



DEBT MANAGEMENT POLICY REVISION COUNCIL POLICY 1-15

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MANAGEMENT

DEBT MANAGEMENT POLICY

- The Debt Management Policy sets forth certain debt management objectives and establishes overall parameters for issuing and administering debt that the City and Covered Entities are financially obligated and responsible
- Last revised in March 2023
- Proposed Policy changes need to be approved by City Council, City of San José Financing Authority Board, and Successor Agency to the Redevelopment Agency Board



BACKGROUND

- The City Council approved certain documents in connection with the issuance and sale of California Community Choice Financing Authority Clean Energy Project Revenue Bonds, Series 2025E on October 8, 2024.
- The bond sale (\$1.24 billion) was successfully closed on November 4, 2024, providing over 12% saving annually or a total saving of over \$66 million during the initial eight-year term.
- It is prudent to establish general guidelines and consistent process for future bond issuance.



ADDITION OF ENERGY PREPAY

- The City assigns certain rights and obligations under power purchase agreements to a prepay counterparty.
- The conduit issuer, like CCCFA, issues tax-exempt bonds and applies the bond proceeds towards the prepayment and delivers the prepaid energy to the City at a discount.
- Bonds may be issued up to 30-year term, subject to mandatory tender at the end of initial term (7-10 years from the initial bond issuance).
- 5% minimum annual savings during the initial term
- Energy prepay bonds are special limited obligations of conduit issuer, payable solely from the trust estate related to the bonds. Investors of the bonds have no recourse to the City.



RECOMMENDATION

- 1) Accept the report and approve the proposed revisions to the Council Policy I-15, City of San José Debt Management Policy
- 2) Adopt the amended policy by resolution of the City Council, City of San José Financing Authority Board, and Successor Agency Board.

