

CITY OF OAKLAND

FILED
OFFICE OF THE CITY CLERK
OAKLAND

2019 MAY -2 PM 3:52

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

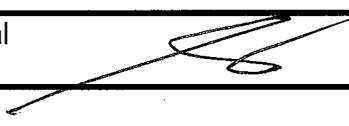
FROM: Katano Kasaine
Director of Finance

SUBJECT: City of Oakland 2019-2020 Tax and
Revenue Anticipation Note

DATE: April 15, 2019

City Administrator Approval

Date:



5/1/19

RECOMMENDATION

Staff Recommends That The City Council Adopt:

1. **An Ordinance Providing For The Borrowing Of Funds And The Issuance And Sale Of 2019-2020 Notes Payable From Revenues Received During The Fiscal Year (FY)2019-2020 In An Amount Not To Exceed \$120,000,000 And Approving Certain Related Matters; And**
2. **A Resolution Of The Council Of The City Of Oakland Providing For The Borrowing Of Funds For Fiscal Year (FY)2019-20 And The Issuance And Sale Of The City Of Oakland 2019-2020 Tax And Revenue Anticipation Note In An Amount Not To Exceed \$120,000,000, And Approving The Execution Of A Note Purchase Agreement Relating To Such Note And Authorizing Other Actions In Connection Therewith.**

EXECUTIVE SUMMARY

The ordinance and resolution will authorize the borrowing of funds for Fiscal Year 2019-20 ("FY19-20") and the issuance and sale of the City of Oakland 2019-20 Tax and Revenue Anticipation Note (the "Note") in an amount not to exceed one hundred twenty million (\$120,000,000) as a single, taxable series to be purchased by Bank of America, N.A. ("Bank of America") to finance the prepayment of the City of Oakland's (the "City") Employer Unfunded Accrued Liability ("UAL") contribution to California Public Employees' Retirement System ("CalPERS") for FY19-20. The City will receive a 3.44% prepayment discount from CalPERS for the "pre-funding." The Note shall mature no later than 13 months from the date of issuance and bear an interest rate not to exceed 3.50% per annum per the Resolution. Debt service on the Note will be secured by taxes and revenues received by the City for FY19-20. Issuance of the Note and pre-funding of CalPERS is expected to generate net cost savings estimated at \$907,000 for FY19-20.

Item: _____
 Finance and Management Committee
 May 14, 2019

BACKGROUND / LEGISLATIVE HISTORY

Pursuant to Section 53850 et seq. of the Government Code of the State of California (the "Government Code") contained in Article 7.6 thereof on or after the first day of any fiscal year (being July 1), a city may borrow money by issuing notes for any purpose for which a city is authorized to expend moneys, including but not limited to current expenses, capital expenditures, and the discharge of any obligation or indebtedness of a city.

Pursuant to Section 219 of the Charter of the City, an ordinance is required to authorize the borrowing of money.

ANALYSIS AND POLICY ALTERNATIVES

Staff recommends issuance of the Note to fund the prepayment of the City's FY19-20 UAL contribution to CalPERS for savings. By making a lump sum payment by July 31, 2019 instead of monthly payments throughout the fiscal year, the City will receive from CalPERS a prepayment discount of 3.44% of the required annual UAL contribution. As of July 1, 2017 only the UAL portion of the employer contribution can be pre-funded. The Normal Cost¹ portion of the employer contribution will be made as part of the regular payroll reporting process. Issuance of the Note and pre-funding of the City's annual CalPERS UAL contribution is expected to generate net cost savings estimated at \$907,000 for FY19-20 depending on interest rates at the time of pricing.

Staff has explored various alternatives including public offering and private placement of the Note. Based on current market conditions, the analysis resulted in the private placement option, like the previous year, generating the maximum savings to the City. The process of completing a private placement typically requires fewer steps than a public sale of notes resulting in cost benefits to the City. A private placement would save the City a variety of fees or costs associated with selling the Note in the open market such as lower cost of issuance and interest costs. With the private placement, the interest cost will be reduced for the City due to the ability to pay principal and interest quarterly versus at maturity of the Note. Therefore, staff recommends proceeding with Bank of America as the direct purchase bank through a private placement. A proposed financing schedule is included as **Table 1**, below.

¹ The minimum required employer contribution includes the sum of two components: 1) Normal Cost ("NC") Rate, which represents the annual cost of service accrual for the upcoming fiscal year, for active employees. Normal cost is shown as a percentage of payroll and paid as part of the payroll reporting process. 2) Annual payment on the Unfunded Accrued Liability ("UAL") is the amortized dollar amount needed to fund past service credit earned (or accrued) for members who are currently receiving benefits, active members, and for members entitled to deferred benefits, as of the valuation date. The UAL is billed monthly.

This item did not require public outreach other than the required posting on the City's website.

COORDINATION

This report was prepared by the Treasury Bureau in coordination with the Finance Department, Office of the City Attorney and Budget Bureau.

SUSTAINABLE OPPORTUNITIES

Economic: This item supports the City's ongoing operations and ability to serve its constituents.

Environmental: There are no environmental opportunities associated with this item.

Social Equity: This item supports the City's ongoing operations and ability to serve its constituents.

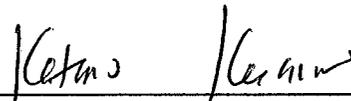
ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council adopt:

1. An ordinance providing for the borrowing of funds and the issuance and sale of 2019-2020 notes payable from revenues received during the fiscal year 2019-2020 in an amount not to exceed \$120,000,000 and approving certain related matters; and
2. A resolution of the Council of the City of Oakland providing for the borrowing of funds for fiscal year 2019-20 and the issuance and sale of the City of Oakland 2019-2020 Tax and Revenue Anticipation Note in an amount not to exceed \$120,000,000, and approving the execution of a note purchase agreement relating to such note and authorizing other actions in connection therewith.

For questions regarding this report, please contact Katano Kasaine, Director of Finance, at (510) 238-2989.

Respectfully submitted,



Katano Kasaine
Director of Finance, Finance Department

Reviewed by:
David Jones, Treasury Administrator

Prepared by:
Jennifer Chin, Treasury Analyst III
Treasury Bureau

FILED
OFFICE OF THE CITY CLERK
OAKLAND

Ravi J. Patel
City Attorney's Office
Ravi J. Patel

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**OAKLAND CITY COUNCIL
ORDINANCE NO. _____ C.M.S.**

**ORDINANCE PROVIDING FOR THE BORROWING OF FUNDS AND THE
ISSUANCE AND SALE OF 2019-2020 NOTES PAYABLE FROM
REVENUES RECEIVED DURING THE FISCAL YEAR 2019-2020 IN AN
AMOUNT NOT TO EXCEED \$120,000,000 AND APPROVING CERTAIN
RELATED MATTERS**

WHEREAS, pursuant to Section 53850 et seq. of the Government Code of the State of California (the "Government Code") contained in Article 7.6 thereof, on or after the first day of any fiscal year (being July 1), a city may borrow money for any purpose for which a city is authorized to expend moneys, including but not limited to current expenses, capital expenditures, and the discharge of any obligation or indebtedness of a city; and

WHEREAS, the City intends to borrow, for the purposes set forth above, an amount not to exceed \$120,000,000; and

WHEREAS, pursuant to Section 219 of the Charter of the City, an ordinance is required to authorize the borrowing of money; now, therefore

**THE CITY COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS
FOLLOWS:**

Section 1. Recitals. All of the above recitals are true and correct, and the City Council so finds and determines.

Section 2. Authorization of Notes. This City Council hereby authorizes the issuance and sale of one or more series of obligations (the "Notes"), which may be taxable or tax exempt and have one or more maturities. The Notes shall be issued in an aggregate principal amount not to exceed \$120,000,000, which amount shall be finally determined by the City Administrator, the Director of Finance or such other officer as the City Administrator shall designate in writing (each such officer being hereinafter referred to as an "Authorized Representative").

Section 3. Notes. The Notes shall be issued as current interest notes. The Notes shall mature on one or more dates no later than 13 months from the date of issuance. The principal amount of the Notes, together with the interest thereon, shall be payable from taxes, revenues, income, cash receipts and other moneys which are received for or accrued to the General Fund of the City for the Fiscal Year 2019-2020

excluding moneys which, when received by the City, will be encumbered for a special purpose.

Section 4. Sale of Notes; Ancillary Agreements. The terms and provisions of the Notes, the sale of the Notes, and the agreements relating to the Notes, including but not limited to a note purchase agreement, an acquisition agreement, a loan agreement or other funding agreement, shall be approved by resolution of the City Council.

Section 5. Effective Date. This Ordinance shall be effective immediately upon final adoption if it receives six or more affirmative votes; otherwise, it shall become effective on the seventh day after final adoption.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council of
the City of Oakland, California

NOTICE AND DIGEST

ORDINANCE PROVIDING FOR THE BORROWING OF FUNDS AND THE ISSUANCE AND SALE OF 2019-2020 NOTES PAYABLE FROM REVENUES RECEIVED DURING THE FISCAL YEAR 2019-2020 IN AN AMOUNT NOT TO EXCEED \$120,000,000 AND APPROVING CERTAIN RELATED MATTERS

The Ordinance would authorize the City to borrow up to One Hundred Twenty Million Dollars (\$120,000,000) pursuant to California Government Code section 53850 et seq., to satisfy obligations of the City during Fiscal Year 2019-2020. The notes authorized would be payable from taxes, revenues, income, cash receipts and other moneys that are received by the City for the Fiscal Year 2019-2020.