

SUPPLEMENTAL

COUNCIL/AUTHORITY AGENDA: 05-22-07

ITEM: # 3



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL AND CITY
OF SAN JOSE FINANCING
AUTHORITY BOARD

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: May 16, 2007

Approved

Ray Wimer

Date

5/16/07

COUNCIL DISTRICT: Citywide

**SUBJECT: APPROVAL OF THE SALE AND ISSUANCE OF BONDS AND RELATED
BOND DOCUMENTS FOR CITY OF SAN JOSE FINANCING
AUTHORITY LEASE REVENUE BONDS, SERIES 2007A
(RECREATIONAL FACILITIES REFUNDING PROJECT)**

SUPPLEMENTAL

REASON FOR SUPPLEMENTAL MEMORANDUM

This supplemental memorandum is to transmit the Official Statement for the proposed Series 2007A Bonds and its Appendix A, provide updated information regarding the procurement of bond insurance, and provide updated information regarding the selection of a trustee bank.

Official Statement and Appendix A

The Official Statement, or prospectus, has been prepared for the City and the Authority by bond counsel/disclosure counsel. Appendix A is prepared separately by City staff and describes financial, economic and demographic information regarding the City. Appendix A is incorporated into the final version of the Preliminary Official Statement and the Official Statement by disclosure counsel prior to printing and mailing to potential investors.

It should be noted that the budget information in Appendix A is from the FY 2007-08 Proposed Operating Budget, and that staff will update any budget or financial information, as well as other topics included in Appendix A, prior to the mailing of the Official Statement to reflect the most recent information available to the City. References to events which have not yet taken place but

which will take place prior to publication of the offering documents have been highlighted, and will be updated as necessary.

Documents Related to the Financing

As discussed in the May 2, 2007 staff report, attached is a copy of the draft Official Statement along with Appendix A, for the above-referenced financing. City staff, along with our financial advisor, bond counsel and disclosure counsel will be available at the City Council meeting on May 22, 2007, to address any questions, issues and/or concerns.

If any Councilmember or Authority Board member has any personal knowledge that any of the material information in the Official Statement or Appendix A is false or misleading, the councilmember/Authority Board member must raise these issues prior to approval of the distribution of these documents.

Additionally, the following documents described in the staff report are on file in the City Clerk's Office:

- Trust Agreement
- Site and Facility Lease
- Project Lease
- Amendments to Project and Site Leases Related to the 1993 Bonds
- Official Notice Inviting Bids
- Notice of Intention to Sell Bonds
- Continuing Disclosure Certificate

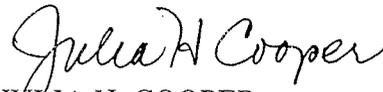
These documents are presented for City Council and Authority Board approval in substantially final form.

Bond Insurance

As described in the memorandum dated May 2, 2007, the City conducted a request for proposals process to obtain bond insurance and debt service reserve fund surety bids. The City received only one bid, from Ambac, and determined that it would not be cost-effective for the City to purchase bond insurance and the associated surety policy for the debt service reserve fund. Staff recommends, however, that underwriters bidding on the bonds be allowed to purchase Ambac insurance to the extent it would help them achieve the lowest possible bid. The debt service reserve fund will be funded with the proceeds of the 2007A Bonds rather than through the purchase of a surety policy.

Trustee Services

As described in the memorandum dated May 2, 2007, the City conducted a request for proposals process to obtain trustee services. The City received five proposals in response to the RFP with a sixth bank submitting a non-conforming proposal. Based on the proposals received, Staff selected the bank U.S. Bank National Association to serve as the trustee for the Series 2007A Bonds. If an unsuccessful RFP respondent wishes to dispute the selection, a protest must be submitted in writing no later than Friday, May 25, 2007. In the event that a protest is filed in a timely manner, the financing schedule may need to be adjusted.



JULIA H. COOPER

Deputy Director, Finance

For questions, please contact Julia H. Cooper, Deputy Director, at (408) 535-7011.