

# **THIRD QUARTER FINANCIAL REPORT FISCAL YEAR 2025-2026**

## **Public Safety, Finance and Strategic Support Committee**

**Prepared by the Finance Department  
June 18, 2026**

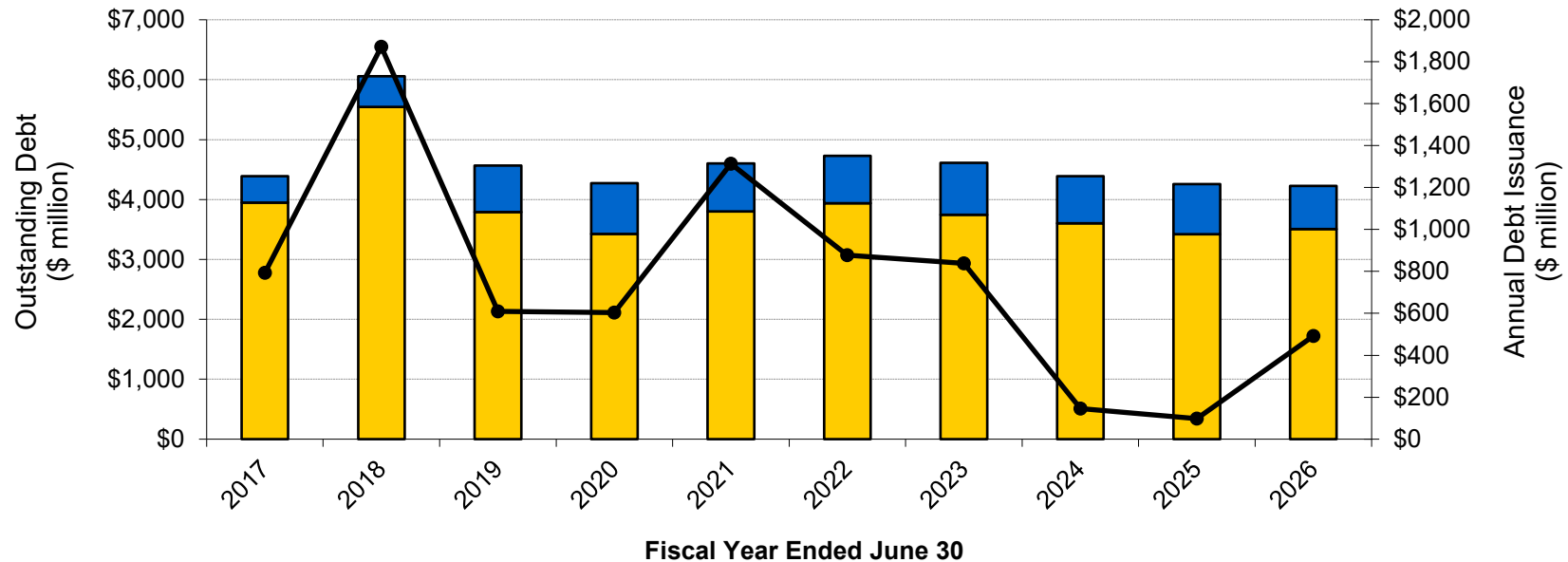


# **THIRD QUARTER DEBT MANAGEMENT REPORT FISCAL YEAR 2025-2026**

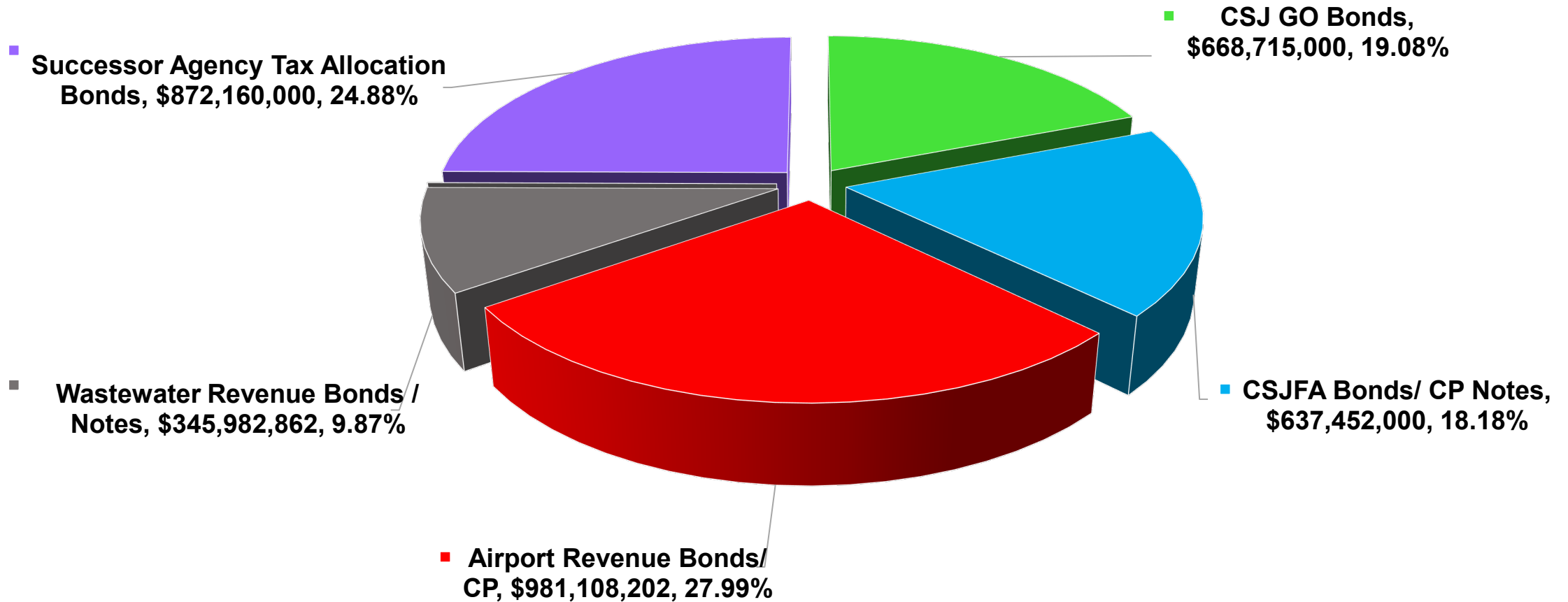


# OUTSTANDING DEBT: \$4.23 BILLION (CITY AND ALL AGENCIES)

FY 2025-26 YTD Issuance: \$491.85 Million



# DIRECT OUTSTANDING DEBT: \$3.51 BILLION (EXCLUDING MULTIFAMILY HOUSING REVENUE BONDS)



# DEBT ISSUANCE & MANAGEMENT UPDATE

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- California Community Choice Financing Authority Clean Energy Project Revenue Bonds, Series 2026A (Green Bonds) closed January 27, 2026 – \$1.25 billion conduit issuance for SJCE’s energy prepayment
- Successor Agency FY 2026-27 Recognized Obligation Payment Schedule approved by County Oversight Board in January 2026



# **THIRD QUARTER INVESTMENT MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026**



# INVESTMENT POLICY

## (COUNCIL POLICY 1-12)

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- 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 24, 2026
- Investment Program is audited semi-annually for compliance purposes



# INVESTMENT OBJECTIVES & REPORTING

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- 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

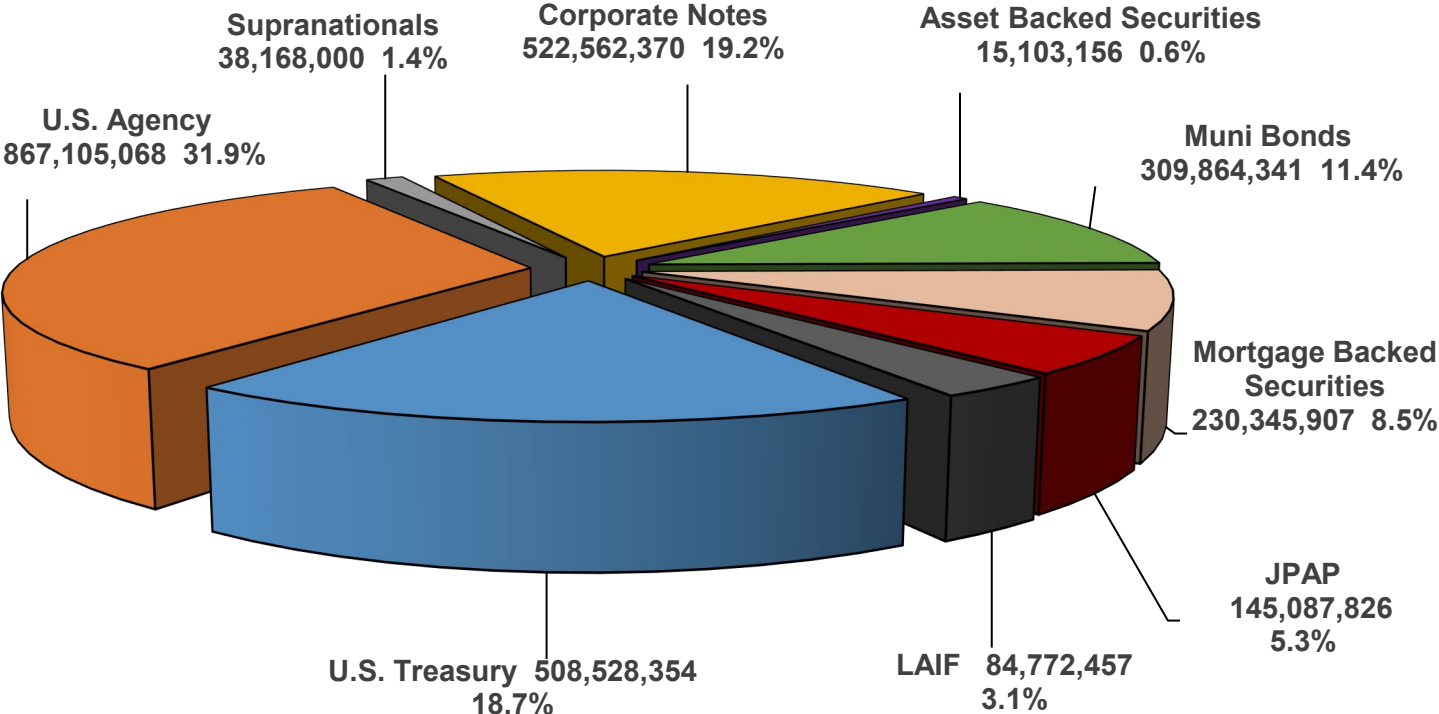
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Size of Total Portfolio	\$2,721,537,480
Earned Interest Yield	4.197%
Weighted Average Maturity	749 days
Fiscal Year-to-Date Net Income Recognized	\$80,892,868
Exceptions to the City Investment Policy this Quarter	None



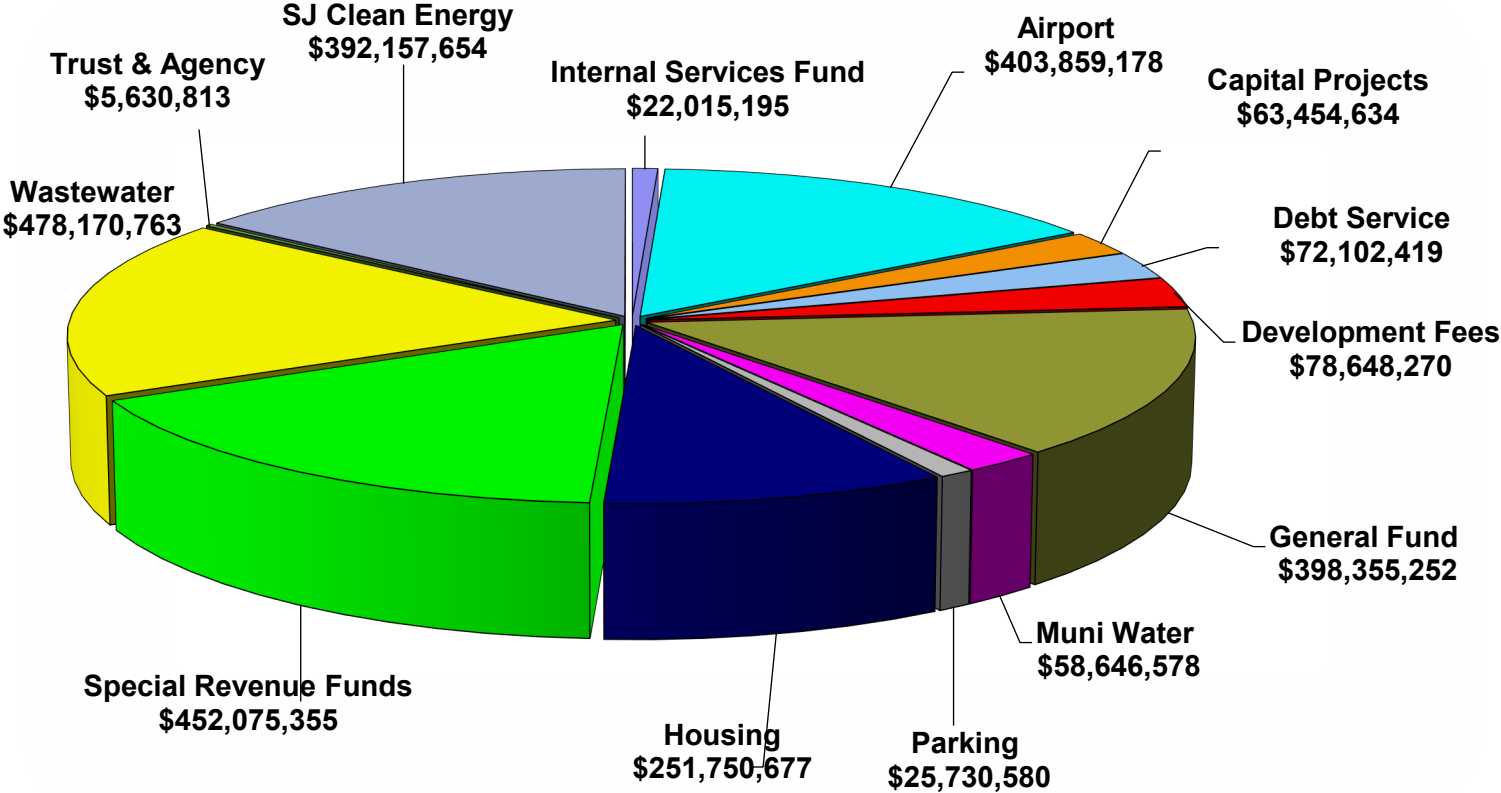
# PORTFOLIO INVESTMENTS

Total Investment Portfolio:  
\$2,721,537,480



# INVESTMENTS BY FUND

The \$398 million in the General Fund presented includes \$169,326,476 of General Fund monies, as well as \$229,028,776 in other, separately tracked general funds, such as the Depositor Fund, Developer Fees and other smaller funds and reserves.



# GENERAL FUND BALANCE

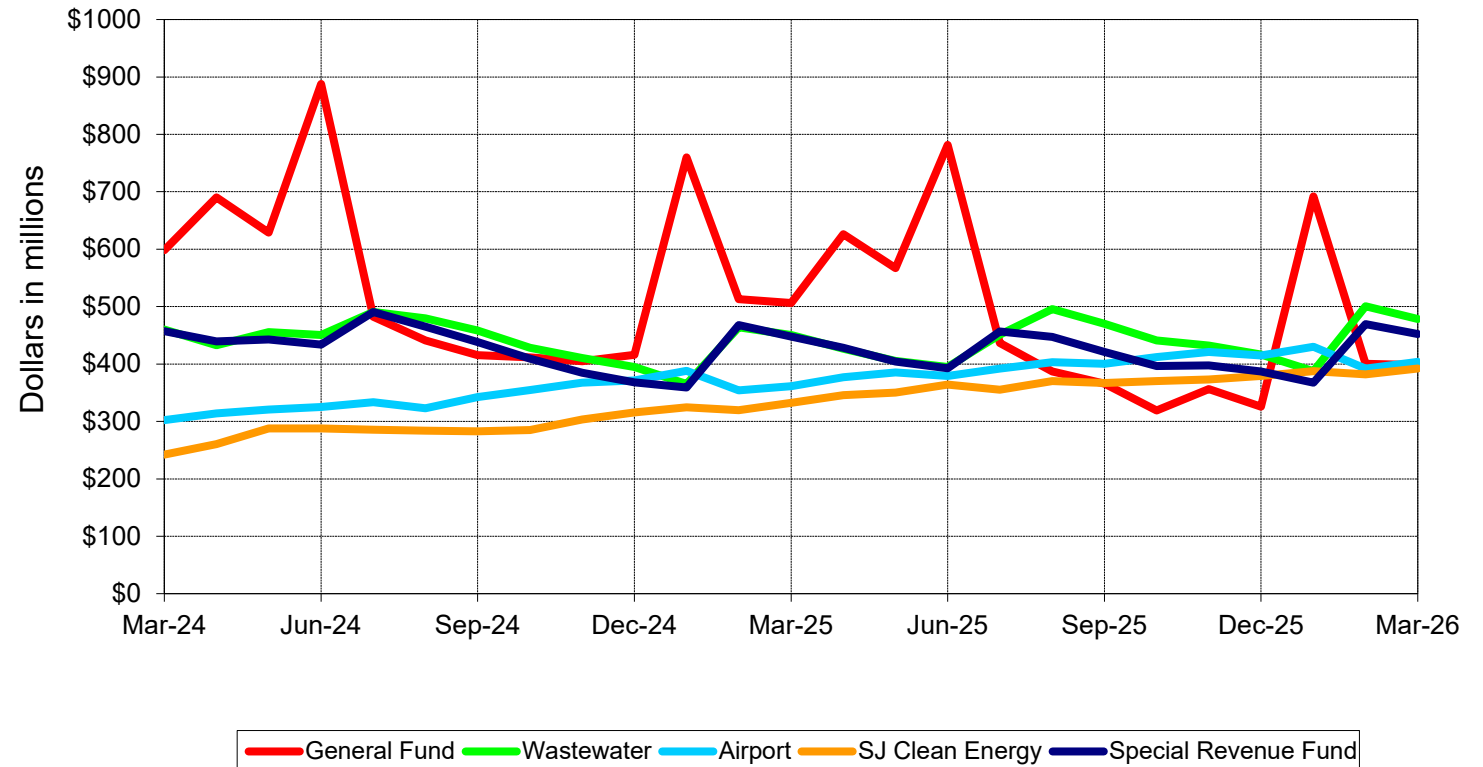
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- The General Fund balances increased by \$73 million during the quarter and ended with a balance of \$398 million as of March 31, 2026. This increase is attributed to the receipt of property taxes in January, offset by operational expenditures. General 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



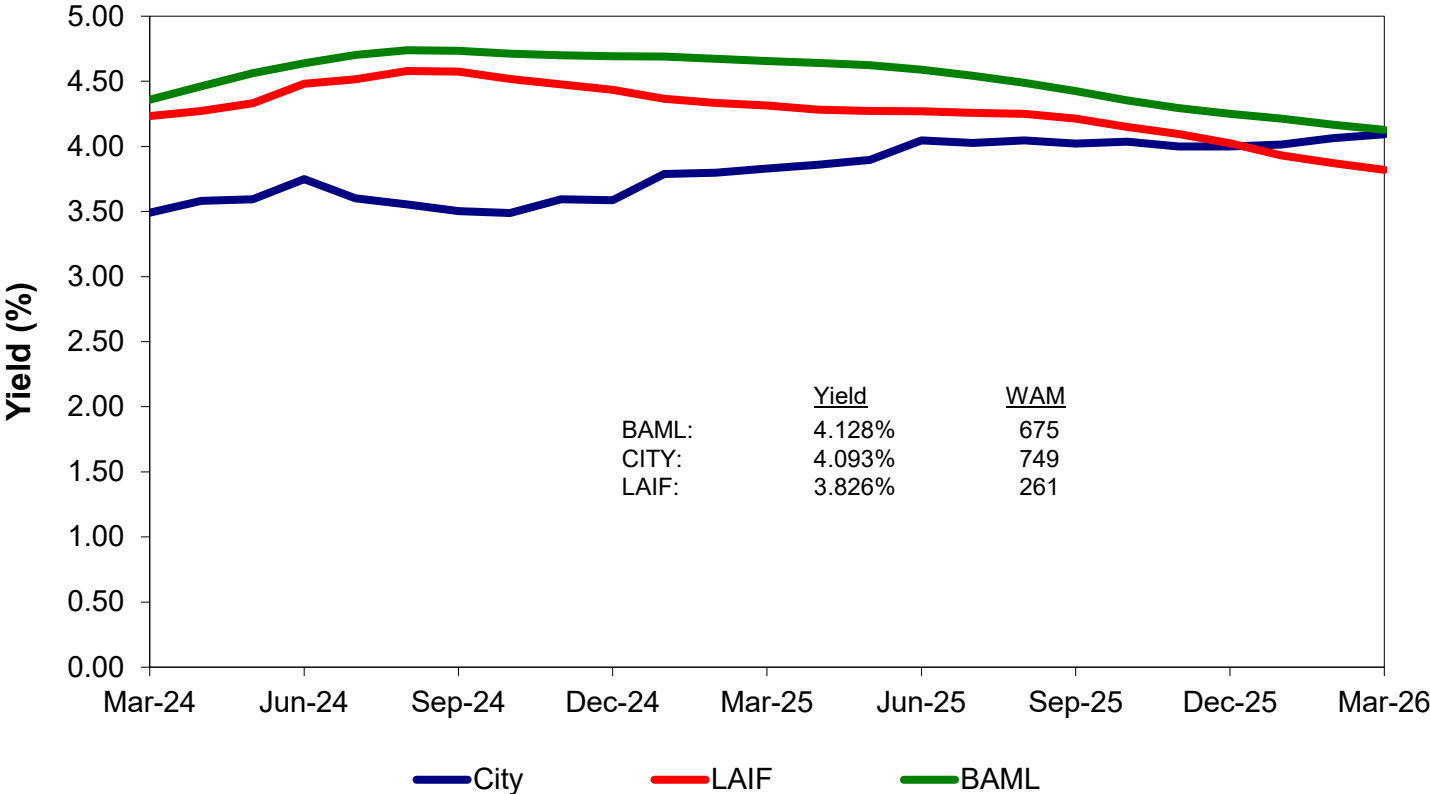
# COMPARISON OF CASH BALANCES (BY SELECT FUNDS)

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

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- 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



# **THIRD QUARTER REVENUE MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026**



# REVENUE MANAGEMENT PROGRAMS

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- 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.



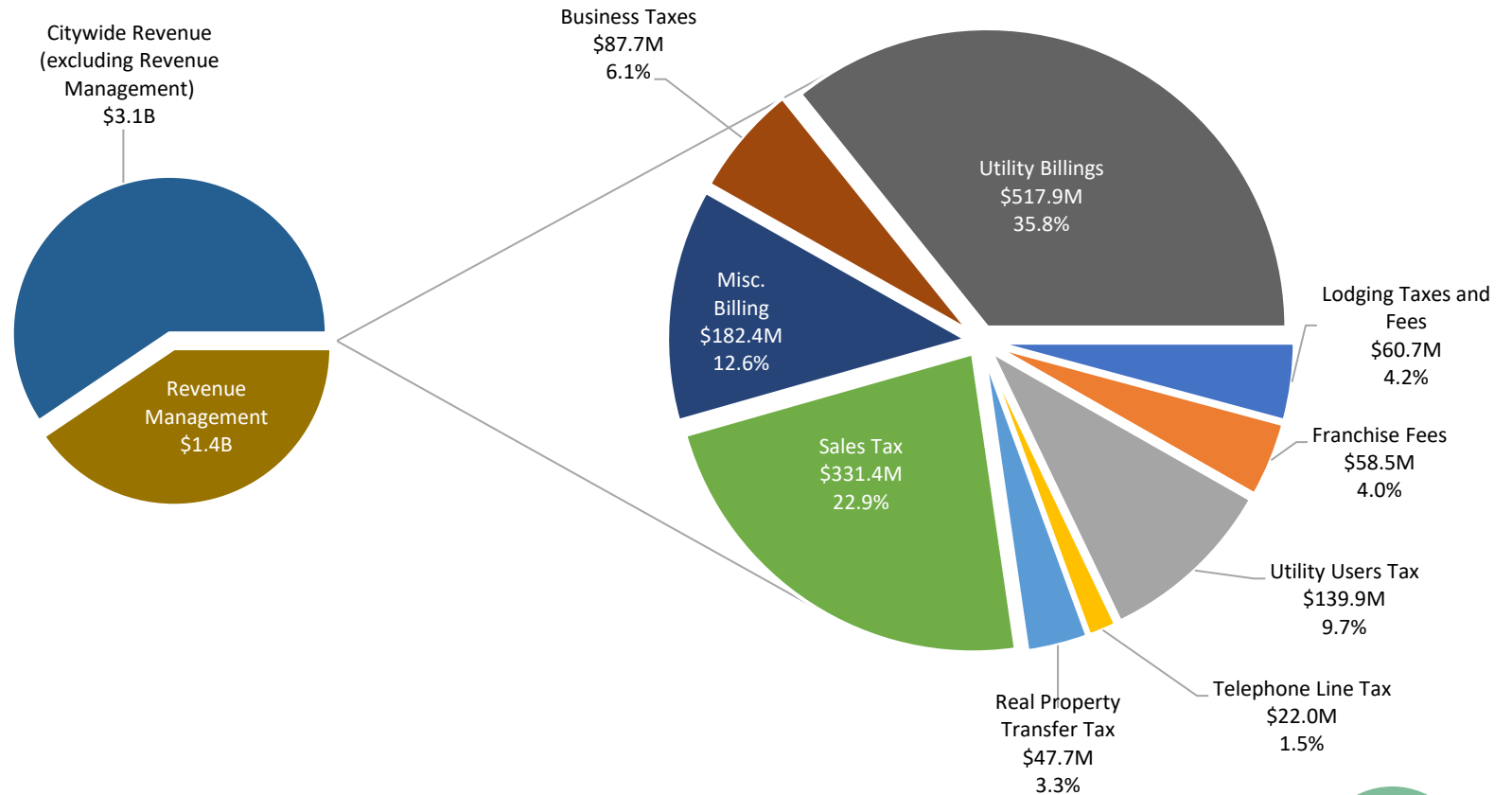
# REVENUE MANAGEMENT PORTFOLIO

## FY 2024-25 REVENUE (\$ IN MILLIONS)

Total Revenue: \$4.558B

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

(Graph is updated annually)

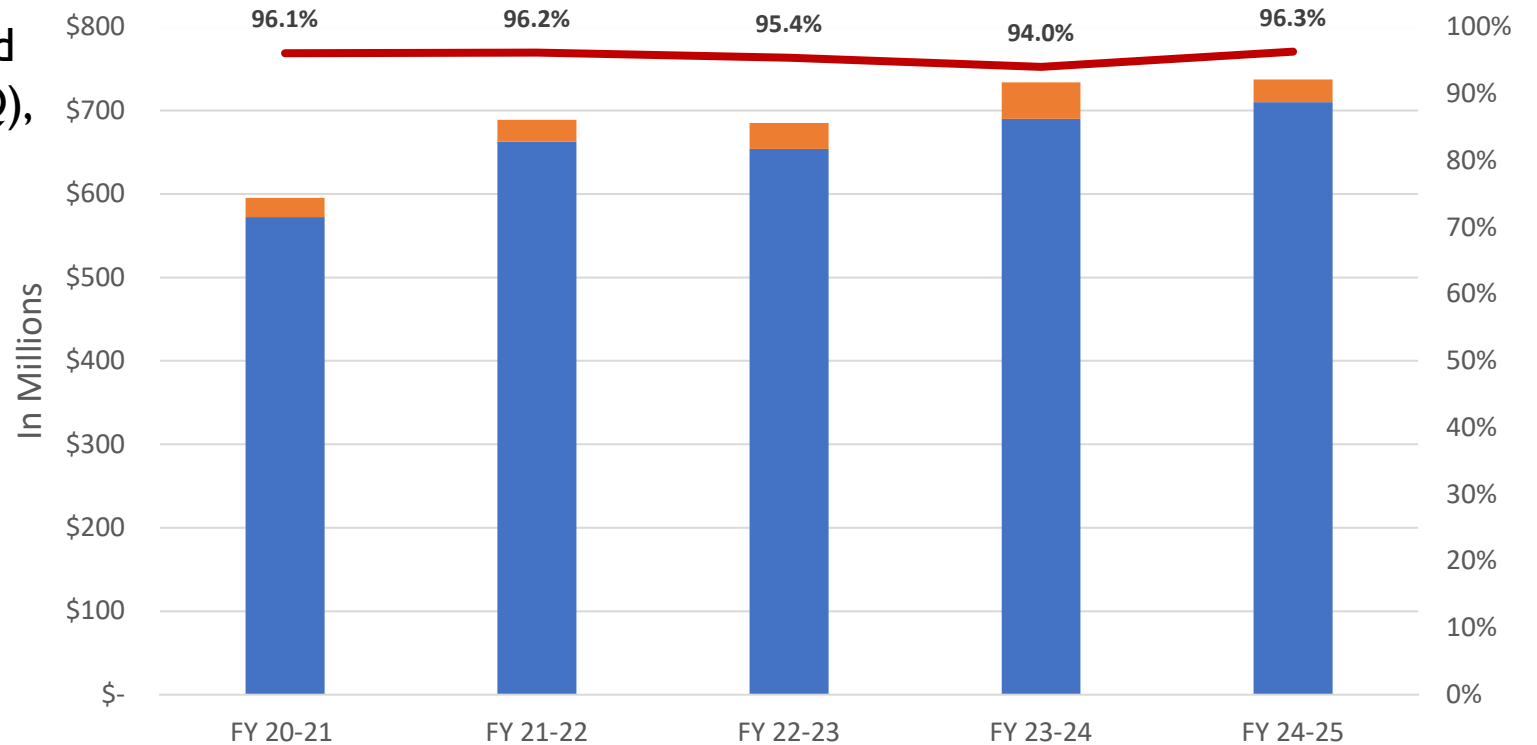


# INVOICING AND PAYMENTS

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

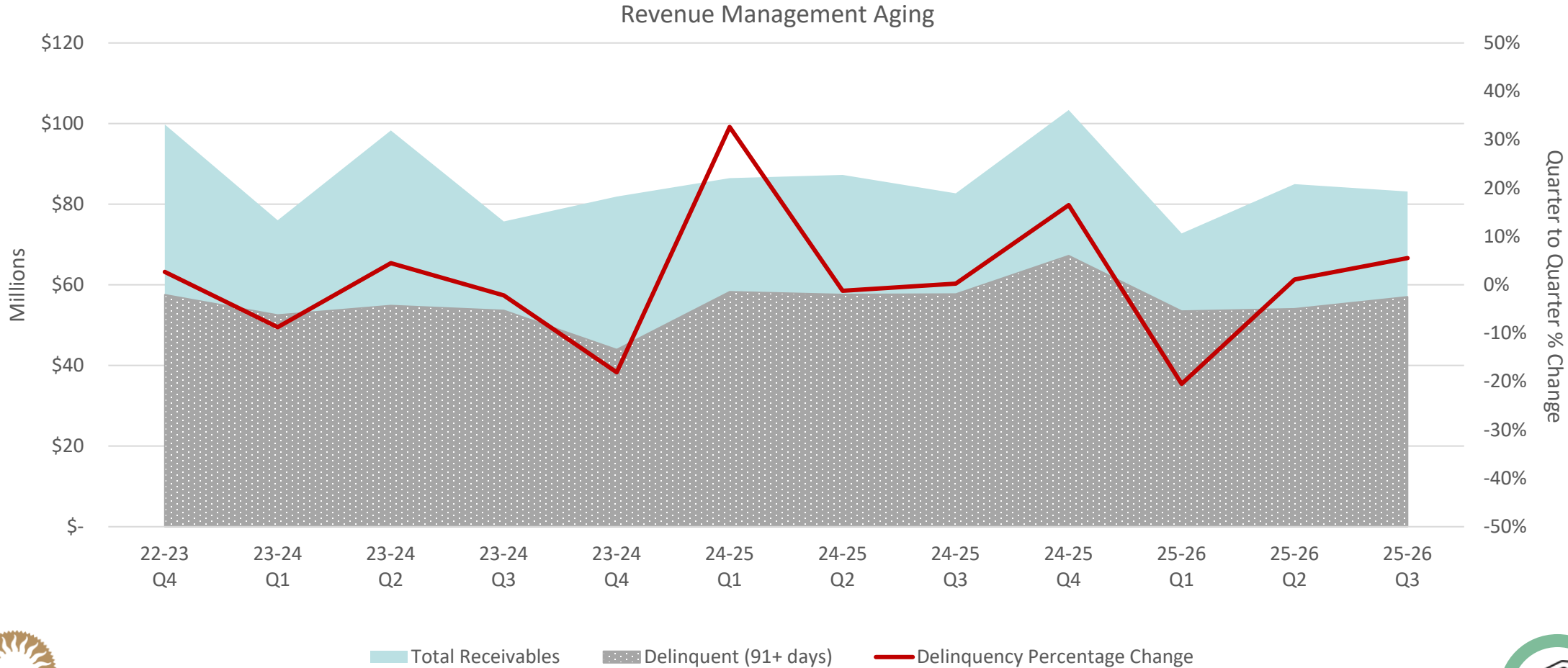
Includes invoices billed through the Business Tax System, the centralized Accounts Receivable system (RevQ), and the Utility Billing System.

(Graph is updated annually)



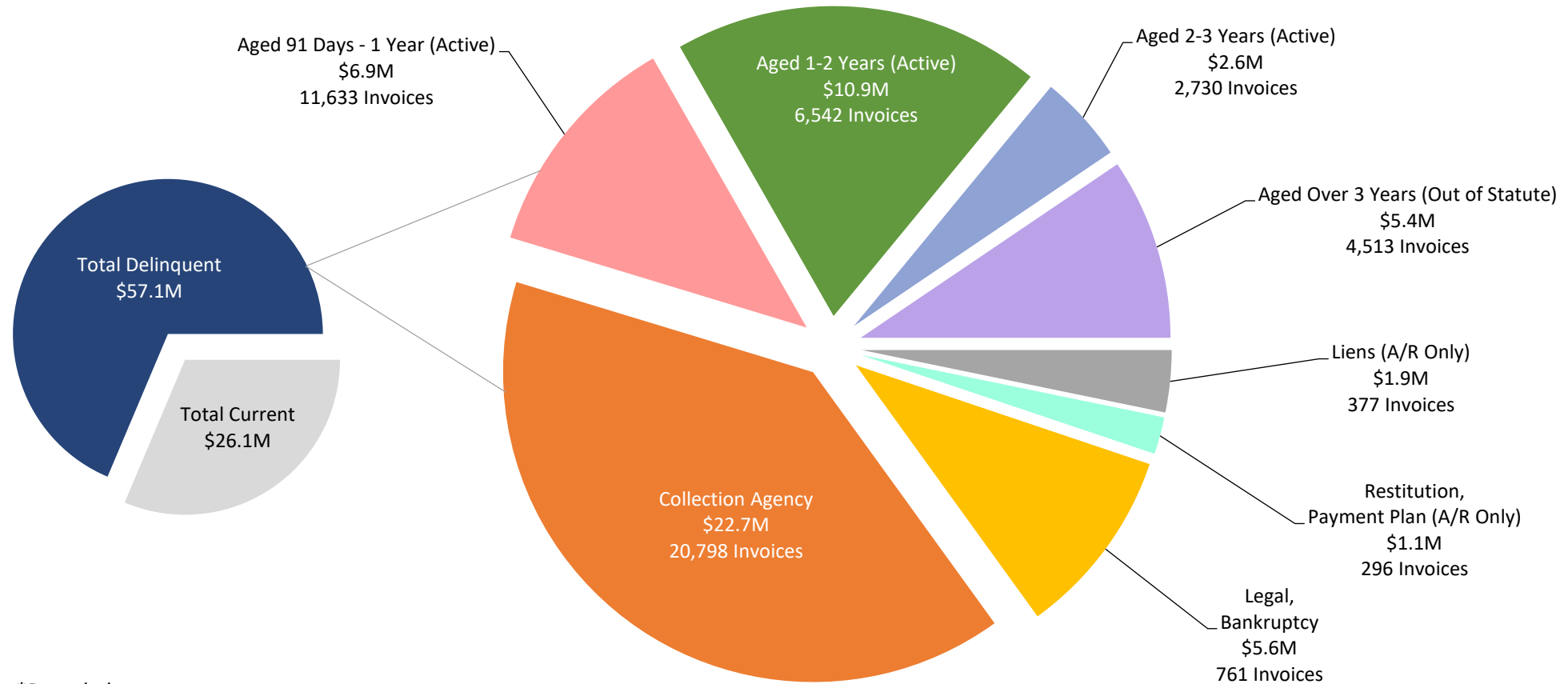
# OUTSTANDING RECEIVABLES

## THREE-YEAR HISTORY (FY 2022-23 Q4 TO FY 2025-26 Q3)



# FY 2025-26 Q3 DELINQUENT RECEIVABLES

## DELINQUENT RECEIVABLES SUMMARY (\$ IN MILLIONS\*)



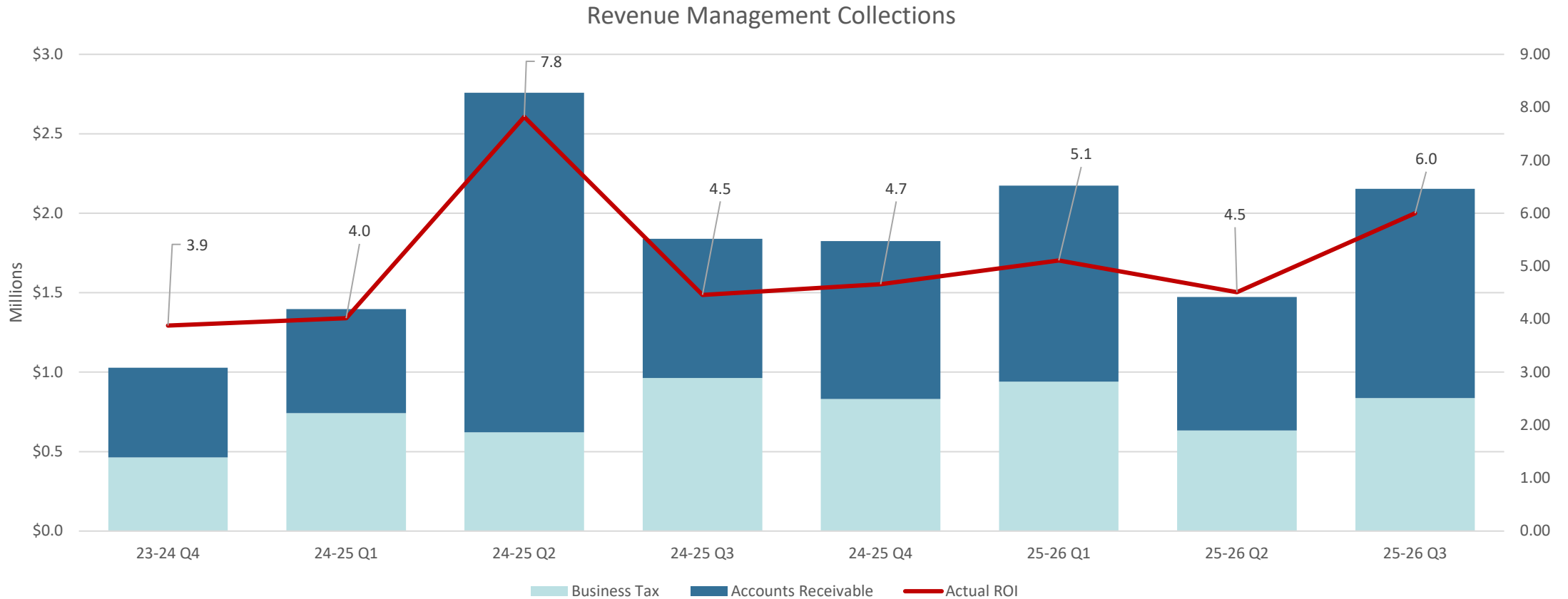
\*Rounded

As of March 31, 2026



# COLLECTIONS & RETURN ON INVESTMENT

## REVENUE MANAGEMENT COLLECTIONS (FY 2023-24 Q4 To FY 2025-26 Q3)



# REVENUE COMPLIANCE REVENUE RECOVERY

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- 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 Q3, ~\$1.5M was recovered in delinquent collections and audits (cannabis business tax, hotel tax, telecommunications user tax, utility user tax, and sales and use tax).



# BUSINESS TAX AMNESTY PROGRAM

- This Amnesty Program offers an opportunity to have accumulated penalties and interest waived in exchange for payment of the principal amount due
- Amnesty Program Application Period: January 1 – December 31, 2026

<b>Program Stats through March 31, 2026</b>	
Projected Revenue	\$2.9M
FY 25-26 Payments	\$1.11M
Program Expenses	(\$45K)
<b>Net Revenue</b>	<b>\$1.07M</b>
Amnesty Waivers to Date	(\$520K)



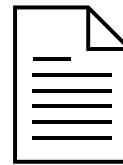
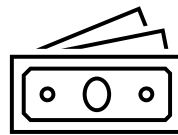
# **THIRD QUARTER PURCHASING AND RISK MANAGEMENT REPORT FOR FISCAL YEAR 2025-2026**



# PURCHASING PROGRAM

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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

## THIRD QUARTER FY 2025-26

DESCRIPTION	THIRD QUARTER TRANSACTIONS	FISCAL YEAR TO DATE
PURCHASE ORDERS EXECUTED	292	1,070
PURCHASE ORDER ADJUSTMENTS EXECUTED	112	346
CONTRACTS NEGOTIATED & EXECUTED	10	17
CONTRACT AMENDMENTS, CHANGE ORDERS, SERVICE ORDERS, & OPTIONS EXECUTED	27	103
PURCHASE ORDER DOLLARS PROCURED	\$85,718,978	\$321,737,345
CONTRACT DOLLARS PROCURED	\$4,626,408	\$24,887,330



# PURCHASING AUDIT STATUS

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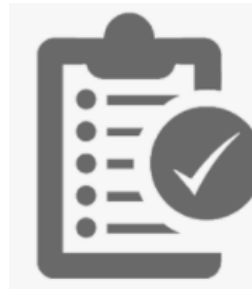
- In August 2025, the Office of the City Auditor completed an audit of Purchasing functions to “assess the efficiency of the City’s procurement process for goods and services, excluding public works projects.”
- Eight recommendations were provided as a result of this audit.
- As of December 31, 2025, two recommendations have been fully implemented with another recommendation partly implemented.
- The target implementation date for the remaining recommendations is June 30, 2026.



# RISK MANAGEMENT PROGRAM

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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

## THIRD QUARTER FY 2025-26

Transaction Type	Third Quarter Transactions	Fiscal Year to Date
Request for Contract Insurance Specifications	257	794
Request for Insurance Compliance Review	147	545
Request for Letters of Self-Insurance	27	89
Subrogation Dollars Billed to Responsible Third Parties	\$94,334.99	\$324,733.30
Council and Committee Memorandums Issued	0	2



# RECOMMENDATION

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(a) Accept the Third Quarter (period ended March 31, 2026) 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 Third Quarter Financial Reports for Fiscal Year 2025-2026 to the August 11, 2026, City Council meeting for full adoption.



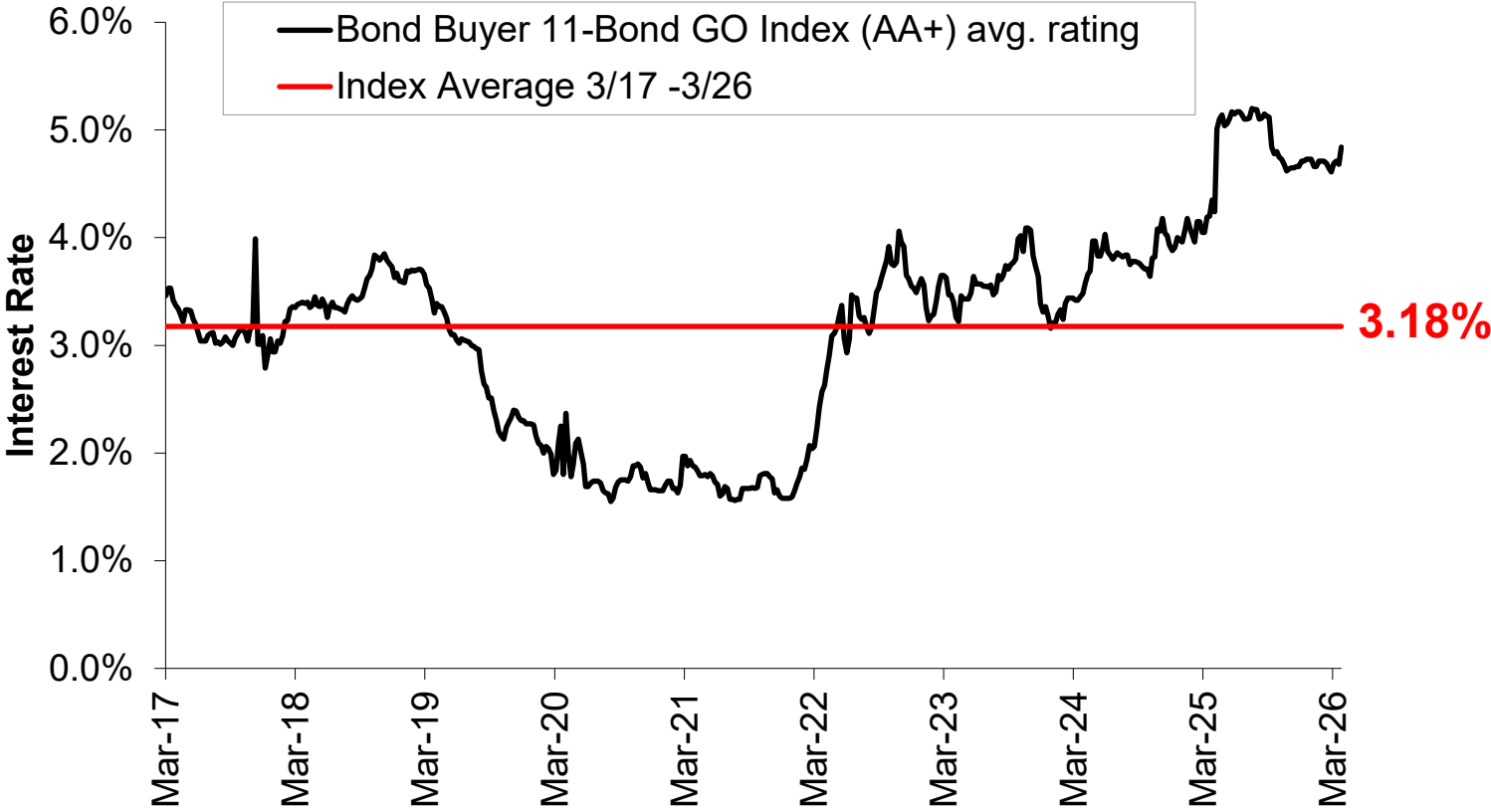
# APPENDIX

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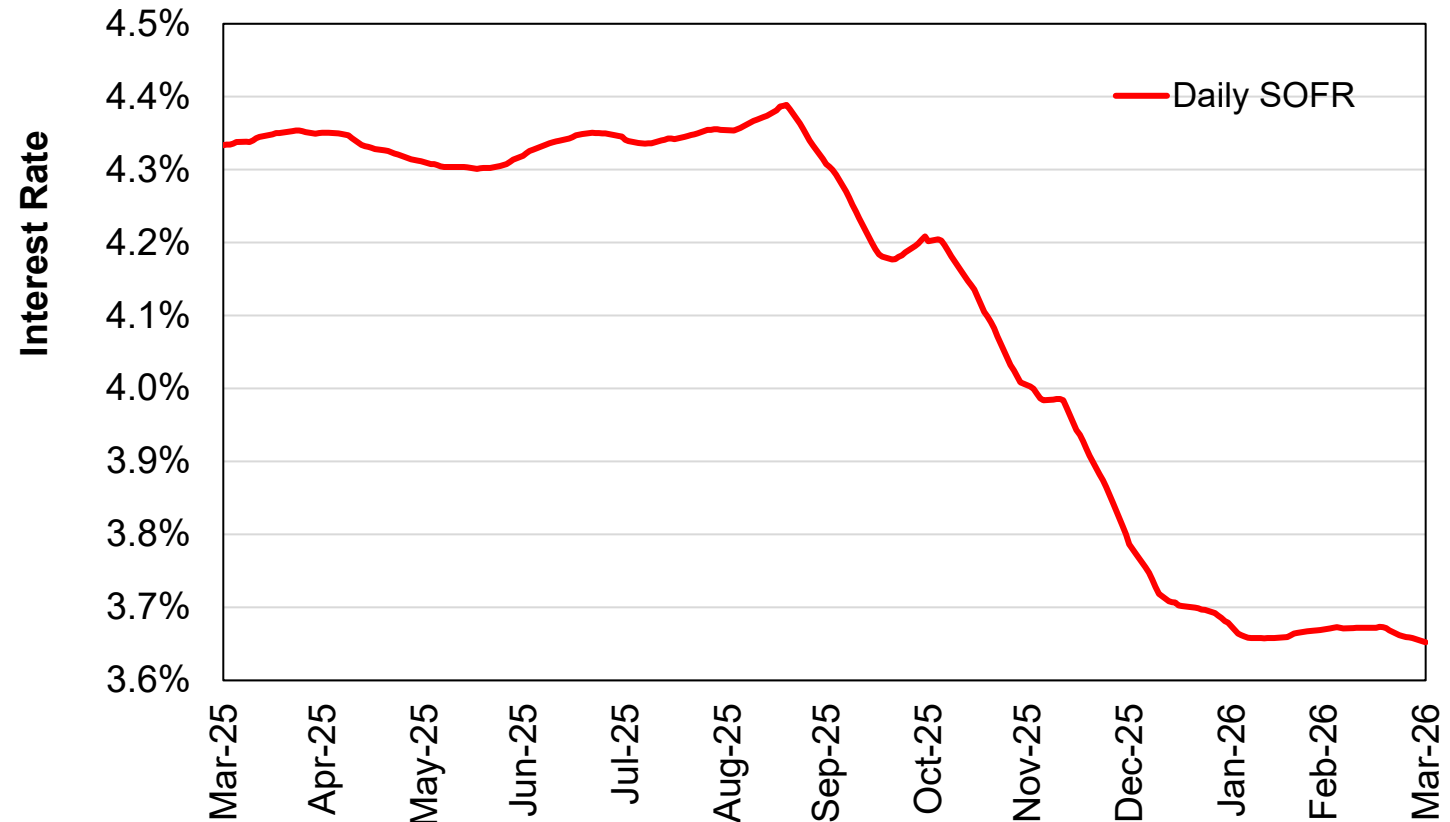
# BOND BUYER GO BOND YIELD INDEX

- 10-year history of higher rated (“AA+”) General Obligation debt (20-year term) yield averaged 3.18% and is currently at 4.84% (as of 3/26/2026).



# SOFR RATES

- The Daily Secured Overnight Financing Rate (SOFR) interest rate is 3.65% (as of 3/31/26).
- The City uses SOFR as a proxy for forecasting interest rates for various short-term debt instruments.



# GENERAL OBLIGATION CREDIT RATINGS AS OF MARCH 31, 2026

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
<b>City of San José</b>	Aa1	AA+	AAA
<b>State of California</b>	Aa2	AA-	AA
<b>Santa Clara County <sup>(1)</sup></b>	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 MARCH 31, 2026

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

Type of Rating	Moody's	S&P	Fitch
<b>Issuer Rating</b>	Aa1 (stable)	AA+ (stable)	AA+ (stable)
<b>General Obligation Bonds</b>	Aa1 (stable)	AA+ (stable)	AAA (stable)
<b>Lease Revenue Bonds (Essential Assets)</b>	Aa2 (stable)	AA (stable)	AA (stable)
<b>Lease Revenue Bonds (Less Essential Assets)</b>	Aa3 <sup>(1)</sup> (stable)	AA (stable)	AA- <sup>(2)</sup> (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 MARCH 31, 2026

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

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

