



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Scott P. Johnson

SUBJECT: FY 2006-07 THIRD QUARTER
DEBT REPORT

DATE: May 3, 2007

Approved

Ray Winer

Date

5/3/07

COUNCIL DISTRICT: City-Wide

RECOMMENDATIONS

Accept the FY 2006-07 Third Quarter Debt Report.

DISCUSSION

The attached FY 2006-07 Third 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 attached FY 2006-07 Third Quarter Debt Report, for the period ending March 31, 2007, focuses on the following elements of the City's Debt Program:

- Completed financings and current portfolio through March 31, 2007
- Debt issuance and management activities completed during Third Quarter
- Debt issuance activities anticipated through June 30, 2007
- Current long-term interest rate environment
- Performance of City's variable rate debt

The City continues to be recognized nationally through its best practices in debt management and strong financial management. It is through the respect and recognition the City has attained from the national finance community that produces significant financial benefits for the City with excellent credit ratings and extensive interest through multiple competitive bids for the City's bond issues.

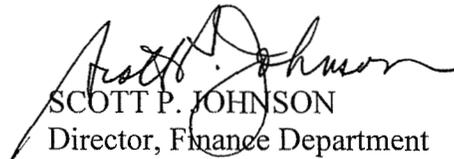
PUBLIC SAFETY, FINANCE AND STRATEGIC SUPPORT COMMITTEE

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Staff from the Finance Department will be available to answer questions on the FY 2006-07 Third Quarter Debt Report at the Public Safety, Finance and Strategic Support Committee meeting on May 17, 2007.



SCOTT P. JOHNSON
Director, Finance Department

Attachment

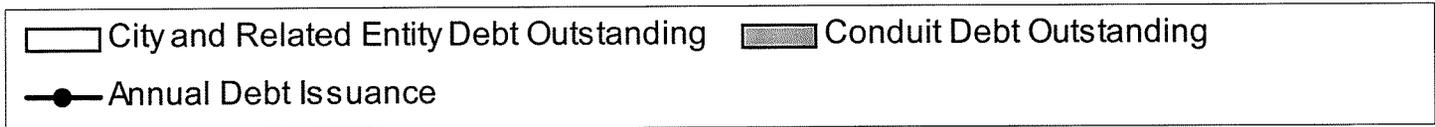
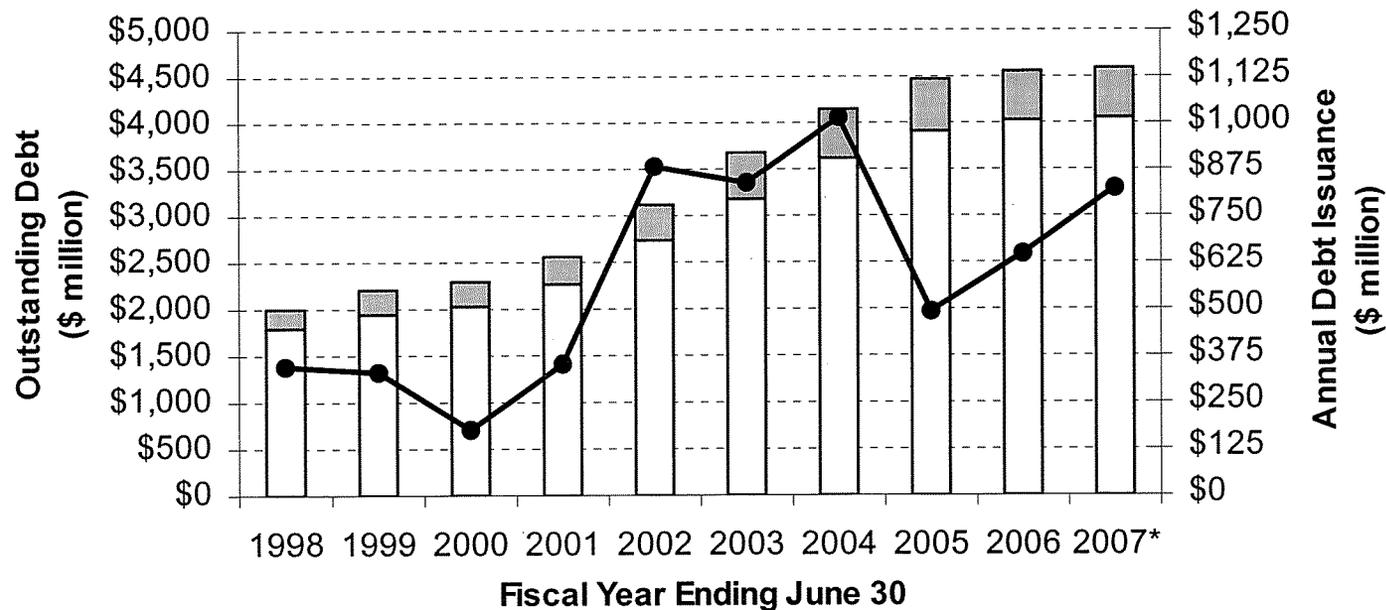
FY 2006-07 Third Quarter Debt Report

Public Safety, Finance and Strategic Support
Committee

Finance Department
Debt Management Program
May 17, 2007

Outstanding Bonds Issued by All Agencies

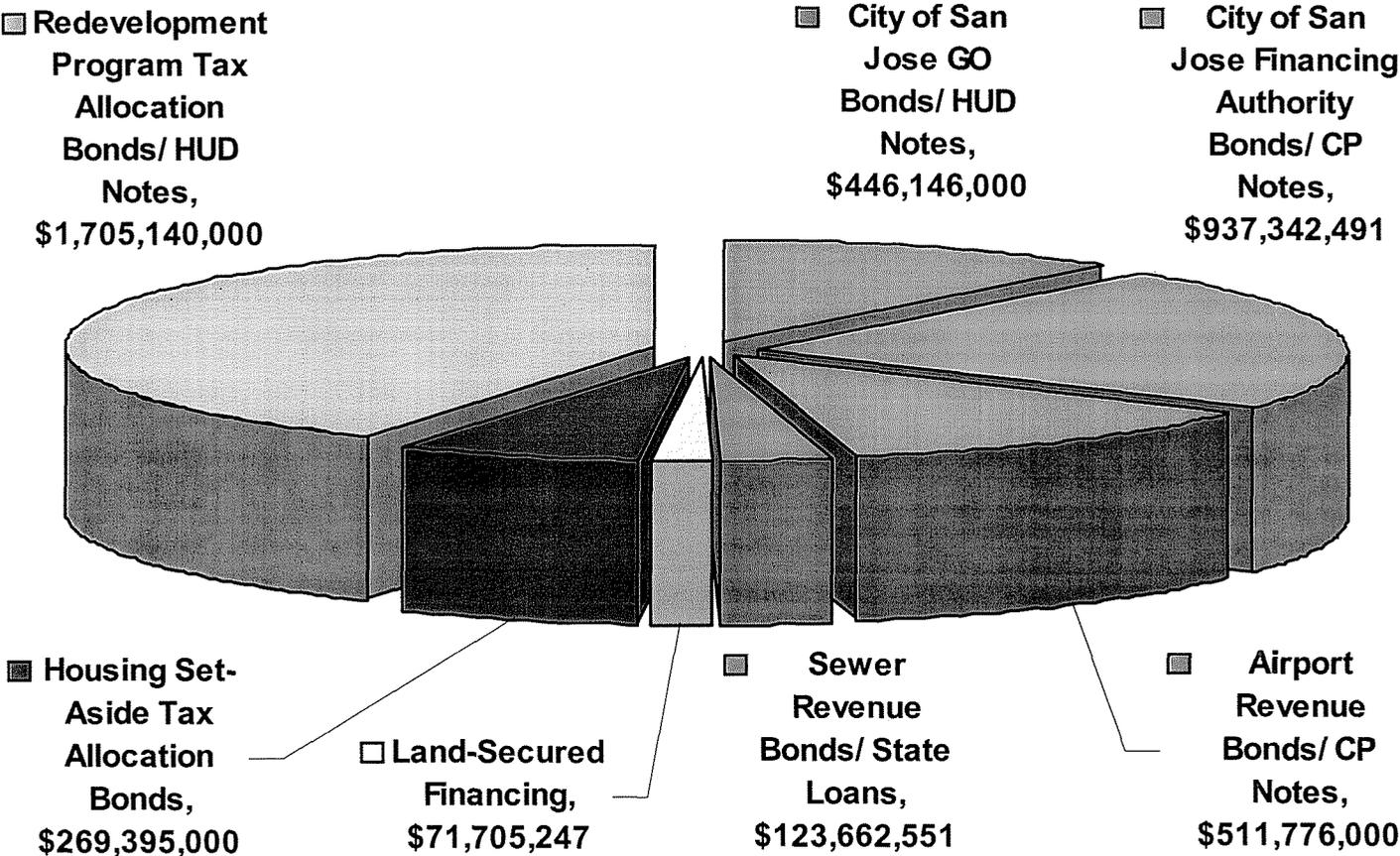
Outstanding Debt as of March 31, 2007: \$4,599,021,735
FY 2006-07 Debt Issuance*: \$824,241



*Through March 31, 2007.

Outstanding Bonds Issued by All Agencies

Outstanding Debt as of March 31, 2007: \$4,065,167,288*



*Excluding conduit debt.

Debt Issuance and Debt Management Activities During 3rd Quarter

- Expanded Airport Commercial Paper Program
 - Terminal Area Improvement Program, Phase I Projects
 - \$250 million expansion, closed January 2007
- Completed Request for Proposals Process for Financial Advisors
 - Appointed general financial advisors for City, airport and housing
 - Established three specialized financial advisory pools
- Extended Housing Program Line of Credit with Bank of New York
- Coordinated TEFRA Hearings for Joint Powers Financings
 - New Joint Powers Authority - California Municipal Financing Authority
 - Notre Dame High School and Allied Waste Projects
- Conducted Refunding Analyses of Outstanding Bond Issues
 - Consolidate three lease revenue bond issues for June refunding
 - Consider one housing set-aside issuance for summer refunding
- Performed Debt Capacity Analysis for Convention Center Expansion
- North Coyote Flood Control Improvements
 - Facilitated discussions with developer group and City staff

Debt Issuance Activities Anticipated Through June 30, 2007

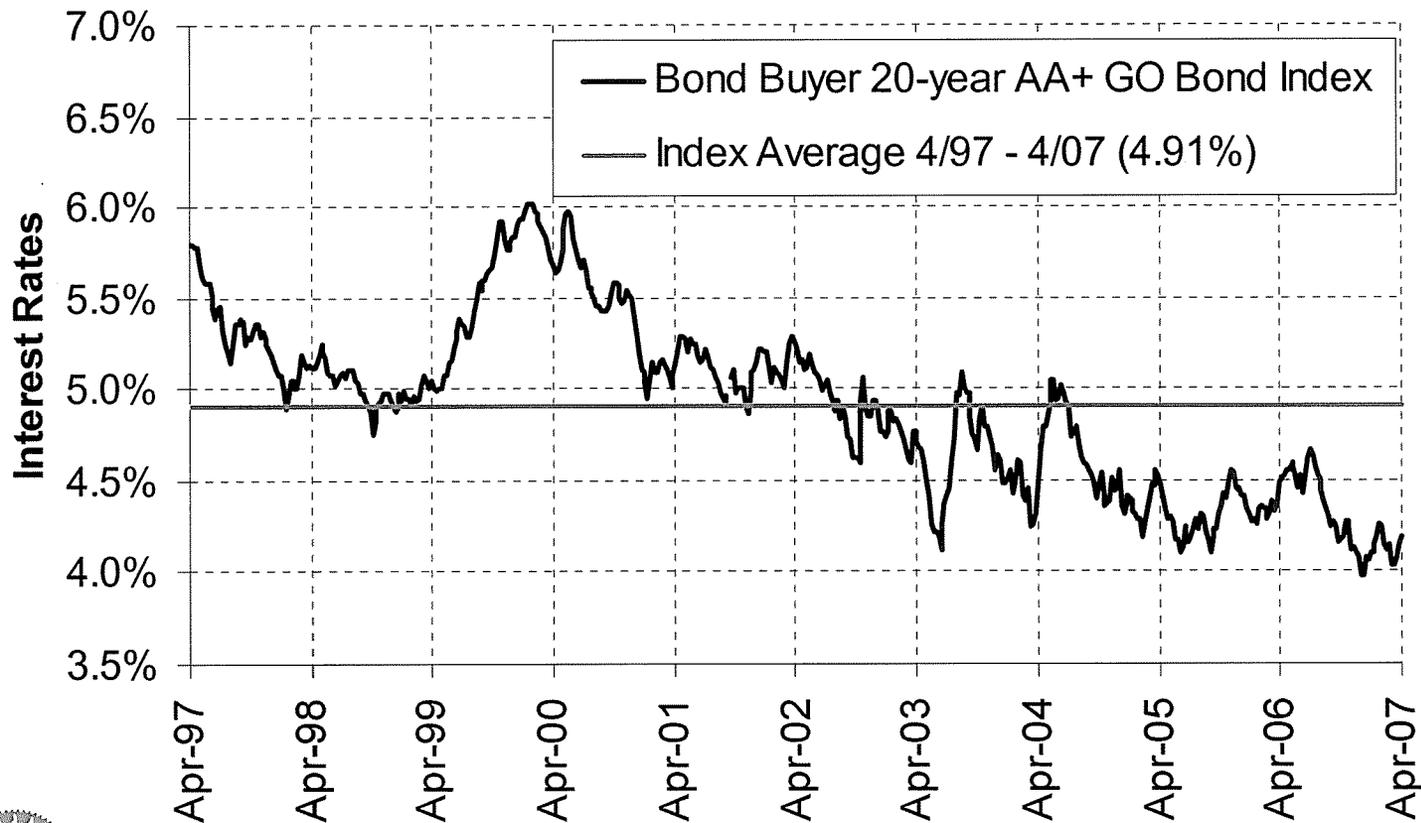
- General Obligation Bonds
 - Parks and Public Safety projects
 - \$94 million, Expected to Close June 2007
- Lease Revenue Bonds
 - Refunding Golf Courses and Hayes Mansion Phase I Bonds
 - \$40 million, Expected to Close June 2007
- Multifamily Housing Revenue Bonds
 - Casa Feliz Studio Apartments
 - \$11 million, Expected to Close June 2007
- Airport Revenue Bonds
 - Terminal Area Improvement Program
 - \$600-900 million, Expected to Close June/July 2007

City of San Jose – General Credit Rating

- Rating presentations May 10 and May 14, 2007
- No anticipated change in ratings since last confirmed in May 2006 -- Aa1/AA+/AA+
- 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 increased slightly during the third quarter of 2006-07. Current rates (4.20% as of 4/26/07) remain below their ten-year average.



Average Variable Taxable and Tax-Exempt Interest Rates

- Tax-exempt weekly interest rates paid by the City have averaged 3.45% in fiscal year 2006-07, and are currently at 3.82% (as of 4/25/07)
- Taxable weekly interest rates paid by the City have averaged 5.32% in fiscal year 2006-07, and are currently at 5.31% (as of 4/25/07)

