CITY OF
SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: MAYOR AND CITY COUNCIL/SUCCESSOR AGENCY BOARD/FINANCING AUTHORITY BOARD

FROM: Julia H. Cooper

SUBJECT: **SEE BELOW**

DATE: November 1, 2017

Approved D. DSyL Date 11/2/17

SUBJECT: CONFIRMATION OF THE APPROVAL OF THE SALE AND ISSUANCE OF MULTIPLE SERIES OF TAX ALLOCATION REFUNDING BONDS, APPROVAL OF THE PRELIMINARY AND FINAL OFFICIAL STATEMENTS FOR THE REFUNDING BONDS, APPROVAL TO AMEND AGREEMENTS WITH THE MUNICIPAL ADVISORS AND BOND COUNSEL, AND OTHER RELATED ACTIONS

RECOMMENDATION

1. Successor Agency to the Redevelopment Agency of the City of San José (the "Successor Agency") adopt a resolution:

    a. Confirming the approval of the issuance of refunding bonds (the "Refunding Bonds") to refund certain outstanding obligations of the former Redevelopment Agency of the City of San José; and

    b. Approving the preliminary and final official statements for such Refunding Bonds and authorizing and approving other related actions in connection with the Refunding Bonds.

2. Successor Agency adopt a resolution:

    a. Authorizing the Executive Officer to negotiate and execute an amendment to the current Agreements with Ross Financial and Public Financial Management (PFM) to expand the scope of services and to increase the compensation by amounts not to exceed $15,000 and $32,000 for total contract amounts not to exceed $136,800 and $210,200;

b. Authorizing the City Attorney to negotiate and execute an amendment to the current Agreement with Jones Hall, a Professional Law Corporation (Jones Hall), to expand the scope of services and increase the compensation by an amount not to exceed $85,000 for a total contract amount not to exceed $535,000; and

c. Authorizing the Executive Officer and Chief Financial Officer of the Successor Agency, or their designees, to take all actions necessary or advisable in the issuance, sale, and delivery of the Refunding Bonds.

3. City of San José Financing Authority Board adopt a resolution:

   a. Authorizing the execution and delivery of irrevocable refunding instructions and authorizing other related actions in connection with the City of San José Financing Authority Revenue Bonds, Series 2001A (4th & San Fernando Parking Facility Project) and the City of San José Financing Authority Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project).

4. City Council of the City of San José adopt a resolution:

   a. Authorizing the execution and delivery of irrevocable refunding instructions and authorizing other related actions in connection with the City of San José Financing Authority Revenue Bonds, Series 2001A (4th & San Fernando Parking Facility Project) and the City of San José Financing Authority Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project).

OUTCOME

Approval of the recommendations will enable the issuance of tax-exempt and taxable tax allocation refunding bonds (collectively, the "Refunding Bonds") to refund all the outstanding tax allocation bonds and certain other obligations (the "Outstanding Obligations") of the former Redevelopment Agency of the City of San José (the "Former Agency") to achieve debt service savings and to eliminate debt service spikes. Approval of the recommendations will also enable the Successor Agency to amend the agreements with Ross Financial, PFM, and Jones Hall to expand the scope of services and increase compensation to these firms for undertaking and completing the extensive tax analysis and bond disclosure work required for the issuance of the Refunding Bonds.

EXECUTIVE SUMMARY

Staff recommends that the Successor Agency confirm its approval of the issuance of the Refunding Bonds to refund the Outstanding Obligations and to approve the preliminary and final Official Statements (collectively, the "Official Statement") for such Refunding Bonds. As of

September 28, 2017, the projected net present value savings was approximately $112.8 million or 6.56% of the Outstanding Obligations.

Staff also recommends authorizing the City of San José Financing Authority (the "Authority") and the City of San José to execute and deliver certain irrevocable refunding instructions necessary to effectuate the refunding of the City of San José Financing Authority Revenue Bonds, Series 2001A (4th & San Fernando Parking Facility Project) and the City of San José Financing Authority Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project).

Staff also recommends that the Successor Agency amend the agreements with Ross Financial, PFM and Jones Hall to expand the scope of services under their respective agreements and to compensate these firms for undertaking the extensive tax analysis and bond disclosure work required for the issuance of the Refunding Bonds. The additional compensation is $15,000 for Ross Financial, $32,000 for PFM and $85,000 for Jones Hall. With this increase, total compensation is not to exceed $136,800 for Ross Financial, $210,200 for PFM and $535,000 for Jones Hall. This compensation is contingent on the sale of the Refunding Bonds with the exceptions for up to $30,000 for Ross Financial and $52,000 for PFM, which entails research, tax analysis, and consultation services on the current bonds defined as Phase 1 in their agreements.

BACKGROUND

On May 26, 2016, the Oversight Board adopted a resolution authorizing the Successor Agency to negotiate and execute separate agreements with PFM and Ross Financial to assist Successor Agency staff with the evaluation of refunding alternatives of the former Redevelopment Agency, the costs of which will be paid from the refunding bond sale transaction, or from RPTTF (to the extent required) if a refunding bond transaction is not completed. The Successor Agency entered into separate agreements with PFM for an amount not to exceed $178,200 (the "PFM Agreement") and Ross Financial in an amount not to exceed $121,800.

The Oversight Board also authorized the Successor Agency's General Counsel to negotiate and execute an agreement with Jones Hall for bond and disclosure counsel services in connection with the refunding of Successor Agency bonds in an amount not to exceed $450,000, contingent on the sale of the bonds. The General Counsel subsequently negotiated and executed a contract with Jones Hall (the "Jones Hall Agreement") to provide bond and disclosure counsel services for an amount not to exceed $450,000, with $350,000 for bond counsel services and $100,000 for disclosure counsel services.

On May 16, 2017, the Successor Agency approved Resolution No. 7061 authorizing, subject to the approval of the Oversight Board of the Successor Agency (the "Oversight Board") and the State Department of Finance ("DOF"), (a) the sale and issuance of the Refunding Bonds and (b) the negotiation, execution and delivery of various documents related to the Refunding Bonds and directing the preparation of an Official Statement for subsequent approval by the Successor Agency Board.

Given that the State Department of Finance ("DOF") has 65 days from receipt of the Oversight Board Resolution authorizing the Refunding Bonds either to approve or deny the action of the Oversight Board, staff elected to bifurcate the Successor Agency approval process into two steps: (a) approval of the Refunding Bonds and related documents (on May 16, 2017) and (b) approval of the Official Statement (November 14, 2017). This two-step process enabled the Successor Agency to commence the DOF review period as soon as possible after Oversight Board approval.

On May 18, 2017, the Oversight Board approved Resolution No. 2017-05-1146 (a) approving and directing the issuance by the Successor Agency of the Refunding Bonds, subject to the approval of DOF and (b) determining that the issuance of the Refunding Bonds will generate significant potential savings to the Successor Agency and the applicable taxing entities and will eliminate future interest rate risk. On July 21, 2017, DOF approved the Successor Agency's issuance of the Refunding Bonds.

The refunding and restructuring of Refunded Obligations is anticipated to achieve the following benefits:

- Savings for the Successor Agency in the form of lower aggregate debt service due to lower interest rates in the municipal bond market and the improved credit quality of the Former Agency;
- Elimination of potential debt service spikes with respect to outstanding variable rate tax allocation bonds;
- Materially improved debt service coverage and cash flow, which will enable the Successor Agency to repay other non-bond subordinate enforceable obligations on a faster schedule than would have otherwise been attainable;
- Simplified administration of outstanding obligations through consolidation of 25 series of currently outstanding bonds and other obligations, issued under six indentures with three trustee banks and separate housing-set aside and non-housing set-aside tax increment pledges, into two to four series of bonds issued under one indenture with a single trustee bank and a combined tax increment pledge;
- Greater flexibility in the operation and ownership of certain City assets that were financed in whole or in part through tax exempt bonds of the Former Agency;
- Ensure compliance with federal tax law.

On November 9, 2017, the Oversight Board will be asked to approve a resolution authorizing the Successor Agency to amend the agreements with Ross Financial, PFM, and Jones Hall to expand the scope of services under such agreements and to increase compensation to Ross Financial, PFM, and Jones Hall by $15,000, $32,000, and $85,000, respectively.

ANALYSIS

Plan of Finance

Detailed information relating to the Refunding Bonds, including their background, anticipated benefits, financing approach and structure, security features, estimated sources and uses of funds, financing documents (except the Official Statement), sale parameters and financing team members, is contained in the Staff Memorandum and Supplemental Memorandum approved on May 16, 2017[1].

The plan of finance described in the Staff Memorandum and Supplemental Memorandum was based on an analysis, dated May 1, 2017, prepared by PFM and Ross Financial, as co-Municipal Advisors to the Successor Agency (the "May 1 Analysis"). Since the May 1 Analysis, Jones Hall and PFM completed the tax analysis required to ensure compliance with Federal tax law restrictions. That analysis was highly complex and time-consuming given the number of bond issues being refinanced, the multi-generational nature of the Former Agency's financing structure (many of the bonds being refunded had refinanced other obligations), the fact that many capital projects were financed from multiple bond series and the potential effects of property sales required by the Dissolution Act (defined below).

The results of the tax analysis significantly shifted the mix of tax-exempt and taxable bonds from approximately 70% tax-exempt/30% taxable as shown in the May 1 Analysis to 25% tax-exempt/75% taxable.

On September 28, 2017, PFM and Ross Financial updated the plan of finance based on the results of the tax analysis (the "September 28 Analysis). That analysis is attached as Exhibit A. The table below shows the differences between certain aspects of the May 1 Analysis and September 28 Analysis.

Statistic	May 1	September 28	Difference
Outstanding Principal	$1,732,345,000	$1,718,675,000	($13,670,000)
2017A-T (Taxable) Principal	340,525,000	1,323,680,000	+983,155,000
2017A Principal	964,340,000	55,750,000	(908,590,000)
2017B (Subordinate) Principal	241,990,000	324,480,000	+82,490,000
Total Refunding Principal	1,546,855,000	1,703,910,000	+157,055,000
Maximum Annual Debt Service	147,448,955	154,239,618	+6,790,663
Total Debt Service	2,219,956,956	2,275,993,830	+56,036,874
Total Cash flow Savings	237,887,625	163,899,953	(73,987,672)
Net Present Value Savings $	160,362,158	112,818,326	(47,543,832)
Net Present Value Savings %	9.26%	6.56%	(2.70%)

[1] http://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=2684&meta_id=633812 and http://sanjose.granicus.com/MetaViewer.php?view_id=&event_id=2684&meta_id=635228

The results of the September 28 Analysis are subject to change based on interest rates at the time the Refunding Bonds are priced.

Financing Documents

On May 16, 2017, the Successor Agency approved the following documents in connection with its approval of the Refunding Bonds: Indenture of Trust, Irrevocable Refunding Instructions, Escrow Agreements, and Bond Purchase Agreement. No further action is required by the Successor Agency with respect to approval of these documents.

Official Statement

Successor Agency Board approval of the Official Statement is also required for issuance of the Refunding Bonds. The Official Statement in substantially final form will be posted to the agenda webpage for the joint meeting of the Successor Agency, the City of San José Financing Authority (the "Authority") and the City Council of the City of San José on or about November 3, 2017. Also posted to the agenda webpage is a resolution of the Successor Agency confirming its prior authorization of the Refunding Bonds, approving the Preliminary Official Statement and Final Official Statement, and authorizing other related actions as described below.

Official Statement: The Official Statement is the public offering document for the issuance of the Refunding Bonds. City and Successor Agency staff have worked with Jones Hall as Disclosure Counsel, in preparing the preliminary Official Statement (the "Preliminary Official Statement") for the Refunding Bonds.

The Official Statement describes the purpose of the Refunding Bonds, their repayment terms, the State law which dissolved redevelopment agencies in California and under which the Successor Agency operates (the "Dissolution Act"), the security and sources of payment of the Refunding Bonds and bondholder risks. Additionally, the Official Statement provides detailed information about the merged redevelopment project areas that are referred to as the "Project Area."

Appendix A contains the Fiscal Consultant Report, which provides potential investors with information concerning the tax increment revenue in the Project Area and is the source for much of the information concerning the property tax increment revenue in the Project Area which is a source of repayment of the Refunding Bonds. The information contained in the Fiscal Consultant Report includes the mechanics of the property tax collection, the allocation of property tax increment revenue to the Successor Agency, historical data concerning property tax increment revenues and the projections for property tax increment over the life of the Refunding Bonds. The Fiscal Consultant Report is the source for much of the information in the body of the Official Statement related to property tax increment.

Appendix B contains demographic and economic information regarding San José. Investors use all this information to evaluate the credit quality of the Refunding Bonds and the risks associated with their investment in the Refunding Bonds.

No information is provided about the City's finances or its retirement plans as such information is not relevant to the evaluation of the credit quality of the Refunding Bonds. The Refunding Bonds will be secured solely by tax increment revenues, as described in the section of the Official Statement, entitled: "SECURITY AND SOURCE OF PAYMENT FOR THE 2017 BONDS."

Following the sale of the Refunding Bonds and prior to the closing, Disclosure Counsel will prepare the final Official Statement (the "Final Official Statement") for the Refunding Bonds.

Staff recommends that the Executive Officer or Chief Financial Officer (each, a "Designated Officer") be authorized to sign the Final Official Statement on behalf of the Successor Agency and to make such modifications as may be necessary upon consultation with the General Counsel to the Successor Agency.

Staff also recommends that the Designated Officers be authorized to execute certificates regarding the Official Statement as required to comply with securities laws, and to authorize the underwriters to distribute these documents for purpose of marketing the Refunding Bonds. In addition to the certificates concerning the Official Statement, Staff recommends that the Designated Officers be authorized to execute the Continuing Disclosure Certificate. The form of the Continuing Disclosure Certificate is attached as Appendix F to the Official Statement. This Certificate is executed by the Successor Agency for the benefit of the bondholders and in order to assist the participating underwriters to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) related to continuing disclosure of information related to the Refunding Bonds. In executing this document, the Successor Agency commits to notify certain parties if certain listed events occur and to file annually an update to certain information contained in the Official Statement.

Staff has carefully reviewed the information contained in the draft Preliminary Official Statement and believes it to be accurate and complete in all material respects. It has been reviewed and approved for transmittal to the Successor Agency by a "Disclosure Working Group", pursuant to the draft Disclosure Policies and Procedures which have been prepared pursuant to the City's Debt Management Policy, which the Successor Agency has adopted. The Disclosure Policies and Procedures will be finalized after the completion of this financing. Staff elected to again work from the draft document in the development of the Preliminary Official Statement to allow for refinement to the Policies and Procedures based on actual experience. The Disclosure Working Group includes the City Manager in his capacity as Successor Agency Executive Officer, the Director of Finance in her capacity as the Successor Agency's Chief Financial Officer and senior City and Successor Agency staff familiar with the economic and demographic information concerning San José described in Appendix B as well as information related to environmental risks, such as earthquakes and flooding that may impact the amount of property tax increment revenues collected that are addressed in the Bondholder Risk section of the Official Statement.

As noted above, the distribution of the Preliminary Official Statement by the Successor Agency is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Refunding Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of a reasonable investor when deciding whether to buy or sell the Refunding Bonds. If the Successor Agency concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Refunding Bonds, then one of the actions the Successor Agency will take is to adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been "deemed final."

As part of the process of issuing new debt, it is important that elected officials read the Preliminary Official Statement. The Securities and Exchange Commission (the "SEC") has issued guidance as to the duties of authorizing boards such as the Successor Agency with respect to its approval of a preliminary official statement. In its *"Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors"* (Release No. 36761 / January 24, 1996) (the "Release"), the SEC stated that, if a member of the authorizing board has knowledge of any facts or circumstances that an investor would want to know prior to investing in bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the preliminary official statement.

In the Release, the SEC stated the steps a member of the City Council (or other legislative body) could take included becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts concerning the following areas:

- Purpose of the bond issue
- Sources of repayment of the bonds
- Risks that the sources of repayment may be insufficient to repay the bonds
- Discussion of any other facts or events that could affect the deliberations of a reasonable investor

After such review of the document the following additional elements should be considered:

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

The information to address these areas in the Preliminary Official Statement can be found in the INTRODUCTION section, which describes the purpose of the Refunding Bonds and the source of repayment, among other things. More detailed information on these topics and on the risks related to repayment of the Refunding Bonds is provided in the SECURITY AND SOURCES OF REPAYMENT FOR THE 2017 BONDS and BONDHOLDER RISKS.

If any Successor Agency Board member has any personal knowledge that any of the material information in the Preliminary Official Statement, including the appendices, is false or misleading, or that the Official Statement omits to state a fact that would be material to investors, the Board member must raise these issues prior to approval of the distribution of the document.

City staff, Successor Agency staff, Bond Counsel, Disclosure Counsel, and the financial advisors will be available at the Successor Agency meeting on November 14, 2017, to address any questions, issues, and/or concerns.

Resolution of the City of San José Financing Authority

As outlined in the Plan of Finance, the Refunding Bonds will refund two series of bonds issued by the City of San José Financing Authority (the "Authority") that are obligations of the Successor Agency; the Authority's Revenue Bonds, Series 2001A (4th & San Fernando Parking Facility Project) (the "2001A Bonds") and the Authority's Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project) (the "2001F Bonds"). The proposed resolution of the Authority authorizes the Designated Officers of the Authority to execute instructions related to the refunding of the 2001A Bonds and the 2001F Bonds ("Refunding Instructions"), authorizes the Authority's performance of its obligations under the Refunding Instructions, and authorizes other actions that may be required in connection with the refunding of these bonds.

Resolution of the City Council of the City of San José

As outlined in the Plan of Finance, the Refunding Bonds will refund two series of bonds issued by the Authority that are obligations of the Successor Agency; the Authority's Revenue Bonds, Series 2001A (4th & San Fernando Parking Facility Project) (the "2001A Bonds") and the Authority's Lease Revenue Bonds, Series 2001F (Convention Center Refunding Project) (the "2001F Bonds"). The 2001A Bonds and the 2001F Bonds are also obligations of the City. The proposed resolution of the City Council authorizes the Designated Officers of the City to execute instructions related to the refunding of the 2001A Bonds and the 2001F Bonds ("Refunding Instructions"), authorizes the City's performance of its obligations under the Refunding Instructions, and authorizes other actions that may be required in connection with the refunding of these bonds.

Successor Agency Resolution Authorizing Amendments to Agreements with Ross Financial, PFM, and Jones Hall

On November 9, 2017, staff will be requesting the Oversight Board to adopt a resolution that authorizes:

- An amendment to the agreements with Ross Financial and PFM to expand the scope of services and increase the non-contingent portion of the compensation by $15,000 and $32,000 for the additional staff resources needed to perform the following tasks associated with the tax analysis effort:

  - Research and organize how proceeds from prior bond issues were spent.
  - Research and organize information regarding revenues that may have been generated from assets created or improved as a result of the use of bond proceeds.
  - Consultation with Successor Agency personnel regarding the information gathered for each prior bond issue, including how to access, interpret and organize this information.
  - Consultation with bond counsel regarding information needs, analysis of information gathered, and interpretation of this information.
  - Consultation with the Successor Agency, bond counsel and the financing team regarding structuring alternatives for the proposed refunding based on the information gathered.

- An amendment to the agreement with Jones Hall expand its scope of services and to increase its compensation by $85,000 ($70,000 for bond counsel services and $15,000 for disclosure counsel services) for the additional staff hours needed to perform the following tasks:

  - Tax analysis prior to the issuance of the Refunding Bonds
  - Due diligence with respect to the information contained in the Official Statement and in investor presentations.

The increased compensation to Ross Financial and PFM increases the overall compensation to an amount not to exceed $30,000 and $52,000 for the non-contingent portion and $136,800 and $210,200 for total compensation, including the continent portion.

The increased compensation to Jones Hall increases its total compensation to an amount not to exceed $535,000 of which $420,000 will be attributable to bond counsel services and $115,000 will be attributable to disclosure counsel services. The compensation to Jones Hall is contingent upon the issuance of the Refunding Bonds.

Assuming that the Oversight Board authorizes the Successor Agency to enter into the proposed amendments, staff recommends that the Successor Agency adopt a resolution authorizing:

(a) the Executive Officer to negotiate and execute an amendment to the current Agreements with Ross Financial and PFM to expand the scope of services and to increase the compensation by an amount not to exceed $15,000 and $32,000 for a total contract amount not to exceed $136,800 and $210,200;

(b) Authorizing the General Counsel to negotiate and execute an amendment to the current Agreement with Jones Hall, a Professional Law Corporation, to expand the scope of services and increase the compensation by an amount not to exceed $85,000 for a total contract amount not to exceed $535,000.

Financing Schedule

The sale of the Refunding Bonds is currently anticipated to take place in the first week of December, with a closing on or about December 21, 2017. In conjunction with the closing of the Refunding Bonds, the Refunded Obligations will be redeemed or defeased, and will no longer be considered outstanding.

EVALUATION AND FOLLOW-UP

This Memorandum presents a recommendation related to the Successor Agency's approval of the Official Statement for the Refunding Bonds. As noted in connection with the May 16, 2017 approval of the Refunding Bonds, an information memorandum will be provided to the Successor Agency Board after the closing of the Refunding Bonds to summarize the results of the bond sale.

The proposed Official Statement does not require approval of the Oversight Board of the Successor Agency or by DOF.

PUBLIC OUTREACH

The substantially final draft of the Official Statement, the resolution of the Successor Agency approving the Preliminary Official Statement and Final Official Statement, the resolution of the Authority and the resolution of the City Council will be posted to the agenda webpage for the joint meeting of Successor Agency, the Authority, and the City Council on or about November 3, 2017.

COORDINATION

This report has been prepared by City and Successor Agency staff in conjunction with the Successor Agency General Counsel and financing team participants.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

FISCAL/POLICY ALIGNMENT

The proposed financing plan is consistent with the City's Debt Management Policy adopted by the Successor Agency and establishes objectives to obtain cost-effective access to the capital markets, including minimizing debt service and issuance costs; achieving a desired debt service profile; maintaining access to cost-effective borrowing; and ensuring compliance with applicable Federal and State laws, including the Dissolution Act.

COST SUMMARY/IMPLICATIONS

The Supplemental Memorandum prepared for the May 16, 2017 approval provided an estimate of $2.2 million of transaction costs for the Refunding Bonds. That estimate will increase by $127,000 based on the increased compensation to Ross Financial, PFM, and Jones Hall. It is expected that all transaction costs will be paid from cost of issuance of the bond refunding.

CEQA

Not a Project, File No. PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

/s/
JULIA H. COOPER
Chief Financial Officer

Attachment

For questions, please contact Julia H. Cooper, Director of Finance for the City of San José at 408-535-7011.

EXHIBIT A

Successor Agency to the Redevelopment Agency of the City of San Jose

2017 Tax Allocation Refunding Bonds,

Savings Analysis
as of September 28, 2017

(Report of the Municipal Advisors)

pfm
50 California Street, Suite 2300
San Francisco, CA 94111

ROSS FINANCIAL
1736 Stockton Street, Suite One • San Francisco, CA •94133

September 28, 2017

Ms. Julia Harper Cooper
Chief Financial Officer
Successor Agency to the San Jose Redevelopment Agency
200 East Santa Clara Street, 13th Floor
San Jose, CA 95113-1905

Dear Ms. Cooper,

As co-Municipal Advisors to the Successor Agency to the San Jose Redevelopment Agency, Public Financial Management and Ross Financial offer the following analysis of the Successor Agency's proposed refunding bonds. Section 34177.5(a)(1) of the Health and Safety Code authorizes the Successor Agency to issue refunding bonds to refund bonds or other obligations of the Successor Agency for the purpose of achieving aggregate debt service savings within the parameters of Section 34177.5(a)(1). Public Financial Management and Ross Financial have analyzed a refunding of 25 series of the Successor Agency's bonds, totaling $1,718,675,000 in outstanding principal. We estimate that, based on interest rates on September 28, 2017, $163,899,953 in debt service savings and $112,818,326 in net present value savings can be generated through an issuance of refunding bonds in today's market. This analysis supersedes the information presented in May based on updated interest rates and tax analysis. The savings estimate is in compliance with the Health and Safety Code Section 34177.5(a)(1) and suggests a substantial benefit for the Successor Agency and other affected taxing entities. Therefore, we advise moving forward with the process of issuing refunding bonds. Our results are detailed on the following pages.

Sincerely,

/s/	/s/
Robert Gamble, Managing Director	Peter Ross, Principal
PUBLIC FINANCIAL MANAGEMENT	ROSS FINANCIAL

Summary of Bonds Refunded
Total of $1,718,675,000 in principal targeted for refunding.

Maturity	1996A Sub. (VRDB)	1996B Sub. (VRDB)	1997 TAB	1997E Housing (AMT)	1999 TAB	2001A Revenue (SJFA)
7/1/2018	1,500,000	1,500,000				
8/1/2018			440,000	495,000	7,165,000	
9/1/2018						2,170,000
7/1/2019	1,500,000	1,500,000				
8/1/2019			460,000	535,000	5,755,000	
9/1/2019						2,285,000
7/1/2020	1,700,000	1,700,000				
8/1/2020			15,000	565,000		
9/1/2020						2,395,000
7/1/2021	1,900,000	1,900,000				
8/1/2021			15,000	605,000		
9/1/2021						2,510,000
7/1/2022	1,900,000	1,900,000				
8/1/2022			10,000	635,000		
9/1/2022						2,635,000
7/1/2023	2,000,000	2,000,000				
8/1/2023			15,000	675,000		
9/1/2023						2,770,000
7/1/2024	1,600,000	1,600,000				
8/1/2024			20,000	725,000		
9/1/2024						2,905,000
7/1/2025	1,600,000	1,600,000				
8/1/2025			610,000	3,260,000		
9/1/2025						3,055,000
7/1/2026	1,700,000	1,700,000				
8/1/2026			640,000	3,460,000		
9/1/2026						3,205,000
8/1/2027			675,000	3,670,000		
8/1/2028			715,000			
8/1/2029						
8/1/2030						
8/1/2031						
8/1/2032						
8/1/2033						
8/1/2034						
8/1/2035						
8/1/2036						
Total	**$15,400,000**	**$15,400,000**	**$3,615,000**	**$14,625,000**	**$12,920,000**	**$23,930,000**

Maturity	2001F LRB (SJFA)	2003 TAB	2003A Sub. (Taxable VRDB)	2003B Sub. (VRDB)	2003J Housing (Taxable)	2003K Housing	2004A TAB
7/1/2018							
8/1/2018		920,000	1,675,000		3,020,000	285,000	31,900,000
9/1/2018	12,165,000						
7/1/2019							
8/1/2019		3,600,000	1,765,000		3,165,000	300,000	15,000,000
9/1/2019	12,760,000						
7/1/2020							
8/1/2020		3,185,000	1,845,000		3,330,000	310,000	
9/1/2020	13,385,000						
7/1/2021							
8/1/2021		95,000	1,935,000		3,505,000	325,000	
9/1/2021	14,045,000						
7/1/2022							
8/1/2022		75,000	2,015,000		2,015,000	340,000	
9/1/2022	14,730,000						
7/1/2023							
8/1/2023		50,000	5,000		2,120,000	355,000	
9/1/2023							
7/1/2024							
8/1/2024		25,000			2,235,000	370,000	
9/1/2024							
7/1/2025							
8/1/2025		19,035,000				385,000	
9/1/2025							
7/1/2026							
8/1/2026		1,730,000				405,000	
9/1/2026							
8/1/2027		15,185,000				420,000	
8/1/2028		2,865,000		500,000		440,000	
8/1/2029		2,975,000		3,400,000		460,000	
8/1/2030		27,265,000		3,500,000			
8/1/2031		4,115,000		3,700,000			
8/1/2032		8,735,000		3,900,000			
8/1/2033		34,100,000					
8/1/2034							
8/1/2035							
8/1/2036							
Total	**$67,085,000**	**$123,955,000**	**$9,240,000**	**$15,000,000**	**$19,390,000**	**$4,395,000**	**$46,900,000**

Maturity	2005A TAB	2005A Housing	2005B Housing (Taxable)	2006A TAB (Taxable)	2006B TAB	2006C TAB
7/1/2018						
8/1/2018	7,325,000	970,000	3,125,000			
9/1/2018						
7/1/2019						
8/1/2019	23,530,000	980,000	3,290,000			
9/1/2019						
7/1/2020						
8/1/2020	22,140,000	990,000	3,495,000	1,800,000		
9/1/2020						
7/1/2021						
8/1/2021	295,000	1,010,000	3,685,000	5,500,000		
9/1/2021						
7/1/2022						
8/1/2022	310,000	2,060,000	3,570,000	6,000,000		
9/1/2022						
7/1/2023						
8/1/2023	315,000	2,165,000	3,750,000			11,995,000
9/1/2023						
7/1/2024						
8/1/2024	330,000	2,270,000	3,940,000			74,280,000
9/1/2024						
7/1/2025						
8/1/2025	6,760,000		6,390,000			51,980,000
9/1/2025						
7/1/2026						
8/1/2026	7,095,000		6,715,000		3,800,000	53,120,000
9/1/2026						
8/1/2027	7,445,000		4,350,000		4,200,000	41,215,000
8/1/2028	7,815,000		8,300,000		1,000,000	42,790,000
8/1/2029			6,725,000		1,000,000	53,380,000
8/1/2030			7,575,000			31,630,000
8/1/2031			7,985,000		9,000,000	32,995,000
8/1/2032			5,140,000		9,500,000	30,045,000
8/1/2033			5,425,000			
8/1/2034			4,845,000		21,000,000	
8/1/2035			695,000		17,500,000	
8/1/2036						
Total	**$83,360,000**	**$10,445,000**	**$89,000,000**	**$13,300,000**	**$67,000,000**	**$423,430,000**

Maturity	2006D TAB	2007B TAB	2008A TAB	2008B TAB	2010A-1 Housing (AMT)	2010C Housing (Taxable VRDB)	Grand Total
7/1/2018							3,000,000
8/1/2018	13,885,000	1,970,000	4,600,000		1,810,000	3,460,000	83,045,000
9/1/2018							14,335,000
7/1/2019							3,000,000
8/1/2019	16,205,000	2,050,000		4,730,000	1,905,000	3,665,000	86,935,000
9/1/2019							15,045,000
7/1/2020							3,400,000
8/1/2020	39,215,000	3,570,000		5,025,000	2,000,000	3,870,000	91,355,000
9/1/2020							15,780,000
7/1/2021							3,800,000
8/1/2021	64,135,000	3,340,000		5,335,000	2,095,000	4,120,000	95,995,000
9/1/2021							16,555,000
7/1/2022							3,800,000
8/1/2022	67,330,000	3,290,000		5,670,000	3,180,000	4,365,000	100,865,000
9/1/2022							17h8,365,000
7/1/2023							4,000,000
8/1/2023	58,725,000	2,710,000		4,235,000	2,065,000	4,125,000	93,305,000
9/1/2023							2,770,000
7/1/2024							3,200,000
8/1/2024		2,830,000		4,505,000	2,165,000	4,365,000	98,060,000
9/1/2024							2,905,000
7/1/2025							3,200,000
8/1/2025		2,960,000		4,660,000	2,280,000	4,630,000	102,950,000
9/1/2025							3,055,000
7/1/2026							3,400,000
8/1/2026		17,515,000		6,255,000	2,395,000	4,910,000	108,040,000
9/1/2026							3,205,000
8/1/2027		19,360,000		6,700,000	5,245,000	5,210,000	113,675,000
8/1/2028		16,240,000		3,965,000	2,350,000	4,205,000	91,185,000
8/1/2029		15,730,000		4,455,000	4,305,000	4,385,000	96,815,000
8/1/2030		1,525,000		5,500,000	2,225,000	3,745,000	82,965,000
8/1/2031		17,700,000		5,120,000	2,350,000	3,970,000	86,935,000
8/1/2032		18,500,000		5,460,000	5,760,000	4,205,000	91,245,000
8/1/2033		9,000,000		2,730,000	1,710,000	2,750,000	55,715,000
8/1/2034		23,940,000		3,200,000	2,675,000	2,920,000	58,580,000
8/1/2035		23,970,000		2,600,000	6,305,000	2,725,000	53,795,000
8/1/2036		5,400,000					5,400,000
Total	**$259,495,000**	**$191,600,000**	**$4,600,000**	**$80,145,000**	**$52,820,000**	**$71,625,000**	**$1,718,675,000**

Estimated Sources and Uses (Preliminary)

Sources:	2017A-T (Taxable)	2017A	2017B Subordinate	Total
Par Amount	$1,323,680,000	$55,750,000	$324,480,000	$1,703,910,000
Premium	0	7,955,238	42,159,707	50,114,945
Reserve Funds on Hand	10,170,595	23,803,883	0	33,974,477
Total Sources	**$1,333,850,595**	**$87,509,121**	**$366,639,707**	**$1,787,999,422**

Uses:	2017A-T (Taxable)	2017A	2017B Subordinate	Total
Refunding Escrow	$1,310,244,926	$86,943,963	$359,952,721	$1,757,141,610
Issuance Costs	11,952,626	74,361	476,081	12,503,068
Underwriter's Discount	7,006,824	295,109	1,717,616	9,019,550
Bond Insurance / Surety	4,646,219	195,687	4,493,288	9,335,194
Total Uses	**$1,333,850,595**	**$87,509,121**	**$366,639,707**	**$1,787,999,422**

Note: Issuance Costs include rating agency fees, legal and other professional fees, arbitrage rebate, and other costs of issuing the Refunding Bonds. The estimated arbitrage rebate liability of $10 million is included in the Issuance Costs for 2017A-T.

Dollar Saving by Year (Preliminary)

Calendar Year	Prior Debt Service	Refunding Debt Service	Dollar Savings Per Year
2018	184,619,606	154,238,872	30,380,734
2019	184,351,069	154,237,716	30,113,353
2020	184,600,904	154,237,141	30,363,763
2021	184,879,730	154,237,822	30,641,908
2022	184,724,542	154,239,618	30,484,924
2023	156,623,776	154,235,586	2,388,190
2024	155,700,132	154,236,646	1,463,486
2025	155,492,331	154,236,697	1,255,634
2026	155,388,292	154,236,121	1,152,171
2027	148,608,710	148,608,487	223
2028	120,807,372	120,802,350	5,022
2029	122,271,960	122,269,049	2911.13
2030	103,896,092	103,891,271	4,821
2031	103,863,244	103,859,106	4,139
2032	103,937,723	103,933,330	4,393
2033	63,965,897	63,963,450	2,447
2034	64,031,224	64,030,070	1,154
2035	56,501,678	56,500,500	1,178
2036	5,629,500		5,629,500
Total	**$2,439,893,783**	**$2,275,993,830**	**$163,899,953**

Present Value Savings Summary (Preliminary)

Savings PV Date	12/21/2017
Savings PV Rate	3.75%
PV of Savings from Cash Flow	$146,789,735
Less: Prior Funds on Hand	(33,974,477)
Plus: Refunding Funds on Hand	3,068
Net Present Value Savings	**$112,818,325.89**

Comparison to May 18th Memorandum (Preliminary)

Statistic	May 18th	Current	Difference
Outstanding Principal	$1,732,345,000	$1,718,675,000	($13,670,000)
2017A-T (Taxable) Principal	340,525,000	1,323,680,000	+983,155,000
2017A Principal	964,340,000	55,750,000	(908,590,000)
2017B (Subordinate) Principal	241,990,000	324,480,000	+82,490,000
Total Refunding Principal	1,546,855,000	1,703,910,000	+157,055,000
Maximum Annual Debt Service	147,448,955	154,239,618	+6,790,663
Total Debt Service	2,219,956,956	2,275,993,830	+56,036,874
Total Cashflow Savings	237,887,625	163,899,953	(73,987,672)
Net Present Value Savings $	160,362,158	112,818,326	(47,543,832)
Net Present Value Savings %	9.26%	6.56%	(2.70%)