

FIRST QUARTER FINANCIAL REPORT FISCAL YEAR 2025-2026

Public Safety, Finance and Strategic Support Committee

**Prepared by the Finance Department
December 4, 2025**

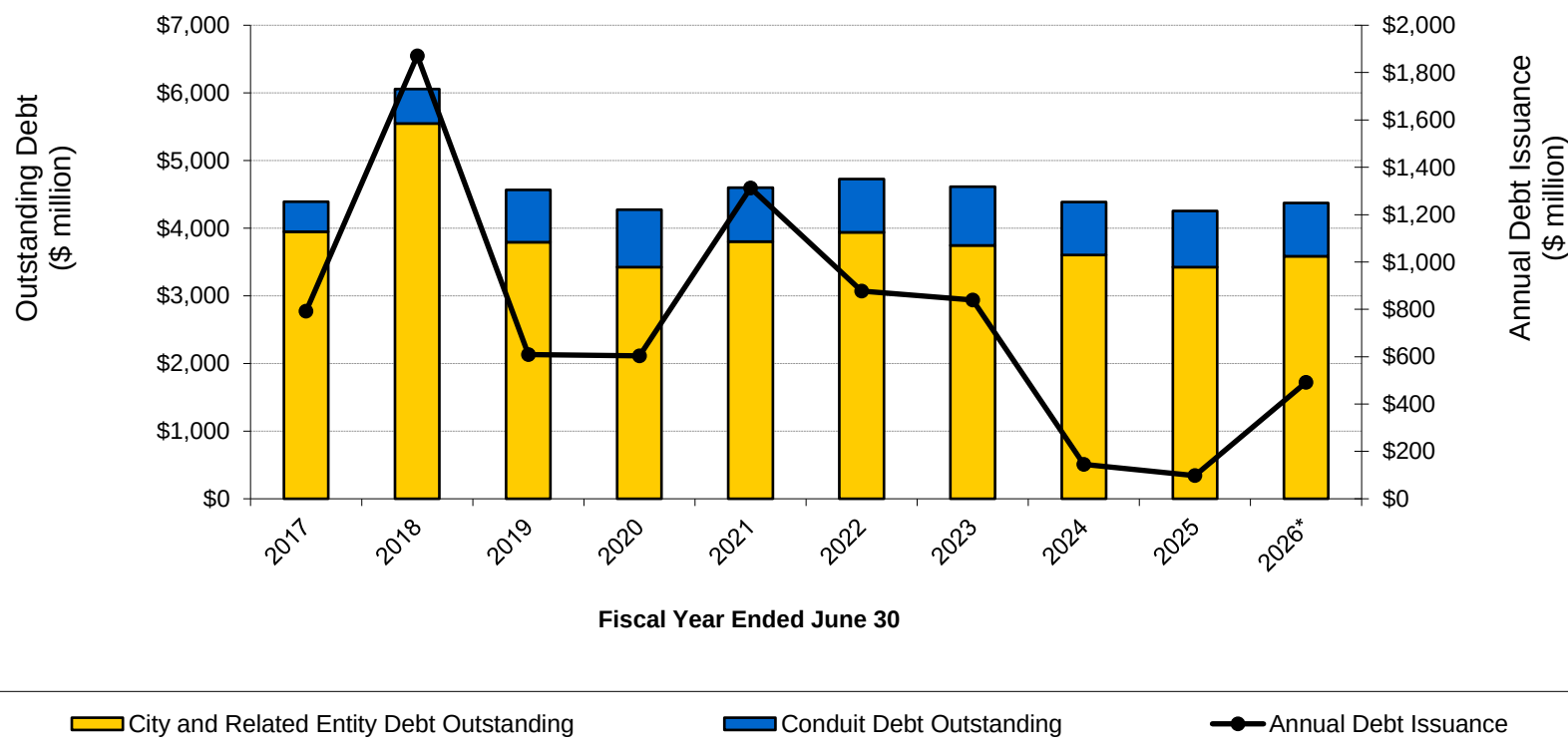


FIRST QUARTER DEBT MANAGEMENT REPORT FISCAL YEAR 2025-2026



ALL OUTSTANDING DEBT: \$4.42 BILLION (CITY AND ALL AGENCIES)

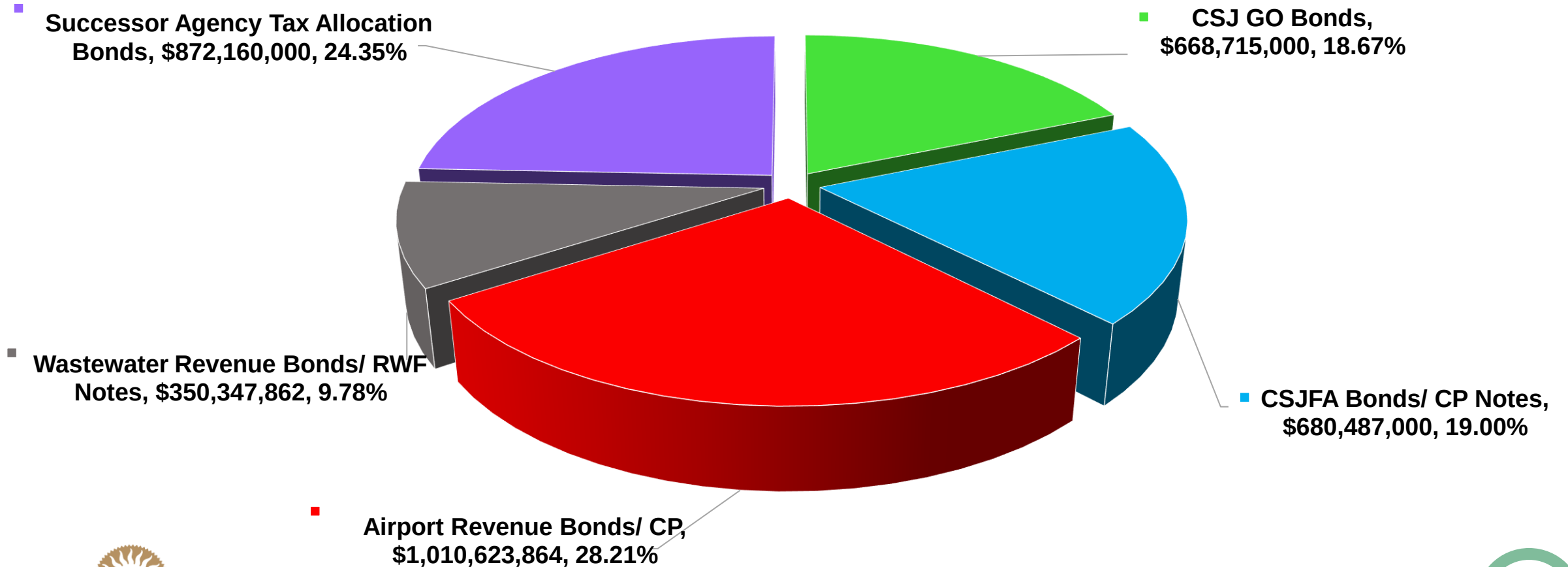
FY2025-26 Debt Issuance: \$491.85 Million



*YTD Debt Issuance



DIRECT OUTSTANDING DEBT: \$3.58 BILLION (EXCLUDING MULTIFAMILY HOUSING REVENUE BONDS)



DEBT ISSUANCE

- On July 23, 2025, the City issued \$209.6 million of City of San José General Obligation Bonds, Series 2025ABC.
- On August 1, 2025, \$50.0 million was drawn on the Wastewater Facility Credit Agreement.
- On August 19, 2025, CSJFA issued \$47.8 million Lease Revenue Bonds, Series 2025A.
- During the quarter, multifamily housing revenue bonds were issued for three projects (Arcade, 525 N. Capital and La Moraga) in an aggregate amount of \$184.5 million.



RATINGS UPDATE

- In June, Moody's, S&P, and Fitch assigned Aa1/AA+/AAA ratings to the City of San José General Obligation (GO) Bonds, Series 2025ABC (issued in July) and Aa2/AA/AA ratings to CSJFA Lease Revenue Bonds, Series 2025A (issued in August), both with a stable outlook.
- In September, Fitch Ratings confirmed a “Review No Action” and maintained the current ratings of “AAA” with a stable outlook on Wastewater Revenue Bonds, Series 2022B.
- In September, Moody's Ratings maintained an ‘A2’ rating with a stable outlook on San José Mineta International Airport bonds.



FIRST QUARTER INVESTMENT MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026



INVESTMENT POLICY

(COUNCIL POLICY 1-12)

- Investments meet the requirements of the City's Investment Policy and conform with California Government Code section 53601
- Authorized investments are only highly-rated fixed income securities
- Investment Policy is reviewed annually and was last adopted by resolution of the City Council on March 11, 2025
- Investment Program is audited semi-annually for compliance purposes



INVESTMENT OBJECTIVES & REPORTING

- Manage investments to meet the City's Investment Policy objectives:
 - Safety
 - Liquidity
 - Yield
- Quarterly reports are available to the public
 - On-line
 - In PSFSS Committee agenda packets
 - In City Council agenda packets (for acceptance)



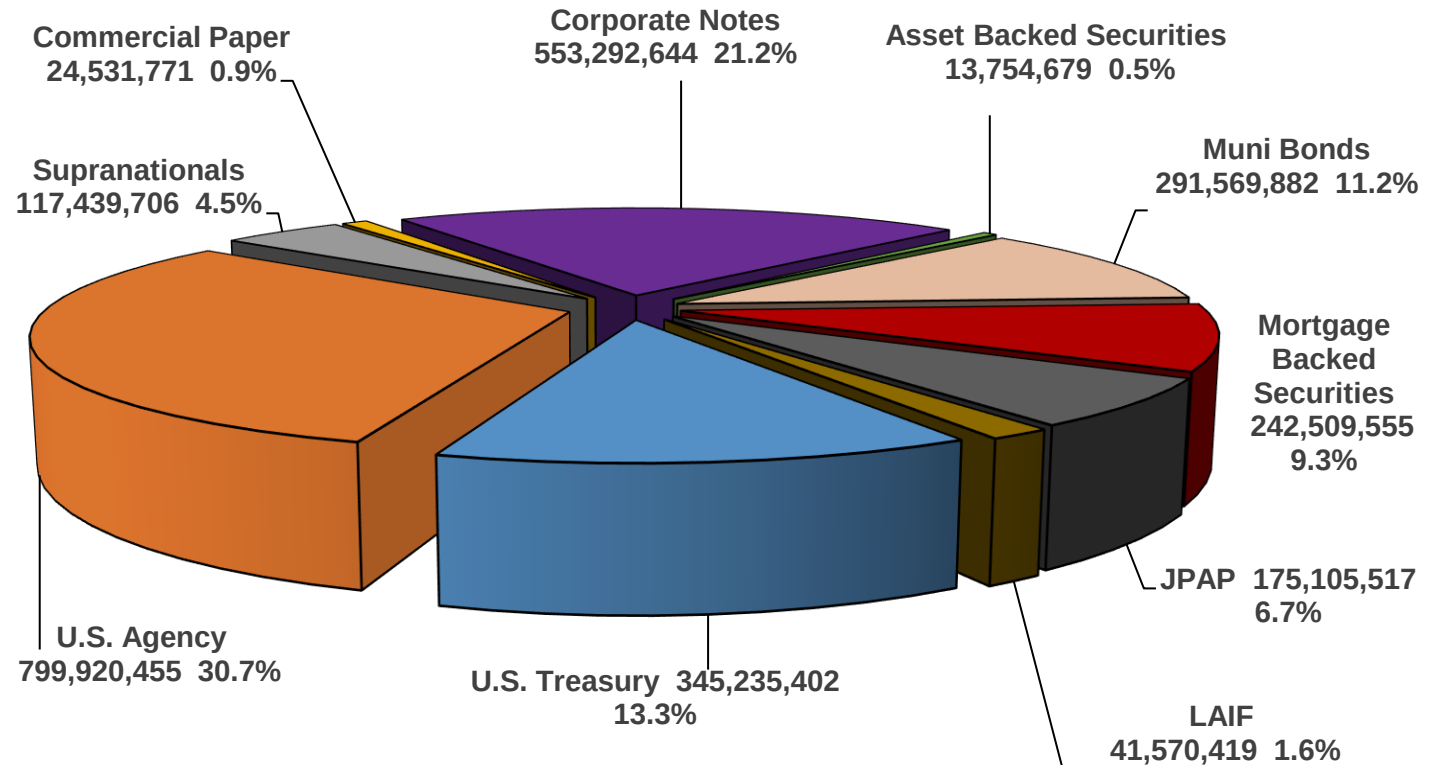
PORTFOLIO PERFORMANCE SUMMARY

Size of Total Portfolio	\$2,604,930,030
Earned Interest Yield	4.025%
Weighted Average Maturity	669 days
Fiscal Year-to-Date Net Income Recognized	\$27,107,542
Exceptions to the City Investment Policy this Quarter	None



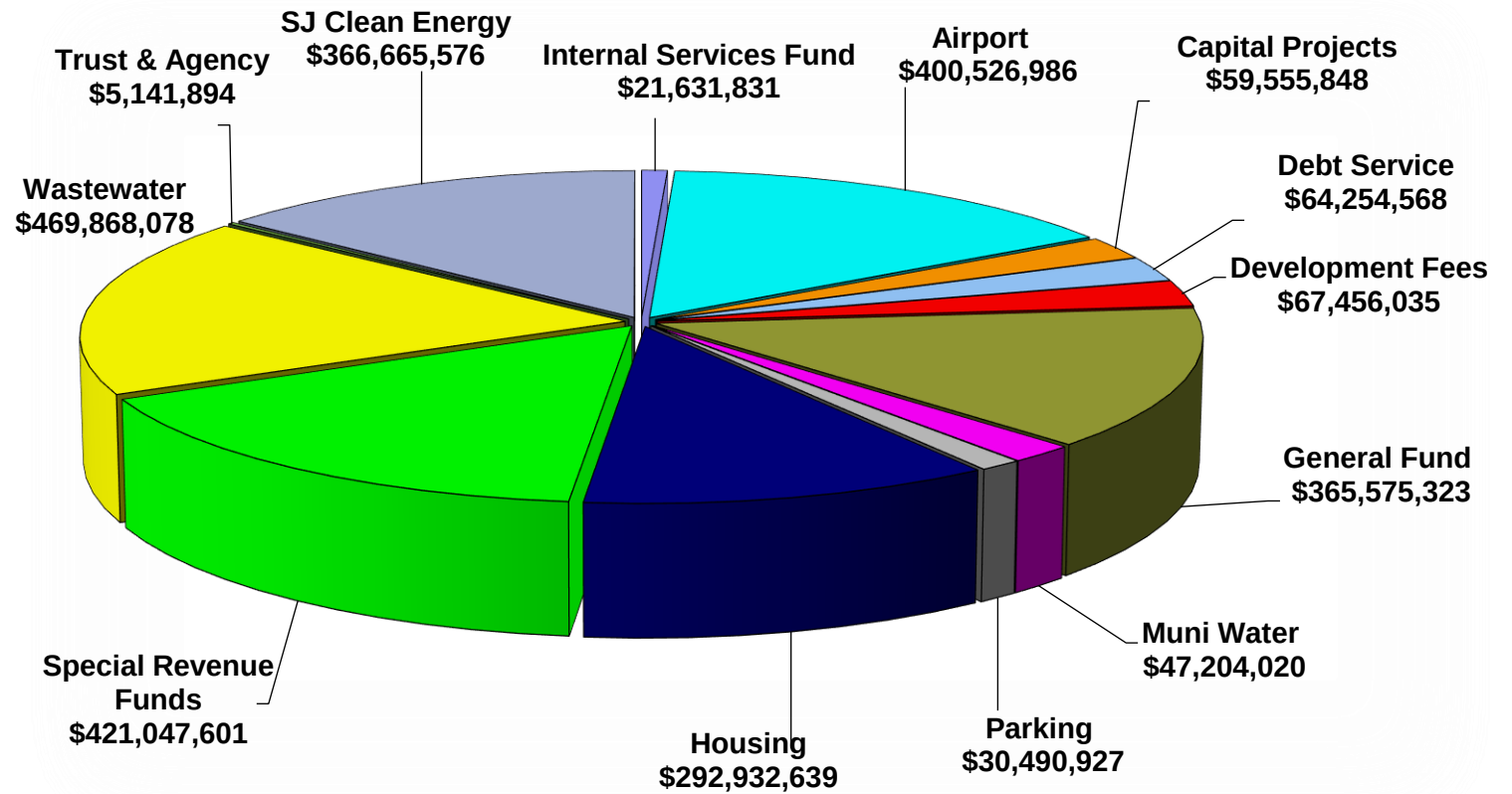
PORTFOLIO INVESTMENTS

Total Investment Portfolio:
\$2,604,930,030



INVESTMENTS BY FUND

The \$366 million in the General Fund presented includes \$157,401,983 of General Fund monies, as well as \$208,173,340 in other, separately tracked general funds, such as the Depositor Fund, Developer Fees and other smaller funds and reserves.



GENERAL FUND BALANCE

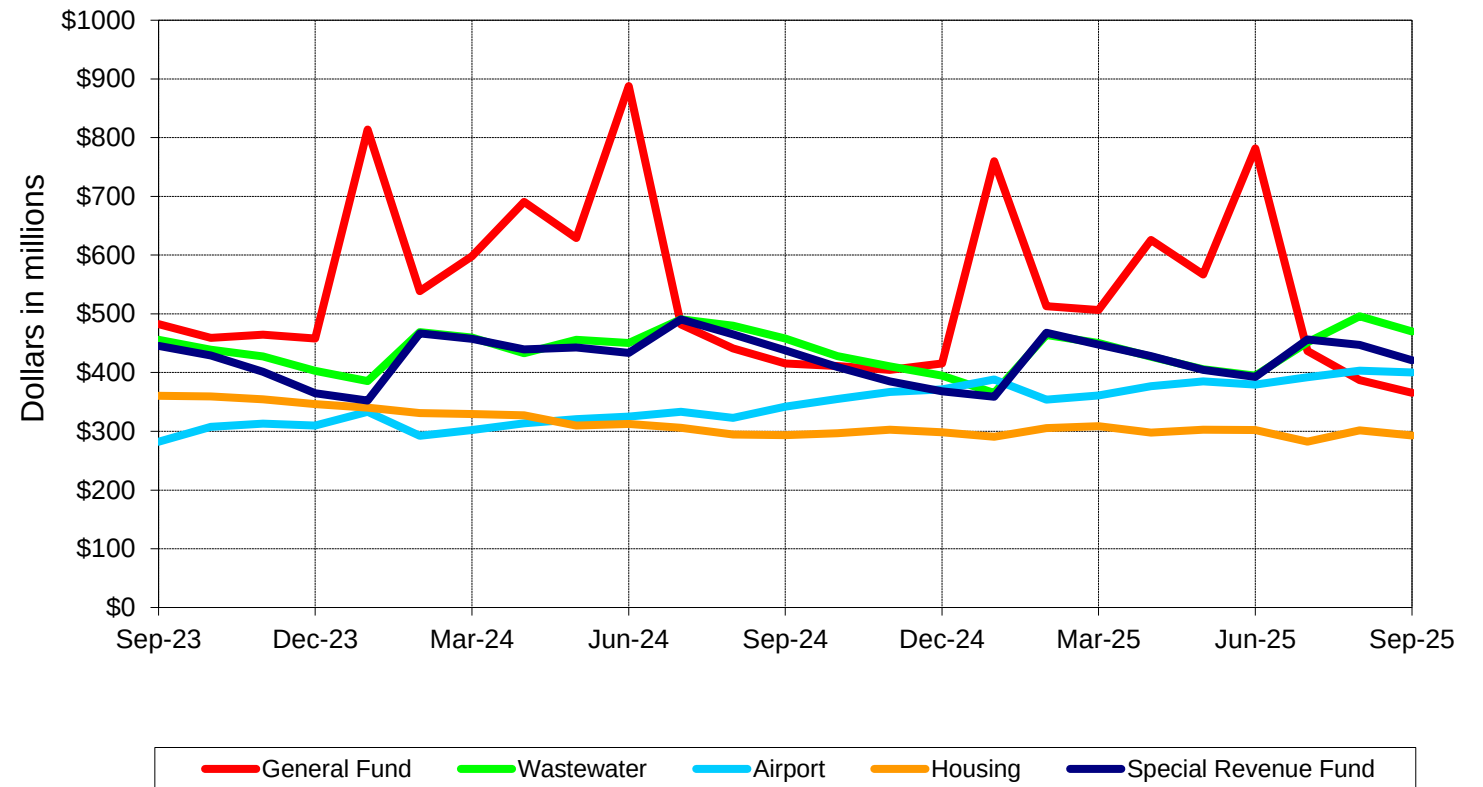
- The General Fund balances decreased by \$415 million during the quarter and ended with a balance of \$366 million as of September 30, 2025. This decrease is attributed to the prefunding of employer retirement contributions towards Police and Fire Retirement Plan Tier I pension and other post-employment benefit in July 2025 and debt service payments in August 2025. General Fund cash balances usually peak during the months of January and June, when the bulk of property taxes are received, and decline in the summer months due to retirement prefunding, debt service payments, and operational expenditures.
- Projected investment maturities, cash, and revenues are sufficient to cover anticipated expenditures for the next six months.



COMPARISON OF CASH BALANCES

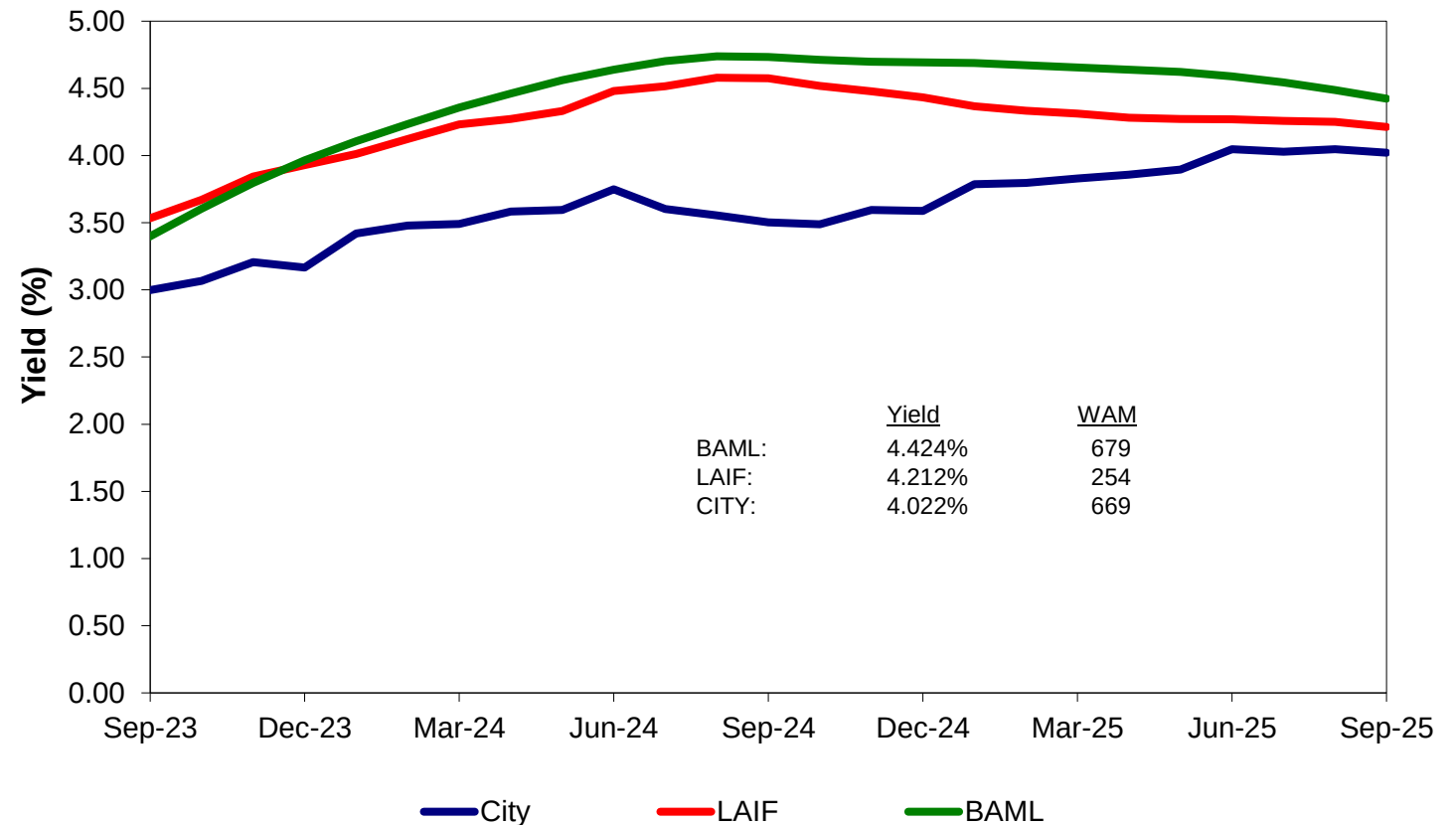
(BY SELECT FUNDS)

The following graph compares monthly balances of the five largest City funds as reported by FMS.



BENCHMARK COMPARISONS

- City refers to City's Portfolio, and the yield data are month-end weighted average yields.
- LAIF refers to the State of CA Local Agency Investment Fund and yield data are average monthly effective yields.
- 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 known expenditures with suitable investments 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 objectives of safety, liquidity, and yield



FIRST QUARTER REVENUE MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026



REVENUE MANAGEMENT PROGRAMS

- Finance Department Revenue Management focuses on collecting all outstanding receivables, with an emphasis on reducing delinquent accounts and enhancing revenue compliance, through four primary collection programs:
 - Accounts Receivable
 - Business Tax
 - Compliance and Monitoring
 - Utility Billing
- Efforts may span several reporting periods, and actual collections are reported as funds are received by the City.



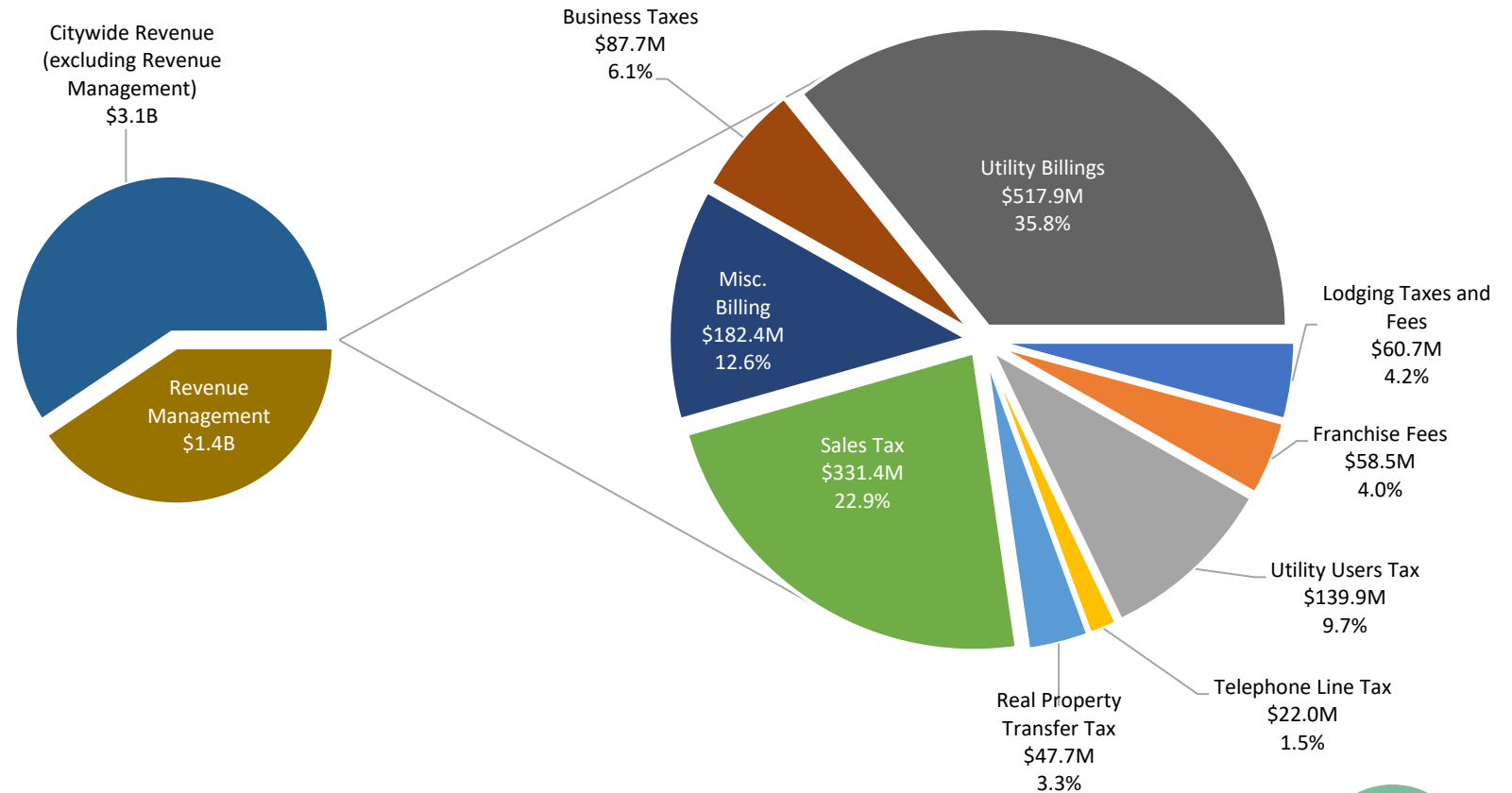
REVENUE MANAGEMENT PORTFOLIO

FY 2024-25 REVENUE (\$ IN MILLIONS)

Total Revenue: \$4.558B

Source: 2024-25 City Manager's
Budget Office Annual Report

(Graph is updated annually)

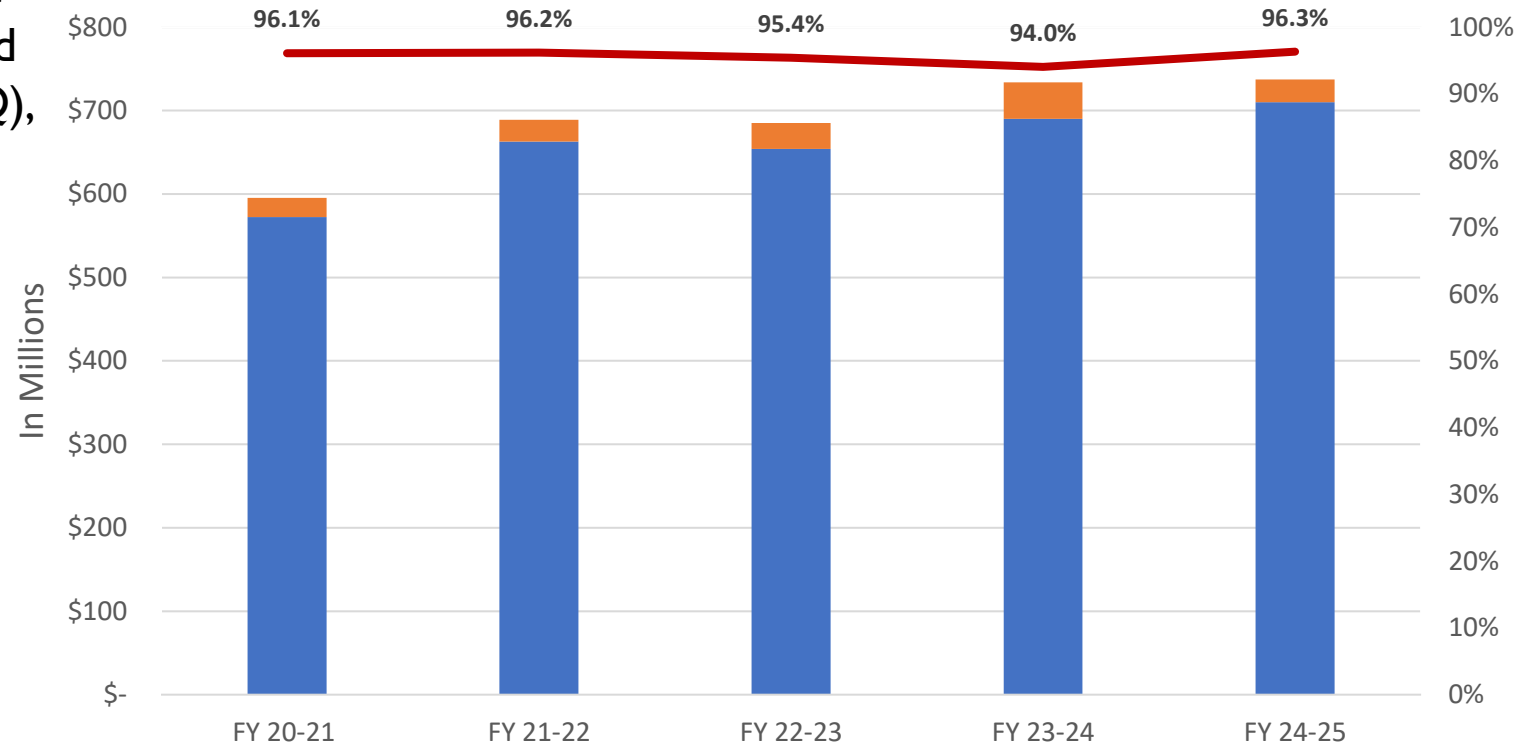


INVOICING AND PAYMENTS

FIVE-YEAR HISTORY (FY 2020-21 TO FY 2024-25)

Includes invoices billed through the Business Tax System, the centralized Accounts Receivable system (RevQ), and the Utility Billing System.

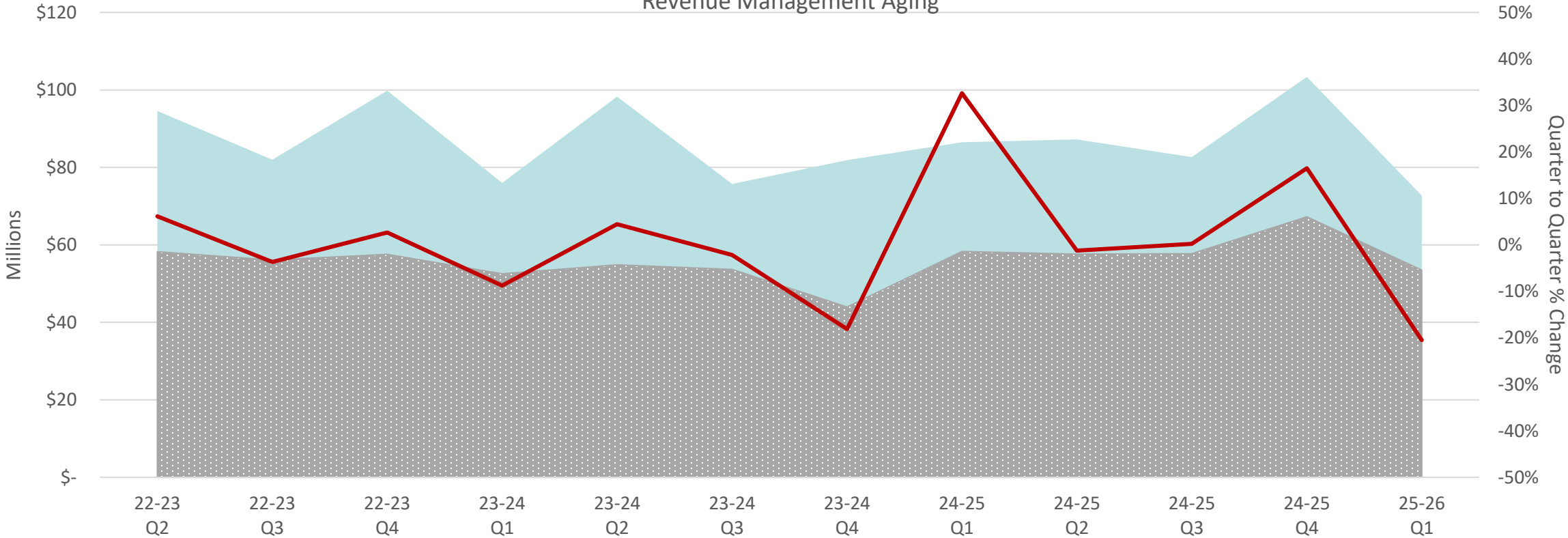
(Graph is updated annually)



OUTSTANDING RECEIVABLES

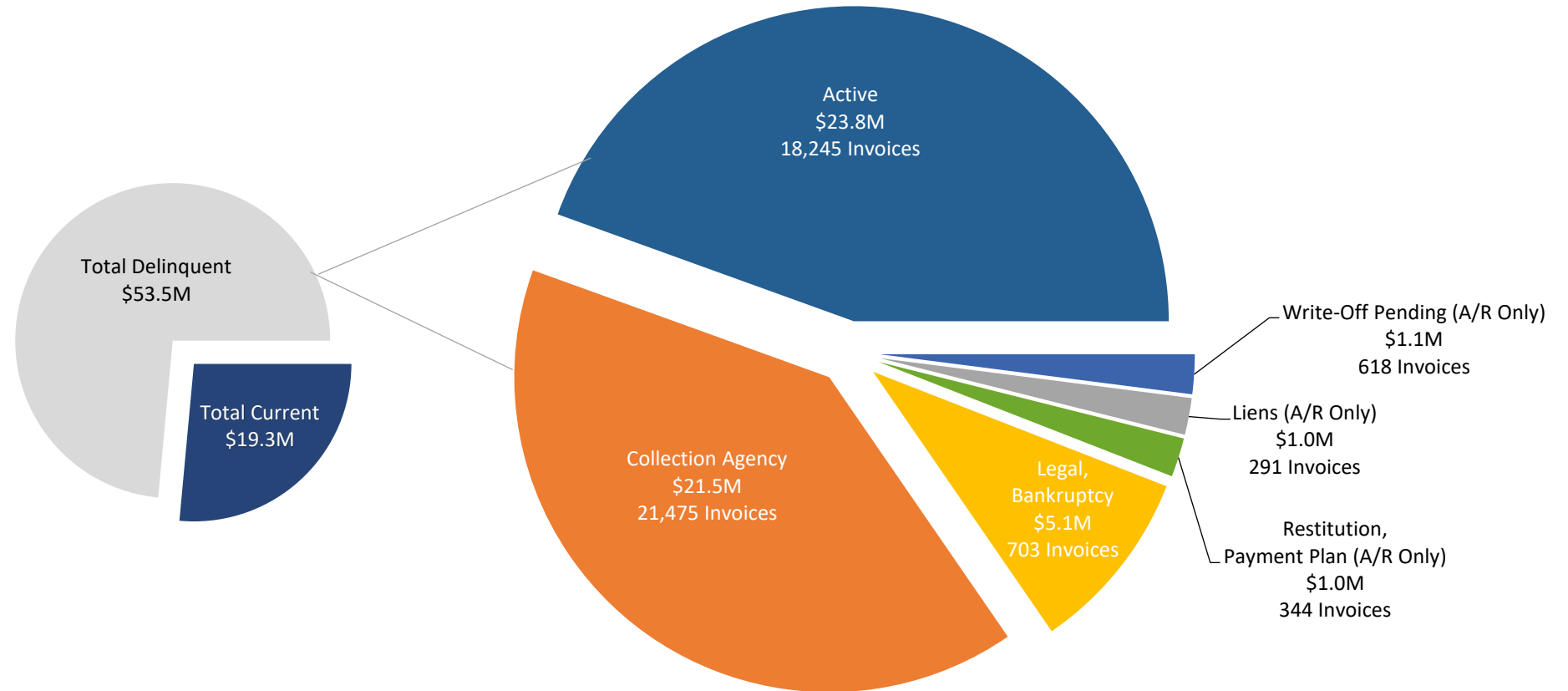
THREE-YEAR HISTORY (FY 2022-23 Q2 TO FY 2025-26 Q1)

Revenue Management Aging



FY 2025-26 Q1 DELINQUENT RECEIVABLES

COLLECTION STATUS SUMMARY (\$ IN MILLIONS*)



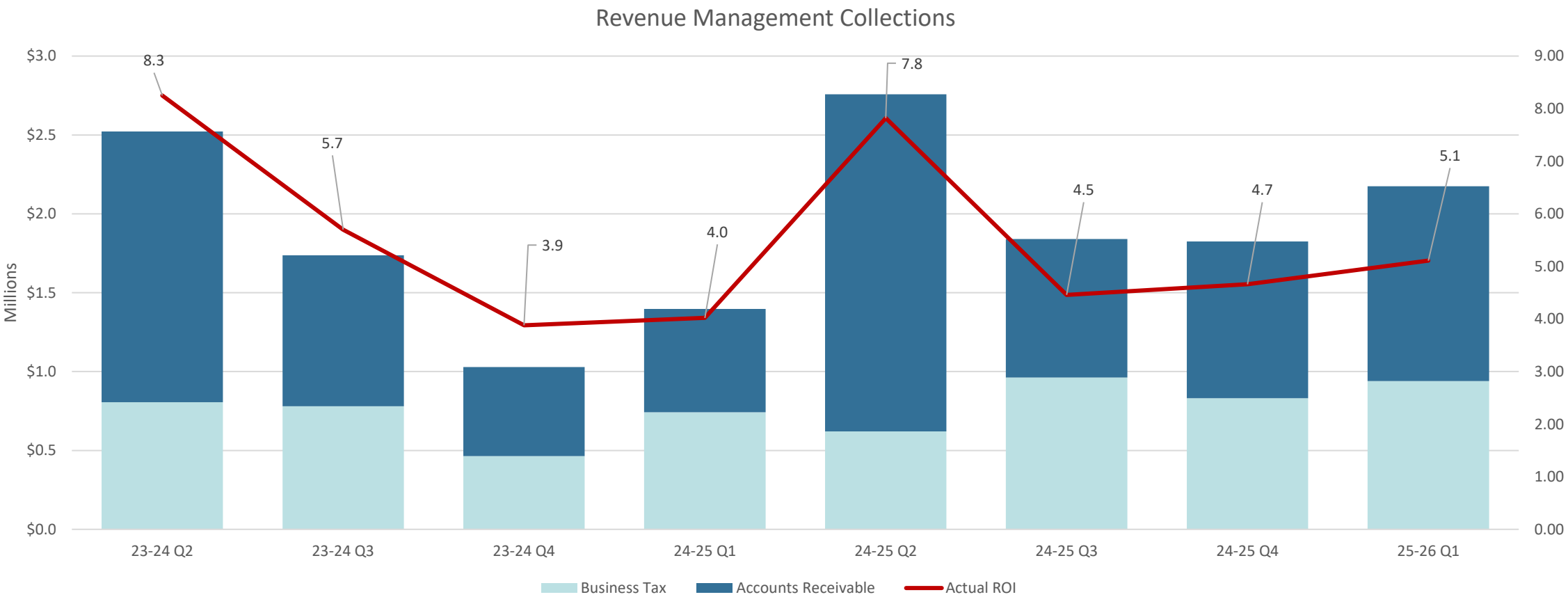
*Rounded

As of September 30, 2025



COLLECTIONS & RETURN ON INVESTMENT

REVENUE MANAGEMENT COLLECTIONS (FY 2023-24 Q2 To FY 2025-26 Q1)



REVENUE COMPLIANCE REVENUE RECOVERY

- Revenue Compliance and Monitoring conducts cyclical tax and fee audits and revenue collections for a variety of programs (e.g., Sales and Use Tax, Hotel Taxes/Lodging Fees, Utilities, Telecommunications, and Cannabis).
- In Q1, ~\$563K was recovered in delinquent collections and audits (cannabis business tax, hotel tax, telecommunications user tax, utility user tax, and sales and use tax).



ACCOUNTS RECEIVABLE & UTILITY BILLING AMNESTY PROGRAMS

- These Amnesty Programs offered an opportunity to have accumulated penalties and interest waived in exchange for payment of the principal amount due.
- Amnesty Program Application Period: April 1 – September 30, 2025

Accounts Receivable Amnesty	
Program Target - Expenses	\$600K
FY 24-25 Payments	\$391K
FY 25-26 Payments	\$284K
Program Expenses	(\$60K)
Total Revenue	\$615K
Amnesty Waivers to Date	(\$300K)

Utility Billing Amnesty	
FY 24-25 Payments	\$428K
FY 25-26 Payments	\$861K
Total Revenue	\$1.29M
Amnesty Waivers to Date	(\$1.5M)

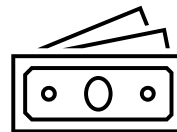


FIRST QUARTER PURCHASING AND RISK MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026



PURCHASING PROGRAM

The Purchasing Division of the Finance Department is responsible for the centralized procurement of equipment, supplies, materials, Information Technology (IT), and general services, pursuant to the City of San José Municipal Code Title 4, Chapter 4.12.



PURCHASING TRANSACTIONS COMPLETED

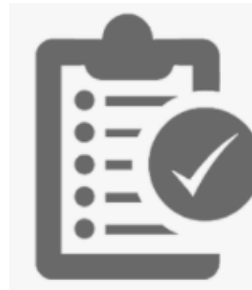
FIRST QUARTER FY 2025-26

DESCRIPTION	FIRST QUARTER TRANSACTIONS	FISCAL YEAR TO DATE
PURCHASE ORDERS EXECUTED	512	512
PURCHASE ORDER ADJUSTMENTS EXECUTED	142	142
CONTRACTS NEGOTIATED & EXECUTED	4	4
CONTRACT AMENDMENTS, CHANGE ORDERS, SERVICE ORDERS, & OPTIONS EXECUTED	25	25
PURCHASE ORDER DOLLARS PROCURED	\$142,642,199	\$142,642,199
CONTRACT DOLLARS PROCURED	\$19,761,290.51	\$19,761,290.51



RISK MANAGEMENT PROGRAM

The Division is responsible for the procurement and oversight of the City's property and casualty insurance programs and providing contractual risk management services, property subrogation claims reporting and other key services to City Departments.



RISK MANAGEMENT TRANSACTIONS COMPLETED

FIRST QUARTER FY 2025-26

Transaction Type	First Quarter Transactions	Fiscal Year to Date
Request for Contract Insurance Specifications	337	337
Request for Insurance Compliance Review	371	371
Request for Letters of Self-Insurance	46	46
Subrogation Dollars Billed to Responsible Third Parties	\$219,614	\$219,614
Council and Committee Memorandums Issued	2	2



RECOMMENDATION

- (a) Accept the First Quarter (period ended September 30, 2025) Financial Reports for Fiscal Year 2025-2026 for the following programs:
- (1) Debt Management;
 - (2) Investment Management;
 - (3) Revenue Management; and
 - (4) Purchasing and Risk Management
- (b) Refer and cross-reference the First Quarter Financial Reports for Fiscal Year 2025-2026 to the January 13, 2026 City Council meeting for full adoption.

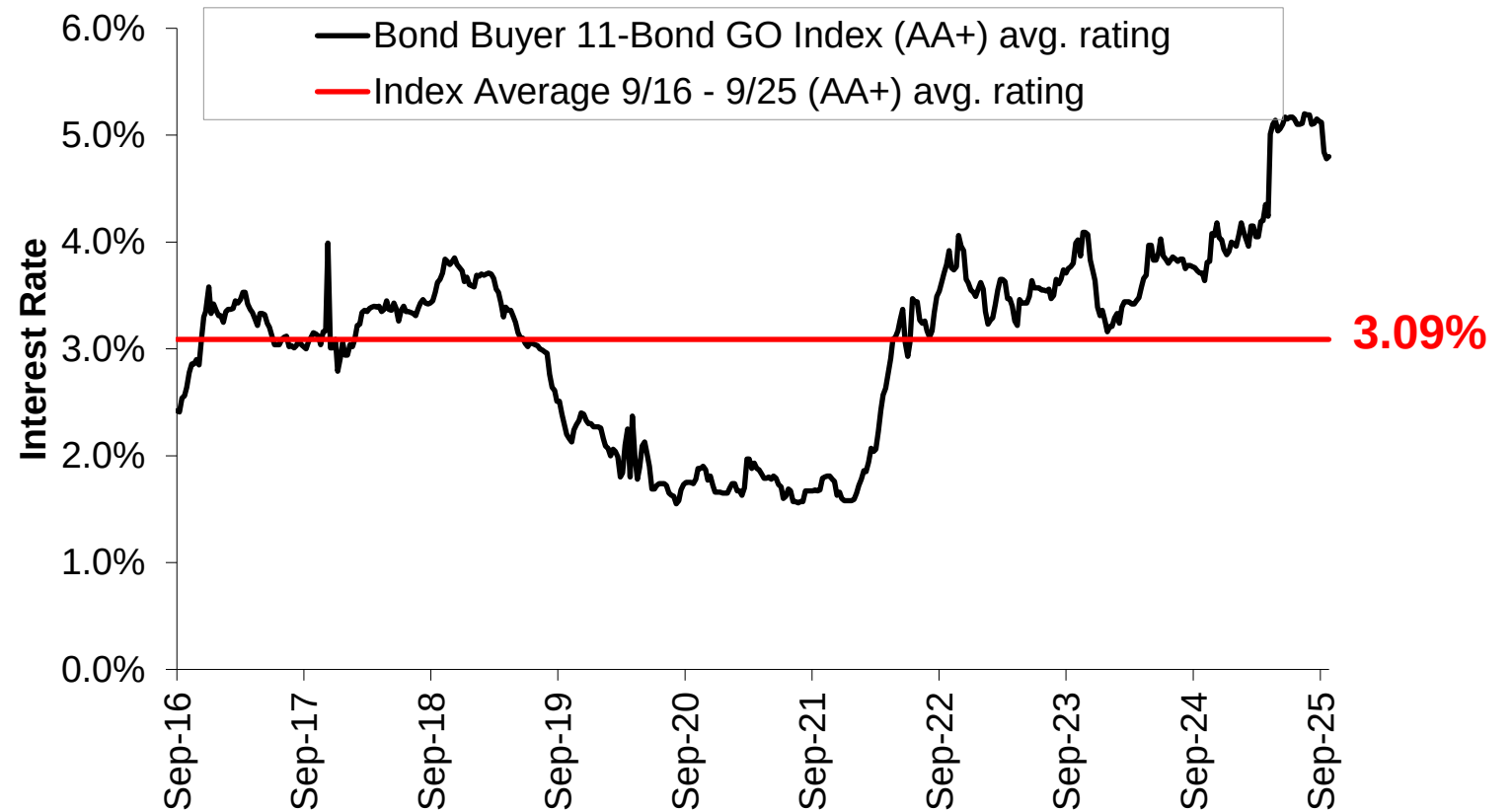


APPENDIX



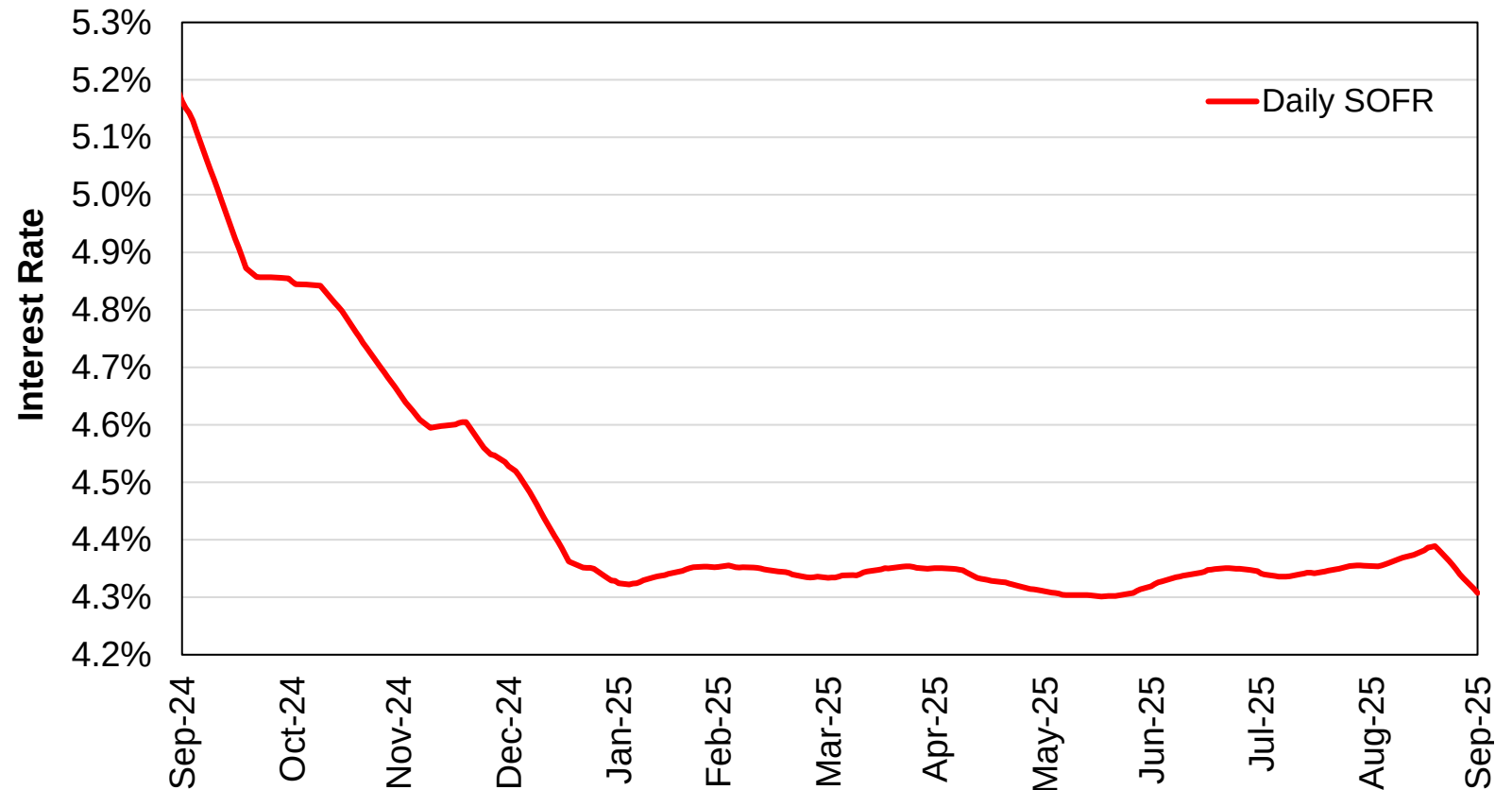
BOND BUYER GO BOND YIELD INDEX

- 10-year history of higher rated (“AA+”) General Obligation debt (20-year term) yield averaged 3.09% and is currently at 4.80% (as of 9/25/2025).



SOFR RATES

- The Daily Secured Overnight Financing Rate (SOFR) interest rate is 4.31% (as of 9/30/25).
- The City uses SOFR as a proxy for forecasting interest rates for various short-term debt instruments.



GENERAL OBLIGATION CREDIT RATINGS AS OF SEPTEMBER 30, 2025

The City's GO Ratings are higher than the State of California's ratings and analogous to Santa Clara County's ratings, which is to be expected given the extent of the tax base and other credit fundamentals that the City and the County share:

Entity	Moody's	S&P	Fitch
City of San José	Aa1	AA+	AAA
State of California	Aa2	AA-	AA
Santa Clara County ⁽¹⁾	N/A	AAA	AAA

(1) Moody's does not currently rate Santa Clara County's General Obligation Bonds but maintains an Issuer rating of Aa1.



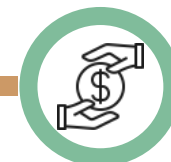
GENERAL CITY CREDIT RATINGS AS OF SEPTEMBER 30, 2025

The City of San José continues to maintain very high credit ratings.

Type of Rating	Moody's	S&P	Fitch
Issuer Rating	Aa1 (stable)	AA+ (stable)	AA+ (stable)
General Obligation Bonds	Aa1 (stable)	AA+ (stable)	AAA (stable)
Lease Revenue Bonds (Essential Assets)	Aa2 (stable)	AA (stable)	AA (stable)
Lease Revenue Bonds (Less Essential Assets)	Aa3 ⁽¹⁾ (stable)	AA (stable)	AA- ⁽²⁾ (stable)

(1) Moody's assigns a rating of Aa3 to CSJFA 2020B and 2022A bonds which the rating agency considers less essential assets.

(2) Fitch assigns a rating of AA- to CSJFA 2020B bonds which the rating agency considers less essential assets.



OTHER CITY CREDIT RATINGS AS OF SEPTEMBER 30, 2025

Type of Rating	Moody's	S&P	Fitch	KBRA (Kroll) ¹
San José Airport Bonds	A2 (stable)	A (stable)	A (stable)	N/A
Wastewater Revenue Bonds	N/A	AAA (stable)	AAA (stable)	AAA ⁽¹⁾ (stable)
SARA Senior Tax Allocation Bonds	N/A	AA (stable)	AA+ (stable)	N/A
SARA Subordinate Tax Allocation Bonds	N/A	AA- (stable)	AA+ (stable)	N/A
San José Clean Energy (Issuer)	A2 (stable)	A (stable)	N/A	N/A

(1) KBRA (Kroll) has assigned a rating to the CSJFA Wastewater Revenue Bonds exclusively.

