

**CITY OF OAKLAND**  
**AGENDA REPORT**

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND  
2010 MAY 13 PM 3:23

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Finance & Management Agency  
DATE: May 25, 2010

RE: **Resolution Authorizing the Sale of 2010-2011 Tax and Revenue Anticipation Notes in an Amount Not to Exceed Two Hundred Million Dollars (\$200,000,000); Authorizing the Execution and Delivery of Related Documents and Approving Certain Related Actions**

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**SUMMARY**

A resolution has been prepared authorizing the sale of the 2010-2011 Tax and Revenue Anticipation Notes (the "TRAN") for a not to exceed amount of \$200,000,000 in one or more series and to authorize the execution and Council approval of related documents.

The City is anticipating issuing the TRAN in up to two series or subseries, the interest on which may be tax-exempt and taxable. The Notes will be issued for the following purposes:

- As with prior years, pursuant to Section 53850 et seq. of the State of California Government Code, the TRAN will be issued to alleviate the periodic cash flow deficits within the City's General Fund Group for 2010/2011 Fiscal Year.
- Notes will be issued to "pre-fund" by July 15, 2010 the City's required contribution to California Public Employees' Retirement System ("CalPERS") for the 2010-2011 Fiscal Year. The City will pay the safety employer portion of \$41,289,051 and the miscellaneous employer portion (which includes the Port of Oakland) of \$50,068,252. In prior years, this portion of the TRAN were issued on a taxable basis. Since the City has pre-funded its contribution to CalPERS for three consecutive years, the City may be eligible, starting with 2010-2011 Fiscal Year, to issue the TRAN on a tax-exempt basis.

Item: \_\_\_\_\_  
Finance & Management Committee  
May 25, 2010

## **FISCAL IMPACT**

The borrowing of funds through the TRAN issuance will have a positive impact on the City's finances. It is currently expected that the TRAN will be issued in one or more series or subseries with the following impacts:

- The City receives its revenues (including property taxes, business license taxes and sales and use taxes, etc.) unevenly during the course of the fiscal year, and the General Fund Group has temporary cash flow deficits in the first half of each fiscal year. These deficits are "made-whole" at the end of each fiscal year when all of the revenues are received. The issuance of TRAN is necessary to alleviate the periodic cash flow deficits within the City's General Fund Group for fiscal year 2010-2011. In effect, the TRAN will positively impact the City's finances as the TRAN will be critical to meeting the operating expenditures of the City in the first half of 2010-2011 Fiscal Year.
- By "pre-funding" the required safety and miscellaneous contributions to CalPERS in 2010-2011 Fiscal Year, it is currently expected that the City's General Purpose Fund will benefit by at least \$600,000. These "savings" are realized in part by the discount CalPERS gives the City by "pre-funding" in a lump sum, as opposed to normal periodic payments, and these savings are already in the budget. In addition, by pre-funding CalPERS through the TRAN, it is expected that the TRAN will ultimately lower the future employer contribution requirements.

The cost of issuing the TRAN will be captured in the proceeds of the financing. In addition, the City's portion of debt service from the TRAN will be covered by the General Purpose Fund, as well as interest on proceeds.

## **BACKGROUND**

Under California's Government Code, a city can borrow money through the issuance of TRAN for any purposes for which a city is authorized to expend monies, including current expenses, capital expenditures and the discharge of any obligation or indebtedness of the City. Therefore, the ordinance will authorize the borrowing of funds to meet some of the City's authorized expenditure requirements and this resolution will authorize the sale of the TRAN as well as the execution of all documents and the taking of all necessary actions relating to the issuance of the TRAN.

Where the previously approved ordinance by the Finance and Management Committee authorized the issuance of the TRAN, this resolution authorizes the sale of the TRAN, as well as the execution and delivery of documents related to the sale of the TRAN.

## KEY ISSUES AND IMPACTS

This Resolution is intended to authorize the sale of the TRAN. The key issues and impacts of the TRAN are as follows:

- The TRAN, which will be in a not to exceed amount of \$200 million and may be issued as tax-exempt or taxable will be sold through a negotiated financing with JP Morgan Securities, Inc. and Siebert Brandford Shank & Co., LLC.
  - The par amount of the TRAN is based on cash flow projections, identifying the largest expected deficit in the City's operating cash balances during fiscal year 2010-2011 and the City's required contribution to CalPERS for fiscal year 2010-2011. This calculation is confirmed by outside Bond Counsel.
  - The City's projected total contributions to CalPERS on a pay-as-you-go basis for 2010-2011 Fiscal Year is \$94,831,345 based on the latest actuarial valuation dated October 2009. However, by prepaying the contribution amount up-front by July 15, 2010, the City will receive a discount of 3.66% from CalPERS which lowers the payment to \$91,357,303.
  - The General Purpose Fund savings currently estimated to be at least \$600,000 (for both safety and miscellaneous plans) is generated from CalPERS' prepayment discount of 3.66% plus investment earnings on the proceeds of the TRAN less debt service costs.
  - The City's financial advisor will review all aspects of the sale to ensure that the TRAN are fairly priced.
  - Bond counsel will review all aspects of the issuance to ensure that all applicable State laws and Internal Revenue Service regulations are met.

Debt service will be covered by the General Purpose Fund and investment earnings. The City will be required to set aside an amount sufficient to pay principal and interest in February 2011 and May 2011. The Notes will be rated by the accredited rating agencies.

## SUSTAINABLE OPPORTUNITIES

**Economic:** Issuance of the TRAN will result in a positive impact on the City's finances, which will benefit Oakland's economy at large.

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

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

**DISABILITY AND SENIOR CITIZEN ACCESS**

There are no disability or senior citizen access issues contained in this report.

**RECOMMENDATION(S) AND RATIONALE**

Staff recommends the Council's adoption of the resolution authorizing the sale of the TRAN and the execution and delivery of related documents.

**ACTION REQUESTED OF THE CITY COUNCIL**

In order to proceed with issuing the TRAN, staff requests that Council adopt the resolution, which authorizes the sale of the TRAN, the execution and delivery of related documents and approve the certain related actions necessary.

Forms of the related documents are available with the City Clerk's office.

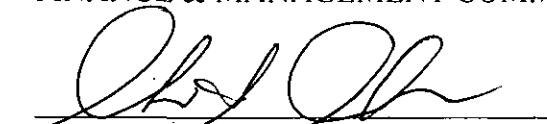
Respectfully submitted,



Joseph T. Yew, Jr.  
Finance Director/ Treasurer,  
Finance & Management Agency

Prepared by:  
Katano Kasaine, Treasury Manager  
Treasury Division

APPROVED AND FORWARDED TO THE  
FINANCE & MANAGEMENT COMMITTEE

  
Office of the City Administrator

Item: \_\_\_\_\_  
Finance & Management Committee  
May 25, 2010

FILED  
OFFICE OF THE CITY CLERK  
Approved as to Form and Legality

2010 MAY 13 11:32 AM J. City Attorney

# OAKLAND CITY COUNCIL

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

**RESOLUTION AUTHORIZING THE SALE OF 2010-2011 TAX AND REVENUE ANTICIPATION NOTES IN AN AMOUNT NOT TO EXCEED TWO HUNDRED MILLION DOLLARS (\$200,000,000); AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS AND APPROVING CERTAIN RELATED ACTIONS**

**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, entitled "Temporary Borrowing," 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; and

**WHEREAS**, pursuant to Section 53853 of the Government Code, the City Council (the "Council") of the City of Oakland (the "City") has found and determined that the sum of up to Two Hundred Million Dollars (\$200,000,000) is needed for the requirements of the City to satisfy obligations payable from the General Fund of the City, and that it is necessary that an amount up to said sum be borrowed for such purpose at this time by the issuance of notes (the "Notes") therefor in anticipation of the receipt of taxes, revenues and other moneys to be received by the City for the General Fund of the City during or allocable to Fiscal Year 2010-2011; and

**WHEREAS**, the City intends to issue the Notes in one or more series or subseries, the interest on which may be tax-exempt or taxable, pursuant to an ordinance to be enacted; and

**WHEREAS**, the City desires to sell the Notes to J.P. Morgan Securities Inc. and Siebert Brandford Shank & Co., LLC (the "Underwriters"), pursuant to a Note Purchase Agreement (the "Note Purchase Agreement"), by and between the City and the Underwriters; and now therefore be it

**RESOLVED**: that the proposed form of Note Purchase Agreement for the sale of the Notes, by and between the City and the Underwriters, on file with the City Clerk, is hereby approved. The City Administrator or the Treasurer, 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 Note Purchase Agreement, substantially in such form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution thereof;

provided, however, that the underwriters' discount (exclusive of original issue discount) shall not exceed one-tenth of one percent (0.1%) of the aggregate principal amount of the Notes; and be it

**FURTHER RESOLVED:** that the proposed form of Fiscal Agent Agreement (the "Fiscal Agent Agreement"), by and between the City and a financial institution to be selected by the Treasurer, on file with the City Clerk, is hereby approved. The City Administrator or Treasurer, 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 Fiscal Agent Agreement, substantially in such form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution thereof; and be it

**FURTHER RESOLVED:** that the preparation and distribution of a Preliminary Official Statement relating to the Notes (the "Preliminary Official Statement"), in substantially the form and substance on file with the City Clerk, is hereby ratified and approved. The Underwriters are hereby authorized to distribute the Preliminary Official Statement to prospective purchasers in connection with the offering and sale of the Notes. The City Administrator or Treasurer, or the designee of either, is authorized to deem such Preliminary Official Statement "final" for purposes of Securities and Exchange Commission Rule 15c2-12, and is further authorized to approve the final Official Statement with such changes therein, deletions therefrom and modifications thereto, such approval to be conclusively evidenced by the execution and delivery thereof by such officer; and be it

**FURTHER RESOLVED:** that the City hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate to be executed by the City and dated the date of issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section. Noncompliance with this Section shall not result in any default with respect to the Notes or the acceleration of the Notes; and be it

**FURTHER RESOLVED:** that KNN Public Finance, A Division of Zions First National Bancorporation, is hereby appointed to serve as financial advisor and Orrick, Herrington & Sutcliffe LLP is hereby appointed to serve as bond and disclosure counsel in connection with the issuance of the Notes; and be it

**FURTHER RESOLVED:** that the City Administrator, Treasurer, Treasury Manager and other appropriate officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents and certificates which they deem necessary or advisable in order to consummate the execution and delivery of the documents mentioned herein and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby, including but not limited to entering into investment agreements with respect to the Notes; and be it

**FURTHER RESOLVED:** that all actions heretofore taken by the officers and agents of the City Council with respect to the transactions contemplated hereby are hereby ratified, confirmed and approved; and be it

**FURTHER RESOLVED:** that this Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA \_\_\_\_\_, 20\_\_

PASSED BY THE FOLLOWING VOTE:

AYES -

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the Council of the  
City of Oakland, California