

# CCCFA CLEAN ENERGY PROJECT REVENUE BONDS

**City Council**  
**December 2, 2025**  
**Item 3.3**

**Presenters:**

**Maria Öberg, Director of Finance**  
**Qianyu Sun, Deputy Director of Finance**  
**Lori Mitchell, Director of Energy**  
**Zach Struyk, Assistant Director of Energy**



# BACKGROUND

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- SJCE supports the City's transition to clean energy and provides residents and business local control over electricity prices, resources and services.
- As of September 1, 2025, SJCE had a total of 93 power purchase agreements with a notional value of approximately \$3.2 billion to provide energy to customers for the remainder of calendar year 2025 and through 2048.
- In November 2023, City Council authorized to enroll the City as a member of the CCCFA and evaluate the feasibility of energy prepay. CCCFA approved the City's associate membership on May 23, 2024.
- On November 4, 2024, CCCFA issued Clean Energy Project Revenue Bonds, Series 2024E on behalf of the City, in a par amount of \$1.24 billion. Total savings during the initial term of the 2024E Bonds, if fully realized, will be approximately \$66 million.



# CLEAN ENERGY PROJECT

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- Prepayment for 30-year supply of energy under a Prepaid Energy Sales Agreement to be entered into by Morgan Stanley Energy Structuring (MSES) and CCCFA.
- Sale and delivery of the Prepaid Energy by CCCFA to the City, at a discount, pursuant to a Power Supply Contract.
- The City will assign a portion of rights and obligations under power purchase agreement(s) to Morgan Stanley Capital Group (MSCG), (or MSES if MSCG is the PPA seller), per limited assignment agreements.
- The payment obligations of MSES under the Prepaid Energy Sales Agreement will be unconditionally guaranteed by Morgan Stanley (rated “A1” by Moody’s, “A-” by S&P and “A+” by Fitch).



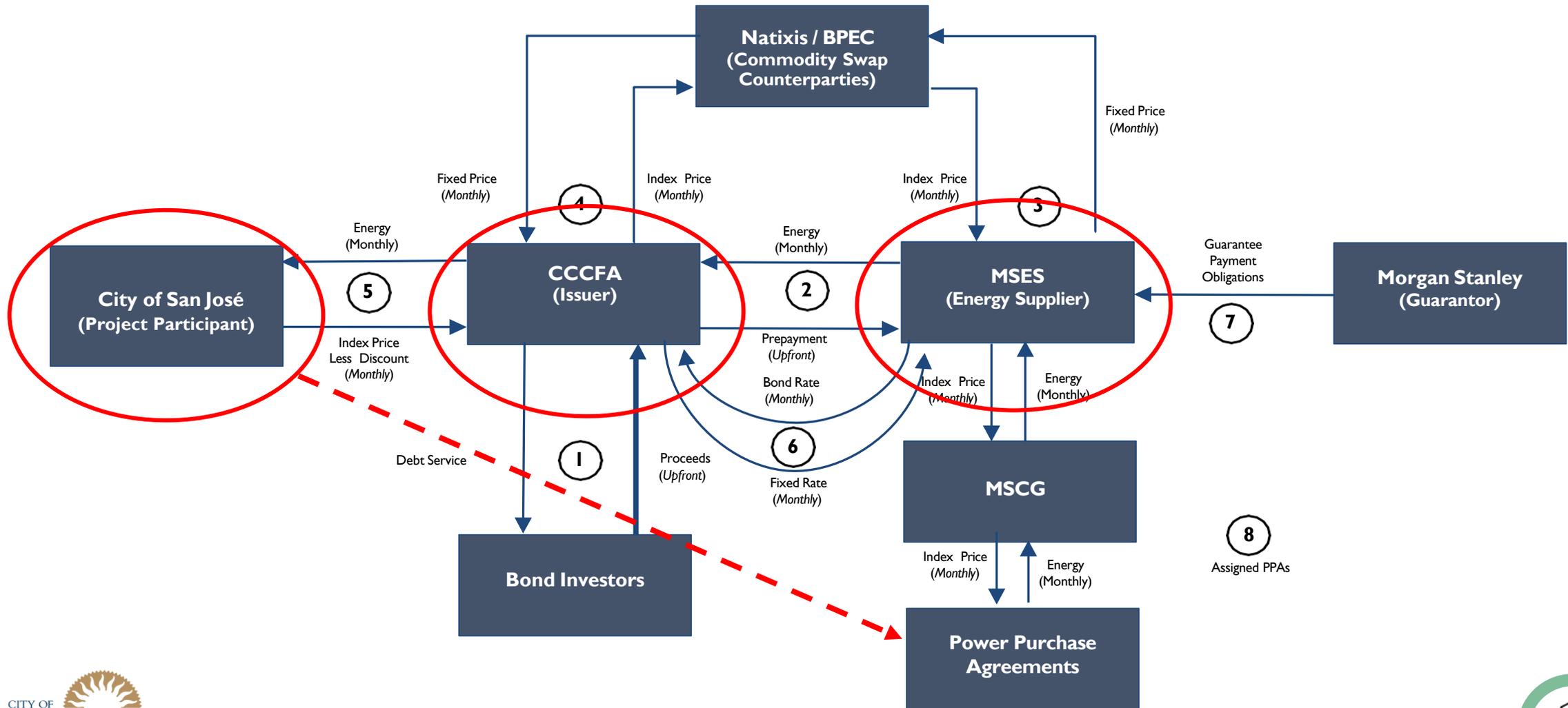
# PROJECT FINANCING

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- CCCFA will issue 30-year tax-exempt bonds in a not-to-exceed principal amount of \$1.25 billion
- Bonds are subject to mandatory tender following the initial term (approximately 6 - 9 years after issuance), and will be remarketed several times after the initial term
- Minimum 8% of annual savings (about \$3-6 million) over the cost of prepaid quantities of energy to be delivered under the Power Supply Contract during the initial term
- Minimum annual discount for reset periods after the initial term is expected to be approximately \$5/MWh
- Bondholders have no recourse to the City
- Bonds are certified as Green Bonds by Kestrel



# FINANCING STRUCTURE



# RISKS AND MITIGATION

## Volumetric Risk

PPA seller fails to provide required energy volume to sustain the transaction

- Assign a portion of the PPA contract
- Substitute or assign additional PPAs
- MSES is required to deliver base energy to back stop under-generating PPA suppliers

## Market Risk

Repricing fails to generate the minimum discount

- Prepaid Energy Sales Agreement terminates
- The previously assigned rights under assigned PPAs will revert to the City

## Counterparty Risk

Banking or swap counterparty experiences distress and fails to honor obligations

- 2 swap counterparties in the transaction, Natixis and BPCE
- Morgan Stanley is highly rated “A1” by Moody’s, “A-” by S&P and “A+” by Fitch

If the energy prepayment transaction terminates for any reason, Morgan Stanley is obligated to make a termination payment to CCCFA to redeem bonds. The City will forego savings for the future years. Staff time, consultant and legal fees and other expenses will become sunk costs.



# DOCUMENTS FOR COUNCIL APPROVAL

## Document

## Contents

Appendix A

Contains certain information regarding the City and SJCE, for inclusion in the Preliminary Official Statement and Official Statement for the Bonds.

Power Supply Contract

Contract between CCCFA and the City to provide for the sale and delivery of prepaid quantities of Emissions Performance Standards-compliant energy.

PPA Payment Custodial Agreement

Agreement among the CCCFA, City, MSCG, MSES and U.S. Bank Trust Company, National Association relating to payments to be made to third party energy supplier for assigned Power Purchase Agreements.

Letter Agreement

Agreement among the MSES, MSCG, City and the CCCFA specifying the terms of assigning long term Power Purchase Agreements that the City has with a third-party energy supplier.

Prepaid Energy Project Administration Agreement

Agreement by and between CCCFA and the City to provide for the administration of certain operational matters during the term of the Bonds relating to certain rights and obligations of CCCFA under the Trust Indenture, the Prepaid Energy Sales Agreement, the Re-Pricing Agreement and other related documents.



# GOOD FAITH ESTIMATE AS OF 10/28/2025

- Conduit Issuance of \$1.0 billion
- True Interest Cost 4.06%
- Financing Expense \$6.2 million
- Project Fund \$1.0 billion
- Total estimate of principal and interest not paid with bond proceeds \$1.4 billion to the Mandatory Purchase Date

Source of Funds	
Par Amount	\$ 1,001,925,000
Premium	74,742,884
<b>Total Sources</b>	<b>\$ 1,076,667,884</b>
Use of Funds	
Project Fund Deposit:	
Acquisition of Clean Energy Project	\$ 1,029,327,358
Other Funds Deposits:	
Capitalized Interest Fund	41,174,125
Delivery Date Expenses	
Cost of Issuance	1,424,278
Underwriter's Discount	4,742,123
<b>Total Uses</b>	<b>\$ 1,076,667,884</b>



# KEY FINANCING TEAM MEMBERS

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<b>Issuer</b>	California Community Choice Financing Authority
<b>Municipal Advisor</b>	PFM Financial Advisors LLC
<b>Bond Counsel</b>	Orrick, Herrington & Sutcliffe LLP
<b>Disclosure Counsel</b>	Anzel Galvan LLP
<b>Underwriter</b>	Morgan Stanley & Co LLC
<b>Trustee</b>	U.S. Bank Trust Company, National Association
<b>Green Bonds Reviewer</b>	Kestrel

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# ESTIMATED FINANCING SCHEDULE

- December 2, 2025: City Council Meeting
- December 3, 2025: Rating from Moody's
- December 4, 2025: CCCFA Board Meeting
- December 11, 2025: Bond Pricing\*
- December 23, 2025: Bond Closing\*

December						
Su	Mo	Tu	We	Th	Fr	Sa
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

*\*Bond pricing and closing dates are subject to change based on market conditions.*



# SECURITIES LAW

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- Securities Act of 1933 requires disclosure of financial and other significant information and prohibits fraud in the sale of securities, including municipal bonds.
- Section 10(b) of Securities and Exchange Act of 1934 prohibits fraud in the purchase or sale of securities.
- SEC Rule 10(b)(5) prohibits
  - Making of any untrue statement of material fact; and
  - Omitting to state a material fact in the offer or sale of securities.



# AN ELECTED OFFICIAL'S RESPONSIBILITY

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After review of Appendix A, the following elements should be considered:

- Have identified material risks and events been brought to the attention of staff, bond counsel, and other professionals?
- Have such risks and events been disclosed, and if not, what is the rationale for the non-disclosure?

If any Councilmember has any personal knowledge that any of the material information in Appendix A is false or misleading, the Councilmember must raise these issues prior to approval of the distribution of the document to potential investors.



# CITY COUNCIL RECOMMENDATIONS

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1. Adopt a resolution to approve, in connection with the issuance and sale of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds (Green Bonds) (the “Bonds”) in the not-to-exceed principal amount of \$1,250,000,000 to finance the acquisition of a long-term supply of electricity on a prepaid basis for the City of San José, in substantially final forms, Appendix A to the Official Statement, a Power Supply Contract, a Custodial Agreement, a Letter Agreement, and a Prepaid Energy Project Administration Agreement; and
  
2. Authorize the City Manager and other authorized officers of the City, to execute and deliver these documents and any other related documents in connection therewith.

