

SENT TO COUNCIL:

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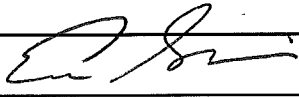
Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Scott P. Johnson

**SUBJECT: RESULTS OF AIRPORT
REVENUE BOND SALE**

DATE: August 5, 2011

Approved  Date 8/9/11

INFORMATION

On July 28, 2011, the City of San José issued \$236,785,000 of Airport Revenue Bonds, Series 2011A-1 (AMT) and Series 2011A-2 (non-AMT) (the "Bonds") to refund outstanding variable and fixed-rate debt at Norman Y. Mineta San José International Airport (the "Airport"). Proceeds will be applied to redeem \$129,578,000 of subordinated commercial paper notes, which were originally issued to refund the Airport's 2004A/B Series bonds, (these bonds were used to fund a portion of the construction of terminal and ancillary facilities at the Airport). The Bonds will also refund all of the Airport's 1998A Series bonds (\$6,540,000 outstanding), as well as \$86,625,000 of its outstanding 2001A Series bonds. The remaining proceeds will be used to fund a debt service reserve fund, and to pay the costs related to issuing the Bonds.

Sale Summary

On June 21, 2011, the Council approved the issuance of the Bonds, which are supported by a pledge of the general revenues of the Airport. The General Fund of the City is not liable and the taxing power of the City is not pledged for the payment of the bonds.

The bond sale was accomplished by an underwriting team consisting of the City serving as the Senior Manager, along with Bank of America Merrill Lynch and Goldman Sachs serving as co-managers. The Series 2011A-1 bonds were issued at a principal amount of \$150,405,000 with fixed coupon interest rates ranging from 2.00% to 6.25% and have a final maturity date of March 1, 2034. The Series 2011A-2 bonds were issued with a principal amount of \$86,380,000 and have fixed coupon rates between 2.00% and 5.25%, also with a final maturity on March 1, 2034.

Demand for the purchase of the Bonds was high, as orders totaled over \$640 million, while the par amount available was only approximately \$237 million. In particular, later term maturities were significantly oversubscribed as institutional investors sought to buy large blocks of bonds maturing in 2030 and 2034. In those instances, total allotments exceeded total orders by \$22 million and \$326 million respectively.

The final sources and uses of the Bonds are presented in the table below:

City of San José, California Airport Revenue Bonds, Series 2011A			
Final Sources and Uses of Funds			
	Series 2011A-1 (AMT)	Series 2011A-2 (Non-AMT)	Total
Sources of Funds:			
Par Amount of Bonds.....	\$ 150,405,000.00	\$ 86,380,000.00	\$ 236,785,000.00
Premium/(Discount)	812,239.90	1,782,189.90	2,594,429.80
Prior Principal/Interest Deposits	367,807.67		367,807.67
Total Sources of Funds.....	\$ 151,585,047.57	\$ 88,162,189.90	\$ 239,747,237.47
Uses of Funds:			
Refund of Commercial Paper.....	\$ 129,578,000.00	\$	\$ 129,578,000.00
Refund of Outstanding Airport Bonds	6,665,933.06	87,375,122.79	94,041,055.85
Debt Service Reserve Fund.....	13,976,614.50		13,976,614.50
Costs of Issuance ⁽¹⁾	640,173.60	367,522.81	1,007,696.41
Underwriter's Discount.....	724,326.41	419,544.30	1,143,870.71
Total Uses of Funds	\$ 151,585,047.57	\$ 88,162,189.90	\$ 239,747,237.47
⁽¹⁾ Includes bond counsel fees and expenses; financial advisor fees and expenses; rating agencies fees, trustee fees and expenses; and printing costs.			

Investor Summary

A diverse group of different institutional investors purchased the Bonds indicating a favorable investor response to the City of San José name. The following table summarizes the types and number of institutional investors that purchased the Bonds.

<u>Investor Type</u>	<u>Number</u>
Investment/Asset Management	11
Mutual Fund	8
Bank	6
Insurance Company	2
Hedge Fund	1
Other	1

August 5, 2011

Subject: Results of Airport Revenue Bond Sale

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Rating Summary

The Finance Department and the Airport Department made presentations to the national rating agencies prior to the issuance of the Bonds, and received the following ratings:

Standard & Poor's

A

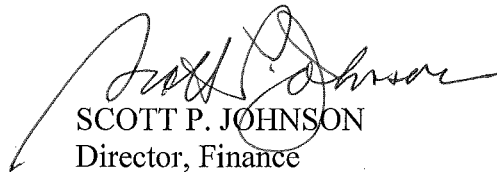
Moody's

A2

Fitch

A-

For questions, or additional information, please contact Arn Andrews, Division Manager, Finance-Treasury Division at 535-7041 or me at 535-7001.



SCOTT P. JOHNSON
Director, Finance