



# SUPPLEMENTAL

COUNCIL/SJFA: 03-11-11  
ITEM: 2

## Memorandum

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

**FROM:** Julia H. Cooper

**SUBJECT:** SEE BELOW

**DATE:** March 11, 2011

Approved

Date

3/11/11

**SUBJECT: APPROVAL OF THE SALE AND ISSUANCE OF THE CITY OF SAN JOSE SPECIAL HOTEL TAX REVENUE BONDS, CITY OF SAN JOSE FINANCING AUTHORITY LEASE REVENUE BONDS AND RELATED ACTIONS FOR THE SAN JOSE MCENERY CONVENTION CENTER RENOVATION AND EXPANSION PROJECT AND APPROVAL OF ASSET SUBSTITUTION FOR THE CITY OF SAN JOSE FINANCING AUTHORITY LEASE REVENUE COMMERCIAL PAPER PROGRAM**

### SUPPLEMENTAL

#### REASON FOR SUPPLEMENTAL MEMORANDUM

This supplemental memorandum is to provide additional information to the City Council/ Authority Board related to the ratings and not-to-exceed sale parameters for the issuance of the bonds for the San José McEnery Convention Center Renovation and Expansion Project (the "Project").

#### RATINGS

The ratings for the City of San José Special Hotel Tax Bonds, Series 2011 (the "Special Hotel Tax Bonds") and City of San José Financing Authority Lease Revenue Bonds, Series 2011A (the "Lease Revenue Bonds") are still pending. An oral report will be given at the March 15, 2011 Council Meeting to provide an update on the ratings.

#### NOT-TO-EXCEED SALE PARAMETERS

Staff recommends that the Council approve the sale of the Bonds subject to the following not-to-exceed parameters:

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**Maximum true interest cost:** The true interest cost may not exceed 7.50% for the Special Tax Bonds and 6.85% for the Lease Revenue Bonds.

**Underwriter's discount:** The underwriters' discount shall not exceed 0.6% of the principal amount of the Special Hotel Tax Bonds and 0.5% of the principal amount of the Lease Revenue Bonds.

**Principal amount:** The total principal amount shall not exceed \$120,000,000 for the Special Hotel Tax Bonds, \$50,000,000 for the Lease Revenue Bonds and \$150,000,000 for the two series in aggregate.

**Final maturity date:** The final maturity date of either series shall be no later than May 1, 2051. Note that the actual final maturity is expected to be no later than May 1, 2046.

#### REVISIONS TO APPENDIX A AND OFFICIAL STATEMENTS

City staff continues to update Appendix A to both Preliminary Official Statements in order to address significant new events that could affect the deliberations of a reasonable investor in making the decision to purchase the Bonds. Since the drafts of the Preliminary Official Statements and Appendix A were posted, City staff also has made a number of revisions for accuracy and clarity.

With respect to significant changes, Appendix A will be revised to (1) correct the total amount of paid from Airport funds to the City for City services using the City's indirect cost methodology over 6 fiscal years (\$59 million and not \$41 million as set forth on page 43 of Appendix A) (2) include a description of the recent lawsuit brought by Santa Clara County against the City and the Redevelopment Agency as the amount of damages claimed is approximately \$56 million, plus interest at the rate of 10% per annum; and (3) describe the Mayor's Budget message following its release on March 11, 2011.

Additionally, prior to the distribution of the Preliminary Official Statements and the Official Statements to investors, staff will update budget or financial information, as well as other topics included in the Preliminary Official Statements and in Appendix A to reflect the most recent information available to the City to the extent that the updates could affect the deliberations of a reasonable investor in making the decision to purchase the Bonds.

/s/

JULIA H. COOPER  
Assistant Finance Director

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