PSFSS Committee: 8/15/2019, Item\_\_\_\_ Attachment A

# Fourth Quarter Financial Report for Fiscal Year 2018-2019

# Public Safety, Finance and Strategic Support Committee

#### Presenters:

Julia H. Cooper, Director of Finance Lisa Taitano, Assistant Director of Finance Qianyu Sun, Investment Officer

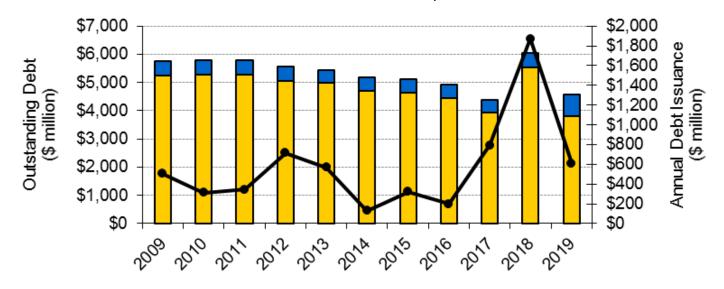


# Fourth Quarter Debt Management Report for Fiscal Year 2018-2019

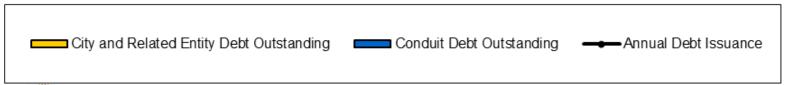


### **Outstanding Debt Issued by All Agencies**

Outstanding Debt as of June 30, 2019: \$4.6 Billion FY 2018-19 Actual Debt Issuance: \$609.0 Million



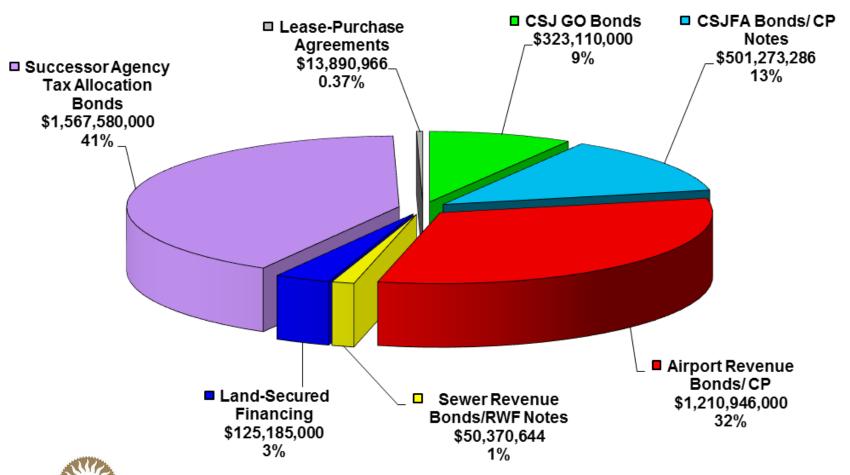
Fiscal Year Ended June 30





# Outstanding Debt Issued by All Agencies Excluding Multifamily Housing Revenue Bonds

Outstanding Debt as of June 30, 2019: \$3,792,355,896



<sup>\*</sup> Excludes conduit debt, pension, OPEB, and other long-term liabilities of the City.

# Selected Debt Issuance and Debt Management Activities during 4<sup>th</sup> Quarter (April-June 2019)

- Debt Issuance
  - > CSJFA lease revenue commercial paper notes
    - \$3.8 million for Flood Improvements, issued June 2019
  - Norman Y. Mineta San Jose International Airport Commercial Paper Notes
    - \$15.0 million for terminal expansion project, issued June 2019
  - Clean Energy entered into a separate standby letter of credit with four power providers
    - \$13.5 million issued, but not drawn upon as of June 2019
  - > Pre-issuance
    - Update various issuing documents of General Obligation Bonds, Series 2019 Bonds, for new money and refunding purposes.



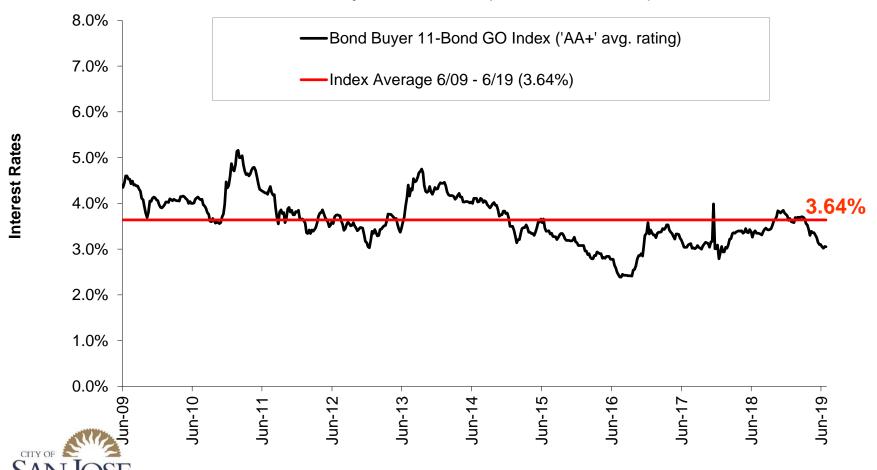
# Upcoming Debt Issuance Through December 31, 2019

- 2019 General Obligation Bonds (July 2019)
  - New Issuance Measure T the first issuance under Measure T authorization in the amount of \$239.9 million, consisting of the Series 2019A Bonds, \$173,400,000 and taxable Series 2019B, \$66,500,000.
  - New Issuance Remaining authorization of Measure O (2000) & Measure O (2002), Series 2019C, \$9,230,000.
  - Refunding of Prior General Obligation Bonds, Series 2019C Bonds, \$148,955,000 and taxable Series 2019D Bonds, \$103,935,000.
- Multi-Family Housing Revenue Bonds
  - Lenzen Square Apartments \$23.0 million (Summer 2019)
  - Markham Plaza I Apartments \$30.0 million (Summer 2019)
  - Palm Court Apartments \$16 million (Fall 2019)
  - Vista Park I Apartments- \$19 million (Fall 2019)
    - Quetzal Gardens Apartments \$45.0 million (Fall 2019)



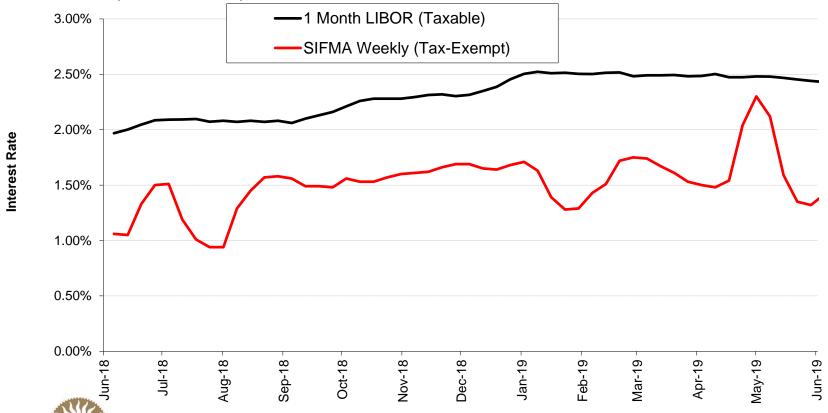
### **Ten-Year Tax-Exempt Market Index (Fixed Rate)**

10-year historic tax-exempt long-term interest rates averaged
 3.64% and are currently at 2.99% (as of 7/18/19)



#### Variable Taxable and Tax-Exempt Interest Rates

- Tax-Exempt SIFMA weekly interest rates paid by the City averaged 1.70% in Q4 and are currently at 1.27% (as of 7/18/2019)
- Taxable LIBOR monthly interest rates paid by the City averaged 2.44% in Q4 and are currently at 2.27% (as of 7/18/2019)



# City of San José – Credit Ratings<sup>1</sup>

- City continues to maintain high general obligation (G.O.) credit ratings of <u>Aa1/AA+/AA+</u> and lease revenue bond ratings of <u>Aa2-Aa3<sup>2</sup>/AA/AA</u>
  - City G.O. bonds continue to be rated higher than State of California (Aa3/AA-/AA-)
  - Santa Clara County G.O. bonds are rated Aa1 by Moody's, slightly higher by S&P (AAA), and AA+ by Fitch
- SJC Airport bonds are rated <u>A2/A/A-</u>
- SARA Senior Tax Allocation Bonds are rated AA and the Subordinate Tax Allocation Bonds are rated AA- by both S&P and Fitch<sup>3</sup>

<sup>&</sup>lt;sup>3</sup> Successor Agency to the San Jose Redevelopment Agency Bonds are not rated by Moody's.



<sup>&</sup>lt;sup>1</sup>Ratings are listed in the following order by rating agency (unless noted otherwise): Moody's/S&P/Fitch.

<sup>&</sup>lt;sup>2</sup> Moody's determines its lease revenue bond ratings, in part, based on "essentiality" of leased asset; bonds tied to an essential asset like City Hall carry a higher rating (Aa2) than bonds tied to a less essential asset like the Convention Center (Aa3).

# Fourth Quarter Investment Management Report for Fiscal Year 2018-2019



# **Investment Policy (Council Policy 1-12)**

- Conforms to the California Government Code Sections 53600 et seq.
- Authorized investments only include high grade fixed income securities. (Long-term rating A or higher; Shortterm rating A1/P1/F1)
- Policy is reviewed annually and shall be adopted by resolution of the City Council
- Investment Program is audited semiannually for compliance purposes



## **Investment Objectives & Reporting**

- Manage investments to meet the City's objectives:
  - Safety
  - Liquidity
  - Yield
- Quarterly reports on-line, placed on PSFSS
   Committee agenda and separately agendized
   for City Council's acceptance

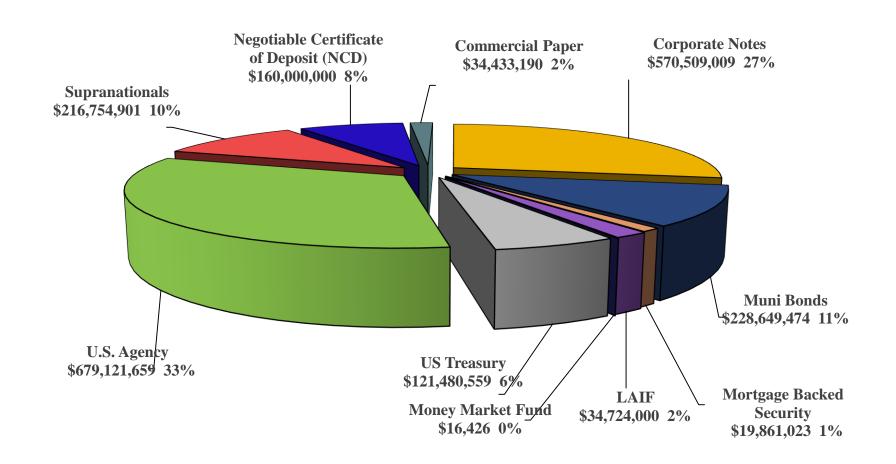


## **Summary of Portfolio Performance**

- Size of total portfolio: \$2,065,550,242
- Earned interest yield: 2.348%
- Weighted average days to maturity: 661 days
- Fiscal year-to-date net interest earnings: \$35,501,942
- No exceptions to the City's Investment Policy during this quarter.



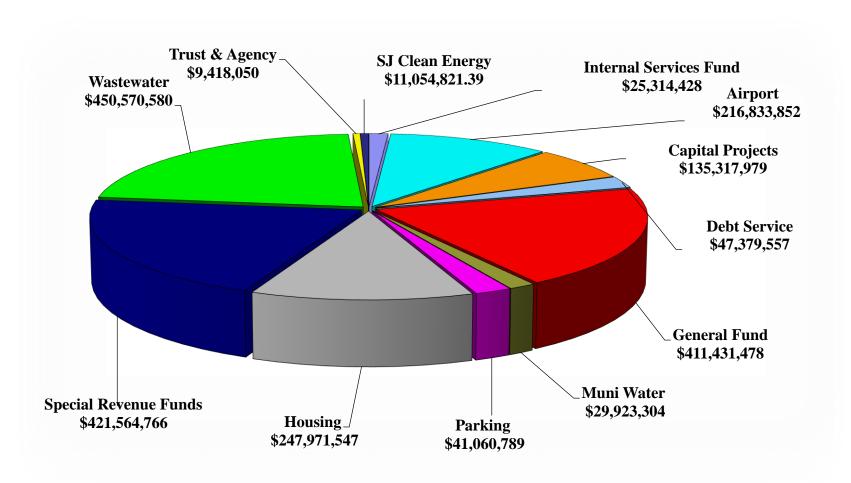
#### **Portfolio Investment**





Total Investment Portfolio = \$2,065,550,242

# **Investment by Fund**



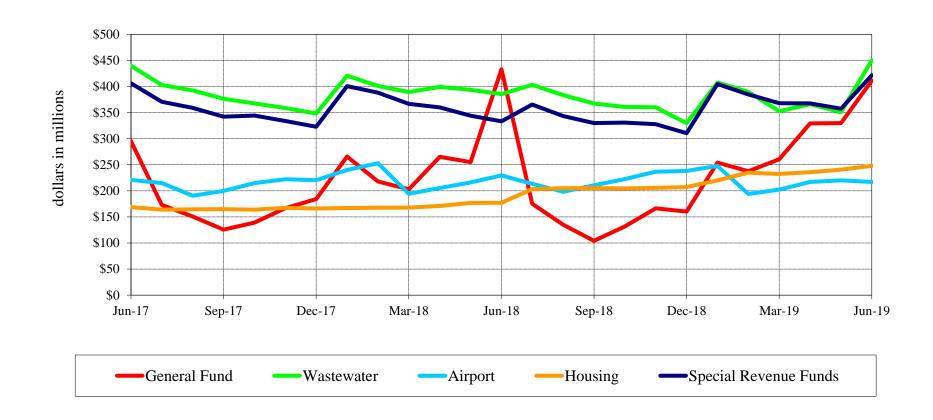


#### **General Fund Balances**

- General Fund balances increased by approximated \$151 million to \$411.43 million this quarter, as the bulk of property taxes were received
- Projected investment maturities and revenue are sufficient to cover anticipated expenditures for the next six months

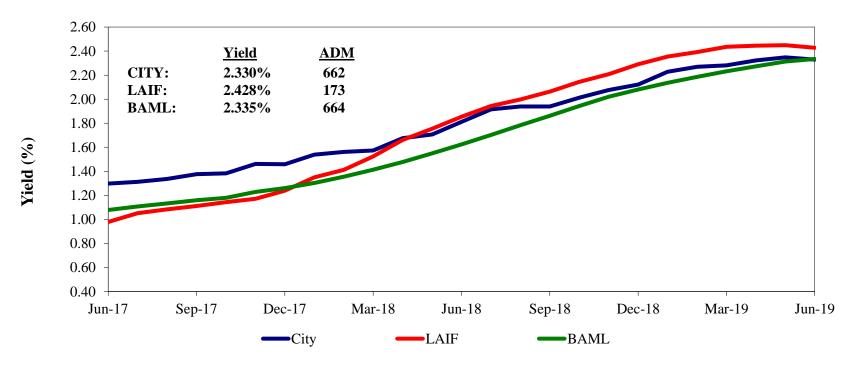


# Comparison of Cash Balances by Select Funds





# **Benchmark Comparisons**



#### Notes:

- 1. City refers to City's Fund 1 Portfolio, and the yield data are month end weighted average yields.
- 2. LAIF refers to the State of CA Local Agency Investment Fund and yield data are average monthly effective yields.
- 3. BAML refers to Bank of America Merrill Lynch 1-3 Year AAA-A US Corporate & Government Index and yield data are rolling 2-year effective yield



# **Investment Strategy**

- Continue matching investment maturities with known expenditures within the 24-month horizon
- Extend a portion of the portfolio beyond two-year term, when appropriate, to provide income and structure to the portfolio
- Maintain the diversification of the portfolio
- Focus on core mandate of safety, liquidity, and yield



# Fourth Quarter Revenue Management Report for Fiscal Year 2018-2019



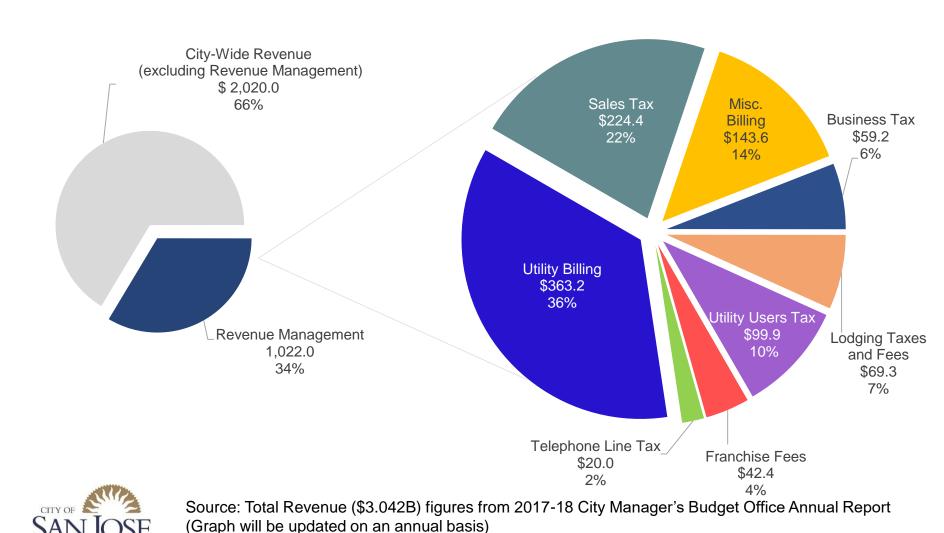
## **Revenue Management Programs**

- Finance Department revenue collection efforts focus on reducing delinquent accounts receivable and enhancing revenue compliance in four primary collection programs:
  - > Accounts Receivable
  - Business Tax
  - Compliance and Monitoring
  - Utility Billing
- Efforts may span several reporting periods and actual collections are reported when funds are received by the City



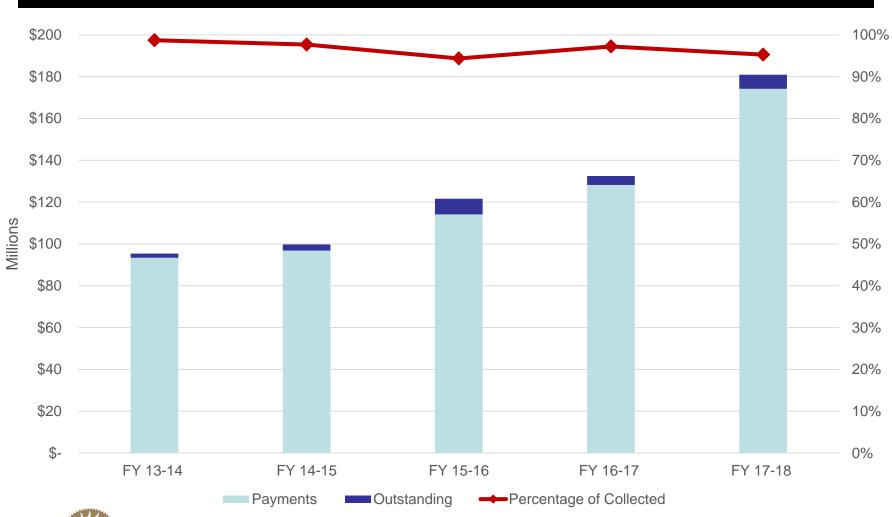
# **Revenue Management Portfolio**

FY 2017-18 Revenue (\$ in millions)



**PAGE 22** 

# **Invoicing and Payments**5 Years History (FY 2013-14 to FY 2017-18)



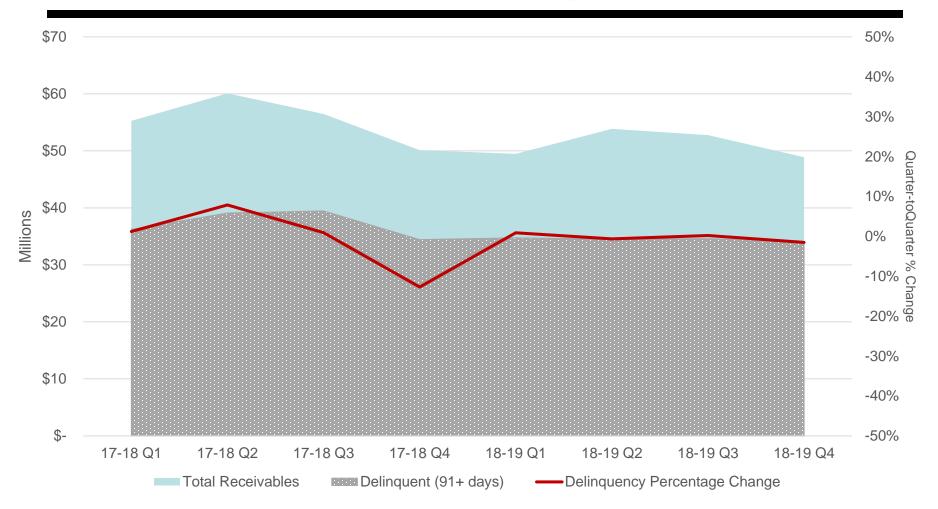


\*Invoices billed through Business Tax System and the centralized Miscellaneous Billing system, RevQ (Graph will be updated on an annual basis)

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## **Outstanding Receivables**

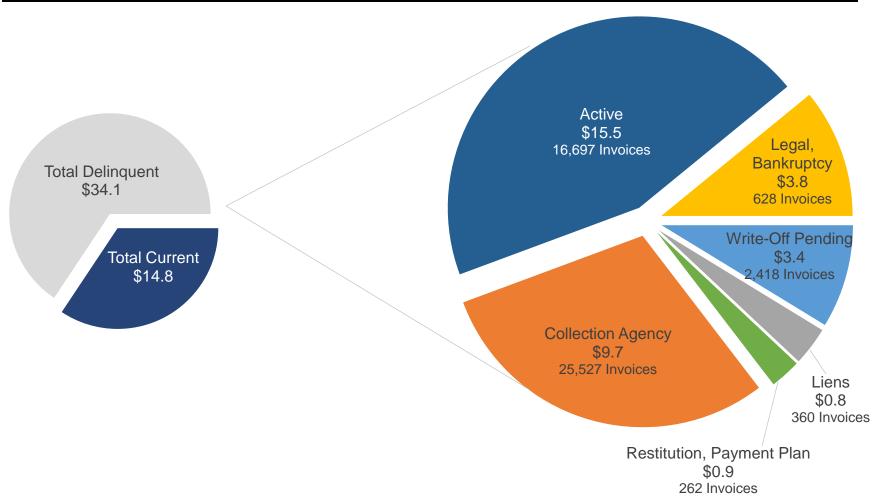
#### **Two Year History**





## **Delinquent Receivables**

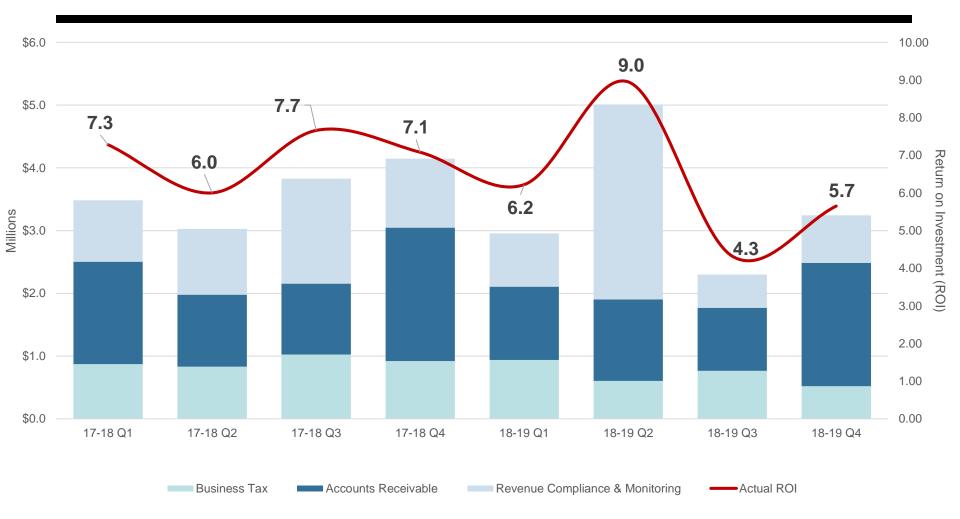
#### **Collection Status Summary (\$ in millions)**





As of June 30, 2019

#### **Collections & Return on Investment**





Target ROI: 5.5

#### Recommendation

- Accept the Fourth Quarter Financial Reports for Fiscal Year 2018-2019 for the following programs:
  - Debt Management
  - Investment Management
  - Revenue Management
- Refer the Fourth Quarter Financial Reports for Fiscal Year 2018-2019 to the September 10, 2019 City Council meeting for full adoption.

