



City Council Meeting

Item #2.B – RTC 25-722
Resolution Authorizing an Ad Valorem Tax Levy Based on Debt Service Estimate to be Provided to Santa Clara County Respecting Unsold General Obligation Bonds for FY2025/26 (Continued from June 10, 2025)

June 24, 2025

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Agenda

- Measure I Background
- First tranche of General Obligation Bonds issuance
- Ad Valorem Tax Rate and Levy timeline
- Recommendation

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Measure I Background

- General Obligation Bonds administration team
 - City staff from
 - City Manager's Office
 - City Attorney's Office
 - Finance
 - External professional services providers confirmed by Resolution No. 24-9341*
 - Bond Counsel: Jones Hall (Scott Ferguson)
 - Financial Advisor: PFM (Jaime Trejo)

**Passed on July 9, 2024, A Resolution of the City of Santa Clara, California, determining that the public interest and necessity demand the acquisition, construction and improvement of municipal improvement projects constituting public infrastructure of the City, and their financing through the issuance of General Obligation Bonds*



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Measure I Background – cont'd

- Key Actions & Timeline

Action	Estimated Timeline
1. Bond Compliance Citizens' Oversight Committee (COC) Confirmation & COC Bylaws Approval	May 27, 2025
2. Approve Ad Valorem Tax Levy for Debt Service ⁽¹⁾	June 10, 2025
3. Approve Updated Debt Management Policy	September 2025
4. Approve Bond Issuance and Related Documents ⁽²⁾	December 2025

⁽¹⁾ Annual until final maturity

⁽²⁾ Each Bond Issuance



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Measure I

- Ballot Measure passed in November 2024 approving the sale of up to \$400 Million of General Obligation Bonds to finance specific types of city infrastructure (passage rate of 69.41%)*
- Projects to be funded and constructed outlined in an attached intended “Expenditure Plan”
 - Streets and Transportation (\$41,170,000)
 - Fire Stations and Emergency Response (\$142,235,450)
 - Police Facilities (\$43,987,500)
 - Parks, Library, Senior Center and Aquatic Facilities (\$115,258,750)
 - Storm Drain Improvements (\$46,000,000)
 - Historic Buildings and Beautification (\$9,200,000)
 - Bond Issuance Costs (\$2,000,000)

*Source: [Santa Clara County voter results, November 5, 2024, Measure I](#)



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Tax Rate Statement

- The tax rate statement included in the full text of the ballot measure

Tax Rate Statement Information	
Estimated maximum tax rate during the term of repayment:	\$28.70 per \$100,000 of AV* tax year 2025-26
Estimated average tax rate during the term of repayment:	\$19.00 per \$100,000 of AV*
Total cost of repayment:	\$736,890,700

*Assessed Value

Source: Santa Clara County November 5, 2024 General Election; <https://stgenrov.sccgov.org/voterguide/137/SC002ENG-508.pdf>



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General Obligation Bonds, Series 2026

- Resolution No. 24-9341
 - Stated the City's intention to issue bonds for public interest and necessity demand for infrastructure
 - Declared the City's intention to use GO Bonds proceeds for reimbursement of capital projects expenditures, paid prior to bond issuance, no later than 18 months after expenditure payment date or placed in service date
- Additional reimbursement timing
 - Reimbursement from GO Bonds proceeds must occur no later than 3 years after the original expenditure date
 - Or 5 years with an engineer's certificate
- First tranche of General Obligation Bonds (GO Bonds) issuance size of \$150 Million

General Obligation Bonds, Series 2026 – cont'd

- Total estimated GO Bonds, Series 2026 Issuance = \$150 Million
- While City staff has developed the proposed phasing approach, it is subject to Council review and approval. Given the number, scale, and urgency of the infrastructure projects identified, a substantial initial tranche—estimated at \$150 million—is necessary to initiate key improvements and maintain project momentum. This approach ensures that the City can begin addressing critical needs without delay while preserving flexibility for future Council direction.
- Bond Compliance COC to review 1st tranche capital projects in early August 2025
- City Council to approve 1st tranche capital projects in late August 2025

Pro Forma Debt Service

- Estimated Bond Statistics:
 - Net Proceeds for Projects* \$149,125,000
 - True Interest Cost 4.58%

*Net of cost of issuances and underwriter's discount
** Does not account for original issue premium, which can be deposited into the debt service fund

Period Ending	Principal	Interest	Debt Service**
8/1/2026	\$12,775,000	\$3,750,000	\$16,525,000
8/1/2027	13,045,000	6,861,250	19,906,250
8/1/2028	1,000,000	6,209,000	7,209,000
8/1/2029	1,000,000	6,159,000	7,159,000
8/1/2030	1,810,000	6,109,000	7,919,000
8/1/2031	2,215,000	6,018,500	8,233,500
8/1/2032	2,655,000	5,907,750	8,562,750
8/1/2033	2,790,000	5,775,000	8,565,000
8/1/2034	2,930,000	5,635,500	8,565,500
8/1/2035	3,075,000	5,489,000	8,564,000
8/1/2036	3,225,000	5,335,250	8,560,250
8/1/2037	3,390,000	5,174,000	8,564,000
8/1/2038	3,560,000	5,004,500	8,564,500
8/1/2039	3,735,000	4,826,500	8,561,500
8/1/2040	3,920,000	4,639,750	8,559,750
Total	\$61,125,000	\$82,894,000	\$144,019,000

Period Ending	Principal	Interest	Debt Service**
8/1/2041	4,120,000	4,443,750	8,563,750
8/1/2042	4,325,000	4,237,750	8,562,750
8/1/2043	4,540,000	4,021,500	8,561,500
8/1/2044	4,765,000	3,794,500	8,559,500
8/1/2045	5,005,000	3,556,250	8,561,250
8/1/2046	5,260,000	3,306,000	8,566,000
8/1/2047	5,520,000	3,043,000	8,563,000
8/1/2048	5,795,000	2,767,000	8,562,000
8/1/2049	6,085,000	2,477,250	8,562,250
8/1/2050	6,390,000	2,173,000	8,563,000
8/1/2051	6,710,000	1,853,500	8,563,500
8/1/2052	7,045,000	1,518,000	8,563,000
8/1/2053	7,395,000	1,165,750	8,560,750
8/1/2054	7,765,000	796,000	8,561,000
8/1/2055	8,155,000	407,750	8,562,750
Total	\$88,875,000	\$39,561,000	\$128,436,000
Grand Total	\$150,000,000	\$122,455,000	\$272,455,000



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Tax Levy in Anticipation of Bond Sale

- If the City does not levy an Ad Valorem tax in advance of its proposed GO Bonds sale in early 2026, the City would need to rely on capitalized interest to make the first debt service payment

Advantage

- No Capitalized Interest (Cap I)
- Potentially provides approximately \$3.75M more for projects

Advantage

- Faster principal amortization reduces interest costs*

Disadvantage

- Earlier than necessary taxpayer payment if bond issuance is delayed

*Assumes principal is amortized over a 30-year term

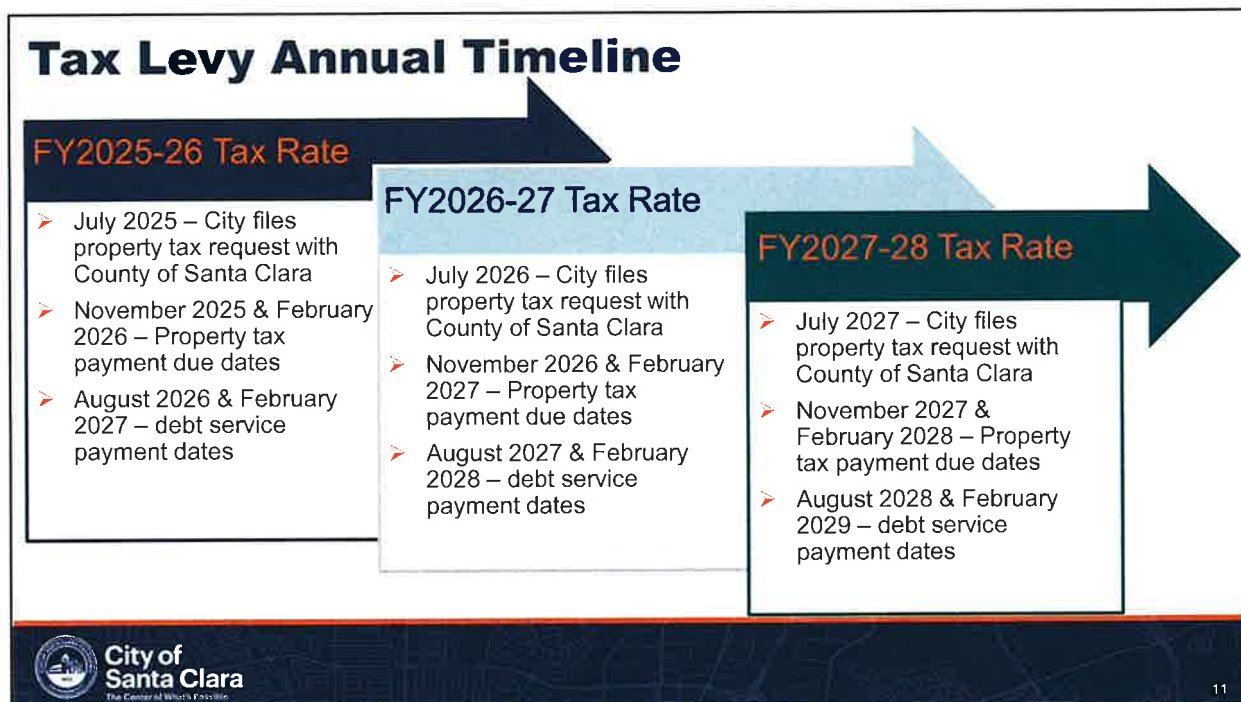


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Tax Levy Rate and Amount

- At this time, a tax rate of \$28.70 per \$100,000 of assessed value will generate an estimated \$16.8 Million, based on projected FY 2025/26 assessed value
- A more accurate tax levy projection, based on the tax rate, will be known when the County releases the assessed valuations for FY 2025/26 in September 2025
- Consistent with Measure I, the tax rate will be set at \$28.70 per \$100,000 of assessed value in the first year to generate adequate revenue to pay down principal

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Tax Bill Increase to Each Property Owner

- The tax bill for the largest 20 commercial property owners would increase by \$254,000, on average, in FY 2025/26, based on current AV*
- The tax bill for a typical homeowner would increase by approximately \$202 in FY 2025/26, based on current AV*

Ballot Summary

Estimated maximum tax rate during the term of repayment:	\$28.70 per \$100,000 of AV* tax year 2025-26
Estimated average tax rate during the term of repayment:	\$19.00 per \$100,000 of AV*
FY 2023/24 median AV of single-family home	\$674,000
Tax per year, based on average / maximum	\$128 / \$193

*Assessed Value

Source: Santa Clara County November 5, 2024 General Election; <https://stgenrov.sccgov.org/voterguide/137/SC002ENG-508.pdf>



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Recommendation

Agenda Item # 2.B

- Adopt the Resolution Authorizing an Ad Valorem Tax Levy Based on a Debt Service Estimate to be Provided to Santa Clara County Respecting Unsold General Obligation Bonds for Fiscal Year 2025/26
 - Rate shall be \$28.70 per \$100,000 of assessed value



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