

CITY OF OAKLAND
COUNCIL AGENDA REPORT

FILED
OFFICE OF THE CITY CLERK
OAKLAND

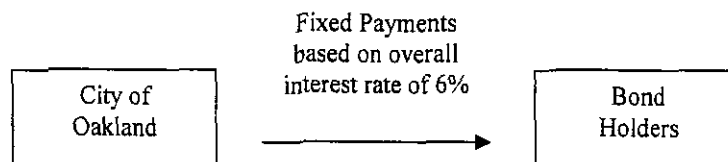
2004 MAR 11 PM 12:37

TO: Office of the City Manager
Executive Director of the Oakland Joint Powers Financing Authority
ATTN: Deborah Edgerly
FROM: Finance and Management Agency
DATE: March 23, 2004
RE: RESOLUTIONS AND ORDINANCE REGARDING THE EXECUTION BY THE CITY OF INTEREST RATE SWAPS IN CONNECTION WITH THE ISSUANCE BY THE OAKLAND JOINT POWERS FINANCING AUTHORITY OF LEASE REVENUE BONDS (OAKLAND ADMINISTRATION BUILDINGS) AND APPROVAL OF RELATED DOCUMENTS

SUMMARY

In March 1996, the Oakland Joint Powers Financing Authority (the "Authority") issued its Lease Revenue Bonds (Oakland Administration Buildings) Series 1996 (the "Bonds") in the amount of \$103,945,000 to finance the design, construction, rehabilitation, and equipping of two buildings which are part of the administrative center of the City of Oakland (the "City"). The debt service on the Bonds is paid from lease payments paid by the City from the General Fund. As background, the City and the Redevelopment Agency of the City of Oakland ("Agency") executed a Joint Exercise of Powers Agreement, dated as of February 1, 1993 ("Joint Powers Agreement"), by and between the City and the Agency, which Joint Powers Agreement creates and establishes the Authority.

The debt payments for the Bonds were structured so that annual payments would be level and fixed, at an overall interest rate of approximately 6.00%. The structure is diagrammed below:



The Finance and Management Agency has solicited proposals from investment banking firms to examine ways to restructure the Bonds so as to generate savings to the City. The resulting proposals have shown that the City could obtain significant savings by using a synthetic interest rate "swap" structure.

An interest rate swap is a contractual agreement between two parties (e.g. City of Oakland and a Counterparty, such as an investment bank) in which one set of cash flows is exchanged or "swapped" for another set during an agreed-upon period of time. The Finance and Management Agency is proposing an interest rate swap that provides the City with the least amount of risk while giving the greatest amount of savings. The current Bonds would be paid off and new bonds would be issued as part of the new structure.

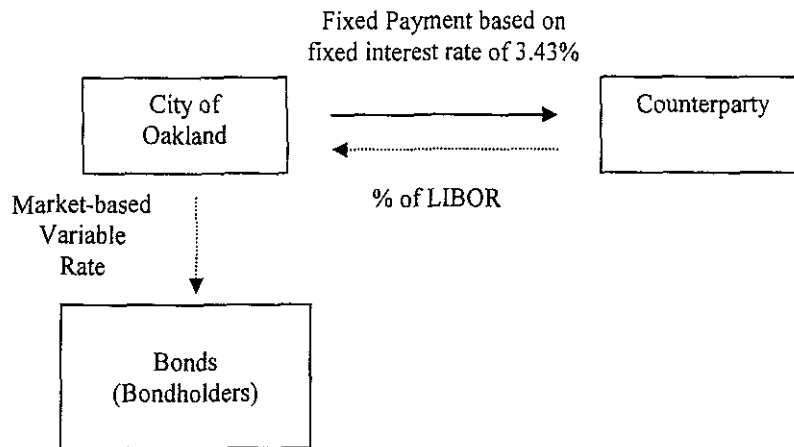
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Under the new structure, the City will agree to make a fixed rate payment to the Counterparty equal to approximately a 3.43% interest rate on the Bonds. This drop in interest rates reflects the decline in interest rates since the issuance of the Bonds in 1996. The City would then receive from the Counterparty variable rate payments that are equal to a specific percentage of the 1-month London Interbank Offer Rate (LIBOR). The City would then be obligated to make variable rate interest payments to the holders of the Bonds based upon the tax-exempt capital markets. The structure is diagrammed below:



As described above, the new transaction will be structured so that the overall debt service on this transaction will be the same as what the City is currently paying (approximately \$7.5M annually). Maintaining the same debt service dollar amount at a lower net interest rate will allow the new transaction to generate an up-front lump-sum payment in the amount of approximately \$8.5 million or 8.8% net present value savings.

FISCAL IMPACTS

The savings to the City from executing the proposed swap transaction will amount to approximately \$8.5 million, which can be realized by receiving the entire savings upfront. The reason for the savings is that the current interest rate environment is lower than when the original Bonds were issued. The debt service the City is currently paying is not expected to change. The swap will be structured so that after the City refunds its outstanding fixed rate Bonds with variable rate bonds and receives the projected upfront savings, its overall projected debt service will equal the debt service obligations of the original fixed rate Bonds.

The Counterparty, normally an investment banking firm, recoups its fees for arranging and carrying out the swap from the fixed rate to be received from the City. Although an interest rate swap is a contractual obligation, it is not considered a debt of the City.

BACKGROUND

In an effort to examine ways in which to restructure the Oakland Joint Powers Financing Authority Lease Revenue Bonds (Oakland Administration Buildings) Series 1996 that would

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generate significant savings to the City, a Request for Qualifications was sent to nine investment banking firms with the experience, capability and capital necessary to implement complicated transactions involving synthetic refunding transactions or interest rate swaps. UBS Financial Services, Inc. and Banc of America Securities LLC were selected by the Finance and Management Agency based upon the firms experience, capability, capital and restructuring ideas.

KEY ISSUES AND IMPACTS

Why use a Swap?

The Finance and Management Agency examined various options which can be used to refund the outstanding 1996 Bonds. A traditional type of refunding of the 1996 Bonds is called an advanced refunding. This technique would allow the City to execute a refunding today even though the refunding would not become fully operative until a future date. The net proceeds of the refunding issue, together with interest earnings, must be at least sufficient to meet debt service on the outstanding bonds through the first date the bondholders have agreed to have their bonds paid off.

However, this refunding technique would only yield an estimated \$2.4 million in savings or a net present value savings of 2.41%. This is due to the current low interest rate environment that requires more net proceeds to meet the debt service of the outstanding bonds through the first call date. The proposed transaction, a refunding utilizing a swap, will generate approximately \$8.5 million in present value savings.

Purpose of the Swap Transaction

The Finance and Management Agency has found that restructuring the Bonds by using an interest rate swap can yield significant savings to the City. The implementation of a swap will also allow the City to take advantage of lower interest rates. The savings from the swap can be obtained upfront to the City and are estimated to be \$8.5 million. Furthermore, the City will have the ability to terminate the swap for a gain under certain interest rate environments. Finally, the City can customize the swap transaction by balancing the amount of risk to the City with the amount of savings that can be taken. The customization can be achieved through its selection of the actual percentage rate of LIBOR the City will be receiving from the Counterparty.

Use of Savings

The additional money generated as a result of the refunding must be used for public capital improvement projects. Generally, federal tax law pertaining to tax-exempt bonds provides that such money must be spent on the acquisition or construction of public capital improvements within three years from the date of issuance of the bonds. Public capital improvements mean assets or improvements that are owned by the City and used by the City or the general public. Examples of public capital improvements are: street and sidewalk projects; public park acquisition and/or improvements; governmental building acquisition and/or improvement; library and/or museum improvement programs, etc.

It is recommended that the savings generated from the transaction be deposited into the Capital Improvements Reserve Fund. The Capital Improvements Reserve Fund was established June

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2003. The monies from this fund may be appropriated only to fund major capital maintenance or repair costs to City owned facilities and unappropriated capital improvement projects that are not included in the annual operating budget or the City's Capital Improvement Program. Pursuant to the language creating this fund, unless otherwise directed by Council, revenues received from one-time activities, including the sale of real property, may be deposited into the Capital Improvements Reserve Fund. City Council must approve any use of monies from this fund.

Interest Rate Risk

The impact of entering into an interest rate swap-based structure depends largely on how interest rates behave in the future. If the City were to receive 65% of LIBOR and pay variable rate interest payments to the Bondholders, the total interest rate the City would pay would be the fixed rate of 3.43% plus the difference between 65% of LIBOR and the variable interest rate paid to the bondholders. The City essentially assumes the risk of any mismatch (whether shortfall or excess) between 65% of LIBOR and the variable interest rate it will pay its Bondholders. This risk can be quantified by examining the historical relationship between the variable interest rate index paid to the Bondholders of the Bonds and LIBOR, or a ratio defined here as Variable Interest Rate/LIBOR. For the past ten years, this ratio has averaged 63.5%. Attached as attachment A is a historical chart of the averages of the variable interest rates and of LIBOR. Attachments B and C are also provided to show a history of both rates.

Counterparty Risk

Counterparty risk is the risk that the swap Counterparty (an investment banking firm selected by the City) will be unable to meet its obligations as specified under the contract. Counterparty risk can be mitigated by selecting a Counterparty with a high rating from the rating agencies of Moody's or Standard & Poors. Generally speaking, most Counterparties are rated Aa/AA or higher. The risk to the City is the need to obtain a replacement swap provider should it default.

Other Risk Factors

LIBOR-based indices are taxable products. Factors that influence LIBOR-based indices or the taxable market in general are tax reform risk or adjustments to the federal income tax codes. Possible tax reform risk such as tax relief legislation that would permanently lower the highest marginal tax rate to 35% would place more volatility into LIBOR-based indices. However, since taxable interest rates are at an all-time low, the possibility of tax reform should have relatively little effect.

Rating Agency Comments on Swaps

One of the rating agencies, Moody's, has issued an opinion on the use of interest rate swaps. In general, Moody's believes that the prudent use of derivatives – including interest rate swaps – can be an effective tool in meeting funding needs and managing an issuer's budget while limiting risk. Moody's goes on to state that, in general, swap transactions in and of themselves are unlikely to either have a material impact on the credit strength of the issuer or to result in a rating change. Rather, the swap transaction, with its underlying economic fundamentals and the credit implications on the issuer, is examined to determine both the materiality to and the impact on the issuer's financial strength.

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SUSTAINABLE OPPORTUNITIES

Economic: The interest rate swap will result in significant savings in the form of an upfront payment to the City.

Environmental: There are no environmental opportunities associated with the interest rate swap transaction.

Social Equity: Since the interest rate swap will result in significant savings in the form of an upfront payment to the City, more monies will be available for services to disadvantaged areas, or enhanced recreational or social venues.

DISABILITY AND SENIOR CITIZEN ACCESS

There is no impact to disability or senior citizen access following actions under this report.

RECOMMENDATIONS AND RATIONALE

Staff recommends that the City approve a resolution and ordinance authorizing staff to begin work on executing the interest rate swap. This action will allow material savings and benefits to occur for the City, by producing present value savings that will be realized upfront. It is anticipated that the interest rate swap will provide proceeds available for capital improvement projects in the City. Staff also recommends that the City engage the following financing team members to complete the transaction: Public Financial Management, Inc. as Financial Advisor; and UBS Financial Services and Banc of America Securities as the Counterparties for the swap and as auction rate securities broker-dealer for the variable rate bonds.

All documents relating to this financing are on file with the City Clerk's Office.

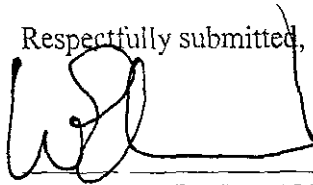
It is expected that the transaction will close in June 2004.

ACTION REQUESTED OF THE CITY COUNCIL

In order to proceed with the interest rate swap, Council will need to approve the resolution and ordinance to authorize the interest rate swap. Also, it is requested that Council approve the appointment of the financing team members and to allow staff to negotiate directly with the two Counterparties for the interest rate swap.

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Respectfully submitted,

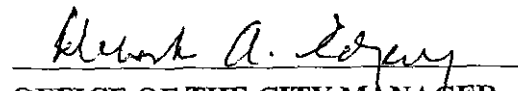


WILLIAM E. NOLAND

Interim Director, Finance and Management Agency

Prepared by:
Joseph T. Yew, Jr.
Treasury Manager

APPROVED AND FORWARDED TO THE
FINANCE AND MANAGEMENT COMMITTEE



OFFICE OF THE CITY MANAGER

**EXECUTIVE DIRECTOR OF THE OAKLAND JOINT POWERS FINANCING
AUTHORITY**

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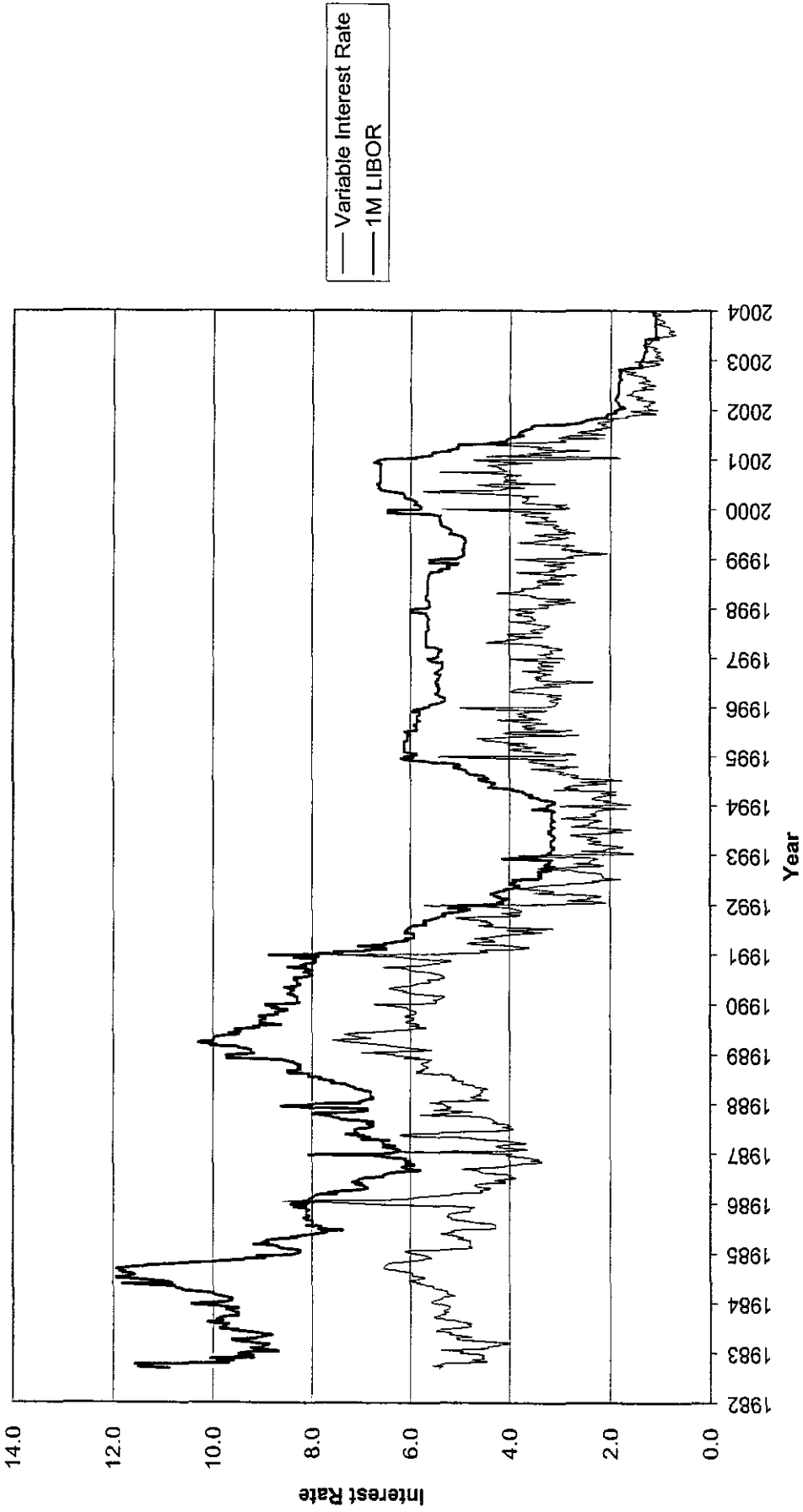
Attachment A
California Variable Interest Rates vs. LIBOR

| | Variable Interest Rates | 1-Month LIBOR | Rates As % of LIBOR | 63% of 1-Month LIBOR | 65% of 1-Month LIBOR | 67% of 1-Month LIBOR |
|------------------------------|-------------------------|---------------|---------------------|----------------------|----------------------|----------------------|
| 5-Year Average | 2.39 | 3.58 | 66.7% | 2.26 | 2.33 | 2.40 |
| 10-Year Average | 2.87 | 4.52 | 63.5% | 2.85 | 2.94 | 3.03 |
| 15-Year Average | 3.30 | 4.98 | 66.2% | 3.14 | 3.24 | 3.34 |
| 20-Year Average | 3.75 | 5.76 | 65.1% | 3.63 | 3.74 | 3.86 |
| Average Since September 1982 | 3.84 | 6.03 | 63.7% | 3.80 | 3.92 | 4.04 |

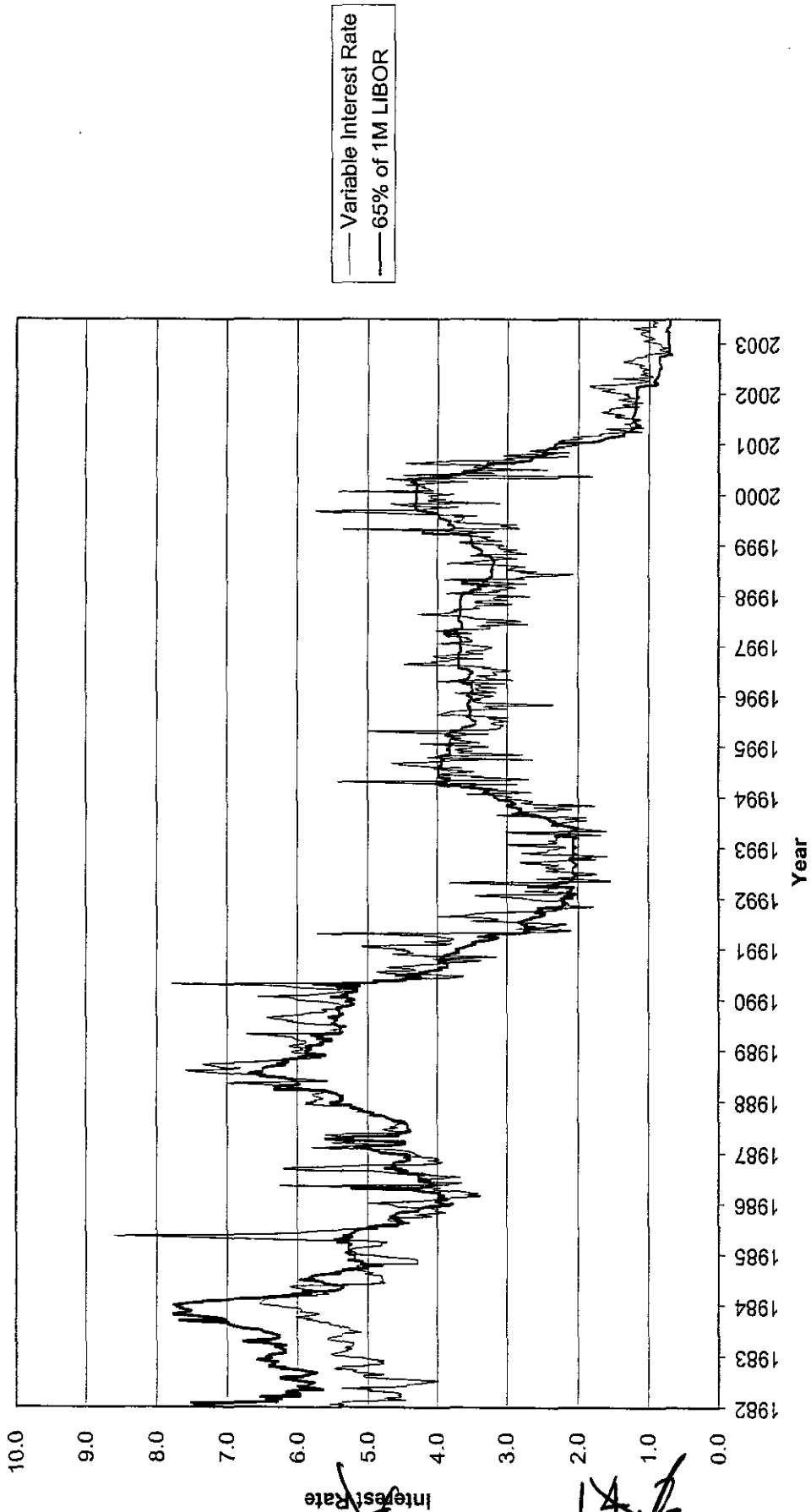
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Attachment B
Variable Interest Rate vs. LIBOR



Attachment C
Variable Interest Rate vs. 65% of LIBOR



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INTRODUCED BY COUNCILMEMBER _____

OFFICE OF THE CITY CLERK

APPROVED AS TO FORM AND LEGALITY

Richard S. ...
CITY ATTORNEY

2004 MAR 11 PM 12:37

ORDINANCE NO. _____ C.M.S.

ORDINANCE AUTHORIZING THE CITY TO ENTER INTO A LEASE AND SUBLEASE WITH THE OAKLAND JOINT POWERS FINANCING AUTHORITY IN CONNECTION WITH THE ISSUANCE BY THE OAKLAND JOINT POWERS FINANCING AUTHORITY OF CERTAIN LEASE REVENUE BONDS, AND AUTHORIZING THE TAKING OF ALL NECESSARY ACTIONS RELATING TO SUCH FINANCING; AND THE PUBLICATION OF THE NOTICE AND DIGEST; AND CERTAIN OTHER RELATED MATTERS

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, pursuant to the Agreement and the laws of the State, the Authority is authorized to lease both real and personal property to and from the City and to issue bonds for financing and refinancing public capital improvements and other projects whenever there are significant public benefits; and

WHEREAS, on April 3, 1996, the Authority issued \$103,945,000 Oakland Joint Powers Financing Authority Lease Revenue Bonds (Oakland Administration Buildings), Series 1996 (the "1996 Bonds"), to finance the design, construction, rehabilitation and equipping of the Wilson Building (150 Frank H. Ogawa Plaza) and the Dalziel Building (250 Frank H. Ogawa Plaza) (collectively, the "Property") for the City ; and

WHEREAS, the Authority intends to refund the 1996 Bonds in order to achieve debt service savings and provide economic benefits to the City and to finance certain new public capital improvements by issuing one or more series of its Lease Revenue Refunding Bonds (Oakland Administration Buildings) (collectively, the "Bonds"); and

WHEREAS, the Authority will lease the Property from the City pursuant to a lease agreement (the "Lease"); and

WHEREAS, the Authority will lease the Property back to the City pursuant to a sublease agreement (the "Sublease"); and

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WHEREAS, lease payments paid by the City to the Authority pursuant to the Sublease will secure the Bonds; and

WHEREAS, pursuant to Section 1001 of the Charter, an ordinance is required to authorize the lease of real property; 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 Ordinance do exist, have happened and have been performed in regular and due time, form and manner as required by law;

NOW, THEREFORE, the Council of the City of Oakland does ordain as follows:

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

Section 2. Lease. The proposed form of Lease, by and between the City as Lessor and the Authority, as Lessee, 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 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 Lease, substantially in such form, with such changes therein as such officer may require or approve, such approval shall be conclusively evidenced by the execution and delivery thereof; provided however, that the term of the Lease shall not exceed 40 years.

Section 3. Sublease. The proposed form of Sublease, by and between the Authority as Lessor and the City, as Lessee, 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 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 Sublease, substantially in such form, with such changes therein as such officer may require or approve, such approval shall be conclusively evidenced by the execution and delivery thereof; provided however, that the term of the Sublease shall not exceed 40 years.

Section 4. Other Actions. The City Administrator, the Director of the Finance and Management Agency, the 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 Ordinance and the transactions contemplated hereby, including, but not limited to, entering into assignments relating to the leases approved hereby.

Section 5. Modification to Documents. Any City official authorized by this Ordinance to execute any document is hereby further authorized, in consultation with the Director of the Finance and Management Agency 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 not authorize a term of lease past 40 years. 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 6. Publication. The City Clerk is hereby authorized and directed to publish the notice and digest related to this Ordinance as required by Section 214 of the Charter.

Section 7. Ratification of Prior Actions. 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.

Section 8. Effective Date. This Ordinance shall be effective immediately.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2004

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND
PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

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FILED
CITY OF OAKLAND
MAR 25 2004

NOTICE AND DIGEST

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ORDINANCE AUTHORIZING THE CITY TO ENTER INTO A LEASE AND SUBLEASE WITH THE OAKLAND JOINT POWERS FINANCING AUTHORITY IN CONNECTION WITH THE ISSUANCE BY THE OAKLAND JOINT POWERS FINANCING AUTHORITY OF CERTAIN LEASE REVENUE BONDS, AND AUTHORIZING THE TAKING OF ALL NECESSARY ACTIONS RELATING TO SUCH FINANCING; AND THE PUBLICATION OF THE NOTICE AND DIGEST; AND CERTAIN OTHER RELATED MATTERS

This Ordinance authorizes the City to enter into a lease and a sublease of the Wilson Building (150 Frank H. Ogawa Plaza) and the Dalziel Building (250 Frank H. Ogawa Plaza) with the Oakland Joint Powers Financing Authority (the "Authority") in connection with the issuance by the Authority of its Lease Revenue Refunding Bonds (Oakland Administration Buildings).

OFFICE OF [Signature]
OAKLAND CITY ATTORNEY

INTRODUCED BY DIRECTOR _____

2004 MAR 11 PM 12:37

OAKLAND JOINT POWERS FINANCING AUTHORITY

RESOLUTION NO. _____ C. M. S.

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF THE LEASE REVENUE BONDS (OAKLAND ADMINISTRATION BUILDINGS) SERIES 2004, IN TWO SERIES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED ONE HUNDRED THIRTY-FIVE MILLION DOLLARS (\$135,000,000); AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST AGREEMENT, LEASE, SUBLEASE, ESCROW AGREEMENT, BOND PURCHASE AGREEMENTS, APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT; APPROVING THE RETENTION OF BOND COUNSEL AND OTHER AGENTS; AUTHORIZING PAYMENT OF COSTS OF ISSUANCE

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, on April 3, 1996, the Authority issued \$103,945,000 Oakland Joint Powers Financing Authority Lease Revenue Bonds (Oakland Administration Buildings), Series 1996 (the "1996 Bonds"), to finance the design, construction, rehabilitation and equipping of the Wilson Building (150 Frank H. Ogawa Plaza) and the Dalziel Building (250 Frank H. Ogawa Plaza) (collectively, the "Property") for the City ; and

WHEREAS, the Authority desires to refund its 1996 Bonds and finance certain new public capital improvements by issuing one or more series of its Lease Revenue Refunding Bonds (Oakland Administration Buildings) (collectively, the "Bonds"); and

WHEREAS, the Authority will lease the Property from the City pursuant to a lease agreement (the "Lease"); and

WHEREAS, the Authority will lease the Property back to the City pursuant to a sublease agreement (the "Sublease"); and

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WHEREAS, lease payments paid by the City to the Authority pursuant to the Sublease will secure the Bonds; 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, 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. Issuance of Bonds. The Authority hereby authorizes the issuance of lease revenue refunding bonds of the Authority, in one or more series, which shall be designated the "Oakland Joint Powers Financing Authority Lease Revenue Refunding Bonds (Oakland Administration Buildings) in an aggregate principal amount of not to exceed \$135,000,000" with such series designations and other changes to the name of the bonds as deemed appropriate by the Executive Director of the Authority (collectively, the Bonds"), subject to the following:

(a) The rate of interest on the Bonds may be variable but shall not exceed twelve percent (12%).

(b) Costs incurred in connection with the issuance of the Bonds (excluding underwriters' discount and any cost of credit enhancement) shall not exceed two percent (2%) of the principal amount of the Bonds.

Section 3. Form of Bonds. The form of the Bonds, in substantially the form attached as Exhibit A to the Trust Agreement described below, is hereby approved and adopted. The President, Vice-President or Executive Director is hereby authorized and directed to approve and to execute the Bonds by manual or facsimile signature; and the Secretary of the Authority (the "Secretary") is hereby authorized and directed to attest, by manual or facsimile signature and to cause the seal of the Authority to be reproduced or impressed on the Bonds, with such changes, additions, amendments or modifications made in accordance with Section 13 hereof.

Section 4. Trust Agreement. The proposed form of the Trust Agreement by and between the Authority and a trustee named therein, on file with the Secretary of the Authority, is hereby approved. The President, Vice-President or Executive Director, 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 Trust Agreement, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 13 hereof.

Section 5. Escrow Agreement. The proposed form of the Escrow Agreement by and between the Authority and the escrow agent named therein, on file with the Secretary of the Authority, is hereby approved. The President, Vice-President or Executive Director, 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 Escrow Agreement, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 13 hereof.

Section 6. Lease. The proposed form of the Lease by and between the City, as Lessor, and the Authority, as Lessee, on file with the Secretary of the Authority, is hereby approved. The President, Vice-President or Executive Director, 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 Lease, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 13 hereof.

Section 7. Sublease. The proposed form of the Sublease by and between the Authority, as Lessor, and the City, as Lessee, on file with the Secretary of the Authority, is hereby approved. The President, Vice-President or Executive Director, 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 Sublease, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 13 hereof.

Section 8. Bond Purchase Agreements. The proposed form of each Bond Purchase Agreement, by and among the Authority, the City and (i) Banc of America Securities and (ii) UBS Financial Services Inc., as the case may be, on file with the Secretary of the Authority, is hereby approved. The President, Vice-President or Executive Director, 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 each Bond Purchase Agreement, substantially in said form, with such changes, additions, amendments or modifications made in accordance with Section 13 hereof.

Section 9. Official Statement. The Executive Director of the Authority is hereby authorized and directed, in consultation with the City Attorney, to prepare a preliminary official statement for the Bonds authorized by this Resolution. The form of proposed preliminary official statement (the "Preliminary Official Statement"), in substantially the form presented to this Board and, on file with the Secretary, is hereby approved and adopted with such changes, additions, amendments or modifications as may be made in accordance with Section 13 hereof. The Executive Director is hereby authorized to cause the distribution of a Preliminary Official Statement for the Bonds, deemed final by this Board for purposes of Rule 15c2-12 of the Securities and Exchange Act of 1934, as amended, and the President and the Executive Director are each separately authorized to execute a certificate to that effect. The President and the Executive Director are each separately authorized and directed to sign a final Official Statement for the Bonds. The Executive Director is hereby authorized and directed to cause to be electronically posted, electronically distributed, printed and mailed to

prospective buyers of the Bonds copies of the Preliminary Official Statement and the final Official Statement.

Section 10. Appointment of Bond Counsel, Broker Dealers, and Financial Advisor. The retention of the law firms of Hawkins Delafield & Wood LLP and Webster & Anderson as co-bond counsel to the Authority in connection with the issuance of the Bonds is hereby approved. The City Attorney is hereby authorized to negotiate and execute contractual agreements with such firms in connection with the issuance of the Bonds.

The Authority hereby engages Public Financial Management, Inc., as financial advisor and Banc of America Securities and UBS Financial Services Inc. as underwriters and broker dealers for the Bonds.

Section 11. Appointment of Depositories and Other Agents. The Executive Director is hereby authorized and directed to appoint from time to time one or more depositories for the Bonds, as she may deem desirable.

The Executive Director is hereby also authorized and directed to appoint from time to time one or more agents, as she may deem necessary or desirable. To the extent permitted by applicable law, and under the supervision of the Executive Director, such agents may serve as paying agent, fiscal agent or registrar for the Bonds, or financial printer or verification agent or may assist the Executive Director in performing any or all of such functions and other duties as the Executive Director shall determine. Such agents shall serve under such terms and conditions, as the Executive Director shall determine. The Executive Director may remove or replace agents appointed pursuant to this section at any time.

Section 12. Payment of Costs of Issuance. The Executive Director is hereby authorized and directed to pay, or cause to be paid on behalf of the Authority, the costs of issuance associated with the Bonds.

Section 13. Modification to Documents. Any official of the Authority authorized by this Resolution to execute any document 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 not authorize an aggregate principal amount of Bonds in excess of \$135,000,000). 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 14. Ratification. All actions heretofore taken by the officials, employees and agents of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified.

Section 15. General Authority. The President, Vice-President, Executive Director or the Secretary, and any other officials of the Authority and their duly authorized deputies and agents are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including, but not limited to the negotiation and purchase of municipal bond insurance for the Bonds and any interest rate swap transactions and a surety for the reserve fund for the Bonds, and execute and deliver any and all certificates, agreements and other documents including a Continuing Disclosure Agreement, investment agreements, assignment or acquisition agreements, broker dealer agreements, auction agent agreements, a tax certificate, letters of representation to any depository for the Bonds, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds, and to effectuate the purposes thereof and of the documents herein approved in accordance with this Resolution.

The Executive Director may designate in writing one or more persons to perform any act that such Executive Director is authorized by this Resolution to perform.

Section 16. Effective Date. This Resolution shall take effect immediately upon its passage.

OAKLAND, CALIFORNIA, _____, 2004

PASSED BY THE FOLLOWING VOTE:

AYES- BRUNNER, CHANG, MAYNE, NADEL, REID, SPEES, WAN AND
PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
CEDA FLOYD
Secretary of the Governing Board
Oakland, California

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FINANCE & MANAGEMENT CMTE.
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INTRODUCED BY COUNCILMEMBER _____

Michelle Smith (C)
OFFICE OF THE CITY ATTORNEY
OAKLAND

OAKLAND CITY COUNCIL 2004 MAR 11 PM 12:37

RESOLUTION NO. _____ C. M. S.

RESOLUTION APPROVING THE ISSUANCE BY THE OAKLAND JOINT POWERS FINANCING AUTHORITY OF LEASE REVENUE BONDS, IN ONE OR MORE SERIES, OF NOT TO EXCEED ONE HUNDRED THIRTY-FIVE MILLION DOLLARS (\$135,000,000) AGGREGATE PRINCIPAL AMOUNT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF BOND PURCHASE AGREEMENTS; AUTHORIZING THE CITY ADMINISTRATOR TO SECURE ONE OR MORE SWAPS FOR A SYNTHETIC FIXED RATE TRANSACTION; AND AUTHORIZING EXECUTION OF DOCUMENTS AND THE TAKING OF ALL NECESSARY ACTIONS RELATING TO THE BONDS AND THE SWAP AND AUTHORIZING NECESSARY ACTIONS RELATING TO THE LEASE FINANCING WITH THE OAKLAND JOINT POWERS FINANCING AUTHORITY

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, pursuant to the Agreement and the laws of the State, the Authority is authorized to lease both real and personal property to and from the City and to issue bonds for financing and refinancing public capital improvements and other projects whenever there are significant public benefits; and

WHEREAS, on April 3, 1996, the Authority issued \$103,945,000 Oakland Joint Powers Financing Authority Lease Revenue Bonds (Oakland Administration Buildings), Series 1996 (the "1996 Bonds"), to finance the design, construction, rehabilitation and equipping of the Wilson Building (150 Frank H. Ogawa Plaza) and the Dalziel Building (250 Frank H. Ogawa Plaza) (collectively, the "Property") for the City ; and

WHEREAS, the Authority intends to refund the 1996 Bonds in order to achieve debt service savings and provide economic benefits to the City and to finance certain new public capital improvements (the "Project") by issuing one or more series of its Lease Revenue Refunding Bonds (Oakland Administration Buildings) (collectively, the "Bonds"); and

WHEREAS, the Authority will lease the Property from the City pursuant to a lease agreement (the "Lease"); and

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WHEREAS, the Authority will lease the Property back to the City pursuant to a sublease agreement (the "Sublease"); and

WHEREAS, lease payments paid by the City to the Authority pursuant to the Sublease will secure the Bonds; and

WHEREAS, the City desires to approve the Authority's issuance of the Bonds for the purpose of achieving debt service savings and provide economic benefits to the City by refunding the 1996 Bonds and financing certain new public capital improvements; and

WHEREAS, in order to further enhance economic benefits to the City, the Council desires to authorize the City Administrator to enter into one or more interest rate swap agreements (the "Swaps") with one or more counterparties to be selected by the City Administrator (each a "Counterparty" and, collectively, the "Counterparties") in an aggregate notional amount not to exceed one hundred thirty-five million dollars (\$135,000,000); and

WHEREAS, pursuant to the Swaps, the City will make monthly fixed rate payments to the Counterparties and receive from each Counterparty variable-rate payments that are based on a percentage of the London Interbank Offer Rate (LIBOR), and the Authority's interest on the Bonds will be set at an auction-rate, meaning that the rate of interest on the Bonds will reset periodically; and

WHEREAS, the execution of the Swaps, together with all funds received by the City, is anticipated to result in a lower cost of borrowing and is anticipated to enhance the relationship between risk and return with respect to the City's and the Authority's overall bond program; and

WHEREAS, execution of the Swaps as authorized hereby will result in significant public benefits, as more monies may be available capital improvement projects;

WHEREAS, this City Council, as a member of the Authority, took action to call a public hearing at the regular meeting place of the City Council to consider: (1) the proposed financing of the Project located within the geographic boundaries of the City, by the issuance and sale by the Authority of the Bonds; (2) whether there are any significant public benefits to the City from such proposed financing, including demonstrable savings to the City from the issuance and sale of the Bonds, such as savings in effective interest rates and bond issuance costs (in accordance with Section 6586.5 of the Government Code of the State of California); and

WHEREAS, a notice of such public hearing was duly published at least five days prior to the hearing by the City as required by law in the Oakland Tribune, the newspaper of general circulation in the City, a copy of the proof of publication from the Oakland Tribune of such notice of public hearing is on file in the office of the City Clerk; and

WHEREAS, on the date hereof, being the time and place set forth in the notice of such hearing, a public hearing was duly convened by the City Council, and the City Council heard all interested persons desiring to be heard; 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, as follows:

Section 1. Conditions Precedent. The above recitals are true and correct.

Section 2. Issuance of Bonds. The City Council hereby approves the issuance of the Bonds by the Authority, in one or more series, in an aggregate principal amount not to exceed one hundred thirty-five million dollars \$135,000,000.

Section 3. Bond Purchase Agreements. The proposed form of each Bond Purchase Agreement, by and among the Authority, the City and (i) Banc of America Securities and (ii) UBS Financial Services Inc., as the case may be, 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 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, each Bond Purchase Agreement, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 6 hereof.

Section 4. Findings of Public Benefit. In accordance with Section 6586.5 of the Government Code of the State of California, the City Council hereby approves the financing of the Project and finds and determines that the issuance of the Bonds, the Project and transactions related thereto will result in significant public benefits to the City and that the property that is to be financed and refinanced is located within the geographic boundaries of the City.

Section 5. Swap. The proposed forms of the ISDA Master Agreements, together with the related schedules, credit support annexes and confirmations (collectively, the "Swap Agreements") each by and between the City and the counterparty (defined below), 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 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, each Swap Agreement, substantially in such form, with such changes, additions, amendments or modifications made in accordance with Section 6 hereof.

Each Counterparty to a Swap Agreement shall be a financial institution, investment bank or insurance company or association selected by the City Administrator, with long-term, unenhanced obligations rated at least "A2" by Moody's Investors Service, Inc. ("Moody's"), "A" by Standard & Poor's Rating Services ("S&P") or

"A" by Fitch Ratings at the time of execution of such Swap Agreement, or the obligations of which under such Swap Agreement provided by such Counterparty are unconditionally guaranteed by an entity, the long term unenhanced obligations of which are rated at least "A2" by Moody's, "A" by S&P or "A" by Fitch Ratings at the time of execution of such Swap Agreement.

The City Council hereby finds and determines that a Swap will meet the requirements of Section 5922 of the Government Code of the State of California and determines that the Swap Agreements are designed to result in a lower cost of borrowing when used in combination with the Bonds.

Section 6. Modification to Documents. Any City official authorized by this Resolution to execute any document 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 not approve an aggregate principal amount of Bonds in excess of one hundred thirty-five million dollars \$135,000,000). 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. Ratification. All actions heretofore taken by the officials, employees and agents of the City with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified.

Section 8. General Authority. The Mayor, the City Administrator, the Director of the Finance and Management Agency, the Treasury Manager, the City Clerk, and 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, including, but not limited to negotiation and purchase of municipal bond insurance for the Bonds and the Swap and a surety bond for the reserve fund for the Bonds, and execute and deliver any and all certificates, agreements and other documents including a Continuing Disclosure Agreement, an assignment or acquisition agreement, auction agent agreements and broker dealer agreements, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds, and to effectuate the purposes thereof 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 9. Effective Date. This Resolution shall take effect immediately upon its passage.

In Council, Oakland, California, _____, 2004

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST:

CEDA FLOYD
City Clerk and Clerk of the Council
of the City of Oakland, California

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