



AGENDA REPORT

TO: Edward D. Reiskin
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Amendment to Resolution No. 89240
C.M.S. Issuance and Sale of FY22-23
TRAN

DATE: June 21, 2022

City Administrator Approval

Date: Jun 23, 2022

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution Amending Resolution No. 89240 C.M.S., Which Provides For The Issuance And Sale Of The City Of Oakland Fiscal Year 2022-2023 Tax And Revenue Anticipation Notes And Authorizes The Note Purchase Agreements And Other Actions Related To Such Notes, To Amend The True Interest Cost To An Amount Not To Exceed 4.50 Percent Per Annum.

EXECUTIVE SUMMARY

Adoption of the proposed resolution will amend Resolution No. 89240 C.M.S. to allow for a True Interest Cost ("TIC") of not to exceed 4.5% on the City of Oakland (the "City") fiscal year 2022-2023 ("FY22-23") Tax and Revenue Anticipation Notes (the "Notes"). Resolution No. 89240 C.M.S., adopted on June 7, 2022, provides for the issuance and sale of the Notes and authorizes the Note Purchase Agreement (the "NPA") and other actions related to the Notes. Per Section 3 of Resolution No. 89240 C.M.S., the TIC of the Notes shall not exceed 3.5% per annum and the Maximum Rate shall not exceed 10% per annum. The interest rates at which the Notes can be sold have since risen significantly and remain volatile. The City has identified one or more alternative Note structures that result in savings for the City if the Notes were sold at a rate in excess of a TIC of 3.5% and so the City seeks to amend Resolution No. 89240 C.M.S. to allow for an increased TIC on the Notes of not to exceed 4.5%.

BACKGROUND / LEGISLATIVE HISTORY

On June 7, 2022, City Council adopted Ordinance No. 13694 C.M.S. providing for the borrowing of funds and the issuance and sale of 2022-2023 notes payable from revenues received during the fiscal year 2022-2023 in an amount not to exceed \$165,000,000 and approving certain related matters.

On June 7, 2022, City Council adopted Resolution No. 89240 C.M.S. providing for the borrowing of funds for fiscal year 2022-2023 and the issuance and sale of the City of Oakland 2022-2023 Tax And Revenue Anticipation Notes in an amount not to exceed \$165,000,000, and approving

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the execution of one or more note purchase agreements relating to such notes and authorizing other actions in connection therewith.

ANALYSIS AND POLICY ALTERNATIVES

The Citywide priority advanced by this recommended policy action meets the goal of a responsive, trustworthy government.

Staff recommends amending Resolution No. 89240 C.M.S. to increase the allowed not to exceed TIC on the Notes from 3.5% to 4.5%. Resolution No. 89240 C.M.S, adopted on June 7, 2022, provides for the issuance and sale of the Notes and authorizes the NPA and other actions related to the Notes. Per Section 3 of Resolution No. 89240 C.M.S., the TIC of the Notes shall not exceed 3.5% per annum and the Maximum Rate shall not exceed 10% per annum. The interest rates at which the Notes can be sold have since risen significantly and remain volatile. Staff has identified one or more alternative Note structures that result in savings for the City if the Notes were sold at a rate in excess of a TIC of 3.5% and so seeks to amend Resolution No. 89240 C.M.S. to allow for an increased TIC on the Notes of not to exceed 4.5%.

The Notes will be issued to fund the prepayment of the City's FY22-23 Employer Unfunded Accrued Liability ("UAL") contribution to the California Public Employees' Retirement System ("CalPERS") for savings. By making a lump sum payment by July 31, 2022 instead of monthly payments throughout the fiscal year, the City will receive from CalPERS a prepayment discount of 3.33% of the required annual UAL contribution. Issuance of the Notes and pre-funding of the City's annual CalPERS UAL contribution is expected to generate net cost savings of \$600,000 to \$1.4 million for FY22-23 based upon a quarterly amortization structure. Net savings were previously estimated based upon a single payment structure, similar to the structure used for the FY21-22 Notes. Final savings will be dependent on interest rates at the time of pricing. If interest rates increase to a level at which the transaction does not produce sufficient savings, the City will not proceed with the financing and will provide an update to Council. **Table 1** provides the currently estimated finance charges for the Notes. **Table 2** provides the expected financing schedule.

Table 1: Finance Charges of the Notes¹

Statistics	Estimate as of 6/21/2022	
True interest cost of the Notes	3.50%	4.50%
Notes Issuance Cost	\$150,000	\$150,000
Notes proceeds received by the City	\$136,650,000	\$136,650,000
Total payment amount	\$139,616,844	\$140,425,590

¹ Interest rates for the Notes are a current estimate; actual rates will depend on market conditions at the time of pricing of the Notes.

Table 2: Proposed Financing Schedule

Date	Activities
5/17/2022	1 st reading of Ordinance No. 13694 C.M.S.
6/7/2022	2 nd reading of Ordinance No. 13694 C.M.S. and adoption of Resolution No. 89240 C.M.S.
6/30/2022	Adoption of resolution amending Resolution No. 89240 C.M.S. by City Council
7/8/2022	Pricing of the Note
7/14/2022	Closing of the Note
7/29/2022	Deadline to submit prepayment of FY22-23 UAL to CalPERS

FISCAL IMPACT

Issuance of the Notes and pre-funding of the City's annual CalPERS UAL contribution is expected to generate net cost savings of \$600,000 to \$1.4 million for FY22-23. Debt service on the Notes will be secured by taxes and revenues received for FY22-23. Fees associated with issuance of the Notes are estimated to be \$150,000, will be paid from proceeds of the Notes (contingent upon closing of the transaction), and are factored into the calculation of net savings.

If the transaction does not produce sufficient savings due to an increase in interest costs, the City will not proceed with the financing and will provide an update to Council. A lack of savings will result in an increase to costs as the savings are factored into the City's budgeted fringe rate.

PUBLIC OUTREACH / INTEREST

This item did not require 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 Office of the City Attorney.

SUSTAINABLE OPPORTUNITIES

Economic: This item supports the City's ongoing operations and ability to serve its constituents.

Environmental: There are no environmental opportunities associated with this item.

Race and Equity: This item supports the City's ongoing operations and ability to serve its constituents.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Requests That The City Council Adopt A Resolution Amending Resolution No. 89240 C.M.S., Which Provides For The Issuance And Sale Of The City Of Oakland Fiscal Year 2022-2023 Tax And Revenue Anticipation Notes And Authorizes The Note Purchase Agreements And Other Actions Related To Such Notes, To Amend The True Interest Cost To An Amount Not To Exceed 4.50 Percent Per Annum.

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

Respectfully submitted,



Erin Roseman
Director of Finance, Finance Department

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Treasury Bureau

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Treasury Bureau

