COUNCIL AGENDA: 06/22/21
FILE: 21-1457
ITEM: 3.8

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Julia H. Cooper
Jim Shannon

SUBJECT: **CITY OF SAN JOSE 2021 TAX AND REVENUE ANTICIPATION NOTE**

DATE: June 9, 2021

Approved D. DSyL Date **6/11/2021**

RECOMMENDATION

a. Adopt a resolution:

(1) Authorizing the issuance and sale of the City of San José 2021 Tax and Revenue Anticipation Note (the "2021 Note") in an aggregate principal amount not to exceed $285,000,000 to be sold through a direct bank placement; and

(2) Approving, in substantially final form, the Note Purchase Agreement and authorizing the Director of Finance or other authorized officers to execute the Note Purchase Agreement with Bank of America, N.A. and other related documents, as necessary, in connection with the issuance of the 2021 Note and authorizing other related actions in connection therewith.

b. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund for Fiscal Year 2021-2022:

(1) Increase the estimate for Other Revenue in the amount of $285,000,000; and

(2) Increase the Citywide TRAN Debt Service appropriation to the Finance Department in the amount of $285,000,000.

OUTCOME

Approval of the recommendations will result in the issuance and sale of the City of San José 2021 Tax and Revenue Anticipation Note ("2021 Note"). Based on plans to prepay portions of the City's retirement costs, and City projections of cash balances in the City's investment pool and information contained within the *2021-2022 Proposed Operating Budget* (the "Proposed Budget"), the proceeds of the 2021 Note will provide necessary funds for cash flow purposes. Net proceeds of this cash flow borrowing, together with approximately $141.3 million in cash, will provide for a lump-sum contribution (i.e., prefunding) of the employer retirement contributions and retiree health benefits for Tier 1 members, across all funds, for Fiscal Year

2021-22. The City does not intend to prefund any portion of the contributions for Tier 2 members for Fiscal Year 2021-22.

EXECUTIVE SUMMARY

The City began prefunding the employer retirement contributions for the Federated City Employees' Retirement System and the Police and Fire Department Retirement Plan (collectively the "Retirement Plans") in 2008 for budgetary savings. Beginning in 2010-2011 and in each fiscal year thereafter through 2018-2019, and in 2020-2021, the City entered into short-term borrowings to avoid a negative cash balance in the General Fund portion of the City Investment Pool. Annually, staff evaluates the budgetary benefit of both the issuance of tax and revenue anticipation notes ("TRAN") and prefunding of the City's retirement contributions.

For 2021-2022, the actuary for each plan has provided estimates for paying the Tier 1 retirement and OPEB costs upfront and on a normal basis. The savings from paying up front is estimated to be $13.9 million. For 2021-2022, the City intends to issue the 2021 Note in the estimated aggregate principal amount of $285 million on July 1, 2021 to be purchased by Bank of America, N.A. (the "Bank"). The City will sell the 2021 Note directly to the Bank, with a portion of the 2021 Note issued as a fixed rate loan, and the remaining portion of the 2021 Note as a variable rate loan. The Bank was selected through a competitive solicitation conducted with the assistance of the City's Municipal Advisor, PFM Financial Advisors, LLC. The City received proposals from 10 banks offering 18 different potential facilities.

Fixed Rate Note. The City expects to issue about half the 2021 Note with a fixed interest rate and half with a variable interest rate; the fixed interest rate would be set two days prior to closing, on June 29, 2021. The Bank offered a fixed rate to be set at closing based on the 12-month tenor for three-month LIBOR[1] (the current indicative LIBOR rate is 14 basis points or 0.14% as of May 28th) plus a credit spread of 0.185% or a total indicative fixed rate as of May 28th of 32.5 basis points (also noted as bps). Interest rate conditions on June 29th may result in a higher or lower actual rate, but once set the rate will be fixed until repaid at maturity on June 30, 2022. The fixed rate note will have provisions that would allow the City to prepay only upon making the Bank whole for all reasonable losses, expenses and liabilities which the Bank may sustain as a consequence of prepaying or missing fixed payments as due referred to "Breakage Fees" in the documents (commonly referred to as a "make whole" provision).

[1] Commonly used variable rate index; acronym for "London Interbank Offered Rate," which represents the average rate at which a leading bank can obtain unsecured funding in the London interbank market. LIBOR serves as a benchmark for various interest rates. While there are various LIBOR indices which are due to be phased out sooner, U.S. one month and three-month LIBOR are set to be phased out on June 30, 2023, long after the TRANs are repaid. Under the documents, in the event LIBOR were unavailable, the Bloomberg Short-Term Bank Yield Index (BSBY) would be the replacement index. Based on a three year look back, BSBY is reported by Bloomberg to have had a 99.6% correlation to one-month LIBOR.

Variable Rate Notes. The variable rate portion of the 2021 Note will offer the City more repayment flexibility as prepayment can be made without any penalty. The monthly interest rate will fluctuate and be based on one-month LIBOR plus a spread of 18.5 basis points (or 0.185%). As of May 28th, one-month LIBOR was 9 basis points thus producing an indicative variable rate of 27.5 basis points (or 0.275%). The City will have an option to prepay the variable rate notes in whole or in part with least three business days prior written notice to the Bank, without penalty or cost.

Estimated Total Costs. Interest costs on variable rate bonds will fluctuate and the total interest cost also will depend on the timing of the City's prepayments. Based on assumed prepayments and projected variable rate borrowing rates rising 2% per month, the estimated interest expense on the 2021 Note is projected to be $981,350 assuming rates as of May 28th and costs associated with the financing are estimated at $97,500, resulting in a total projected cost of borrowing of approximately $1,078,850.

TRAN Repayment. The TRAN structure negotiated by the City provides the flexibility to defer all TRAN repayment to June 30, 2022; the variable rate TRANs also offer the flexibility to prepay a portion of the debt sooner, without penalty, optimizing flexibility for the City's cash management. The TRAN also takes advantage of current low borrowing interest costs. The City would have the flexibility to prepay up to half the borrowed amount early if the City's liquidity position warranted. Staff will monitor actual and projected short-term rates and cash flow projections, and how they impact borrowing costs and portfolio earnings rates to make recommendations on repayment of the variable rate TRANs. As with all variable rate financings, however the final interest costs will only be determined after all the notes are repaid.

The City's TRANs are merely one component of the plan for prepaying annual retirement costs. In Fiscal Year 2021-2022, the City expects to prepay $379.5 million of Tier 1 pension costs for the Federated and Police and Fire plans and $46.8 million of retiree healthcare ("OPEB[2]") with a combination of the net proceeds of the estimated $285 million of TRANs and an estimated payment of $141.3 million of cash from the pooled investment fund.

BACKGROUND

During the development of the *General Fund Structural Deficit Elimination Plan* in 2008, a set of strategies was developed. One of the strategies approved by the City Council on May 16, 2008 was to "utilize financial strategies that have positive net present value," which included annual prefunding of the City's portion of retirement contributions. Historically, the Retirement Plans requires the City to make biweekly contributions in conjunction with each payroll distribution. Those biweekly contributions are calculated based on actual payroll amounts and the contribution rate approved by the Retirement Plans Boards was based on biennial actuarial studies. Any amounts that are not prepaid continue to be paid in this manner.

[2] Other Post-Employment Benefits.

The *2008-2009 Proposed Operating Budget* included a proposal to recognize ongoing budgetary savings that would result from the prepayment of employer retirement contributions for the Retirement Plans. On June 17, 2008, the City Council approved changes to the San José Municipal Code, and on August 1, 2008, the City made its first prefunding of employer retirement contributions, which included only pension contributions. In 2009-2010, the City again prefunded employer retirement contributions, but included contributions for both pension as well as retiree health benefits.

Annually, staff evaluates the budgetary benefit of both prefunding of the City's retirement contributions and the issuance of a TRAN to facilitate the prefunding. From 2008-2009 through 2018-2019, that analysis demonstrated that prefunding provided significant budgetary savings to the City. Beginning in 2010-2011, short-term borrowings were undertaken to prefund the pension and retiree employer contributions, given insufficient funds on a cash flow basis to make the payments without causing a negative cash balance in the General Fund's portion of the City's Investment Pool. For eight years, the City issued TRANs in amounts ranging from $75 million to $150 million to prefund the retirement contributions. For 2019-2020, the City did not prefund retirement contributions because at that time the market conditions were not deemed favorable – the savings from prepayment were not sufficient to offset the combination of lost interest earnings and associated TRAN debt service costs. For Fiscal Year 2020-2021, the City opted to prefund only the annual Tier 1 employer pension contributions.

Table A: City of San Jose Prefunding History (in $millions)

	Federated		Police and Fire		Total		
	Prefunding	Discount	Prefunding	Discount	Prefunding	TRAN	Self Funded
FY 2008-09	$ 63.46	8.250	$ 56.37	8.000	$ 119.83		$ 119.83
FY 2009-10	$ 76.32	7.750	$ 64.38	8.000	$ 140.71		$ 140.71
FY 2010-11	$ 65.95	7.950	$ 86.13	7.750	$ 152.07	$ 75.00	$ 77.07
FY 2011-12	$ 108.36	7.500	$ 137.10	7.500	$ 245.46	$ 100.00	$ 145.46
FY 2012-13	$ 121.00	7.500	$ 105.30	7.250	$ 226.30	$ 100.00	$ 126.30
FY 2013-14	$ 117.82	7.250	$ 136.65	7.125	$ 254.47	$ 100.00	$ 154.47
FY 2014-15	$ 132.44	7.000	$ 146.34	7.000	$ 278.78	$ 100.00	$ 178.78
FY 2015-16	$ 136.43	7.000	$ 148.12	7.000	$ 284.55	$ 100.00	$ 184.55
FY 2016-17	$ 145.87	6.875	$ 149.26	6.875	$ 295.13	$ 100.00	$ 195.13
FY 2017-18	$ 168.11	6.875	$ 174.00	6.875	$ 342.11	$ 150.00	$ 192.11
FY 2018-19	$ 175.40	6.750	$ 183.10	6.750	$ 358.50	$ 150.00	$ 208.50
FY 2020-21	$ 170.94	6.750	$ 188.23	6.750	$ 359.17	$ 130.00	$ 229.17

With current very low interest rates, the City has requested, and the Retirement Plans Boards each have approved at their respective May meetings, pre-payment strategies for the City for Fiscal Year 2021-2022.

The net TRAN proceeds will facilitate prepayment of the City's retirement costs in the amount of $426.3 million for Tier 1 pension costs for both Retirement Plans including the Tier 1 normal costs and Unfunded Actuarial Liability in each Plan, along with the Other Post-Employment

Benefits (OPEB) for Fiscal Year 2021-2022. The estimated prepayment includes cash ($141.3 million) and the 2021 Note proceeds ($285 million). The prepayments of the City's employer contributions to the Retirement Plans in lieu of biweekly contributions will generate approximately $13.9 million, based wholly on savings in the actuarial discount, or $13.7 million including variable rate borrowing costs and additional investment earnings.
The key to this analysis is understanding current interest rate dynamics and savings. The savings are generated principally because the pension and OPEB payments are amortized based on a discount rate – currently 6.625% for Tier I liabilities for the Federated and the Police & Fire Plans and 6.25% for the OPEBs. The math of prepaying on a 6.625% discount on biweekly amounts with an average life of half a year, equates to a roughly a 3.3125% discount on the prepaid amount (3.125% for OPEBs).

As noted above, the borrowing rates on fixed and variable rate TRANs and the current yields on short term investments are very low – the fixed and variable TRAN rates as of May 28th are less than 0.35%. When factoring in the use of cash and foregone interest earnings, while the investment pool is earning 1.08% as of May 28th, this is primarily based on longer term (up to 5 years) investments that were made previously. However, the City will not be liquidating any investments to make prepayments, but instead using cash accumulated and maturing investments for the prepayment. With current interest rates incredibly low and demand for short term fixed income very high, new cash is currently being invested at rates under 15 basis points (0.15%) for short term investments. As such, whether the pension and OPEB costs are paid from cash or borrowing, prepayment itself principally creates the budgetary savings. The TRANs will be used primarily to smooth Treasury operations and liquidity within the City's investment pool which fluctuates throughout the year, usually reaching a low point prior to property tax allocations being received starting in mid-December. Current cash flow projections for the City's investment pool – which are built on very detailed but conservative assumptions, project that with use of $285 million of TRAN proceeds and use of $141.3 million of cash, the investment pool would maintain ample liquidity with short term cash never falling below $121 million, not including unexpended, advanced American Rescue Plan Act ("ARPA") and Emergency Rental Assistance ("ERA") funds.

ANALYSIS

Several large General Fund tax revenues are received in an uneven manner throughout the fiscal year based on predetermined schedules, seasonality, and other economic factors. For example, Property Tax Receipts, the largest General Fund revenue source, are received primarily in the second half of the fiscal year. Under current County policy, the City's allocation of total *ad valorem taxes* (excluding supplemental taxes) is received in approximately the following cumulative percentages: 40% by mid-December, 50% by the first week of January, 85% by the third week of April, 90% by the end of April and 100% by the end of June. Sales Tax Receipts are received on a monthly basis and vary based on seasonal factors such as holiday sales.

In contrast, expenditures in the General Fund are relatively level throughout the fiscal year. This is largely the result of personnel expenditures accounting for approximately two-thirds of General Fund expenditures. These expenditures occur biweekly through payroll disbursements. Months with somewhat higher expenditures occur when there are three payroll disbursements or large periodic expenditures such as debt service, but these months are infrequent, and the expenditures are generally predictable based on historical patterns.
The result of this timing mismatch between General Fund revenues and expenditures is large net cash outflows (expenditures exceed revenue received) in the first six months of the fiscal year and large net cash inflows (revenues received exceeding the amount of expenditures) in January, April, and June. To smooth out the General Fund cash balance and maintain the City's liquidity level, staff recommends the issuance of the 2021 Note.

Plan of Finance

Based on the need for a short-term borrowing, the City issued a Request for Bank Commitments on April 13, 2021 to solicit qualified financial institutions to directly purchase the TRAN in 2021-2022 ("2021 Note"). In the solicitation, the City expressed interest in fixed rate, variable rate, and multi-year arrangements. On May 3, 2021, the City received 10 responses including 18 different credit solutions from banks. The City's Municipal Advisor, PFM Financial Advisors, LLC ("PFM") assisted City staff in summarizing and analyzing the proposals. Based on the proposals submitted, Bank of America, N.A. (the "Bank") was selected by staff to purchase the 2021 Note based on several factors including a full credit approval (the only Bank to provide this), its low interest rate bids for fixed Notes and competitive bids for variable rate Notes, and its willingness to use the City's proposed documents with only modest changes and flexible terms.

The Bank has served as the City's prior Note Purchaser since 2013 and the Bank's response to the City's solicitation included final credit approval reflecting acceptance of the note purchase agreement as provided by the City in the RFP process, with only modest requested revisions. This, coupled with the proposed interest rates and fees, resulted in the most advantageous borrowing costs and ease of process for the City, and the opportunity to streamline the process with a single bank offering both low fixed and low variable rates. Due to the City's tight time schedule and full calendar of multiple financings, the full credit approval was also a substantial advantage as it eliminated the need to seek further formal credit approvals.

In this transaction, the City agrees to directly place the 2021 Note with the Bank. As with the City's prior Note transactions sold in a similar manner, a public offering document is not required or prepared, the Bank cannot publicly trade the 2021 Note, and no presentations to rating agencies or ratings from those rating agencies are required. Unlike prior years' TRANs, the City asked Banks not to require the production of formal cash flows for the Bank. While not all banks were willing to accept this requirement, the ability to eliminate the need to produce a public offering document and cash flows, eliminated substantial staff work that could be devoted instead to other priority projects.

Description of the 2021 Note

The Bank submitted a proposal with a credit approval to purchase $430 million of the 2021 Note to fully prepay all the retirement costs from TRAN proceeds. Based on the projected availability of cash and need to maintain liquidity until property tax receipts are received in the second half of Fiscal Year 2021-2022, staff recommends issuing an estimated $285 million of TRANs, with half ($142.5 million) issued as fixed rate notes and the other half issued as variable rate notes.

Fixed Rate Notes. Based on current rate estimates, the City expects the fixed rate portion of the 2021 Note to be issued in the amount of $142,500,000 with a stated maturity date of June 30, 2022 at a fixed interest rate. The Bank's proposal prescribes the methodology for determining the fixed rate indexed based on the 12-month tenor for the 3-month LIBOR Interest Rate Swap Curve, plus a Credit Spread. The actual Interest Rate will be determined prior to Closing on June 29, 2021 utilizing this Pricing Formula. No charges for the rate lock will apply. The Credit Spread will equal 0.185%. If the rate were set based on rates on May 28th, the fixed rate would have been set at 32.5 basis points or a rate through June 30, 2022 of only 0.325%.

The City will have the right to prepay the fixed rate portion in whole or in part (prior to June 30, 2022) at a price equal to the principal amount prepaid, plus interest accrued and any breakage fees[3], on a Business Day, by providing the Bank with a written notice of at least three (3) business day prior to such prepayment date.

Variable Rate Notes. The variable rate portion of the 2021 Note is expected to be in the amount of $142,500,000 with a stated maturity date of June 30, 2022. Variable rate interest on the variable rate portion of the 2021 Note will bear interest reset monthly based on a one-month LIBOR[4] rate effective for any given interest period ("Interest Rate"), plus the Applicable Margin of 18.5 basis points or 0.185%. Based on the index rates as of May 28th, this rate would be the index rate of 0.09% plus 0.185% or 0.275%.

The Interest Rate will be the LIBOR rate as published two London Banking Days prior to the beginning of each interest period. After the Bank's purchase of the 2021 Note on July 1, 2021,

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[3] The fixed rate note will have provisions that would allow the City to prepay only upon making the Bank whole for all reasonable losses, expenses and liabilities which the Bank may sustain as a consequence of prepaying or missing fixed payments as due formally called "Breakage Fees" (commonly referred to as a "make whole" provision). The City shall compensate the Bank, in the form of a Breakage Fee, upon the Bank's written request, for all reasonable losses, expenses and liabilities (including, without limitation, any loss, expense or liability incurred by reason of the liquidation or reemployment of deposits or other funds required by the Bank to fund the Note) which the Bank may sustain: (i) if any prepayment of the Note is not made on any date specified in a notice of prepayment given by the City to the Bank; (ii) if any one-month LIBOR Loan is converted or prepaid on a date other than the last day of the then current Interest Period; or (iii) as a consequence of any other default by the City to pay the principal of and interest on the Note when required by the terms of this Agreement and the Note.

[4] LIBOR stands for London Inter-Bank Offered Rate. The LIBOR rate is a benchmark interest based on the interest rate charged for interbank loans in London.

the Interest Rate will be set initially based on the daily LIBOR rate plus the Applicable Margin. The interest rate will automatically convert to a monthly LIBOR rate, effective on the third London Banking Day from and including the Effective Date (expected to be July 1, 2021), based on the 30-day LIBOR rate plus the Applicable Margin of 0.185%, until the earlier of the maturity date (June 30, 2022) or the date the variable portion of the 2021 Note is paid in full. The interest rate on the variable portion of the 2021 Note will be reset monthly based on the monthly LIBOR rate.

While the fixed rate Note provides very low rates, and eliminates the risk of interest rates rising, the staff also proposes retaining some variable rate notes as variable rate notes have greater prepayment flexibility. The City will have the right to prepay the variable rate portion of the 2021 Note at a price equal to the principal amount to be prepaid, plus interest accrued thereon, by providing the Bank at least three Business Days prior written notice.

As with all financings the City undertakes, the interest cost for fixed obligations will be determined at the time of sale and the interest cost of the variable rate obligations can change over time. Based on rates as of May 28th, and assuming variable rate interest costs increase by 0.02% each month, commencing in August 2021 through June 2022 (or a cumulative total of 0.22%), the total estimated interest expense (fixed rate and variable rate) on the 2021 Note is estimated $981,350 and coupled with the financing costs of approximately $97,500, results in a total projected cost of borrowing of approximately $1,078,850.

Security for repayment of the 2021 Note is a pledge of the City's 2021-2022 secured property tax revenues (excluding property taxes levied for general obligation bonds) and all other legally available General Fund revenues of the City, if required. The 2021 Note will have a stated maturity of June 30, 2022 for payment in full, but as noted above, the variable rate portion can be prepaid at the City's option without prepayment penalty on the last day of any monthly interest period.

Note Purchase Agreement

To proceed with the issuance of the 2021 Note, the Council must adopt the resolution proposed above. As referenced in the proposed resolution, staff recommends that the Director of Finance or authorized designees be authorized to execute and deliver the 2021 Note and that the Director of Finance, or authorized designees be authorized to enter into and deliver the Note Purchase Agreement (the "Purchase Agreement") described below. These documents, in substantially final form, will be available for review on the City Clerk's website on or about June 11, 2021.

The Purchase Agreement is between the City and the Bank. The Purchase Agreement sets forth requirements under which the Bank will purchase the 2021 Note, establishes the interest rate mechanism, outlines repayment terms, contains representations and warranties of the City and the Bank, and specifies conditions precedent to the Bank entering into the Purchase Agreement.

Consistent with other agreements that the City has entered into with various banks, the Purchase Agreement provides that both parties waive their respective right to a jury trial in the event of a dispute. Additionally, the City agrees, to the extent permitted by law, to indemnify and defend the Bank against all liabilities arising out of the Purchase Agreement, except for liability arising from the Bank's negligence or willful misconduct. California law will govern interpretation of the Purchase Agreement.

Finance Team Participants

The financing team participants consist of:

- **City's Municipal Advisor:** PFM Financial Advisors
- **Note Counsel:** Hawkins Delafield & Wood LLP
- **2021 Note Purchaser:** Bank of America, N.A.
- **Purchaser Counsel:** Nixon Peabody

PFM Financial Advisors was selected through a competitive Request for Proposal process in February 2021 from municipal advisors in the City's pool. Hawkins Delafield & Wood LLP was selected as the Note Counsel from the City's bond counsel pool that was established through a competitive process. Bank of America, N.A. was selected to be the 2021 Note Purchasers through a competitive bank selection process as described above.

Financing Schedule

The current proposed schedule is as follows:

- City Council approval of 2021 Note and financing documents June 22, 2021
- Fixed Rate Set June 29, 2021
- 2021 Note Closing July 1, 2021

CONCLUSION

Approval of the recommendations will result in the issuance and sale of the 2021 Note. The expected issuance of the 2021 Note cash flow borrowing of $285 million, along with approximately $141.3 million in pooled cash, will provide for a lump-sum contribution (i.e., prefunding) towards the employer retirement contributions for Tier 1 members and retiree health benefits, across all funds, for Fiscal Year 2021-22.

EVALUATION AND FOLLOW-UP

This memorandum presents the set of recommendations related to the City Council's approval of the issuance of the 2021 Note and requires no follow-up to the City Council.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC OUTREACH

This memorandum will be posted on the City's Council Agenda website for the June 22, 2021 Council Meeting.

COORDINATION

This memorandum was coordinated with the City Attorney's Office.

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 Debt Management Policy, which establishes the following equally important objectives in order to obtain cost-effective access to the capital markets:

- Minimize debt service and issuance costs;
- Maintain access to cost-effective borrowing;
- Achieve the highest practical credit rating;
- Full and timely repayment of debt;
- Maintain full and complete financial disclosure and reporting; and
- Ensure compliance with applicable State and Federal laws.

COST SUMMARY/IMPLICATIONS

Based on a final analysis of anticipated retirement contributions and General Fund cash flow, the aggregate principal amount of the 2021 Note to be issued is expected to be $285 million to pre-pay the City's contribution to the Retirement Plans. The $285 million will be repaid in the same 2021-2022 fiscal year. Estimated interest expense and costs of issuance for the 2021 Note are conservatively estimated at $1,078,850 reflecting costs for interest expense, note counsel, purchaser counsel, and municipal advisor. The 2021-2022 Proposed Operating Budget includes funding of $1,500,000 for debt service and costs of issuance. This amount was established during the development of the 2022-2026 Five-Year General Fund Forecast without the benefit of the in-depth analysis of Note issuance and current market conditions as included in this memorandum. The Administration will monitor actual interest expenses and recommend downward adjustments as appropriate as part of a future budget process.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the repayment of the 2021 Note. As the issuance of the 2021 Note ensures sufficient cash balances to prefund the City's retirement contributions across all funds, costs associated with this issuance will be apportioned at a later date, typically as part of the overhead allocation plan.

Fund #	Appn #	Appn. Name	Proposed Appn.	Rec. Budget Action	2021-2022 Proposed Operating Budget Page[1]	Last Budget Action (Date, Ord. No.)
001	R130	Other Revenue	$8,714,026	$285,000,000	III-1	N/A
001	3904	TRANs Debt Service[2]	$1,500,000	$285,000,000	IX-20	N/A

[1] The 2021-2022 Proposed Operating Budget is scheduled for approval by the City Council on June 15, 2021 and adoption of the annual appropriation ordinance for 2021-2022 on June 22, 2021.

[2] Once final costs are determined, an increase in the debt service due and cost of issuance amount may be brought forward as part of a future budget process.

CEQA

Not a Project, File No. PPl7-004, Government Funding Mechanism, or Fiscal activity with no commitment to a specific project which may result in a potentially significant physical impact on the environment.

/s/
JULIA H. COOPER
Director of Finance

Jim Shannon
JIM SHANNON
Budget Director

I hereby certify that there will be available for appropriation in the General Fund in 2021-2022, monies in excess of those heretofore appropriated there from, said excess being at least $285,000,000.

Jim Shannon
JIM SHANNON
Budget Director

For questions please contact Nikolai J Sklaroff, Deputy Director of Finance, Debt & Treasury Management Division at (408) 535-7832.