

CITY OF SAN JOSÉ FINANCING AUTHORITY COMMERCIAL PAPER PROGRAM

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CITY OF SAN JOSÉ FINANCING AUTHORITY

- A joint exercise powers authority (“JPA”) created by the City and the former Redevelopment Agency (“Former Agency”) of San José on December 8, 1992
- To issue debt to finance the acquisition, construction and improvement of certain public capital improvements
- Former Agency dissolved in 2012 and the City became the successor agency to the Former Agency. The JPA remains in effect.
- The City Council is the governing board of the Authority. The City Manager is the Executive Director, the City Clerk is the Secretary, and the Director of Finance is the Treasurer.



COMMERCIAL PAPER PROGRAM

- The City and CSJFA established the program in 2004
- Utilize a lease revenue financing structure, where the City pledges certain assets to CSJFA
- CSJFA can issue up to \$175 million of CP Notes (taxable and tax-exempt) up to 270 days
- Maturing notes are either paid in full (principal and interest) or “rolled” to the following maturity date (interest may be capitalized)
- Short-term or interim borrowing at variable interest rate
- Secured by lease payments, pledged assets and a letter of credit (currently by US Bank, expires on June 20, 2025)



CP PROGRAM – BENEFITS & RISKS

Benefits

Short-term financing

Lower cost of borrowing

No additional liens on CIP

Flexible amortization

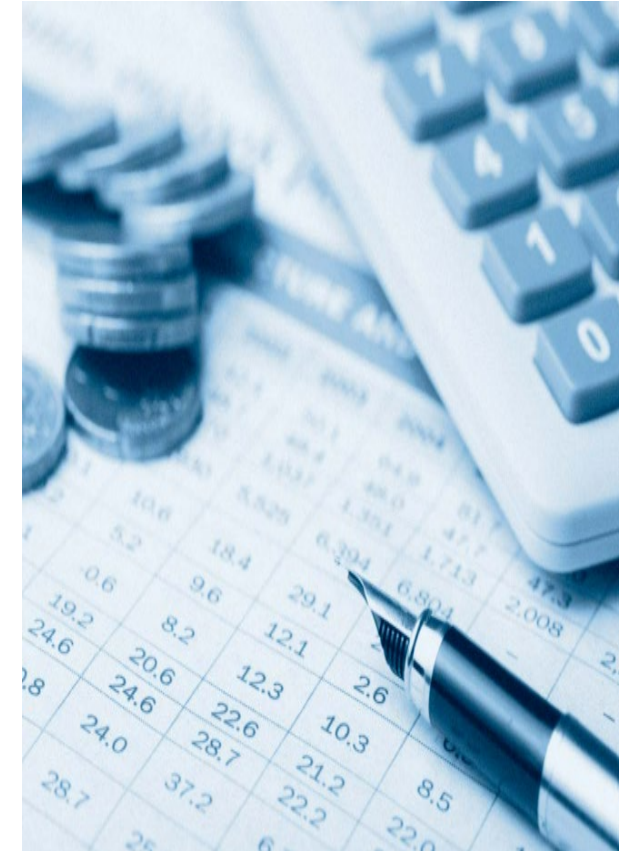
Risks

LOC renewal

Variable interest rate

Downgrade of LOC Bank

Marketability of CP Notes



AGREEMENT WITH TD BANK

- TD Bank maintains strong credit ratings

Agency	Long-term	Short-term	Outlook
Moody's	A2	P-1	Stable
S & P	A+	A-1	Stable
Fitch	AA-	F1+	Negative

- Commitment of \$175 million for Series I Notes up to five years
- Competitive fees – expect to save the City \$112,000 annually

City Lease Revenue Debt Rating (Moody's/S&P/Fitch)	Commitment Fee Rate
Aa2/AA/AA or above	0.32%



KEY FINANCING TEAM MEMBERS

Municipal Advisor

Public Resources Advisory Group

Note Counsel

Anzel Galvan LLP

LOC Bank

TD Bank N.A.

LOC Bank Counsel

Chapman & Cutler LLP

CP Dealers

Barclays, Morgan Stanley, TD Securities



MUNI WATER AMI PROJECT DESCRIPTION

- Installation of the Advanced Metering Infrastructure technology to 27,000 meters
- Configuration of hosted software
- Meet water conservation targets
- Improve customer service
- Construction period of 2-3 years
- Expected useful life 15-20 years



FINANCING OF THE AMI PROJECT

- Issuance of tax-exempt CP notes up to for \$23 million for the purchase and installation of AMI project
- The CP notes principal will be amortized over 10 years after the AMI Project is completed
- Source of payment - Water Utility Capital Fund
- CP Fees on the AMI Project
 - Commitment Fee – 0.38% until May 20, then 0.32%
 - Dealer Fee – 0.045%
 - Misc. Annual Fees – 0.12%



UTILIZATION OF CSJFA CP PROGRAM

Project	CP Notes Outstanding	Remaining Authorization	Proposed Authorization	Program Utilization
2017 Flood Improvements - PRNS	\$652,000	\$5,031,000		\$5,683,000
Energy Purchases - SJCE		75,000,000		75,000,000
ESCO Conservation - PW	5,015,000			5,015,000
Muni Water Building - ESD		40,000,000		40,000,000
Muni Water Advanced Metering - ESD			\$23,000,000	23,000,000
Total	\$5,667,000	\$120,031,000	\$23,000,000	\$148,698,000



ITEM I RECOMMENDATIONS

Adopt a resolution approving and authorizing the execution and delivery of a letter of credit and reimbursement agreement; a fee agreement; amendments to certain financing documents; and authorizing other related actions to provide for the issuance of a letter of credit to support the City of San José Financing Authority's Lease Revenue Commercial Paper Notes Program and for the release of certain components of the property under the site lease and the sublease, and authorizing the negotiation, execution and delivery of one or more extensions of the expiration date of such letter of credit.



ITEM 2 RECOMMENDATIONS

- Conduct a public hearing in accordance with Section 6586.5 of the California Government Code; and
- Adopt a resolution to approve and authorize the issuance of lease revenue commercial paper notes in the amount not to exceed \$23,000,000 to finance the purchase and installation of the AMI Project.

UNDER BOTH THE DEBT MANAGEMENT POLICY AND SAN JOSE MUNICIPAL CODE SECTION 4.34.200, APPROVAL OF THE ISSUANCE OF THESE CP NOTES REQUIRES A TWO-THIRDS VOTE BY THE CITY COUNCIL (8 VOTES).

