA conducted surveillance on the Bonds in which the Bonds maintained “AAA” ratings with stable outlook. The ratings reflect the wastewater system's strong debt coverage and cash positions, and its independent legal ability to set rates.
- City of San José Issuer's Credit Rating – Moody's updated its credit opinion on the City of San José issuer's rating of “Aa1” with Stable outlook in December 2023, citing exceptionally vibrant and diverse economy and the City's integration into the broader Bay Area.
- San José Airport - Moody's maintained its credit opinion and rating of “A2” for San José Airport Revenue bonds with a stable outlook in August 2023. S&P re-affirmed its long-term rating of “A” for San José Airport Revenue bonds with a stable outlook in April 2024. Fitch affirmed the “A” rating to San José Airport Revenue bonds with a stable outlook and affirmed at “A-” the underlying rating on the bank note associated with the airport's subordinated commercial paper (CP) notes in June 2024. The ratings reflect the Airport's ongoing recovery in passenger traffic after COVID and its sound competitive position with a relatively stable market share.
- SJCE - Moody's assigned a new issuer credit rating of “A2” to SJCE with a stable outlook in May 2024 based on the strong service territory in the core of Silicon Valley with good mix of residential and commercial customers, low op-out rates,

and strong support and integration with the City of San José. S&P assigned a new issuer credit rating of “A” to SJCE with a stable outlook in June 2024 based on SJCE's deep, diverse, and generally affluent customer base, highlighted by San Jose's position in the heart of California's Silicon Valley, with median household effective buying incomes that are 166% of U.S. levels. The rating is further supported by SJCE's robust liquidity, with unrestricted reserves of \$165 million as of June 30, 2023.

3. LEGAL DEBT LIMIT AND MARGIN

General Obligation debt is secured by the City's property tax revenues. Section 1216 of the San José City Charter limits outstanding GO debt of the City to 15% of the total assessed value of all real and personal property within the City limits (Debt Limit). For FY 2023-24, the City's total assessed value of taxable property, provided by the County, was \$254.1 billion, which results in a total Debt Limit of approximately \$38.1 billion (total assessed value x 15% = Debt Limit). As of June 30, 2024, the City had \$522.8 million in GO principal debt outstanding, representing 1.6% of the Debt Limit. Accordingly, the debt margin is \$37.5 billion.

D. LEGISLATIVE AND REGULATORY ISSUES

Debt Management staff review federal and state legislative referrals for potential impact to the outstanding debt portfolio. Staff also monitor regulatory changes proposed by governmental agencies such as the Internal Revenue Service (IRS), the Securities and Exchange Commission (SEC), the Municipal Securities Rulemaking Board (MSRB), and the Governmental Accounting Standards Board (GASB), 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 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). Provisions of the Act are set to expire in December 2025.

II. DEBT ISSUANCE

A. DEBT ISSUED DURING FY 2023-24

FY 2023-24 debt issuance totaled \$137.2 million, as illustrated in Table 1. A description of each issuance is listed below:

City of San José Financing Authority Lease Revenue Commercial Paper Notes. The CSJFA CP program utilizes a lease revenue financing structure. Under this program, the CSJFA issues commercial paper notes with maturities not exceeding 270 days. The CSJFA 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 one direct-pay Letter of Credit (LOC) provided by U.S. Bank pursuant to a letter of credit and reimbursement agreement by and among the CSJFA, the City, and U.S. Bank, as amended. The CSJFA CP program was initially established in January 2004, and has been amended and expanded through various City Council and CSJFA Board actions over time. A summary of these program amendments is provided in Appendix C.

During FY 2023-24, the CSJFA issued \$0.3 million of new money taxable commercial paper notes (net amount of funding PRNS Flood Recovery projects for \$952,000 and partial redemption of the Energy Conservation projects for \$675,000). As of June 30, 2024, \$6.0 million of CSJFA Taxable CP Notes were outstanding at an interest rate of 5.48% maturing on October 3, 2024.

City of San José Financing Authority Subordinate Wastewater Revenue Notes. The City, the CSJFA, and Wells Fargo Bank, National Association (Wells Fargo) are parties to a Credit Agreement (Credit Agreement) dated as of October 1, 2017. On June 20, 2023, the City Council and CSJFA Board approved the Credit Agreement with Wells Fargo, which extended the termination date through October 16, 2026, and reduced the aggregate principal amount of the Notes that can be outstanding at any one time from \$300.0 million to \$200.0 million. The Fourth Amendment to the Credit Agreement was executed on June 29, 2023. The interim financing program is 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 \$200.0 million to finance capital improvements at the Regional Wastewater Facility (RWF). Advances on the notes will be made on a regular basis to reimburse the City for capital costs incurred at the RWF.

As of June 30, 2024, the CSJFA has drawn \$40.1 million of the principal amount of \$200.0 million available under the Credit Agreement.

City of San José, California, San José International Airport Subordinated Commercial Paper Notes. In November 1999, the City authorized the issuance from time to time of the Airport's Subordinated Commercial Paper Notes, Series A-1, Series A-2, Series B, and Series C (Subordinated CP Notes) that are secured by a lien on Surplus Revenues held in the Subordinated Debt Account of the Surplus Revenue Fund, including the earnings on such Surplus Revenues. Surplus Revenues are General Airport Revenues remaining after the payment of maintenance and operation costs of the Airport and the payment of debt

service on the Airport Revenue Bonds and the funding of any reserve funds established for the Airport Revenue Bonds. The Subordinated CP Notes may be issued for periods of maturity not to exceed 270 days that can be sold at an interest rate not to exceed 12% per annum. The Series C Notes have a flexibility to be sold either as interest bearing notes or at a discount. The Subordinated CP Notes are issued pursuant to a Third Amended and Restated Issuing and Paying Agent Agreement, dated as of February 1, 2014 (Issuing and Paying Agent Agreement), as subsequently amended, by and between the City and U.S. Bank National Association (US Bank). Credit support for the timely payment of the principal and interest on the Subordinated CP Notes at maturity is provided through a letter of credit. The City Council has authorized the Subordinated CP Notes to be issued in an aggregate principal amount of up to \$600.0 million outstanding at any one time. However, the City has determined to limit its issuance of Subordinated CP Notes to the total credit support provided by the applicable letter of credit.

On September 12, 2018, the City substituted the prior letter of credit supporting the Subordinated CP Notes with a letter of credit issued by Bank of America, N.A. (BANA). Pursuant to a Letter of Credit and Reimbursement Agreement, dated as of September 1, 2018, between the City and BANA (BANA Reimbursement Agreement), BANA issued its irrevocable transferable letter of credit (BANA LOC) in the initial stated amount of approximately \$81.7 million (to cover principal of \$75.0 million and interest on the Subordinated CP Notes accruing calculated at a rate of 12% for 270 days based on a 365-day year). The \$75.0 million principal amount of the BANA LOC was secured to provide additional capacity for the issuance of the Subordinated CP Notes to finance the Interim Gate Facility project. On July 15, 2024, BANA extended the expiration date of the BANA LOC from September 10, 2024, to September 10, 2026. A summary of all the amendments is provided in Appendix D.

During the fiscal year, the City issued \$17.7 million of Subordinated CP Notes, Series A-1 (Non-AMT), bringing the outstanding balance to \$27.7 million. Such notes were issued to build new facilities and maintenance buildings. The new facilities and maintenance buildings will be designed to be expandable and adaptable to meet the current and the anticipated future demand for facilities and maintenance services at the Airport. Additional Subordinated CP Notes, Series A-1 may be issued in FY 2024-25 to fund the project. Of the \$75.0 million capacity under the BANA LOC, the remaining capacity as of June 30, 2024, is \$47.3 million.

Multifamily Housing Revenue Bonds/Notes

Parkmoor Community Apartments. CDLAC allocated \$39.8 million for this project to issue tax-exempt debt at its May 10, 2023, meeting. The City Council approved the issuance of tax-exempt and cash-collateralized multifamily housing revenue bonds in principal amount not to exceed \$39.8 million on October 3, 2023. On November 9, 2023, the City issued its tax-exempt \$2,150,000 Multifamily Housing Mortgage- Back Bonds (Parkmoor) Series 2023F-1 (the "2023F-1 Bonds") and its \$37,071,000 in Bond Series 2023F-2 (Cash Collateralized) (the "2023F-2 Bonds" and with the 2023F-1 Bonds, the "2023F Bonds"). The 2023F Bonds were purchased by Stifel, Nicolas & Company, Incorporated and publicly offered to investors. Moody's Investors Service, Inc. rated the

COMPREHENSIVE ANNUAL DEBT REPORT

2023F-1 Bonds “Aaa” and the Series 2023F-2 Bonds “Aaa/VMIG 1”. The 2023F-1 Bonds mature on June 1, 2045, and the 2023F-2 Bonds mature on June 1, 2027.

Capital One, National Association (“Capital One”), a national banking association, provided a separate construction loan for the Parkmoor apartments project (the “Project”). Proceeds of the construction loan will be deposited with the 2023F Bond Trustee from time to time in exchange for the release of a like amount of 2023F Bond proceeds to fund Project costs. At conversion, Capital One, in its capacity as the permanent lender, has committed to originate a permanent loan in an amount equal to the 2023F-1 Bond par. In addition, Fannie Mae anticipates that it will deliver a mortgage pass-through certificate that, in effect, will guarantee the timely payment of principal and interest on the 2023F-1 Bonds. The 2023F-2 Bonds will be 100% collateralized at all times by cash or cash equivalents until their maturity or initial tender date of June 1, 2026.

Dry Creek Crossing. CDLAC allocated \$29.7 million for this project to issue tax-exempt debt at its May 10, 2023, meeting. The City received a supplemental allocation of \$1.5 million from CDLAC in September 2023. The City Council approved the issuance of a tax-exempt note in a principal amount not to exceed \$31.2 million and a taxable note in a principal amount not to exceed \$8.8 million on October 24, 2023. The notes were issued on November 14, 2023, for \$40.0 million (including \$31.2 million of tax-exempt and \$8.8 million of taxable notes) to provide financing for the construction and development of the 64-unit multifamily development project to extremely low-income, low-income households.

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TABLE 1 SUMMARY OF COMPLETED DEBT ISSUANCE FY 2023-24								
Issue Date	Issue Name	Size (millions)	Type of Debt Vehicle	Sale Type	Municipal Advisor ⁽²⁾	Bond Counsel	Funding Bank	Credit Enhancement
11/1/2023	Parkmoor Community Apartments, Series 2023F-1, 2023F-2	\$ 39.2	Multifamily Housing Revenue Notes	Multifamily Housing Revenue Notes	PFM	Stradling Yocca Carlson & Rauth	U.S. Bank Global Corporate Trust	N/A
11/14/2023	Dry Creek Crossing, Series 2023E-1, 2023E-2	40.0	Multifamily Housing Revenue Notes	Multifamily Housing Revenue Notes	PFM	Hawkins Delafield & Wood LLP	U.S. Bank Global Corporate Trust	N/A
1/24/2024	CSJ Airport Subordinated Commercial Paper Notes Series A-1 (Non-AMT) ⁽¹⁾	8.6	Airport Commercial Paper	Market Offering	PFM	Orrick Herrington & Sutcliffe LLP	U.S. Bank, N.A.	Bank of America, N.A. (LOC)
3/19/2014	CSJ Airport Subordinated Commercial Paper Notes Series A-1 (Non-AMT) ⁽¹⁾	3.0	Airport Commercial Paper	Market Offering	PFM	Orrick Herrington & Sutcliffe LLP	U.S. Bank, N.A.	Bank of America, N.A. (LOC)
4/15/2024	CSJFA Subordinate Wastewater Revenue Notes, Series A	40.0	Wastewater Revenue Notes	Private Placement	PRAG	Orrick Herrington & Sutcliffe LLP	Wells Fargo, N.A.	N/A
6/18/2024	CSJ Airport Subordinated Commercial Paper Notes Series A-1 (Non-AMT) ⁽¹⁾	6.1	Airport Commercial Paper	Market Offering	PFM	Orrick Herrington & Sutcliffe LLP	U.S. Bank, N.A.	Bank of America, N.A. (LOC)
6/27/2024	CSJFA Lease Revenue Commercial Paper ⁽¹⁾	0.3	Lease Revenue Commercial Paper	Market Offering	PFM	Jones Hall	Barclays Capital Inc.	U.S. Bank, N.A. (LOC)
Total		\$ 137.2						

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 and redemptions, not the reissuance of outstanding notes.

⁽²⁾ Municipal Advisors: Public Resources Advisory Group (PRAG), PFM Financial Advisors, LLC (PFM).

B. DEBT PLANNED FOR FY 2024-25

Planned debt issuance in FY 2024-25 totaling approximately \$359.3 million in both new money and refunding issuance is illustrated in Table 2.

San José Mineta International Airport Revenue Bonds. On July 30, 2024, the City issued \$76.4 million of Airport Revenue Refunding Bonds Series 2024A (AMT) (2024A Bonds) to refund some of its Airport Revenue Refunding Bonds, Series 2014A (AMT), Series 2014B (Non-AMT), and Series 2014C (Non-AMT) (together, the Series 2014 Bonds, (2014 Refunded Bonds)). In September 2023, the City issued an RFP for selecting a placement agent in connection with a potential refinancing. In October 2023, the City selected Raymond James & Associates, Inc. (“Raymond James”). Raymond James released a direct purchase RFP to solicit proposals from firms/banks interested in purchasing the 2024A Bonds. TD Public Finance LLC (“Purchaser”) was determined as most favorable to the City.

The 2024A Bonds were issued through direct private placement with the Purchaser. Net proceeds of the 2024A Bonds and other available funds were applied to redeem the 2014 Refunded Bonds. The 2024A Bonds will mature on March 1, 2031. The refunding provided total debt service savings to the City of approximately \$5.5 million, with a total net present value savings of approximately \$2.5 million or approximately 3.30% of the 2014 Refunded Bonds.

Three maturities with a total par amount of \$840,000 were excluded from the refunding due to negative savings. However, the City exercised its option to call and redeem those maturities on September 1, 2024.

City of San José Financing Authority Commercial Paper Notes. The Debt Management staff currently anticipates the issuance of up to \$20.0 million for Muni Water interim financing for a new administration & operations facility, \$6.5 million for the Muni Water advanced meter infrastructure project, and \$6.0 million to PRNS Floods Projects as described below:

In June 2023, the City Council and CSJFA Board authorized \$40.0 million for the construction of the Administration and Operations Building, and the acquisition, construction, and installation of related capital improvements, for the City of San José Environmental Services Department’s (ESD) Water Resources Division. In FY 2024-25, \$20.0 million is budgeted to be issued to finance the project on an interim basis. The new facility is planned to include conference and training rooms; a customer service and payment area; a water quality laboratory; a map room for utility plans and documents; a warehouse for equipment, materials, and parts; a welding shop for metalwork and fabrication needs; adequate parking for staff, City vehicles, and visitors; and site security systems and fencing. The interest owed on the issued CSJFA CP Notes amount will be capitalized during construction. The remaining \$20.0 million is forecasted to be issued in 2025-26 as needed.

Environmental Services staff is planning to go to the City Council and the CSJFA Board for authorization of \$13.0 million in CSJFA CP Notes to fund a water metering project by June 2025. The City is seeking to modernize its water metering function

by upgrading to advanced metering infrastructure (AMI) technology. The City will be soliciting proposals from qualified vendors to provide equipment, software, and services (installation and professional) for the City's comprehensive cellular-based AMI project. The project will replace existing City-owned water metering equipment with cellular communication-enabled equipment at approximately 26,000 customer locations. The new City-owned equipment will provide the ability for the City and water customers to access real-time water use information, which will improve the customer experience, expedite leak notifications and other critical alerts to customers, and provide additional water use data to plan for and comply with water use target regulations promulgated by the State of California. In FY 2024-25, \$6.5 million is budgeted to be issued in CP for this the project.

It is anticipated that \$5.0 million will be issued for the 2017 flood recovery improvements project to finance improvements made at park facilities by June 2025.

Parks and Recreation Neighborhood Services staff is planning to go to Council in December for approval of the 2023 Storm Water project and \$0.5 million is forecasted to be issued by June 2025.

City of San José Financing Authority Subordinate Wastewater Revenue Notes, Series A. Under the Fourth Amendment, the City anticipates drawing approximately \$40.0 million for capital improvements at the San José-Santa Clara Regional Wastewater Facility.

San José Mineta International Airport Subordinated Commercial Paper Notes. The staff forecasts the issuance of up to \$900,000 for the construction of new Facilities Division Building(s).

Multifamily Housing Revenue Bonds/Notes. The City can serve as a conduit issuer of multifamily housing revenue bonds/notes for projects that submitted the CDLAC applications filed in August 2024. Three projects applied: Lupina in the aggregate amount not to exceed \$65 million, Kooser Apartments in the aggregate amount not to exceed \$75 million, and 525 N. Capitol in the aggregate amount not to exceed \$70 million. The issuance will occur if the projects receive CDLAC allocation.

City of San José General Obligation Bonds. The City anticipates issuing General Obligation Bonds in the summer of 2025 under the Measure T authorization for Disaster Preparedness, Public Safety, and Infrastructure (DPPS&I), approved by the voters in November 2018. The debt service on the General Obligation Bonds will be payable from the ad valorem taxes levied upon all property subject to taxation by the City.

City of San José Tax and Revenue Anticipation Notes. The City will evaluate and may issue short-term notes for cash flow borrowing purposes to facilitate the prefunding of employer retirement contributions. The security for repayment of the notes will be pledge of the City's secured property tax and all other legally available General Fund revenues of the City including sales tax revenues, if required.

Clean Energy Project Revenue Bonds (Green Bonds). On November 14, 2023, the City Council authorized the Departments of Finance and Energy to enroll the City as a

member of California Community Choice Financing Authority (CCCFA) and evaluate the feasibility of reducing SJCE's power purchase costs by financing a prepayment for energy procured with long term power purchase agreements through the issuance of tax-exempt bonds by CCCFA. CCCFA approved the City's associate membership on May 23, 2024.

With the assistance from the municipal advisor, PFM Financial Advisors, LLC, the City completed multiple requests for proposals and selected Morgan Stanley as the prepay banking counterparty, US Bank as the trustee, Natixis and RBC as the commodity swap counterparties, Kestrel as the second opinion provider, and Causey Demgen and Moore as the investment agreement bidding agent.

City staff presented to City Council on October 8, 2024, and City Council approved the documents for the bond financing. The bonds were priced on October 25, 2024 and closed on November 4, 2024.

The City will assign certain of its rights and obligations under SJCE's power purchase agreements (PPA) to Morgan Stanley Energy Structuring, L.L.C (MSES) or its affiliate, Morgan Stanley Capital Group Inc. (MSCG), that will serve as the primary source of electricity delivered to the City under the transaction. CCCFA will issue tax-exempt bonds in an amount not to exceed \$1.25 billion to make a one-time, upfront prepayment to MSES for a 30-year supply of energy to be delivered by MSES to CCCFA and ultimately redelivered to the City by CCCFA. The City requires a minimum annual saving of 8% of the assigned energy cost during the initial reset (or pricing) period, estimated to be approximately six to eight years after the bond issuance. The bonds will carry a 30-year term and be subject to mandatory tender on the day after the initial reset period ends.

When an assigned PPA expires or terminates, the City will be required to use commercially reasonable efforts to assign one or more replacement PPAs for the delivery of energy compliant with California's Emissions Performance Standards (EPS) at least equal to the prepaid quantities. If the energy delivered to MSES under the assigned PPAs is less than the quantities specified in the Prepaid Energy Sales Agreement, MSES will be obligated to make provisional payments to CCCFA for energy not delivered and remarket or be deemed to have purchased for its own account base energy not taken by the City. In the event provisional payments are made and the annual contract quantity of energy is not delivered for a calendar year, the City will be required to use commercially reasonable efforts to remediate all or a portion of such provisional payments by making other qualifying purchases of electric energy. To the extent that provisional payments that are required to be remediated are not remediated in the amounts and within the time limits prescribed by certain federal tax laws relating to the bonds, the transaction could terminate. If the transaction is terminated, MSES would be required to make a termination payment to CCCFA to redeem the bonds. The payment obligations of MSES will be unconditionally guaranteed by Morgan Stanley.

CCCFA will enter into commodity swaps to facilitate its ability to sell specified energy quantities required to be delivered to the City at index prices, while ensuring that the net revenues from the payment for the energy equal or exceed debt service on the Bonds irrespective of the index price of energy at the time. Quantities, term, and delivery points for the CCCFA commodity swaps will mirror those of commodity swaps to be entered into by MSES and the same counterparties. The City will not be a party to any swaps entered into as part of the Clean Energy Project.

The bonds will not constitute a general obligation or indebtedness of CCCFA or the City, and neither the full faith and credit of CCCFA, nor the taxing power of the State or any political subdivision thereof, including the City, will be pledged to payments pursuant to the Indenture or the bonds. The payments required to be made by the City under the Power Supply Contract, together with any net amounts received by CCCFA under the CCCFA commodity swaps and the interest rate swap to be entered into by CCCFA, to the extent any of the Bonds bear interest at a variable rate, will constitute the primary and expected source of the revenues pledged to the payment of the bonds. The obligations of the City under the Power Supply Contract will be payable solely from revenues of the City derived from the operations of SJCE.

The City anticipates the bonds will be designated as Green Bonds.

COMPREHENSIVE ANNUAL DEBT REPORT

TABLE 2 SUMMARY OF COMPLETED / PLANNED DEBT ISSUANCE⁽³⁾ FY 2024-25								
Projected Issue Date	Issue Name	Estimated Size (millions)	Type of Debt Vehicle	Sale Type	Municipal Advisor	Bond Counsel	Underwriter or Funding Bank	Credit Enhancement
7/30/2024	Airport Revenue Refunding Bonds, Series 2024A (AMT)	\$ 76.4	Airport Revenue Refundings Bonds	Private Placement	Public Resources Advisory Group (PRAG), PFM Financial Advisors, LLC (PFM)	Orrick Herrington & Sutcliffe LLP (Orrick)	TD Public Finance LLC ⁽²⁾	N/A
2/28/2025	CSJFA Lease Revenue Commercial Paper - Muni Water Building ⁽¹⁾	20.0	Lease Revenue Commercial Paper	Market Offering	PFM	Jones Hall	Barclays Capital Inc.	U.S. Bank (LOC)
2/28/2025	CSJFA Lease Revenue Commercial Paper - 2023 Storm Water Project ⁽¹⁾	0.5	Lease Revenue Commercial Paper	Market Offering	PFM	Jones Hall	Barclays Capital Inc.	N/A
6/30/2025	CSJFA Lease Revenue Commercial Paper - Muni Water Advanced Metering Infrastructure ⁽¹⁾	6.5	Lease Revenue Commercial Paper	Market Offering	PFM	Jones Hall	Barclays Capital Inc.	U.S. Bank (LOC)
6/30/2025	CSJFA Lease Revenue Commercial Paper - 2017 Flood Improvements Project ⁽¹⁾	5.0	Lease Revenue Commercial Paper	Market Offering	PFM	Jones Hall	Barclays Capital Inc.	U.S. Bank (LOC)
TBD	CSJFA Subordinate Wastewater Revenue Notes, Series A	40.0	Wastewater Revenue Notes	Private Placement	PRAG	Orrick	Wells Fargo, N.A.	N/A
TBD	CSJ Airport Subordinated Commercial Paper Notes ⁽¹⁾	0.9	Airport Commercial Paper	Market Offering	PFM	Orrick	U.S. Bank, N.A.	Bank of America, N.A. (LOC)
TBD	525 N. Capitol Apartments	70.0	Multifamily Housing Revenue Notes	TBD	Ross Financial	Stradling Yocca Carlson & Rauth LLP	TBD	TBD
TBD	Kooser Apartments	75.0	Multifamily Housing Revenue Notes	TBD	PFM	Anzel Galvan LLP	TBD	TBD
TBD	Lupina	65.0	Multifamily Housing Revenue Notes	TBD	Ross Financial	Anzel Galvan LLP	TBD	TBD
Planned subtotal		\$ 359.3						

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.

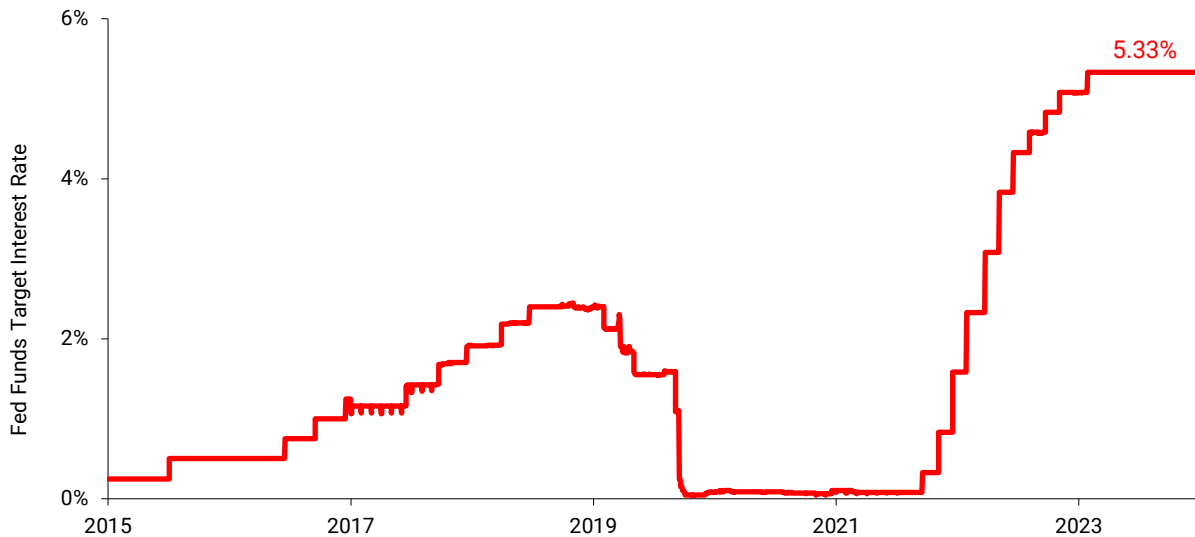
⁽²⁾ TD Public Finance LLC was the purchaser and Raymond James & Associates, Inc. was the placement agent.

⁽³⁾ Anticipated issuance amounts of Tax and Revenue Anticipation Note and GO Bond are not known, therefore not included in the table.

C. MARKET CONDITIONS

The Federal Open Market Committee sets Federal Funds Target Rates at which commercial banks in the United States borrow and lend their excess reserves to one another overnight. Federal Funds Rates are key components of Federal Reserve Bank monetary policy and influence short-term financing interest rates. The following graph demonstrates the changes and trend of the Federal Fund Target Rate for the last ten years.

*Federal Funds Target Interest Rate
July 2015-June 2024*

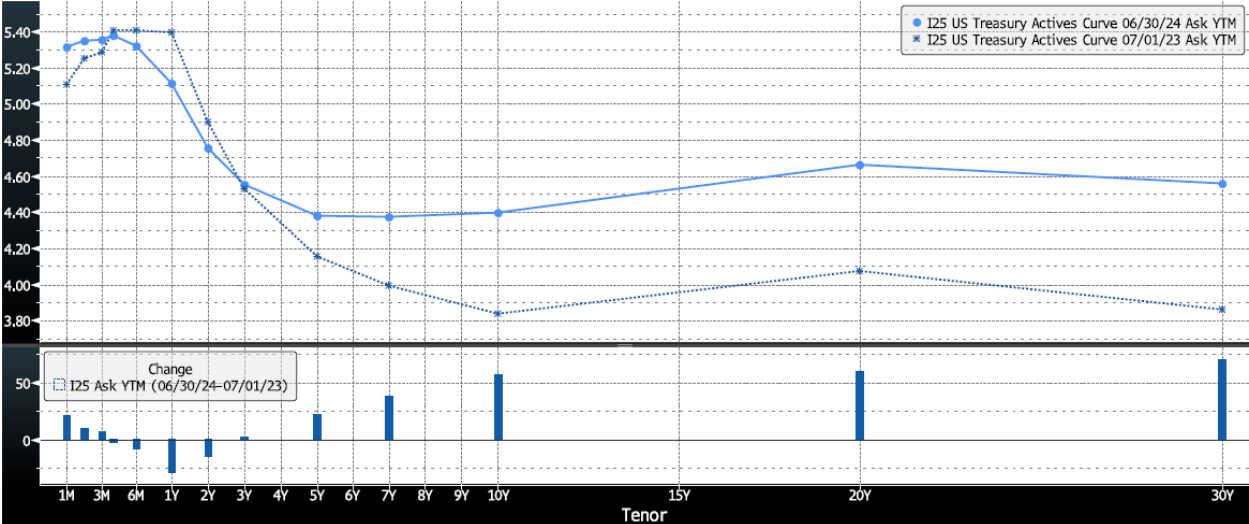


Data Source: <https://fred.stlouisfed.org/series/DFE>

From July 2023 to June 2024, the Federal Reserve Bank raised the Federal Funds Target Rate one time by 0.25%. The yield curve remained inverted, making short-term financing more expensive than long-term.

The Federal Reserve Bank reduced the Federal Funds Target Rate in September 2024 to a range of 4.75% to 5.00% and is expected to make additional rate cuts in future meetings.

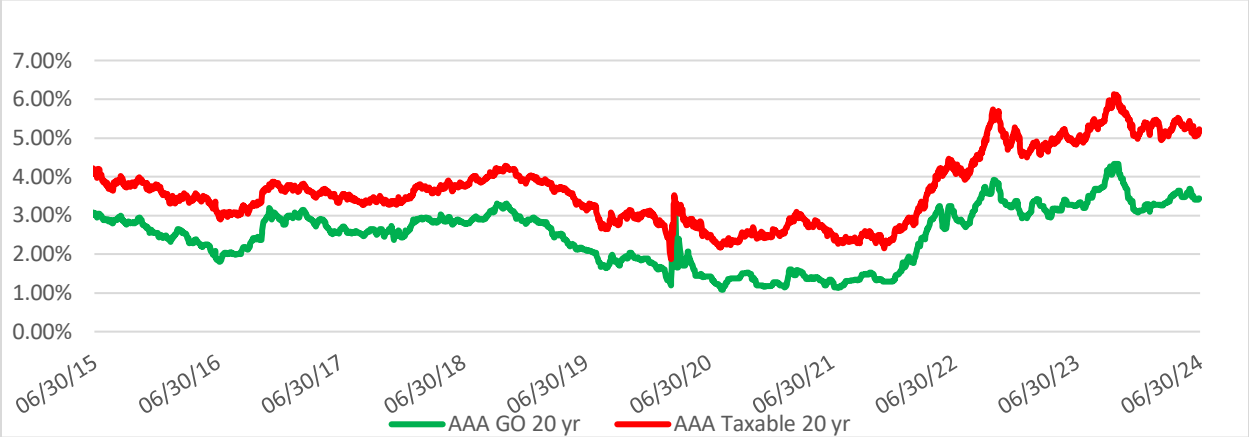
The following graph compares the U.S. Treasury yield curve on June 2023 and June 2024.



Data Source: Bloomberg

The chart below compares the difference in interest rates between tax-exempt and taxable interest rates beginning in June 2015 through June 2024. Normally, taxable bonds have higher interest rates than tax-exempt bonds. Spreads between the taxable and tax-exempt municipal bonds are dependent upon the expected tax rate.

**Ten Year Tax-Exempt and Taxable Municipal Bonds Interest Rates
June 30, 2015 through June 30, 2024**



Data Source: Refinitiv TM3

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 RFP process. Written proposals are reviewed by representatives from the Finance Department and other City departments involved with the financing. The selection process may, at the City’s discretion, proceed to oral presentations from among the highest ranked proposers.

General Municipal Advisors and Municipal Advisory Pool. Debt Management staff conducted an RFP for municipal advisory services in April 2023. The municipal advisors were selected for retainer and pool engagements in June 2023 and are eligible for project assignments through June 30, 2026, with two additional one-year options. The services can last until June 30, 2028. The City Municipal Advisors are listed by subject area in the table below:

General Municipal Advisors and Municipal Advisory Pool Eligible List
July 2023 to June 2028⁽¹⁾

City General:	Public Resources Advisory Group
Airport General:	PFM Financial Advisors LLC
Clean Energy General:	PFM Financial Advisors LLC
Wastewater Facilities General:	Public Resources Advisory Group
Successor Agency General:	Ross Financial
Land-Secured Financing General:	Fieldman, Rolapp & Associates, Inc.
Multifamily Housing Program General:	Ross Financial
Multifamily Housing Program Pool:	PFM Financial Advisors LLC
	Ross Financial
City General Pool:	Fieldman, Rolapp & Associates, Inc.
	Montague DeRose & Associates, LLC
	Public Resources Advisory Group
Land-Secured Financings Pool:	Fieldman, Rolapp & Associates, Inc.
	Urban Futures, Inc.

(1) The municipal advisory services agreements are initial three-year agreements (July 2023-June 2026) with two one-year optional extensions (July 2026-June 2028) subject to annual appropriation of funds.

III. DEBT ADMINISTRATION

A. DEBT ADMINISTRATION SYSTEM

The Debt Management staff historically used a debt management software application called Mun Ease, which is no longer supported by the vendor and is non-operational. The Debt Management staff have initiated the process of procuring a new debt management software application, which will assist in administering the City's debt. Inputs to the new software system will 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 will 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.

The City appropriated \$225,000 in FY 2024-25 for the search of a new cloud-based debt administration system. An RFP is planned to be released Fall 2024 to solicit responses from debt management software application companies.

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 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 closely with other City departments along with the City Attorney's Office and the Budget Office to manage the investment, disbursement, compliance and continuing disclosure requirements of the City 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 CADR as Appendix G.

COMPREHENSIVE ANNUAL DEBT REPORT

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

SUMMARY OF COMPLIANCE REQUIREMENTS										
	Item Descriptions	Airport	Airport CP ⁽¹⁾	Wastewater	RWF Credit Facility	GO	Successor Agency ⁽⁴⁾	Lease-Backed	Lease-Backed CP ⁽¹⁾	Clean Energy Credit Facility
1	Annual Compliance Report/Certificate	✓	✓				✓			✓
2	Budget Distribution		✓		✓			✓		✓
3	ACFR Distribution	✓	✓	✓	✓	✓	✓	✓	✓	
4	CDIAC Annual Debt Transparency Reports ⁽⁵⁾	✓	✓	✓	✓	✓	✓	✓	✓	
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)									
	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) Airport Commercial Paper Debt Service Certification		✓							
	vi) Tax-Exempt Compliance/Private Activity	✓	✓			✓	✓	✓	✓	
(1)	The 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 ACFR.									
(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) Material modification to the rights of security holders, (8) Material bond call, (9) Defeasances (10) Release, substitution or sale of property securing repayment of the security, (11) Rating change, and (12) Bankruptcy or insolvency of the obligated person (13) Consummation of a merger, consolidation or acquisition or termination of a definitive agreement (14) Appointment of a successor or additional trustee or change of name of trustee (15) Incurrence of a financial obligation of the issuer or obligated person[1], if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the issuer or obligated person, any of which affect security holders, if material (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the issuer or obligated person, any of which reflect financial difficulties It is a requirement 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)	CDIAC Annual Debt Transparency Reports include (SB 1029, Mello-Roos and Marks-Roos reports). 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, 2024, the City had approximately \$284.2 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 \$128.6 million in funds to pay for debt service. The table below summarizes the City's and Successor Agency's trustee fund balances.

Trustee Summary¹			
<i>As of June 30, 2024</i>			
Trustee	Number of Bond/CP Loan/Revolver Issues	Original Par Amount of Bonds/CP Loan/Revolver	Trustee/Bank Fund Balance
City Related			
Bank of New York Computershare Corporate Trust ³	8	\$ 1,177,995,000	\$ 87,004,797
JPMorgan Chase Bank, N.A. ²	2	205,445,000	2,098,511
U.S. Bank (Airport CP)	1	250,000,000	-
Wells Fargo Bank, N.A. (RWF Note)	1	75,000,000	7,147,000
Wilmington Trust	1	200,000,000	-
Wilmington Trust	10	1,579,340,000	187,966,315
Sub-Total	23	\$ 3,487,780,000	\$ 284,216,624
Successor Agency			
Wilmington Trust	3	\$ 1,677,540,000	\$ 128,555,367
Grand Total	26	\$ 5,165,320,000	\$ 412,771,992

¹ Does not include multifamily housing revenue bonds funds.

² \$50 million of this \$250 million credit facility is a variable-rate loan and \$200 million are LOCs.

³ Computershare Limited entered into an agreement to acquire assets from Wells Fargo Corporate Trust Services in March 2021. Computershare Corporate Trust is the replacement trustee.

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 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 delegates before they are submitted to Debt Management staff. Debt Management staff then reviews, reconciles, and qualifies the bond-financed project expenditures before submitting disbursement requests to the Trustees. When there is ambiguity, the City Attorney's Office assists in determining the eligibility of expenditure items.

3. ARBITRAGE REBATE

Debt Management staff actively monitors 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 and paid to the U.S. Treasury. However, if a jurisdiction meets certain IRS expenditure deadlines 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 Investment Policy² 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 and 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 bond series.

Although arbitrage earnings are rebated to the U.S. Treasury on a five-year installment basis, Debt Management staff conducts annual rebate calculations to ensure the City remains current on compliance and facilitates appropriate budgeting and accounting for any potential rebate liability.

In addition to performing its own annual calculations, the City retains the services of BLX Group LLC, a subsidiary of Orrick, Herrington & Sutcliffe LLP, to (1) review the City's arbitrage compliance at five-year anniversary dates when rebate is due to the U.S. Treasury, (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 the IRS has random audit and target audit programs for tax-exempt bond issues.

² <https://www.sanjoseca.gov/home/showpublisheddocument/83406/638149913185900000>

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:

- Prepare official statements meeting current requirements of the Rule;
- Annually file certain financial information and operating data with national and state repositories; and
- 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.

Additional amendments to SEC Rule 15c2-12 regarding continuing disclosure obligations 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 Policies and Procedures, approved by the City Manager and Director of Finance in June 2020, and last updated on March 30, 2023, that includes procedures related to continuing disclosure to guide staff in meeting the City's and the Successor Agency'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 works closely with bond trustees and City's Investment staff, a program from the City's Debt & Treasury Management Division, to manage the investment and disbursement of bond proceeds. Bond proceeds are invested in accordance with bond covenants and guided by the provisions of the City's Investment Policy, which was most recently amended on March 5, 2024.

D. EXPOSURE TO VARIABLE INTEREST RATE

The City's and CSJFA's outstanding debt portfolios, as described in Section IV, include variable rate notes and commercial paper notes secured by letters of credit or purchased directly by a bank (direct placements). Administration of LOC facilities and direct placements presents an ongoing and significant work effort for Debt Management staff and the City Attorney's Office, especially as it relates to the work involved in bank facility negotiation efforts. The agreements with the banks typically carry terms up to three years, and market activity requires ongoing review and monitoring given the variable rate nature of the obligations.

The interest on variable rate commercial paper notes is determined through a remarketing function, with rates set by the market, based on liquidity in the form of an LOC or standby purchase agreement for a limited period after which the facility needs to be renewed, replaced or the bonds redeemed. Issuing and paying agents draw against facilities when necessary for liquidity. Bank direct placements provide a similar form of borrowing liquidity as well. The interest rate on a bank direct placement is generally set based on an indexed interest rate, plus a spread and has a mandatory tender at the expiration date. The total cost of funds under either type of facility is comparable, but different market conditions have provided an advantage to one or the other, especially based on internal factors affecting banks. In particular, bank facilities may be advantageous as they may charge a lower bank facility rate for undrawn balances; letters of credit and standby purchase agreements typically charge a single fee for all balances, whether drawn or not.

In the table below, the City currently has two letters of credit, securing two commercial paper programs (CSJFA CP program and Airport CP program), a revolving line of credit facility (for RWF), and a revolving credit facility (for SJCE) as of June 30, 2024.

COMPREHENSIVE ANNUAL DEBT REPORT

Summary of Letters of Credit and Direct Placement Banks

As of June 30, 2024

Bond Series	Project Description	Bank	Authorized Amount ⁽¹⁾	Outstanding	Expiration Date
<u>Letters of Credit</u>					
Airport Commercial Paper Series ABC	Airport Terminal Area Improvement Program	Bank of America, N.A.	\$ 75,000,000 ⁽²⁾	\$ 27,728,000	9/10/2026
City of San José Financing Authority Commercial Paper	Various City projects	U.S. Bank National Association	175,000,000	5,967,000	3/24/2025
<u>Revolving Line of Credit</u>					
San José-Santa Clara Regional Wastewater Facility	Wastewater System and Treatment Plant Projects	Wells Fargo Bank, N.A.	200,000,000	40,098,000	10/16/2026
<u>Revolving Credit Facility</u>					
San José Clean Energy Letter of Credit	Energy Power Provider Contracts	JP Morgan Chase Bank, N.A.	250,000,000 ⁽³⁾	29,729,000	2/17/2028
Total			\$ 700,000,000	\$ 103,522,000	

⁽¹⁾ Commercial Paper and Credit Facility capacity.

⁽²⁾ On March 25, 2008, the City Council authorized the Airport CP Notes to be issued in aggregate principal amount of up to \$600 million. The issuance of a Letter of Credit is currently restricted to \$75 million as authorized by the City Council on August 28, 2018. On July 15, 2024, the current LOC with BANA was extended from September 10, 2024, to September 10, 2026.

⁽³⁾ Debt Service is calculated using a U.S. Secured Overnight Financing Rate (SOFR) based formula and the total amount outstanding cannot exceed \$250 million. Of the \$250 million LOC, \$50 million is a fixed-rate loan.

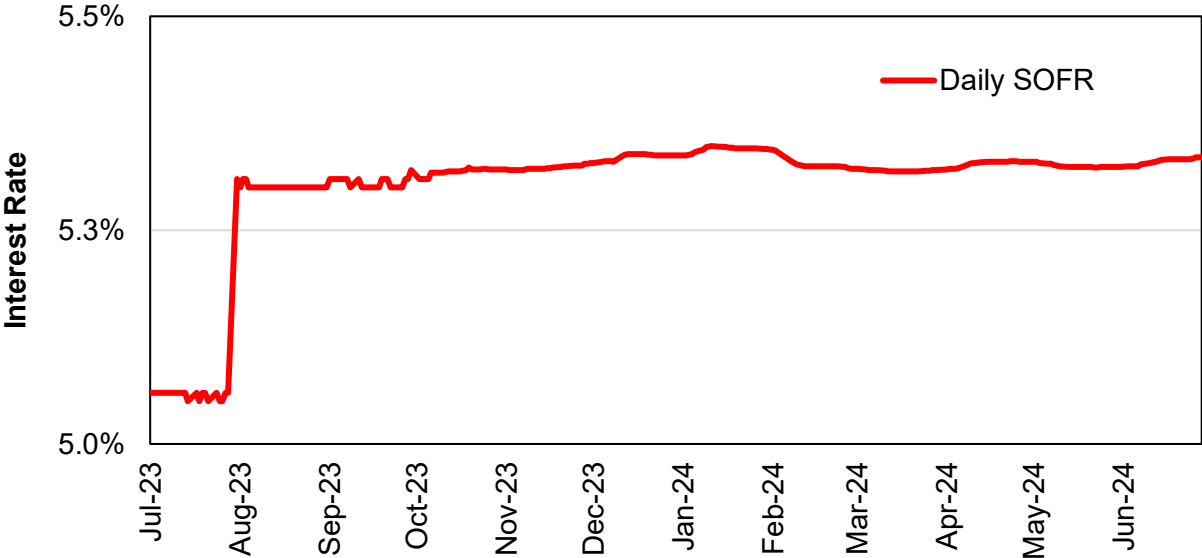
In the municipal market, a large volume of bank loans, floaters and interest rate swaps use short-term benchmark rates to calculate interest rates. The most commonly used short-term benchmarks are the U.S. Secured Overnight Financing Rate (SOFR), the Securities Industry and Financial Markets Association Municipal Swap Index (SIFMA), and Bloomberg Short-Term Bank Yield Index (BSBY).

The City's exposure to SOFR borrowing rates is currently limited to \$450 million (\$250 million revolving credit agreement for SJCE and \$200 million revolving line of credit for RWF). The City is a conduit issuer of multifamily housing revenue bonds. Most of the outstanding housing bonds are benchmarked on SOFR, except for Alum Rock, which sets rates on BSBY.

COMPREHENSIVE ANNUAL DEBT REPORT

The chart below provides indicative variable rates the City and related entities paid during FY 2023-24 for taxable debt obligations. The SOFR rate averaged 5.30% for the fiscal year.

Variable Interest Rates (FY 2023-24)



Annually, Debt Management staff provides the City’s Budget Office forecasted interest rates for budgeting short-term borrowing cost. For the period covering FY 2024-25 through FY 2028-29, the Debt Management staff used the 3-month SOFR forward rates (SOFR3M) for the average of the annual rates below for taxable rates and 80% of SOFR3M for tax-exempt rates, plus an estimated 75 basis points for fees/spread. The forward rates below are as of October 11, 2024. During the year, the Debt Management staff can revise the budgeted debt service amounts for variable rate debt in December (mid-year adjustment) with updated SOFR3M interest rates.

Variable Interest Rate Forecast <i>for Future Debt Service Payments</i> <i>July 2024 – June 2029</i>		
Fiscal Year	Tax-Exempt Rates ⁽¹⁾	Taxable Rates ⁽¹⁾
2024-25	4.31%	5.20%
2025-26	3.49%	4.18%
2026-27	3.45%	4.12%
2027-28	3.48%	4.16%
2028-29	3.53%	4.22%

(1) Based on SOFR3M plus 75 basis points for commercial paper fees and spread

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 of bonds 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. The proceeds of advance refunding bonds are invested in escrow until the first call date of the bonds to be refunded. Accordingly, for a period of time, both the bonds being refunded, and the refunding bond issuance amounts are outstanding until the refunded bonds are redeemed from the refunding escrow on their call date. The proceeds of taxable bonds may be used to advance refund tax-exempt bonds.

The Tax Cuts and Jobs 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. Provisions in the 2017 Tax Cuts and Job Act are set to expire in December 2025 and a potentially major tax overhaul may be considered by the Congress.

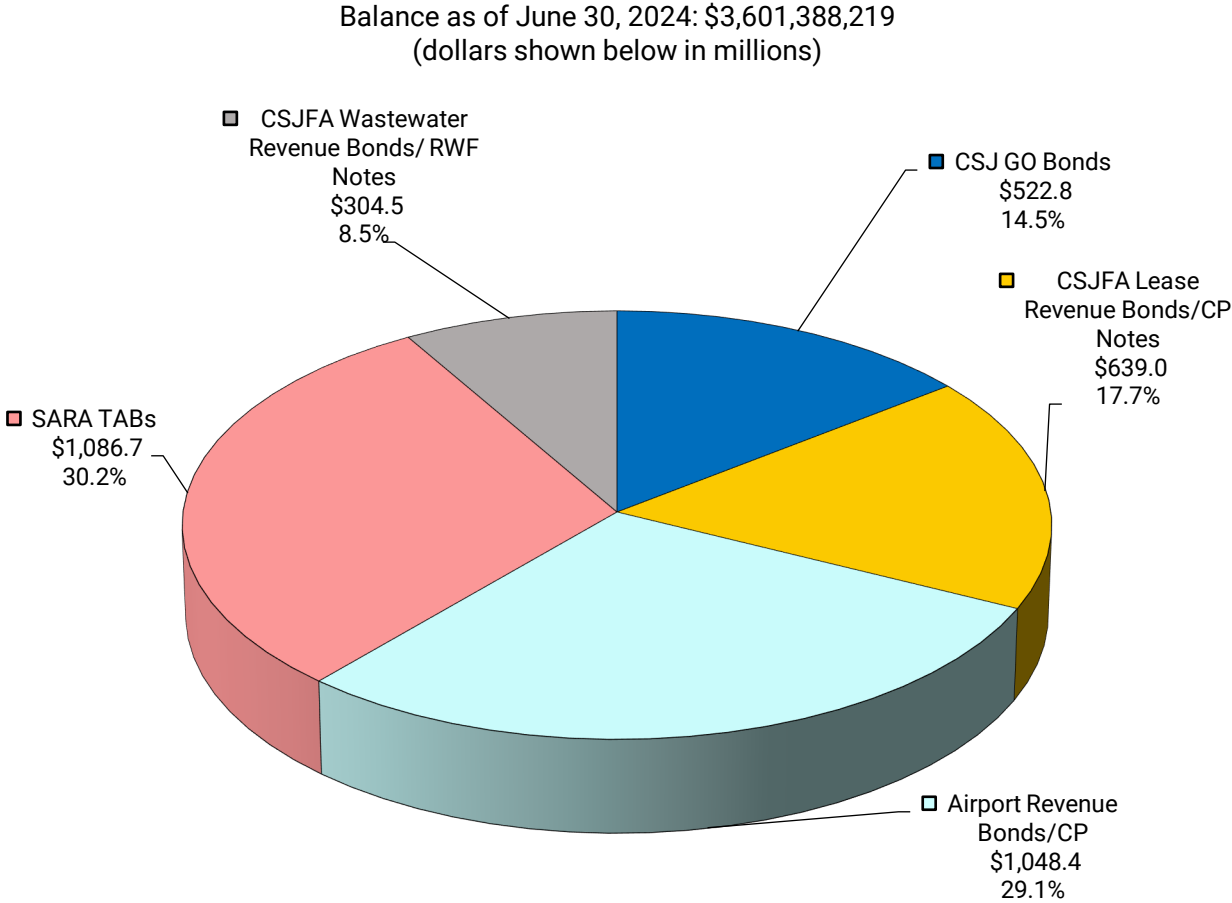
CSJFA Lease Revenue Bonds, Series 2013B, are eligible for refunding. However, refunding savings of the bonds are not sufficient to cover the City’s cost under the current market conditions. Debt Management staff will continue to evaluate the cost and benefit of refunding opportunities.



IV. OUTSTANDING DEBT PORTFOLIO

As of June 30, 2024, the City’s outstanding debt portfolio was comprised of 80 debt obligations, consisting of 76 series of bonds/notes, 2 commercial paper programs, 1 revolving line of credit facility for RWF and 1 revolving credit facility for SJCE, totaling \$4.4 billion. Of the 76 series of bonds, 22 series are debt of the City, the Successor Agency, or related entities (\$3.6 billion) while the remaining 54 series are multifamily housing revenue bonds or notes (\$770.3 million) for which private developers are the obligors, 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 obligated to make payment.

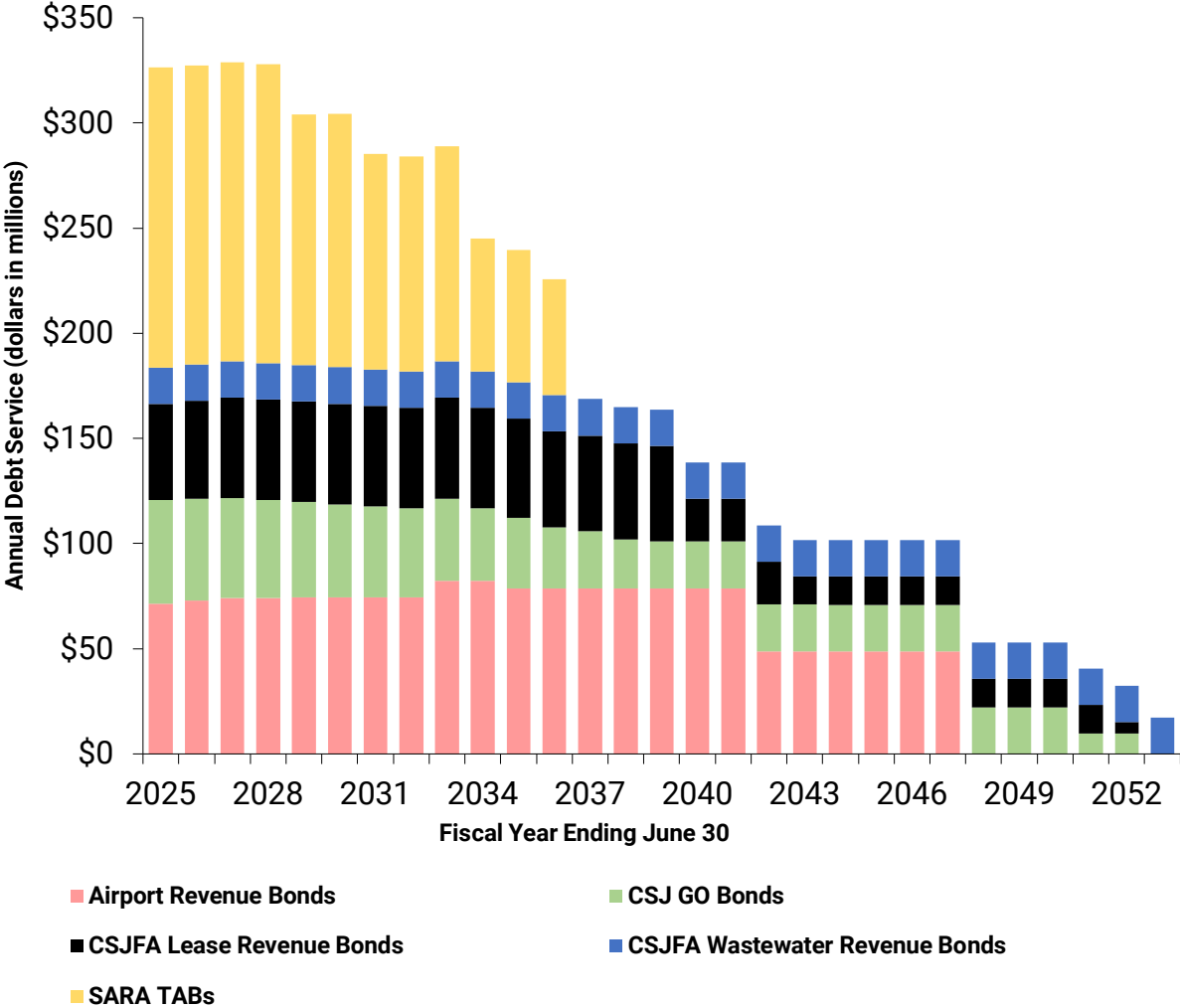
The following pie chart shows the distribution among the various categories of outstanding debt issued by the City and its related entities.



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

The following graph illustrates the annual debt service payments for all outstanding City-related debt except as noted:

Annual Debt Service
 (excludes conduit debt, pension, OPEB, commercial paper and other liabilities of the City not listed in the legend below)



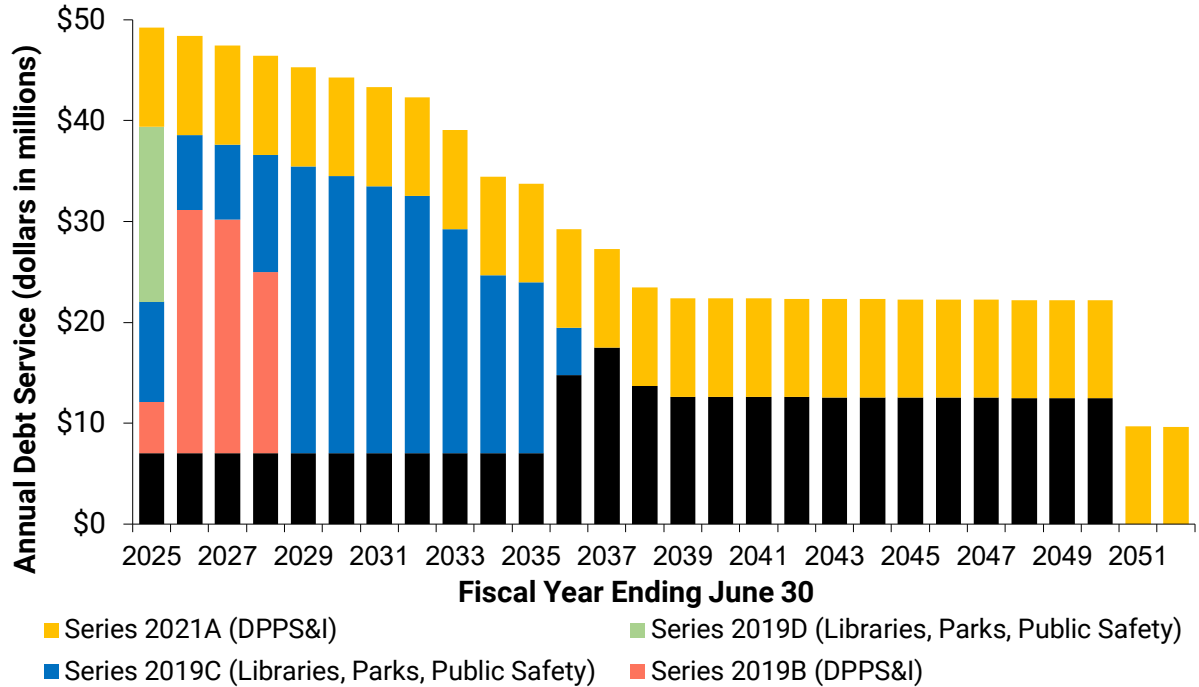
A. GENERAL OBLIGATION BONDS

On November 6, 2018, voters approved Measure T, authorizing a total issuance of \$650,000,000 in 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.

The ad valorem property tax levy is calculated for each fiscal year to generate sufficient revenue to pay 100% of annual debt service net of other available funding sources. As of June 30, 2024, aggregate principal and interest outstanding was \$840.9 million with final maturity of September 1, 2051.

COMPREHENSIVE ANNUAL DEBT REPORT

The following graph illustrates the annual debt service requirements (different color for each series) for GO Bonds.



The table below reflects the General Obligation Bond portfolio as of June 30, 2024:

Issuance	Final Maturity	Series 2019 (Refunding)	Series 2019 (New Money)	Series 2021 (New Money)	Measure T Total Issued	Outstanding Balance
Series 2019A	9/1/2049		\$173,400,000		\$173,400,000	\$140,360,000
Series 2019B	9/1/2027		66,500,000		66,500,000	66,500,000
Series 2019C ⁽¹⁾	9/1/2035	\$158,185,000				151,435,000
Series 2019D	9/1/2024	103,935,000				17,075,000
Series 2021A	9/1/2051			\$151,210,000	151,210,000	147,445,000
Series 2021B ⁽²⁾	9/1/2022			8,450,000	8,450,000	-
Series 2021C ⁽³⁾	9/1/2021			40,870,000	40,870,000	-
Total		\$262,120,000	\$239,900,000	\$200,530,000	\$440,430,000	\$522,815,000
					Measure T Voter Authorization	<u>\$650,000,000</u>
					Remaining Measure T Authorization	<u>\$209,570,000</u>

- (1) A portion of the 2019C Bonds funded remaining projects under Measure O (2000) in the amount of \$5,905,000 and under Measure O (2002) in the amount of \$3,325,000.
- (2) The Series 2021B Bonds matured on September 1, 2022 and are fully redeemed.
- (3) The Series 2021C Bonds matured on September 1, 2021 and are fully redeemed.

B. CITY OF SAN JOSÉ FINANCING AUTHORITY LEASE-BACKED OBLIGATIONS

The financing projects included in this category include bond-financed capital projects for which the City General Fund bears the majority of the debt burden.

Non-self-supporting obligations. Several outstanding lease revenue bond-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 most of the debt service burden. Below is a short description of each of the non-self-supporting projects:

- Series 2013B Bonds were issued to refund the bonds issued to finance the land acquisition and construction of the City Hall Employee Parking Garage (2008B Bonds);
- Series 2020A Bonds were issued to refund the bonds that refunded the City Hall project and recreational facilities (2006A, 2007A, 2013A Bonds) and finance the build out of SJCE operations;
- Series 2021A Bonds were issued to finance the acquisition and construction of the Fire Department Training Facility, finance the City’s Central Service Yard improvements project, refund the Central Service Yard Outstanding Commercial Paper and outstanding CSJFA 2003A Bonds; and
- Commercial paper notes issued to provide funding for Energy Conservation equipment and the 2017 Flood Recovery Improvements project.

Self-supporting obligations. Such obligations are issued for projects that produce sufficient revenues to retire the debt. The bonds are not supported by the taxing power of the governmental entity issuing them. 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 2020B Bonds were issued to refund the 2008E-1 and 2008E-2 Bonds and finance the acquisition and construction of two additional ice rinks and related facilities at the Ice Centre of San José. Under the Second Amended and Restated Lease, Sharks Ice leases the expanded facility and the Sharks Ice’s base rent payments to the City are the first source of the City’s repayment of the 2020B Bonds.
- Series 2022A Bonds were issued to refund bonds that financed the convention center expansion and renovation project (2011 Special Hotel Tax Revenue Bonds and CSJFA 2011A Bonds) and refunded Exhibit Hall and South Hall Commercial Paper Notes. Under the pledge agreement dated as of April 1, 2022, between the City, for and on behalf of the Convention Center Facilities District (CCFD), and the CSJFA, the City pledged a lien and security interest on the Special Taxes (4%

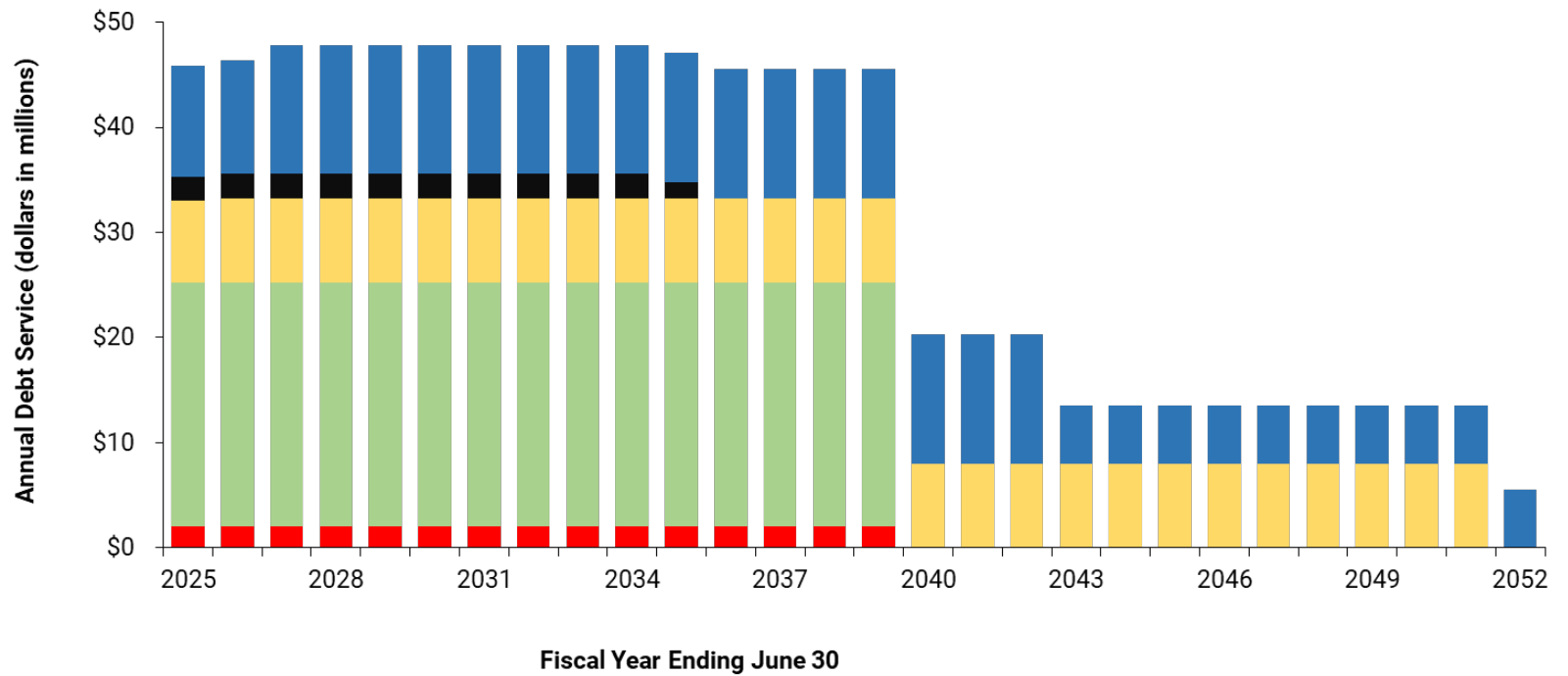
COMPREHENSIVE ANNUAL DEBT REPORT

hotel special tax levied by the CCFD for the benefit of the CSJFA as security for the City's obligations to make Lease Payments).

As of June 30, 2024, CSJFA Lease Revenue fixed-rate aggregate principal and interest payable was \$892.4 million with the final maturity in May 2052. The bonds outstanding are payable from and secured by a first pledge of and lien on revenues received by the CSJFA under a lease agreement by and between the CSJFA, as lessor, and the City, as lessee, consisting primarily of lease payments made by the City under a lease with respect to the lease of certain real property.

The following graph illustrates the annual debt service payments for fixed-rate CSJFA lease-backed bonds. CSJFA CP Notes outstanding are not included in the graph as there is no fixed amortization schedule.

CSJFA Lease-Backed Long-term Debt



- Series 2013B (Civic Center Garage Project)
- Series 2020A (Civic Center Refunding Project)
- Series 2020B (Ice Centre Refunding Project)
- Series 2021A (Fire Dept Training Center and CSY Projects)
- Series 2022A (Convention Center Refunding Project)

C. ENTERPRISE FUND OBLIGATIONS

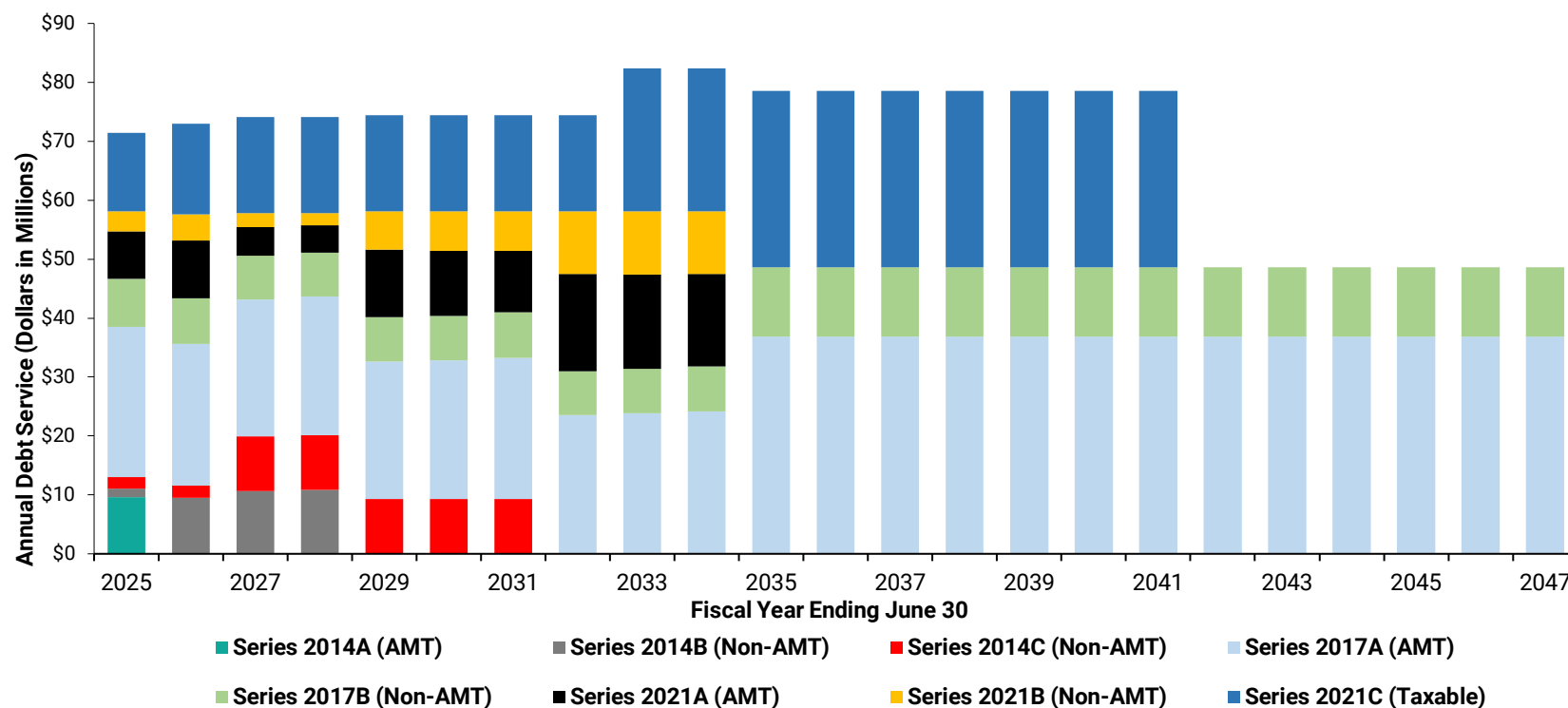
1. SAN JOSÉ MINETA INTERNATIONAL AIRPORT

As of June 30, 2024, the total amount of Airport obligations outstanding was \$1.0 billion, consisting of senior debt of \$1.0 billion and \$27.7 million of outstanding Airport CP Notes. The Airport CP program is subordinate to the airport revenue bonds.

As of June 30, 2024, aggregate principal and interest outstanding was \$1.6 billion with final maturity of March 1, 2047.

The following graph illustrates the annual debt service requirements for the Airport. Airport CP Notes are not included in the graph as there is no fixed amortization schedule.

Airport Revenue Bonds Annual Debt Service

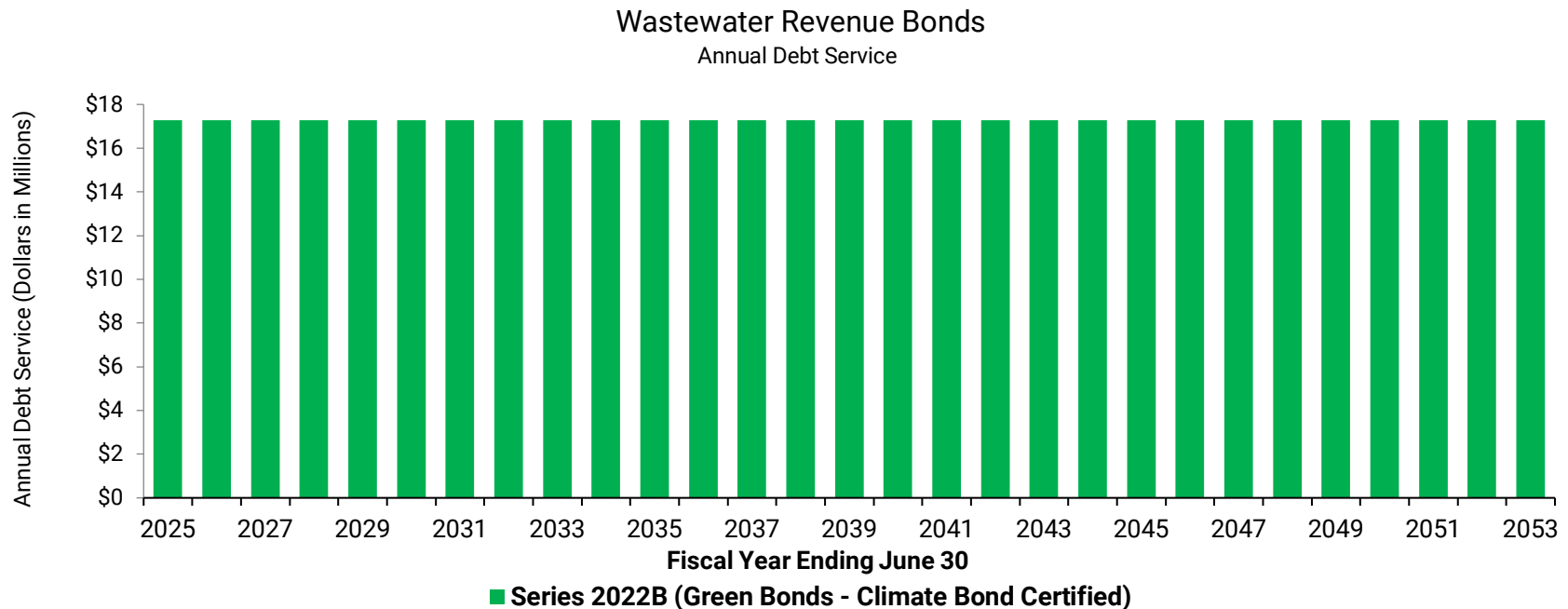


2. SAN JOSÉ-SANTA CLARA REGIONAL WASTEWATER FACILITY

The 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) in November 2013 to rehabilitate and modernize a substantial portion of the RWF for an estimated cost of approximately \$1.4 billion over 10 years.

On December 15, 2022, the CSJFA issued \$268.4 million of the Wastewater Revenue Bonds, Series 2022B (Green Bonds - Climate Bond Certified) to refinance the CSJFA’s then-outstanding Subordinate Wastewater Revenue Notes, Series A. The 2022B Bonds were issued as long-term fixed-rate debt with level debt service and are limited obligations of the City and are payable from the pledge of Net Wastewater System Revenue. As of June 30, 2024, aggregate principal and interest outstanding was \$500.8 million with final maturity of November 1, 2052.

The following graph illustrates the annual debt service requirements for the CSJFA Wastewater Revenue Bonds, Series 2022B.



As of June 30, 2024, the CSJFA has drawn \$40.1 million of the aggregated principal amount of \$200.0 million available under the Credit Agreement. Below is a table showing the activity (in millions) of the Notes for FY 2023-24.

Outstanding as of July 1, 2023	Issuances	Redemptions	Outstanding as of June 30, 2024	Interest Rate
\$0.1	\$40.0	\$0.00	\$40.1	4.67%

D. SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSÉ

The former Redevelopment Agency of the City of San José (Agency) was established in 1956 by the San José City Council as a public entity legally separate from the City. Until June 28, 2011, the Agency had the broad authority to acquire, rehabilitate, develop, administer, and sell or lease property in a Redevelopment Area.

On June 28, 2011, Assembly Bill X1 26 (AB X1 26) was enacted, which proposed the termination of all redevelopment agencies in California. On December 29, 2011, the California Supreme Court upheld the constitutionality of AB X1 26 (Redevelopment Dissolution Law), and all redevelopment agencies in California were dissolved by operation of law effective February 1, 2012. The legislation provided 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 to the Redevelopment Agency of the City of San José (Successor Agency), effective February 1, 2012.

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 (Oversight Board). The Oversight Board is comprised of seven member representatives with one member appointed by each of the following: County Board of Supervisors, the city selection committee established pursuant to Section 50270 of the State of California Government Code, the independent special district selection committee established pursuant to Section 56332 of the State of California Government Code, the County Superintendent of Education, the Chancellor of the California Community Colleges, a public appointment made by the County Board of Supervisors, and the recognized employee organization representing the largest number of successor agency employees in the County. The Oversight Board is staffed by the County of Santa Clara Auditor-Controller (County Auditor-Controller) and tasks have been delegated among the County Finance Agency, the Office of the County Executive, the Clerk of the Board of Supervisors, and the Office of the County Counsel.

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.

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On December 21, 2017, the Successor Agency issued 2017 Senior Tax Allocation Refunding Bonds and the 2017 Subordinate Tax Allocation Refunding Bonds (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:

- \$79,825,000 of the tax-exempt senior lien 2017 Series A Bonds (2017A Bonds),
- \$1,333,325,000 of taxable senior lien 2017 Series A-T Bonds (2017A-T Bonds) and collectively (2017 Senior Tax Allocation Refunding Bonds), and
- \$264,390,000 of tax-exempt subordinate lien 2017 Series B Bonds (2017B Bonds).

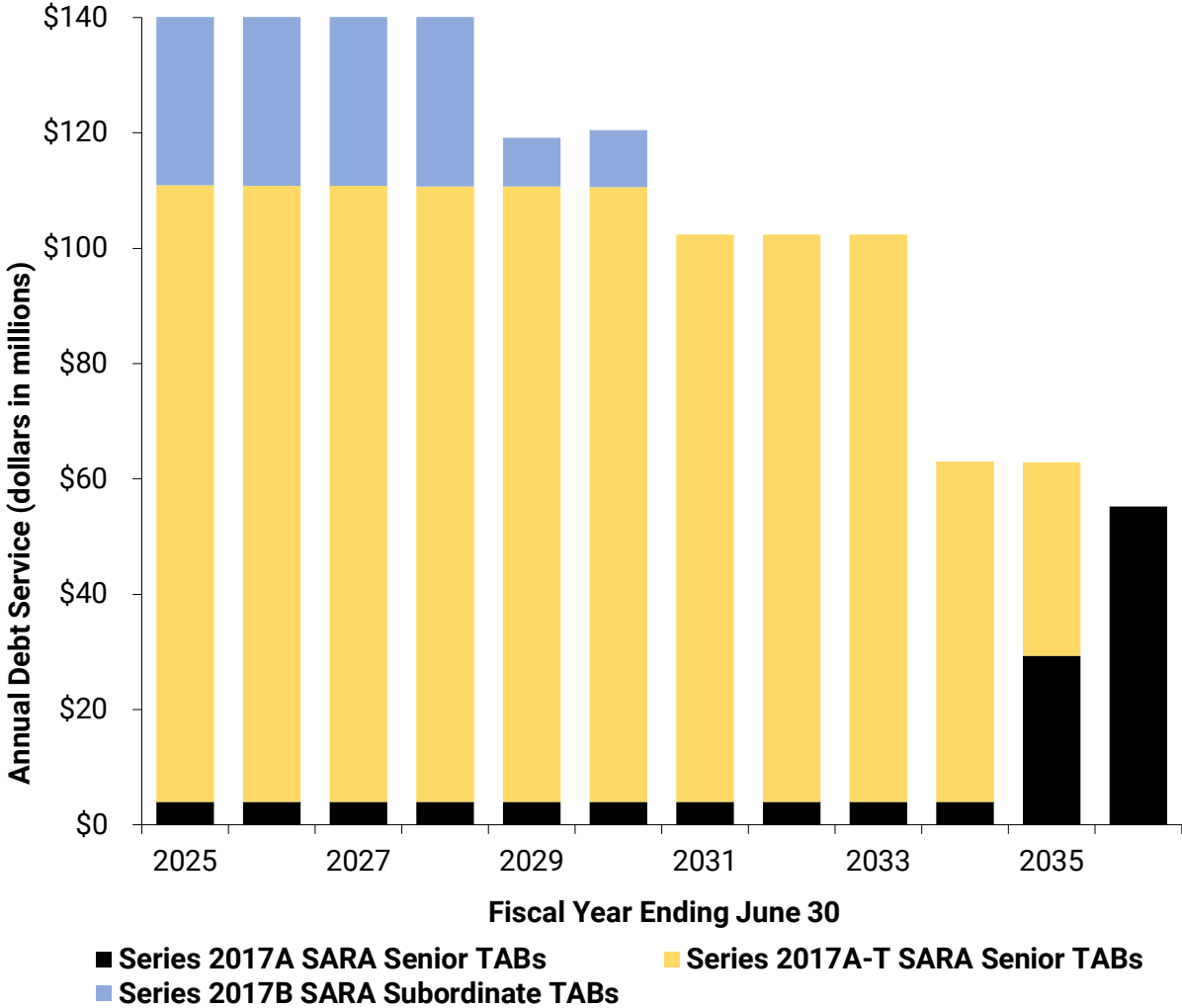
The 2017 Refunding Bonds are secured and payable from Redevelopment Property Tax Trust Fund tax revenues which are generally defined as the portion of property tax revenues collected in a merged project area derived from incremental growth in assessed property values over the initial base year values 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 provisions³ of the Redevelopment Dissolution Law that were not pledged to the repayment of the 2017 Refunding Bonds.

As of June 30, 2024, the Successor Agency aggregate principal and interest outstanding was \$1.3 billion, consisting of approximately \$1.2 billion in senior Tax Allocation Bonds with the final maturity in August 2035 and \$144.4 million in subordinate Tax Allocation Bonds with the final maturity in August 2029.

The following graph illustrates the total annual debt service requirements for Successor Agency debt outstanding:

³ For more detailed discussion on pension override and State Water Project override, refer to page 26 in the Official Statement, Successor Agency to the Redevelopment Agency of the City of San José, Series 2017A, A-T and B Tax Allocation Refunding Bonds <https://emma.msrb.org/ER1114101-ER871408-ER1272103.pdf>

Successor Agency Tax Allocation Bonds
Annual Debt Service



E. 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).

COMPREHENSIVE ANNUAL DEBT REPORT

Since November 1985, the City has issued \$2.2 billion of bonds and notes for the City's multifamily housing program, which has financed the production of 10,582 affordable housing units. As of June 30, 2024, the total principal amount of bonds outstanding for the housing program was \$770.3 million.

In addition to serving as a conduit for financing multifamily housing revenue bonds/notes, there are other vehicles available to the City to assist with the financing of affordable housing units, including loans, grants and application of low-income housing tax-credits.

In March 2020, the voters approved Measure E – Real Property Transfer Tax. Per City Council Policy 1-18, Section 22, this tax is allocated for development of new affordable housing, homeless prevention and homeless supportive services and provides an additional source of funding. The information presented in this report represents affordable housing projects that were financed, in whole or in part, with bonds or notes 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 José Housing Department as of June 30, 2024.

COMPREHENSIVE ANNUAL DEBT REPORT

Multifamily Housing Revenue Bonds/Notes							
As of June 30, 2024							
Project Name	Series	Date Issued	Issue Amount (000s)	Balance (000s)	Maturity/ Redemption	Affordable Units	Annual Fees
Fairway Glen	1985A	11/18/85	\$ 10,100	-	04/15/07	29	n/a
Foxchase Drive	1985B	11/18/85	11,700	-	05/15/08	29	n/a
Somerset Park Apartments	1987A	11/20/87	8,000	-	08/01/05	26	n/a
Timberwood Apartments	1990A	2/1/90	13,425	-	09/01/05	166	n/a
Timberwood Apartments	1990B (Sub.)	2/1/90	1,500	-	08/01/05	-	n/a
Countrybrook Apartments	1992A	4/15/92	20,090	-	04/01/12	72	n/a
Countrybrook Apartments	1992B (Tax.)	4/15/92	1,000	-	04/01/97	-	n/a
Siena at Renaissance Square	1996A	8/22/96	50,000	-	12/01/29	271	n/a
Siena at Renaissance Square	1996B	8/22/96	10,000	-	04/01/98	-	n/a
Almaden Lake Village Apartments	1997A	3/27/97	25,000	-	03/01/32	50	33,750
Almaden Lake Village Apartments	1997B	3/27/97	2,000	-	03/29/00	-	n/a
Coleman Senior Apartments	1998	4/24/98	8,050	-	05/01/30	140	n/a
Italian Gardens Senior Apartments	1998	4/24/98	8,000	-	05/01/30	146	n/a
Carlton Plaza	1998A	4/24/98	12,000	-	10/15/32	28	n/a
Carlton Plaza	1998A (Tax.)	4/24/98	2,600	-	04/02/01	-	n/a
The Gardens Apartments	1999A	5/12/99	18,970	-	01/01/32	286	n/a
The Gardens Apartments	1999B (Tax.)	5/12/99	2,930	-	01/01/11	-	n/a
Helzer Court Apartments	1999A	6/2/99	16,948	\$12,758	12/01/41	153	26,123
Helzer Court Apartments	1999B	6/2/99	3,950	-	12/01/08	-	n/a
Helzer Court Apartments	1999B (Tax.)	6/2/99	2,271	-	12/01/04	-	n/a
Ohlone-Chynoweth Commons Apartments	1999	6/4/99	16,200	-	06/01/39	192	20,250
Kimberly Woods Apartments	1999A	12/20/99	16,050	-	12/01/29	42	n/a
Almaden Lake Village Apartments	2000A	3/29/00	2,000	2,000	03/01/32	-	n/a
Sixth and Martha Family Apartments Phase I	2000	7/21/00	9,900	-	03/01/33	102	n/a
Craig Gardens Apartments	2000A	12/5/00	7,100	-	12/18/20	89	n/a
El Parador Apartments	2000A	12/7/00	6,130	4,485	01/01/41	124	14,413
El Parador Apartments	2000B	12/7/00	900	-	01/01/16	-	n/a
El Parador Apartments	2000C	12/7/00	4,500	-	01/01/04	-	n/a
Monte Vista Gardens Senior Housing	2000A	12/8/00	3,740	-	02/17/21	68	n/a
Willow Glen Senior Apartments	2000A	12/8/00	9,700	-	02/01/03	132	n/a
Willow Glen Senior Apartments	2000B	12/8/00	1,320	-	02/01/03	-	n/a
San José Lutheran Seniors Apartments	2001A-1	7/11/01	3,850	2,031	02/15/34	62	6,250
San José Lutheran Seniors Apartments	2001A-2	7/11/01	1,150	-	02/15/04	-	n/a

COMPREHENSIVE ANNUAL DEBT REPORT

Project Name	Series	Date Issued	Issue Amount (000s)	Balance (000s)	Maturity/ Redemption	Affordable Units	Annual Fees
Sixth and Martha Family Apartments Phase II	2001C	8/1/01	9,000	-	04/01/34	87	n/a
The Villages Parkway Senior Apartments	2001D	8/1/01	6,800	-	04/01/34	78	n/a
Lenzen Housing	2001B	8/22/01	8,395	-	02/20/43	87	n/a
Lenzen Housing	2001B (Sub.)	8/22/01	1,100	-	10/01/03	-	n/a
Terramina Square Apts/North White Rd Proj	2001F	11/15/01	16,845	-	04/01/44	156	n/a
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	-	n/a
Almaden Senior Housing Apartments	2001G	12/5/01	6,050	-	07/15/34	65	0
Betty Anne Gardens Apartments	2002A	4/5/02	11,000	-	02/16/21	76	n/a
El Paseo Apartments	2002B	4/5/02	9,600	-	07/29/20	98	12,000
Sunset Square Apartments	2002E	6/26/02	10,904	-	06/01/34	94	n/a
Villa Monterey Apartments	2002F	6/27/02	11,000	-	11/16/20	119	n/a
Monte Vista Gardens Senior Hsg Apts, Phase II	2002C-1	7/24/02	3,465	-	01/29/20	48	n/a
Monte Vista Gardens Senior Hsg Apts, Phase II	2002C-2	12/13/02	200	-	02/01/05	-	n/a
Pollard Plaza Apartments	2002D	8/6/02	14,000	4,695	08/01/35	129	17,500
Evans Lane Apartments	2002H	10/8/02	31,000	-	04/15/36	236	n/a
Hacienda Villa Creek Senior Apartments	2002G-1	10/10/02	4,453	2,276	12/01/34	79	8,750
Hacienda Villa Creek Senior Apartments	2002G-2	10/10/02	2,547	-	05/12/06	-	n/a
Kennedy Apartment Homes	2002K	12/11/02	14,000	6,075	12/15/35	100	17,500
Fallen Leaves Apartments	2002J-1	12/18/02	13,360	7,300	06/01/36	159	23,500
Fallen Leaves Apartments	2002J-2 (Sub.)	12/18/02	3,340	1,990	05/01/36	-	n/a
Fallen Leaves Apartments	2002J-3 (Jr. Sub.)	12/18/02	2,100	-	07/31/07	-	n/a
Turnleaf Apartments	2003A	6/26/03	15,290	-	12/15/20	152	n/a
The Oaks of Almaden Apartments	2003B-1	7/29/03	4,365	2,482	02/15/36	125	10,438
The Oaks of Almaden Apartments	2003B-2	7/29/03	3,985	-	10/04/05	-	n/a
Cinnabar Commons	2003C	8/7/03	25,900	20,000	02/01/37	243	32,375
Almaden Family Apartments	2003D	11/14/03	31,300	-	11/15/37	223	39,125
Trestles Apartments	2004A	3/4/04	7,325	-	12/15/20	70	n/a
Trestles Apartments	2004A (Sub.)	3/4/04	1,300	-	12/15/20	-	n/a
Vintage Tower Apartments	2004B-1	6/28/04	4,150	-	10/21/20	59	n/a
Vintage Tower Apartments	2004B-2	6/28/04	1,350	-	11/01/06	-	n/a
Delmas Park	2004C-1	10/15/04	13,780	-	01/01/47	122	24,224
Delmas Park	2004C-2	10/15/04	5,599	-	06/01/07	-	n/a

COMPREHENSIVE ANNUAL DEBT REPORT

Project Name	Series	Date Issued	Issue Amount (000s)	Balance (000s)	Maturity/ Redemption	Affordable Units	Annual Fees
Raintree Apartments	2005A	2/1/05	21,100	-	02/01/38	174	n/a
Paseo Senter I	2005B-1	12/21/05	6,142	3,573	12/01/38	115	7,500
Paseo Senter I	2005B-2	12/21/05	23,805	-	06/01/09	-	n/a
Paseo Senter II	2005C-1	12/21/05	4,903	2,699	06/01/38	99	7,500
Paseo Senter II	2005C-2	12/21/05	19,776	-	12/01/08	-	n/a
Casa Feliz Studio Apartments	2007A	6/13/07	11,000	-	06/01/36	60	7,500
Almaden Family Apartments	2007B (Sub.)	12/17/07	6,385	-	05/01/36	-	n/a
Curtner Studios	2007C-1	12/19/07	5,520	3,853	12/01/39	-	7,500
Curtner Studios	2007C-2	12/19/07	3,275	-	12/15/20	178	n/a
Fairgrounds Senior Housing Apartments	2008B	5/8/08	26,000	7,875	02/15/36	199	32,500
Las Ventanas Apartments	2008B	7/15/08	25,900	25,900	07/01/38	237	38,750
Brookwood Terrace Family Apts	2009B-1	12/23/09	7,780	6,280	02/01/37	83	17,000
Brookwood Terrace Family Apts	2009B-2	12/23/09	5,445	-	11/15/37	-	n/a
Fourth Street Apts	2010A-1	6/4/10	5,620	4,348	05/01/43	99	7,500
Fourth Street Apts	2010A-2	6/4/10	17,380	-	05/01/13	-	n/a
Orvieto Family Apartments	2010B-1	7/20/10	7,760	6,780	08/01/29	91	17,750
Orvieto Family Apartments	2010B-2	7/20/10	6,440	-	08/01/29	-	n/a
Kings Crossing Apartments	2010C	9/17/10	24,125	1,804	09/01/45	92	7,500
Taylor Oaks Apartments	2011A-1	10/21/11	3,950	3,465	10/01/28	58	7,875
Taylor Oaks Apartments	2011A-2	10/21/11	2,350	-	04/01/24	-	n/a
1st and Rosemary Family Apartments	2012C	4/19/12	35,500	23,526	10/01/44	182	33,900
1st and Rosemary Senior Apartments	2012D	4/19/12	15,500	8,549	10/01/44	105	12,319
Mayfair Court Apartments	2012B-1	4/20/12	5,220	4,130	10/01/44	92	27,500
Mayfair Court Apartments	2012B-2	4/20/12	16,780	-	10/01/44	-	n/a
La Moraga Apartments	2012E	9/7/12	52,440	45,481	03/01/26	60	65,550
3rd Street Residential Apartments	2013A	6/27/13	6,630	3,503	07/01/33	36	8,288
Cambrian Center	2014A-1	10/17/14	19,035	11,517	05/01/47	151	32,048
Cambrian Center	2014A-2	10/17/14	19,035	11,517	05/01/47	-	n/a
Cambrian Center	2014A-3	10/17/14	1,695	-	11/01/18	-	n/a
Cambrian Center	2014A-4	10/17/14	1,695	-	11/01/18	-	n/a
Parkview Family Apartments	2014B	11/13/14	13,600	-	06/01/16	89	n/a
Parkview Senior Apartments	2014C	11/13/14	14,630	-	06/01/16	140	n/a
Poco Way Apartments	2015A-1	2/1/15	21,833	9,773	09/01/47	130	14,406
Poco Way Apartments	2015A-2	2/1/15	3,000	-	09/01/47	-	n/a
Canoas Terrace Apartments	2015B	10/30/15	22,700	19,830	05/01/48	112	28,375

COMPREHENSIVE ANNUAL DEBT REPORT

Project Name	Series	Date Issued	Issue Amount (000s)	Balance (000s)	Maturity/ Redemption	Affordable Units	Annual Fees
Town Park Towers Apartments	2015C	10/14/15	45,250	20,861	04/01/48	216	28,281
Casa del Pueblo Apartments	2015D	12/4/15	30,000	-	12/01/17	163	37,500
Don de Dios Apartments	2016A	12/22/16	17,376	6,163	06/01/34	70	8,353
Villa De Guadalupe	2017A1 & A2	5/23/17	37,700	28,331	03/01/52	100	41,995
Villa De Guadalupe Junior	2017B	5/23/17	4,616	4,616	03/01/52	-	n/a
Catalonia Apartments	2017C	10/17/17	16,264	5,870	04/01/39	50	7,905
El Rancho Verde	2018A	8/28/18	277,700	265,073	09/01/48	700	52,500
El Rancho Verde	2018B	8/28/18	40,300	-	09/01/20	-	n/a
Lenzen Square	2019A-1	8/22/19	18,500	16,250	08/01/59	87	28,750
Lenzen Square	2019A-2	8/22/19	3,000	3,000	08/01/59	-	n/a
Markham I	2019B-1	10/1/19	18,000	-	10/01/22	152	28,750
Markham I	2019B-2	10/1/19	5,000	-	10/01/22	-	n/a
Vista Park I	2019C	10/11/19	13,245	5,428	06/01/38	82	16,557
Palm Court Sr	2019D	10/11/19	12,247	4,276	06/01/38	65	15,309
Quetzal Gardens	2019E	12/20/19	32,208	6,063	07/01/37	70	40,259
Page Street	2020 B -1	10/1/20	6,000	5,875	05/05/53	81	33,437
Page Street	2020 B -2	10/1/20	20,750	-	11/02/23	-	n/a
Vela (Alum Rock)	2020	11/1/20	32,896	12,855	12/01/39	85	37,082
Arya	2021	3/1/21	34,314	4,297	03/01/46	86	42,893
Markham Plaza II C-1	2021	5/1/21	19,000	-	05/01/66	151	31,250
Markham Plaza II C-2	2021	5/1/21	6,000	6,000	05/01/66	-	n/a
Immanuel Sobrato	2021D	6/1/21	34,980	33,477	05/01/41	95	43,725
Blossom Hill	2021	6/1/21	39,363	36,557	08/01/45	145	49,203
Mariposa Place	2021E-1	1/28/22	31,341	15,167	01/01/40	79	39,176
Mariposa Place	2021E-2	1/28/22	4,659	-	01/01/40	-	n/a
Vitalia	2021F-1	1/28/22	25,173	-	01/01/41	77	44,591
Vitalia	2021F-2	1/28/22	10,500	10,500	01/01/41	-	n/a
1860 Alum Rock	2023A-1	5/23/23	28,918	3,119	07/01/56	60	36,147
1860 Alum Rock	2023A-2	5/23/23	2,346	50	07/01/27	-	n/a
777 West San Carlos Apartments	2023C-1	6/12/23	70,700	3,550	07/01/57	154	88,375
777 West San Carlos Apartments	2023C-2	6/12/23	1,300	-	07/01/28	-	n/a
The Charles	2023B-1	6/12/23	44,160	58	10/01/24	99	12,095
The Charles	2023B-2	6/12/23	8,332	-	10/01/27	-	n/a
Tamien Station Affordable	2023D	6/30/23	66,100	815	04/01/57	135	82,625
Parkmoor Community Apartments	2023 F1	11/09/23	39,221	-	06/01/45	81	7,500

COMPREHENSIVE ANNUAL DEBT REPORT

Project Name	Series	Date Issued	Issue Amount (000s)	Balance (000s)	Maturity/ Redemption	Affordable Units	Annual Fees
Dry Creek Crossing	2023 E1	11/14/23	31,195	555	06/01/57	64	7,500
Dry Creek Crossing	2023 E2	11/14/23	8,805	1,009	06/01/28	-	n/a
Grand Total			\$ 2,233,583	\$ 770,312		10,582	\$ 1,529,215

COMPREHENSIVE ANNUAL DEBT REPORT

F. SUMMARY OF OUTSTANDING DEBT

The following table summarizes all remaining principal balances of outstanding debt by series, excluding multifamily housing revenue bonds, pension, OPEB, and other liabilities of the City not listed.

Summary of Outstanding Debt As of 6/30/2024					
	Issue Amount (000s)	Issue Date	Call Date	Final Maturity	Balance (000s)
Long-Term Debt					
Governmental Activities					
City of San José					
General Obligation Bonds:					
Series 2019A-1 (DPPS&I) (T-E)	\$ 140,360	07/25/2019	03/01/2029	09/01/2049	\$ 140,360
Series 2019B (DPPS&I) (T)	66,500	07/25/2019	*** (1)	09/01/2027	66,500
Series 2019C (Libraries, Parks, Public Safety) (T-E)	158,185	07/25/2019	03/01/2029	09/01/2035	151,435
Series 2019D (Libraries, Parks, Public Safety) (T)	103,935	07/25/2019	*** (1)	09/01/2024	17,075
Series 2021A (DPPS&I) (T-E)	151,210	07/29/2021	03/01/2031	09/01/2051	147,445
	<u>\$ 620,190</u>				<u>\$ 522,815</u>
City of San José Financing Authority					
Lease Revenue Bonds:					
Series 2013B (Civic Center Garage Refunding) (T-E)	\$ 30,445	06/19/2013	06/01/2023	06/01/2039	\$ 21,815
Series 2020A (Civic Center Refunding) (T)	355,620	09/24/2020	06/01/2030	06/01/2039	287,325
Series 2020B (Ice Center Expansion) (T)	146,535	10/15/2020	06/01/2030	06/01/2051	140,820
Series 2021A (FTC and CSY) (T-E)	22,825	11/02/2021	10/01/2031	10/01/2034	19,940
Series 2022A (Convention Center Refunding) (T)	165,815	04/21/2022	05/01/2032	05/01/2052	163,115
	<u>\$ 721,240</u>				<u>\$ 633,015</u>
Government Activities Totals	<u>\$ 1,341,430</u>				<u>\$ 1,155,830</u>
Business-Type Activities					
Norman Y. Mineta San José International Airport					
Revenue Bonds:					
Series 2014A (AMT) ⁽⁴⁾	\$ 57,350	10/07/2014	03/01/2024	03/01/2026	\$ 9,315
Series 2014B (Non-AMT) ⁽⁴⁾	28,010	10/07/2014	03/01/2024	03/01/2028	28,010
Series 2014C (Non-AMT) ⁽⁴⁾	40,285	10/07/2014	03/01/2024	03/01/2031	40,285
Series 2017A (AMT)	473,595	04/11/2017	03/01/2027	03/01/2047	400,380
Series 2017B (Non-AMT)	150,675	04/11/2017	03/01/2027	03/01/2047	127,385
Series 2021A (AMT)	85,860	04/07/2021	03/01/2031	03/01/2034	81,480
Series 2021B (Non-AMT)	48,200	04/07/2021	03/01/2031	03/01/2034	47,125
Series 2021C (T)	294,020	04/07/2021	*** (2)	03/01/2041	286,665
	<u>\$ 1,177,995</u>				<u>\$ 1,020,645</u>

COMPREHENSIVE ANNUAL DEBT REPORT

Summary of Outstanding Debt					
As of 6/30/2024					
	Issue Amount	Issue Date	Call Date	Final Maturity	Balance
	(000s)				(000s)
Environmental Services					
Series 2022B (Wastewater Revenue) (T-E)	\$ 268,355	12/15/2022	11/01/2032	11/01/2052	\$ 264,405
Business-Type Activity Totals	\$ 1,446,350				\$ 1,285,050
Private Purpose Trust Activities					
Successor Agency					
Tax Allocation Bonds:					
Series 2017A Senior (T-E)	\$ 79,825	12/21/2017	08/01/2027	08/01/2035	\$ 79,825
Series 2017A-T Senior (T)	1,333,325	12/21/2017	08/01/2027	08/01/2034	878,310
Series 2017B Subordinate (T-E)	264,390	12/21/2017	08/01/2027	08/01/2029	128,580
	<u>\$ 1,677,540</u>				<u>\$ 1,086,715</u>
Private Purpose Trust Activities Totals	\$ 1,677,540				\$ 1,086,715
Long-Term Debt Totals	\$ 4,465,320				\$ 3,527,595
Short-Term Debt ⁽³⁾					
City of San José					
Clean Energy Revolving Credit Facility	\$ 250,000	Various	Anytime	2/17/2028	-
City of San José Financing Authority					
Lease Revenue Commercial Paper Notes	175,000	Various	N/A	3/24/2025	\$ 5,967
Subordinate Wastewater Revenue Note	200,000	Various	Anytime	10/16/2026	\$ 40,098
	<u>\$ 375,000</u>				<u>\$ 46,065</u>
San José Mineta International Airport					
Airport Revenue Commercial Paper Notes	75,000	Various	N/A	9/10/2026	27,728
Short-Term Debt Totals	\$ 700,000				\$ 73,793
Grand Totals	\$ 5,165,320				\$ 3,601,388

T = Taxable; T-E = Tax-Exempt; AMT = T-E Bonds, the interest on which is a specific preference item for purposes of the federal alternative minimum tax; Non-AMT = T-E Bonds, the interest on which is not a specific preference item for purposes of the federal alternative minimum tax.

⁽¹⁾ CSJ GO Series 2019B and Series 2019D are fixed-rate taxable bonds redeemable at anytime with make-whole call provisions as prescribed in the respective bond documents.

⁽²⁾ Airport Series 2021C are fixed rate taxable bonds with 2022 to 2031 maturity dates callable at anytime and 2032 to 2041 maturity dates callable on March 1, 2031.

⁽³⁾ The dollar amounts in the Issue Amount column for all Short Term Debt are authorized amounts and the dollar amounts in the Balance column are the outstanding amounts.

⁽⁴⁾ On July 30, 2024, most of the maturities of Airport Revenue Refunding Bonds, Series 2014A, 2014B and 2014C were refunded with 2024A Bonds. The remaining maturities were redeemed on September 1, 2024.



APPENDIX A. DEBT MANAGEMENT POLICY



APPENDIX A

City of San José, California

COUNCIL POLICY

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EFFECTIVE DATE May 21, 2002	REVISED DATE March 21, 2023	

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; 3/21/23, Item SFJA(1)(b), Res No. 158

DEBT MANAGEMENT POLICY

This Debt Management Policy (“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 Policy has been adopted by resolution.

DEBT MANAGEMENT OBJECTIVES AND GOALS

The purpose of this 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, accurate and timely 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.

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GENERAL PROVISIONS

I. SCOPE OF APPLICATION

A. Entities Covered.

The Policy establishes the parameters within which debt may be issued by the City of San José (“City”), the City of San José Financing Authority (“CSJFA”), the Successor Agency to the Redevelopment Agency of the City of San José (“Successor Agency”) and the City of San José Parking Authority (collectively, “Covered Entities”) if the entity has not been suspended by the City Council. Additionally, the Policy applies 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 the Policy 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.

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- 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 debt proceeds will be directed to the intended use. The Director of Finance is appointed by the City Manager and subject to their direction and supervision. In accordance with the City Charter, Article VIII, Section 806, the Director of Finance is charged with the 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. Furthermore, the Director of Finance serves as the Treasurer of the CSJFA and the San José-Santa Clara Clean Water Financing Authority.

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 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.

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B. Comprehensive Annual Debt Report.

The Finance Department will prepare a Comprehensive Annual Debt Report (“CADR”) for review to be heard by the assigned City Council Committee and referred to the City Council. The CADR may be considered directly by the City Council concurrently with the presentation of the Annual Comprehensive Financial Report. The content of the CADR 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 Policy.

C. Debt Administration Activities.

The Finance Department is responsible for debt administration activities, particularly investment of bond proceeds², 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 and managed by the Finance 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

¹ City of San José Investment Policy, Policy 1-12 scope includes the investment of bond proceeds. Refer to the Investment Policy for description of the scope.
<https://www.sanjoseca.gov/home/showpublisheddocument/83406/637834622847370000>

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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 of 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.

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- 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 pursuant to this Policy.
 - 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 pursuant to both this Policy and San José Municipal Code Section 4.34.200.
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

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consider the issuance of non-rated special assessment, community facilities, multifamily housing, and special facility bonds.³

III. STRUCTURAL FEATURES

A. Debt Repayment.

Debt will be structured for a period consistent with an equitable allocation of costs to current and future beneficiaries of the financed capital project. Consideration will be given, so 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 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 products⁴ may have application to certain borrowing programs. In certain circumstances, these products may reduce borrowing costs 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. The evaluation and recommendation will be presented to the appropriate Covered Entity prior to execution of any derivative product.

IV. PROFESSIONAL ASSISTANCE

The Covered Entities will utilize the services of independent 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

³ 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.

⁴ 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.

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minimize net debt costs. Such services, depending on the type of financing, may include municipal 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 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.

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“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 meeting 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 Covered Entities that a reasonable investor would consider to be material in making a decision to purchase or sell debt issued by the City, or a Covered Entity on behalf of the City. Communications from other City officials or employees regarding the financial condition of the City and Covered Entities will not be considered to be official communications to the investor marketplace.

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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 Investment Policy as modified from time to time, and with requirements contained in the governing documents.

The Finance Department will be responsible for the implementation of internal control procedures to ensure 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 Finance Department 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. Additional policies and procedures have been implemented by the City Manager and the Director of Finance to supplement the policies and procedures set forth in this Policy⁵.

B. Arbitrage Compliance.

The Finance Department 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

⁵ Disclosure Policies and Procedures in City’s Administrative Policy Manual - CPM 7 Disclosures Policies and Procedures (sanjoseca.gov)

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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 respective 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.

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D. Record Keeping Requirements.

The Finance Department 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, as required by regulatory agencies (e.g. Internal Revenue Service, Municipal Securities Rulemaking Board, U.S. Securities and Exchange Commission, California Debt and Investment Advisory Commission, and other government agencies) or as required by the City’s Records Retention Policy, whichever is longer:

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 José, California

APPENDIX B
COUNCIL POLICY

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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.

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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.

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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.

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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.

TITLE POLICY FOR THE ISSUANCE OF MULTIFAMILY HOUSING REVENUE BONDS	PAGE 5 of 9	POLICY NUMBER 1-16
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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.

TITLE	PAGE	POLICY NUMBER
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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.

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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

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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.

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2. Final City Council Approval

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

H. **City Fees**

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

IV. **REMARKETING**

A. **General**

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

B. **Financing Team**

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

C. **Legal/Documentation**

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

D. **Fees**

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

E. **Council Approval**

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



APPENDIX C. CITY OF SAN JOSÉ FINANCING AUTHORITY LEASE REVENUE COMMERCIAL PAPER PROGRAM

DATE	CITY COUNCIL/CITY OF SAN JOSÉ FINANCING AUTHORITY BOARD ACTIONS
January 13, 2004	Authorized the issuance of CSJFA 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 CSJFA 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 CSJFA taxable CP Notes, under the same \$98 million not to exceed limitation as the tax-exempt notes. This subsequent authorization permits the CSJFA to issue CSJFA taxable CP Notes to pay for expenses otherwise authorized under the CSJFA CP program, but ineligible to be paid from CSJFA tax-exempt CP proceeds.
November 15, 2005	Authorized expanding the capacity of the CSJFA CP program from \$98 million to \$116 million and authorizing the issuance of CSJFA 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 CSJFA 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 CSJFA CP Notes to refund bonds and other obligations of the City or the CSJFA 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 CSJFA CP Notes in order to extend the term to January 27, 2013.
April 27, 2010	Authorized the issuance of CSJFA 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 CSJFA CP Program in order to provide for the substitution of certain components of the property under the Site Lease and the Sublease.

COMPREHENSIVE ANNUAL DEBT REPORT

DATE	CITY COUNCIL/CITY OF SAN JOSÉ FINANCING AUTHORITY BOARD ACTIONS
June 19, 2012	Authorized the issuance of CSJFA 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 CSJFA CP Notes in order to extend the term to March 15, 2013.
February 12, 2013	Authorized staff to negotiate two new letters of credit and reimbursement agreements supporting the CSJFA 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 CSJFA 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 of the CSJFA CP program.
September 15, 2015	Authorized the issuance of CSJFA CP Notes in an amount not to exceed \$3.5 million to provide additional financing for the Water Meter Replacement Project.
June 21, 2016	Authorized the issuance of CSJFA CP Notes in an amount not to exceed \$10.0 million to provide additional financing for the Conservation Projects.
January 31, 2017	Authorized the issuance of CSJFA CP Notes in an amount not to exceed \$15.0 million to provide financing for the Convention Center Exhibit Hall Project.
August 29, 2017	Authorized the issuance of CSJFA 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	Authorized the issuance of CSJFA CP Notes in an amount not to exceed \$21.0 million to provide funding for the flood recovery and construction for parks and community facilities.

COMPREHENSIVE ANNUAL DEBT REPORT

DATE	CITY COUNCIL/CITY OF SAN JOSÉ FINANCING AUTHORITY BOARD ACTIONS
August 14, 2018	Authorized the issuance of CSJFA CP Notes in an amount not to exceed \$47.0 million to provide funding for the purchase of the Convention Center - South Hall site and authorized the negotiation, execution, and delivery of amendments to two letter of credit and reimbursement agreements and other related actions in connection with the CSJFA's Lease Revenue CP Notes to increase the not-to-exceed aggregate principal amount thereof from \$85 million to \$125 million and to extend the stated expiration dates and commitments available under such letter of credit and reimbursement agreements.
January 12, 2021	Authorized the issuance of CSJFA CP Notes in an amount not to exceed \$23.4 million to provide bridge funding for the Fire Department Training Center and Emergency Operations Relocation project.
June 22, 2021	Authorized the issuance of CSJFA CP Notes in an amount not to exceed \$95.0 million to provide funding for energy costs for the SJCE department and deauthorized \$7.8 million for the Parks Floods Recovery projects to dedicate that amount to the San José Clean Energy CP authorization amount.
August 31, 2021	Authorized the negotiation, execution, and delivery of amendments to a letter of credit and reimbursement agreement and authorizing other related actions in connection with the CSJFA Lease Revenue CP Notes to increase the not-to exceed aggregate principal amount thereof from \$125 to \$175 million and to extend the stated expiration date and commitment available under such letter of credit and reimbursement agreement to March 2025.
October 5, 2021	Deauthorized the issuance of CSJFA CP Notes for \$23.4 million for the Fire Training Center and Emergency Operations Relocation project upon the issuance of CSJFA Lease Revenue Bonds, Series 2021A (Fire Department Training Center and Central Service Yard projects).

COMPREHENSIVE ANNUAL DEBT REPORT

DATE	CITY COUNCIL/CITY OF SAN JOSÉ FINANCING AUTHORITY BOARD ACTIONS
June 20, 2023	Authorized the issuance of lease revenue commercial paper notes in the amount not to exceed \$40,000,000 to (i) finance, on an interim basis, the construction of the Administration and Operations Building, and the acquisition, construction and installation of related capital improvements, for the City of San José Environmental Services Department Water Resources Division, (ii) reduce the amount of CSJFA lease revenue commercial paper notes authorized to be issued to finance the purchase of power and other operating costs of San José Clean Energy to an amount not to exceed \$75,000,000 and further amending CSJFA Resolution No. SJFA 152 in connection therewith, and authorizing other related actions.

APPENDIX D: AIRPORT COMMERCIAL PAPER PROGRAM

DATE	CITY COUNCIL ACTIONS
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), BANA, 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/BANA/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 was secured by a LOC issued by Lloyds TSB Bank plc, acting through its New York Branch (Lloyds), pursuant to a letter of credit and reimbursement 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).

COMPREHENSIVE ANNUAL DEBT REPORT

DATE	CITY COUNCIL ACTIONS
November 9, 2010	Council authorized an amendment to the JPM/BANA/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 reimbursement 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, BANA, Citibank, and WFB. The terms of the agreements ranged from one year to three years and the replacement letters of credit provided 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 Notes authorization amount 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 BANA, Citibank, JPMorgan, and Lloyds have been terminated or expired. The LOC issued by Wells Fargo Bank, N.A. by Council, was replaced with one issued by Barclays 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 LOC established by 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 BANA in an aggregate principal amount of \$75 million and with expiration date of September 10, 2021.

COMPREHENSIVE ANNUAL DEBT REPORT

DATE	CITY COUNCIL ACTIONS
August 31, 2021	Council held a new TEFRA hearing for the Airport, approving the issuance of the Series B Notes. The TEFRA hearing will allow the issuance of tax-exempt Series B Notes, in an aggregate principal amount together with certain other commercial paper notes not to exceed \$600 million to be issued from time to time, to finance and refinance the facilities at the Airport. The maximum issuance is limited to \$75 million, the maximum principal amount supported by the LOC from BANA.
April 16, 2024	Council held a new TEFRA hearing for the Airport, approving the proposed issuance of one or more series of tax-exempt Series B Notes, in an aggregate principal amount together with certain other commercial paper notes not to exceed \$600 million to be issued from time to time, to finance and refinance the facilities at the Airport. The maximum issuance is limited to \$75 million, the maximum principal amount supported by the LOC from BANA.



APPENDIX E: CURRENT RATINGS SUMMARY

The table below shows the long-term and short-term ratings scales from Moody’s Investors Service, Inc. (Moody’s), S&P Global Ratings (S&P), Fitch Ratings (Fitch), and Kroll Bond Rating Agency (KBRA). 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				S&P		Fitch		KBRA		
Long-term	Short-term			Long-term	Short-term	Long-term	Short-term	Long-term	Short-term	
Aaa	MIG1	VMIG1	P-1	AAA	A-1+	AAA	F1+	AAA	K1+	
Aa1				AA+		AA+		AA+		
Aa2				AA		AA		AA		
Aa3				AA-	AA-	AA-				
A1	MIG2	VMIG2	P-2	A+	A-1	A+	F1	A+	K1+ or K1	
A2				A		A		A	K1	
A3	MIG2	VMIG2	P-2	A-	A-2	A-	F2	A-	K1 or K2	
Baa1	MIG3	VMIG3		BBB+		BBB+		BBB+	K2	
Baa2		P-3	SG	BBB	A-3	BBB	F3	BBB	K2 or K3	
Baa3				BBB-		BBB-		BBB-	K3	
Ba1	SG	SG	Not prime	BB+	B	BB+	B	BB+	B	
Ba2				BB		BB		BB		
Ba3				BB-		BB-		BB-		
B1				B+		B+		B+		
B2				B		B		B		
B3				B-		B-		B-		
Caa1				C		C		C		CCC+
Caa2	CCC	CCC	CCC							
Caa3	CCC-	CCC-	CCC-							
Ca	CC	CC	CC							
C	C	C	C							
/	D	D	D	D	/	DDD	/	D	D	
/				DD		D				
/						D				

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

COMPREHENSIVE ANNUAL DEBT REPORT

Current Ratings Summary ⁽⁵⁾

As of October 2024

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>	<u>KBRA</u>
City of San José				
General Obligation Bonds				
Series 2019A-1 (Disaster Preparedness, Public Safety and Infrastructure)	Aa1	AA+	AAA	--
Series 2019B (Disaster Preparedness, Public Safety and Infrastructure)	Aa1	AA+	AAA	--
Series 2019C (Libraries, Parks and Public Safety)	Aa1	AA+	AAA	--
Series 2019D (Libraries, Parks and Public Safety)	Aa1	AA+	AAA	--
Series 2021A (Disaster Preparedness, Public Safety and Infrastructure)	Aa1	AA+	AAA	--
San José Clean Energy - No Bonds Outstanding ⁽⁶⁾	A2	A	--	--
City of San José Financing Authority				
Lease Revenue Bonds				
Series 2013B (Civic Center Garage)	Aa2	AA	AA	--
Series 2020A (Civic Center Refunding)	Aa2	AA	AA	--
Series 2020B (Ice Center Project)	Aa3	AA	AA-	--
Series 2021A (Fire Department Training Center and Central Service Yard Projects)	Aa2	AA	AA	--
Series 2022A (Convention Center Refunding Project)	Aa3	AA	AA	--
Wastewater Revenue Bonds				
Series 2022B (Green Bonds - Climate Bond Certified)	--	AAA	AAA	AAA
Commercial Paper Notes				
Lease Revenue Commercial Paper Notes				
LOC: U.S. Bank (expires 3/24/25)	P-1	A-1	F1	--
Wastewater Revenue Notes				
Regional Wastewater Facility ⁽³⁾	--	--	--	--
Revolving Credit Facility ⁽⁴⁾				
Clean Energy	--	--	--	--
San José Mineta International Airport				
Airport Revenue Bonds				
Series 2014A (AMT)	A2	A	A	--
Series 2014B (Non-AMT)	A2	A	A	--
Series 2014C (Non-AMT)	A2	A	A	--
Series 2017A (AMT) ⁽¹⁾	A2	A	A	--
Series 2017B (Non-AMT)	A2	A	A	--
Series 2021A (AMT) ⁽¹⁾	A2	A	A	--
Series 2021B (Non-AMT) ⁽¹⁾	A2	A	A	--
Series 2021C (Taxable) ⁽¹⁾	A2	A	A	--

Current Ratings Summary ⁽⁵⁾

As of October 2024

	<u>Moody's</u>	<u>S&P</u>	<u>Fitch</u>	<u>KBRA</u>
<i>Subordinated Commercial Paper Notes</i>				
CP Series A-1 (Non-AMT)				
LOC: Bank of America N.A. (expires 9/10/2024) ⁽²⁾	P-1	A-1	F1+	–
CP Series A-2 (Private Activity Non-AMT)				
LOC: Bank of America N.A. (expires 9/10/2024) ⁽²⁾	P-1	A-1	F1+	–
CP Series B (AMT)				
LOC: Bank of America N.A. (expires 9/10/2024) ⁽²⁾	P-1	A-1	F1+	–
CP Series C (Taxable)				
LOC: Bank of America N.A. (expires 9/10/2024) ⁽²⁾	P-1	A-1	F1+	–
<u>Clean Water Financing Authority - No Bonds Outstanding</u>				
<u>Successor Agency to the Redevelopment Agency</u>				
<i>SARA Tax Allocation Bonds</i>				
Series 2017A Senior	–	AA	AA+	–
Series 2017(A-T) (Senior Taxable)	–	AA	AA+	–
Series 2017B Subordinate	–	AA-	AA	–

(1) Insured by Build America Mutual ("BAM") - NR/AA/NR

(2) Bank of America is the LOC provider set to expire September 10, 2024.

(3) There is no obligor rating associated with the RWF. The directly placed bank facility with Wells Fargo Bank, N.A. is not rated.

(4) There is no obligor rating associated with the Revolving Credit Facility. The directly placed bank facility with JP Morgan Chase is not rated.

(5) The ratings in this table are provided without effect to any credit enhancement and would be separately footnoted.

(6) Initial ratings for San José Clean Energy

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



APPENDIX F: 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 obligations (including certificates of participation), bonds issued to refund pension and other post-employment benefits, and special assessment bonds. A statement of the overlapping debt of the City, prepared by California Municipal Statistics, Inc., as of June 30, 2024, is shown in this appendix. The City makes no representations as to the completeness or accuracy of such statement.



COMPREHENSIVE ANNUAL DEBT REPORT

CITY OF SAN JOSÉ
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT
June 30, 2024
(000's)

City Net Taxable Assessed Valuation		\$	246,508,885
	<u>% Applicable</u>		<u>Outstanding Debt as of 06/30/24</u>
City Direct Debt	100.00%	\$	<u>1,297,186</u>
			<u>Estimated Share of Overlapping Debt</u>
		\$	<u>1,297,186</u>
Direct Tax and Assessment Debt:			
City of San José Community Facilities Districts	0.00%	\$	-
City of San José Special Assessment Bonds	0.00%		-
			-
Overlapping Tax and Assessment Debt:			
Alum Rock Union School District	77.03%		135,795
Berryessa Union School District	92.60%		166,024
Cambrian School District	64.90%		89,620
Campbell Union High School District	59.79%		336,185
Campbell Union School District	47.54%		250,309
Cupertino Union School District	15.70%		235,883
East Side Union High School District	95.66%		932,616
Evergreen School District	99.42%		129,626
Foothill-DeAnza Community College District	3.81%		640,179
Franklin-McKinley School District	99.34%		170,254
Fremont Union High School District	8.49%		737,130
Gavilan Joint Community College District	4.71%		244,740
Los Gatos Union School District	1.63%		57,080
Los Gatos-Saratoga Joint Union High School District	0.81%		78,180
Luther Burbank School District	18.73%		16,810
Midpeninsula Regional Open Space District	0.01%		80,700
Moreland School District	74.97%		100,974
Morgan Hill Unified School District	11.12%		162,395
Mount Pleasant School District	88.46%		47,680
Oak Grove School District	99.93%		273,292
Orchard School District	100.00%		36,652
San Jose Unified School District	98.53%		445,699
San Jose-Evergreen Community College District	85.29%		982,135
Santa Clara County	37.14%		956,770
Santa Clara Unified School District	20.64%		1,003,615
Santa Clara Valley Water District Benefit Assessment District	37.14%		29,235
Union School District	72.84%		140,424
West Valley Community College District	31.35%		663,040
Subtotal Overlapping Tax and Assessment Debt			<u>9,143,043</u>
Total Direct and Overlapping Tax and Assessment Debt			<u>9,143,043</u>
Overlapping Other Debt:			
Berryessa Union School District Certificates of Participation	92.60%		1,981
Campbell Union High School District General Fund Obligations	59.79%		13,500
Campbell Union School District General Fund Obligations	47.55%		1,230
Cupertino Union School District General Fund Obligations	15.70%		40,233
East Side Union High School District Post Employment Obligations	95.66%		23,670
Franklin-McKinley School District General Fund Obligations	99.34%		10,760
Midpeninsula Regional Open Space Park District General Fund Obligations	0.01%		79,796
Morgan Hill Unified School District Certificates of Participation	11.12%		13,505
San Jose Unified School District Certificates of Participation	98.53%		3,320
San Jose-Evergreen Community College District Benefit Obligations	85.29%		46,975
Santa Clara County Board of Education Certificates of Participation	37.14%		12,073
Santa Clara County General Fund Obligations	37.14%		1,057,709
Santa Clara County Pension Obligation Bonds	37.14%		323,734
Santa Clara Unified School District Certificates of Participation	20.64%		11,202
West Valley-Mission Community College District General Fund Obligations	31.35%		2,520
Total Gross Direct and Overlapping General Fund Debt			<u>1,642,208</u>
Total Overlapping Debt		\$	<u>10,785,251</u>
Total Direct and Overlapping Debt			<u>\$ 5,188,580</u>

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 leases.

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



APPENDIX G: SPECIAL TAX ANNUAL REPORT

This information is provided in the CADR 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.

Total Funds Collected and Expended on General Obligation Bonds Calendar Year 2024					
Bond Series	Special Tax or Bond Measure	Total Debt Service Due ⁽¹⁾	Net Debt Service Paid ⁽²⁾	Net Collected	Remaining Balance ⁽³⁾
2019A-1	Disaster Preparedness, Public Safety and Infrastructure (Measure T)	\$ 7,018,000.00	\$ 5,804,003.16	\$ 6,695,719.18	\$ 891,716.02
2019B	Disaster Preparedness, Public Safety and Infrastructure (Measure T)	5,133,640.00	4,246,501.43	4,897,892.82	651,391.39
2019C	Refunding, Libraries, Parks & Public Safety (Measure O & P)	10,051,750.00	8,313,605.54	9,590,153.22	1,276,547.68
2019D	Refunding, Libraries, Parks & Public Safety (Measure O & P)	17,467,725.00	14,450,508.13	16,665,571.57	2,215,063.44
2021A	Disaster Preparedness, Public Safety and Infrastructure (Measure T)	9,897,250.00	8,186,628.67	9,442,748.17	1,256,119.50
Total		\$ 49,568,365.00	\$ 41,001,246.93	\$ 47,292,084.96	\$ 6,290,838.03

¹ Debt Service Payments for March 2024 and September 2024.
² \$8,567,118.07 cash on hand applied as credits on a pro-rata basis.
³ Remaining Balance of \$6,290,838.03 will be applied as credit for calendar year 2025 Debt Service payments.

COMPREHENSIVE ANNUAL DEBT REPORT

Status of Projects FY 2023-24

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	89 Completed, 1 Design
03/05/2002	San José 911, Fire, Police and Paramedic Neighborhood Security Act (Measure O – GO Bonds)	See Note 2	See Note 2	Projects Completed
11/06/2018	Public Safety and Infrastructure Bonds (Measure T- GO Bonds)	See Note 2	See Note 2	4 Completed, 15 Design/ Construction
03/27/2001	Community Facilities District No. 6 (Great Oaks-Route 85)	\$9,301	\$514	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)	\$1,311,927	\$1,232,793	On-going Maintenance
12/17/2002	Community Facilities District No. 9 (Bailey/Highway 101)	\$31,235	\$0	Project Completed
04/01/2003	Community Facilities District No. 10 (Hassler-Silver Creek)	\$10,018	\$279	Project Completed
06/07/2005	Community Facilities District No. 11 (Adeline-Mary Helen)	\$56,825	\$18,861	On-going Maintenance
11/08/2005	Community Facilities District No. 12 (Basking Ridge)	\$260,308	\$282,002	On-going Maintenance
06/16/2009	Convention Center Financing District (See Note 3)	\$13,727,126	\$12,743,494	On-going
09/20/2011	Community Facilities District No. 14 (Raleigh-Charlotte)	\$709,878	\$593,764	On-going Maintenance
10/02/2012	Community Facilities District No. 13 (Guadalupe Mines)	\$86,875	\$56,947	On-going Maintenance
06/03/2014	Library Parcel Tax (Measure B)	\$10,721,232	See Note 1	On-going
06/17/2014	Community Facilities District No. 15 (Berryessa-Sierra)	\$159,925	\$160,704	On-going Maintenance
06/06/2017	Community Facilities District No. 16 (Raleigh-Coronado)	\$502,553	\$291,260	On-going Maintenance
08/14/2018	Community Facilities District No. 17 (Raleigh-Coronado)	\$118,500	\$117,172	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, San José 911, Fire, Police and Paramedic Neighborhood Security Act projects completed in FY2023; 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). On July 29, 2021, the City issued \$200.5 million to finance new projects under Measure T. 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.

³ The Special Tax Bonds, Series 2011 and CSJFA Lease Revenue Bonds, Series 2011A were refunded in full by CSJFA Lease Revenue Bonds, Series 2022A in April 2022. Under the Pledge Agreement dated as of April 1, 2022, between the City, for and on behalf of the Convention Center Facilities District (CCFD), and the Authority, the City pledged a lien and security interest on the Special Taxes (4% hotel special tax levied by the CCFD for the benefit of the Authority as security for the City's obligations to make Lease Payments to the Authority.

APPENDIX H. ANNUAL DEBT TRANSPARENCY REPORT (SB1029)

In January 2024, 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. Debt issues reported and submitted to the California Debt and Investment Advisory Commission (CDIAC), that occurred from January 21, 2017 through June 30, 2023 are shown in the table below:



COMPREHENSIVE ANNUAL DEBT REPORT

	ISSUER	PROJECT / ISSUE	DEBT TYPE	PRINCIPAL	ISSUE DATE	UPDATE	NEW
1	San José - Airport	Series 2017A	Public enterprise revenue bond	\$473,595,000	4/11/2017	X	
2	San José - Airport	Series 2017B	Public enterprise revenue bond	150,675,000	4/11/2017	X	
3	San José - MHRB	Villa De Guadalupe Apts Series A-1 & A- 2	Conduit revenue note/bond	37,700,000	5/23/2017	X	
4	San José - MHRB	Villa De Guadalupe Apts Series B	Conduit revenue note/bond	4,615,712	5/23/2017	X	
5	San José - MHRB	Catalonia Apartments Series C	Conduit revenue note/bond	16,264,154	10/17/2017	X	
6	CSJFA	RWF CIP, Subordinate Wastewater Revenue Note, Series A	Public enterprise revenue notes	300,000,000	10/19/2017	X	
7	Successor Agency	Series 2017A	Tax allocation bond	79,825,000	12/21/2017	X	
8	Successor Agency	Series 2017B	Tax allocation bond	264,390,000	12/21/2017	X	
9	Successor Agency	Series 2017A-T	Tax allocation bond	1,333,325,000	12/21/2017	X	
10	San José - MHRB	El Rancho Verde Apts Series 2018 A & B	Conduit revenue note/bond	318,000,000	8/28/2018	X	
11	San José - GO Bonds	Series 2019A-1 Disaster Preparedness, Public Safety, & Infrastructure	General obligation bond	140,360,000	7/25/2019	X	
12	San José - GO Bonds	Series 2019B Disaster Preparedness, Public Safety, & Infrastructure	General obligation bond	66,500,000	7/25/2019	X	
13	San José - GO Bonds	Libraries, Parks, & Public Safety Series C	General obligation bond	158,185,000	7/25/2019	X	
14	San José - GO Bonds	Libraries, Parks, & Public Safety Series D	General obligation bond	103,935,000	7/25/2019	X	
15	San José - MHRB	Lenzen Square Series A-1 & A-2	Conduit revenue note/bond	21,500,000	8/22/2019	X	
16	San José - MHRB	Vista Park I Apts Series C	Conduit revenue note/bond	13,245,397	10/11/2019	X	
17	San José - MHRB	Palm Court Apts Series D	Conduit revenue note/bond	12,247,056	10/11/2019	X	
18	San José - MHRB	Quetzal Gardens Apartments Series E	Conduit revenue note/bond	32,207,500	12/18/2019	X	
19	CSJFA	Series 2020A Civic Center Refunding Bonds	Lease revenue bonds	355,620,000	9/24/2020	X	
20	CSJFA	Series 2020B Ice Centre Expansion	Lease revenue bonds	146,535,000	10/15/2020	X	
21	San José - MHRB	Alum Rock Family Housing Series A	Conduit revenue note/bond	32,895,768	11/18/2020	X	
22	San José - MHRB	Page Street Studios Series B-1	Conduit revenue note/bond	6,000,000	11/23/2020	X	
23	San José - MHRB	Page Street Studios Series B-2	Conduit revenue note/bond	20,750,000	11/23/2020	X	
24	San José - MHRB	Arya Series A	Conduit revenue note/bond	34,314,000	3/15/2021	X	
25	San José - Airport	Series 2021A	Public enterprise revenue bond	85,860,000	4/7/2021	X	
26	San José - Airport	Series 2021B	Public enterprise revenue bond	48,200,000	4/7/2021	X	
27	San José - Airport	Series 2021C	Public enterprise revenue bond	294,020,000	4/7/2021	X	
28	San José - MHRB	Markham Plaza II Series C-2	Conduit revenue note/bond	6,000,000	5/24/2021	X	
29	San José - MHRB	Blossom Hill Sr Apts Series B	Conduit revenue note/bond	39,362,559	6/17/2021	X	
30	San José - MHRB	Immanuel-Sobrato Community Series D	Conduit revenue note/bond	34,980,000	6/30/2021	X	
31	San José - GO Bonds	Series 2021A Disaster Preparedness, Public Safety, Infrastructure	General obligation bond	151,210,000	7/29/2021	X	
32	San José - GO Bonds	Series 2021B Disaster Preparedness, Public Safety, Infrastructure	General obligation bond	8,450,000	7/29/2021	X	
33	San José - GO Bonds	Series 2021C Disaster Preparedness, Public Safety, Infrastructure	General obligation bond	40,870,000	7/29/2021	X	
34	CSJFA	Series 2021A Fire Training Center and Central Service Yard Projects	Lease revenue bonds	22,825,000	11/2/2021	X	
35	San José - MHRB	Vitalia 2021 Series F	Conduit revenue note/bond	35,672,716	1/28/2022	X	
36	San José - MHRB	Mariposa 2021 Series E-1	Conduit revenue note/bond	31,341,010	1/28/2022	X	
37	San José - MHRB	Mariposa 2021 Series E-2	Conduit revenue note/bond	4,658,990	1/28/2022	X	
38	CSJFA	Series 2022A Convention Center Refunding Project	Lease revenue bonds	165,815,000	4/21/2022	X	
39	CSJFA	Series 2022B Green Bonds - Climate Bond Certified	Wastewater revenue bonds	268,355,000	12/15/2022	X	
40	San José	2022 Tax and Revenue Anticipation Notes	Temporary Borrowing	275,000,000	7/1/2022		X
41	San José - MHRB	1860 Alum Rock Series 2023 A-1	Conduit revenue note/bond	28,917,579	5/23/2023		X
42	San José - MHRB	1860 Alum Rock Series 2023 A-2	Conduit revenue note/bond	2,345,543	5/23/2023		X
43	San José - Airport	Airport Commercial Paper Notes Series A-1	Commercial Paper	10,000,000	6/1/2023		X
44	San José - MHRB	The Charles, Series B-1 (Tax-Exempt)	Conduit revenue note/bond	44,159,700	6/12/2023		X
45	San José - MHRB	The Charles, Series B-2 (Taxable)	Conduit revenue note/bond	8,331,928	6/12/2023		X
46	San José - MHRB	777 West San Carlos Apartments 2023 C-1	Conduit revenue note/bond	70,700,000	6/12/2023		X
47	San José - MHRB	777 West San Carlos Apartments 2023 C-2	Conduit revenue note/bond	1,300,000	6/12/2023		X
48	San José - MHRB	Tamien Station Affordable Series 2023D	Conduit revenue note/bond	66,100,000	6/30/2023		X



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 advance refund bonds. Advanced refundings using taxable proceeds are still permitted and as of the date of this report, Congress is considering legislation which would, if signed into law, potentially allow tax exempt proceeds to be used for advance refundings.

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 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 of California constitution limits the growth in assessed value 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: An 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, who provides 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/or 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 bond's 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 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 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.

Certificates of Participation (COPs): An instrument evidencing a pro rata share in a specific pledged revenue stream, usually lease payments by the issuer that are typically subject to annual appropriation. The certificate generally entitles the holder to receive a share, or participation, in the payments from a particular project. The payments are passed through the lessor to the certificate holders. The lessor typically assigns the lease and the payments to a trustee, which then distributes the payments to the certificate holders. While the City currently does not issue COPs, as reflected in the overlapping debt report in this report, many overlapping agencies do issue such COPs.

CSJFA: City of San José Financing Authority, a joint powers 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 LOC with a bank, with maturities between 1 day through 270 days.

Competitive Sale: One of three ways bonds may be sold to investors in the primary issuance market (competitive, negotiated and direct placement. The competitive sale is 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 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/Trust Agreement: An agreement executed by an issuer and a fiscal agent/trustee who 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 or lease backed Certificates of Participation 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, lines of credit and standby purchase agreements (SBPAs) 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 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. The LIBOR ceased on June 30, 2023.

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 are insufficient.

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. While the MSRB is the principal regulator of the municipal securities market, the MSRB does not carry out the enforcement of its rules or conduct compliance examinations.

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. One of three methods of sale, including Competitive Sales and Private Placements.

Non-AMT Bond: Interest on such bonds is 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. The issuer of bonds typically issues a Preliminary Official Statement to market the bonds and a Final Official Statement prior to the delivery of the bonds to investors. The City's Final Official Statements are available on EMMA.

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 creditworthiness of a bond denoted by a combination of letters and/or numbers/symbols.

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 four nationally recognized bond rating agencies, Moody's Investor Services, Inc, S&P Global Ratings, Fitch Ratings, and Kroll Bond Rating Agency.

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 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.

Successor Agency: 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.

Sinking Fund: 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.

SOFR: Secured Overnight Financing Rate a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. SOFR 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.

Standby Bond Purchase Agreement (SBPA): 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.

Surety: 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.

Tax Allocation Bonds: 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.

Tax and Revenue Anticipation Note (TRAN): Note issued in anticipation of receiving future tax receipts and revenues at a future date, but which must be repaid from current year revenues. Such notes are not subject to State voter approval requirements.

Tax-Exempt Bonds: 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. Certain bonds may be exempt from State taxes, while remaining subject to Federal taxes.

Tax Equity and Fiscal Responsibility Act (TEFRA): 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/trust agreement in Glossary.

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 a 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 or notes 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.





