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OFFICE OF THE CITY CLERK  
OAKLAND

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

2008 MAR -6 PH 2: 17

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 \$137,000,000 Aggregate Principal Amount Of Refunding Revenue Bonds In One Or More Series To Refund The Authority's Outstanding Refunding Revenue Bonds, 2005 Series A-1 (Auction Rate Securities) (Tax-Exempt Bonds), 2005 Series A-2 (Auction Rate Securities) (Tax-Exempt Bonds) And 2005 Series B (Auction Rates Securities) (Taxable Bonds); Authorizing Execution And Delivery Of An Amended And Restated Lease And Amended and Restated Sublease; And Authorizing Execution Of Documents And The Taking Of All Necessary Actions Relating To The Refunding Financing With The Oakland Joint Powers Financing Authority**

**Resolution Of The Oakland Joint Powers Financing Authority Approving The Issuance And Sale Of Refunding Revenue Bonds of An Aggregate Amount Not To Exceed \$137,000,000 In One Or More Series To Refund The Authority's Outstanding Refunding Revenue Bonds, 2005 Series A-1 (Auction Rate Securities) (Tax-Exempt Bonds), 2005 Series A-2 (Auction Rate Securities) (Tax-Exempt Bonds) And 2005 Series B (Auction Rates Securities) (Taxable Bonds); Approving The Forms Of And Authorizing Execution And Delivery Of An Amended And Restated Lease, An Amended and Restated Sublease, An Indenture And A Bond Purchase Contract And Related Agreements; Authorizing The Procurement of Bond Insurance; And Authorizing Execution Of Documents And The Taking Of All Necessary Actions Relating To The Issuance Of The Bonds**

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**SUMMARY**

Over the past several months, City staff has been actively exploring options to address the volatile market of auction rate securities (the "ARS") due to the fallout of the subprime mortgage collapse. In addition, investors are now more concerned about liquidity and the credit ratings of the bond insurers that back the securities. All these factors have contributed to the failure of ARS in the municipal market. Bond-auction failures can have an undesirable effect on the City as it forces the City to pay the higher interest rates. Due to the severe dislocation of the auction

Item: \_\_\_\_\_  
Finance and Management Committee  
March 11, 2008

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 Revenue Bonds, Series 2005 A-1 (Auction Rate Securities), 2005 Series A-2 (Auction Rate Securities), and 2005 Series B (collectively, the "2005 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 2005 Bonds.

The debt service for the Refunding Revenue Bonds (the "2008 Bonds") will be payable from excess revenues received from the voter-approved override tax levy (Measure R, 1976).

### **FISCAL IMPACT**

The refunding will have no fiscal impact on the City's General Fund because debt service for the 2008 Bonds will be paid from tax override revenues and not from the General Fund.

By refunding the 2005 Bonds, the City will have the ability to fix the volatile interest rate on the ARS. Interest rates on the ARS changes with each auction ranging from 2% to 12% and lately, bidders have been scarce or nonexistent for these auctions, drastically deflating the value of the ARS which results in the failure of ARS in the market. When defaults occur, the City has to pay the maximum interest rates (i.e., 12%). Since long-term rates are still historically low, restructuring the 2008 Bonds with fixed rate bonds will hedge against further interest rate increases which might result in future savings for the City. If the refunding is not approved, the City will continue to experience the high interest rates currently in the market.

### **BACKGROUND**

#### **Tax Override Revenues**

In 1976, the City voters passed Measure R, providing for an extraordinary property tax levy of 0.1575% on all assessed value in Oakland to fund the System's indebtedness or the unfunded liability. The City will receive tax override revenues through 2026. In 1997, the City issued Pension Obligation Bonds ("POBs") (the "1997 Bonds") secured with tax override revenues. The issuance of the 1997 Bonds enabled the City to deposit \$420 million into the System and in exchange, the City received a "holiday" from making deposits into the System until Fiscal Year 2011. In 2001, the City issued new POBs (the "2001 Bonds"), also secured with tax override revenues, to restructure a portion of the 1997 Bonds, extending the debt to 2023. The issuance of the 2001 Bonds allowed the City to "levelize" overall debt service.

Item: \_\_\_\_\_  
Finance and Management Committee  
March 11, 2008

In July 1998, the Authority issued the 1998 Series A Bonds in the amount of \$187,500,000 to refund the City of Oakland Special Refunding Revenue Bonds (Pension Financing) 1988 Series A (the "1988 Series A Bonds"). The 1998 Series A Bonds are payable by the City from its General Fund for the right to the use and possession by the City of a portion of the sewer system under an existing Lease Agreement and Sublease Agreement. Then in June 2005, the Authority issued the Refunding Revenue Bonds, 2005 Series A-1 (Auction Rate Securities) (Tax Exempt bonds), 2005 Series A-2 (Auction Rate Securities) (Tax Exempt Bonds) and 2005 Series B (Auction Rate Securities) (Taxable Bonds) in the amount of \$144,950,000 to refund the City of Oakland, 1998 Series A Bonds.

## KEY ISSUES AND IMPACTS

### Financing

As noted earlier, the turmoil in the auction-rate market is the latest fallout in a credit squeeze that began with the subprime mortgage market collapse last year. This subprime crisis has created so much fear in the marketplace that investors have all but abandoned any securities that are tied to subprime exposure. ARS are connected to the subprime market through bond insurance and therefore, investors are now concerned about the credit ratings of bond insurer and liquidity of the ARS. Investors demand for the ARS has declined due to waning confidence in the credit strength of insurers backing the debt, and on reluctance by banks to submit bids and risk ending up with too many of the securities failing.

In addition, the 2005 Bonds are insured by XL Capital Assurance Inc. who has been downgraded to the A-level from AAA by rating agencies. With this downgrade, the remarketing agent will have a very difficult time remarketing the 2005 Bonds in this current dislocated auction rate market, where investors are more concerned with the credit ratings and liquidity of the ARS. 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 2005 Bonds. If the remarking agent can not find investors to purchase the 2005 Bonds, then the bonds will default leaving the City to pay the maximum interest rates (i.e., 12%).

When the 2005 Bonds were issued, the City was paying an interest rate as low as 2%, but now the rates have increased to as high as 12%. In an effort to address the current issues of rising interest rates on ARS and the downgrade of the 2005 Bonds insurance agency, XL Capital Assurance Inc., staff is recommending the refunding of the 2005 Bonds. 'Refunding the 2005 Bonds to fix rate bonds will hedge against rapid rise in interest rate, relieving the City of the maximum interest rates (i.e., 12%) if the ARS was to fail in the market. Since long-term rates are still historically low, with the conversion to fixed rate bonds, the City will secure a lower interest rate for the 2008 Bonds, which may result in a future savings for the City. If the

refunding is not approved, the City will continue to be exposed to the higher interest rates currently in the market.

### **Financing Team**

Due to the urgency and time constraint of the situation, staff is recommending the use of previous firms and consultants who are very familiar with this transaction to expedite the process and bring this financing to the Council for approval. Therefore, the resolution to be adopted by the Council directs staff to enter into agreements for consulting with Nixon Peabody LLP as Bond Counsel, Public Financial Management as Financial Advisor, and RBC Capital Markets as Underwriter. However, all fees associated with this financing will be paid from bond proceeds.

### **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 existing debt. Staff also recommends approving a resolution authorizing staff to take all necessary actions relating to the refunding of the 2005 Bonds. Staff further recommends that the City engage the following financing team members to complete the transaction: Nixon Peabody LLP as Bond Counsel, Public Financial Management as Financial Advisor, and RBC Capital Markets as Underwriter (collectively, the "Financing Team").

Item: \_\_\_\_\_  
Finance and Management Committee  
March 11, 2008

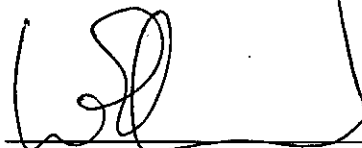
**ACTION REQUESTED OF THE CITY COUNCIL**

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 2005 Bonds with the issuance and sale by the JPFA in the amount not to exceed \$137,000,000 aggregate principal amount of Refunding Revenue Bonds in one or more series;
- 2) Execution and delivery of an amended and restated lease and amended and restated sublease;
- 3) Execution of documents and the taking of all necessary actions relating to the refunding financing with the Oakland Joint Powers Financing Authority; and
- 4) Approve the appointment of the Financing Team.

It is expected that the transaction will close in early 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,



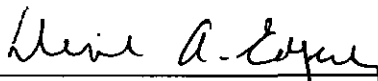
WILLIAM E. NOLAND

Finance and Management Agency/ Treasurer

Prepared by:

Katano Kasaine, Treasury Manager  
Treasury Department

APPROVED AND FORWARDED TO THE  
CITY COUNCIL:



Office of the City Administrator/  
Executive Director of the Oakland JPFA

Item: \_\_\_\_\_

Finance and Management Committee

March 11, 2008

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2008 MAR -6 PM 2:17

APPROVED AS TO FORM AND LEGALITY



JOINT POWERS FINANCING AUTHORITY COUNSEL

## JOINT POWERS FINANCING AUTHORITY

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

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**RESOLUTION OF THE OAKLAND JOINT POWERS FINANCING AUTHORITY APPROVING THE ISSUANCE AND SALE OF REFUNDING REVENUE BONDS OF AN AGGREGATE AMOUNT NOT TO EXCEED \$137,000,000 IN ONE OR MORE SERIES TO REFUND THE AUTHORITY'S OUTSTANDING REFUNDING REVENUE BONDS, 2005 SERIES A-1 (AUCTION RATE SECURITIES) (TAX-EXEMPT BONDS), 2005 SERIES A-2 (AUCTION RATE SECURITIES) (TAX-EXEMPT BONDS) AND 2005 SERIES B (AUCTION RATE SECURITIES) (TAXABLE BONDS); APPROVING THE FORMS OF AND AUTHORIZING EXECUTION AND DELIVERY OF AN AMENDED AND RESTATED LEASE, AN AMENDED AND RESTATED SUBLEASE, AN INDENTURE AND A BOND PURCHASE CONTRACT AND RELATED AGREEMENTS; [AUTHORIZING THE PROCUREMENT OF BOND INSURANCE;] AND AUTHORIZING EXECUTION OF DOCUMENTS AND THE TAKING OF ALL NECESSARY ACTIONS RELATING TO THE ISSUANCE OF THE BONDS**

**WHEREAS**, the City of Oakland (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 "Joint Powers Agreement"), by and between the City and the Agency, which Joint Powers Agreement created and established the Oakland Joint Powers Financing Authority (the "Authority"), a joint exercise of powers authority duly organized and operating pursuant to the provisions of Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"); and

**WHEREAS**, Article 4 of the Act authorizes and empowers the Authority to issue bonds to assist local agencies in financing projects and programs consisting of certain public improvements, working capital or liability or other insurance programs whenever a local agency determines that there are significant public benefits from so doing; and

**WHEREAS**, the City and the Authority executed and entered into an Amended and Restated Lease (as heretofore amended and supplemented, the "2005 Lease"), dated as of June 1, 2005, pursuant to the provisions of which the City, as lessor, continued to lease that portion of the City's sewer system described therein (the "Leased Property") to the Authority, as lessee; and

**WHEREAS**, the Authority, as lessor, and the City, as lessee, executed and entered an Amended and Restated Sublease, dated as of June 1, 2005 (as heretofore amended and supplemented, the "2005 Sublease"), pursuant to the provisions of which the Authority continued to lease the Leased Property back to the City; and

**WHEREAS**, under and pursuant to the provisions of the 2005 Sublease, the City has been obligated to make rental payments (the "Base Rental Payments") to the Authority for the rental of the Leased Property; and

**WHEREAS**, the Authority pledged its right to receive the Base Rental Payments to the Trustee under a Trust Agreement, dated as of June 1, 2005, by and between the Authority and the Trustee (as heretofore amended and supplemented, the "2005 Trust Agreement"); and

**WHEREAS**, at the request and with the approval of the City pursuant to the provisions of Resolution No. 79220 C.M.S., adopted by the City Council on June 9, 1998, and pursuant to the provisions of the Authority's Resolution No. 2005-0002 J.P.F.A., adopted by the Authority on May 17, 2005, the Authority authorized and issued its Refunding Revenue Bonds, 2005 Series A-1 (Auction Rate Securities) (Tax-Exempt Bonds), 2005 Series A-2 (Auction Rate Securities) (Tax-Exempt Bonds) and 2005 Series B (Auction Rate Securities) (Taxable Bonds) (the "Prior Bonds"), in an aggregate principal amount of \$144,950,000, and secured by the Base Rental Payments payable by the City to the Authority; and

**WHEREAS**, pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, as amended (the "Refunding Law"), the Authority desires to refund and retire the outstanding Prior Bonds in accordance with their terms and the terms of the 2005 Trust Agreement by authorizing and issuing, in one or more series, revenue bonds of the Authority (the "Bonds") in an aggregate principal amount not to exceed \$137,000,000, to be secured by the Base Rental Payments to be payable by the City to the Authority under and pursuant to the provisions of that certain Amended and Restated Sublease, dated as of April 1, 2008 (as amended and restated from time to time, the "Sublease"), pursuant to the provisions of which the Authority will continue to lease the Leased Property back to the City; and

**WHEREAS**, in order to provide for the transactions contemplated by and provided in the Sublease, the Authority desires to enter into that certain Amended and Restated Lease with the City (as amended and restated from time to time, the "Lease"), dated as of April 1, 2008, pursuant to the provisions of which the City, as lessor, continues to lease the Leased Property to the Authority; and

**WHEREAS**, pursuant to the provisions of that certain Indenture, dated as of April 1, 2008 (the "Indenture"), between the Authority and [TBD] (or such other entity named as trustee therein), as trustee (the "Trustee"), the Authority desires to issue the Bonds and pledge its right to receive the Base Rental Payments to the Trustee on the terms and subject to the conditions described therein; and

**WHEREAS**, there have been submitted and are on file with the City Clerk proposed forms of the Lease, the Sublease, the Indenture, a Preliminary Official Statement with respect to the Bonds, a Purchase Contract (the "Purchase Contract"), by and among the Authority, the City and RBC Capital Markets, as underwriter of the Bonds (the "Underwriter"); and

**WHEREAS**, the provisions of Act, the Joint Powers Agreement and the Refunding Law further authorize the Authority to sell the Bonds at a negotiated sale; and

**WHEREAS**, the issuance of the Bonds by the Authority and the execution and delivery of the Lease and Sublease will result in significant public benefits, and it furthers the public purpose for the Authority to assist in such financing; now, therefore, be it

**RESOLVED** by the governing board of the Oakland Joint Powers Authority as follows:

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

**Section 2.** The issuance and sale of the Bonds by the Authority, in an aggregate principal amount not to exceed \$137,000,000, are hereby approved.

**Section 3.** The officers of the Authority are hereby authorized to obtain bond insurance for the Bonds, a reserve fund surety bond, and enter into other contracts with respect to liquidity for the bonds.

**Section 4.** The proposed form of Indenture, on file with the Secretary of the Authority and incorporated into this Resolution by reference, is hereby approved. The President, Vice President, Executive Director of the Authority or a designee of any such official are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver to the Trustee an indenture in substantially said form, with such changes therein as such officer or his or her designee may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The date, maturity date or dates (not to exceed January 1, 2036), interest rate or rates (subject to a maximum rate of seven percent (7%) per annum except as otherwise provided in the Indenture), method of determining such rates, tax-exempt or taxable status of interest on the Bonds; interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in said trust agreement, as finally executed.

**Section 5.** The proposed form of Lease, on file with the Secretary of the Authority and incorporated into this Resolution by reference, is hereby approved. The President, Vice President, Executive Director of the Authority or a designee of any such official is hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver a lease in substantially said form, with



such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 6.** The proposed form of Sublease, on file with the Secretary of the Authority and incorporated into this Resolution by reference, is hereby approved. The President, Vice President, Executive Director of the Authority or a designee of any such official are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver a sublease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 7.** The proposed form of Purchase Contract, by and among the Authority, the City and the Underwriter, on file with the Secretary of the Authority and incorporated into this Resolution by reference, are hereby approved. The President, Vice President, Executive Director of the Authority or a designee of any such official is hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, to execute and deliver a purchase contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the underwriting discount (not including original issue discount) shall not exceed 2% of the aggregate principal amount of the Bonds.

**Section 8.** The proposed form of Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"), on file with the Secretary of the Authority, is hereby approved. The President, Vice President, Executive Director of the Authority or a designee of any such official are hereby authorized and directed, for and in the name and on behalf of the Authority, to deliver such Preliminary Official Statement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof and to determine that such Preliminary Official Statement is "deemed final" by the Authority for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), but is subject to revision, amendment and completion in a final Official Statement (the "Official Statement") and to execute a certificate to such effect. Distribution by the Underwriter of a Preliminary Official Statement relating to the Bonds is hereby approved. The Official Statement in substantially said form, with such changes as the President, Vice President, Executive Director of the Authority or a designee of any such official may approve (including all information previously permitted under the Rule to be omitted from the Preliminary Official Statement), which approval shall be conclusively evidenced by execution thereof by the President, Vice President, Executive Director of the Authority or a designee of any such official and delivery thereof to the Underwriter(s) within seven business days after the sale of the Bonds, is hereby approved.

**Section 9.** The Bonds in an aggregate principal amount not to exceed \$137,000,000 shall be executed by the facsimile signature of the President of the Authority and shall be countersigned by the facsimile signature of the Secretary of the Authority in the form set forth and otherwise in accordance with the provisions of the Indenture.

**Section 10.** The President, Vice President, Executive Director, Treasurer, Secretary and other appropriate officers of the Authority or a designee of any such official are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Authority, 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 issuance, sale and delivery of the Bonds, 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 obtaining bond insurance and a reserve fund surety bond (if determined by such official to be in the economic interest of the City), and to execute and deliver any amendments to any of the documents mentioned herein or authorized hereby as such officer or designee may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 11.** All actions heretofore taken by the officers and agents of the Authority with respect to the transactions contemplated hereby are hereby ratified, confirmed and approved.

**Section 12.** This Resolution shall take effect from and after its adoption.

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

PASSED BY THE FOLLOWING VOTE:

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

NOES-

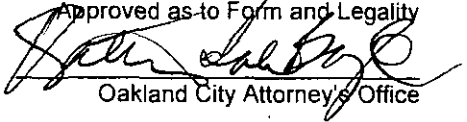
ABSENT-

ABSTENTION

ATTEST:

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

2008 MAR -6 PM 2:17

Approved as to Form and Legality  
  
Oakland City Attorney's Office

## OAKLAND CITY COUNCIL

RESOLUTION No. \_\_\_\_\_ C.M.S.

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**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OAKLAND APPROVING THE ISSUANCE BY THE OAKLAND JOINT POWERS FINANCING AUTHORITY OF NOT TO EXCEED \$137,000,000 AGGREGATE PRINCIPAL AMOUNT OF REFUNDING REVENUE BONDS IN ONE OR MORE SERIES TO REFUND THE AUTHORITY'S OUTSTANDING REFUNDING REVENUE BONDS, 2005 SERIES A-1 (AUCTION RATE SECURITIES) (TAX-EXEMPT BONDS), 2005 SERIES A-2 (AUCTION RATE SECURITIES) (TAX-EXEMPT BONDS) AND 2005 SERIES B (AUCTION RATE SECURITIES) (TAXABLE BONDS); AUTHORIZING EXECUTION AND DELIVERY OF AN AMENDED AND RESTATED LEASE AND AMENDED AND RESTATED SUBLEASE; AND AUTHORIZING EXECUTION OF DOCUMENTS AND THE TAKING OF ALL NECESSARY ACTIONS RELATING TO THE REFUNDING FINANCING WITH THE OAKLAND JOINT POWERS FINANCING AUTHORITY**

**WHEREAS**, the City of Oakland (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 "Joint Powers Agreement"), by and between the City and the Agency, which Joint Powers Agreement created and established the Oakland Joint Powers Financing Authority (the "Authority"), a joint exercise of powers authority duly organized and operating pursuant to the provisions of Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"); and

**WHEREAS**, Article 4 of the Act authorizes and empowers the Authority to issue bonds to assist local agencies in financing projects and programs consisting of certain public improvements, working capital or liability or other insurance programs whenever a local agency determines that there are significant public benefits from so doing; and

**WHEREAS**, the City and the Authority executed and entered into an Amended and Restated Lease (as heretofore amended and supplemented, the "2005 Lease"), dated as of June 1, 2005, pursuant to the provisions of which the City, as lessor, continued to lease that portion of the City's sewer system described therein (the "Leased Property") to the Authority, as lessee; and

**WHEREAS**, the Authority, as lessor, and the City, as lessee, executed and entered an Amended and Restated Sublease, dated as of June 1, 2005 (as heretofore

amended and supplemented, the "2005 Sublease"), pursuant to the provisions of which the Authority continued to lease the Leased Property back to the City; and

**WHEREAS**, under and pursuant to the provisions of the 2005 Sublease, the City has been obligated to make rental payments (the "Base Rental Payments") to the Authority for the rental of the Leased Property; and

**WHEREAS**, the Authority pledged its right to receive the Base Rental Payments to the Trustee under a Trust Agreement, dated as of June 1, 2005, by and between the Authority and the Trustee (as heretofore amended and supplemented, the "2005 Trust Agreement"); and

**WHEREAS**, at the request and with the approval of the City pursuant to the provisions of Resolution No. 79220 C.M.S., adopted by the City Council on April 28, 2005, the Authority authorized and issued its Refunding Revenue Bonds, 2005 Series A-1 (Auction Rate Securities) (Tax-Exempt Bonds), 2005 Series A-2 (Auction Rate Securities) (Tax-Exempt Bonds) and 2005 Series B (Auction Rate Securities) (Taxable Bonds) (collectively, the "Prior Bonds"), in an aggregate principal amount of \$144,950,000, and secured by the Base Rental Payments payable by the City to the Authority; and

**WHEREAS**, pursuant to the provisions of Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, as amended (the "Refunding Law"), the City desires to request and approve the Authority's refunding and retirement of the outstanding Prior Bonds in accordance with their terms and the terms of the 2005 Trust Agreement by authorizing and issuing, in one or more series, revenue bonds of the Authority (the "Bonds") in an aggregate principal amount not to exceed \$137,000,000, to be secured by the Base Rental Payments to be payable by the City to the Authority under and pursuant to the provisions of that certain Amended and Restated Sublease, dated as of April 1, 2008 (as amended and restated from time to time, the "Sublease"), pursuant to the provisions of which the Authority will continue to lease the Leased Property back to the City; and

**WHEREAS**, in order to provide for the transactions contemplated by and provided in the Sublease, the City desires to enter into that certain Amended and Restated Lease with the Authority (as amended and restated from time to time, the "Lease"), dated as of April 1, 2008, pursuant to the provisions of which the City, as lessor, continues to lease the Leased Property to the Authority; and

**WHEREAS**, pursuant to the provisions of that certain Indenture, dated as of April 1, 2008 (the "Indenture"), between the Authority and [TBD] (or such other entity as may be trustee thereunder), as trustee, the Authority desires to issue the Bonds and pledge its right to receive the Base Rental Payments to the Trustee on the terms and subject to the conditions described therein; and

**WHEREAS**, there have been submitted and are on file with the City Clerk proposed forms of the Lease, the Sublease, the Indenture, a Preliminary Official Statement with respect to the Bonds, a Purchase Contract (the "Purchase Contract"), by and among the Authority, the City and RBC Capital Markets as underwriter of the Bonds (the "Underwriter"); and

**WHEREAS**, the issuance of the Bonds by the Authority and the execution and delivery of the Lease and Sublease will result in significant public benefits, and it furthers the public purpose for the Authority to assist in such financing; now, therefore, be it

**RESOLVED**, 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 City Council hereby approves the issuance of the Bonds by the Authority, in an aggregate principal amount not to exceed \$137,000,000, pursuant to the Indenture, the proposed form of which is hereby approved with such changes therein as may be made by the Authority.

**Section 3.** The proposed form of Lease, on file with the City Clerk, is hereby approved. The City Administrator or a designee of such official is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver a lease in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the term of said lease shall end no later than January 1, 2036.

**Section 4.** The proposed form of Sublease, on file with the City Clerk, is hereby approved. The City Administrator or a designee of such official is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver a sublease in substantially said form, with such changes therein as such officer may require or approve, including but not limited to determination of the schedule of rental payments and the insurance required to be maintained, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that the term of said lease shall end no later than January 1, 2036.

**Section 5.** The proposed form of Purchase Contract with the Authority and the Underwriter, on file with the City Clerk, is hereby approved. The City Administrator or a designee of such official is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver a purchase contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 6.** The proposed form of Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"), on file with the City Clerk, is hereby approved. The City Administrator or a designee of such official is hereby authorized and directed, for and in the name and on behalf of the City, to deliver such Preliminary Offi-

cial Statement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof and to determine that such Preliminary Official Statement is "deemed final" by the City for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule"), but is subject to revision, amendment and completion in a final Official Statement (the "Official Statement") and to execute a certificate to such effect. Distribution by the Underwriter of a Preliminary Official Statement relating to the Bonds is hereby approved. The Official Statement in substantially said form, with such changes as the City Administrator, or designee, may approve (including all information previously permitted under the Rule to be omitted from the Preliminary Official Statement), which approval shall be conclusively evidenced by execution thereof by the City Administrator or designee of the Official Statement and delivery thereof to the Underwriter(s) within seven business days after the sale of the Bonds, is hereby approved.

**Section 7.** The City Administrator or a designee of such official is hereby authorized on behalf of the City to execute and deliver a Continuing Disclosure Certificate containing such covenants of the City as shall be necessary to comply with the requirements of the Rule. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate.

**Section 8.** The City Administrator or a designee thereof is hereby authorized to enter into an agreement with Public Financial Management, Inc., as financial advisor in connection with the Bonds, and to pay all costs of issuance of the Bonds.

**Section 9.** The City Administrator 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 obtaining bond insurance and a reserve fund surety bond (if determined by such official to be in the economic interest of the City), and to execute and deliver any amendments to any of the documents mentioned herein or authorized hereby as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

**Section 10.** 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 11.** This Resolution shall take effect from and after its adoption and approval.

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