

# 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

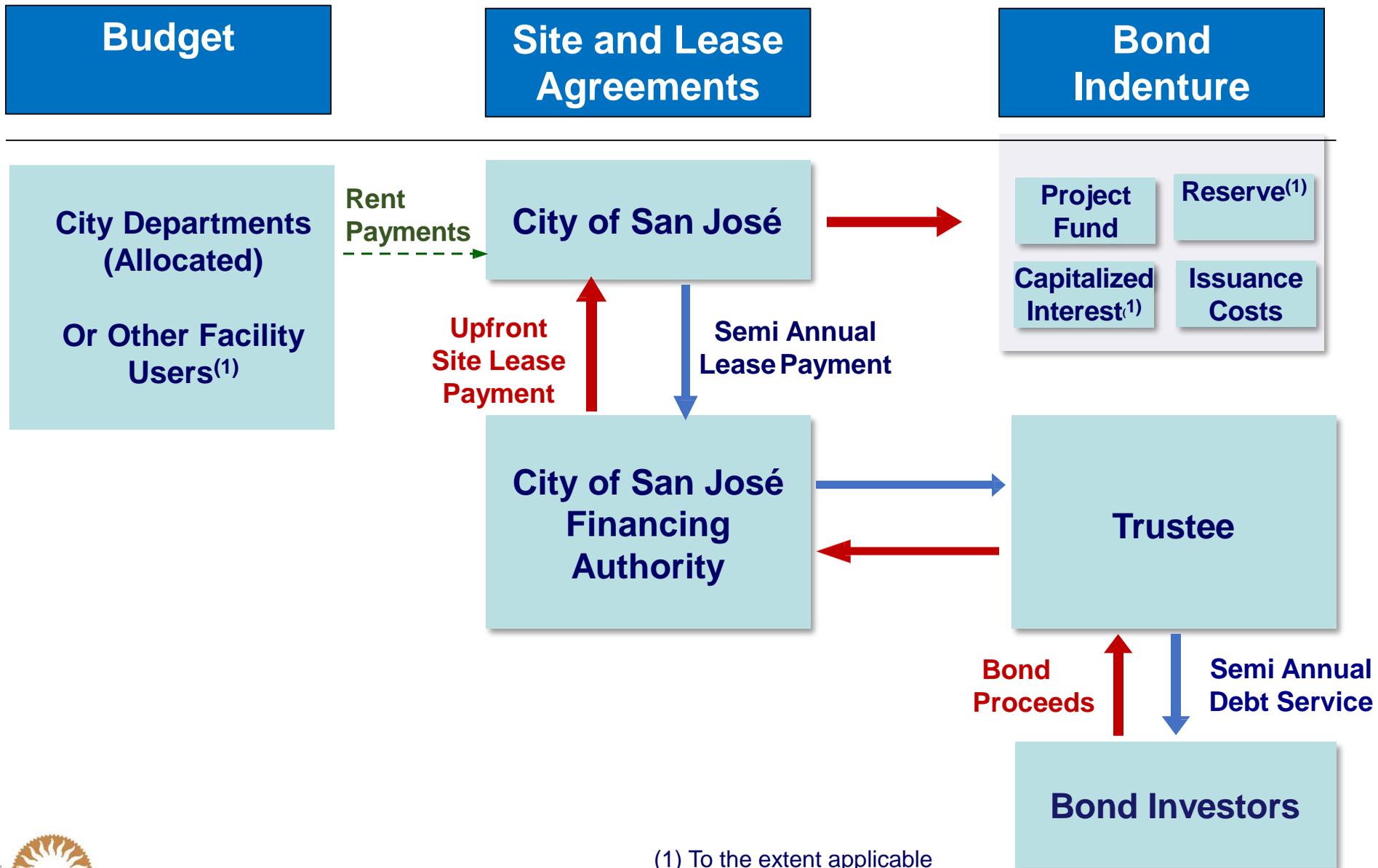


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# Typical Lease Revenue Bond Structure



(1) To the extent applicable

# ***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.



# Securities Law

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- 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***

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- *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 20<sup>th</sup> and 21<sup>st</sup> and expects updated and new bond ratings and “Rating Outlooks” by August 31<sup>st</sup>

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