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OFFICE OF THE CITY CLERK
OAKLAND

2015 MAR 12 PM 10:02

AGENDA REPORT

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: Katano Kasaine

SUBJECT: Coliseum Arena 2015 Refunding Series A

DATE: March 2, 2015

City Administrator
Approval

Date

3/7/15

COUNCIL DISTRICT: or City-Wide

RECOMMENDATION

It is recommended that the City Council adopt: a resolution regarding the Oakland-Alameda County Coliseum Authority's issuance of Lease Revenue Bonds (Oakland Coliseum Arena Project) 2015 Refunding Series A, approving the form and authorizing the execution and delivery by the City of Oakland of one or more letters of representations; approving such other documents and the taking of all necessary actions by the City in connection with the refunding of the Authority's outstanding bonds for the Arena, including approving the form and distribution of an official statement in connection therewith.

OUTCOME

The adoption of the proposed resolution will allow for the restructuring of the Arena Bonds to fixed rate bonds, which is the only option available to the Authority at this time to prevent an increase in annual debt service payments due to lack of letter of credit facility and possible reverting to the maximum annual base rental payment amount of \$19 million under the Master Lease Agreement. Due to historically low interest rates, converting to fixed rate bonds at this time will result in an average annual debt service payment of approximately \$8.9 million compared to the maximum annual base rental payments of \$19 million. The final maturity is in February 2026.

EXECUTIVE SUMMARY

The Oakland-Alameda County Coliseum Authority was formed in 1995, by the City of Oakland (the "City") and the County of Alameda (the "County") to assist in the financing of public capital improvements at the Oakland-Alameda Coliseum Complex (the "Coliseum Complex").

On August 2, 1996, the Authority issued \$140 million of Lease Revenue Bonds (Oakland Coliseum Arena Project) 1996 Series A-1 (the "1996 Series A-1 Bonds") and 1996 Series A-2 (the "1996 Series A-2 Bonds" and, together with the 1996 Series A-1 Bonds, the "Arena

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Bonds”), to finance the costs of constructing the Arena (the “Arena”) located at the Coliseum Complex as well as other costs associated with the retention of the Golden State Warriors (the “Warriors”) to play professional basketball at the Arena.

The Arena Bonds are currently in variable rate mode and are being remarketed by Barclays Capital Inc. (“Barclays”) and The Bank of New York Mellon Trust Company (BNY), together the “Remarketing Agents”. Also, the payment of principal and interest of the Arena Bonds are supported by an irrevocable direct-pay letter of credit issued by BNY. The existing letter of credit is set to expire on June 21, 2015. The Arena Bonds are limited obligations of the Authority payable solely from revenues of the Authority consisting primarily of base rental payable by the City and County pursuant to a Master Lease Agreement with the Authority.

The Authority has been actively exploring the different options to restructure the Arena Bonds that is most cost effective to the Authority given the market and the availability of options at the time of restructuring. Given the letter of credit expiration date of June 21, 2015 and the Authority’s inability to obtain a replacement for the expiring letter of credit on the Arena Bonds, the only available and feasible option for the Authority is to restructure the Arena Bonds to fixed rate bonds at this time. If the Authority does not restructure the Arena Bonds, then the Arena Bonds will not be able to be remarketed and are subject to higher annual debt payments approximately \$19 million (maximum annual base rental payment).

Staff recommends adoption of the resolution and the approval and execution of the Letters of Representations and the distribution of an Official Statement (“OS”) relating to the City and authorizing the execution of such other related documents as may be necessary in order to restructure the Arena Bonds.

BACKGROUND/LEGISLATIVE HISTORY

The Authority is a joint exercise of powers agency organized under the laws of the State of California (the “State”) and composed of the County of Alameda (the “County”) and the City of Oakland (the “City”) created pursuant to an Amended and Restated Joint Exercise of Power Agreement dated as of July 1, 1995. The Authority was formed to assist in the financing of public capital improvements including the Coliseum Complex.

Arena

On June 11, 1996, the City Council adopted Resolution No. 72715 C.M.S. approving the sale and issuance of up to \$140 million of variable rate lease revenue bonds through a combination of two series; the 1996 Series A-1 Bonds and the 1996 Series A-2 Bonds (collectively, the “Arena Bonds”). At that time, the City approved a Master Lease Agreement with the Authority as well as provided Letters of Representation. The Arena Bonds were originally issued to finance the costs of remodeling the Arena and to satisfy certain obligations of the Authority, the City, the County, and Coliseum Inc. in connection with the retention of the Golden State Warriors to play

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professional basketball at the Arena for at least 20 basketball seasons, beginning with the 1997-98 season. The Arena Bonds are issued by the Authority and the security for the Arena Bonds is Base Rental Payments from the City and County to the Authority.

The Arena Bonds are limited obligations of the Authority payable solely from revenues of the Authority, consisting primarily of base rental payments to be received by the Authority from the City and County. These revenues consist of base rental payments from the City and County and certain payments from the Warriors of up to \$7.4 million annually from premium seating revenues, and other payments from Arena operations. The City and County each have covenanted to appropriate up to \$9.5 million annually to cover any revenue shortfalls for a total of \$19 million.

On June 1, 1996, the original Irrevocable Letter of Credit and Reimbursement Agreement (the "Original Agreement") was entered into between the Authority and Canadian Imperial Bank of Commerce. The letters of credit have been replaced and renewed by the Authority several times after the Original Agreement expired. The current agreement was negotiated in 2012 and provides a letter of credit at a cost of eighty basis points (80bps) or 0.80 percent. Currently, the 1996 Series A-1 Bonds and Series A-2 are supported by an irrevocable direct-pay letter of credit issued by The Bank of New York Mellon Trust Company (BNY) which is set to expire on June 21, 2015.

ANALYSIS

The Authority has explored various options with the restructuring of the Arena Bonds in the manner that is the most advantageous to the Authority, which may include, but is not limited, to replacing one or more of the existing letters of credit with new letters of credit to be provided by banks meeting the approval of the Authority, and/or refunding or replacing the bonds with one or more new series of bonds to be publicly issued or privately placed, accruing interest at fixed or variable rates.

As of February 1, 2015, the outstanding balance of the Arena Bonds is approximately \$79.7 million. Given the letter of credit expiration date of June 21, 2015 and the Authority's inability to obtain a replacement for the expiring letters of credit on the Arena Bonds, the most feasible and available option that will result in the lowest current costs for the Authority at this time is to restructure the Arena Bonds to fixed rate bonds. Below, please find an analysis of options:

Option 1- Fixed Rate Bonds.

Since the financial market's credit crisis, some banks have been downgraded by credit-rating firms, making their guarantee less appealing to investors. Also, banks globally have tightened lending standards and are under new requirements to set aside more capital as a buffer against losses. In recent years, the numbers of banks providing letters of credit have declined because of financial stress, resulting in only a handful of credit providers left in the letter of credit market

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place. The banks that are participating only favor highly rated borrowers and limit the amount of exposure they have on each borrower. As letters of credits expire, fewer banks are willing to extend existing letters of credit or provide new letters of credit, and those that are doing so are requiring additional conditions and higher fees. The Authority was not able to secure a new letter of credit or restructure with a private placement transaction; therefore, the best option for the Authority is to refund the bonds to fixed rate bonds.

If the Authority is unable to restructure the existing bonds prior to the existing letter of credit's expiration, the Arena Bonds would not be able to be remarketed and the existing letter of credit provider would be required to purchase the bonds. Such action could result in an event of default, accelerating repayment of the obligation by increasing in annual payments on the bonds to \$19 million per year, the maximum rental payment made by the City and County under the Master Lease Agreement with the Authority, until the Authority would otherwise restructure or fully repay the outstanding obligation.

The bonds will be restructured into fixed rate bonds with the same principal repayment schedule as the current outstanding Arena Bonds and February 1, 2026 as the final maturity. The challenges facing the sale of fixed rate bonds will be related to mitigating certain perceived risks (asset inessentiality, seismic criteria, and potential relocation of the Warriors) with potential bond investors. The Authority is still better off fixing out the bonds than increasing the annual payments on the bonds to the maximum rental payment as described above. Fixed rate bond structure is therefore the better alternative for the Authority given that the other two alternatives (i.e., replacing the existing letter of credit and private placement) are not available to the Authority.

The advantages and challenges of issuing fixed rate bonds are presented in the *Table 1* below.

Table 1
Advantages and Challenges of Fix Rate Bonds

Advantages	Challenges
<ul style="list-style-type: none">• Eliminate bank renewal risk• Create long-term budget stability• Current fixed rates are at historic lows	<ul style="list-style-type: none">• Seismic criteria requirement• Lesser essentiality a marketing challenge, which could result in higher interest rate• Increase in annual debt service• Pending relocation of the Warriors team

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Option 2- Do Not Fix Out Bonds

Table 2 below summarizes the pros and cons if the Authority does not convert these bonds to fixed rate bonds when the letter of credit expires on June 21, 2015.

**Table2
Pros and Cons of Option 2**

Option # 2:	Do not issue fixed rate debt
Pros:	None
Cons:	Will result in significantly higher interest costs without participation from a letter of credit bank and increase the annual payment to the maximum base rental payment under the Lease Master Agreement. May show weakness in debt management for the City and County if the Authority cannot convert to fixed rate prior to expiration of the existing letters of credit.

Reason for not recommending: This option is not recommended for the reasons above.

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 Bureau in coordination with City Attorney's Office, Controller's Bureau, County, and financing team participants.

COST SUMMARY/ IMPLICATIONS

Compensation for the City's consultants and the cost of issuance will be paid by the Authority.

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SUSTAINABLE OPPORTUNITIES

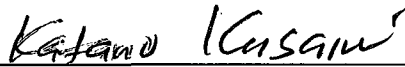
Economic: There are no impacts to economic opportunities associated with this report.

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

Social Equity: There are no impacts to social equity opportunities associated with this report.

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

Respectfully submitted,



KATANO KASAINÉ
Treasurer, Treasury Bureau

Reviewed by:
David Jones, Principal Financial Analyst
Treasury Bureau

Prepared by:
Dawn Hort, Financial Analyst
Treasury Bureau

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OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION REGARDING THE OAKLAND-ALAMEDA COUNTY COLISEUM AUTHORITY'S ISSUANCE OF LEASE REVENUE BONDS (OAKLAND COLISEUM ARENA PROJECT) 2015 REFUNDING SERIES A, APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY BY THE CITY OF OAKLAND OF ONE OR MORE LETTERS OF REPRESENTATIONS; APPROVING SUCH OTHER DOCUMENTS AND THE TAKING OF ALL NECESSARY ACTIONS BY THE CITY IN CONNECTION WITH THE REFUNDING OF THE AUTHORITY'S OUTSTANDING BONDS FOR THE ARENA, INCLUDING APPROVING THE FORM AND DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION THEREWITH

WHEREAS, the City of Oakland (the "City") and the County of Alameda (the "County") have heretofore executed an Amended and Restated Joint Exercise of Powers Agreement dated as of July 1, 1995 (as amended and restated, the "Joint Powers Agreement"), which Joint Powers Agreement creates and establishes the Oakland-Alameda County Coliseum Authority (the "Authority"); and

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of Government Code of the State of California (the "Act") and the Joint Powers Agreement, the Authority is authorized to issue bonds for financing public capital improvements whenever there are significant public benefits; and

WHEREAS, by Ordinance No. 11888 C.M.S. adopted May 1, 1996 ("Ordinance 11888") by the City Council of the City (the "City Council") and Resolution No. 72715 adopted by the City Council on June 11, 1996, the City Council previously approved the Authority's issuance of not to exceed \$140 million aggregate principal amount of Oakland-Alameda County Coliseum Authority Lease Revenue Bonds (Oakland Coliseum Arena Project) 1996 Series A-1 (the "1996 Series A-1 Bonds") and 1996 Series A-2 (the "1996 Series A-2 Bonds" and, together with the 1996 Series A-1 Bonds, the "1996 Bonds"), of which \$79,735,000 remain outstanding, which were originally issued to finance improvements to and expansion of the Oakland-Alameda County Coliseum Arena (the "Arena") and other costs and payments required to induce CC Partners, a California partnership d/b/a Golden State Warriors (the "Warriors") to continue to play its home basketball games at the Arena (collectively, the "Arena Project"); and

WHEREAS, the payment of principal of, premium, if any, and interest on the 1996 Bonds is supported by irrevocable direct-pay letters of credit issued by The Bank of New York Mellon that are scheduled to expire in June 2015; and

WHEREAS, the Authority is unable to obtain a replacement for the expiring letters of credit; and

WHEREAS, the Trust Agreement for the 1996 Bonds, dated as of June 1, 1996 (as supplemented and amended, the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"), contains provisions permitting the issuance of additional bonds from time to time for the purposes set forth therein, including but not limited to the issuance of refunding bonds; and

WHEREAS, the Authority desires to issue one more series of not to exceed \$79,735,000 aggregate principal amount of bonds to refund the 1996 Bonds in the manner that is the most advantageous to the Authority such new series of bonds to be publicly issued or privately placed, accruing interest at fixed or variable rates (the "Refunding Bonds"); and

WHEREAS, the issuance of the Refunding Bonds by the Authority and the execution and delivery of the documents authorized hereby will result in significant public benefits, including, but not limited to demonstrable savings in effective interest rate, bond preparation, bond underwriting, or bond issuance costs; and

WHEREAS, in connection with the issuance of the Refunding Bonds and to provide certain information about the Refunding Bonds, the Arena Project, the County, the City and the Authority to purchasers and potential purchasers of the Refunding Bonds, there has been prepared a proposed form of Official Statement (the "Official Statement"); and

WHEREAS, in connection with the issuance of the Refunding Bonds, the City is expected to be required to deliver one or more letters of representations (the "Letter of Representations") to the underwriters in connection with the execution and delivery of the bond purchase contract for the sale of the Refunding Bonds; and

WHEREAS, the Authority has appointed Orrick, Herrington & Sutcliffe LLP as bond counsel ("Bond Counsel"), Curls Bartling P.C. as disclosure counsel ("Disclosure Counsel") and First Southwest Company, LLC as financial advisor (the "Financial Advisor") with respect to the transactions described in this Resolution; and

WHEREAS, there have been submitted and are on file with the Clerk of this City Council (the "Clerk"), the proposed form of the Official Statement, the proposed form of Letter of Representations and the proposed form of Continuing Disclosure Agreement (the "Continuing Disclosure Agreement", and together with the Official Statement and Letter of Representations, collectively, the "Transaction Documents"); and

WHEREAS, this City Council desires to authorize the Transaction Documents, and to direct the execution by the City of such of the Transaction Documents as to which the City is a party, and the consummation of the transactions contemplated by this Resolution; and

WHEREAS, all acts, conditions and things required by the Charter of the City and the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the

City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided; 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. Official Statement. The City Council hereby authorizes and directs the City Administrator, the City Treasurer or such other officer of the City designated by the City Administrator in writing (each such officer being hereinafter referred to as an "Authorized Representative"), at or after the time the form of Official Statement relating to the Refunding Bonds has been authorized and approved by the Authority, to execute and deliver one or more certificates substantially to the effect that the statements contained in the Official Statement (insofar as such statements relate to the City and the Arena Project) are true and correct and do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. The underwriters designated by the Authority with respect to the Refunding Bonds are hereby authorized to distribute (via printed format and/or electronic means) the Official Statement, in connection with the sale of the Refunding Bonds to the public or other purchaser. The underwriter is hereby further authorized to distribute (via printed format and/or through electronic means) copies of the City's most recent annual audited financial statements and such other financial statements of the City as an Authorized Representative shall approve.

Section 3. Letter of Representations. The Letter of Representations, in substantially the form on file with the Clerk, is hereby approved and authorized. The Authorized Representative is hereby authorized to execute one or more instruments 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.

Section 4. Continuing Disclosure Agreement. The Continuing Disclosure Agreement, in substantially the form on file with the Clerk, is hereby approved and authorized. The Authorized Representative is hereby authorized to execute one or more instruments 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.

Section 5. Authorization of Further Actions. (a) The Authority, the designated remarketing agents and underwriter, Bond Counsel, Disclosure Counsel, the Financial Advisor, and the Authorized Representative and other appropriate City officials are hereby authorized and directed to continue to prepare the necessary legal documents to accomplish the transactions authorized herein, and to take any and all necessary actions in connection therewith.

(b) The Authorized Representative and other appropriate City officials are hereby authorized and directed, without further action by the City Council, to take such actions and execute and deliver such letters of representations, certificates, continuing disclosure undertakings, amendments and/or other instruments, and to approve the preparation and distribution of any official statement or reoffering memorandum as shall be necessary or required in respect of the Refunding Bonds and the 1996 Bonds, in connection with any amendment or substitution of any letter of credit or delivery of other credit facility, remarketing, refunding or defeasance of all or a portion of the 1996 Bonds, all as shall be in accordance with the Trust Agreement, as now in effect and as may be supplemented, amended or replaced from time to time in accordance with its terms.

(c) 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. The Authorized Representative is hereby authorized and directed to execute and deliver any and all amendments, 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, and to enter into such agreements or contracts, including title clarifications or lease amendments as may be necessary to the consummation of the transaction herein authorized, as such officers deem necessary and desirable to accomplish the purposes of this Resolution.

Section 6. Ratification of Actions. All actions heretofore taken by the officers and agents of the City with respect to the 1996 Bonds, the Refunding Bonds, the Arena Project and such other transactions not inconsistent with this Resolution, are hereby approved, confirmed and ratified.

Section 7. Effective Date. This Resolution shall take effect immediately from and after its adoption.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2015.

PASSED BY THE FOLLOWING VOTE:

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

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

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

CERTIFICATE OF THE CITY CLERK

I, La Tonda Simmons, City Clerk and Clerk of the 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 ____, 2015, 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 ____ 2015.

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