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OFFICE OF THE CITY CLERK
OAKLAND

2017 APR 27 PM 12:57

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: Borrowing of Funds and Issuance and
Sale of 2017-2018 Notes

DATE: April 17, 2017

City Administrator Approval

Date:

4/26/17

RECOMMENDATION

Staff Recommends That The City Council Adopt An Ordinance Providing For The Borrowing Of Funds And The Issuance And Sale Of 2017-2018 Notes Payable From Revenues Received During The Fiscal Year 2017-2018 In An Amount Not To Exceed \$86,000,000 And Approving Certain Related Matters.

EXECUTIVE SUMMARY

Providing for the borrowing of funds for Fiscal Year 2017-18 ("FY17-18") in an amount not to exceed \$86,000,000 and issuance of one or more series of obligations (the "Notes") will finance the prepayment of the City of Oakland's (the "City") Employer Unfunded Accrued Liability ("UAL") contribution to CalPERS for FY17-18. The City will receive a 3.55 percent (3.55%) prepayment discount from CalPERS for the "pre-funding." The Notes will mature not later than 13 months from the date of issuance with interest rates not to exceed 3 percent (3%) per annum. Debt service on the Notes will be secured by taxes and revenues received for FY17-18. Issuance of the Notes and pre-funding of CalPERS will generate net cost savings estimated at \$600,000 to \$1 million for FY17-18.

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. A resolution authorizing the terms and provisions of the Notes, the sale of the Notes, and the agreements relating to the Notes, including but not limited to an acquisition agreement, a loan agreement or other funding agreement will be forwarded to the Finance and Management Committee in May 2017.

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ANALYSIS AND POLICY ALTERNATIVES

For FY17-18, City staff has determined a borrowing in an aggregate principal sum of not to exceed \$86,000,000 by the issuance of the Notes is needed. The Notes may be issued in one or more series maturing not later than 13 months from the date of issuance. The Notes may be issued as tax-exempt and/or taxable with one or more maturity dates. The Notes will bear interest rates not to exceed 3 percent (3%) per annum. The principal amount of the Notes, together with the interest thereon (i.e. debt service), shall be payable from taxes, revenues, income, cash receipts and other moneys which are received by the City for FY17-18 and which are available for the payment of current expenses and other obligations of the City. A proposed financing schedule is included as Table 1.

The Notes will be issued to fund the prepayment of the City's (including the various departments of the City, if applicable), UAL contribution to CalPERS for FY17-18. By making a lump sum payment by July 30, 2017 instead of monthly payments throughout the fiscal year, the City will receive from CalPERS a prepayment discount of 3.55 percent (3.55%) of the required annual UAL contribution. Beginning in FY17-18, 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 Notes and pre-funding of the City's annual CalPERS UAL contribution will generate net cost savings estimated at \$600,000 to \$1 million for FY17-18 depending on interest rates at the time of pricing.

Table 1: Proposed Financing Schedule

Date	Item
5/9/2017	Ordinance scheduled to Finance & Management Committee
5/16/2017	1 st reading of Ordinance at City Council
5/23/2017	Resolution scheduled to Finance & Management Committee
6/6/2017	2 nd reading of Ordinance and Resolution at City Council
6/15/2017	Pricing of the Notes
7/6/2017	End of 30-day referendum period on Ordinance
7/11/2017	Closing of the Notes
7/31/2017	Deadline to submit prepayment of FY17-18 UAL to CalPERS

Per the City Charter, an ordinance is required to authorize the borrowing of money. In order to provide timely access to the capital markets, City staff recommends that City Council adopt the ordinance at this time. Adoption of the ordinance at this time will allow for the required two readings and 30-day referendum period to conclude and pricing and closing of the Notes to occur in time to meet the CalPERS pre-funding deadline. A resolution authorizing the terms and provisions of the Notes, the sale of the Notes, and the agreements relating to the Notes,

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.

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including but not limited to an acquisition agreement, a loan agreement or other funding agreement will be forwarded to the Finance and Management Committee in May 2017.

FISCAL IMPACT

Debt service on the Notes will be secured by taxes and revenues received for FY17-18. Issuance of the Notes and pre-funding of CalPERS will generate net cost savings estimated at \$600,000 to \$1 million for FY17-18.

PUBLIC OUTREACH / INTEREST

This item did not require additional 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.

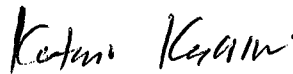
Social Equity: This item supports the City's ongoing operations and ability to serve its constituents.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council adopt an ordinance providing for the borrowing of funds and the issuance and sale of 2017-2018 notes payable from revenues received during the Fiscal Year 2017-2018 in an amount not to exceed \$86,000,000 and approving certain related matters.

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, Interim Treasury Manager

Prepared by:
Jackie Lee, Financial Analyst
Treasury Bureau

Attachments (#):

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CITY ATTORNEY

OAKLAND CITY COUNCIL

ORDINANCE NO. _____ C.M.S.

ORDINANCE PROVIDING FOR THE BORROWING OF FUNDS AND THE ISSUANCE AND SALE OF 2017-2018 NOTES PAYABLE FROM REVENUES RECEIVED DURING THE FISCAL YEAR 2017-2018 IN AN AMOUNT NOT TO EXCEED \$86,000,000 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 Eighty-Six Million Dollars (\$86,000,000); 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 Eighty-Six Million Dollars (\$86,000,000), which amount shall be finally determined by the City Administrator, the City Treasurer 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. Terms of the Notes. The Notes shall be issued as current interest notes. The interest rate on the Notes shall not exceed 3% per annum, and 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 by the City for the General Fund of the City for the Fiscal Year 2017-2018 and which are available for the payment of current expenses and other obligations of the City.

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 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.

the Notes, together with the interest thereon, shall be payable from taxes, revenues, income, cash receipts and other moneys which are received by the City for the Fiscal Year 2017-2018 and which are available for the payment of current expenses and other obligations of the City.

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 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- BROOKS, CAMPBELL WASHINGTON, GALLO, GIBSON MCELHANEY, GUILLÉN, KALB, KAPLAN AND PRESIDENT REID

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the
Council of the City of Oakland

DATE OF ATTESTATION: _____