PSFSS COMMITTEE: 02-21-08, #6
City Council Agenda: 03-04-08

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE

FROM: Scott P. Johnson

SUBJECT: **FY 2007-08 SECOND QUARTER DEBT REPORT**

DATE: February 7, 2008

Approved Christine F. Shippey Date 2-7-08

COUNCIL DISTRICT: City-Wide

RECOMMENDATIONS

Accept the FY 2007-08 Second Quarter Debt Report.

DISCUSSION

The attached FY 2007-08 Second Quarter Debt Report is transmitted for the Committee's review and acceptance. The City's Debt Management Program is administered in the Treasury Division of the Finance Department and is responsible for managing the City's debt issuance and debt administration activities for all City borrowings including the issuance and administration of tax increment debt for the Housing Department's Expanded Housing Program. It should be noted that debt issued by the Redevelopment Agency is administered separately by Redevelopment Agency staff.

The Second Quarter Debt Report, for the period ending December 31, 2007, focuses on the following elements of the City's Debt Program:

- Completed financings and current portfolio through December 31, 2007
- Debt issuance and management activities completed during Second Quarter
- Current long-term interest rate environment
- Performance of City's variable rate debt

The City continues to be recognized nationally for its best practices in debt management and strong financial management. This respect and recognition that the City has attained from the national finance community produces significant financial benefits for the City such as excellent credit ratings and highly competitive bids for the City's bond issues.

Staff from the Finance Department will be available to answer questions on the FY 2007-08 Second Quarter Debt Report at the Public Safety, Finance and Strategic Support Committee meeting on February 21, 2008.

SCOTT P. JOHNSON
Director, Finance Department

Attachment

FY 2007-08 Second Quarter Debt Report

Public Safety, Finance and Strategic Support Committee

Finance Department
Debt Management Program
February 21, 2008

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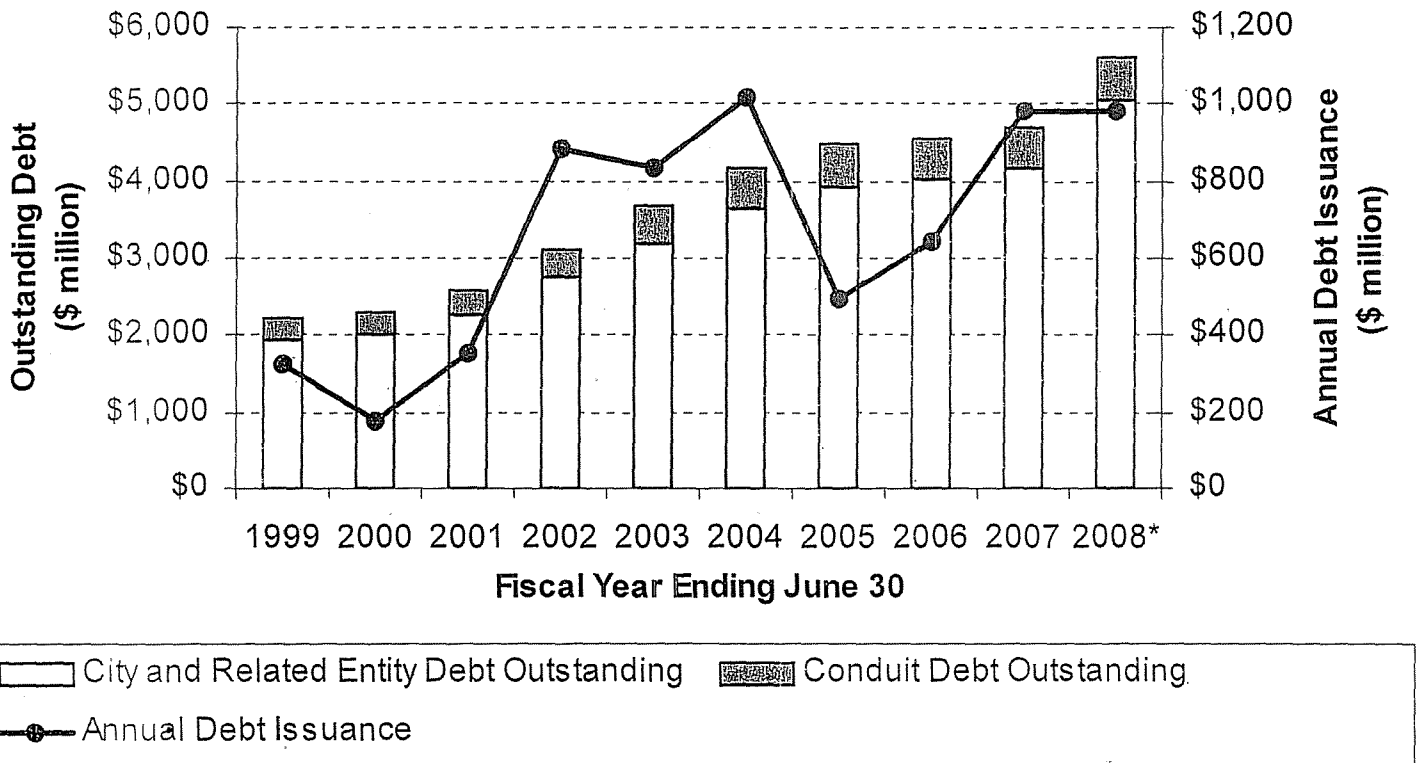
CAPITAL OF SILICON VALLEY

Outstanding Debt Issued by All Agencies

Outstanding Debt as of December 31, 2007: $5.6 Billion
FY 2007-08 Debt Issuance: $981.2 Million*



* Through December 31, 2007.

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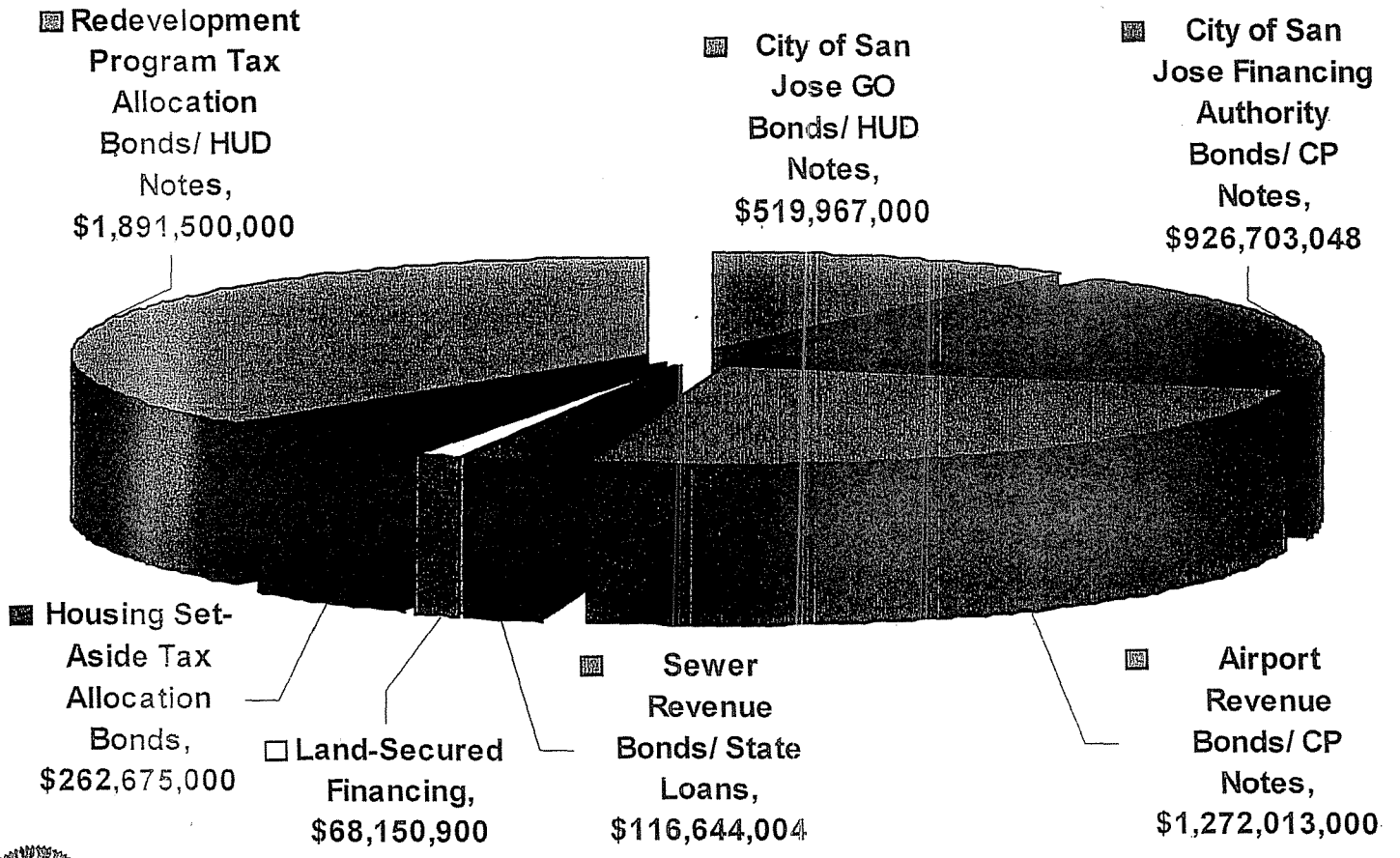
Outstanding Debt Issued by All Agencies

*Outstanding Debt as of December 31, 2007: $5,057,652,952**



*Excluding conduit debt issued by the City on behalf of developers of affordable multifamily housing.

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Selected Debt Issuance and Debt Management Activities during 2nd Quarter

- Lease Revenue Commercial Paper Program
  - Issued $6.6 million of $8.25 million authorized for HP Pavilion enhancements
  - Remaining amount to be issued in early 2008
- Airport Commercial Paper Program
  - Completed substitution of letter of credit providers
- Multifamily Housing Revenue Bonds
  - Almaden Family Apartments
    - $6.3 million, closed December 17, 2007, partial refunding of 2003 bonds
  - Curtner Studios Apartments
    - $8.8 million, closed December 19, 2007, 178 affordable units
  - Conducted TEFRA Hearings
    - Almaden 1930 Apartments, $30 million, 152 affordable units
    - David Avenue Apartments, $12 million, 66 affordable units
- Airport West Property
  - Assisted Office of Economic Development in analysis of development alternatives
- SEC Annual Continuing Disclosure Reporting
  - All reports distributed by City timely prior to December 31
- Annual Compliance Reporting
  - CAFR distribution and other required reporting completed prior to December 31

Debt Issuance and Debt Management Activities Anticipated Through June 30, 2008

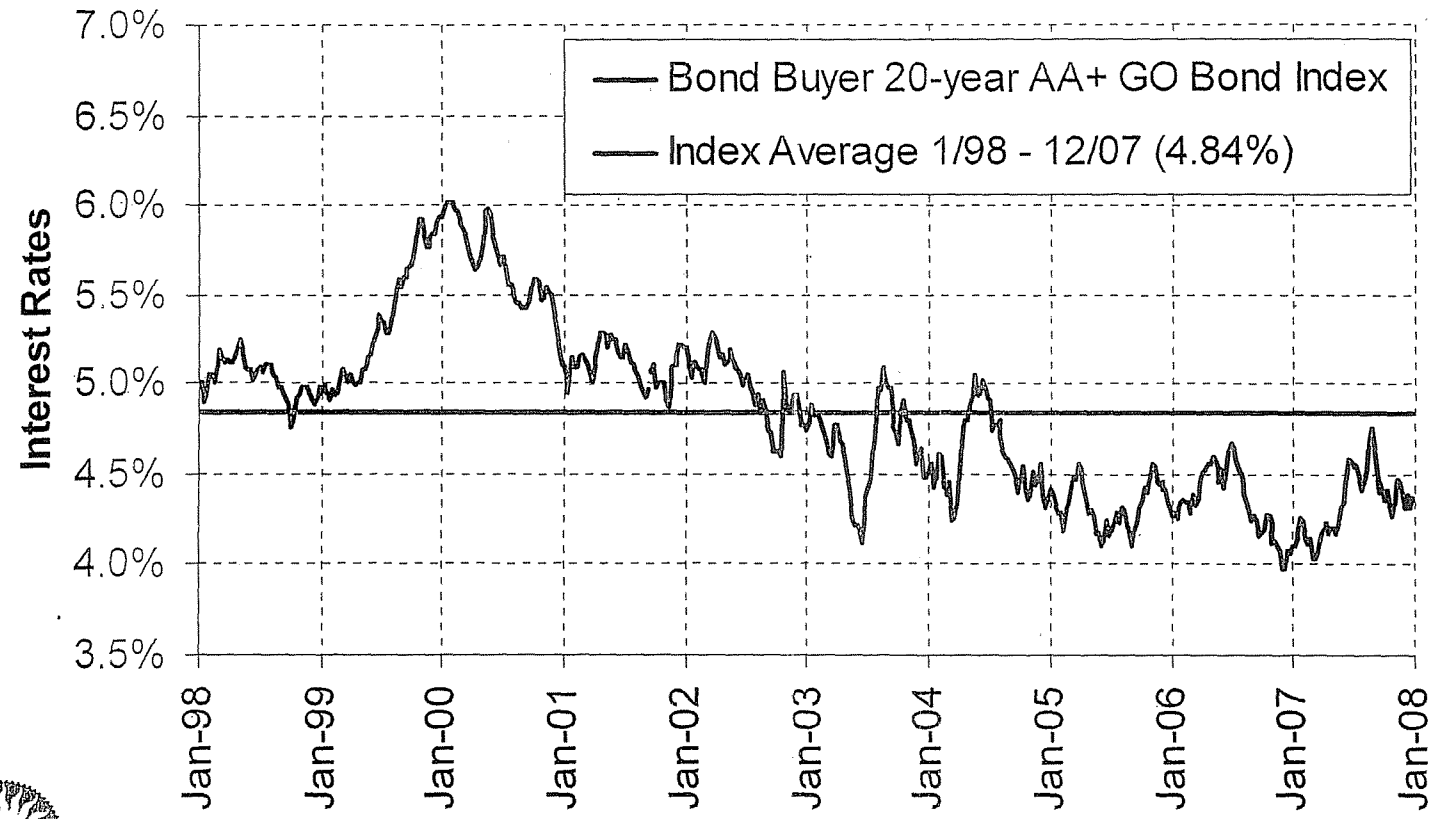
- Activities related to recent municipal market instability
  - Convert airport auction rate securities to alternative interest rate mode
  - Restructure variable-rate debt to address bond insurer rating downgrades
- Scheduled FY 2007-08 Workplan Items
  - Issue multifamily housing revenue bonds for Fairgrounds Senior affordable housing project
  - Issue lease revenue bonds for 4th & St. John Parking Garage
  - Issue general obligation bonds for libraries, parks and public safety projects
  - Develop financing strategies to address structural deficit
  - Pursue opportunities to economically refund outstanding debt

City of San Jose – General Credit Rating

- No change in City's ratings of Aa1/AA+/AA+; last confirmed in May 2007
- Demonstrates City's overall strong credit worthiness
- Remain highest rated City with populations of over 250,000 in California
- Rated higher than State of California (A1/A+/A+) and County of Santa Clara (Aa2/AA+/--)

Average Fixed Tax-Exempt Rates

- Tax-exempt long-term interest rates continued to drop during the 2nd quarter of 2007-08 and are currently at 4.20% (as of 01/24/08), remaining below their ten-year average.



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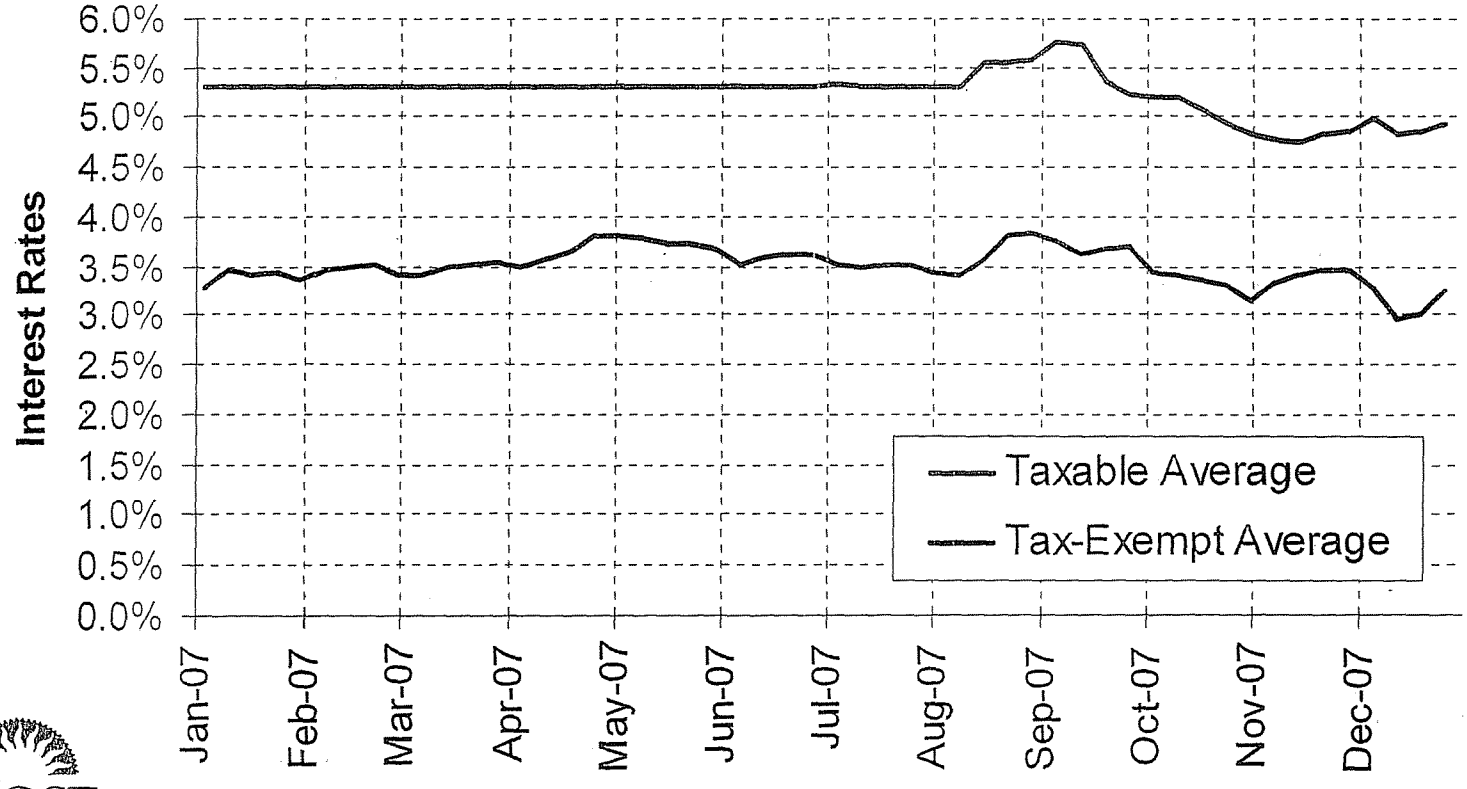
Average Variable Taxable and Tax-Exempt Interest Rates

- Tax-exempt weekly interest rates paid by the City averaged 3.45% through 2nd Quarter 2007-08, and are currently at 2.99% (as of 1/23/08)
- Taxable weekly interest rates paid by the City averaged 5.18% through 2nd Quarter 2007-08, and are currently at 4.18% (as of 1/23/08)



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