

Authorization of Taxable Lease Revenue Bonds

**Series 2020A
(Civic Center
Refunding Project)**

**Series 2020B
(Ice Centre Project)**

**Joint
City Council/
City of San José
Financing Authority
Agenda
August 25, 2020**

Item # 1 and #2

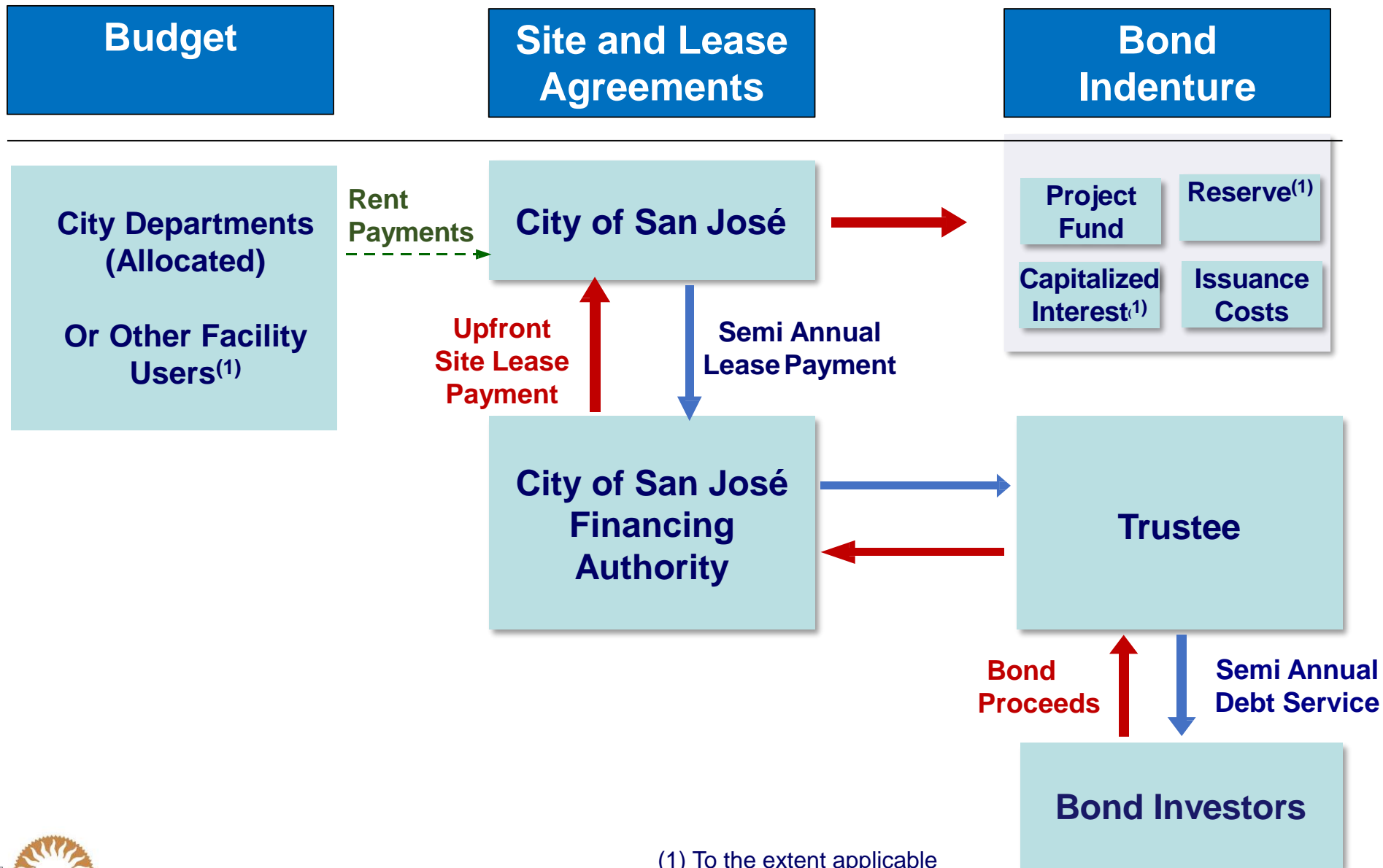


Presenters:

**Julia H. Cooper
Nikolai J. Sklaroff**

*Director of Finance
Deputy Director, Debt and
Treasury Management*

Typical Lease Revenue Bond Structure



Policy Requirements for Lease Revenue Bonds

➤ Subject to

- ✓ San José Municipal Code Chapter 4.34 related to lease financings
 - ✓ Debt Management Policy - City Council Policy 1-15
 - ✓ Under Section III (D) of the Debt Management Policy, the Finance Department is required to conduct its due diligence for the proposed lease financing and identify a source of repayment.
- A feasibility study is required only when the revenues of the project being financed are the source of repayment.
- UNDER BOTH THE DEBT MANAGEMENT POLICY AND SAN JOSE MUNICIPAL CODE SECTION 4.34.200, APPROVAL OF THE ISSUANCE OF THE LEASE REVENUE BONDS FOR NEW PROJECTS REQUIRES A TWO-THIRDS VOTE BY THE CITY COUNCIL (8 VOTES).

Importance of Disclosure - Speaking to the Market

- Issuers of municipal securities have an obligation to ensure that information contained in their disclosure documents is accurate and complete in all material respects
- Proper disclosure allows investors to understand and evaluate the financial health of the local municipality in which they invest.

DRAFT - AGENDA VERSION

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2020

NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's: _____
S&P: _____
Fitch: _____
See "RATINGS" herein

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however, to certain qualifications described herein, under existing law, interest on the Bonds is exempt from State of California personal income taxes. Bond Counsel observes that interest on the Bonds is not excluded from gross income for federal income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences caused by the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

CITY OF SAN JOSE
CITY OF SAN JOSE FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS, SERIES 2020A

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CITY OF SAN JOSE
CITY OF SAN JOSE FINANCING AUTHORITY
TAXABLE LEASE REVENUE BONDS, SERIES 2020A
(CIVIC CENTER REFUNDING PROJECT)

Dated: Date of Delivery Due: June 1, as shown on inside cover

Authority for Issuance. The bonds captioned above (the "Bonds") are being issued by the City of San José Financing Authority (the "Authority") under a resolution adopted by the Board of Directors of the Authority on August 25, 2020, and an Indenture of Trust dated as of September 1, 2020 (the "Indenture"), by and between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee"). See "THE BONDS - Authority for Issuance."

Purpose. The Bonds are being issued primarily to (i) refinance on a current basis the outstanding Lease Revenue Refunding Bonds, Series 2006A (Civic Center Project) of the Authority and the related lease payment obligation of the City of San José (the "City") (i) refund on a current basis the outstanding Lease Revenue Bonds, Series 2007A (Recreational Facilities Refunding Project) of the Authority and prepayment of the related lease payment obligation of the City, (ii) refinance on an advance basis the outstanding Lease Revenue Refunding Bonds, Series 2013A (Civic Center Project) of the Authority and the related lease payment obligation of the City, (iv) prepare the City's rental obligations under a Master Equipment Lease/Purchase Agreement, (v) finance the acquisition and construction of public improvements, and (vi) pay the costs of issuing the Bonds. See "FINANCING PLAN."

Security. Under the Indenture, the Bonds are payable from and secured by a first pledge of and lien on "Revenues" (as defined in this Official Statement) received by the Authority under the Lease Agreement, dated as of September 1, 2020, by and between the Authority, as lessor, and the City, as lessee (the "Lease"), consisting primarily of lease payments (the "Lease Payments") made by the City under the Lease with respect to the lease of certain real property, as further described in this Official Statement. The Bonds are also secured by certain funds on deposit under the Indenture. Neither the Authority nor the City is establishing a reserve account for the Bonds. See "SECURITY FOR THE BONDS."

Book-Entry Only. The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds are issuable as fully registered securities in denominations of \$5,000 or any integral multiple of \$5,000. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical certificates representing their interest in the Bonds. See "THE BONDS" and APPENDIX G.

Payments. Interest on the Bonds accrues from the date of delivery and is payable semiannually on June 1 and December 1 of each year, commencing June 1, 2021. Payments of principal and interest on the Bonds will be paid by the Trustee to DTC for subsequent disbursement to DTC Participants, which will remit such payments to the Beneficial Owners of the Bonds. See "THE BONDS - General Provisions."

Redemption. The Bonds are subject to optional redemption, mandatory sinking fund payment redemption and special mandatory redemption from insurance or condemnation proceeds prior to maturity. See "THE BONDS - Redemption."

NONE OF THE BONDS, THE OBLIGATION OF THE AUTHORITY TO PAY PRINCIPAL OF OR INTEREST THEREON, OR THE OBLIGATION OF THE CITY TO MAKE THE LEASE PAYMENTS CONSTITUTE A DEBT OR A LIABILITY OF THE AUTHORITY, THE CITY, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL LIMITATION ON INDEBTEDNESS, OR A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY. THE BONDS ARE SECURED SOLELY BY THE PLEDGE OF REVENUES AND CERTAIN FUNDS HELD UNDER THE INDENTURE. THE BONDS ARE NOT SECURED BY A PLEDGE OF THE TAXING POWER OF THE CITY.

MATURITY SCHEDULE
(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS.

The Bonds are offered when, as and if issued and received by the Underwriters and subject to the approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the Authority and the City by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Certain legal matters will be passed upon for the Underwriters by its counsel, Nixon Peabody LLP. It is anticipated that the Bonds will be delivered in book-entry form through the facilities of DTC on or about _____, 2020.

J.P. MORGAN
US BANCORP

BofA SECURITIES
JEFFERIES

The date of this Official Statement is: _____, 2020

* Preliminary; subject to change.

DRAFT—Contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov for final document.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time this Official Statement is delivered in final form. Under no circumstances will this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Securities Law

- Section 17(a) of the Securities Act of 1933 prohibits fraud in the offer or sale of securities, including municipal bonds
- Section 10(b) of the Securities and Exchange Act of 1934 prohibits fraud in the purchase or sale of securities, including municipal bonds
- SEC Rule 10(b)(5) prohibits
 - ✓ Making of any untrue statement of material fact
 - ✓ Omitting to state a material fact in the offer or sale of securities

Reviewing the Content of the Official Statement

- Introduction section in the Official Statement describes purpose of the Bonds and source of repayment
- More detailed information and discussions on risks related to repayment of the Bonds included in sections:
 - ✓ Security for the Bonds
 - ✓ Bond Owners' Risks
- Appendix A - describes the City's current financial position including fiscal pressures. It also provides geographic, demographic, economic and financial information useful to investors.
- Appendix B - provides detailed information of the two retirement plans.
- Appendix F – Continuing Disclosure Certificate for the Bonds

Elected officials not expected to be “fact checkers”

An Elected Official's Responsibility

- Review the primary disclosure document for information on key topics:
 - ✓ 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 events or information that could affect the deliberations of a reasonable investor

- After such review of the document the following additional elements should be considered:
 - ✓ Have identified material risks and events been brought to the attention of staff, bond counsel and other professionals?
 - ✓ Have such risks and events been disclosed, and if not, what is the rationale for the non-disclosure?

Elected Officials' Responsibility

- *If any Councilmember or Authority Board member has any personal knowledge that any of the material information in the Official Statements is or may be false or misleading, the Councilmember/Authority Board member must raise these issues prior to approval of the distribution of the document*

Current Bond Ratings

- City met with bond rating agencies on August 20th and 21st and expects updated and new bond ratings and “Rating Outlooks” by August 31st

Rating Agency	Civic Center 2006A and 2013A	Civic Center 2020A	Ice Centre 2008E	Ice Centre 2020B
Moody's Investors Service	Aa2 Stable	TBD	Not Rated (bank owned)	TBD
S&P Ratings	AA Stable	TBD	Not Rated (bank owned)	TBD
Fitch Ratings	AA Stable	TBD	Not Rated (bank owned)	TBD