

COMPREHENSIVE ANNUAL DEBT REPORT FOR FISCAL YEAR 2021-2022

Item 3.7 Comprehensive Annual Debt Report

Prepared by the Finance Department

Presenters:

Julia H. Cooper, Director

Qianyu Sun, Deputy Director – Debt & Treasury Management



DEBT MANAGEMENT PROGRAM

DEBT ISSUANCE

DEBT ADMINISTRATION

FINANCIAL ADVISORY SERVICES

- **Policy Objectives**

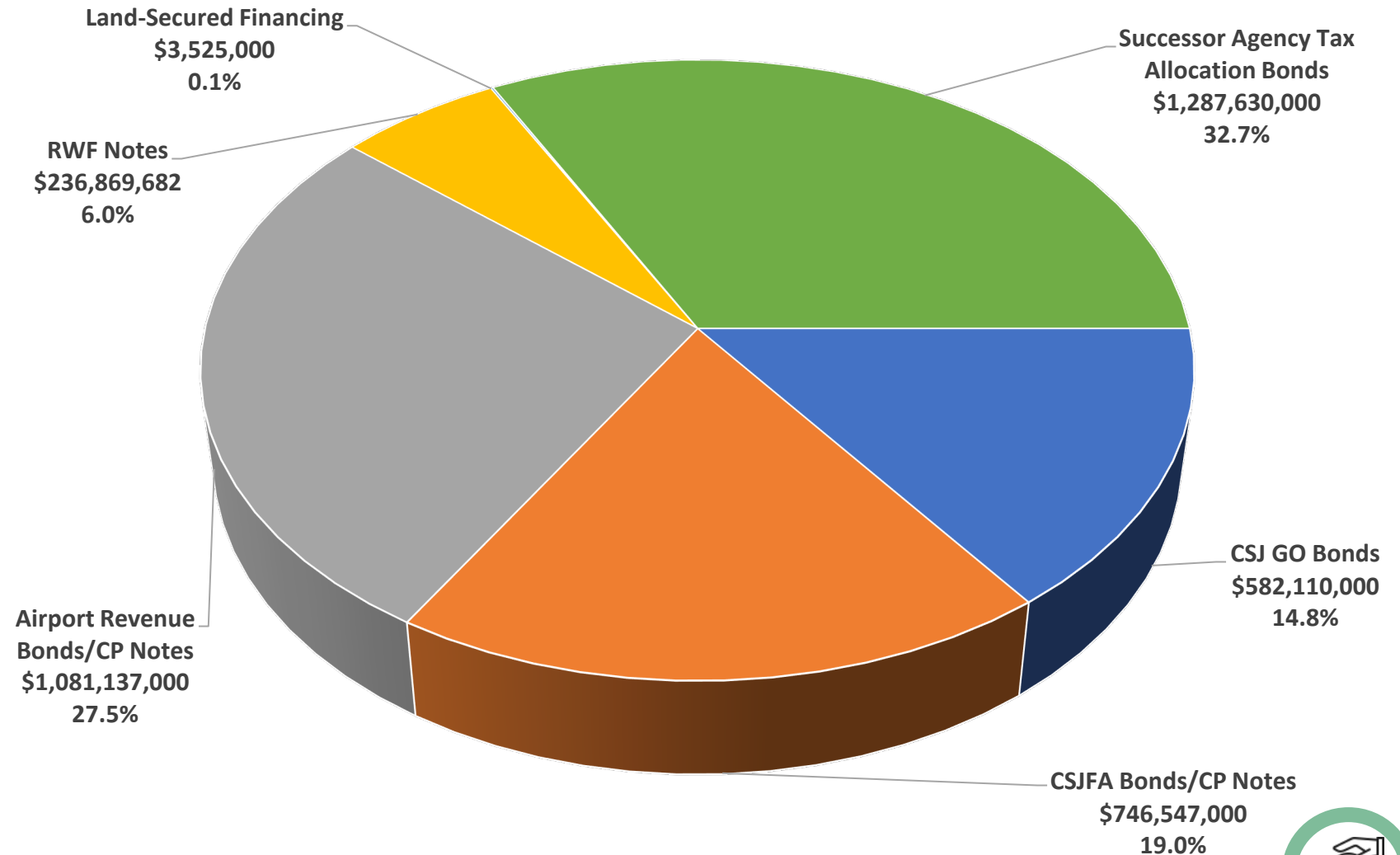
- Minimize debt service and issuance costs
- Maintain access to cost-effective borrowing
- Achieve highest practical credit rating
- Full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with Federal and State laws
- Assess financial impacts of significant City projects



OUTSTANDING DEBT ISSUED BY ALL AGENCIES

The chart excludes Multi-Family Housing Revenue Bonds and Pension, Other Post-Employment Benefits (OPEB) and other City liabilities.

Total Outstanding Conduit Housing Bonds are \$790,813,000.



FY 2021-22 DEBT ISSUANCE

- Tax Revenue Anticipation Note (TRAN)
- General Obligation Bonds
- Lease Revenue Bonds (Fire Training Center and Central Service Yard)
- Lease Revenue Taxable Refunding Bonds (Convention Center)
- Lease Revenue Taxable Commercial Paper Notes (Clean Energy)
- Subordinate Wastewater Notes (Regional Wastewater Facility)
- Conduit Multi-family Housing Revenue Obligations (Multiple)

Total Issued: \$877.3 million



FY 2022-23 COMPLETED/PLANNED ISSUANCE

- Tax Revenue Anticipation Note (TRAN)
- Wastewater Revenue Bonds (Regional Wastewater Facility)
- Lease Revenue Commercial Paper Notes (Water Resources Administration and Operations Facility)
- Lease Revenue Commercial Paper Notes (Flood Recovery Projects)

Estimated Total : \$621.4 million



VARIABLE RATE PROGRAMS

(OUTSTANDING AS OF JUNE 30, 2022)

Bond Series	Project Description	Bank	Expiration Date	Facility Amount	Outstanding
LETTERS OF CREDIT					
Airport Series ABC	Airport Terminal Area Improvement Program	Bank of America	9/10/2024	\$75,000,000	\$34,112,000
City of San José Financing Authority	Various City Projects	U.S. Bank	3/24/2025	\$175,000,000	\$66,947,000
REVOLVING LINE OF CREDIT					
San José-Santa Clara Regional Wastewater Facility	Wastewater System and Treatment Plant Projects	Wells Fargo Bank	10/18/2023	\$300,000,000	\$236,869,682
REVOLVING CREDIT FACILITY					
San José Clean Energy	Energy Power Provider Contracts	Barclays Bank PLC	11/27/2023	\$65,000,000	\$10,193,920
TOTAL				\$615,000,000	\$348,122,602



FY2021-22 MAJOR PROJECTS COMPLETED

- Letter of Credit extensions for Airport Commercial Paper Notes and City of San José Financing Authority Commercial Paper Notes
- Pension Obligation Bonds – City Council authorized the issuance of bonds to refund certain pension obligations. City filed a complaint for validation in November 2021.
- Request for Qualifications and Proposals – selected underwriters for CSJFA Lease Revenue Bonds 2022A and a pool for Regional Wastewater Facility
- Request for Bank Commitments (TRAN funding)
- Redemption of Special Assessment Bonds – Series 24Q (Hellyer-Piercy) and Special Tax Bonds, Community Facility District I (Capitol Expressway Auto Mall)



FY2021-22 HOUSING TRANSACTIONS

TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARINGS

Hearing Date	Project	Issue Date	Issuance Amount	Issuer
11/2/2021	Vitalia (formerly Bascom Apartments)	1/28/2022	\$35,672,716	City of San José
11/2/2021	Mariposa Place	1/28/2022	\$31,341,010	City of San José
3/28/2022	McEvoy Apartments ¹	Not Issued due to cost increases. Allocation returned May 2022.		
3/28/2022	Algarve Apartments ¹	Not Issued due to cost increases. Allocation returned August 2022.		
8/10/2021	425 Auzerais Apartments	10/21/2021	\$42,017,597	California Municipal Finance Authority



GENERAL OBLIGATION (GO) BOND RATINGS (AS OF NOVEMBER 2022)

- City continues to maintain high general obligation credit ratings of Aa1, AA+/Stable, and AAA from Moody's Investors Service, Standard & Poors Global Ratings and Fitch Ratings, respectively
 - City's GO ratings higher than State of California (Aa2, AA- and AA)
 - County of Santa Clara GO bonds are rated (Aa1, AAA, AA+)



GENERAL OBLIGATION RATINGS COMPARISON (10TH LARGEST CITIES AS OF NOVEMBER 8, 2022)

RATING RANK	CITY	MOODY'S	STANDARD & POORS	FITCH
1	San Antonio	Aaa	AAA	AA+
2 (tie)	San José	Aa1	AA+	AAA
2 (tie)	Phoenix	Aa1	AA+	AAA
4	Los Angeles	Aa2	AA	AAA
5	San Diego	Aa2	AA	AA
6 (tie)	New York	Aa2	AA	AA-
6 (tie)	Houston	Aa3	AA	AA
8	Dallas	A1	AA-	AA
9	Philadelphia	A2	A	A
10	Chicago	Baa3	BBB+	BBB



OTHER CREDIT RATINGS

(AS OF NOVEMBER 2022)

	Moody's	Standard & Poors	Fitch	KBRA
LEASE REVENUE BONDS¹				
2013B, 2020A, 2021A	Aa2	AA	AA	N/A
2020B	Aa3	AA	AA-	N/A
2022A	Aa3	AA	AA	N/A
Rating Outlook	Stable	Stable	Stable	N/A
NORMAN Y. MINETA SAN JOSÉ INTERNATIONAL AIRPORT²				
2014ABC, 2017A, 2021ABC	A2	A ²	A	N/A
SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY (SARA)				
Senior Tax Allocation	Not Rated	AA	AA	N/A
Subordinate Tax Allocation	Not Rated	AA-	AA-	N/A
REGIONAL WASTEWATER FACILITY				
2022B (Climate Certified – Green Bonds)	Not Rated	AAA	AAA	AAA

¹ Moody's and Fitch determines its lease revenue bond ratings, in part, based on "essentiality" of leased asset. Bonds tied to an essential asset such as City Hall carry a higher rating (Aa2, AA) than bonds tied to a less essential asset such as the Ice Centre (Aa3, AA-). The Convention Center bonds are rated Aa3 and AA, respectively.

² Standard & Poors upgraded the Airport bonds from A- to A² in June 2022.



FY2022-23 MAJOR PROJECTS (COMPLETED/ANTICIPATED)

- Tax Revenue Anticipation Notes \$275 million
- Community Facilities Districts #6 and #10 Special Tax Bonds Redemption
- CSJFA Wastewater Revenue Bonds \$300 million
- San José Clean Energy Credit Facility up to \$250 million
- CSJFA Commercial Paper Notes – \$40 million for a Water Resources Administration and Operations Facility
- CSJFA Commercial Paper Notes – \$6.4 million for flood recovery project
- Multifamily Housing Projects (tentatively Tamien, the Charles, 1860 Alum Rock and 777 West San Carlos)
- Various Requests for Proposals



SUMMARY

- The Debt Management Unit continues to be highly active in the areas of issuance, administration and financial advisory services.
- Maintaining a strong and dedicated debt management program protects the City's financial interests, credit ratings, and long-term management of debt compliance to minimize financial penalties.
- Failure to comply with regulatory requirements may result in significant penalties.



RECOMMENDATION

Accept the Comprehensive Annual Debt Report for the City of San José for Fiscal Year 2021-2022.

QUESTIONS

Julia H. Cooper, Director

Qianyu Sun, Deputy Director – Debt & Treasury Management

