
FY 2010-11 Second Quarter Finance Department Reports

Debt Management Program
Investment Management Program
Revenue Collection Program

Public Safety, Finance and
Strategic Support Committee

Presented by the Finance Department
February 17, 2011

FY 2010-11

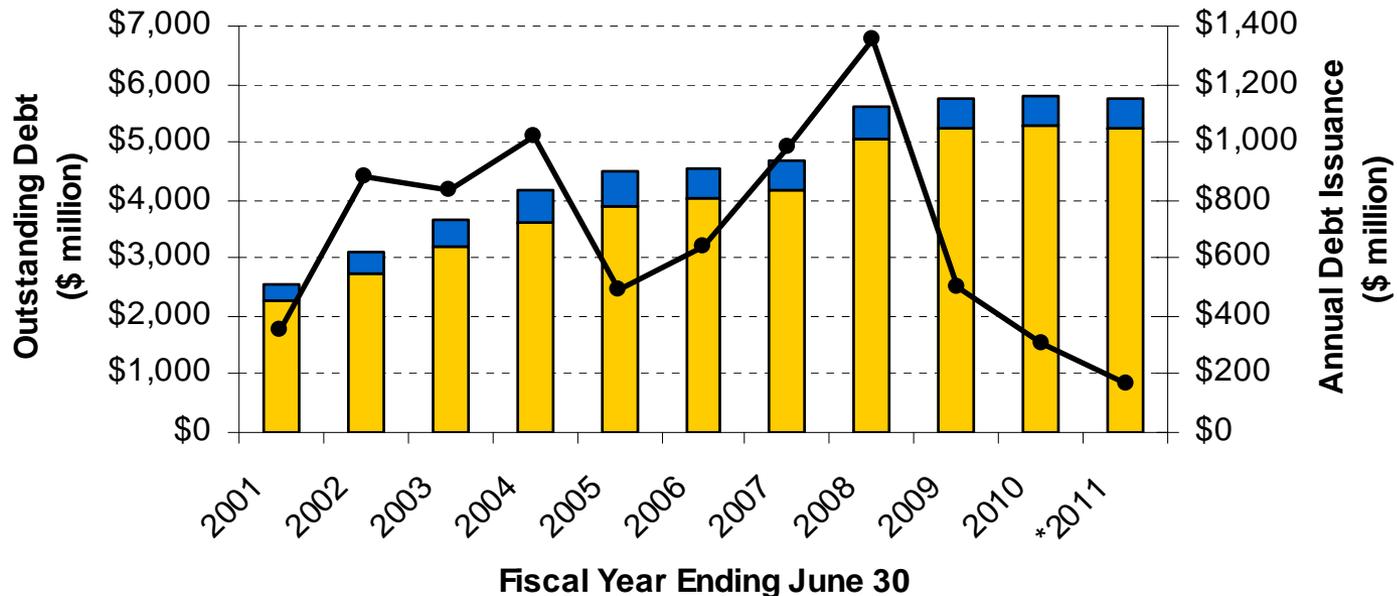
Second Quarter Debt Management Report

Outstanding Debt Issued by All Agencies

Outstanding Debt as of December 31, 2010: \$5.8 Billion

FY 2010-11 Projected Annual Debt Issuance: \$693 Million

➤ Year-to-Date Debt Issuance: \$164 Million

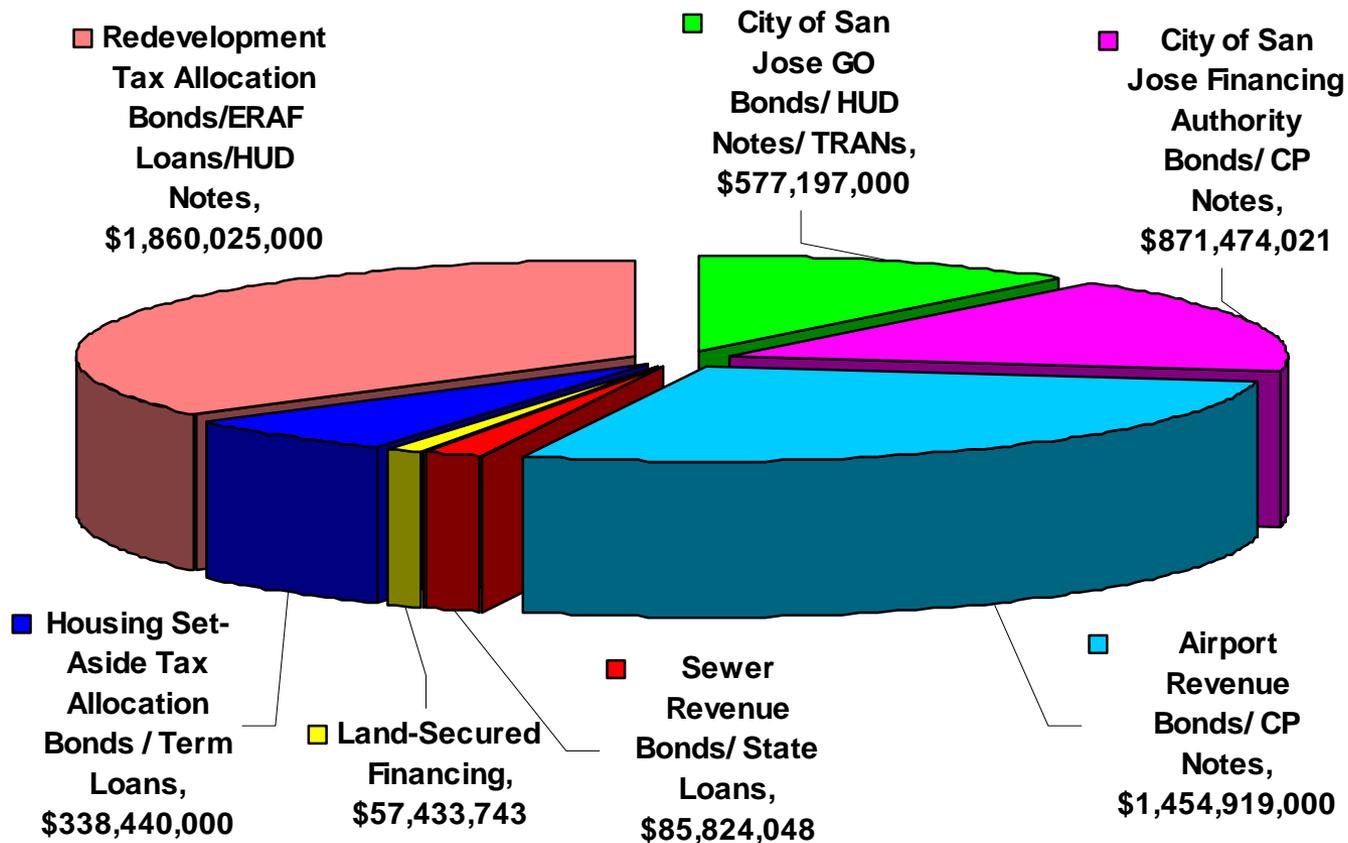


City and Related Entity Debt Outstanding
 Conduit Debt Outstanding
 Annual Debt Issuance

* Year-to-date

Outstanding Debt Issued by All Agencies Excluding Multifamily Housing Revenue Bonds

Outstanding Debt as of December 31, 2010: \$5,245,312,812*



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

Selected Debt Issuance and Debt Management Activities during 2nd Quarter

- Tax and Revenue Anticipation Notes (TRANs)
 - Issuance of \$35 million of TRANs for the purpose of smoothing General Fund cash flows and mitigating the impact of the pre-funding the City's annual retirement contributions for FY 2010-11
- Renewal of Letters of Credit (LOC)
 - Completed the renewal of \$174M in Letters of Credit on five series of City of San José Financing Authority Lease Revenue Bonds (closed on Oct 21, 2010)
 - Reduced Letters of Credit for the Airport Commercial Paper Program from \$450M to \$283M in preparation for renewal of LOC's
- CSJFA Commercial Paper Program
 - Negotiate with LOC Banks to implement strategic asset substitutions

Selected Debt Issuance and Debt Management Activities during 2nd Quarter (cont.)

- Convention Center Expansion
 - Structure the financing plan for Convention Center renovation and expansion project
- Annual Compliance Reporting
 - CAFR distribution and other required reporting completed prior to December 31
- SEC Annual Continuing Disclosure Reporting
 - Timely compilation and distribution of 28 annual Securities and Exchange Commission reports (prior to December 31)
- Completion of the 2010 Comprehensive Annual Debt Report
- Development of financial modeling for Redevelopment Agency 2011 Budget

Debt Issuance and Management Activities Anticipated Through June 30, 2011

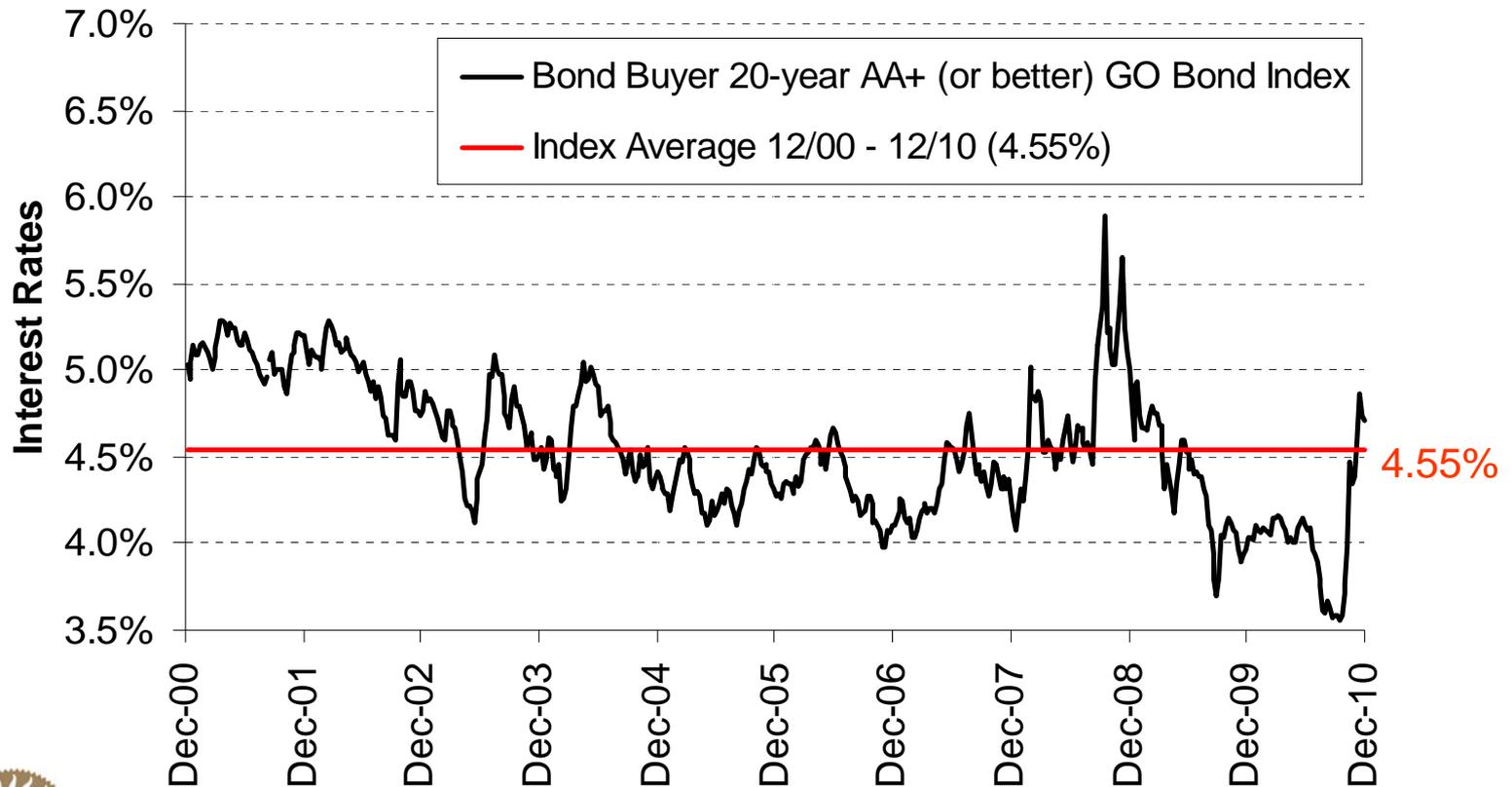
- Airport Financings
 - Closed \$383 million in Letters of Credit for the Airport Commercial Paper Program (January 13, 2011)
 - Continue structuring of the Airport 2011 Bonds (estimate \$366M) and evaluate Underwriter RFPs
- Convention Center Expansion
 - Continue to structure the financing plan for Convention Center renovation and expansion project
 - Target date for bond issuance in spring 2011
- 2011 General Obligation Bonds and 2001 Refunding
 - Structure the financing plan for the remaining \$9 million in GO Bonds authorization out of a total of \$598.8 million
 - Refunding of the 2001 General Obligation Bonds
 - Target date for bond issuance in summer 2011

Debt Issuance and Management Activities Anticipated Through June 30, 2011 (con't)

- CSJFA Commercial Paper Program
 - Complete negotiations with LOC Banks on strategic asset substitution
- Renewal of Letters of Credit
 - Renewal of Letters of Credit of City of San José Financing Authority Lease Revenue Bonds Series 2008F (Land Acquisition)
- Continue to administer the financing plan related to the Supplemental Educational Revenue Augmentation Fund (SERAF) Loan to the Redevelopment Agency
- Continue to close inactive improvement district funds and allocate surplus balances as approved by Council on May 25, 2010
- Participate in the financing analysis for the 50 MW Solar Project (citywide)
- Continue financial analysis on City-wide projects (e.g. Redevelopment Agency, Ice Centre, Tobacco Securitization, and other financings)

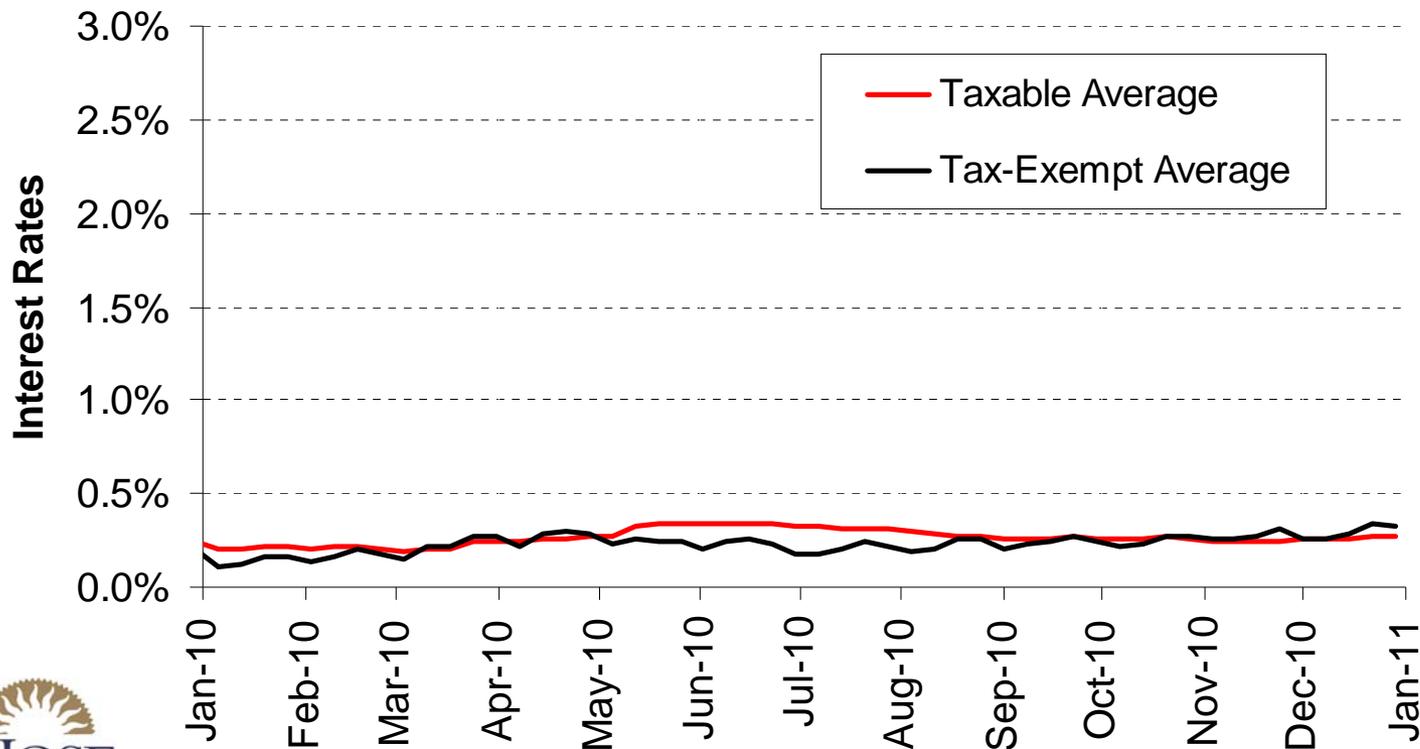
Ten-Year Tax-Exempt Market Index (Fixed Rate)

- Tax-exempt long-term interest rates remained around 4.55% during 2nd Quarter 2010-11 and are currently at 5.00% (as of 1/31/11).



City of San Jose Actual Weekly Average Variable Taxable and Tax-Exempt Interest Rates

- Tax-exempt weekly interest rates paid by the City averaged 0.27% through 2nd Quarter 2010-11 and are currently at 0.28% (as of 1/31/11)
- Taxable weekly interest rates paid by the City averaged 0.26% through 2nd Quarter 2010-11 and are currently at 0.26% (as of 1/31/11)



City of San José – General Credit Rating

- The City's current credit rating: Aaa/AAA/AAA (Moody's/S&P/Fitch)
- The City's ratings Aaa/AAA/AAA demonstrates City's continuing strong credit worthiness. The City remains highest rated city with populations of over 250,000 in California.
- City continues to be rated higher than State of California (A1/A-/A-) and County of Santa Clara (Aa1/AA+/-)

FY 2010-11 Second Quarter Investment Report

Investment Objectives & Reporting

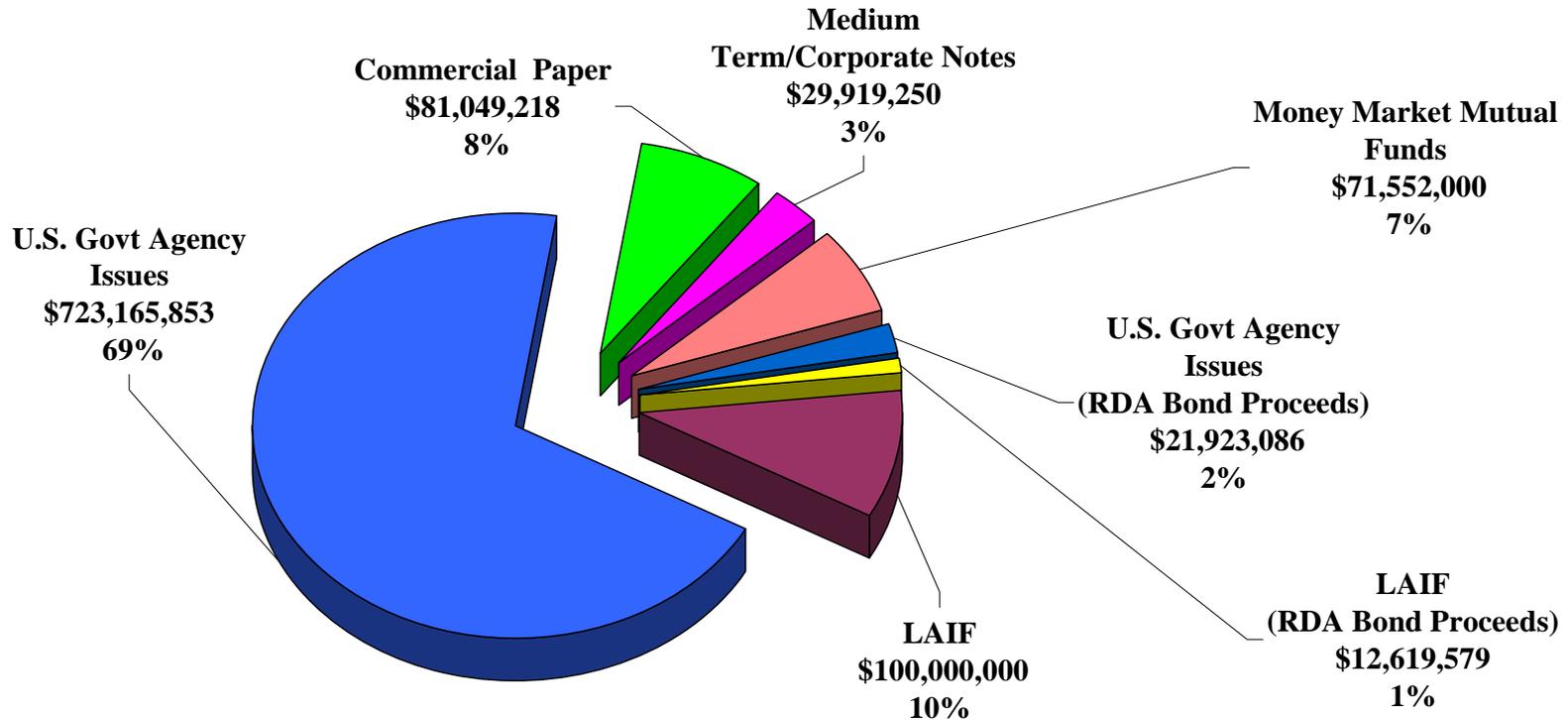
- Manage investments to meet the City's objectives:
 - Safety
 - Liquidity
 - Yield
- Quarterly Reports on-line and placed on PSF&SS Committee Agenda
<http://www.csjfinance.org/>

Summary of Portfolio Performance for Quarter ended December 31, 2010

- Size of total portfolio - \$1,040,228,986
- Earned interest yield – 0.737%
- Weighted average days to maturity 161 days
- Fiscal Year-to-Date net interest earnings, all funds - \$4,967,672
- No sale of securities, therefore no gains/losses from sales
- There were no exceptions to the City's Investment Policy during Q2 2010-11.

Portfolio Statistics

Composition of City's Investment Portfolio

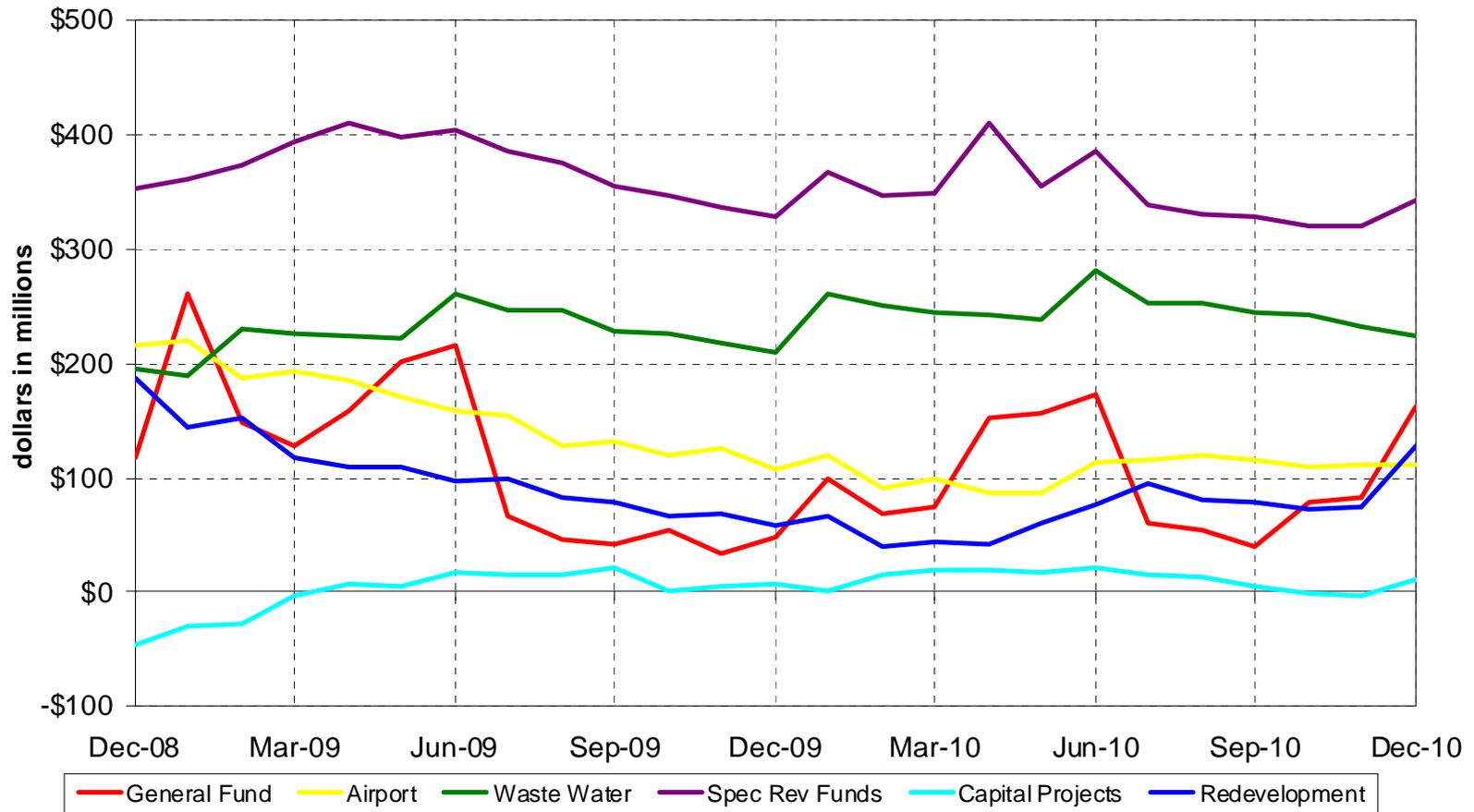


Total Investment Portfolio = \$1,040,228,986

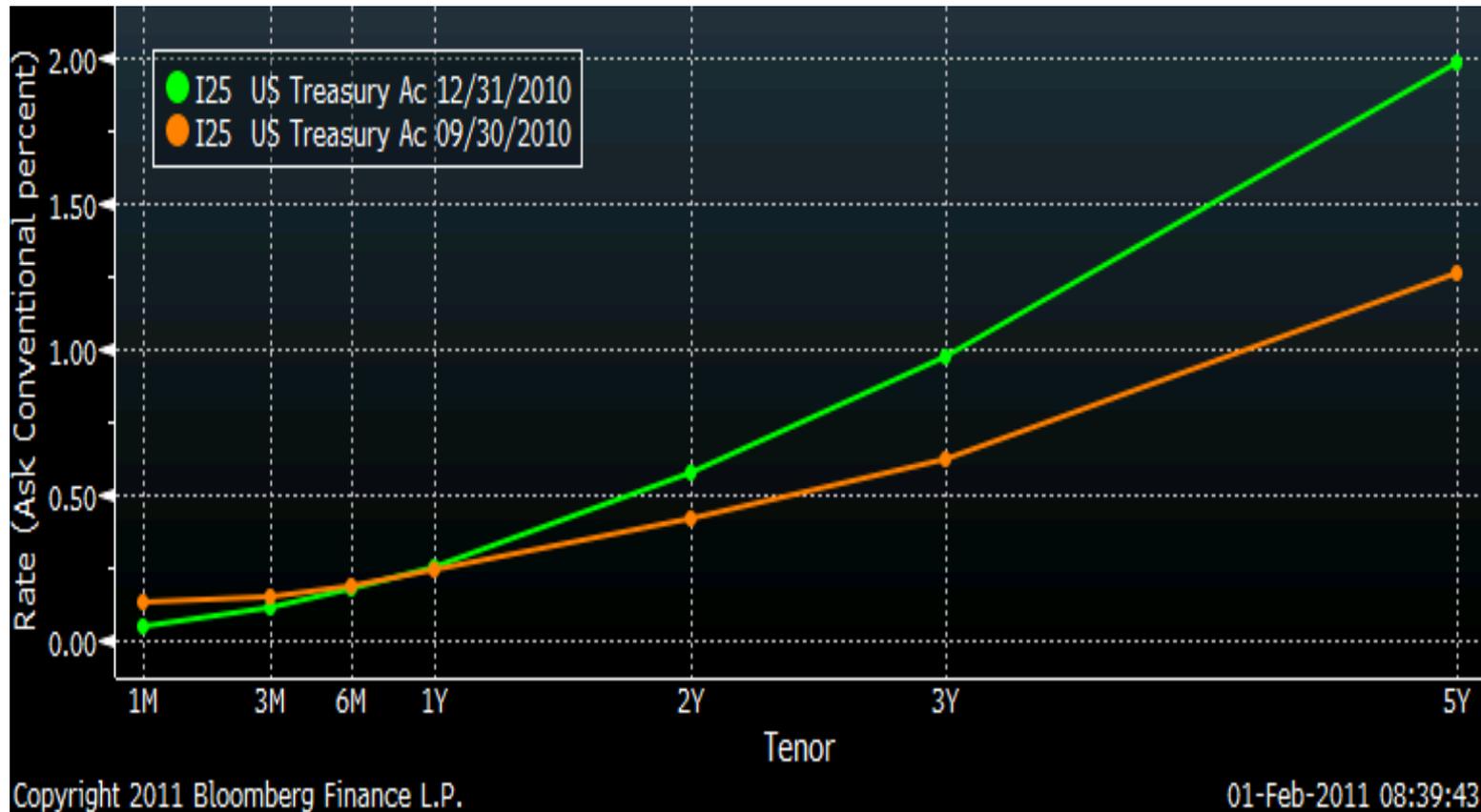
General Fund Cash Balances

- The General Fund's cash balance increased by \$123 million from the September 30, 2010 balance of \$39 million to the December 31, 2010 balance of \$162 million.
- Increase attributable to the receipt of property tax distributions & SB1096 funds ("triple flip"). In addition, the City issued a \$35 million TRAN in October.
- Projected investment maturities and revenue are sufficient to cover anticipated expenditures and cash flow needs for the next six months.

Comparison of Cash Balances by Select Funds

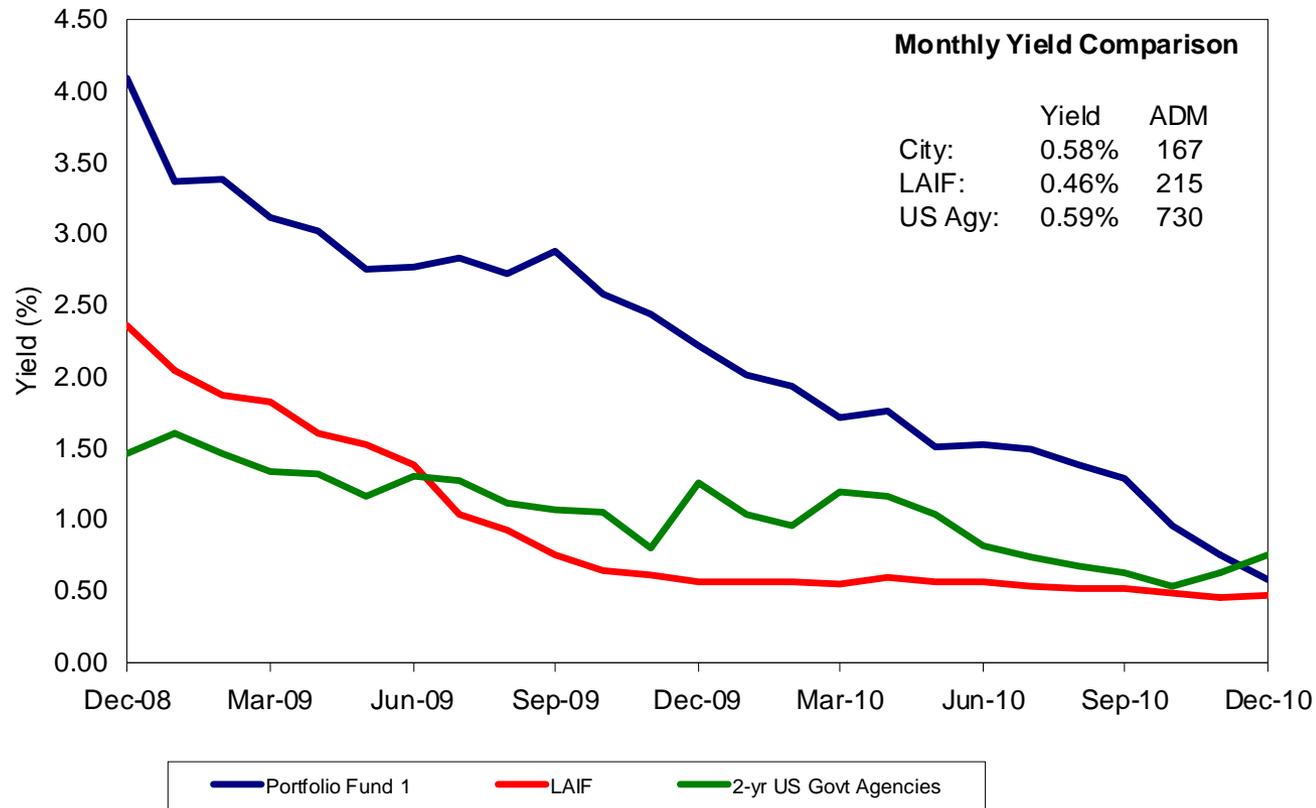


US Treasury Yield Comparisons



During the second quarter of FY2010-11 the Treasury yield curve increased and steepened for maturities beyond one year.

Monthly Portfolio Performance Benchmark Comparison



FY 2010-11

Second Quarter Revenue Collection Report

Revenue Collection Program

- Finance Department revenue collection efforts focus on proactive collection, reducing delinquent accounts receivable and enhancing revenue compliance
- Efforts may span several reporting periods, and actual collections are reported when funds are received by the City

Revenue Collection Results – Quarter to Quarter Comparison

<u>Collections</u>	FY 2010-11 2nd Quarter	FY 2009-10 2nd Quarter
Business Tax Delinquencies	\$473,301	\$555,010
Accounts Receivable Delinquencies	640,553	543,296
Revenue Compliance/Monitoring	379,364	296,357
Total Program Collections	\$1,493,218	\$1,394,663

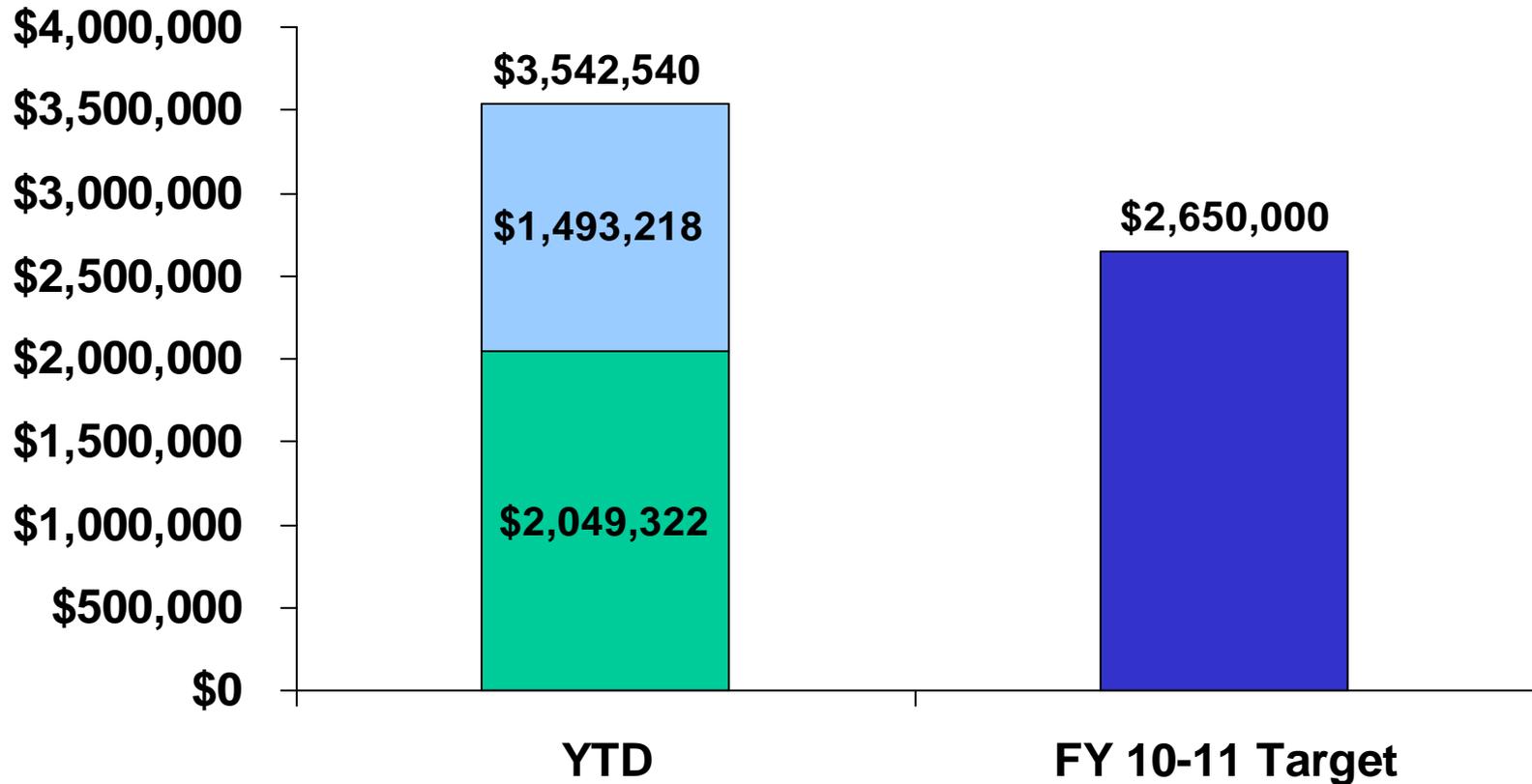
Return on Investment (ROI)

Quarter to Quarter Comparison

	FY 2010-11 2nd Quarter	FY 2009-10 2nd Quarter
	<hr/>	<hr/>
Total Return on Investment	\$4.41	\$4.24
Return on Investment by Program		
Business Tax Delinquencies	3.23	5.06
Accounts Receivable Delinquencies	8.32	5.89
Revenue Compliance/Monitoring	3.30	2.34

- *Return on Investment is the dollar return (revenue) for every dollar spent on program costs*
- *Program costs only include direct costs in the Finance Department*

2nd Quarter Revenue Collection Results – 133% of Annual Target



Accounts Receivable Balance

	As of <u>Sept 30, 2010</u>	As of <u>Dec 31, 2010</u>
<u>Current Receivables</u>		
0-60 Days	\$ 8,073,548	\$ 3,341,481
61-90 Days	<u>377,512</u>	<u>495,388</u>
Total Current Receivables	\$ 8,451,060	\$ 3,836,869
<u>Delinquent Receivables</u>		
91-365 Days	\$ 1,975,211	\$ 2,468,554
Over 1 year	<u>13,165,342</u>	<u>10,021,552</u>
Total Delinquent Receivables	\$15,140,553	\$12,490,106
Total Accounts Receivable	<u><u>\$23,591,613</u></u>	<u><u>\$16,326,975</u></u>

Recommendation

- Accept the FY 2010-11 Second Quarter Finance Department Reports for the following programs:
 - Debt Management
 - Investment
 - Revenue Collection