

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Drew Corbett

SUBJECT: See Below

DATE: November 18, 2024

Approved



Date:

11/19/24

INFORMATION

SUBJECT: Results of California Community Choice Financing Authority Clean Energy Project Revenue Bonds, Series 2024E Sale

BACKGROUND

On October 8, 2024, City Council approved, in connection with the issuance and sale of the California Community Choice Financing Authority Clean Energy Project Revenue Bonds, in the not-to-exceed principal amount of \$1,250,000,000, to finance the acquisition of a 30-year supply of electricity on a prepaid basis for the City of San José (City), Appendix A to the Official Statement, a Power Supply Contract, a Custodial Agreement, a Letter Agreement, and a Prepaid Energy Project Administration Agreement, and authorized the City Manager and other authorized officers of the City to execute and deliver these documents and any other related documents in connection therewith.

The City Council authorization was conditioned on receiving an annual savings equal to at least 8% of the cost of the prepaid energy scheduled to be delivered under the Power Supply Contract during the initial interest rate period (Initial Term). The Initial Term was estimated to be six to eight years and the required minimum savings were estimated to be in the range between \$3 to \$6 million annually, depending on the market condition.

ANALYSIS

On October 25, 2024, the California Community Choice Financing Authority successfully priced Clean Energy Project Revenue Bonds, Series 2024E (2024E Bonds) on behalf of the City, in a par amount of \$1,243,210,000 at an all-in true interest cost of 4%. The 2024E Bonds were issued on November 4, 2024.

Subject: Results of California Community Choice Financing Authority Clean Energy Project Revenue Bonds, Series 2024E Sale

From the date the 2024E Bonds were issued to and including August 31, 2032 (the Initial Term), the 2024E Bonds will bear interest at a fixed rate (5%) in a term rate period, with interest payable semiannually on each March 1 and September 1, commencing March 1, 2025. The 2024E Bonds are subject to optional and extraordinary mandatory redemption during the Initial Term, and the 2024E Bonds maturing on February 1, 2055 are subject to mandatory tender for purchase on September 1, 2032. The minimum annual discount for reset periods after the Initial Term is expected to be \$5.40 per megawatt-hour.

The following **table** sets forth the final sources and uses of the 2024E Bonds.

California Community Choice Financing Authority Clean Energy Project Revenue Bonds Series 2024E Final Sources and Uses of Funds	
Sources of Funds:	
Par Amount of Bonds	\$1,243,210,000
Original Issue Premium	89,272,828
Total Sources of Funds	\$1,332,482,828
Uses of Funds:	
Acquisition of the Clean Energy Project	\$1,262,347,341
Capitalized Interest	61,644,298
Cost of Issuance	2,026,540
Underwriter's Discount	6,464,649
Total Uses of Funds	\$1,332,482,828

The City entered into a limited assignment agreement with Morgan Stanley Capital Group, assigning rights and obligations related to a power purchase agreement with Brookfield Renewable Trading and Marketing, L.P., beginning January 1, 2025 and ending December 31, 2025. Morgan Stanley Capital Group will deliver such assigned energy and other assigned products to Morgan Stanley Energy Structuring (Energy Supplier) to meet the Energy Supplier's obligation to deliver prepaid energy to the California Community Choice Financing Authority under the Prepaid Energy Sales Agreement. The California Community Choice Financing Authority will then deliver such assigned energy and other assigned products to the City under the Power Supply Contract. The total quantity of prepaid energy expected to be delivered by the Energy Supplier during the Initial Term is estimated at 6.1 billion megawatt-hours, saving the City \$10.77 per megawatt-hour, or 12% of the cost of the prepaid energy, which is well above the targeted annual savings of 8%. Total savings of the City during the Initial Term, if fully realized, will be approximately \$66 million.

HONORABLE MAYOR AND CITY COUNCIL

November 19, 2024

Subject: Results of California Community Choice Financing Authority Clean Energy Project Revenue Bonds, Series 2024E Sale

Page 3

COORDINATION

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

/s/

DREW CORBETT
Acting Director of Finance

For questions, please contact Qianyu Sun, Deputy Director of Finance, Debt and Treasury Management, at (408) 535-7832.