



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2020 JAN --2 AM 10:52 **AGENDA REPORT**

TO: Sabrina B. Landreth
City Administrator

FROM: Adam Benson
Director of Finance

SUBJECT: Oakland GO Bonds, Series 2020B-1/2
(Measure KK) & Refunding Series
2020 Sale

DATE: December 23, 2019

City Administrator Approval

Date:

12/31/19

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Approving The Sale Of City Of Oakland General Obligation Bonds (Measure KK) And City Of Oakland General Obligation Refunding Bonds; Approving An Official Notice Of Sale And Continuing Disclosure Certificate; Approving A Preliminary Official Statement And Authorizing The Distribution Thereof; And Authorizing Necessary Related Actions.

EXECUTIVE SUMMARY

Adoption of this resolution will approve the sale of the City of Oakland General Obligation Bonds (Measure KK), Series 2020B-1 (Tax-Exempt) (the "2020B-1 Bonds"), General Obligation Bonds (Measure KK), Series 2020B-2 (Taxable) (the "2020B-2 Bonds" and collectively with the 2020B-1 Bonds, the "2020B-1/2 Bonds") and General Obligation Refunding Bonds, Series 2020 (Taxable) (the "Refunding Bonds", and collectively with the 2020B-1/2 Bonds, the "Bonds"). Issuance of the Bonds was authorized on December 10, 2019 per Resolution No. 87980 C.M.S. The 2020B-1/2 Bonds will be issued and sold in an aggregate principal amount not to exceed \$190,000,000. The Refunding Bonds will be issued and sold in a principal amount not to exceed \$69,000,000.

The 2020B-1/2 Bonds will be issued and sold to finance projects identified per Resolution No. 87981 C.M.S (the "Projects"). The Refunding Bonds will be issued and sold to refund the City's General Obligation Refunding Bonds, Series 2012 (the "Prior Bonds") for debt service savings.

The Bonds will be sold by competitive bid in accordance with the Official Notice of Sale (the "NOS") and awarded based on the lowest true interest cost ("TIC"). An Official Statement in preliminary and final form (the "OS") will be prepared and distributed as required for the sale. The City will agree to provide ongoing disclosure per the Continuing Disclosure Certificate (the "CDC").

Item: _____
Finance and Management Committee
January 14, 2020

BACKGROUND / LEGISLATIVE HISTORY

On January 10, 2012, the City issued the Prior Bonds in a principal amount of \$83,775,000 to refund the City's General Obligation Bonds, Series 2002A (Measure G) and a portion of the City's General Obligation Bonds, Series 2003A (Measure DD). The prior bonds are outstanding in a principal amount of \$68,695,000 as of December 23, 2019.

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

On December 10, 2019, the City Council adopted Resolution No. 87980 C.M.S. approving the issuance of the 2020B-1/2 Bonds in an aggregate principal amount not to exceed \$190,000,000 and the Refunding Bonds in an aggregate principal amount not to exceed \$69,000,000; approving the form of the Fiscal Agent Agreement and Escrow Agreement; and authorizing necessary related actions.

On December 10, 2019, the City Council adopted Resolution No. 87981 C.M.S. identifying projects authorized for funding with proceeds of the 2020B-1/2 Bonds and allocating bond proceeds for the identified projects.

ANALYSIS AND POLICY ALTERNATIVES

The 2020B-1/2 Bonds will be the second tranche of general obligation bonds authorized by Measure KK. The 2020B-1/2 Bonds will be issued and sold in two series – one tax-exempt and one taxable – in an aggregate principal amount not to exceed \$190,000,000¹. Proceeds of the 2020B-1/2 Bonds will be used to finance the Projects per Resolution No. 87981 C.M.S. in the amounts estimated in **Table 1**.

Table 1: Estimated Series 2020B-1/2 Projects

Category	Proposed Amount
Streets, Sidewalks and Related Infrastructure	\$97.73 million
City Facilities	\$41.44 million
Affordable Housing	\$44.61 million
Total Project Funds	\$183.78 million

Due to the favorable interest rate environment, the Refunding Bonds will be issued and sold in one taxable series in a principal amount not to exceed \$69,000,000¹. Proceeds of the Refunding Bonds will be used to refund the Prior Bonds for debt service savings thereby reducing the required annual ad valorem tax levy paid by the City's property owners. The Refunding Bonds are expected to generate debt service savings as described in **Table 2**.

¹ Par amount of the Bonds will depend on costs of issuance, premium/discount bond structure and market conditions at the time of sale.

Table 2: Refunding Bonds Debt Service Savings²

Refunding Bond Statistics	Estimate as of 11/18/2019
Average annual debt service savings	\$493,413
Total debt service savings through FY 2032-33	\$6,414,368
NPV savings	\$5,389,613
NPV savings as a percentage refunded principal	8.70%

The Bonds will have a final maturity date no later than 31 years after issuance of the Bonds, and will bear interest at a not to exceed a TIC of six percent (6%) per annum. Terms of the Bonds and refunding will be specified in the previously approved Fiscal Agent Agreement and Escrow Agreement. Principal and interest due (i.e. debt service) on the Bonds is payable from ad valorem taxes levied annually upon all taxable property in the City. **Table 3** and Exhibit A of Resolution No. 87980 C.M.S. describe the estimated finance charges for the Bonds per Section 5852.1 of the Government Code.

Table 3: Estimated Finance Charges of the Bonds as of 11/18/2019²

Bond Finance Charge Statistics	2020B-1/2 Bonds	Refunding Bonds
True interest cost of the bonds	2.91%	3.01%
Finance charge of the bonds	\$1,109,059	\$389,370
Bond proceeds received by the City	\$183,779,025	\$64,115,630
Total payment amount	\$278,665,447	\$77,948,182

The City, with the assistance of its bond counsel, disclosure counsel and financing team, will prepare the NOS, OS (in preliminary and final form) and CDC for the Bonds. The Bonds will be sold by competitive bid in accordance with the NOS and awarded based on the lowest TIC. The preliminary and final OS are initial disclosure documents published for the benefit of potential investors. The CDC identifies the City's disclosure obligations for the life of the Bonds. The OS and CDC are prepared in accordance with rules of the Securities and Exchange Commission (the "SEC"). Forms of the NOS, OS and CDC, are on file with the City Clerk.

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 annually ad valorem taxes in an amount sufficient to pay the principal and interest due on the Bonds (i.e. debt service). Fees related to the issuance of the Bonds will be paid from bond proceeds and contingent upon closing of the transaction.

Proceeds of the 2020B-1/2 Bonds will finance the Projects in an estimated amount of \$183.78 million. This funding is included in the Fiscal Year 2019-21 Adopted Policy Budget.

Debt service savings generated by the Refunding Bonds will be retained by the City's property taxpayers in the form of a reduction in future, annual ad valorem tax levies. The Refunding

² Interest rates for the Bonds will depend on market conditions at the time of sale of the Bonds

Bonds are expected to generate average annual debt service savings of approximately \$500,000 per year, totaling \$6.4 million gross savings through FY 2032-33.

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, Housing and Community Development Department, Public Works Department and Department of Transportation in coordination with the Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: The Refunding Bonds will result in debt service savings by refinancing existing debt at lower interest rates for benefit of the City's property taxpayers. The capital improvement projects implemented under Measure KK, as well as any construction related activities in the affordable housing programs and projects, 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 and other facilities to the economic benefit of the City. Affordable housing projects will generate construction, professional services, and ongoing property management jobs in Oakland. Affordable housing also helps to provide financial stability for low and very low-income households which allows household income to be spent on other goods and services in Oakland.

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. By developing in already built-up areas, infill affordable housing projects reduce the pressure to build on agricultural and other undeveloped land. Proposed projects are usually located near public transit which enables residents to reduce dependency on automobiles and further reduce any adverse environmental impacts of development. 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 acquire and make improvements to real property such as acquisition, improvement, rehabilitation, preservation, construction and repair of affordable housing. Projects are reviewed and evaluated to determine how they meet the needs of Oakland's most underserved communities in accordance with the bond requirements. Affordable housing is a means of achieving greater social equity. Providing funds for affordable housing results in more very low and low-income housing units in Oakland, where these are desperately needed, which is especially important for long-term Oakland residents. The

program emphasis on conversion of market rate housing to restricted affordable housing creates opportunities to reduce displacement pressures on Oakland residents as rents soar throughout the City. Social services, are a component of many rental developments, and further build social equity through provision of services that enhance residents' lives.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Requests That The City Council Adopt A Resolution Approving The Sale Of City Of Oakland General Obligation Bonds (Measure KK) And City Of Oakland General Obligation Refunding Bonds; Approving An Official Notice Of Sale And Continuing Disclosure Certificate; Approving A Preliminary Official Statement And Authorizing The Distribution Thereof; And Authorizing Necessary Related Actions.

For questions regarding this report, please contact David Jones, Treasury Administrator, at (510) 238-6508.

Respectfully submitted,



Adam Benson
Director of Finance, Finance Department

Reviewed by:
David Jones, Treasury Administrator

Prepared by:
Jackie Lee, Financial Analyst
Treasury Bureau

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CITY ATTORNEY
Kavir S. Patel

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

**RESOLUTION APPROVING THE SALE OF CITY OF OAKLAND
GENERAL OBLIGATION BONDS (MEASURE KK) AND CITY OF
OAKLAND GENERAL OBLIGATION REFUNDING BONDS;
APPROVING AN OFFICIAL NOTICE OF SALE AND CONTINUING
DISCLOSURE CERTIFICATE; APPROVING A PRELIMINARY
OFFICIAL STATEMENT AND AUTHORIZING THE DISTRIBUTION
THEREOF; AND AUTHORIZING NECESSARY RELATED ACTIONS**

WHEREAS, the City Council of the City of Oakland (the "City") authorized the issuance of its General Obligation Bonds (Measure KK), Series 2020B-1 (Tax-Exempt) (the "Series 2020B-1 Bonds"), General Obligation Bonds (Measure KK), Series 2020B-2 (Taxable) (the "Series 2020B-2 Bonds" and collectively with the Series 2020B-1 Bonds, the "Measure KK Bonds") and "General Obligation Refunding Bonds, Series 2020 (Taxable) (the "Refunding Bonds", and collectively with the Measure KK Bonds, the "Bonds") pursuant to Resolution No. 87980 C.M.S. adopted on December 10, 2019; and

WHEREAS, there have been submitted and are on file with the Clerk of this City Council (the "Clerk") proposed forms of an official notice of sale (the "Official Notice of Sale"), continuing disclosure certificate (the "Continuing Disclosure Certificate") and an official statement (the "Official Statement"), with respect to the sale of the Bonds; now, therefore, be it

RESOLVED: By the City Council of the City of Oakland as follows:

Section 1. Recitals. All of the above recitals are true and correct.

Section 2. Authorization of Sale and Award of Bid. The City Administrator is hereby authorized and directed to establish a date, time and place to receive bids for the purchase of the Bonds as described in and subject to the terms and conditions of the Official Notice of Sale (described below). The City Administrator is authorized to receive bids for the purchase of the Bonds, and to award the Bonds to the bidder(s) whose responsible bid for the Bonds results in the lowest true interest cost to the City (the "Original Purchasers"), all in accordance with and determined by the procedures described in the Official Notice of Sale, as approved by the City Administrator.

Section 3. Official Notice of Sale. The form of Official Notice of Sale, in substantially the form on file with the Clerk, is hereby approved and, with such other additions, changes or modifications therein as the City Administrator, or such other officers of the City designated by the City Administrator in writing (each being referred to herein as an "Authorized Representative"), upon consultation with legal counsel, may require or approve.

Section 4. Official Statement. The form of Official Statement relating to the Bonds, in substantially the form on file with the Clerk, is hereby approved, with such changes, additions and modifications therein as any Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. Any Authorized Representative is hereby authorized to certify that the preliminary form of the Official Statement was deemed final as of its date within the meaning of Rule 15c2-12 (the "Rule") promulgated under the Securities Exchange Act of 1934 (except for the omission of certain final pricing, rating and related information as permitted by the Rule). Any Authorized Representative is hereby authorized and directed to sign the Official Statement in its final form, including the final pricing information, and to furnish the Original Purchasers with copies thereof, and the Original Purchasers are hereby authorized and directed to deliver copies of such Official Statement in final form to subsequent purchasers of the Bonds.

Section 5. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate, in substantially the form on file with the Clerk, is hereby approved, with such additions, changes or modifications therein as any Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The City hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate as finally executed and delivered.

Section 6. Authorization of Further Actions. The City Administrator has authority and direction to do any and all things that they may deem necessary or advisable in order to consummate the sale of the Bonds. The City Administrator may delegate any authority within their discretion pursuant to this Resolution as they deem reasonably necessary.

Section 7. Effective Date. This Resolution shall be effective immediately upon passage.

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IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND
PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

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

CERTIFICATE OF THE CITY CLERK

I, LaTonda Simmons, City Clerk and Clerk of the City Council of the City of Oakland (the "City"), hereby certify that the foregoing is a full, true and correct copy of Resolution No. ____, duly adopted at a meeting of the City Council of the City duly and regularly held on January ____, 2020, of which meeting all of said City Council had due notice.

I further certify that I have carefully compared the foregoing copy with the original minutes of said meeting on file and of record in my office; that said copy is a true, complete and correct copy of the original resolution duly adopted at said meeting and entered in said minutes; and that said resolution has not been modified, amended, rescinded or revoked except as provided in such resolution in any manner since the date of their adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate this ____ day of _____, 2020.

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