

Memorandum

TO: HONORABLE MAYOR AND
AND CITY COUNCIL

FROM: Julia H. Cooper

**SUBJECT: RESULTS OF SALE OF AIRPORT
REVENUE BONDS, SERIES 2014ABC**

DATE: October 29, 2014

Approved



Date

10/30/14

INFORMATION

On October 7, 2014, the City of San José issued \$125,645,000 of Airport Revenue Refunding Bonds, Series 2014A (AMT), Series 2014B (non-AMT), and Series 2014C (non-AMT) (the "Bonds") to refund outstanding fixed-rate debt at Norman Y. Mineta San José International Airport (the "Airport"). The Bonds refunded all of the Airport's Series 2001A (non-AMT), Series 2004C (AMT), and Series 2004D (Non-AMT) (the "Refunded Bonds"). The remaining proceeds were used to pay the costs of issuing the Bonds.

Sale Summary

On September 16, 2014, the City 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 credit or taxing power of the City is not pledged for payment of principal, premium, or interest on the Bonds.

The bond sale was accomplished by an underwriting team consisting of Barclays Capital Inc. serving as the senior manager, along with RBC Capital Markets LLC and Fidelity Capital Markets serving as co-managers. As a result of the transaction, the Airport will be able to achieve a net present value savings of \$20,800,000, or 13.9%, of the Refunded Bonds over the next seventeen years. The Bonds were issued with an all-in true interest cost ("TIC") of 2.33%.

The Series 2014A bonds were issued at a principal amount of \$57,350,000 with fixed coupon interest rates ranging from 1.00% to 5.00% and have a final maturity date of March 1, 2026. The Series 2014B bonds were issued with a principal amount of \$28,010,000 and have fixed coupon rates between 3.10% and 5.00%, with a final maturity on March 1, 2028. The Series 2014C bonds were issued with a principal amount of \$40,285,000 and have fixed coupon rates between 3.625% and 5.00%, with a final maturity on March 1, 2031.

Demand for the purchase of the Bonds was high, as orders totaled over \$686 million, while the par amount available was \$125.645 million. In particular, later term maturities were significantly oversubscribed as institutional investors sought to buy large blocks of bonds

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maturing after 2024. In those instances, total orders exceeded total allotments by a range of \$38 million to \$81 million.

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

City of San José Airport Revenue Refunding Bonds, Series 2014				
Final Sources and Uses of Funds⁽¹⁾				
	Series 2014A (AMT) (Series 2004C Refunding)	Series 2014B (Non-AMT) (Series 2004D Refunding)	Series 2014C (Non-AMT) (Series 2001A Refunding)	Total
Sources:				
Par Amount of Bonds	\$ 57,350,000.00	\$ 28,010,000.00	\$ 40,285,000.00	\$ 125,645,000.00
Net Premium	8,731,372.75	4,479,010.05	5,980,911.75	19,191,294.55
Series 2004 Reserve Account	8,874,327.07	4,334,261.58	-	13,208,588.65
Total Sources	\$ 74,955,699.82	\$ 36,823,271.63	\$ 46,265,911.75	\$ 158,044,883.20
Uses:				
Deposit to Redemption Fund	\$ 70,086,556.25	\$ 34,441,350.00	\$ 45,938,550.00	\$ 150,466,456.25
General Reserve Account	4,405,957.01	2,151,889.38	-	6,557,846.39
Underwriters' Discount	143,368.43	70,897.86	101,967.91	316,234.20
Costs of Issuance ⁽²⁾	319,818.13	159,134.39	225,393.84	704,346.36
Total Uses	\$ 74,955,699.82	\$ 36,823,271.63	\$ 46,265,911.75	\$ 158,044,883.20

⁽¹⁾ Totals may not add due to independent rounding.

⁽²⁾ Includes rating agency fees, legal and other professional fees, and other costs of issuing the Series 2014 Bonds.

Investor Summary

A diverse group of different retail and 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 investors that were allotted the Bonds.

<u>Investor Type</u>	<u>Orders</u> (in millions)	<u>Bond Principal Allotment</u> (in millions)	<u>Number of Investors</u>
Mutual Fund	\$323,870	\$54,525	8
Investment Counselor (Non-Retail)	202,065	25,080	8
Professional Retail	37,355	18,190	8
Individual Retail	15,785	13,320	N/A
Bank Trust	50,610	8,115	1
Insurance Company	17,675	5,930	2
Arbitrage Account	3,000	250	1
Co-Managers	35,670	235	2
	\$686,030	\$125,645	30

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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

BBB+

/s/

JULIA H. COOPER

Director of Finance

For questions or additional information, please contact, Julia Cooper, Finance Director at 408-535-7011.