

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Drew Corbett

**SUBJECT:** See Below

**DATE:** September 5, 2024

Approved



Date:

9/5/24

## INFORMATION

**SUBJECT: Results of City of San José, Airport Revenue Refunding Bonds, Series 2024A (Alternative Minimum Tax) Bond Sale**

## BACKGROUND

On April 16, 2024, City Council approved the issuance of tax-exempt revenue refunding bonds in an aggregate principal amount not to exceed \$85,000,000 through direct purchase, designated as the City of San José Airport Revenue Refunding Bonds, Series 2024A (Alternative Minimum Tax (AMT)) (the “2024A Bonds”) for the refunding of all or a portion of the outstanding City of San José Airport Revenue Refunding Bonds, Series 2014A (AMT), Series 2014B (Non-AMT), and Series 2014C (Non-AMT) (collectively, the “2014 Bonds”). Council Policy No. 1-15 Debt Management policy requires refundings which produce a net present value savings of at least 3% of the refunded debt will be considered economically viable.

## ANALYSIS

After the City Council meeting on April 16, 2024, the City and TD Public Finance LLC, (Purchaser) agreed to delay the bond sale due to lack of sufficient savings. By mid-July, Treasury yields fell significantly when Consumer Price Index data signaled the downward trend of inflation. Our preliminary analysis indicated that the required savings were achievable. The City secured an interest rate of 3.74% on July 16, 2024 by executing the Interest and Rate Lock agreement with the Purchaser. On July 30, 2024, the City successfully sold the 2024A Bonds in the par amount of \$76,404,096 to the Purchaser. Proceeds from the 2024A Bonds, along with \$2.35 million in cash released from the Parity Reserve were used to purchase State and Local Government Investments. Matured State and Local Government Investments will be applied to pay

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down a major portion of 2014 Bonds in the amount of \$76,770,000 on October 28, 2024.

The 2024A Bonds were sold as a term bond at an all-in true interest cost of 4.009%, with final maturity on March 1, 2031. The weighted average life of the bonds is 3.35 years. The bonds are subject to mandatory sinking fund redemption and produce level debt service savings annually throughout the term. The refunding generated a net present value savings of approximately \$2.5 million or 3.30% of the refunded bonds. The principal and interest on the 2024A Bonds are payable solely from General Airport Revenues and certain other funds held or made available under the Master Trust Agreement.

The following table sets forth the final sources and uses of the 2024A Bonds:

<b>City of San José Airport Revenue Bonds Private Placement of 2024A Bonds Final Sources and Uses of Funds</b>	
<b>Sources of Funds:</b>	
Par Amount of Bonds .....	\$76,404,096.00
Other Sources of Funds:	
Reserve Transfer (General Account)	2,350,000.00
<b>Total Sources of Funds .....</b>	<b>\$78,754,096.00</b>
<b>Uses of Funds:</b>	
Refunding Escrow Deposits:	
Cash Deposit .....	1.00
State and Local Government Investments .....	78,254,095.00
	78,254,096.00
Delivery Date Expenses:	
Cost of Issuance .....	500,000.00
<b>Total Uses of Funds.....</b>	<b>\$78,754,096.00</b>

Three maturities of 2014 Bonds with a total par amount of \$840,000 were excluded from the refunding due to negative savings. The City redeemed those bonds on September 1, 2024 using available cash.

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**COORDINATION**

This report was prepared in coordination with the City Attorney's Office and the City Manager's Budget Office.

*/s/*  
DREW CORBETT  
Acting Director of Finance

For questions, please contact Qianyu Sun, Deputy Director of Finance, Debt and Treasury Management at (408) 535-7032.