



City of San José
Norman Y. Mineta San José International Airport
Airport Revenue Bonds, Series 2011B/C

November 15, 2011 Council Agenda Item #6.1



Background

- Airport TAIP program is substantially complete
 - Commercial Paper Program provided interim financing
 - \$280 million of CP Notes currently outstanding
- Fixing out commercial paper with long term bonds mitigates future letter of credit renewal risk and variable interest rate exposure
- Matching long term assets with long term fixed rate liability

Plan of Finance & Security for 2011B/C Bonds

- Up to \$315 million Series 2011B/C Bonds will be issued
- Airport CP Program is projected to be reduced to \$100-150M
- Secured solely by the General Airport Revenues and certain other funds net of maintenance and operation costs (including CFCs and Facility Rent)
- City is only obligated to pay debt service on Airport bonds from Net General Airport Revenues
- Projected debt service coverage above the required minimum of 1.25X

Airport Bond Ratings

- Fitch: A- with Negative Outlook
 - Rating confirmed November 14, 2011 – No Change
- Moody's: A2 with Negative Outlook
 - Rating confirmed November 10, 2011 – No Change
- Standard & Poor's: A- with Stable Outlook
 - Rating announced November 11, 2011
 - Reflects downgrade from A, with Negative Outlook

Bond Disclosure Requirements – “Speaking To The Market”

- Pursuant to federal law and enforced by the SEC:
- Issuers of municipal securities have an obligation to ensure that information contained in their disclosure documents is not materially misleading.
- Proper disclosure allows investors to understand and evaluate the financial health of the local municipality in which they invest.

Bond Disclosure Requirements – Securities Fraud

Section 17(a) of the Securities Act prohibits:

- making of any untrue statement of material fact or
- omitting to state a material fact in the offer or sale of securities.
- A fact is material if there is a substantial likelihood that its disclosure would be considered significant by a reasonable investor.

Bond Disclosure Requirements – Document Review

- As part of the process of issuing new debt or refunding existing debt, elected officials should read through the primary financing documents and raise any issues identified
- After your review of the financing documents the following additional elements should be considered:
 - Have identified risks and events been brought to the attention of staff, bond counsel and other professionals?
 - Have such risks and events been disclosed, and if not, what is the rationale for the non-disclosure?

Bond Disclosure Requirements – Councilmember Responsibility

Council is **not** expected to be a “fact checker” but, *if any Councilmember has any personal knowledge that any of the material information in the financing documents - Preliminary Official Statement (POS), including Appendices A, B, and C, is false or misleading, the Councilmember must raise these issues prior to approval of the distribution of the POS to the market*

Recommendation

- Adopt a resolution authorizing the issuance of Airport Revenue Bonds, Series 2011B/C not to exceed \$315 million
- Approving substantially final forms of financing documents
- Authorizing the distribution of the Preliminary Official Statement and Official Statement
- Authorizing and approving other related actions