



FILED
OFFICE OF THE CITY CLERK
OAKLAND

2015 APR -1 AM 12:59

AGENDA REPORT

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: Katano Kasaine

SUBJECT: General Obligation 2015A Refunding Bonds

DATE: March 23, 2015

City Administrator

Date

Approval

3/31/15

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

It is recommended that the City Council adopt:

(1) A resolution ratifying and approving the issuance and sale of not to exceed \$140,000,000 aggregate principal amount of City of Oakland General Obligation Refunding Bonds, Series 2015A; (2) Prescribing the terms of sale of said bonds; (3) Approving the form of and authorizing the execution and delivery of a fiscal agent agreement, escrow agreements, continuing disclosure certificate and bond purchase contract; (4) Approving the form of and authorizing the distribution of a preliminary official statement and authorizing the execution and delivery of an official statement; (5) and authorizing necessary actions related thereto.

OUTCOME

The adoption of the proposed resolution will approve the issuance and sale of one or more series of refunding bonds of the City of Oakland General Obligation Refunding Bonds, Series 2015A (the "2015 Refunding Bonds") and to authorize the execution and delivery of necessary documents associated with the sale and issuance. A successful refunding will lower the property tax rate for the City of Oakland, producing a total present value savings of approximately \$35.59 per \$100,000 of assessed valuation.

EXECUTIVE SUMMARY

The proposed resolution has been prepared to seek authorization for the following actions from City Council:

- 1) Authorize the issuance and sale of the 2015 Refunding Bonds and prescribing the terms of sale; and

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- 2) Authorize execution of all documents and the taking of all necessary actions relating to the 2015 Refunding Bonds.

The City anticipates debt service savings through the refunding of three general obligation bonds, City of Oakland General Obligation Refunding Bonds (Series 2005); City of Oakland General Obligation Bonds (Series 2006, Measure G); and, the City of Oakland General Obligation Bonds (Series 2009B, Measure DD), collectively (the "Prior Bonds"). Due to historically low interest rates, refunding will result in savings that will benefit Oakland property owners through a property tax rate reduction.

Based upon market conditions as they existed on March 3, 2015, the refunding would generate approximately \$15.6 million in present value savings or 11.4% of the amount of bonds refunded, which is approximately \$35.59 in net present value savings to taxpayers for each \$100,000 in assessed valuation for the entire bond issue.

BACKGROUND/LEGISLATIVE HISTORY

On March 9, 2015, staff submitted an ordinance to the City Council, as required by the City Charter, for the meeting scheduled for March 31, 2015 seeking approval of the borrowing and issuance of the 2015 Refunding Bonds for a not to exceed amount of \$140,000,000 in one or more series. This resolution represents the next step, and specifically authorizes the sale of the 2015 Refunding Bonds, as well as the execution and delivery of documents related to the sale of the 2015 Refunding Bonds.

The City anticipates refunding all or part of the outstanding general obligation bonds briefly described below (the "Prior Bonds"):

❖ Series 2005, General Obligation Refunding Bonds

On June 16, 2005, the City issued the City of Oakland General Obligation Bonds, Series 2005 (the "2005 GO Bonds") in the amount of \$122,476,041 to defease six series of the City's outstanding general obligation bonds, consisting of the City of Oakland General Obligation Bonds, Series 1992, Series 1995B, Series 1997, Series 1997C, Series 2000D and Series 2000E. The interest rate on the bonds is 4.86 percent with a final maturity on June 15, 2025; currently \$66,353,558 is outstanding.

Simultaneously with the issuance of the 2005 GO Bonds, the Oakland Joint Powers Financing Authority (JPFA) issued Revenue Bonds, Series 2005 (the "2005 JPFA Revenue Bonds") in the amount of \$122,170,000 to purchase the 2005 GO Bonds and to finance public capital improvements of the JPFA. The interest rates on the remaining revenue bonds range from 4.00 percent - 5.00 percent with a final maturity on June 15, 2025; currently \$66,260,000 are outstanding.

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❖ **Series 2006, Measure G General Obligation Bonds**

On March 5, 2002, voters approved Measure G in the amount of \$59,000,000 to provide funds to finance certain improvements for the Oakland Museum of California, the Oakland Zoo, and the Chabot Space and Science Center. In 2002, the City issued the first phase of the Measure G bonds in the amount of \$38,000,000. Currently, there are no bonds outstanding for this series.

In 2006, the City issued the second and final phase in the amount of \$21,000,000 to acquire, improve, construct, and finance existing and additional facilities for the Oakland Museum of California and the Oakland Zoo; of this amount, \$17,375,000 is currently outstanding. The interest rates on the remaining bonds range from 4.125 percent - 5.00 percent with a final maturity on January 15, 2036.

❖ **Series 2009B, Measure DD General Obligation Bonds**

On November 5, 2002, voters approved Measure DD in the amount of \$198,250,000 to provide funds to acquire and construct water quality improvements for and related to Lake Merritt, Lake Merritt Channel, the Estuary, and creeks in Oakland; improve, renovate, and construct youth and public recreational facilities; rehabilitate and acquire parks, open space and other recreational, safety and maintenance facilities; and, provide safe public access to Lake Merritt, Lake Merritt Channel and the Estuary. In 2003, the City issued the first phase of the Measure DD bonds in the amount of \$71,450,000. Currently, there are no bonds outstanding for this series.

In 2009, the City issued the second phase in the amount of \$64,545,000; of this amount, \$58,435,000 is currently outstanding. The interest rates on the remaining bonds range from 4.25 percent - 6.25 percent with a final maturity on January 15, 2039.

ANALYSIS

In an effort to find ways to restructure and reduce existing annual debt service obligations either to the City or to property owners, the Treasury Bureau has been reviewing refunding opportunities on all of the City's outstanding debt. Given the continued favorable low interest rate market, refunding all or a portion of Prior Bonds will generate debt service savings of approximately \$15.6 million in current dollars or 11.4 percent of the refunded bonds (based on market conditions as they existed on March 3, 2015). This would represent approximately \$35.59 in net present value savings to taxpayers for each \$100,000 in assessed valuation. These savings will be passed through to the individual taxpayer through a property tax rate reduction effective in FY 2016-17. The industry standard for undertaking a refunding of bonds is a net present value savings of 3.00 percent or greater.

The transaction is being structured as a fixed rate bond issue. The par amount of the 2015 Refunding Bonds will not exceed \$140,000,000, will bear a true interest cost of not to exceed

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4.00 percent, with a maturity date no later than the final maturity of the Prior Bonds (2039). The 2015 Refunding Bonds will be sold through a negotiated bid process due to time constraints and to provide structuring flexibility. The debt service on the 2015 Refunding Bonds will be supported by property taxes, as previously approved by Oakland voters.

In order to accomplish the refunding, staff recommends that the City Council approve the resolution authorizing the issuance and sale of the 2015 Refunding Bonds and approving and authorizing the execution and delivery of a Fiscal Agent Agreement, Escrow Agreements, Continuing Disclosure Certificate, Bond Purchase Contract, Official Statement, and all necessary actions relating to the refunding of the Prior Bonds. These actions will restructure existing debt.

It is expected that the transaction will close on or before June 2, 2015. All documents referred to in this staff report shall be placed on file in the Office of the City Clerk.

PUBLIC OUTREACH/INTEREST

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

COORDINATION

This report has been prepared by the Treasury Bureau in coordination with City Attorney's Office, Controller's Bureau, and financing team participants.

COST SUMMARY/ IMPLICATIONS

The refunding of all or a portion of the Prior Bonds will result in savings by reducing debt service costs, which are calculated net of the costs of issuance; these savings will be passed through to property owners through a property tax rate reduction estimated to produce total present value savings of \$35.59 per \$100,000 of assessed valuation (based on market conditions as of March 3, 2015) for the entire bond issue.

SUSTAINABLE OPPORTUNITIES

Economic: Issuance of the 2015 Refunding Bonds will result in a positive impact to the property owners of the City of Oakland.

Environmental: There are no impacts to environmental opportunities associated with this report.

Social Equity: There are no impacts to social equity opportunities associated with this report.

For questions regarding this report, please contact Katano Kasaine, Treasurer, at (510) 238-2989.

Respectfully submitted,

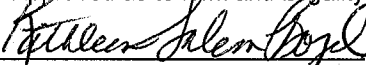


KATANO KASAINÉ
Treasurer, Treasury Bureau

Reviewed by:
David Jones, Principal Financial Analyst
Treasury Bureau

Prepared by:
Dawn Hort, Financial Analyst
Treasury Bureau

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City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

RESOLUTION RATIFYING AND APPROVING THE ISSUANCE AND SALE OF NOT TO EXCEED \$140,000,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF OAKLAND GENERAL OBLIGATION REFUNDING BONDS (DEDICATED UNLIMITED *AD VALOREM* PROPERTY TAX), SERIES 2015A; PRESCRIBING THE TERMS OF SALE OF SAID BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FISCAL AGENT AGREEMENT, ESCROW AGREEMENTS, 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

WHEREAS, this City Council of the City of Oakland (the "City") has heretofore issued its "City of Oakland General Obligation Refunding Bonds, Series 2005" (the "2005 Bonds"), its "City of Oakland General Obligation Bonds (Series 2006, Measure G)" (the "2006 Bonds"), and its "City of Oakland General Obligation Bonds (Series 2009B, Measure DD)" (the "2009 Bonds" and, together with the 2005 Bonds and 2006 Bonds, the "Prior Bonds"); and;

WHEREAS, pursuant to Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code (the "Government Code"), the City is authorized to issue general obligation bonds to refund all or a portion of the Prior Bonds if the City Council determines that prudent management of the fiscal affairs of the City requires the issuance of such refunding bonds, and if the total net interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the total net interest cost to maturity of the Prior Bonds plus the principal amount of the Prior Bonds;

WHEREAS, this City Council has determined that prudent management of the fiscal affairs of the City requires the issuance of City of Oakland General Obligation Refunding Bonds (Dedicated Unlimited *Ad Valorem* Property Tax), Series 2015A (the "Refunding Bonds") for the purpose of refunding all or a portion of the Prior Bonds according to the terms and in the manner hereinafter set forth; and

WHEREAS, this City Council has approved the issuance of the Refunding Bonds pursuant to Ordinance No. _____, enacted on _____, 2015;

WHEREAS, there have been submitted and are on file with the Clerk of this City Council (the "Clerk") proposed forms of a fiscal agent agreement, tentatively dated as of May 1,

2015 (the "Fiscal Agent Agreement"), by and between the City and a fiscal agent to be selected by the City Administrator, Treasurer or designee (the "Fiscal Agent") following a competitive process; escrow agreements, tentatively dated as of May 1, 2015 (each, an "Escrow Agreement"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as escrow agent (the "Escrow Agent"); a continuing disclosure certificate, tentatively dated as of May 1, 2015 (the "Continuing Disclosure Certificate"); an official statement (the "Official Statement"); and a bond purchase agreement (the "Bond Purchase Agreement"), by and among the City and Loop Capital Markets LLC, as representative of itself and Siebert Brandford Shank & Co., LLC and Blaylock Beal Van, LLC, as underwriters of the Refunding Bonds (collectively, the "Underwriters"), all with respect to the Refunding Bonds proposed to be issued and sold;

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 Refunding Bonds and of Redemption of Prior Bonds; Application of Proceeds of Sale. This City Council hereby ratifies and approves the issuance and sale of one or more series of refunding bonds of the City designated as the "City of Oakland General Obligation Refunding Bonds (Dedicated Unlimited *Ad Valorem* Property Tax), Series 2015A" (hereinafter referred to as the "Refunding Bonds") in an aggregate principal amount not to exceed one hundred forty million dollars (\$140,000,000), which amount shall be finally determined by the City Administrator or the City Treasurer or such other officer of the City designated by the City Administrator in writing (each such officer being hereinafter referred to as an "Authorized Representative") in accordance with Section 3 hereof and the general laws of the State of California.

Proceeds from the sale of the Refunding Bonds are hereby authorized to be applied only as permitted by Article 9 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code, including (but not limited to) to acquire escrow securities or otherwise to pay or provide for payment of the principal of the Prior Bonds upon redemption thereof; to pay all expenses incident to the calling, retiring or paying of the Prior Bonds and the issuance of the Refunding Bonds, including charges of the Fiscal Agent in connection with the issuance and payment of the Refunding Bonds; charges of the Escrow Agent in connection with the redemption of the Prior Bonds; interest upon the Prior Bonds from the dated date of the Refunding Bonds to the maturity or earlier redemption date of the Prior Bonds; any premium payable upon the redemption of the Prior Bonds; and the costs of any bond insurance or other credit enhancement with respect to the Refunding Bonds.

Section 3. Terms of the Refunding Bonds. The aggregate principal amount of Refunding Bonds, the date thereof, the maturity dates, principal amounts and annual rates of interest of each maturity thereof, the initial and semiannual interest payment dates thereof, and the terms of optional and mandatory sinking fund redemption thereof, shall be as specified in the Bond Purchase Agreement. All other terms of the Refunding Bonds required by Sections 53553 and 53554 of the Government Code and not otherwise specified herein shall be as specified in the Fiscal Agent Agreement.

Section 4. Tax Levy. For the purpose of paying principal of and interest on the Refunding Bonds, the City Council shall, at the time of making the general tax levy after incurring the bonded indebtedness, and annually thereafter until the Refunding Bonds are paid or until there is a sum in the treasury of the City set apart for that purpose sufficient to meet all payments of principal and interest on the Refunding Bonds as they become due, levy and collect a tax sufficient to pay the interest on the Refunding Bonds and such part of the principal as will become due before the proceeds of a tax levied at the next general tax levy will be available; provided, however, that if it is expected that all or any part of the Refunding Bonds will be sold at such time that the principal of or interest on such Bonds will become due before the proceeds of a tax levied after such sale would be available to pay such principal or interest, the City Council, at the time of fixing the annual tax levy, may levy a tax in an amount clearly sufficient to pay that portion of the principal of and interest on the Refunding Bonds which it is expected will become due before the proceeds of the next succeeding tax levy will be available. Such taxes shall be levied and collected as other City taxes and shall be in addition to all other taxes and shall be used only for payment of the principal of the Refunding Bonds and interest thereon. Said taxes as collected shall be forthwith paid into the fund for which the same were levied and collected and which shall be designated the "City of Oakland General Obligation Refunding Bonds Series 2015A" (the "Debt Service Fund"), and all sums to become due for the principal of and interest on the Refunding Bonds shall be paid from such Debt Service Fund.

When all of the principal of and interest on the Refunding Bonds shall have been paid, any balance of money then remaining in said Debt Service Fund shall be transferred to the general fund of the City.

Section 5. Fiscal Agent Agreement. The form of the Fiscal Agent Agreement, in substantially the form on file with the Clerk, is hereby approved and authorized. The Authorized Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form, completed with terms as shall be agreed to by the Authorized Representative in accordance with this Resolution, and with such other additions, changes or modifications therein as the Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. Escrow Agreement. The form of Escrow Agreement, in substantially the form on file with the Clerk, is hereby approved and authorized. The Authorized Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form, completed with terms as shall be agreed to by the Authorized Representative in accordance with this Resolution, and with such other additions, changes or modifications therein as the Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Official Statement. The form of Official Statement relating to the Refunding Bonds, in substantially the form on file with the Clerk, is hereby approved, with such changes, additions and modifications therein as the Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The 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). The Underwriters are hereby authorized to distribute copies of such Official Statement in preliminary form to persons who may be interested in purchasing the Refunding Bonds. The 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 Underwriters with copies thereof, and the Underwriters are hereby authorized and directed to deliver copies of such Official Statement in final form to subsequent purchasers of the Refunding Bonds.

Section 8. Continuing Disclosure Certificate. The form of Continuing Disclosure Certificate, in substantially the form on file with the Clerk, is hereby approved and authorized. The Authorized Representative is hereby authorized to execute an instrument in substantially said form, completed with terms as shall be agreed to by the Authorized Representative in accordance with this Resolution, and with such additions, changes or modifications therein as the 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 9. Bond Purchase Agreement; Sale of Refunding Bonds. The Bond Purchase Agreement, in substantially the form on file with the Clerk, is hereby approved and adopted as the contract for purchase and sale of the Refunding Bonds. The Authorized Representative is hereby authorized and directed to execute and deliver an instrument in substantially said form, completed with terms as the Authorized Representative shall have agreed to in accordance with this Resolution, and with such other additions, changes or modifications therein as the Authorized Representative, upon consultation with legal counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, however, that (i) the total net interest cost to maturity on the Refunding Bonds plus the aggregate principal amount of the Refunding Bonds shall be less than the total net interest cost to maturity on the Prior Bonds plus the aggregate principal amount of the Prior Bonds; (ii) the Underwriters' discount shall not exceed 0.275% of the aggregate principal amount of the Refunding Bonds; and (iii) the Refunding Bonds shall otherwise conform to the limitations specified herein and imposed by the general laws of the State of California.

Section 10. Appointment of Bond Counsel, Disclosure Counsel and Financial Advisor. The appointment of Orrick, Herrington & Sutcliffe LLP, as bond counsel, Law Office of Alexis S.M. Chiu, as disclosure counsel, and KNN Public Finance, as financial advisor with respect to the Refunding Bonds, is hereby reaffirmed.

Section 11. Authorization of Further Actions. (a) The Underwriters, Bond Counsel, Disclosure Counsel, Financial Advisor and appropriate City officials are hereby authorized and directed to continue to prepare the necessary legal documents to accomplish said financing and the other transactions authorized herein, and to take any and all necessary actions in connection therewith.

(b) The officers and employees of the City are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to consummate the transactions herein authorized, and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution. The Authorized Representative is hereby authorized and directed to provide for the purchase of escrow securities, to engage certified public accountants to verify the sufficiency of funds deposited in escrow, to execute and deliver any and all notices, certificates and representations, including signature certificates, no-litigation certificates, tax certificates, certificates relating to continuing disclosure obligations, notices to the California Debt and Investment Advisory Commission, and certificates concerning the Official Statement describing the Refunding Bonds, and to enter into such agreements or contracts, including as may be necessary to obtain bond insurance with respect to the Refunding Bonds, fiscal agent services, bidding agent services, verification agent services or other services with respect to the Refunding Bonds, or escrow agent services with respect to the Prior Bonds, as such officers deem necessary and desirable to accomplish the purposes of this Resolution.

Section 12. Ratification of Actions. All actions heretofore taken by the officers and agents of the City with respect to the sale, execution and delivery of the Refunding Bonds, the acquisition of escrow securities, and the other transactions authorized and contemplated herein, are hereby approved, confirmed and ratified.

Section 13. Effective Date. This Resolution shall take effect immediately from and after its adoption.

In Council, Oakland, California, _____, 2015.

PASSED BY THE FOLLOWING VOTE:

AYES:

BROOKS, GALLO, GUILLEN, KALB, KAPLAN, REID, WASHINGTON, and PRESIDENT GIBSON MCELHANEY

NOES:

ABSENT:

ABSTENTION:

ATTEST:

LA TONDA SIMMONS
City Clerk and Clerk of the City Council
City of Oakland, California

CERTIFICATE OF THE CITY CLERK

I, La Tonda 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 _____, 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 _____, 2015.

LA TONDA SIMMONS
City Clerk and Clerk of the City Council
City of Oakland, California