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 FOURTH QUARTER DEBT REPORT**

DATE: August 8, 2008

Approved Deanna Santana Date 8/11/08

COUNCIL DISTRICT: City-Wide

RECOMMENDATIONS

Accept the FY 2007-08 Fourth Quarter Debt Report.

DISCUSSION

The attached FY 2007-08 Fourth 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 Fourth Quarter Debt Report, for the period ending June 30, 2008, focuses on the following elements of the City's Debt Program:

- Completed financings and current portfolio through June 30, 2008
- Debt issuance and management activities completed during Fourth 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 Fourth Quarter Debt Report at the Public Safety, Finance and Strategic Support Committee meeting on August 21, 2008.

SCOTT P. JOHNSON
Director, Finance Department

Attachment

FY 2007-08 Fourth Quarter Debt Report

Public Safety, Finance and Strategic Support Committee

Finance Department
Debt Management Program
August 21, 2008

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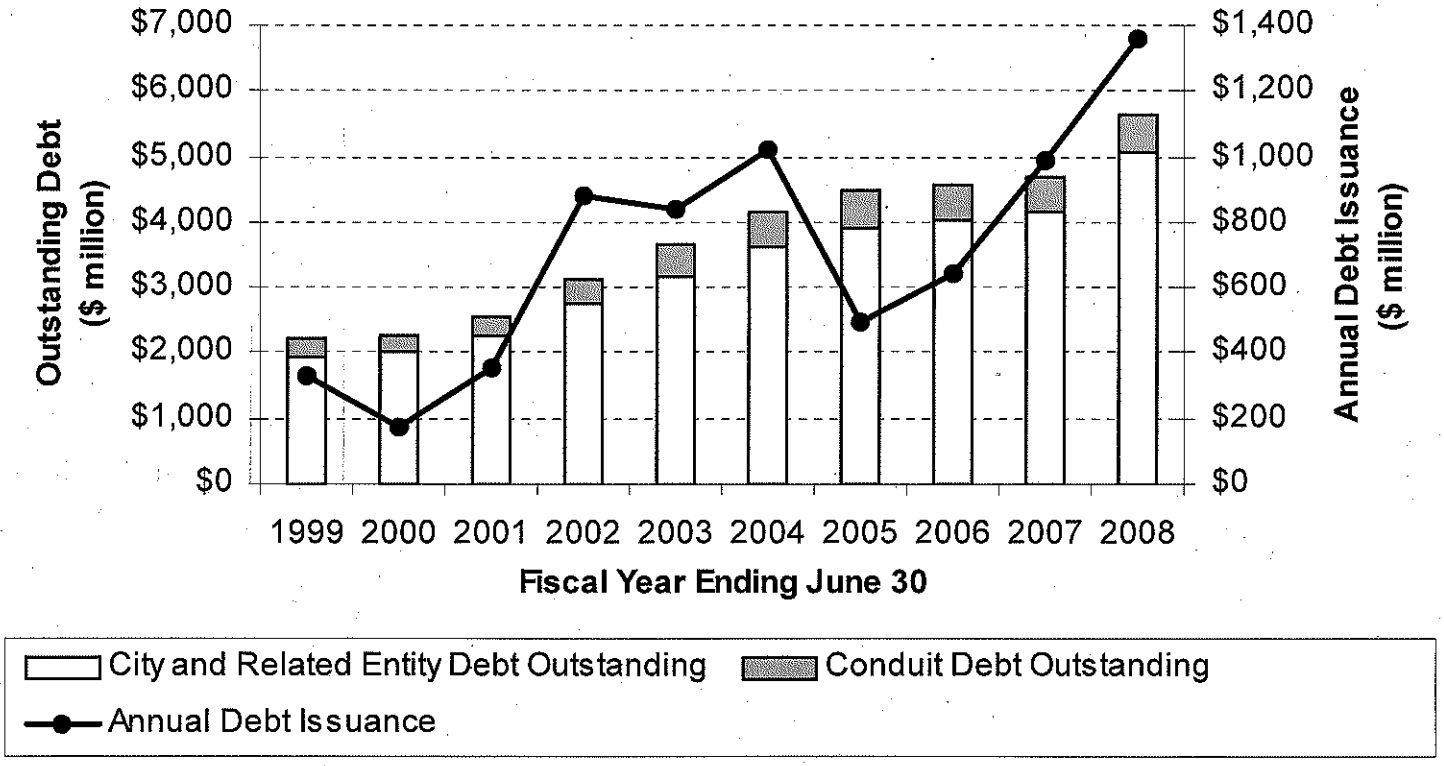
Outstanding Debt Issued by All Agencies

Outstanding Debt as of June 30, 2008: $5.6 Billion
FY 2007-08 Debt Issuance: $1.36 Billion



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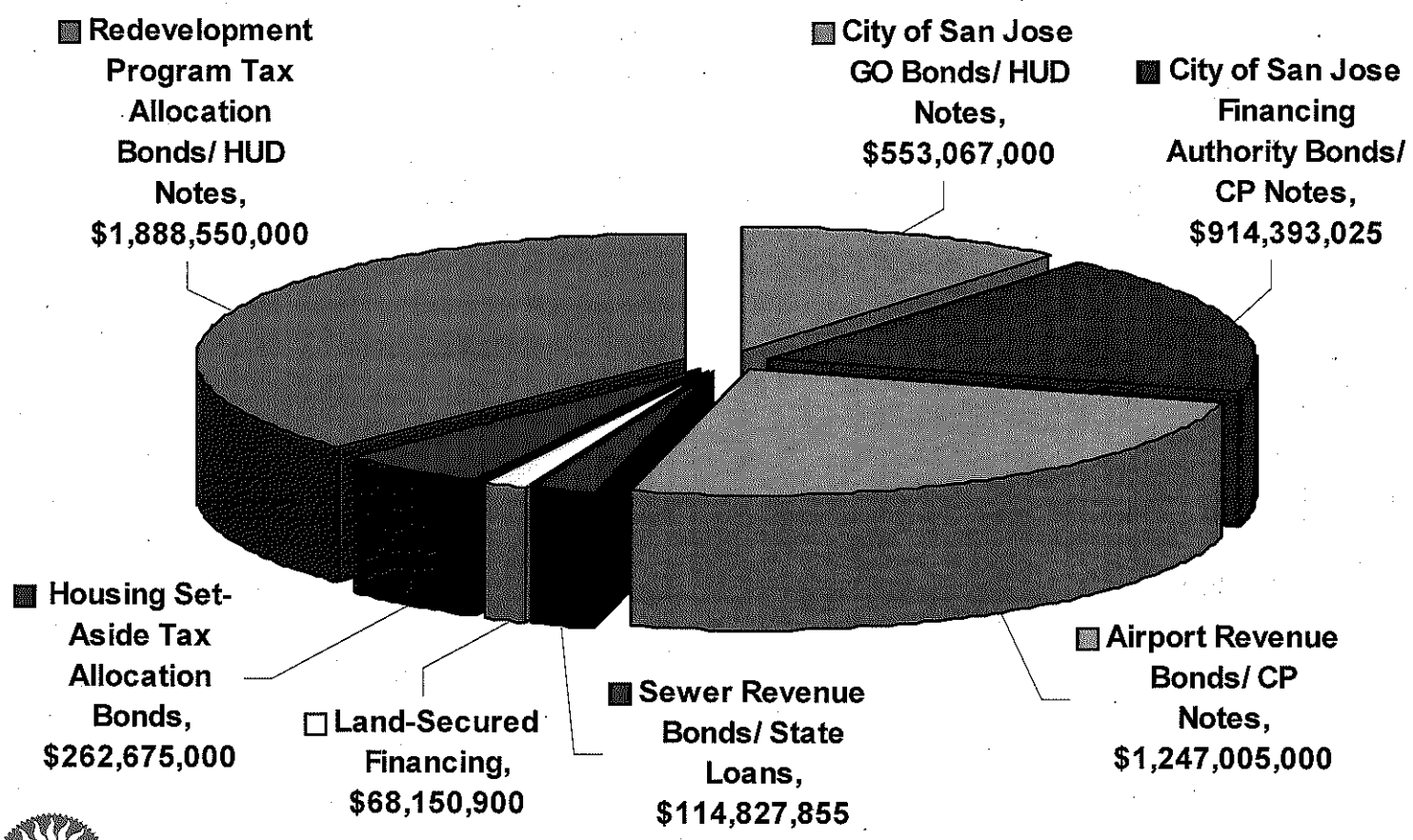
Outstanding Debt Issued by All Agencies

*Outstanding Debt as of June 30, 2008: $5,048,668,780**



*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 4th Quarter

- General Obligation Bonds
  - Libraries and Parks projects
    - $33.1 million, closed June 2008
- Lease Revenue Bonds
  - Restructured Outstanding Variable-Rate Debt
    - Eight bond series totaling $219 million, closings June-August 2008
  - Issued Bonds to Refinance City Hall Employee Parking Garage
    - $36.58 million, closed July 2008
- Airport Commercial Paper Program
  - Expanded Airport Commercial Paper Program
    - $150 million, closed May 2008
- Multifamily Housing Revenue Bonds
  - Fairgrounds Senior Housing Apartments
    - $26 million, 199 affordable units, closed May 2008
- Convention Center Expansion
  - Assisted City and Agency Staff with April 29, 2008, Status Update to Council

Debt Management Activities Anticipated Through December 31, 2008

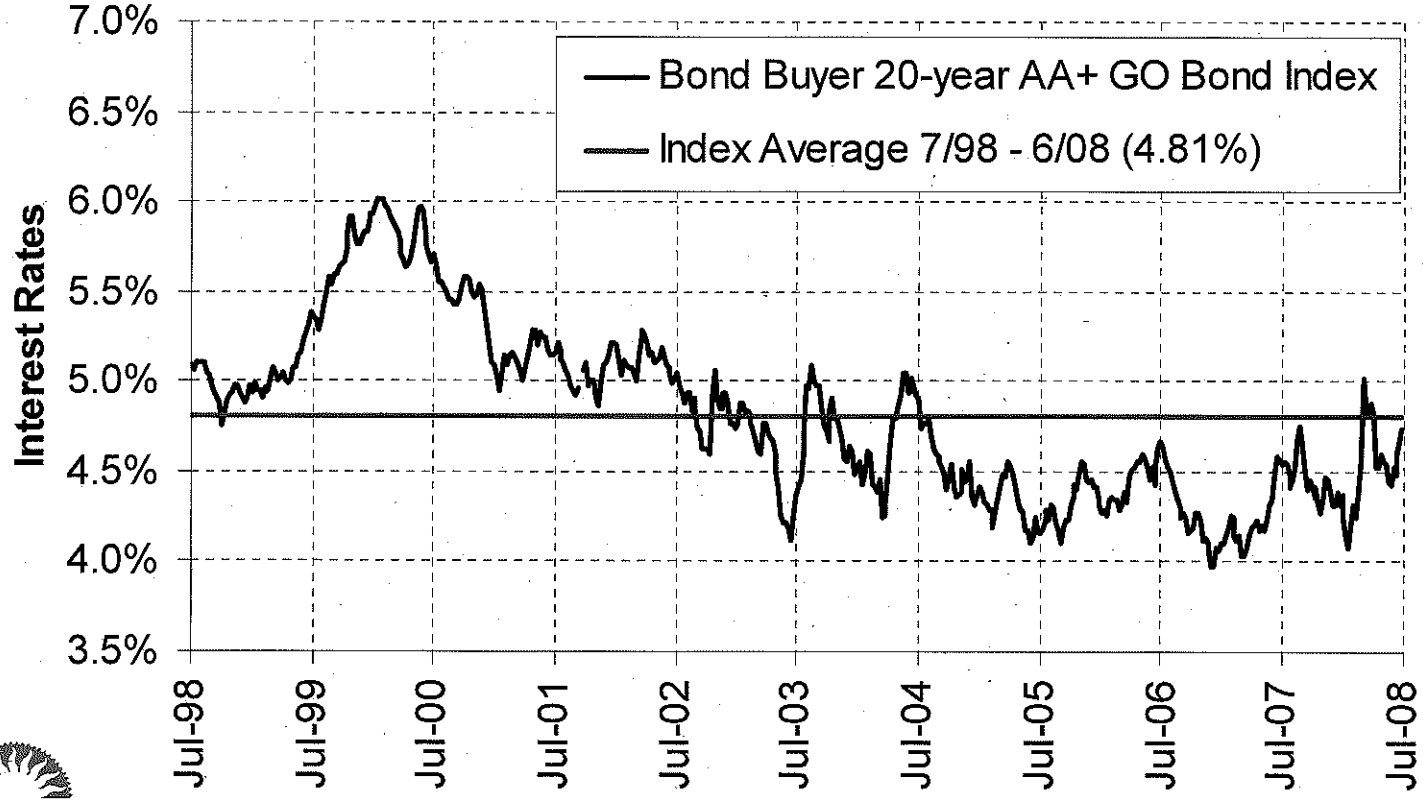
- Activities related to recent municipal market instability
  - Restructure variable-rate debt to address bond insurer rating downgrades
- Scheduled FY 2008-09 Workplan Items
  - Develop plan of finance for issuing Pension Obligation Bonds
  - Assist with formation of the Convention Center Financing District
  - Develop streamlined reimbursement procedures for bond-funded capital expenditures

City of San Jose – General Credit Rating

- Rating presentations in May 2008
- Standard & Poor's upgraded City to AAA; Moody's and Fitch confirmed Aa1/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

- Reflecting the recent bond market disruption, tax-exempt long-term interest rates fluctuated during the 4th quarter of 2007-08 and are currently at 4.65% (as of 07/31/08), somewhat below their ten-year average.



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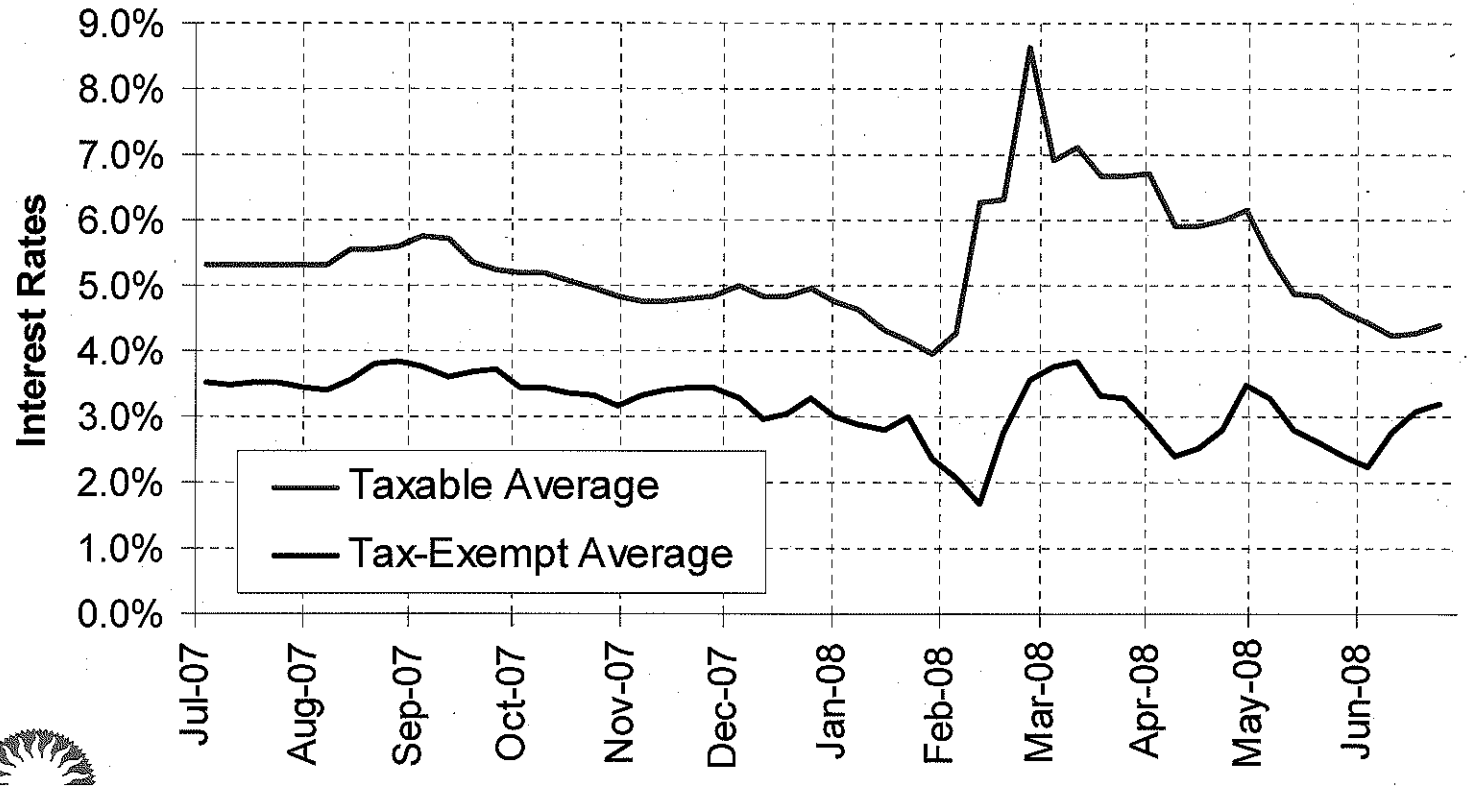
Average Variable Taxable and Tax-Exempt Interest Rates

- Tax-exempt weekly interest rates paid by the City averaged 3.16% during Fiscal Year 2007-08, and are currently at 2.04% (as of 7/30/08)
- Taxable weekly interest rates paid by the City averaged 5.33% during Fiscal Year 2007-08, and are currently at 2.67% (as of 7/30/08)



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