

**REDEVELOPMENT AGENCY  
AND THE CITY OF OAKLAND  
AGENDA REPORT**

2008 MAR -6 PM 5:43

TO: Office of the City Administrator/  
Executive Director of the Oakland Joint Powers Financing Authority  
ATTN: Deborah A. Edgerly  
FROM: Finance and Management Agency  
DATE: March 11, 2008

RE: **Resolution Of The City Council Of The City Of Oakland Approving The Issuance By The Oakland Joint Powers Financing Authority Of Not To Exceed One Hundred Twenty-Five Million Dollars (\$125,000,000) Aggregate Principal Amount Of Refunding Lease Revenue Bonds (Oakland Administration Buildings) In One Or More Series To Refund The Authority's Outstanding Refunding Lease Revenue Bonds, 2004 Series A-1 (Auction Rate Securities) (Tax-Exempt Bonds), And 2004 Series A-2 (Auction Rate Securities) (Tax-Exempt Bonds); And Approval Of Related Documents**

**Resolution Of The Oakland Joint Powers Financing Authority Authorizing The Issuance And Sale Of Lease Revenue Bonds (Oakland Administration Buildings) In An Aggregate Principal Amount Not To Exceed One Hundred Twenty Five Million Dollars (\$125,000,000); Authorizing The Execution And Delivery Of A Trust Agreement, Lease, Sublease, Escrow Agreement, Bond Purchase Agreement, 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, Financial Advisor And Underwriters; And Authorizing Payment Of Costs Of Issuance**

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## SUMMARY

Over the past several months, City staff has been actively exploring options to address the volatile auction rate securities ("ARS") market, which has severely underperformed in recent months. Reasons for this underperformance (which has led to much higher interest rates) include investor concern over the illiquidity of the municipal variable rate market, and the weakened credit ratings of the bond insurers that back the ARS (driven by the fallout from the subprime mortgage collapse). These factors have contributed to multiple ARS failures in the municipal market. Continued bond-auction failures could have an undesirable effect on the City, resulting in much higher interest rates than originally planned, and continued exposure to risks associated with municipal variable rate debt. States, cities and other municipal issuers across the entire nation are currently facing the same situation as the City, and are in the process of refinancing out of the ARS market to eliminate their ARS exposure. Due to the severe dislocation of the

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auction rate market, the proposed resolutions have been prepared to seek immediate authorization for the following actions from City Council:

- 1) Authorize the refunding of the Refunding Lease Revenue Bonds (Oakland Administration Buildings), Series 2004 A-1 (Auction Rates Securities), and 2004 Series A-2 (Auction Rates Securities) (collectively, the "2004 Bonds");
- 2) Authorize the restructuring of the auction rate bonds to fixed rate bonds; and
- 3) Authorize execution of all documents and the taking of all necessary actions relating to the refunding of the 2004 Bonds.

The debt service for the Refunding Lease Revenue Bonds (the "2008 Bonds") will be payable from lease payments paid by the City from the General Fund.

### **FISCAL IMPACT**

These debt service payments will continue to be paid by the City's general fund. Other costs related to the financing will be paid by costs of issuance upon closing. The fiscal impact will depend upon the potential financing option chosen (see Key Issues and Impacts discussion for further detail).

### **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 created and established the Authority.

In 1996, the City issued \$103,945,000 of Lease Revenue Bonds (Oakland Administration Buildings) in order to finance the design, construction, rehabilitation, and equipping of two public administration buildings. The bonds were direct obligations of the General Fund.

In 2004, the City issued \$117,200,000 of Lease Revenue Refunding Bonds (Oakland Administration Buildings) 2004 Series A-1 (Auction Rate Securities) to refund and defease all of the 1996 bonds, finance new capital projects of the City, and pay the premium for a financial guaranty insurance policy and a debt service reserve surety bond from Ambac Assurance Corporation. At the time, this refunding proved to be a wise decision - saving the City approximately \$9,000,000. The bonds were issued as variable rate bonds (ARS). In addition, the City entered into a counterparty swap to hedge against the City's variable rate exposure. This structure provided the City with a lower expected interest cost, in light of the additional risks borne by the City - versus a traditional fixed rate approach. However, due to the recent ARS dislocation, the variable rate risks that were manageable have become more pronounced, resulting in a much higher interest cost than originally planned.

## KEY ISSUES AND IMPACTS

### Financing

As noted earlier, the turmoil in the auction-rate market is the latest fallout in a credit squeeze that originally began with the subprime mortgage market collapse last year. This credit crunch spilled over into the municipal market when several of the bond insurers, including Ambac, were downgraded by the rating agencies – largely due to subprime mortgage exposure and other risk exposure. As a result, municipal investors have shunned the downgraded bond insurers, resulting in high interest rates for variable rate bonds backed by those insurers. Additionally, for ARS, investors have severely reduced their demand for the ARS product due to its illiquidity versus other comparable municipal variable rate products. The end result has been multiple municipal ARS failures totaling billions of dollars, with no expected return to normalcy in the foreseeable future. Waning confidence in the credit strength of downgraded insurers backing the debt, and a reluctance by banks to submit ARS bids (and risk ending up with too many of the ARS securities on their balance sheets) is causing the rapid rise of auction rates.

As mentioned previously, the 2004 Bonds are insured by Ambac Assurance Corporation (“Ambac”) which has been downgraded to the AA level from AAA by Fitch and continues to be on negative credit watch by Moody’s, S&P, and Fitch. With this downgrade, and the sudden illiquidity of ARS, the remarketing agents are observing little to no demand for the 2004 Bonds in this current dislocated auction rate market. Even though there are no changes in the City’s credit rating, investors are more concerned with the credit ratings of the bond insurer connected with the 2004 Bonds. If the remarketing agents cannot find investors to purchase the 2004 Bonds, then the interest rate on the bonds causes the City to pay the maximum interest rates.

By refunding the 2004 Bonds, the City will have the ability to eliminate its exposure to the volatile ARS market. Interest rates on the ARS changes with each 7-day auction. Lately, bidders have been scarce or nonexistent for these auctions, triggering an ARS failure which causes the City to pay the maximum interest rates on the 2004 bonds.

In an effort to address the current issues of rising interest rates on ARS and the rating downgrade of Ambac relating to the 2004 Bonds, staff is recommending the refunding of the 2004 Bonds. Depending on the market, the City will utilize the following structures (or a combination of the two if the blended economics from a combined approach are desirable for the City):

- Refund the 2004 ARS Bonds to Traditional Fixed Rate Bonds – this is the method of how the City issues a large majority of its bonds – as simple fixed rate bonds. Under this approach, the City achieves complete cost certainty, relieving the City of the maximum interest rates if the ARS continue to fail in the market. Equally important, the City does not face any ongoing fluctuations with respect to its interest rate cost each week – a risk associated with any variable rate debt. Additionally, the City will not have the administrative burden of managing and monitoring variable rate debt – saving valuable

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staff time to be redirected to other high priority functions. Since long-term rates are still historically low, with a refunding to traditional fixed rate bonds, the City will secure an attractive interest rate, from a historical perspective. This method also will unwind the current swap and eliminate any derivative based risk associated with the 2004 bonds. Based on traditional market-to-market calculations for unwinding the swap, in this case the mark-to-market swap amount, will increase bond proceeds by approximately \$5,000,000.

- Refund the 2004 ARS with Letter-of-Credit Backed Variable Rate Demand Obligations (“VRDOs”) – as an alternative to simple fixed rate bonds, the City could refund its 2004 ARS with another form of municipal variable rate bonds – variable rate demand obligations, or VRDOs. Under this approach, the City would need to obtain a Letter-of-Credit (“LOC”) from a bank to provide credit enhancement and liquidity for the VRDOs. Due to the severe market dislocation in the municipal market, the cost for these facilities has increased to extremely expensive levels since few banks are willing to lend their balance sheets in these tough times. The LOC facility would also be valid only for a period of a few years, and would need to be renewed periodically. In addition, the City would be exposed to LOC bank downgrade risk (which is similar to the bond insurer downgrade risks the City is currently facing on its ARS). If the LOC bank the City is using for its VRDOs is downgraded, the interest costs will rise as a result. The City also will continue to be exposed to derivative and variable rate risks under this approach, and the interest cost, while expected to be lower than traditional fixed rate bonds, is not guaranteed. If the LOC VRDO market suddenly faces tremendous pressure (similar to the ARS market), the expected interest cost could be much higher than originally anticipated. Under this approach, the fixed rate swap would still remain in place, which would generally provide a fixed interest cost for the City (although variable rate fluctuations will affect the overall interest rate, depending upon the performance of the underlying VRDO's). The City will only utilize this structure if the fixed rate cost became cost prohibited.
- To hedge against the variable rate and LOC exposure and to reduce fixed rate costs, the City can issue a combination of fixed/variable rate bonds.

### *Financing Team*

Due to the urgency and time constraint of the situation, staff is recommending the use of the original financing team who are quite familiar with this transaction to expedite the process and bring this financing to Council for approval. Therefore, the resolution to be adopted by the Council directs staff to enter into agreements for consulting with Hawkins, Delafield & Wood LLP as Bond Counsel, Public Financial Management as Financial Advisor, and UBS Investment Bank (UBS Securities LLC) along with Banc of America Securities LLC as Underwriters. However, all fees associated with this financing will be paid from bond proceeds.

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## **SUSTAINABLE OPPORTUNITIES**

### ***Economic:***

There is no impact to economic opportunities following actions under this report.

### ***Environmental:***

There is no impact to environmental opportunities following actions under this report.

### ***Social Equity:***

There is no impact to social equity opportunities following actions under this report.

## **DISABILITY AND SENIOR CITIZEN ACCESS**

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

## **RECOMMENDATION(S) AND RATIONALE**

In order to accomplish the refunding, staff recommends that the City Council and the Governing Board of the JPFA approve the respective resolutions authorizing the issuance of the 2008 Bonds in one or more series, approve amendments to the Lease Agreement and approve amendments to the Sublease Agreement. These actions will restructure the existing debt. Staff also recommends approving a resolution authorizing staff to take all necessary actions relating to the refunding of the 2004 Bonds. Staff further recommends that the City engage the following financing team members to complete the transaction: Hawkins, Delafield & Wood LLP as Bond Counsel, Public Financial Management as Financial Advisor, and UBS Investment Bank (UBS Securities LLC) along with Banc of America Securities LLC as Underwriters (collectively, the "Financing Team").

## **ACTION REQUESTED OF THE CITY COUNCIL**

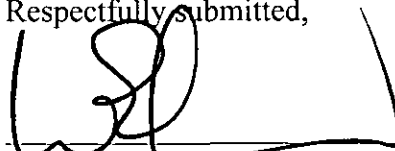
Staff requests that the City Council and the Governing Board of the JPFA approve the respective resolutions authorizing the following actions:

- 1) The refunding of the 2004 Bonds with the issuance and sale by the JPFA in the amount not to exceed \$125,000,000 aggregate principal amount of Refunding Lease Revenue Bonds in one or more series;
- 2) Execution of documents and the taking of all necessary actions relating to the refunding financing with the Oakland Joint Powers Financing Authority; and
- 3) The approval of the appointment of the Financing Team.

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It is expected that the transaction will close in April 2008. All documents referred to in this staff report shall be placed on file in the Office of the City Clerk/Secretary of the JPFA Governing Board.

Respectfully submitted,



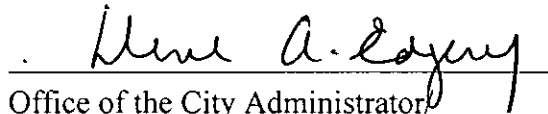
WILLIAM E. NOLAND

Director, Finance and Management Agency/  
Treasurer

Prepared by:

Katano Kasaine  
Treasury Manager

APPROVED AND FORWARDED TO THE  
CITY COUNCIL:

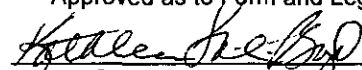


Office of the City Administrator  
Executive Director of the Oakland JPFA

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Approved as to Form and Legality

  
Kathleen Healy  
Oakland City Attorney's Office

**OAKLAND CITY COUNCIL**

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

INTRODUCED BY COUNCILMEMBER \_\_\_\_\_

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**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 TWENTY FIVE MILLION DOLLARS (\$125,000,000) AGGREGATE PRINCIPAL AMOUNT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF LEASE, SUBLEASE AND BOND PURCHASE AGREEMENT; AUTHORIZING VARIABLE RATE BONDS, PURCHASE OF LETTERS OF CREDIT AND EXECUTION OF REIMBURSEMENT AGREEMENTS; AUTHORIZING THE CITY ADMINISTRATOR TO TERMINATE ONE OR MORE INTEREST RATE SWAP AGREEMENTS; AND AUTHORIZING EXECUTION OF DOCUMENTS AND THE TAKING OF ALL NECESSARY ACTIONS RELATING TO THE BONDS 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 certain other costs whenever there are significant public benefits; and

**WHEREAS**, on June 10, 2004, the Authority issued \$117,200,000 Oakland Joint Powers Financing Authority Lease Revenue Bonds (Oakland Administration Buildings), 2004 Series A (the "2004 Bonds"), to refinance 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 2004 Bonds and to finance any termination payments owed with respect to termination of the interest rate swap agreements (the "Swap Agreements") relating to the 2004 Bonds in order to provide

economic benefits to the City (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 an Amended and Restated Lease Agreement (the "Lease"); and

**WHEREAS**, the Authority will lease the Property back to the City pursuant to an Amended and Restated 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, in or more series and evidencing interest at fixed or variable rates, for the purpose of providing economic benefits to the City by refunding the 2004 Bonds and financing related costs; and

**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 and evidencing interest at fixed or variable rates, in an aggregate principal amount not to exceed one hundred twenty five million dollars \$125,000,000.

**Section 3. Bond Purchase Agreement.** The proposed form of the Bond Purchase Agreement, by and among the Authority, the City and UBS Investment Bank, as representative 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 9 hereof.

**Section 4. 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. Such officers are hereby authorized to add City property to such Lease.

**Section 5. 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. Such officers are hereby authorized to add City property to such Sublease.

**Section 6. Authorization of Variable Rate Bonds and Related Bond Provisions.** The City Administrator and Director of the Finance and Management Agency are hereby authorized to approve variable rate bond provisions and related provisions in the Lease, Sublease and other Bond documents. The City Administrator and Director of Finance are hereby authorized to select one or more financial institutions to provide one or more letters of credit to support variable rate bonds and to negotiate the terms of one or more reimbursement agreements (the "Reimbursement Agreements") with terms that provide for payment by the City to the financial institutions of amounts not to exceed fair rental values as described in Section 3.03 of the Sublease (such payments may include amounts characterized as deferred rental). Any amounts payable by the City to the financial institutions that are in excess of the foregoing shall be subject to appropriation. 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, one or more Reimbursement Agreements, in such form as such officer may require or approve, such approval shall be conclusively evidenced by the execution and delivery thereof.

**Section 7. Termination of Swap.** The City Administrator and Director of the Finance and Management Agency are hereby authorized to terminate the Swap Agreements and to fund any termination costs owed by the City with the proceeds of the Bonds.

**Section 8. 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 9. 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 or a lease term that exceeds 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 10. 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 11. General Authority.** The Mayor, the City Administrator, the Director of the Finance and Management Agency, the Treasury Manager, the City Clerk 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 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, 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 12. Effective Date.** This Resolution shall take effect immediately upon its passage.

IN COUNCIL, OAKLAND, CALIFORNIA \_\_\_\_\_, 2008

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, KERNIGHAN and PRESIDENT DE LA FUENTE

NOES  
ABSENT  
ABSTENTION

ATTEST:

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

2008 MAR -6 PM 5:43

Approved as to Form and Legality

  
Joint Powers Financing Authority Counsel

**OAKLAND JOINT POWERS FINANCING AUTHORITY**

RESOLUTION NO. \_\_\_\_\_ J.P.F.A.

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**RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF LEASE REVENUE BONDS (OAKLAND ADMINISTRATION BUILDINGS) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED ONE HUNDRED TWENTY FIVE MILLION DOLLARS (\$125,000,000); AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST AGREEMENT, LEASE, SUBLEASE, ESCROW AGREEMENT, BOND PURCHASE AGREEMENT, 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, FINANCIAL ADVISOR AND UNDERWRITERS; AND 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 June 10, 2004, the Authority issued \$117,200,000 Oakland Joint Powers Financing Authority Lease Revenue Bonds (Oakland Administration Buildings), 2004 Series A (the "2004 Bonds"), to refinance 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 issue lease revenue refunding bonds in order to refund its 2004 Bonds and finance any termination payments owed with respect to termination of the interest rate swap agreements relating to the 2004 Bonds; and

**WHEREAS**, the Authority will lease the Property from the City pursuant to an Amended and Restated Lease Agreement (the "Lease"); and

**WHEREAS**, the Authority will lease the Property back to the City pursuant to an Amended and Restated 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**, 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, be it

**RESOLVED**, that 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 at fixed or variable rates, 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 \$125,000,000" 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 shall not exceed twelve percent (12%).
- (b) Underwriter's discount for the Bonds shall not exceed 0.65% 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, Director of the Finance and Management Agency, 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 14 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, Director of the Finance and Management Agency, 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 14 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 14 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 14 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 14 hereof.

**Section 8. Bond Purchase Agreement.** The proposed form of the Bond Purchase Agreement, by and among the Authority, the City and UBS Investment Bank, as representative, on file with the Secretary of the Authority, is hereby approved. The President, Vice-President or Executive Director, Director of Finance and Management Agency, 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 14 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 14 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. Authorization of Variable Rate Bonds and Related Bond Provisions.**

The President, Vice-President or Executive Director, or a designee of any such official, is hereby authorized to approve variable rate bond provisions and related provisions in the Lease, Sublease and other Bond documents. The Authority approves the selection by the City of one or more financial institutions to provide one or more letters of credit to support variable rate bonds and the negotiation by the City of the terms of one or more *reimbursement agreements (the "Reimbursement Agreement") with terms that provide* for payment by the City to the financial institutions of amounts not to exceed fair rental values as described in Section 3.03 of the Sublease (such payments may include amounts characterized as deferred rental). Any amounts payable by the City to the financial institutions that are in excess of the foregoing shall be subject to appropriations. The President, Vice-President or Executive Director, or 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 Reimbursement Agreement, in such form as such officer may require or approve, such approval shall be conclusively evidenced by the execution and delivery thereof.

**Section 11. Appointment of Bond Counsel, Financial Advisor and Underwriter.**

The retention of the law firm of Hawkins Delafield & Wood LLP as bond counsel to the Authority, Public Financial Management, Inc., as financial advisor and UBS Investment Bank and Banc of America Securities as underwriters for the Bonds, in connection with the issuance of the Bonds is hereby approved.

Public Financial Management, Inc., as financial advisor and UBS Financial Services Inc. and Banc of America Securities as underwriters for the Bonds.

**Section 12. Appointment of Other Agents.** 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 13. 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 14. 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 be within the parameters provided for in Section 2. 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 15. 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.

IN COUNCIL, OAKLAND, CALIFORNIA \_\_\_\_\_, 2008

PASSED BY THE FOLLOWING VOTE:

AYES- BROOKS, BRUNNER, CHANG, NADEL, QUAN, REID, KERNIGHAN and PRESIDENT DE LA FUENTE

NOES  
ABSENT  
ABSTENTION

ATTEST:

\_\_\_\_\_  
LATONDA SIMMONS  
Secretary of the Oakland Joint Powers  
Financing Authority of the City of Oakland