

1/13/26

Item #7



Council and Authorities Concurrent Meeting

Item #7, RTC 26-1719
Action to Approve the Issuance of the First Series of Measure I General Bonds in a Maximum Principal Amount Not to Exceed \$100,000,000

January 13, 2026

Agenda

- Overview
- Bond Structure / Market Factors
- Bond Documentation
- Bond Issuance Timeline
- Fiscal Impact
- RTC Recommendations

Overview

- **November 5, 2024:** Voters in the City of Santa Clara approved Measure I, the Public Facilities and Infrastructure Bond Measure.
- **June 24, 2025:** The City authorized an ad valorem property tax levy for FY 2025/26 for the repayment of debt service on General Obligation Bonds expected to be issued in 2026.
- **August 27, 2025:** The Project List for the 2026 General Obligation Bonds was presented, reviewed and unanimously approved by the City's Measure I Bond Compliance Oversight Committee.
- **September 16, 2025:** City Council approved the Project List, including a total of 27 projects.
- **4th Quarter FY 2025/26:** Next City Council Measure I update.

Bond Structure

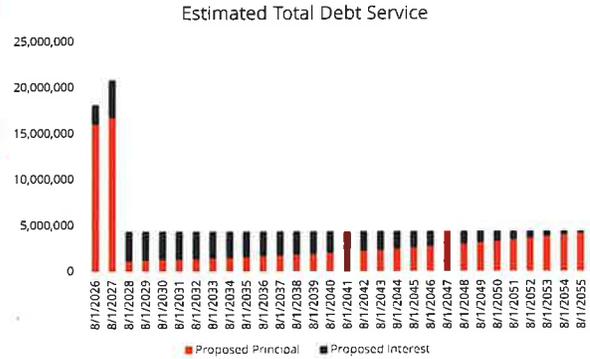
- The 2026 General Obligation Bonds will be issued in two series:
 - **Series 2026A:** tax-exempt, general obligation bonds used to finance municipal capital projects.
 - **Series 2026B:** tax-exempt 501(c)(3), general obligation bonds used to finance municipal capital projects that will be used by eligible nonprofits for charitable purposes, ensuring compliance with IRS requirements.

<u>Project Categories</u>	<u>Series 2026A</u>	<u>Series 2026B</u>	<u>Total Costs</u>
Streets and Transportation	\$27,370,000	\$ -	\$27,370,000
Fire Stations and Emergency Response	12,285,450	-	12,285,450
Police Facilities	805,000	-	805,000
Parks, Libraries, Senior Center and Aquatics	14,238,750	24,200,000	38,438,750
Storm Drain System Improvements	16,585,300	-	16,585,300
Historic Buildings and Beautification	-	1,150,000	1,150,000
TOTALS	\$71,284,500	\$25,350,000	\$96,634,500

General Obligation Bonds, Series 2026A and 2026B*

Sources:	Series 2026A	Series 2026B	Total
Par Amount	\$ 71,825,000	\$ 25,545,000	\$ 97,370,000
Premium	6,689,063	529,019	7,218,082
Total	\$ 78,514,063	\$ 26,074,019	\$104,588,082

Uses:	Series 2026A	Series 2026B	Total
Project Fund	\$71,284,500	\$25,350,000	\$96,634,500
Interest Expense Fund	6,689,063	529,019	7,218,082
Cost of Issuance Fund	314,313	111,787	426,100
Underwriter's Discount	221,295	78,705	300,000
Add'l Proceeds / Rounding	4,892	4,508	9,400
Total	\$ 78,514,063	\$ 26,074,019	\$104,588,082
Total Debt Service	\$133,815,434	\$ 26,579,273	\$160,394,707
Bond Term	30-Years	2-Years	
True Interest Cost	4.20%	2.78%	4.17%



*Preliminary, subject to change based on market conditions at the time of pricing.



Credit Ratings

- The City applied for two credit ratings on the 2026 Bonds:
 - Moody's assigned their 'Aaa' rating to the bonds
 - S&P Global assigned their 'AAA' rating to the bonds
- Strong credit ratings represent:
 - Independent assessment of creditworthiness and financial health
 - Appeal to investors and future market access
 - Lower borrowing costs
- Credit strengths include:
 - Excellent General Fund reserves and cash positions
 - Robust property assessed valuation growth
 - Strong fiscal management

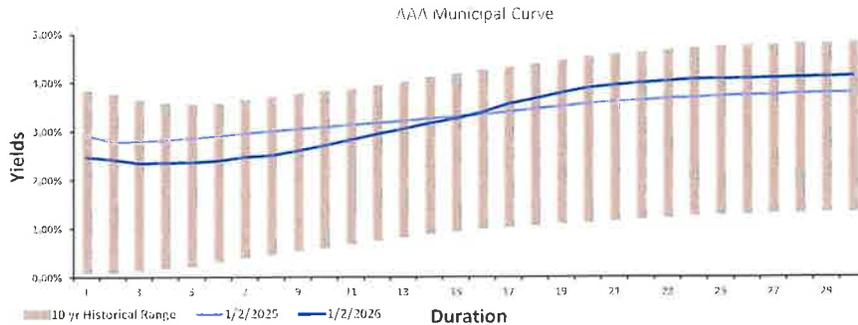
INVESTMENT GRADE RATINGS

MOODY'S	S&P GLOBAL
Aaa	AAA
Aa1	AA+
Aa2	AA
Aa3	AA-
A1	A+
A2	A
A3	A-
Baa1	BBB+
Baa2	BBB
Baa3	BBB-



Interest Rate Environment

- The FOMC (Federal Reserve) cut interest rates three times in 2025 by 25 basis points (bps), most recently in December:
 - Tax-exempt rates are down 49 bps on the short end of the curve (5-year), compared to one year ago.
 - Long-term rates (30-year) are up 33 bps, compared to one year ago.
 - Borrowing rates are within the 10-year average.



Operative Bond Documents

- **Paying Agent Agreement**
 - Between City & U.S. Bank Trust Company (bond paying agent).
 - Defines bond terms, security, payment mechanics, redemption, and paying agent duties.
- **Preliminary Official Statement (POS)**
 - Distributed to prospective underwriters / investors.
 - Details bond terms, security (ad valorem property taxes), City's tax base & financial health.
 - Must include all material information per federal securities laws.
- **Continuing Disclosure Certificates**
 - City commits to annual and event-based filings while bonds are outstanding.
- **Official Notices of Sale**
 - Authorizes competitive or negotiated sale.
 - Bonds sold only if Resolution conditions and parameters are met.

Bond Financing Schedule

Friday, January 9, 2026	Received Ratings from S&P Global and Moody's
Tuesday, January 13, 2026	City Council Meets to Consider Approval of Bond Issuance
Thursday, January 29, 2026	Post Preliminary Official Statement (Marketing Period)
Tuesday, February 10, 2026	Sale / Pricing (Bonds Sold and Interest Rates Established)
Tuesday, February 24, 2026	Closing (Bonds Delivered and Project Proceeds Received)

Fiscal Impact*

- Debt service payments are supported solely by Ad Valorem Property Tax
- First year net debt service payment amount is estimated to be approximately \$16 million.
 - Will be included in FY 2026/27 budget
 - First payment due August 1, 2026
- Annual debt service decreases in FY 2028/29 and levels off at approximately \$4.3 million through FY 2055/56
 - Series 2026A – matures 2055
 - Series 2026B – matures 2027
- Second tranche bond issuance is planned in FY 2027/28

**Preliminary, subject to change based on market conditions at the time of pricing.*

Financing Team

- City Staff – Elizabeth Klotz, Marc Freitas, Luis Haro, Kenn Lee, Linh Lam, Jensen Barna, and Randy Piotrowski
- Bond and Disclosure Counsel – Jones Hall: Scott Ferguson and Katie Dobson
- Municipal Advisor – PFM Financial Advisors: Jaime Trejo, Jack Pham, and Ryan Kaplan

Recommendation

- Approve and Adopt Resolution which:
 - a) Authorizes the issuance of 2026 General Obligation Bonds as the first tranche of bonds authorized under Measure I in a maximum principal amount not to exceed \$100 million;
 - b) Approves as to form the Paying Agent Agreement, in substantially the form attached to this Report to Council, and authorizes certain City officers or designees to execute the Paying Agent Agreement;
 - c) Approves the Preliminary Official Statement, in substantially the form attached to this Report to Council; and authorizes (i) certain City officers or designees to execute a certificate to deem the Preliminary Official Statement substantially final, and (ii) certain City officers or designees to execute a Final Official Statement;
 - d) Approves as to form the Continuing Disclosure Certificates, in substantially the forms included in the POS attached to this Report to Council, and authorizes certain City officers or designees to execute the Continuing Disclosure Certificates;

Recommendation (Cont'd)

- Approve and Adopt Resolution which:
 - e) Approves the competitive sale of the 2026 Bonds and approves as to form the Official Notices of Sale, in substantially the form attached to this Report to Council, and alternatively approves a negotiated sale of the 2026 Bonds, if recommended by the municipal advisor, in each case subject to all conditions and bond parameters set forth in the Resolution being met; and
 - f) Authorizes certain other actions set forth in the Resolution in furtherance of the issuance of the 2026 Bonds, with the understanding that all required agreements and disclosure documents shall be subject to final approval as to form by the City Attorney.



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