

THE REDEVELOPMENT AGENCY OF THE CITY OF SAN JOSE

MEMORANDUM

TO: REDEVELOPMENT AGENCY BOARD	FROM: HARRY S. MAVROGENES EXECUTIVE DIRECTOR
SUBJECT: BOND SALE RESULTS	DATE: OCTOBER 28, 2008

INFORMATION

On September 23, 2008, the Redevelopment Agency Board approved the issuance of the Merged Area Redevelopment Project Tax Allocation Bonds, Series 2008 (the "Bonds"). The Bonds are issued in two series, Series A-T (Taxable) Bonds and Series B (Tax-Exempt) Bonds. The Executive Director was authorized to award the Bonds to the most favorable bidder in an amount not-to-exceed \$119 million.

Bids were requested on October 28, 2008, at 8:30 a.m. Despite indications that up to seven bidders would bid, no qualifying bids were received for Series A-T. Feedback from the market participants indicates that the Series A-T may require higher than the authorized 8.5% interest rate to be currently marketable. Previous Agency issues have been sold with "AAA" insurance guarantees. Series A-T was offered without insurance due to the limited value of municipal bond insurance. Series A-T was offered with ratings of "A-, A3, A-" assigned by Standard & Poor's, Moody's Investor's Service and Fitch Ratings. The Agency will seek to sell Series A-T at a later date.

At 9:30 a.m., three qualifying bids were received for Series B. The winning bid from Stone & Youngberg produced a True Interest Cost (TIC) of 6.88%. (True Interest Cost represents the effective cost of funds, after deducting issuance costs). The tight competition for the Series B is evidenced by the 12 basis point spread between the winning bid and the least favorable bid. Consistent with Board authorization, the winning bid allowed for the par value of Series B to be increased to \$80,145,000, generating an additional \$150,000 for Redevelopment projects beyond what was budgeted for in this fiscal year. The final maturity of Series B is 2035.


Bids were also received from Citigroup and Banc of America Securities. The following table summarizes the Series B bids.

Series B (\$80,145,000)

<u>Underwriter</u>	<u>TIC</u>
Stone & Youngberg	6.88%
Bank of America	6.97%
Citigroup	7.00%

The closing date for the Series B Bonds is expected to be November 13, 2008. The Bonds received A-, A3, and A- ratings from Standard & Poor's, Moody's Investors Service and Fitch, respectively. Series B was sold without insurance due to the limited value of municipal bond insurance.

Based on these sales proceeds, the Agency is able to fund the vast majority of capital expenditures contemplated in the recently adopted FY 2007-08 Capital Budget. Depending on market conditions, the Agency will seek to sell Series A-T at a later date.


HARRY S. MAVROGENES
Executive Director