

SECOND QUARTER FINANCIAL REPORT FISCAL YEAR 2025-2026

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

**Prepared by the Finance Department
February 19, 2026**

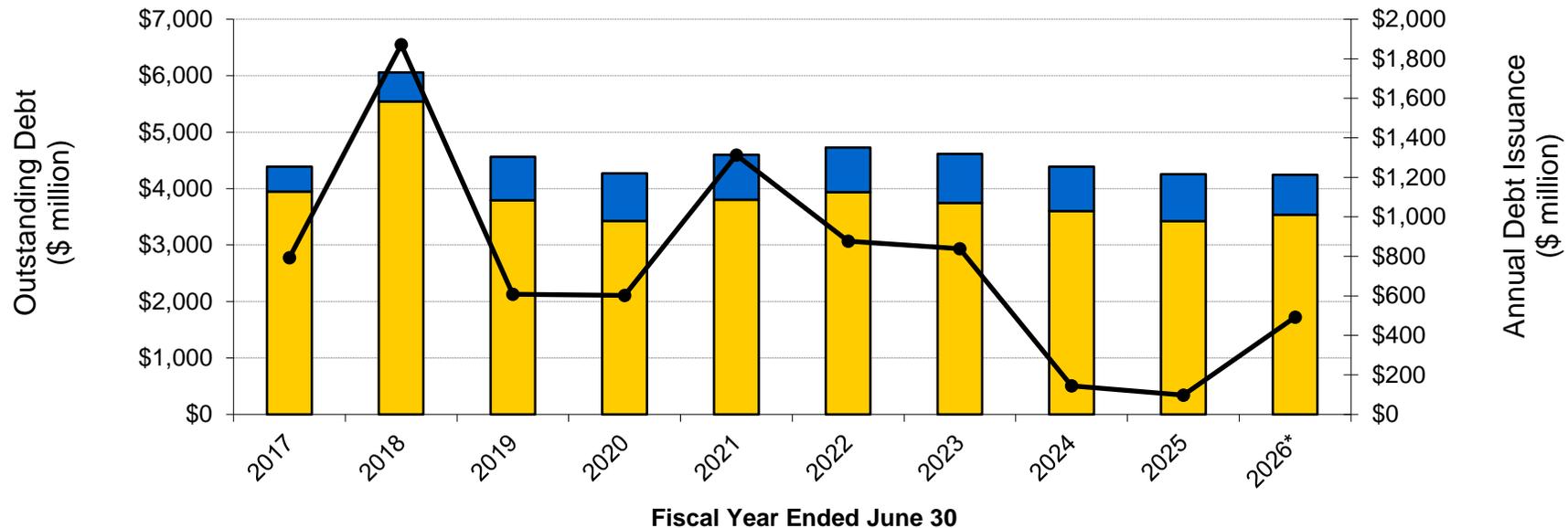


SECOND QUARTER DEBT MANAGEMENT REPORT FISCAL YEAR 2025-2026



OUTSTANDING DEBT: \$4.25 BILLION (CITY AND ALL AGENCIES)

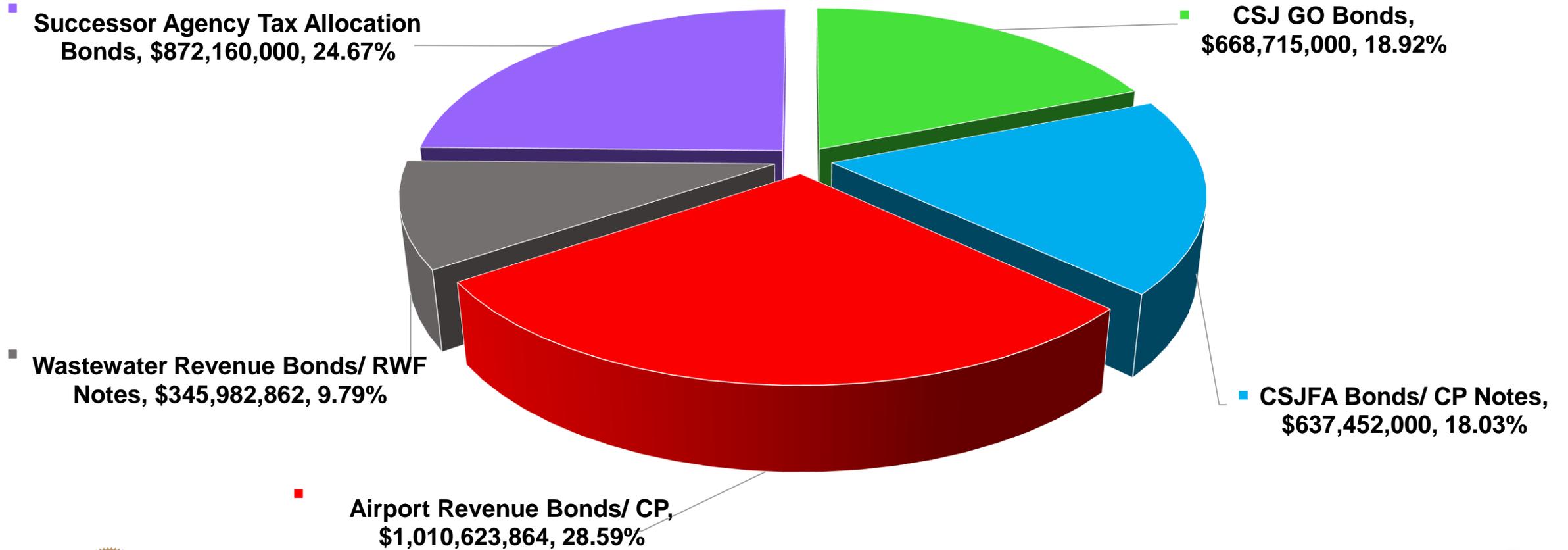
FY 2025-26 YTD Issuance: \$491.85 million



City and Related Entity Debt Outstanding
 Conduit Debt Outstanding
 Annual Debt Issuance



DIRECT OUTSTANDING DEBT: \$3.53 BILLION (EXCLUDING MULTIFAMILY HOUSING REVENUE BONDS)



DEBT REFUNDING AND RATING UPDATE

- Debt Refunding

- On November 14, 2025, CSJFA used Series 2025A proceeds and Series 2013B reserve funds to refund all outstanding principal (\$20,740,000) on Series 2013B.
- On November 14, 2025, CSJFA used Series 2025A proceeds to pay down all outstanding principal (\$20,700,000) of tax-exempt Muni Water Building Project Commercial Paper Notes

- Rating Agency Update

- In November, KBRA affirmed the City's Wastewater Revenue Bonds, Series 2022B ratings of AAA with stable outlook.



SECOND QUARTER INVESTMENT MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026



INVESTMENT POLICY

(COUNCIL POLICY 1-12)

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



INVESTMENT OBJECTIVES & REPORTING

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



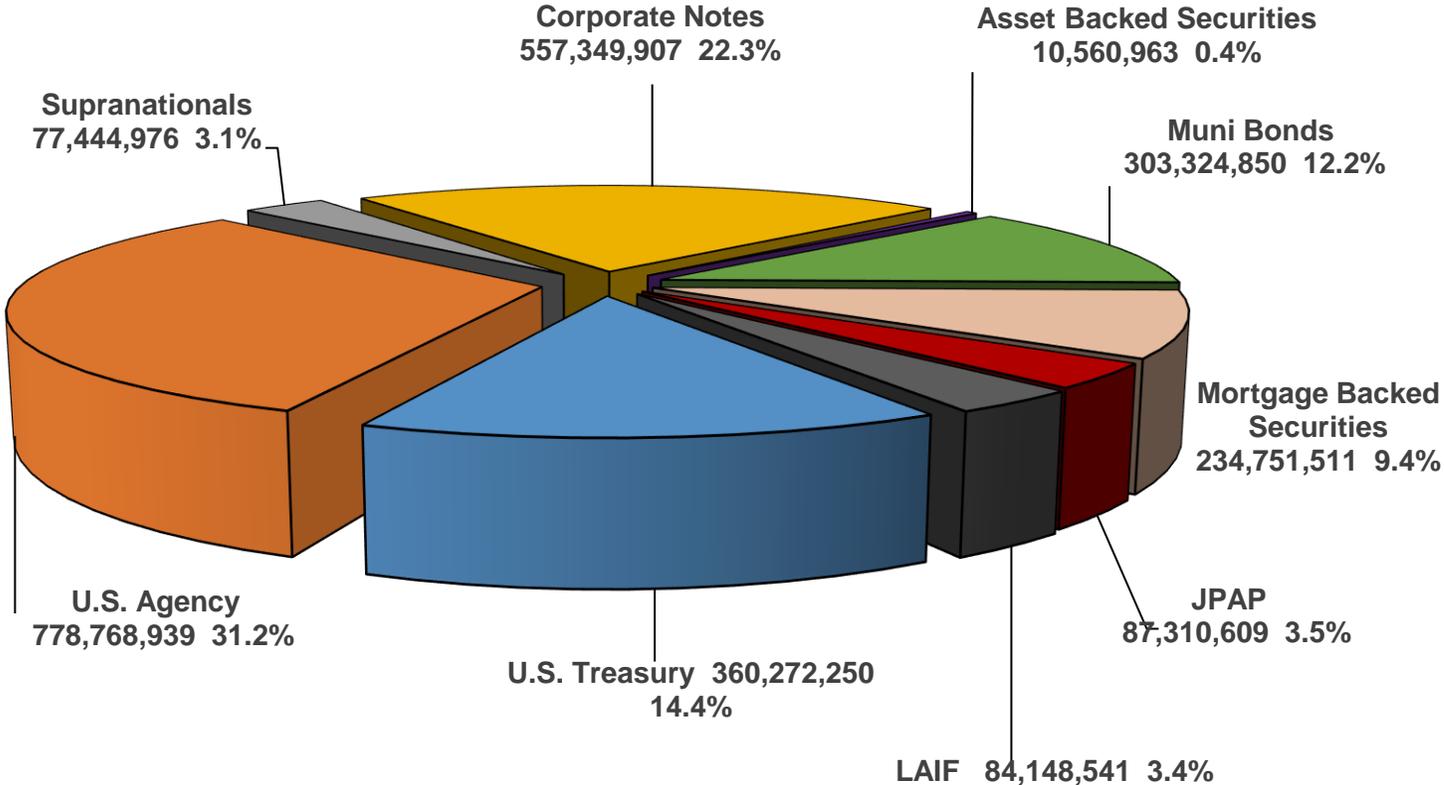
PORTFOLIO PERFORMANCE SUMMARY

Size of Total Portfolio	\$2,493,932,545
Earned Interest Yield	4.018%
Weighted Average Maturity	713 days
Fiscal Year-to-Date Net Income Recognized	\$52,772,992
Exceptions to the City Investment Policy this Quarter	None



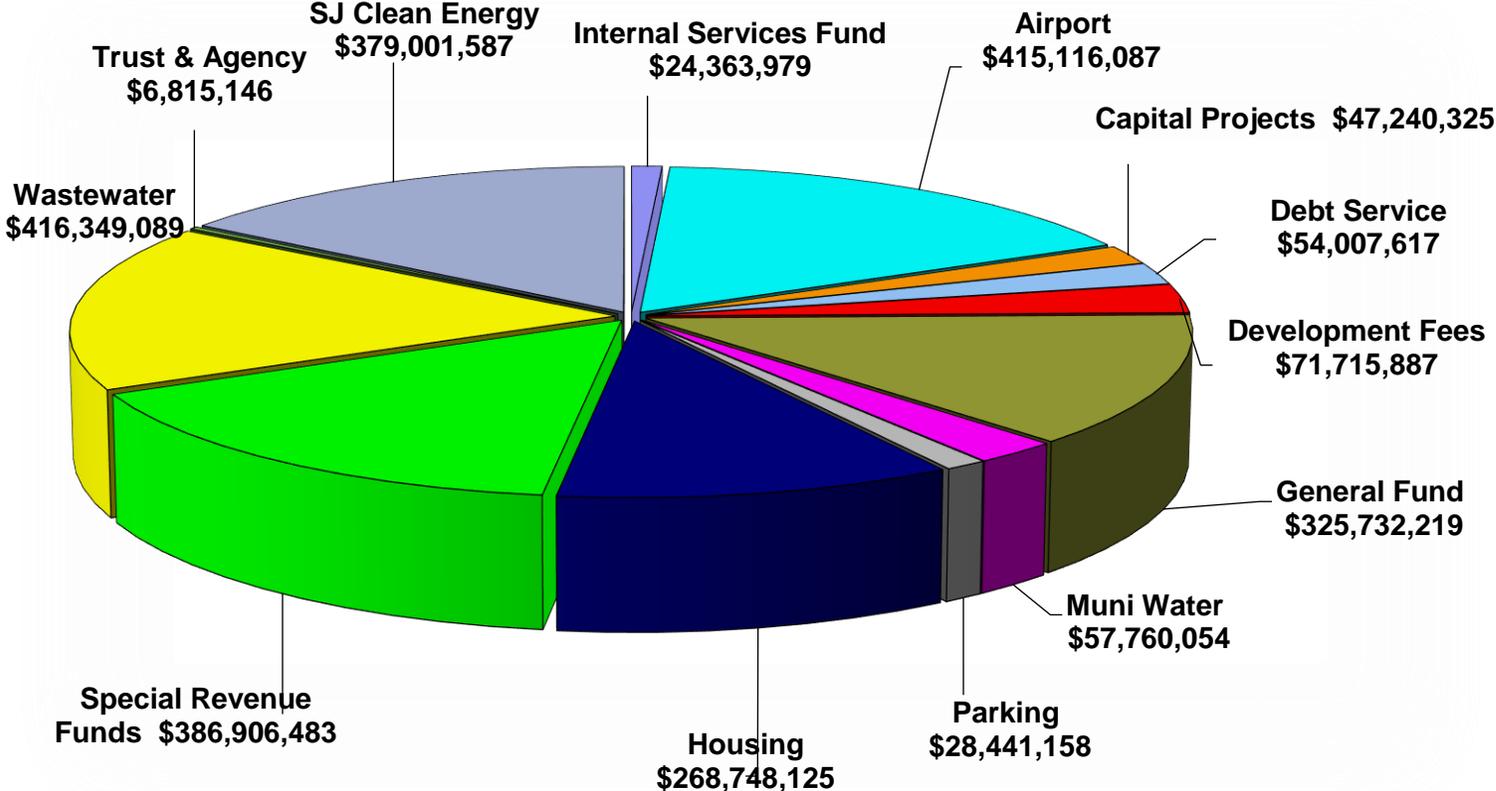
PORTFOLIO INVESTMENTS

Total Investment Portfolio:
\$2,493,932,545



INVESTMENTS BY FUND

The \$326 million in the General Fund presented includes \$114,623,917 of General Fund monies, as well as \$211,108,302 in other, separately tracked general funds, such as the Depositor Fund, Developer Fees and other smaller funds and reserves.



GENERAL FUND BALANCE

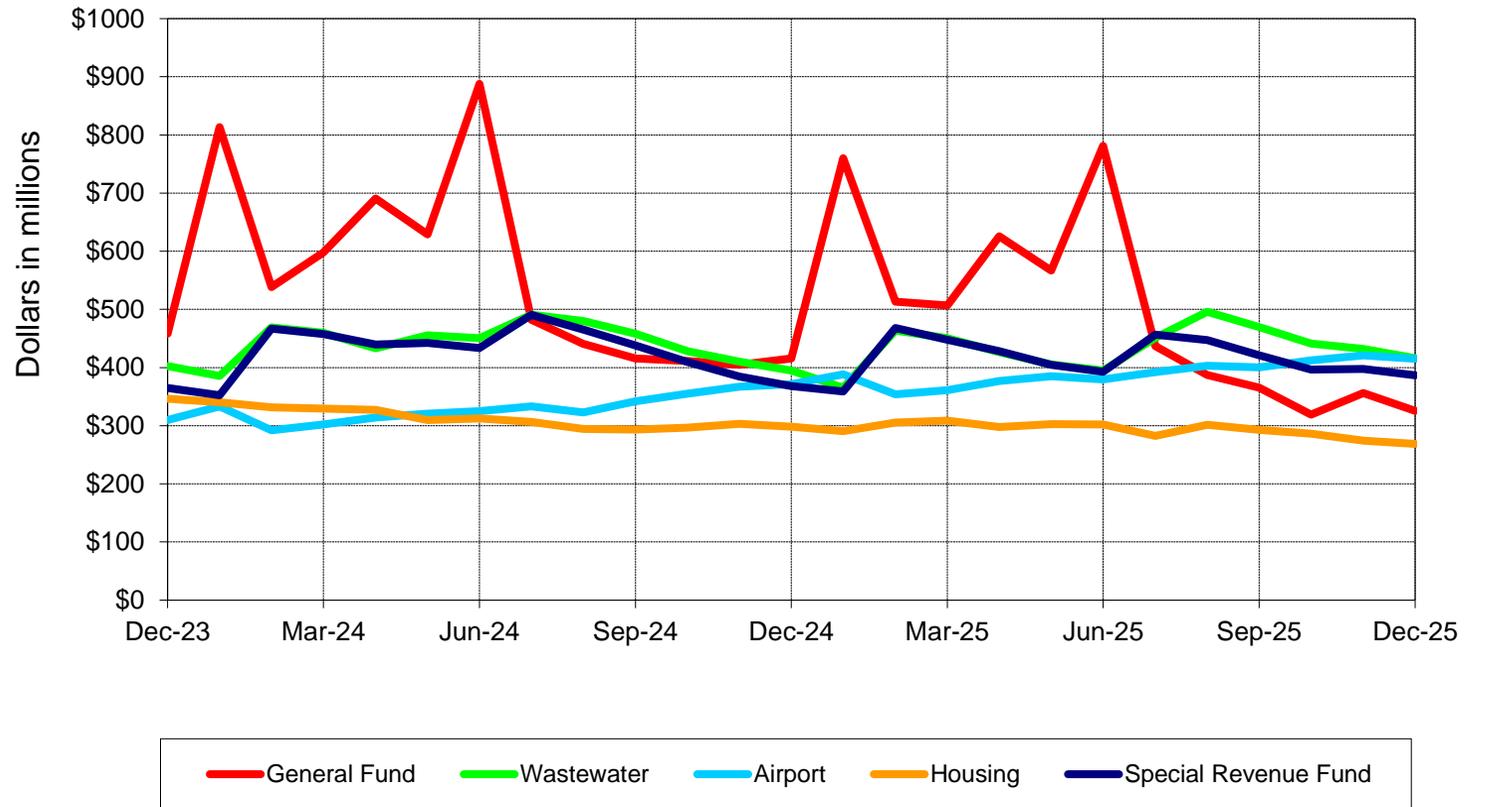
- The General Fund balances decreased by \$40 million during the quarter and ended with a balance of \$326 million as of December 31, 2025. General Fund cash balances usually peak during the months of January and June, when the bulk of property taxes are received, and decline in the summer months due to retirement prefunding, debt service payments and operational expenditures.
- Projected investment maturities, cash and revenues are sufficient to cover anticipated expenditures for the next six months



COMPARISON OF CASH BALANCES

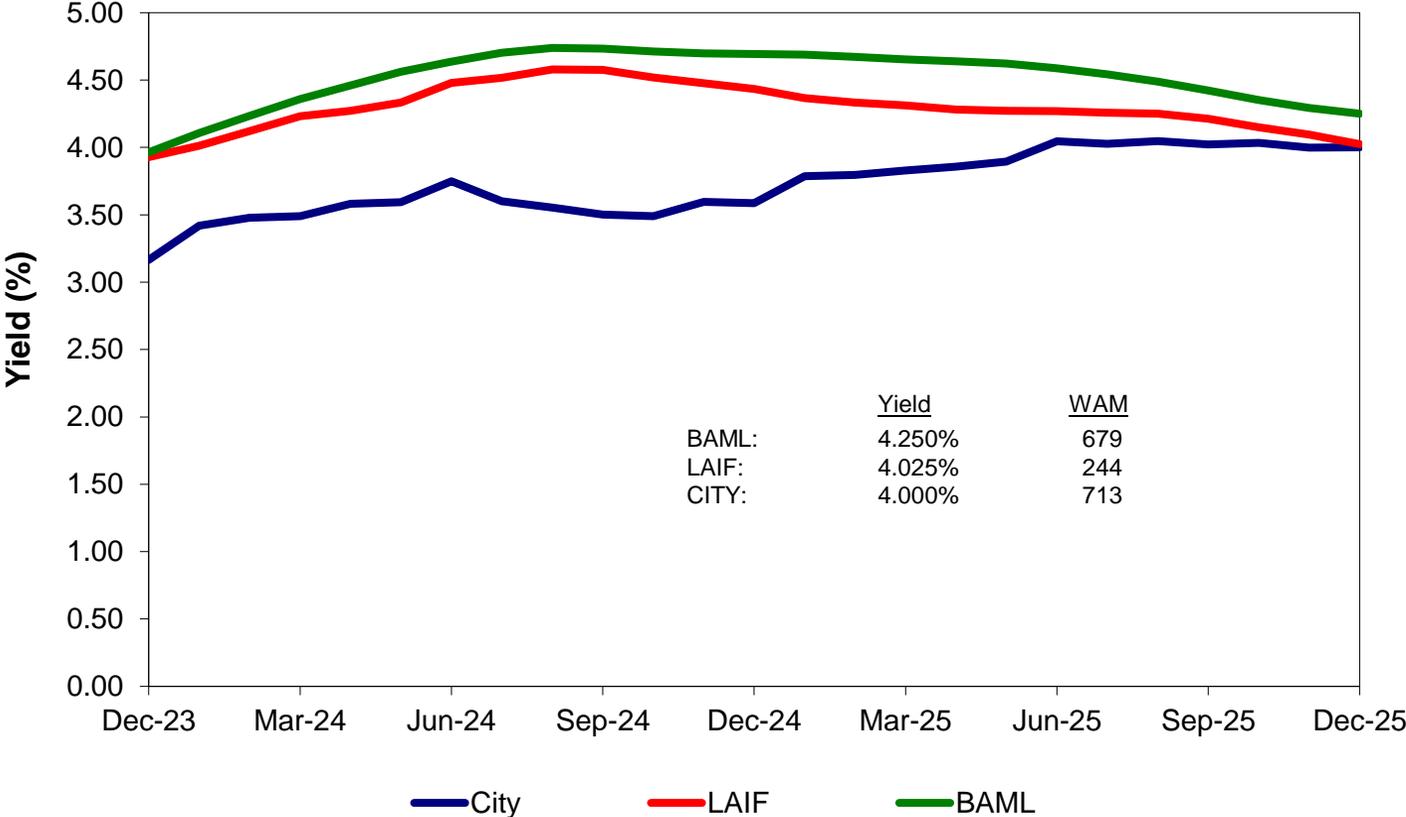
(BY SELECT FUNDS)

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



BENCHMARK COMPARISONS

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



INVESTMENT STRATEGY

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



SECOND QUARTER REVENUE MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026



REVENUE MANAGEMENT PROGRAMS

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



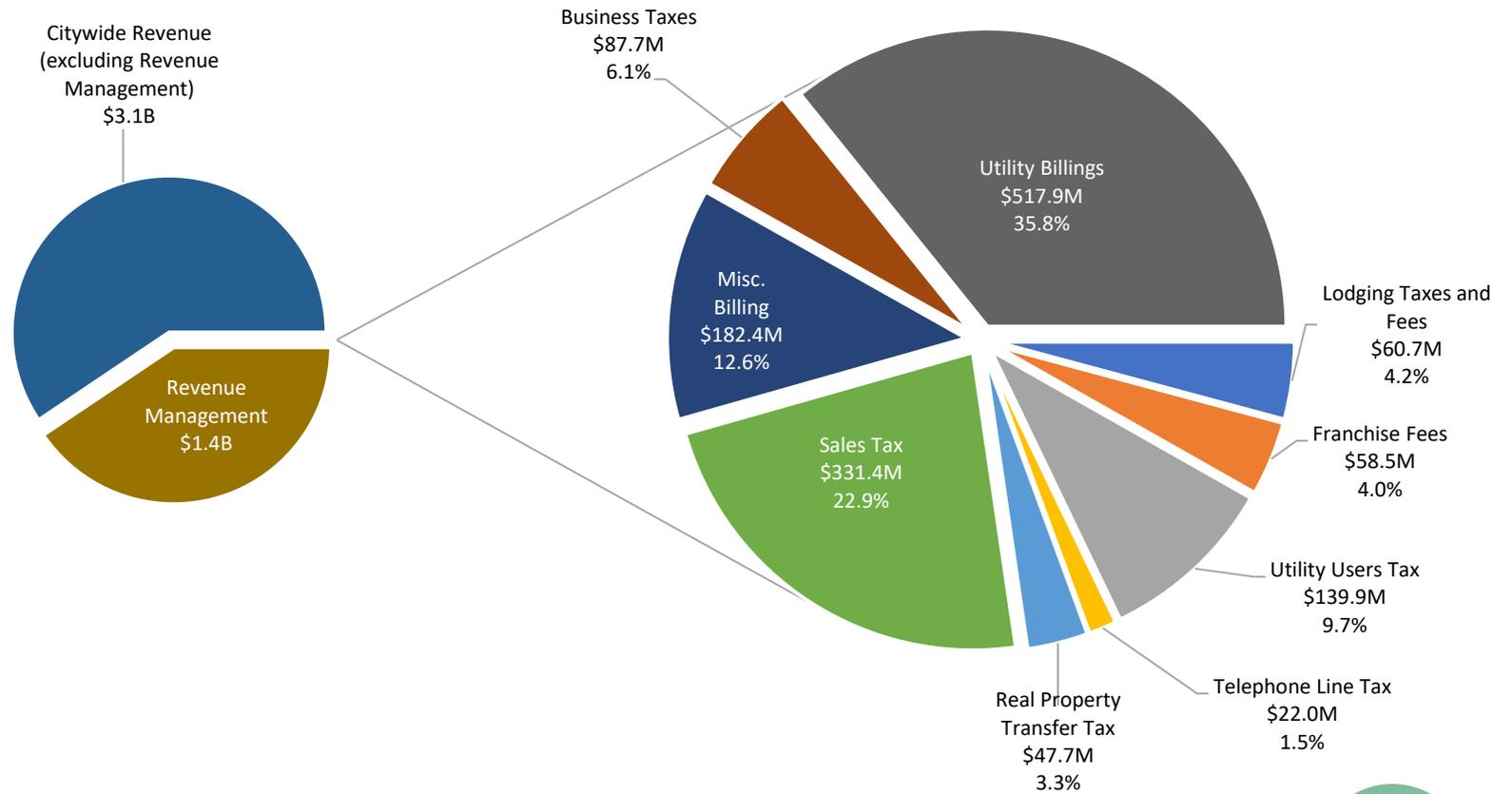
REVENUE MANAGEMENT PORTFOLIO

FY 2024-25 REVENUE (\$ IN MILLIONS)

Total Revenue: \$4.558B

Source: 2024-25 City Manager's Budget Office Annual Report

(Graph is updated annually)

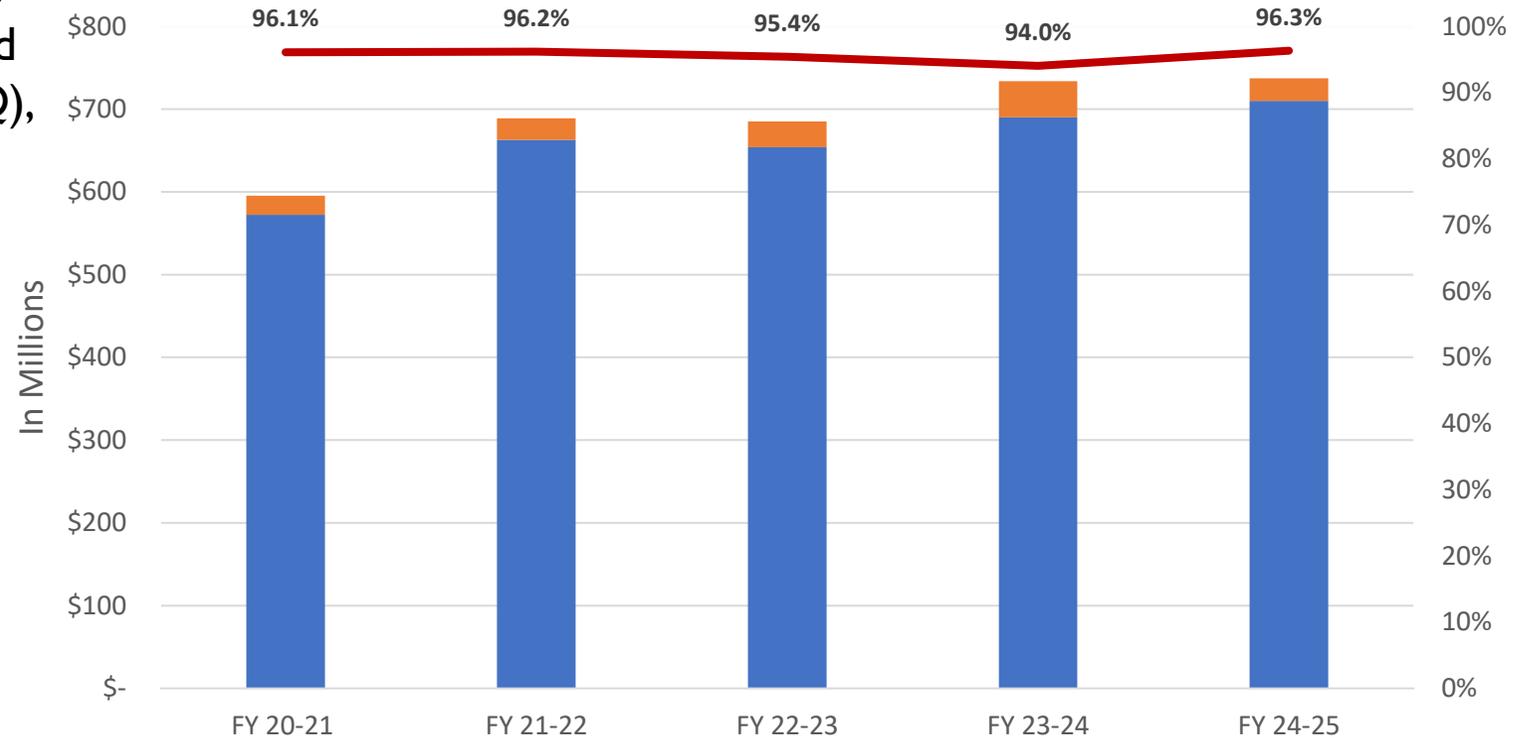


INVOICING AND PAYMENTS

FIVE-YEAR HISTORY (FY 2020-21 TO FY 2024-25)

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

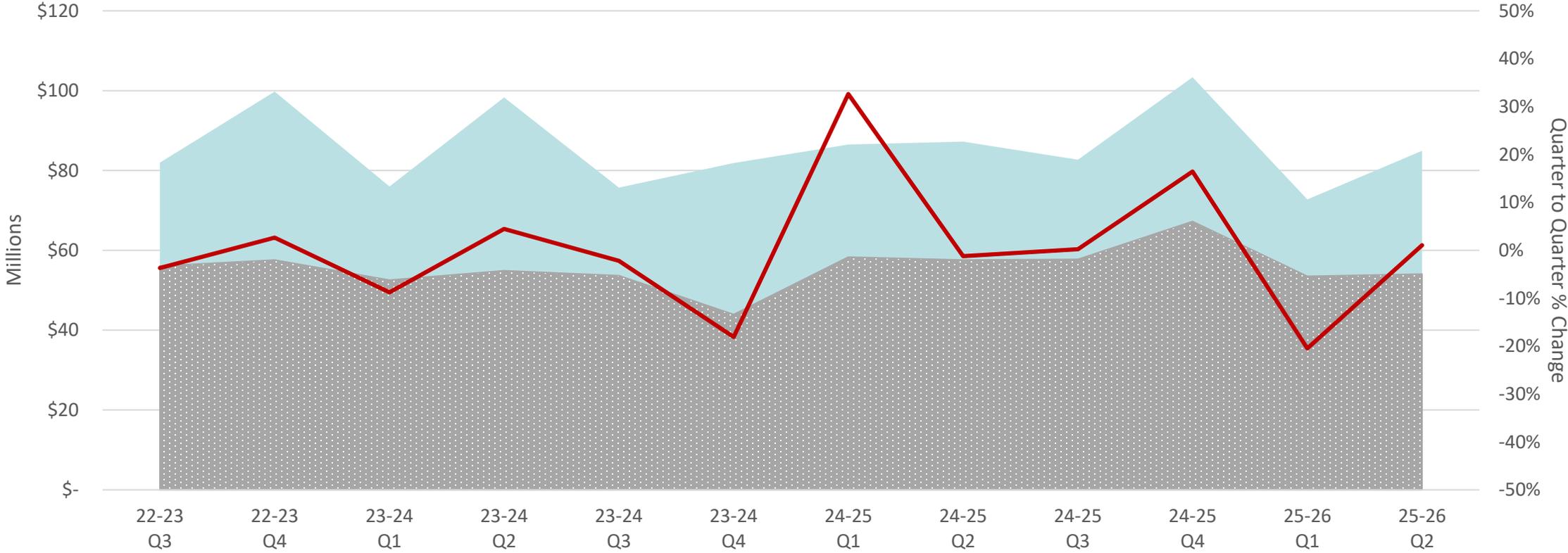
(Graph is updated annually)



OUTSTANDING RECEIVABLES

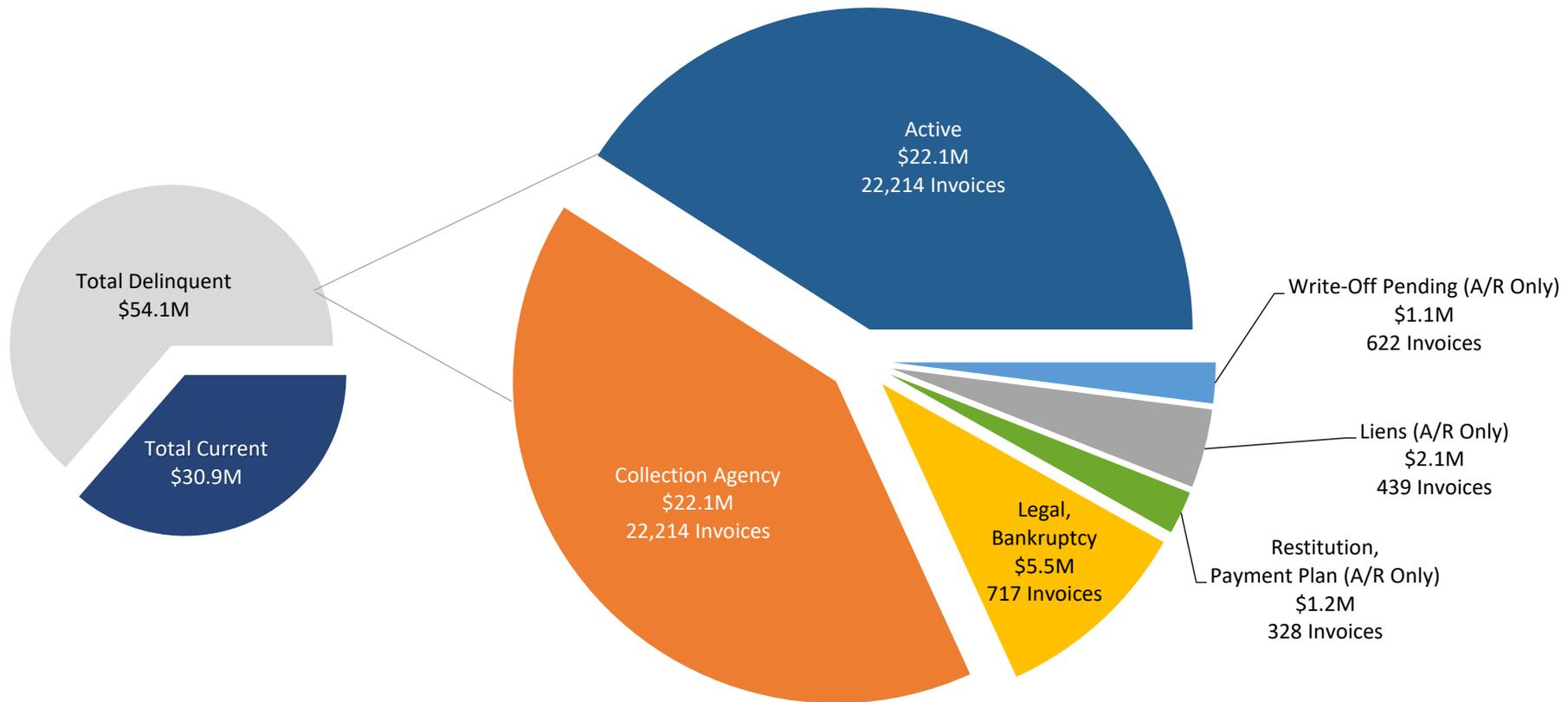
THREE-YEAR HISTORY (FY 2022-23 Q3 TO FY 2025-26 Q2)

Revenue Management Aging



FY 2025-26 Q2 DELINQUENT RECEIVABLES

COLLECTION STATUS SUMMARY (\$ IN MILLIONS*)



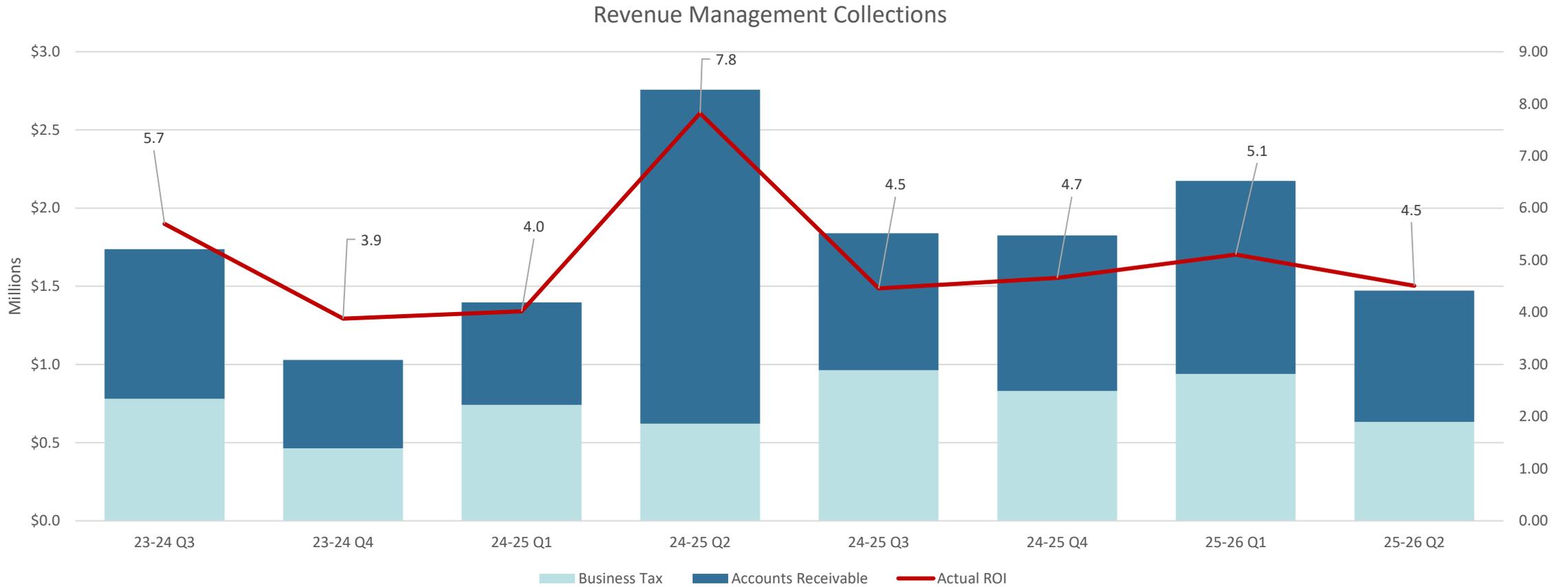
*Rounded

As of December 31, 2025



COLLECTIONS & RETURN ON INVESTMENT

REVENUE MANAGEMENT COLLECTIONS (FY 2023-24 Q3 To FY 2025-26 Q2)



REVENUE COMPLIANCE

REVENUE RECOVERY

- Revenue Compliance and Monitoring conducts cyclical tax and fee audits and revenue collections for a variety of programs (e.g., Sales and Use Tax, Hotel Taxes/Lodging Fees, Utilities, Telecommunications, and Cannabis).
- In Q2, ~\$1M was recovered in delinquent collections and audits (cannabis business tax, hotel tax, telecommunications user tax, utility user tax, and sales and use tax).

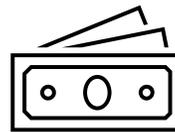


SECOND QUARTER PURCHASING AND RISK MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026



PURCHASING PROGRAM

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



PURCHASING TRANSACTIONS COMPLETED

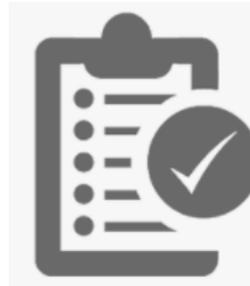
SECOND QUARTER FY 2025-26

DESCRIPTION	SECOND QUARTER TRANSACTIONS	FISCAL YEAR TO DATE
PURCHASE ORDERS EXECUTED	266	778
PURCHASE ORDER ADJUSTMENTS EXECUTED	92	234
CONTRACTS NEGOTIATED & EXECUTED	3	7
CONTRACT AMENDMENTS, CHANGE ORDERS, SERVICE ORDERS, & OPTIONS EXECUTED	51	76
PURCHASE ORDER DOLLARS PROCURED	\$93,376,168	\$236,018,367
CONTRACT DOLLARS PROCURED	\$499,631	\$20,260,921.51



RISK MANAGEMENT PROGRAM

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



RISK MANAGEMENT TRANSACTIONS COMPLETED

SECOND QUARTER FY 2025-26

Transaction Type	Second Quarter Transactions	Fiscal Year to Date
Request for Contract Insurance Specifications	183	520
Request for Insurance Compliance Review	130	344
Request for Letters of Self-Insurance	17	63
Subrogation Dollars Billed to Responsible Third Parties	\$8,079.55	\$230,398.31
Council and Committee Memorandums Issued	0	2



RECOMMENDATION

(a) Accept the Second Quarter (period ended December 31, 2025) Financial Reports for Fiscal Year 2025-2026 for the following programs:

- (1) Debt Management;
- (2) Investment Management;
- (3) Revenue Management; and
- (4) Purchasing and Risk Management

(b) Refer and cross-reference the Second Quarter Financial Reports for Fiscal Year 2025-2026 to the March 10, 2026, City Council meeting for full adoption.

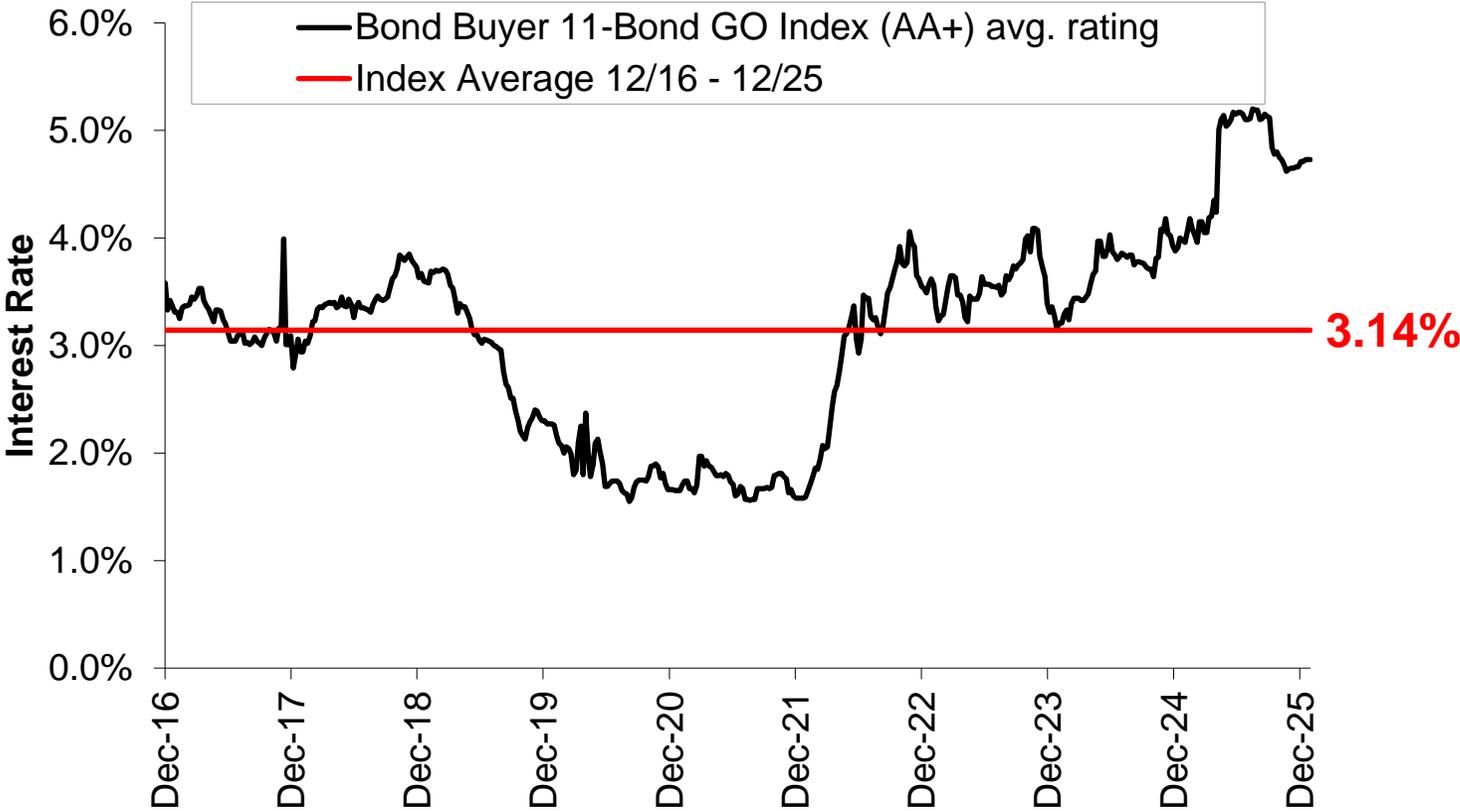


APPENDIX



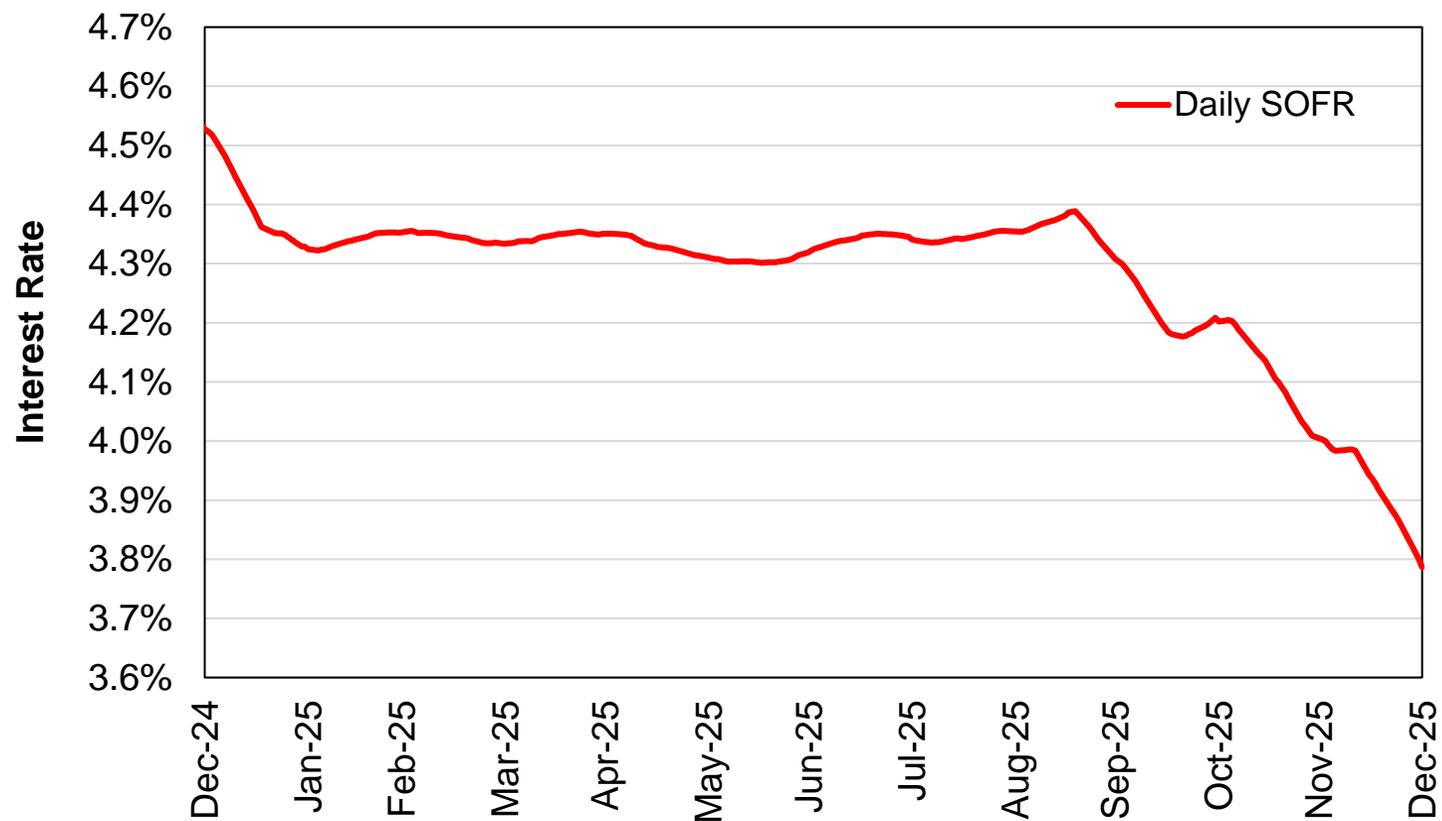
BOND BUYER GO BOND YIELD INDEX

- 10-year history of higher rated (“AA+”) General Obligation debt (20-year term) yield averaged 3.14% and is currently at 4.73% (as of 12/31/2025).



SOFR RATES

- The Daily Secured Overnight Financing Rate (SOFR) interest rate is 3.79% (as of 12/31/25).
- The City uses SOFR as a proxy for forecasting interest rates for various short-term debt instruments.



GENERAL OBLIGATION CREDIT RATINGS AS OF DECEMBER 31, 2025

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

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

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



GENERAL CITY CREDIT RATINGS AS OF DECEMBER 31, 2025

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

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

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

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



OTHER CITY CREDIT RATINGS AS OF DECEMBER 31, 2025

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

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

