



Memorandum

TO: PUBLIC SAFETY, FINANCE AND
STRATEGIC SUPPORT COMMITTEE

FROM: Scott P. Johnson

SUBJECT: FY 2009-10 THIRD QUARTER
DEBT REPORT

DATE: May 6, 2010

Approved

Date

5/7/10

COUNCIL DISTRICT: City-Wide

RECOMMENDATIONS

Accept the FY 2009-10 Third Quarter Debt Report.

DISCUSSION

The attached FY 2009-10 Third Quarter Debt Report is transmitted for the Public Safety, Finance and Strategic Support 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 Affordable Housing Program. It should be noted that debt issued by the Redevelopment Agency is administered separately by Redevelopment Agency staff.

Moody's Investor Service and Fitch Ratings recently completed a recalibration project related to their ratings for all state and local governments. The purpose was to increase the comparability of credit ratings between municipal bonds and all other types of bonds. As a result, the City's general obligation bond rating is Aaa/AAA/AAA by all three rating agencies. A more detailed informational memo regarding the City's credit ratings is being prepared by the Finance Department for distribution to the Mayor and City Council.

This Third Quarter Debt Report focuses on the City's debt activities for the period ended March 31, 2010, and relates to the following elements of the City's Debt Program:

- Completed financings and current portfolio through March 31, 2010
- Debt issuance and management activities completed during the Third Quarter
- Current long-term interest rate environment
- Performance of City's variable rate debt

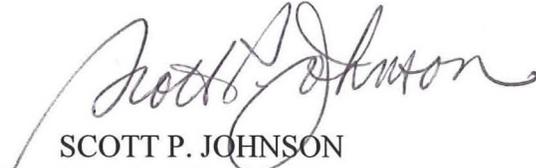
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The City continues to be recognized nationally for its best practices in debt management and strong financial management. This respect and recognition that the City has attained from the national finance community produces significant financial benefits 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 2009-10 Third Quarter Debt Report at the Public Safety, Finance and Strategic Support Committee meeting on May 20, 2010.

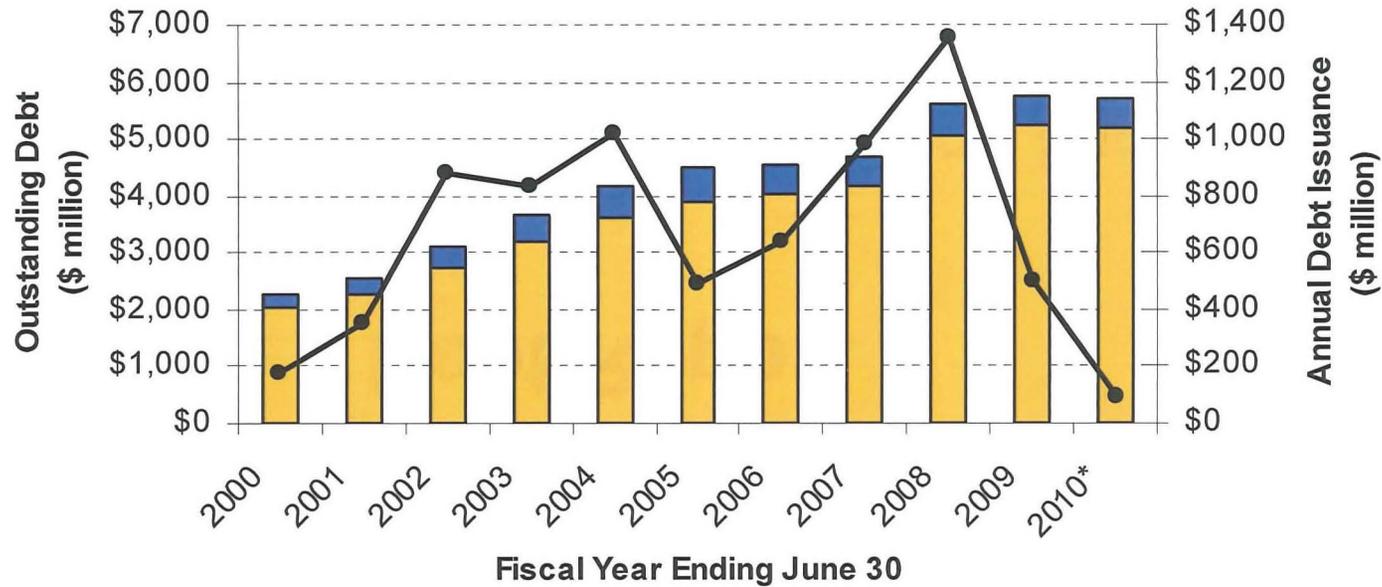


SCOTT P. JOHNSON
Director, Finance Department

Attachment

Outstanding Debt Issued by All Agencies

Outstanding Debt as of March 31, 2010: \$5.7 Billion
 FY 2009-10 Projected Annual Debt Issuance: \$285.7 Million
 ➤ Year-to-Date Debt Issuance: \$92.3 Million



City and Related Entity Debt Outstanding
 Conduit Debt Outstanding
 Annual Debt Issuance

* Year-to-date

Selected Debt Issuance and Debt Management Activities during 3rd Quarter

- Supplemental Educational Revenue Augmentation Fund (SERAF) Financing Plan
 - Lead the development and strategy for the \$75 million SERAF Financing Plan, which was approved on February 12, 2010 by City Council, City of San José Financing Authority Board and Redevelopment Agency Board
- Convention Center Expansion
 - Participated in the financing analysis for Convention Center renovation and expansion project
- RDA Housing Set-Aside Tax Allocation Bonds
 - Developed financing plan for issuance of bonds
- Energy Efficiency Projects
 - Participated in the financing analysis for the 50 MW Solar Project (citywide)
- Tax Anticipation Notes (TANs)
 - Analyzed and projected General Fund cash flows to prepare for a potential issuance of TANs for the purpose of pre-funding the City's annual retirement contributions for FY 2010-11

Debt Issuance and Management Activities Anticipated Through June 30, 2010

- Housing Set-Aside Tax Allocation Bonds (HSA TAB)
 - Issuance of Series 2001A and Series 2001B (\$67.4 million) to refund HSA TAB Series 2005C and Series 2005D
 - Issuance of Series 2010C (\$93 million) to fund housing projects and refund housing's Bank of New York term loan
- Multifamily Housing Revenue Bond Projects
 - Issue multifamily housing revenue bonds for Belovida, North Fourth Street and Kings Crossing affordable housing projects
- Redevelopment Agency
 - Implement the financing plan related to funding the \$75 million SERAF payments; \$62 million scheduled for transfer on May 10
 - Participate in the financing analysis for Tax Allocation Bonds Series 2010A-T (estimated issuance amount \$33 million)
- Renewal of Letters of Credit
 - Five series of City of San José Financing Authority Lease Revenue Bonds with expiration dates between June 25, 2010 and August 14, 2010, in aggregate \$174 million.
 - Airport Commercial Paper Program expires in December 2010 (\$450 million)

City of San José – General Credit Rating

- Moody's, Standard & Poor's and Fitch confirmed the City's ratings at Aa1/AAA/AA+ from the rating presentations in May 2009
- On March 16, 2010, Moody's Investors Service announced the recalibrating of its ratings of U.S. municipal bond issues and issuers from its municipal-specific rating scale to its global rating scale. The recalibrations began in mid-April and will continue through mid-May. Fitch Ratings has completed its recalibration on April 30, 2010.
- In April 2010, as a part of recalibration project, Moody's upgraded the City's rating from Aa1 to Aaa and Fitch upgraded the City's rating from AA+ to AAA.
- The City's recent upgraded ratings Aaa/AAA/AAA demonstrates City's continuing strong credit worthiness
- Remains highest rated city with populations of over 250,000 in California
- In April 2010, as part of recalibration project, Moody's upgraded the State of California from Baa1 to A1 and the County of Santa Clara from Aa2 to Aa1; Fitch upgraded the State of California from BBB to A-.
- City continues to be rated higher than State of California (A1/A/A-) and County of Santa Clara (Aa1/AA+/-)

Average Variable Taxable and Tax-Exempt Interest Rates

- Tax-exempt weekly interest rates paid by the City averaged 0.18% through 3rd Quarter 2009-10 and are currently at 0.28% (as of 4/30/10)
- Taxable weekly interest rates paid by the City averaged 0.21% through 3rd Quarter 2009-10 and are currently at 0.27% (as of 4/30/10)

