



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL/CITY OF SAN JOSE
FINANCING AUTHORITY BOARD

FROM: Julia H. Cooper

SUBJECT: ACTIONS RELATED TO THE
CITY OF SAN JOSE FINANCING
AUTHORITY LEASE REVENUE
BONDS, SERIES 2008E (ICE
CENTRE REFUNDING PROJECT)

DATE: May 28, 2020

Approved

Date

5/29/20

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL

As outlined in the original memo related to the extension of the private placement of the Series 2008E Bonds with U.S. Bank National Association (U.S. Bank), U.S. Bank required changes to the bond documents. This Supplemental Memo addresses an additional change to the bond documents related to how interest is calculated on the Series 2008E Bonds.

Interest on the Series 2008E Bonds is calculated based on an index rate called the LIBOR Index Rate. The LIBOR Index Rate is the sum of the LIBOR Index plus the Applicable Rate. The LIBOR Index for the direct purchase of the 2008E Bonds by U.S. Bank for the 178-day period expiring on December 4, 2020 is the 1-month LIBOR rate, subject to a minimum rate of 75 basis points (or 0.75%) and is established once a month. Modifying language is necessary to the Fourth Amendment to the Amended and Restated Indenture of Trust by and between the City of San José Financing Authority and Wells Fargo Bank, N.A. (as Trustee) (the “Indenture”) to the definition of the LIBOR Index. The definition of Applicable Rate is included in the Second Amendment to Continuing Covenant Agreement among City of San José Financing Authority and U.S. Bank National Association (the “CCA”).

During this period the 2008E Bonds will continue in an “Index Mode,” whereby the LIBOR Index Rate will continue to be based on the LIBOR Index (now subject to a 0.75% floor), as described in the Indenture, plus the Applicable Rate, as described in the CCA. The Applicable Rate is based on the City’s lease revenue bond rating. Under the revised pricing with this amendment, anytime the 1-month LIBOR is less than 0.75%, the LIBOR index would be 0.75%.

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For example, based on the 1-month LIBOR rate of 0.1695%, on May 26, 2020 and the initial Applicable Rate of 0.75%, the interest rate to the City would be 0.75% + 0.75% or 1.50%.

The definition of LIBOR Index in the Indenture has therefore been modified in the Fourth Amendment to the Amended and Restated Indenture of Trust to include the following language:

Notwithstanding the foregoing, during the period commencing on June 9, 2020 and continuing up to and including the last day of the Initial Period, the LIBOR Index shall under no circumstances be less than 0.75%.

In its entirety, the revised definition in the Indenture is (new language italicized):

“**LIBOR Index**” means the rate of interest per annum for United States Dollar deposits in the London Interbank Market, as quoted by the Calculation Agent from Reuters Screen LIBOR01 Page or any successor thereto, which shall be that one-month LIBOR rate in effect two Business Days prior to the LIBOR Index Reset Date or the LIBOR Index Rate Conversion Date, as the case may be, such rate to be reset monthly on each LIBOR Index Reset Date. If for any reason such LIBOR Index is unavailable and/or the Calculation Agent is unable to determine the LIBOR Index Rate for any LIBOR Index Rate Period, the Calculation Agent may, at its discretion, either: (a) select a replacement index based on the arithmetic mean of the quotations, if any, of the interbank offered rate by first class banks in London or New York for deposits with comparable maturities or (b) deem the LIBOR Index to be a rate per annum equal to the Calculation Agent’s Federal Funds Rate as of the first day of any LIBOR Index Rate Period for which such LIBOR Index is unavailable or cannot be determined; provided that the Calculation Agent shall give prompt written notice to the Authority and the Trustee setting forth such change in interest rate, the nature of the circumstances giving rise to such change, and the method of calculating such change if based on a replacement index. The Calculation Agent’s internal records of applicable interest rates shall be determinative in the absence of manifest error. *Notwithstanding the foregoing, during the period commencing on June 9, 2020 and continuing up to and including the last day of the Initial Period, the LIBOR Index shall under no circumstances be less than 0.75%.*

The documents posted to the Agenda Services website will reflect these proposed amendments.

/s/

JULIA H. COOPER
Director of Finance

For any questions, please contact Julia H. Cooper, Director of Finance, at 408-535-7011.