



SENT TO COUNCIL:

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City Manager's Office

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Julia H. Cooper

SUBJECT: UPDATE ON STATUS OF
PAYMENT OF DEBT SERVICE
ON AGENCY TAX ALLOCATION
BONDS

DATE: June 28, 2012

Approved

Date

6/28/12

INFORMATION

Over the past several weeks, the City has been diligently working to resolve issues associated with the disbursement of tax revenue from the Redevelopment Property Tax Trust Fund of the San Jose Successor Agency (the "San Jose Trust Fund") held by Santa Clara County. As part of this process it has been critical and necessary for the City to maintain open and timely communications with the municipal market so that the holders and insurers of the former Redevelopment Agency bonds were informed regarding timely debt service payments.

On Thursday, June 28, 2012, the Finance Department, on behalf of the Successor Agency posted the attached notification with the Electronic Municipal Market Access system. In summary, this notification informed the market that sufficient funds have been deposited with the appropriate trustees and fiscal agents and *these deposits are sufficient to avoid a payment default on the Bonds.*

/s/

JULIA H. COOPER
Acting Director of Finance

For questions, please contact Julia H. Cooper, Acting Director of Finance, at (408) 535-7011.

Attachment

June 28, 2012

Municipal Securities Rulemaking Board
1900 Duke Street
Suite 600
Alexandria, VA 22314

**Re: Redevelopment Agency of the City of San José
Merged Area Redevelopment Project Tax Allocation Bonds
Redevelopment Agency of the City of San José
Merged Area Redevelopment Project Revenue Bonds
(Subordinate Tax Allocation)
Merged Area Redevelopment Project Housing Set-Aside
Tax Allocation Bonds**

To Whom It May Concern:

On June 25, 2012, the Finance Department for the City of San José posted the notification received via email from Santa Clara County's Controller-Treasurer Division that \$70,556,410 in tax increment had been wired into the Successor Agency's ("Agency") bank account. These funds were insufficient to fulfill the debt service payment obligations on the Senior and Subordinate Merged Area Tax Allocation Bonds, (collectively, the "Bonds").

On Thursday, June 28, 2012, the Successor Agency received an additional transfer of \$6,944,321 from the Redevelopment Property Tax Trust Fund of the San Jose Successor Agency (the "San Jose Trust Fund") held by Santa Clara County ("County"). Pursuant to the Indenture for the Senior Merged Area Bonds, 80% of those revenues, as well as additional cash held by the Successor Agency, were transferred to Union Bank, the bond trustee for the senior Merged Area tax allocation bonds this morning. In addition \$3,385,000 in cash held by the Successor Agency was transferred to U.S. Bank, the fiscal agent for the subordinate Merged Area tax allocation bonds.

With the above referenced transactions, as of today, June 28, 2012, sufficient funds are on deposit in the various debt service accounts held by the trustees/fiscal agents for the August 1 debt service on senior Merged Area bonds and the required deposit of \$3,385,000 for the subordinate Merged Area tax allocation bonds.

After the County's transfer of the funds from the San Jose Trust Fund to the Successor Agency, sufficient tax revenues were available for timely debt service payments on the Merged Area

Redevelopment Project Housing Set-Aside Tax Allocation Bonds. On or about June 29, 2012, sufficient tax revenues will be transferred to Wells Fargo Bank, the trustee for the housing set-aside tax allocation bonds for the August 1 debt service payment.

These deposits are sufficient to avoid a payment default on the Bonds.

On June 26, 2012 the City, as Successor Agency, filed a complaint in Sacramento Superior Court (CASE NO. 34-2012-80001190) asserting its position that tax revenues must continue to be transferred by the County from the San Jose Trust Fund to the City, as Successor Agency, consistent with the requirements under the bond indentures. Despite the above described transfer from the County to avert a payment default, this case is still pending.

Any questions must be submitted in writing to the City of San José's Finance Department and written responses will be posted to EMMA as appropriate. Question responses will not be attributed to the inquiring party. The written questions must be submitted via email to debt.management@sanjoseca.gov.

Sincerely,

/s/

JULIA H. COOPER
Acting Director of Finance