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OAKLAND CITY COUNCIL

77653
RESOLUTION NO. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND AUTHORIZING THE RESTRUCTURING OF THE SWAP IN CONNECTION WITH THE OAKLAND JOINT POWERS FINANCING AUTHORITY LEASE REVENUE BONDS, 1998 SERIES A-1/A-2, AND AUTHORIZING EXECUTION OF DOCUMENTS AND THE TAKING OF ALL NECESSARY ACTIONS RELATING TO SUCH RESTRUCTURING

WHEREAS, the Oakland Joint Powers Financing Authority (the "Authority") has heretofore issued its "Oakland Joint Powers Financing Authority Lease Revenue Bonds, 1998 Series A-1/A-2" in the aggregate principal amount of \$187,500,000 (the "Bonds"); and

WHEREAS, in connection with the issuance of the Bonds, the City of Oakland (the "City") entered into a Forward Swap (the "Swap") with GS Financial Products, U.S., L.P. ("GSFP") in the notional amount of amount of \$170,000,000; and

WHEREAS, on April 25, 2000 the Swap was assigned by GSFP to Goldman Sachs Mitsui Marine Derivative Products, L.P. ("Goldman"); and

WHEREAS, pursuant to the Swap, the City makes semi-annual fixed rate payments of 5.6775% to Goldman and receives from Goldman variable rate payments that are determined by the weekly Bond Market Association Municipal Swap Index (the "BMA Index"). The City's debt service obligation to the holders of the Bonds is a variable rate which is based upon the tax-exempt capital markets; and

WHEREAS, the Swap creates a synthetic fixed rate payment by the City wherein the value of the payments received by the City from Goldman offsets all or a portion of the variable rate interest payments to the holders of the Bonds; and

WHEREAS, the City has an opportunity to change the index on which the Swap is based from the BMA Index to a rate equal to 65% of the 1-month London Interbank Offer Rate (the "65% of LIBOR Rate"); and

WHEREAS, for the period commencing with the issuance of the Bonds, the BMA Index has averaged 2.946% per annum and 65% of LIBOR Rate has averaged 2.954% per annum; and

WHEREAS, while it is the expectation of the City that the cost to the City over the entire term of the Swap will not increase due to the change in index, the change from the BMA Index to 65% of LIBOR Rate would expose the City to the risk of increased annual costs in connection with funding debt service payments to the holders of the Bonds; and

WHEREAS, as a result of the change in index the City will receive a payment from Goldman of an amount not less than \$5,000,000 reflecting the change in market value for such revision to the Swap; and

WHEREAS, the City finds that the money received from Goldman will partially compensate the City for assuming a possibly greater basis risk, or the possibility of a shortfall between the swap rate received and the rate paid on the Bonds that the City does not expect to be, but which may be, greater than under the BMA Index; and

WHEREAS, the Swap, including the change in the Swap index, and taking into account all funds received by the City, will result in a lower cost of borrowing when used in combination with the Bonds and will enhance the relationship between risk and return with respect to the City's overall bond program; and

WHEREAS, the City now desires to authorize a change to the Swap index; and

WHEREAS, there has been submitted and is on with the City Clerk the form of Swap confirmation (defined below); and

WHEREAS, the payments received by the City from Goldman can be used to finance capital redevelopment economic development projects that will result in significant public benefits to the City;

NOW THEREFORE, the City Council of the City of Oakland hereby finds, determines, declares and resolves as follows:

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

Section 2. The proposed form of the Swap confirmation, by and between Goldman and the City, on file with the City Clerk, is hereby approved. The City Manager, Assistant City Manager, Director of Financial Services Agency or Treasury Manager, or a designee of any such official, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Swap confirmation, 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.

Section 3. The payments received by the City from Goldman will, with further City Council approval, be used to finance redevelopment or economic development capital improvement projects or other capital improvement projects with useful lives of at least 30 years that will result in significant public benefits to the City.

Section 4. The City Council determines that changing the Swap meets the requirements of Section 5922 of the Government Code of the State of California.

Section 5. The City hereby engages Orrick, Herrington & Sutcliffe LLP, as special counsel, and Public Financial Management, as financial advisor.

Section 6. The City Manager, Assistant City Manager, Director of Financial Services Agency, 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 amendments to the Swap confirmation.

Section 7. 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. This Resolution shall take effect immediately upon its passage.

FEB 25 2003

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2003

PASSED BY THE FOLLOWING VOTE:


AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, WAN AND

PRESIDENT DE LA FUENTE -8

NOES- 0

ABSENT- 0

ABSTENTION- 0

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