



# AGENDA REPORT

**TO:** Jestin D. Johnson  
City Administrator

**FROM:** Erin Roseman  
Director of Finance

**SUBJECT:** Oakland GO Bonds, Series 2023  
Measure KK and U Sale and Projects

**DATE:** August 11, 2023

City Administrator Approval 

Date: Sep 1, 2023

## RECOMMENDATION

Staff Recommends That The City Council Adopt:

1. **A Resolution Identifying Projects Authorized For Funding With Proceeds Of City Of Oakland General Obligation Bonds (Measure KK), Series 2023D (Tax-Exempt) Issued Pursuant To The 2016 Infrastructure Bond Ordinance (Measure KK), And City Of Oakland General Obligation Bonds (Measure U), Series 2023A-1 (Tax-Exempt) and Series 2023A-2 (Taxable) (Social Bonds) Issued Pursuant To The 2022 Affordable Housing and Infrastructure Bond Ordinance (Measure U), And Allocating Bond Proceeds For The Identified Projects; and**
2. **A Resolution Approving The Issuance And Sale Of One Or More Series Of City Of Oakland General Obligation Bonds (Measure KK And/Or Measure U) In An Aggregate Principal Amount Not To Exceed \$165,000,000; Approving The Terms Of Sale Of Said Bonds; Approving The Form Of And Authorizing The Execution And Delivery Of A Fiscal Agent Agreement, Continuing Disclosure Certificate And Bond Purchase Agreement; Approving The Form Of And Authorizing The Distribution Of A Preliminary Official Statement And Authorizing The Execution And Delivery Of An Official Statement; And Authorizing Necessary Actions Related Thereto.**

## EXECUTIVE SUMMARY

Adoption of the proposed resolutions will approve the issuance and sale of the City of Oakland General Obligation Bonds (Measure KK), Series 2023D and the City of Oakland General Obligation Bonds, Series 2023A-1 (Tax-Exempt) and Series 2023A-2 (Taxable) (Social Bonds) (collectively, the “Bonds”) (the “Bond Resolution”) to finance Streets and Roads Projects, Public Facilities Projects, and Affordable Housing Projects (the “Projects”) (the “Project Resolution”).

The Bonds may be issued in one or more series, which may be taxable or tax-exempt, in an aggregate principal amount not to exceed \$165,000,000<sup>1</sup>. This will be the first time the City will self-designate a portion of its general obligation bonds (Series 2023A-2) as “Social Bonds” as it has been determined that funding the affordable housing projects addresses the social

<sup>1</sup> Par amount issued will depend on bond structure and market conditions at the time of sale.

challenges within the City. Staff has explored various options on method of sales. Given significant municipal market volatility and the complexity of the Bonds, which consist of multiple ballot measures and series, the Bonds will be sold through a negotiated financing to provide structure flexibility, timing, and marketing of the bonds. The Bonds will have a final maturity date no later than 31 years after issuance and bear interest at an interest rate not to exceed a true interest cost ("TIC") of 6.5%. The City will agree to provide ongoing disclosure per the Continuing Disclosure Certificate (the "CDC"). Debt service on the Bonds is payable from ad valorem taxes levied annually upon all taxable property in the City. The estimated property tax rate levy required to pay the Bonds' estimated annual debt service of approximately \$10.1 million is 0.012% or \$12.02 per \$100,000 of assessed valuation (FY2023-24).

Proceeds of the sale of the Bonds shall finance the Projects in an estimated amount of \$152.8 million per the Fiscal Year ("FY") 2023-2025 Adopted Policy Budget (the "Budget"). The Projects are included in the FY 2023-2025 Adopted Capital Improvement Program (the "CIP") and detailed in the Project Resolution. The Projects to be funded have been identified, evaluated, and meet the eligibility requirements of Measure KK, Measure U, and the CIP Prioritization Process.

On July 11, 2023, staff brought an Ordinance to the Finance and Management Committee for the borrowing of funds and the issuance and sale of the general obligation bonds in an amount not-to exceed \$165,000,000. The first reading of the Ordinance was heard by City Council on July 18, 2023, and the second reading is scheduled for September 19, 2023.

## **BACKGROUND / LEGISLATIVE HISTORY**

### **The Bonds**

On November 8, 2016, an ordinance authorizing the issuance of Infrastructure and Housing Bonds in an amount not to exceed \$600 million to improve public safety and invest in neighborhoods by funding affordable housing and various improvements to public facilities, streets, and sidewalks ("Measure KK") was approved by more than two-thirds of the qualified voters of the City at the statewide general election.

On November 29, 2016, the Affordable Housing and Infrastructure Bond Law (the "Bond Act") was added to the Oakland Municipal Code as Chapter 4.54 to accommodate the issuance of these Bonds.

The Bonds will be the fourth tranche of general obligation bonds issued per Measure KK and the Bond Act. After issuance of the Series 2023D (tax-exempt), the remaining authorization under Measure KK is estimated to be \$28,575,000. Timing and amounts of future issuance of authorized bonds will be determined by project funding requirements. A summary of General Obligation Bond (Measure KK) issuance is included in **Table 1**.

**Table 1: Summary of General Obligation Bond (Measure KK)  
 Issuance and Proposed Issuance As of 8/11/2023**

Authorizing Resolutions	Issuance Date	Bond Series	Par Amount	Purpose
86773, 86774, 86814, 86815, 86816, 86817	8/30/2017	2017A-1 (Tax-Exempt)	\$62,735,000	Streets & Facilities
86773, 86774, 86814, 86815, 86816, 86817	8/30/2017	2017A-2 (Taxable)	\$55,120,000	Housing
87980, 87981, 87989	2/27/2020	2020B-1 (Tax-Exempt)	\$140,010,000	Streets & Facilities
87980, 87981, 87989	2/27/2020	2020 B-2 (Taxable)	\$44,880,000	Housing
13670,89020, 89021	2/24/2022	2022C-1(Tax-Exempt)	\$198,645,000	Streets & Facilities
13670, 89020, 89021	2/24/2022	2022C(Taxable)	\$13,670,000	Streets & Facilities
		Total:	\$515,060,000	
Bond Ordinance, Project Reso., Bond Reso.		Proposed 2023D (Tax-Exempt)	56,365,000	Streets & Facilities
	Est. 2024	Est. Remaining Authorization after 2023D	\$28,575,000	Streets & Facilities

On November 8, 2022, qualified voters of the City approved Measure U, which authorized the issuance of Affordable Housing and Infrastructure Bonds in an amount not to exceed \$850 million to fund affordable housing and housing preservation projects, transportation projects, and various city infrastructure.

Per Measure U, the bonds may be issued to fund projects as follows:

- Affordable Housing Preservation Projects \$350,000,000
- Transportation Projects \$290,000,000
- Citywide Facility Preservation and Improvement Projects \$210,000,000

Authorization Total \$850,000,000

The Series 2023A-1 (tax-exempt) and Series 2023A-2 (taxable) (Social Bonds) will be the first of multiple series issuance and sale of general obligation bonds for the purposes set forth above. After issuance of the Series 2023A-1 (tax-exempt) and Series 2023A-2 (taxable) (Social Bonds), the remaining authorization under Measure U is estimated to be \$741,365,000. Timing and amounts of future issuance of authorized bonds will be determined by project funding requirements, and the anticipated next issuance is in 2024.

### The Projects

On October 16, 2018, the City Council adopted [Resolution No. 87376 C.M.S.](#), approving an updated CIP Prioritization Process used to develop the CIP budget. The updated prioritization process incorporates community and City values and offers additional social factors such as

equity, economic opportunity, and public health. The updated process aligns the CIP investments with City values and priorities, emphasizing equitable and transparent decisions. The graphic below illustrates the new CIP Prioritization Process and the new scoring factors with their respective weights.

Citywide Capital Prioritization Factors & Weighting			
<b>Equity:</b> Investment in Underserved Oakland (16 pts.)			
<b>Health &amp; Safety</b> Improves Safety & Encourages Healthy Living (16 pts.)	<b>Existing Conditions</b> Renovate or Replace Broken or Outdated City Properties (13 pts.)	<b>Economy:</b> Community Investment and Economic Prosperity (13 pts.)	<b>Environment:</b> Sustainability (11 pts.)
<b>Required Work:</b> Regulatory Mandate (10 pts.)	<b>Improvement:</b> Level and Quality of Service (8 pts.)	<b>Collaboration:</b> Multiple Asset Category Benefits/ Collaborative Opportunities (8 pts.)	<b>Shovel Ready:</b> Project Readiness (5 pts.)

Oakland Public Works and the Department of Transportation received more than 500 project submissions. The City scored projects based on the adopted prioritization factors.

This CIP Prioritization Process incorporated Measure KK's requirement that, prior to funding, the City consider how select projects address the following questions:

- 1) How the projects address social and geographic equity, provide greater benefit to underserved populations and in geographic areas of greatest need;
- 2) How the projects address improvements to the City's existing core capital assets;
- 3) How the projects maintain or decrease the City's existing operations and maintenance costs; and
- 4) How the projects address improvements to energy consumption, resiliency, and mobility.

On June 26, 2023, City Council adopted City's biennial budget for the FY 2023-25 under [Resolution No. 89803 C.M.S.](#), including approval of the CIP Budget. This approval identified those projects to be funded with Measure KK and Measure U bond funds. The final list of Measure KK and Measure U funded capital improvement projects is listed in the Project Resolution.

## **ANALYSIS AND POLICY ALTERNATIVES**

### ***The Bonds***

The Bond Resolution will approve the issuance and sale of the Bonds, which represent the fourth tranche of general obligation bonds issued per Measure KK and the first tranche of general obligation bonds issued per Measure U and the Bond Act. The Bonds will be issued in an aggregate principal amount not to exceed \$165,000,000<sup>2</sup> consisting of one or more series, which may be taxable or tax-exempt. The Bonds will have a final maturity date no later than 31 years after issuance and bear interest at an interest rate not to exceed a TIC of 6.5%. Principal and interest due on the Bonds (i.e., debt service) is payable from ad valorem taxes levied annually upon all taxable property in the City. A combination of tax-exempt and taxable Bonds is expected to be issued, producing net level debt service and a stable tax levy. Table 2 below and Exhibit A of the Bond Resolution describe the estimated finance charges for the Bonds per Section 5852.1 of the Government Code. Interest rates will depend on market conditions at the time of sale.

Table 2: Estimated Finance Charges of the Bonds as of 8/08/2023

Bond Finance Charge Statistics	Series 2023 GOs
True interest cost of the bonds	5.03%
Finance charge of the bonds	1,210,000
Bond proceeds received by the City	163,790,000
Total payment amount	322,926,392

The City, with the assistance of its bond counsel, disclosure counsel, municipal advisor, and financing team, will prepare the Fiscal Agent Agreement, Bond Purchase Agreement, Official Statement (OS) (in preliminary and final form), and CDC for the Bonds. The Fiscal Agent Agreement creates the legal structure for the security of the Bonds and provides terms of the Bonds, including payment dates, maturities, redemption provisions, etc. The bond purchase agreement (BPA) establishes the terms of a bond sale, which include sale conditions, among other things, such as sale price, bond interest rate, bond maturity, bond redemption provisions, etc., of the Issuer and underwriters. The preliminary and final OS are initial disclosure documents published for the benefit of potential investors. The preliminary and final OS include descriptions of the Bonds' terms, security, and risk factors; the City's financial and operating information; and other background information. The CDC identifies the City's disclosure obligations for the life of the Bonds. The CDC contains requirements for material event notices and annual financial information. The OS and CDC are prepared in accordance with rules of the Securities and Exchange Commission (the "SEC"). Forms of the Fiscal Agent Agreement, BPA, OS, and CDC, are attached to the Staff Report.

### **Social Bonds**

For the first time, after considerable analysis of the affordable housing projects, staff concluded that the affordable housing projects meet the Social Bond Principles and has elected to self-designate the Series 2023A-2 (Taxable) as "Social Bonds". The determination that the projects

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<sup>2</sup> Par amount issued will depend on bond structure and market conditions at the time of sale.

to be financed with the proceeds of the Series 2023A-2 are “Social Projects” was based on the social benefits of addressing affordable housing within the City and in alignment with Social Bond Principles as defined by the International Capital Markets Association. The projects to be financed with proceeds of the Series 2023A-2 will address the need within the City to preserve or increase affordable housing stock. The City’s Department of Housing Community Development’s (“HCD”) Strategic Action plan for 2023-2027, developed after an extensive community outreach process and rooted in data driven goals for equitable investment, focuses on providing deeply affordable units, including units that addresses the City’s homeless crisis. This in turn guided the City’s 2023 New Construction Notice of Funding Availability (NOFA) process, which awarded Measure U and other affordable housing funding to support 643 affordable units, including 284 Permanent Supportive Housing (PSH) units. A total of \$68 million in Measure U funding has been committed to these projects, as well as another project that will include another 240 affordable units and 60 PSH units.

### **The Sale**

Given significant municipal market volatility and increased complexity of the Bonds which consist of multiple authorizations and both tax-exempt and taxable bonds, the City and its financing team determined a negotiated sale would be appropriate for the sale of the 2023 Bonds. With a negotiated sale, there is greater flexibility in terms of timing, an increased ability to develop a robust investor marketing plan, and a commitment from underwriters to underwrite bonds as needed. The City and its municipal advisor completed a competitive selection process in which thirteen underwriting firms submitted responses. After review and evaluation of the responses, Citigroup Global Markets Inc. and Siebert Williams Shank & Co., LLC were selected based on evaluation factors including relevant experience, credit and marketing considerations, underwriting capabilities, cost, and local presence.

Hawkins Delafield & Wood, LLC will serve as bond counsel. Hush Blackwell, LLP will serve as disclosure counsel. PFM Financial Advisors, LLC will serve as municipal advisor. Citigroup Global Markets Inc. and Siebert Williams Shank & Co., LLC will serve as underwriters. U.S. Bank Trust Company, National Association will serve as fiscal agent.

A proposed financing schedule is included in the following Table 3.

Table 3: Proposed Financing Schedule

<b>Date</b>	<b>Activity</b>
July 18, 2023	1st reading of ordinance at City Council
September 19, 2023	2nd reading of ordinance Adopt resolution to approve projects Adopt resolution to approve sale and financing documents
Week of October 2, 2023	Pricing of the Bonds
October 18 2023	Closing of the Bonds

### **The Projects**

Proceeds of the sale of the Bonds shall finance the Projects in an estimated amount of \$152.8 million per the Budget. The Projects are included in the CIP budget and detailed in the Project

Resolution. The Projects have been identified, evaluated, and meet the eligibility requirements of Measure KK, Measure U, and the CIP Prioritization Process.

The proposed resolution includes an "Alternative Projects List" of projects and programs that are not expected to be funded by these Bonds at this time. If any projects or programs set forth in the Project Resolution are unable to proceed or if surplus funds remain after any projects or programs set forth in the Project Resolution are completed, it is recommended that the City Administrator be authorized to allocate funding to projects or programs contained in the "Alternative Projects List" of the Project Resolution. Projects or programs selected to receive unspent or surplus Bond funds, shall comply with the requirements of Section 2(C) of Measure KK, Section 3(C) of Measure U, and any other applicable law in order to be eligible for funding from the issuance of Oakland General Obligation Bonds, Series 2023D and Oakland General Obligation Bonds, Series 2023A-1 and Series A-2.

### **FISCAL IMPACT**

The Bonds are payable from ad valorem taxes levied upon all taxable property in the City. The City Council is authorized and obligated to levy and collect ad valorem taxes in an amount sufficient to pay the principal and interest due on the Bonds (i.e., debt service). For the City's outstanding general obligation bonds, the required property tax levy rates are calculated annually based on the year's debt service requirements and assessed valuation figures. Based on FY 2023-2024 assessed valuation and market conditions as of August 8, 2023, the estimated property tax rate levy required to pay the Bonds' estimated annual debt service of approximately \$10.1 million is 0.012% or \$12.02 per \$100,000 of assessed valuation. The Bonds' debt service expenses and corresponding property tax revenues are included in the City's budgets beginning in FY 2023-24 and annually until the Bonds are paid in full.

Fees related to the issuance of the Bonds will be paid from bond proceeds and contingent upon the closing of the transaction. Such fees, consisting of underwriter's discount and costs of issuance, including fees for bond counsel, disclosure counsel, municipal advisor, and rating agencies, are estimated to be \$1.21 million.

Proceeds of the sale of the Bonds shall finance the Projects in an estimated amount of \$152.8 million per the Budget.

As required by Government Code \ Section 5852.1, the City's municipal advisor has prepared a good faith estimate of the costs of financing the bonds. Such estimate is attached to Appendix A of the Bond Sale Resolution.

### **PUBLIC OUTREACH / INTEREST**

This item did not require additional public outreach other than the required posting on the City's website.

## **COORDINATION**

This report was prepared by the Finance Department in coordination with the Department of Transportation, Oakland Public Works Department, Department of Housing and Community Development, Information Technology Department, and the Office of the City Attorney.

## **SUSTAINABLE OPPORTUNITIES**

**Economic:** The capital improvement projects implemented under Measure KK and Measure U will be required to comply with all Local Business Enterprise and Small Local Business Enterprise (“LBE/SLBE”) and local hire programs with verification by the Social Equity Division of the Department of Contracting and Purchasing. The Projects will improve roadways, sidewalks, parks, public buildings, storm drainage, and other facilities for the economic benefit of the City. In addition, the affordable housing funds will be utilized to fund loans for new construction, acquisition, and other projects providing affordable and deeply affordable, restricted units for extremely low to moderate income households.

**Environmental:** This item will provide funding to acquire and make improvements to real property, such as improvement and rehabilitation of streets, sidewalks, and related infrastructure and renovation and rehabilitation of City facilities, including libraries, public safety, recreation, and other buildings, as well as affordable and deeply affordable housing developments located near transit, services, and employment. Transportation and public works projects that invest in sustainable infrastructure and resilience strategies also receive priority for funding. In addition, projects receive priority for funding partially based on their ability to achieve high scores using Leadership in Energy & Environmental Design (“LEED”) or Alameda County’s Green Point Rating system.

**Race and Equity:** This item will provide funding to affordable housing developers to acquire and make improvements to real property such as acquisition, improvement, rehabilitation, preservation, and construction. Additionally, universal access to reliable internet service is imperative to ensuring equitable connectivity across Oakland. Projects are reviewed and evaluated to determine how they meet the needs of Oakland’s most underserved communities in accordance with the bond requirements. In addition, transportation and public works projects that address safety and public health in priority communities are prioritized for funding. Equity is represented by both a standalone prioritization factor and as a sub-factor identifying disparities within other prioritization factors, including Health and Safety, Existing Conditions, Environment, and Improvement.

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

Staff Recommends That The City Council Adopt:

1. A Resolution Identifying Projects Authorized For Funding With Proceeds Of City Of Oakland General Obligation Bonds (Measure KK), Series 2023D (Tax-Exempt) Issued Pursuant To The 2016 Infrastructure Bond Ordinance (Measure KK), And City Of Oakland General Obligation Bonds (Measure U), Series 2023A-1 (Tax-Exempt) and



Series 2023A-2 (Taxable) (Social Bonds) Issued Pursuant To The 2022 Affordable Housing and Infrastructure Bond Ordinance (Measure U), And Allocating Bond Proceeds For The Identified Projects; and

2. A Resolution Approving The Issuance And Sale Of One Or More Series Of City Of Oakland General Obligation Bonds (Measure KK And/Or Measure U) In An Aggregate Principal Amount Not To Exceed \$165,000,000; Approving The Terms Of Sale Of Said Bonds; Approving The Form Of And Authorizing The Execution And Delivery Of A Fiscal Agent Agreement, Continuing Disclosure Certificate And Bond Purchase Agreement; Approving The Form Of And Authorizing The Distribution Of A Preliminary Official Statement And Authorizing The Execution And Delivery Of An Official Statement; And Authorizing Necessary Actions Related Thereto.

For questions regarding this report, please contact Erin Roseman, Director of Finance, at (510) 238-2026.

Respectfully submitted,



[Erin Roseman \(Sep 1, 2023 08:55 PDT\)](#)

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Erin Roseman  
Director, Finance Department

Reviewed by:

Harold Duffey, Director, Oakland Public Works

Fred Kelley, Director, Dept of Transportation

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Prepared by:

Dawn Hort, Assistant Treasury Administrator  
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Attachments: (3)

- A. Bond Purchase Agreement ("BPA")
- B. Official Statement ("OS") in Preliminary form and including the Continuing Disclosure Certificate ("CDC") as Appendix C
- C. Fiscal Agent Agreement