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OAKLAND

2017 JUN -1 PM 3:47

# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Katano Kasaine  
Director of Finance

**SUBJECT:** Oakland General Obligation Bonds  
Series 2017A (Measure KK)

**DATE:** May 22, 2017

City Administrator Approval

Date:

## RECOMMENDATION

**Staff Recommends That The City Council Adopt A Resolution Approving The Issuance And Sale Of One Or More Series Of City Of Oakland General Obligation Bonds (Measure KK) In An Aggregate Principal Amount Not To Exceed \$125,000,000 Pursuant To The 2016 Infrastructure Bond Ordinance And Chapter 4.54 Of The Oakland Municipal Code; Prescribing The Terms Of Sale Of Said Bonds; Approving The Form Of And Authorizing The Execution And Delivery Of A Fiscal Agent Agreement, Continuing Disclosure Certificate And Official Notice Of Sale; Approving The Form Of And Authorizing The Distribution Of A Preliminary Official Statement And Authorizing The Execution And Delivery Of An Official Statement; And Authorizing Necessary Actions Related Thereto.**

## EXECUTIVE SUMMARY

Adoption of this resolution will provide for the issuance and sale of the City of Oakland General Obligation Bonds, Series 2017A (Measure KK) (the "Bonds"). Per Measure KK (as defined below), the Bonds will be issued and sold to finance acquisition and improvements to real property such as streets and sidewalks, City of Oakland (the "City") facilities, and affordable housing. The Bonds will be issued in one or more series in an aggregate principal amount not to exceed \$125,000,000. The Bonds shall have a final maturity date no later than 31 years after issuance of the Bonds, and shall bear interest at an interest rate not to exceed a true interest cost ("TIC") of six percent (6%) per annum. The Bonds will be sold by competitive bid and awarded based on the lowest TIC. Principal and interest due on the Bonds is payable from ad valorem taxes levied upon all taxable property in the City.

## BACKGROUND / LEGISLATIVE HISTORY

An ordinance authorizing the issuance of Infrastructure Bonds in an amount not to exceed \$600 million to improve public safety and invest in neighborhoods ("Measure KK") was approved by more than two-thirds of the qualified voters of the City at the November 8, 2016 statewide general election. The proceeds of the bonds authorized by Measure KK will be used to acquire and make improvements to real property such as improvement and rehabilitation of streets, sidewalks and related infrastructure, renovation and rehabilitation of City facilities including

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libraries, public safety, recreation and other buildings, and acquisition, improvement, rehabilitation, preservation, construction and repair of affordable housing.

Per Measure KK, the Improvement Project Plan consists of projects to be funded by the total \$600 million in bonds including the following:

1. Streets and Roads Projects, in the amount of \$350 million, including projects consistent with:
  - (a) Street paving and reconstruction
  - (b) Bicycle and pedestrian improvements; bikeways, sidewalks, paths, stairs, streetscape, curb ramps
  - (c) Traffic calming improvements
2. Facilities Projects in the amount of \$150 million, including projects consistent with:
  - (a) Fire facilities (in the amount of \$40 million)
  - (b) Police facilities (in the amount of \$40 million)
  - (c) Libraries (in the amount of \$15 million)
  - (d) Parks, Recreation and Senior Facilities (in the amount of \$35 million)
  - (e) Water, energy and seismic improvements consistent with the City's Energy and Climate Action Plan (in the amount of \$20 million)
3. Anti-Displacement and Affordable Housing Preservation Projects in the amount of \$100 million:
  - (a) Funds may be spent on the acquisition, rehabilitation, or new construction of affordable housing as set forth in the Affordable Housing Bond Law Ordinance.

Projects will be completed as needed according to City Council established priorities, including those set forth within the City's Capital Improvement Plan. The Bonds will be the first of multiple series issued for the purposes set forth above. Pursuant to Section 2(C) of Measure KK and Oakland Municipal Code ("OMC"), Chapter 4.54, the City Council will identify the specific projects to be financed by the Bonds (the "Projects"). Timing and amounts of future issuance of authorized Measure KK bonds will be determined by project funding requirements.

## **ANALYSIS AND POLICY ALTERNATIVES**

The Bonds will be the first issuance and sale of general obligation bonds authorized by Measure KK. The Bonds will be issued in one or more series (which may be taxable or tax-exempt bonds) in an aggregate principal amount not to exceed \$125,000,000. The Bonds shall have a final maturity date no later than 31 years after issuance of the Bonds, and shall bear interest at an interest rate not to exceed a TIC of six percent (6%) per annum. The Bonds will be sold by competitive bid in accordance with the Official Notice of Sale (the "NOS") and awarded to the bidder(s) whose responsible bid results in the lowest TIC to the City. Terms of the Bonds will be specified in the Fiscal Agent Agreement.

Principal and interest due on the Bonds is payable from ad valorem taxes levied upon all taxable property in the City. Interest rates will depend on market conditions at the time of sale. Proceeds from issuance of the Bonds will be used to finance acquisition of and make improvements to real property in the proposed<sup>1</sup> amounts listed in Table 1. Per Measure KK and OMC, Chapter 4.54, the City Council is expected to adopt resolutions specifying the Projects on June 12, 2017.

Table 1: Series 2017A Projects

Category	Amount <sup>1</sup>
Streets, Sidewalks and Related Infrastructure	\$40.6 million
City Facilities	\$21.8 million
Affordable Housing	\$50.0 million

The City, with the assistance of its disclosure counsel and financing team, will prepare an Official Statement (both preliminary and final) (the "OS") and a Continuing Disclosure Certificate ("CDC") for the Bonds. The OS is an initial disclosure document published for the benefit of potential investors. The CDC will identify the City's disclosure requirements for the life of the Bonds. Forms of the OS, CDC, Fiscal Agent Agreement, and NOS are on file with the City Clerk.

Orrick, Herrington & Sutcliffe LLP will serve as bond counsel. Curis Bartling P.C. will serve as disclosure counsel. Backstrom McCarley Berry & Co., LLC will serve as municipal advisor.

### **FISCAL IMPACT**

The Bonds are payable from ad valorem taxes levied upon all taxable property in the City. The City Council is authorized and obligated to levy and collect annually each year ad valorem taxes in an amount sufficient to pay the principal and interest due on the Bonds (i.e. debt service). Fees related to the issuance of the Bonds will be paid from bond proceeds and contingent upon closing of the transaction.

### **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.

<sup>1</sup> Proposed as of May 22, 2017

**SUSTAINABLE OPPORTUNITIES**

**Economic:** This item will provide funding to acquire and make improvements to real property such as improvement and rehabilitation of streets, sidewalks and related infrastructure.

**Environmental:** This item will provide funding to acquire and make improvements to real property such as renovation and rehabilitation of City facilities including libraries, public safety, recreation and other buildings.

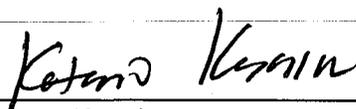
**Social Equity:** This item will provide funding to acquire and make improvements to real property such as acquisition, improvement, rehabilitation, preservation, construction and repair of affordable housing.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff requests that the City Council adopt a resolution approving the issuance and sale of one or more series of City of Oakland General Obligation Bonds (Measure KK) in an aggregate principal amount not to exceed \$125,000,000 pursuant to the 2016 Infrastructure Bond Ordinance and Chapter 4.54 of the Oakland Municipal Code; prescribing the terms of sale of said bonds; approving the form of and authorizing the execution and delivery of a fiscal agent agreement, continuing disclosure certificate and official notice of sale; approving the form of and authorizing the distribution of a preliminary official statement and authorizing the execution and delivery of an official statement; and authorizing necessary actions related thereto.

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 (#):

Item: \_\_\_\_\_  
Finance and Management Committee  
June 13, 2017

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

Approved as to form and Legality

City Attorney

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OAKLAND CITY COUNCIL

RESOLUTION NO. \_\_\_\_\_ C.M.S.

**RESOLUTION APPROVING THE ISSUANCE AND SALE OF ONE OR MORE SERIES OF CITY OF OAKLAND GENERAL OBLIGATION BONDS (MEASURE KK) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$125,000,000 PURSUANT TO THE 2016 INFRASTRUCTURE BOND ORDINANCE AND CHAPTER 4.54 OF THE OAKLAND MUNICIPAL CODE; PRESCRIBING THE TERMS OF SALE OF SAID BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FISCAL AGENT AGREEMENT, CONTINUING DISCLOSURE CERTIFICATE AND OFFICIAL NOTICE OF SALE; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT; AND AUTHORIZING NECESSARY ACTIONS RELATED THERETO**

**WHEREAS**, an Ordinance Authorizing The Issuance of Infrastructure Bonds In An Amount Not To Exceed \$600 Million To Improve Public Safety And Invest In Neighborhoods (“Measure KK”) was approved by more than two-thirds of the qualified voters of the City at the November 8, 2016, Statewide General Election; and

**WHEREAS**, the proceeds of the indebtedness authorized by Measure KK will be used to acquire and make improvements to real property such as improvement and rehabilitation of streets, sidewalks and related infrastructure, renovation and rehabilitation of City facilities including libraries, public safety, recreation and other buildings, and acquisition, improvement, rehabilitation, preservation, construction and repair of affordable housing; and

**WHEREAS**, this City Council intends to issue City of Oakland General Obligation Bonds (Measure KK) (the “Bonds”) for the purposes set forth above, pursuant to Measure KK and the City of Oakland Affordable Housing and Infrastructure Bond Law, Oakland Municipal Code, Chapter 4.54 (the “Bond Act”); and

**WHEREAS**, pursuant to Section 2(C) of Measure KK and the Bond Act, the City Council has identified the specific projects to be financed by the Bonds (the “Projects”); and

**WHEREAS**, there have been submitted and are on file with the Clerk of this City Council (the “Clerk”) proposed forms of a fiscal agent agreement, (the “Fiscal Agent Agreement”), by and between the City and the fiscal agent named therein; the Official Notice of Sale (the “Official Notice of Sale”); a Continuing Disclosure Certificate, dated the date of issuance and delivery of the Bonds (the “Continuing Disclosure Certificate”); and an official statement (the “Official Statement”), all with respect to the Bonds proposed to be issued and sold; now, therefore be it

**RESOLVED:** By the City Council of the City of Oakland as follows:

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Oakland as follows:

**Section 1.** Recitals. All of the above recitals are true and correct.

**Section 2.** Authorization of Bonds. This City Council hereby approves the issuance and sale of one or more series of bonds (which may be taxable or tax-exempt bonds) designated as the “City of Oakland General Obligation Bonds (Measure KK) Series 2017\_” (hereinafter referred to as the “Bonds”), in an aggregate principal amount not to exceed One Hundred Twenty-Five Million dollars (\$125,000,000), which amount shall be finally determined by the City Administrator or the Director of Finance or such other officer of the City designated by the City Administrator or the Director of Finance in writing (each such officer being hereinafter referred to as an “Authorized Representative”). The Bonds shall have a final maturity date no later than 31 years after issuance of the Bonds, and shall bear interest at an interest rate not to exceed a true interest cost of 6% per annum.

**Section 3.** Terms of the Bonds. The aggregate principal amount of Bonds, the date thereof, the maturity dates, principal amounts and annual rates of interest of each maturity thereof, the initial and semiannual interest payment dates thereof, and the terms of optional and mandatory sinking fund redemption thereof, shall be as specified in the Fiscal Agent Agreement as executed by an Authorized Representative.

**Section 4.** Tax Levy. For the purpose of paying principal of and interest on the Bonds, the City Council shall, at the time of making the general tax levy after incurring the bonded indebtedness, and annually thereafter until the Bonds are paid or until there is a sum in the treasury of the City set apart for that purpose sufficient to meet all payments of principal and interest on the Bonds as they become due, levy and collect a tax sufficient to pay the interest on the Bonds and such part of the principal as will become due before the proceeds of a tax levied at the next general tax levy will be available; provided, however, that if it is expected that all or any part of the Bonds will be sold at such time that the principal of or interest on such Bonds will become due before the proceeds of a tax levied after such sale would be available to pay such principal or interest, the City Council, at the time of fixing the annual tax levy, may levy a tax in an amount clearly sufficient to pay that portion of the principal of and interest on the Bonds which it is expected will become due before the proceeds of the next succeeding tax levy will be available. Such taxes shall be levied and collected as other City taxes and shall be in addition to all other taxes and shall be used only for payment of the principal of the Bonds and interest thereon. Said taxes as collected shall be forthwith paid into the fund for which the same were levied and collected and which shall be designated the “City of Oakland General Obligation Bonds (Measure KK) Debt Service Fund” (the “Debt Service Fund”), and all sums to become due for the principal of and interest on the Bonds shall be paid from such Debt Service Fund.

When all of the principal of and interest on the Bonds shall have been paid, any balance of money then remaining in said Debt Service Fund shall be transferred to the general fund of the City.

**Section 5.** Authorization of Sale and Award of Bid. The Director of Finance is hereby authorized and directed to establish a date, time and place to receive bids for the

purchase of each series of Bonds as described in and subject to the terms and conditions of the Official Notice of Sale (described below). The Director of Finance is authorized to receive bids for the purchase of each series of Bonds, and to award such Bonds to the bidder(s) whose responsible bid for the series of Bonds results in the lowest true interest cost to the City (the "Original Purchaser"), all in accordance with and determined by the procedures described in the Official Notice of Sale, as approved by the Director of Finance.

**Section 6.** Fiscal Agent Agreement. The form of the Fiscal Agent Agreement, by and between the City and a financial institution to be selected by the Director of Finance through a competitive process, in substantially the form on file with the Clerk, is hereby approved and authorized. Any Authorized Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form, completed with terms as shall be agreed to by the Authorized Representative in accordance with this Resolution, and with such other additions, changes or modifications therein as the Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 7.** Official Notice of Sale. The form of Official Notice of Sale, in substantially the form on file with the Clerk, is hereby approved and authorized with such other additions, changes or modifications therein as any Authorized Representative, upon consultation with legal counsel, may require or approve, including, but not limited to the bidding platform used for the competitive sale of the Bonds.

**Section 8.** Official Statement. The form of Official Statement relating to the Bonds, in substantially the form on file with the Clerk, is hereby approved, with such changes, additions and modifications therein as any Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. Any Authorized Representative is hereby authorized to certify that the preliminary form of the Official Statement was deemed final as of its date within the meaning of Rule 15c2-12 (the "Rule") promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by the Rule). Any Authorized Representative is hereby authorized and directed to sign the Official Statement in its final form, including the final pricing information, and to furnish the Original Purchaser with copies thereof, and the Original Purchaser is hereby authorized and directed to deliver copies of such Official Statement in final form to subsequent purchasers of the Bonds.

**Section 9.** Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate, in substantially the form on file with the Clerk, is hereby approved and authorized. Any Authorized Representative is hereby authorized to execute an instrument in substantially said form, completed with terms as shall be agreed to by the Authorized Representative in accordance with this Resolution, and with such additions, changes or modifications therein as the Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate as finally executed and delivered.

**Section 10. Appointment of Bond Counsel, Disclosure Counsel and Municipal Advisor.** The City Council hereby acknowledges the appointments by the City Attorney of Orrick, Herrington & Sutcliffe LLP, as bond counsel (“Bond Counsel”), and Curls Bartling P.C., as disclosure counsel (“Disclosure Counsel”). The selection by the Director of Finance of Backstrom McCarley Berry & Co., LLC, as municipal advisor (“Municipal Advisor”) with respect to the Bonds, is hereby affirmed.

**Section 11. Authorization of Further Actions.** (a) Bond Counsel, Disclosure Counsel, the Municipal Advisor and appropriate City officials are hereby authorized and directed to continue to prepare the necessary legal documents to accomplish said financing and the other transactions authorized herein, and to take any and all necessary actions in connection therewith.

(b) The officers and employees of the City are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized, and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. Each Authorized Representative is hereby authorized and directed to execute and deliver any and all notices, certificates and representations, including signature certificates, no-litigation certificates, tax certificates, certificates relating to continuing disclosure obligations, notices to the California Debt and Investment Advisory Commission, and certificates concerning the Official Statement describing the Bonds, and to enter into such agreements or contracts, including as may be necessary to obtain bond insurance with respect to the Bonds, fiscal agent services, or other services with respect to the Bonds, as such officers deem necessary and desirable to accomplish the purposes of this Resolution.

**Section 12. Reimbursement.** The City Council for purposes of establishing compliance with Section 1.150-2 of the Treasury Regulations, hereby declares the City's intent to reimburse the City with the proceeds of the Bonds for expenditures with respect to the Projects.

**Section 13. Ratification of Actions.** All actions heretofore taken by the officers and agents of the City with respect to the sale, execution and delivery of the Bonds, and the other transactions authorized and contemplated herein, are hereby approved, confirmed and ratified.

**Section 14. Effective Date.** This Resolution shall take effect immediately if approved by the votes of six councilmembers; otherwise, it will be effective seven days after the date of adoption.

In Council, Oakland, California, \_\_\_\_\_, 2017.

**PASSED BY THE FOLLOWING VOTE:**

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

NOES:

ABSENT:

ABSTENTION:

ATTEST:

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LA TONDA SIMMONS  
City Clerk and Clerk of the City Council  
City of Oakland, California

**CERTIFICATE OF THE CITY CLERK**

I, LaTonda Simmons, City Clerk and Clerk of the City Council of the City of Oakland (the "City"), hereby certify that the foregoing is a full, true and correct copy of Resolution No. \_\_\_\_, duly adopted at a meeting of the City Council of the City duly and regularly held on \_\_\_\_\_, of which meeting all of said City Council had due notice.

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a true, complete and correct copy of the original resolution duly adopted at said meeting and entered in said minutes; and that said resolution has not been modified, amended, rescinded or revoked except as provided in such resolution in any manner since the date of their adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate this \_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
LA TONDA SIMMONS  
City Clerk and Clerk of the City Council  
City of Oakland, California