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OFFICE OF THE CITY CLERK  
OAKLAND

2015 MAR 19 PM 1:13 **AGENDA REPORT**

**TO:** JOHN A. FLORES  
INTERIM CITY ADMINISTRATOR

**FROM:** Katano Kasaine

**SUBJECT:** General Obligation 2015A Refunding Bonds

**DATE:** March 9, 2015

City Administrator  
Approval

Date

3/18/15

**COUNCIL DISTRICT:** City-Wide

**RECOMMENDATION**

It is recommended that the City Council adopt: an ordinance authorizing the issuance of not to exceed \$140,000,000 aggregate principal amount of City of Oakland General Obligation Refunding Bonds, Series 2015A, and authorizing certain actions related thereto.

**OUTCOME**

The adoption of the proposed ordinance will authorize the issuance of one or more series of general obligation refunding bonds.

**EXECUTIVE SUMMARY**

An ordinance has been prepared authorizing the borrowing and issuance of the Oakland General Obligation Refunding Bonds, Series 2015A (the "2015A GO Bonds") for a not to exceed amount of \$140,000,000 in one or more series and approving certain related matters.

Pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code"), the City is authorized to issue general obligation bonds to refund all or a portion of its outstanding general obligation bonds if the City Council determines that prudent management of the fiscal affairs of the City requires the issuance of such refunding bonds.

The City wishes to authorize the issuance of the 2015A GO Bonds in one or more series or subseries, the interest on which will be tax-exempt. The City's Charter requires that the City Council adopt an ordinance in connection with this bond sale. The ordinance requires that the specific agreements relating to the sale and issuance of the 2015A GO Bonds shall be approved by resolution. **Staff will return to the City Council with a resolution authorizing the specific terms of the sale of the 2015A GO Bonds through a negotiated underwriting.**

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## **BACKGROUND/LEGISLATIVE HISTORY**

The City anticipates refunding all or part of the outstanding general obligation bonds briefly described below:

### **❖ Series 2005, General Obligation Refunding Bonds**

On June 16, 2005, the City issued the City of Oakland General Obligation Bonds, Series 2005 (the "2005 GO Bonds") in the amount of \$122,476,041 to defease six series of the City's outstanding general obligation bonds, consisting of the City of Oakland General Obligation Bonds, Series 1992, Series 1995B, Series 1997, Series 1997C, Series 2000D and Series 2000E. The interest rate on the bonds is 4.86% with a final maturity on June 15, 2025; currently \$66,353,558 is outstanding.

Simultaneously with the issuance of the 2005 GO Bonds, the Oakland Joint Powers Financing Authority (the "JPFA") issued Revenue Bonds, Series 2005 (the "2005 JPFA Revenue Bonds") in the amount of \$122,170,000 to purchase the 2005 GO Bonds and to finance public capital improvements of the JPFA. The interest rates on the remaining revenue bonds range from 4.00% - 5.00% with a final maturity on June 15, 2025; currently \$66,260,000 are outstanding.

### **❖ Series 2006, Measure G General Obligation Bonds**

On March 5, 2002, voters approved Measure G in the amount of \$59,000,000 to provide funds to finance certain improvements for the Oakland Museum of California, the Oakland Zoo, and the Chabot Space and Science Center. In 2002, the City issued the first phase of the Measure G bonds in the amount of \$38,000,000. Currently, there are no bonds outstanding for this series.

In 2006, the City issued the second and final phase in the amount of \$21,000,000 to acquire, improve, construct and finance existing and additional facilities for the Oakland Museum of California and the Oakland Zoo; of this amount, \$17,375,000 is currently outstanding. The interest rates on the remaining bonds range from 4.125% - 5.00% with a final maturity on January 15, 2036.

### **❖ Series 2009B, Measure DD General Obligation Bonds**

On November 5, 2002, voters approved Measure DD in the amount of \$198,250,000 to provide funds to acquire and construct water quality improvements for and related to Lake Merritt, Lake Merritt Channel, the Estuary and creeks in Oakland; improve, renovate and construct youth and public recreational facilities; rehabilitate and acquire parks, open space and other recreational, safety and maintenance facilities; and provide safe public access to Lake Merritt, Lake Merritt Channel and the Estuary. In 2003, the City issued the first phase of the Measure DD bonds in the amount of \$71,450,000. Currently, there are no bonds outstanding for this series.

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In 2009, the City issued the second phase in the amount of \$64,545,000; of this amount, \$58,435,000 is currently outstanding. The interest rates on the remaining bonds range from 4.25% - 6.25% with a final maturity on January 15, 2039.

### **ANALYSIS**

Typically the City issues various forms of indebtedness via a resolution, however, “borrowing of money”, which encompasses the issuance of general obligation indebtedness shall be by ordinance per Section 219 of the City’s Charter. In order to access the capital markets and take advantage of the current low interest rates on a timely basis, staff recommends approving the Ordinance, which will take a minimum of two months to allow the borrowing to occur. **Staff will return to City Council with a resolution authorizing the specific terms of the sale of the 2015A GO Bonds and approving a financing team along with related documents.**

Due to historically low interest rates, issuance of the 2015A GO Bonds to refund the City of Oakland General Obligation Refunding Bonds (Series 2005); City of Oakland General Obligation Bonds (Series 2006, Measure G); and the City of Oakland General Obligation Bonds (Series 2009B, Measure DD), collectively (the “Prior Bonds”) will reduce annual debt service costs, thus providing tax savings to property owners within the City of Oakland. These savings will be passed through to the individual taxpayer through a property tax rate reduction. Based upon market conditions as they existed on March 3, 2015, the refunding would generate a total of approximately \$15.6 million in present value savings over the life of the bonds, or 11.4% of the amount of bond being refunded. This would represent approximately \$35.59 in net present value savings to taxpayers for each \$100,000 in assessed valuation. The industry standard and the City’s debt policy for undertaking a refunding of bonds is achieving net present value savings of 3% or greater.

The par amount of the 2015A GO Bonds will not exceed \$140,000,000, will bear a true interest cost of not to exceed 4.00%, with a maturity date no later than the final maturity of the Prior Bonds (2039). The 2015A GO Bonds will be sold through a negotiated underwriting.

### **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, and financing team participants.

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**COST SUMMARY/ IMPLICATIONS**

The refunding of all or a portion of the Prior Bonds will result in savings by reducing debt service costs; these savings will be passed through to property owners through a property tax rate reduction estimated to produce total present value savings of \$35.59 per \$100,000 of assessed valuation (based on market conditions as of March 3, 2015).

**SUSTAINABLE OPPORTUNITIES**

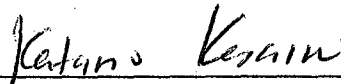
***Economic:*** Issuance of the general obligation refunding bonds will result in a positive impact to the property owners of the City of Oakland.

***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,



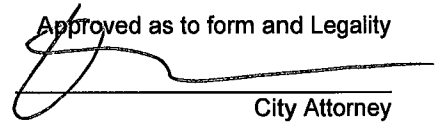
KATANO KASAINÉ  
Treasurer, Treasury Bureau

Reviewed by:  
David Jones, Principal Financial Analyst  
Treasury Bureau

Prepared by:  
Dawn Hort, Financial Analyst  
Treasury Bureau

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City Attorney

OAKLAND CITY COUNCIL

ORDINANCE NO. \_\_\_\_\_ C.M.S.

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**ORDINANCE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$140,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF OAKLAND GENERAL OBLIGATION REFUNDING BONDS (DEDICATED UNLIMITED *AD VALOREM* PROPERTY TAX), SERIES 2015A, AND AUTHORIZING CERTAIN ACTIONS RELATED THERETO**

WHEREAS, this City Council of the City of Oakland (the "City") has heretofore issued its "City of Oakland General Obligation Refunding Bonds (Series 2005)" (the "2005 Bonds"), its "City of Oakland General Obligation Bonds (Series 2006, Measure G)" (the "2006 Bonds"), and its "City of Oakland General Obligation Bonds (Series 2009B, Measure DD)" (the "2009 Bonds" and, together with the 2005 Bonds and 2006 Bonds, the "Prior Bonds"); and

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code"), the City is authorized to issue general obligation bonds to refund all or a portion of the Prior Bonds if the City Council determines that prudent management of the fiscal affairs of the City requires the issuance of such refunding bonds, and if the total net interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the total net interest cost to maturity of the Prior Bonds plus the principal amount of the Prior Bonds; and

WHEREAS, this City Council determines that prudent management of the fiscal affairs of the City requires the issuance of City of Oakland General Obligation Refunding Bonds (Dedicated Unlimited *Ad Valorem* Property Tax), Series 2015A for the purpose of refunding all or a portion of the Prior Bonds;

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

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

**Section 2. Authorization of Refunding Bonds.** This City Council hereby authorizes the issuance of one or more series of refunding bonds of the City designated as the "City of Oakland General Obligation Refunding Bonds (Dedicated Unlimited *Ad Valorem* Property Tax), Series 2015A" (the "Refunding Bonds") in an aggregate principal amount not to exceed one hundred forty million dollars (\$140,000,000), which amount shall be finally determined by the City Administrator, the City Treasurer or such other officer as the City Administrator shall designate in writing (each such officer being hereinafter referred to as an "Authorized Representative").

**Section 3. Terms of the Refunding Bonds.** The Refunding Bonds shall be issued as current interest bonds. The maximum true interest cost of the Refunding Bonds shall not exceed 4% per annum, and the Refunding Bonds shall mature on dates no later than the final maturity of the Prior Bonds.

**Section 4. Sale of Refunding Bonds; Ancillary Agreements.** The terms and provisions of the Refunding Bonds, the sale of the Refunding Bonds, and the agreements relating to the sale and issuance of the Refunding Bonds, shall be approved by resolution of the City Council.

**Section 5. Effective Date.** This Ordinance shall be effective immediately, if passed by the affirmative vote of at least six City Council members; if this ordinance is passed by the affirmative vote of five City Councilmembers it will be effective seven days after final passage.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2015

**PASSED BY THE FOLLOWING VOTE:**

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

NOES -

ABSENT -

ABSTENTION -

ATTEST: \_\_\_\_\_  
LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland

§ \_\_\_\_\_  
**CITY OF OAKLAND, CALIFORNIA**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**(DEDICATED UNLIMITED *AD VALOREM* PROPERTY TAX)**

Certified Copy of the Ordinance  
Adopted on \_\_\_\_\_, 2015

I, LaTonda Simmons, hereby certify that I am the City Clerk of the City of Oakland, California (the "City"), a political subdivision organized and existing under and by virtue of the laws of the State of California and that as such I am authorized to execute this Certificate on behalf of the City.

I hereby further certify that attached hereto is a true, correct and complete copy of an ordinance which was duly adopted by the City Council of the City at a meeting thereof which was duly called and held on \_\_\_\_\_ 2015, and at such meeting a quorum was present and acting throughout, and that said Ordinance No. \_\_\_\_\_ C.M.S. has not been modified, amended, rescinded or revoked since the date of adoption and is now in full force and effect.

Dated: \_\_\_\_\_, 2015.

CITY OF OAKLAND, CALIFORNIA

By: \_\_\_\_\_  
LaTonda Simmons, City Clerk and  
Clerk of the Council of the  
City of Oakland