



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2013 APR 25 PM 2: 29

AGENDA REPORT

TO: DEANNA J. SANTANA
CITY ADMINISTRATOR

FROM: Katano Kasaine

SUBJECT: Replacement of Cash Reserve with
Insurance Policy

DATE: April 12, 2013

City Administrator
Approval

Date

4/22/13

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council adopt the following resolutions:

1. Resolution of the City Council authorizing the use of an insurance policy to be provided by Assured Guaranty Municipal Corp. ("Assured") to replace the cash in the reserve fund securing the Oakland Joint Powers Financing Authority's Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B (the "Bonds"), authorizing the amendment of the rating requirement in such trust agreement applicable to the provider of such an insurance policy with respect to Assured, and authorizing the reimbursement of assured from base rental payments made by the City of Oakland pursuant to the sublease relating to the bonds
2. Resolution of the Oakland Joint Powers Financing Authority authorizing the use of an insurance policy to be provided by Assured Guaranty Municipal Corp. ("Assured") to replace the cash in the reserve fund securing the Oakland Joint Powers Financing Authority's Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B (the "Bonds"), authorizing the amendment of the rating requirement in such trust agreement applicable to the provider of such an insurance policy with respect to Assured, and authorizing the reimbursement of assured from base rental payments made by the City of Oakland pursuant to the sublease relating to the bonds

EXECUTIVE SUMMARY

Currently, the Oakland Joint Powers Financing Authority's (the "Authority") Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B (the "2008 Series B Bonds") have a cash-funded debt service reserve fund (DSRF) of approximately \$9.1 million.

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Under the Trust Agreement, the Authority can replace the cash-funded DSRF with an insurance policy constituting a Reserve Facility. The Reserve Facility from Assured will satisfy the reserve fund requirement for the 2008 Series B Bonds. The City desires to obtain a Reserve Facility with Assured Guarantee Corporation (“Assured”) to release the cash in the DSRF for other capital projects use such as essential information technology (“IT”) projects that must be replaced or upgraded.

The IT Division is in desperate need of acquiring necessary equipment and services to upgrade critical systems that impacts the City, the safety of its citizens and first responders (i.e., public safety networks, backup system, Oracle Release 12, servers, etc.). These technology enhancement projects are unfunded at this time and the estimated cost is \$33 million for the next two years (FY 2013-14 and FY 2014-15). This one-time money can be used to help fund some of these critical projects and services.

In order to proceed with the use of a Reserve Facility to replace the cash in the DSRF, Staff requests that Council adopt the proposed resolutions authorizing the amendment to the Trust Agreement and approving the Insurance Agreement. Due to the limited time to negotiate this agreement with Assured, Staff requests taking this item directly to Council on May 7, 2013.

OUTCOME

Approval of this recommendation will result in replacing the cash-funded DSRF with a Reserve Facility (insurance policy) provided by Assured so that the cash in the DSRF can be used for other capital improvement projects (i.e., essential IT projects).

BACKGROUND/LEGISLATIVE HISTORY

The City has various deferred capital projects that need funding, especially IT projects for the City and public safety. Below is a summary of major IT projects that are in dire need of replacement and upgraded but lack funding:

- Integrated Public Safety Network (IPSS): an essential communication network for the City’s first responders and serves multiple sites including the Emergency Operations Center, Police Administration and 911 Operation Center.
- 911 Computer Aided Dispatch (CAD), Records Management System (RMS), Field Based Reporting System (FBR): hardware and software of the IPSS which has reached the end of its life span and needs replacement.
- Enterprise Backup for mission-critical data: a backup system that can provide the City quick recovery from disasters to ensure business continuity, and restore the recovery of critical data and systems.
- System Infrastructure: provide the backbone of the system to maintain operational.
- Oracle Release 12: City’s financial system and by 2014, the current version will not be supported.

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- IPAS Upgrade: provides a platform to enhanced reporting, improved collaboration and supervision for the police department.
- Servers and Desktops Virtualization: consolidate servers and allow all desktops to centralize on servers platform to optimize resources and increase productivity
- Laptop Refresh: replacement of out-dated mobile computers and laptops and improve data communication network because manufacturer no longer support.

The replacement and upgrade of these antiquated safety networks, including equipments that are used as a pivotal communications for the City's first responders and new technology platform to meet business and operational needs of City departments (i.e. Oracle, IPAS network, Enterprise backup, Servers, etc.) are critical to maintain continuity of daily operations and the safety of citizens. Most of these networks and equipments are over 10 years old or has reached the end of its life span and the manufacturers will no longer offer maintenance, warranties or support them. Therefore, the City needs to replace or upgrade these IT capital projects as soon as possible.

ANALYSIS

If the City desires to pursue the replacement of the cash reserve with an insurance policy, the City can release the cash in the DSRF for other capital projects use (i.e. deferred IT projects). The IT capital projects as noted above are all unfunded at this time, the City can use the one-time money to fund these capital projects. Currently, the balance in the DSRF is approximately \$9.1 million. Under this arrangement, the City will purchase a Reserve Facility from Assured by paying a one-time premium (5% of the debt service reserve requirement) and other costs associated with replacing the cash-funded DSRF with a Reserve Facility.

The City has until May 24, 2013 to execute an engagement letter with Assured to move forward with this option, therefore, staff recommends take this item directly to Council on May 7, 2013. The one-time money will then be available for fiscal year 2013-14- and fiscal year 2014-15 budget.

PUBLIC OUTREACH/INTEREST

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

COORDINATION

This report has been prepared by the Treasury Division in coordination with City Attorney's Office and Budget Office.

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COST SUMMARY/IMPLICATIONS

Compensation for the City's consultants and any costs associated with obtaining a Reserve Facility will be paid from the cash-funded reserve balance.

SUSTAINABLE OPPORTUNITIES

Economic: Releasing the cash in the reserve to be used for other capital project needs will minimize the contributions of the General Fund to these capital projects.

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

Social Equity: There are social equity opportunities associated with this report.

CEQA

This report is not a project under CEQA.

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

Respectfully submitted,


KATANO KASAINÉ
Treasurer, Treasury Division

Prepared by:
Dawn Hort, Financial Analyst
Treasury Division

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May 7, 2013

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Approved as to Form and Legality



Joint Powers Financing
Authority Counsel

OAKLAND JOINT POWERS FINANCING AUTHORITY

RESOLUTION NO. _____ C. M. S.-

RESOLUTION AUTHORIZING THE USE OF AN INSURANCE POLICY TO BE PROVIDED BY ASSURED GUARANTY MUNICIPAL CORP. ("ASSURED") TO REPLACE THE CASH IN THE RESERVE FUND SECURING THE OAKLAND JOINT POWERS FINANCING AUTHORITY'S LEASE REVENUE REFUNDING BONDS (OAKLAND ADMINISTRATION BUILDINGS) 2008 SERIES B (THE "BONDS"), AUTHORIZING THE AMENDMENT OF THE RATING REQUIREMENT IN SUCH TRUST AGREEMENT APPLICABLE TO THE PROVIDER OF SUCH AN INSURANCE POLICY WITH RESPECT TO ASSURED, AND AUTHORIZING THE REIMBURSEMENT OF ASSURED FROM BASE RENTAL PAYMENTS MADE BY THE CITY OF OAKLAND PURSUANT TO THE SUBLEASE RELATING TO THE BONDS

WHEREAS, the City of Oakland (the "City") is a municipal corporation and charter city duly organized and existing under the Charter of the City (the "Charter") and the laws of the State of California (the "State"); and

WHEREAS, the City and the Redevelopment Agency of the City of Oakland (the "Agency") have heretofore executed a Joint Exercise of Powers Agreement, dated as of February 1, 1993 (the "Agreement"), creating the Oakland Joint Powers Financing Authority (the "Authority"); and

WHEREAS, the City and the Authority previously executed and entered into an Amended and Restated Lease, dated as of April 1, 2008, pursuant to which the City, as lessor, leased two City administration buildings described therein (the "Leased Property") to the Authority; and

WHEREAS, the Authority, as lessor, and the City, as City, previously executed and entered into an Amended and Restated Sublease, dated as of April 1, 2008 (as amended or supplemented from time to time, the "Sublease"), pursuant to which the Authority leased the Leased Property back to the City; and

WHEREAS, under and pursuant to the Sublease, the City is obligated to make rental payments (the "Base Rental Payments") to the Authority for the rental of the Leased Property; and

WHEREAS, the Authority pledged its right to receive the Base Rental Payments to the Trustee on the terms and subject to the conditions described in the Trust Agreement, dated as of April 1, 2008, by and between the Authority and the Trustee (the "Original Trust Agreement" and, as

amended and supplemented by the First Supplemental Trust Agreement defined herein, the “Trust Agreement”); and

WHEREAS, pursuant to the Original Trust Agreement, the Authority issued its Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B (the “Bonds”) in an aggregate principal amount of \$113,450,000, secured by, among other things, the Reserve Fund established under Section 5.03(d) of the Original Trust Agreement (the “Reserve Fund”); and

WHEREAS, Section 5.03(d) of the Original Trust Agreement permits the Authority to replace the cash in the Reserve Fund with an insurance policy constituting a Reserve Facility, as defined in the Original Trust Agreement, to use such Reserve Facility to satisfy the Reserve Fund Requirement established under the Original Trust Agreement, and to apply available amounts from Base Rental Payments made by the City towards reimbursement of the provider of such Reserve Facility; and

WHEREAS, the Authority is empowered pursuant to Sections 1.01 and 3.04 of the Original Trust Agreement to designate a Reserve Facility as a “Related Obligation,” as defined in the Original Trust Agreement, of the Authority and to issue such Related Obligation for the foregoing purposes; and

WHEREAS, the Authority has received a proposal from Assured Guaranty Municipal Corp. (“Assured”) to issue a Reserve Facility (the “Assured Reserve Facility”); and

WHEREAS, the Authority desires to enter into a First Supplemental Trust Agreement (the “First Supplemental Trust Agreement”) amending and supplementing the Original Trust Agreement to provide for the replacement of the cash in the Reserve Fund with the Assured Reserve Facility, the use of the Assured Reserve Facility to satisfy the Reserve Fund Requirement, the designation of the Assured Reserve Facility as a Related Obligation under the Trust Agreement, and, for the foregoing purposes, the amendment of the rating requirement in the Original Trust Agreement applicable to the provider of a Reserve Facility with respect to Assured; and

WHEREAS, the Authority desires to amend the Sublease as may be necessary or desirable to accomplish the foregoing purposes;

WHEREAS, the Authority desires to approve the Insurance Agreement, by and among the City, the Authority and Assured, governing the Assured Reserve Facility (the “Insurance Agreement”); and

WHEREAS, all capitalized terms not defined herein shall have the meaning set forth in the Original Trust Agreement; and

WHEREAS, all acts, conditions and things required by the Agreement and the laws of the State to exist, to have happened and to have been performed precedent to and in connection with the enactment of this Resolution do exist, have happened and have been performed in regular and due time, form and manner as required by law; now, therefore be it

RESOLVED, the governing body of the Oakland Joint Powers Financing Authority (the “Board”) hereby finds, determines, declares and resolves as follows:

Section 1. Recitals. All of the recitals set forth above are true and correct, and the Board so finds and determines.

Section 2. Assured Reserve Facility. The Authority hereby authorizes the replacement of the cash in the Reserve Fund with the Assured Reserve Facility to be provided by Assured pursuant to the Insurance Agreement.

Section 3. Related Obligation. The Authority hereby authorizes the designation in the First Supplemental Trust Agreement of the Assured Reserve Facility as a "Related Obligation" of the Authority pursuant to Section 1.01 and 3.04 of the Original Trust Agreement, payable from available amounts from Base Rental Payments made by the City pursuant to Sections 3.01 and 3.04 of the Sublease, and subject to the fair rental value requirements and the abatement provisions applicable to the Base Rental Payments in Sections 3.03 and 3.06, respectively, of the Sublease.

Section 4. The Insurance Agreement. The proposed form of Insurance Agreement, on file with the Secretary of the Authority, is hereby approved. The President, Vice-President or Executive Director, Director of the Finance and Management Agency, or a designee of any such official, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Insurance Agreement, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 7 hereof.

Section 5. First Supplemental Trust Agreement. The proposed form of the First Supplemental Trust Agreement, on file with the Secretary of the Authority, is hereby approved. The President, Vice-President or Executive Director, Director of the Finance and Management Agency, or a designee of any such official, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the First Supplemental Trust Agreement, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 7 hereof.

Section 6. EMMA Notice. The Authority hereby authorizes the submission to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA®) website at <http://emma.msrb.org> of such notice or other disclosure of any of the actions contemplated by this Resolution as its authorized officer shall deem necessary or advisable to comply with Securities Exchange Commission Rule 15c2-12.

Section 7. Modification to Documents. Each official of the Authority authorized by this Resolution to execute the documents named herein is hereby further authorized, in consultation with the Executive Director and the City Attorney, to approve and make such changes, additions, amendments or modifications to the document or documents the official is authorized to execute as may be necessary or advisable (provided that such changes, additions, amendments or modifications shall be within the parameters provided for in Section 2). The approval of any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 8. General Authority. Each official of the Authority authorized by this Resolution to execute the documents named herein is hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution, including without limitation an amendment to the Sublease.

Section 9. Ratification. All actions heretofore taken by the officials, employees and agents of the Authority with respect to the Assured Reserve Facility, the Insurance Agreement, the Reserve Fund Requirement and the First Supplemental Trust Agreement are hereby approved, confirmed and ratified.

Section 10. Effective Date. This Resolution shall take effect immediately upon its passage.

IN THE BOARD OF THE JOINT POWERS FINANCING AUTHORITY, OAKLAND, CALIFORNIA, May __, 2013

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON, MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

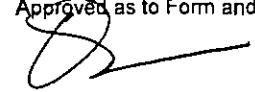
ABSTENTION -

ATTEST: _____

LaTonda Simmons
Secretary of the Oakland Joint Powers
Financing Authority of the City of Oakland

2013 APR 25 PM 2: 29

Approved as to Form and Legality



City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C. M. S.

RESOLUTION AUTHORIZING THE USE OF AN INSURANCE POLICY TO BE PROVIDED BY ASSURED GUARANTY MUNICIPAL CORP. ("ASSURED") TO REPLACE THE CASH IN THE RESERVE FUND SECURING THE OAKLAND JOINT POWERS FINANCING AUTHORITY'S LEASE REVENUE REFUNDING BONDS (OAKLAND ADMINISTRATION BUILDINGS) 2008 SERIES B (THE "BONDS"), AUTHORIZING THE AMENDMENT OF THE RATING REQUIREMENT IN SUCH TRUST AGREEMENT APPLICABLE TO THE PROVIDER OF SUCH AN INSURANCE POLICY WITH RESPECT TO ASSURED, AND AUTHORIZING THE REIMBURSEMENT OF ASSURED FROM BASE RENTAL PAYMENTS MADE BY THE CITY OF OAKLAND PURSUANT TO THE SUBLEASE RELATING TO THE BONDS

WHEREAS, the City of Oakland (the "City") is a municipal corporation and charter city duly organized and existing under the Charter of the City (the "Charter") and the laws of the State of California (the "State"); and

WHEREAS, the City and the Redevelopment Agency of the City of Oakland (the "Agency") have heretofore executed a Joint Exercise of Powers Agreement, dated as of February 1, 1993 (the "Agreement"), creating the Oakland Joint Powers Financing Authority (the "Authority"); and

WHEREAS, the City and the Authority previously executed and entered into an Amended and Restated Lease, dated as of April 1, 2008, pursuant to which the City, as lessor, leased two City administration buildings described therein (the "Leased Property") to the Authority; and

WHEREAS, the Authority, as lessor, and the City, as City, previously executed and entered into an Amended and Restated Sublease, dated as of April 1, 2008 (as amended or supplemented from time to time, the "Sublease"), pursuant to which the Authority leased the Leased Property back to the City; and

WHEREAS, under and pursuant to the Sublease, the City is obligated to make rental payments (the "Base Rental Payments") to the Authority for the rental of the Leased Property; and

WHEREAS, the Authority pledged its right to receive the Base Rental Payments to the Trustee on the terms and subject to the conditions described in the Trust Agreement, dated as of April 1, 2008, by and between the Authority and the Trustee (the "Original Trust Agreement" and, as

amended and supplemented by the First Supplemental Trust Agreement defined herein, the “Trust Agreement”); and

WHEREAS, pursuant to the Original Trust Agreement, the Authority issued its Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2008 Series B (the “Bonds”) in an aggregate principal amount of \$113,450,000, secured by, among other things, the Reserve Fund established under Section 5.03(d) of the Original Trust Agreement (the “Reserve Fund”); and

WHEREAS, Section 5.03(d) of the Original Trust Agreement permits the Authority to replace the cash in the Reserve Fund with an insurance policy constituting a Reserve Facility, as defined in the Original Trust Agreement, to use such Reserve Facility to satisfy the Reserve Fund Requirement established under the Original Trust Agreement, and to apply available amounts from Base Rental Payments made by the City towards reimbursement of the provider of such Reserve Facility; and

WHEREAS, the Authority is empowered pursuant to Sections 1.01 and 3.04 of the Original Trust Agreement to designate a Reserve Facility as a “Related Obligation,” as defined in the Original Trust Agreement, of the Authority and to issue such Related Obligation for the foregoing purposes; and

WHEREAS, the City has received a proposal from Assured Guaranty Municipal Corp. (“Assured”) to issue a Reserve Facility (the “Assured Reserve Facility”); and

WHEREAS, the City desires to approve the replacement of the cash in the Reserve Fund with the Assured Reserve Facility, the use of the Assured Reserve Facility to satisfy the Reserve Fund Requirement, the designation of the Assured Reserve Facility as a Related Obligation under the Trust Agreement, and the Authority’s execution and delivery of a First Supplemental Trust Agreement (the “First Supplemental Trust Agreement”) amending and supplementing the Original Trust Agreement to accomplish such purposes, which amendments shall include without limitation an amendment to the rating requirement in the Original Trust Agreement applicable to the provider of a Reserve Facility with respect to Assured; and

WHEREAS, the Authority desires to amend the Sublease as may be necessary or desirable to accomplish the foregoing purposes;

WHEREAS, the City desires to approve the Insurance Agreement, by and among the City, the Authority and Assured, governing the Assured Reserve Facility (the “Insurance Agreement”); and

WHEREAS, all capitalized terms not defined herein shall have the meaning set forth in the Original Trust Agreement; and

WHEREAS, all acts, conditions and things required by the Charter and the laws of the State to exist, to have happened and to have been performed precedent to and in connection with the enactment of this Resolution do exist, have happened and have been performed in regular and due time, form and manner as required by law; now, therefore be it

RESOLVED, that the City Council finds, determines, declares and resolves as follows:

Section 1. Recitals. All of the recitals set forth above are true and correct, and the Board so finds and determines.

Section 2. Assured Reserve Facility. The City Council hereby authorizes the replacement of the cash in the Reserve Fund with the Assured Reserve Facility to be provided by Assured pursuant to the Insurance Agreement.

Section 3. The Insurance Agreement. The proposed form of Insurance Agreement, on file with the City Clerk, is hereby approved. The City Administrator, the Director of the Finance and Management Agency or the Treasury Manager, or a designee of any such official, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Insurance Agreement, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 6 hereof.

Section 4. First Supplemental Trust Agreement. The proposed form of the First Supplemental Trust Agreement by and between the Authority and a trustee named therein, on file with the City Clerk, is hereby approved. The City Administrator, the Director of the Finance and Management Agency or the Treasury Manager, or a designee of any such official, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the consent of the City to the First Supplemental Trust Agreement.

Section 5. EMMA Notice. The City hereby authorizes the submission to the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access (EMMA®) website at <http://emma.msrb.org>. of such notice or other disclosure of any of the actions contemplated by this Resolution as its authorized officer shall deem necessary or advisable to comply with Securities Exchange Commission Rule 15c2-12.

Section 6. Modification to Documents. Each official of the City authorized by this Resolution to execute the documents named herein is hereby further authorized, in consultation with the City Administrator and the City Attorney, to approve and make such changes, additions, amendments or modifications to the document or documents the official is authorized to execute as may be necessary or advisable (provided that such changes, additions, amendments or modifications shall be within the parameters provided for in Section 2). The approval of any change, addition, amendment or modification to any of the aforementioned documents shall be evidenced conclusively by the execution and delivery of the document in question.

Section 7. General Authority. The Mayor, the City Administrator, the Director of the Finance and Management Agency, the Treasury Manager, the City Clerk any other officials of the City and their duly authorized deputies and agents are hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and take any and all actions, and execute and deliver any and all certificates, agreements and other documents, including without limitation an amendment to the Sublease, which they, or any of them, may deem necessary or advisable in order to effectuate the purposes hereof and of the documents herein approved in accordance with this Resolution.

The City Administrator and the Director of the Finance and Management Agency may each designate in writing one or more persons to perform any act that such official is authorized by this Resolution to perform.

Section 8. Ratification. All actions heretofore taken by the officials, employees and agents of the City with respect to the Assured Reserve Facility, the Insurance Agreement, the Reserve Fund Requirement and the First Supplemental Trust Agreement are hereby approved, confirmed and ratified.

Section 9. Effective Date. This Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA, _____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, GALLO, GIBSON MCELHANEY, KALB, KAPLAN, REID, SCHAAF and PRESIDENT KERNIGHAN

NOES -

ABSENT -

ABSTENTION -

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