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OFFICE OF THE CITY CLERK
OAKLAND
2015 APR 29 PM 12:55

AGENDA REPORT

TO: JOHN A. FLORES
INTERIM CITY ADMINISTRATOR

FROM: Katano Kasaine

SUBJECT: City of Oakland 2015-2016
Tax and Revenue Anticipation Notes

DATE: April 20, 2015

City Administrator
Approval

[Signature]

Date

4/27/15

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Staff recommends that the City Council adopt:

A Resolution Authorizing The Sale Of 2015-2016 Tax And Revenue Anticipation Notes, Series A And Series B (Federally Taxable) In An Amount Not To Exceed One Hundred Seventy Million Dollars (\$170,000,000) And, Authorizing The Execution And Delivery Of Related Documents And Approving Certain Related Actions

OUTCOME

This resolution will authorize the sale of 2015-2016 Tax and Revenue Anticipation Notes (the "TRAN") and the related documents. It is currently expected that the TRAN will be issued in one or more series and the issuance of Series A will address the operating deficit needs for the first half of fiscal year ("FY") 2015-2016, and Series B will enable pre-funding the required contribution for CalPERS which will generates an upfront cash flow saving of \$3.4 million, due to CalPERS prepayment discount of 3.55 percent.

EXECUTIVE SUMMARY

A resolution has been prepared authorizing the TRAN for a not to exceed amount of \$170,000,000 in one or more series and to authorize the execution and delivery of related documents, and to provide for the borrowing of funds for FY 2015-2016.

Pursuant to Section 53850 et seq. of the Government Code of the State of California, (the "Government Code"), a city may borrow money by issuing a TRAN for any purpose for which a city is authorized to expend monies, including but not limited to current expenses, capital

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expenditures, and the discharge of any obligation or indebtedness of a city. Issuing the TRAN is necessary for FY 2015-2016 in order to increase available cash balances, which provide operating funds to cover cash shortfalls. The cash shortfalls arise due to the timing differential of expected monthly cash receipts and disbursements throughout the fiscal year, primarily the distribution of the City's portion of property tax revenues disbursed by the County.

The City anticipates on issuing the TRAN in two series. The key components are as follows:

Series A: As with prior years, Series A of the TRAN, pursuant to Sections 53850 et seq. of the State of California Government Code, will be issued to alleviate the periodic cash flow deficits within the City's General Fund Group for FY 2015-2016.

Series B: Will prefund the required contribution to CalPERS for FY 2015-2016. The City will receive a prepayment discount of 3.55 percent from CalPERS. It is currently expected that the City's General Purpose Fund will benefit an upfront cash flow savings of \$3.4 million. Please note that the City had prefund before, starting in FY 2008-09 and several years after when proven to be fiscal economical.

BACKGROUND/LEGISLATIVE HISTORY

Under California's Government Code, a city can borrow money through the issuance of notes for any purposes for which a city is authorized to expend monies, including current expenses, capital expenditures and the discharge of any obligation or indebtedness of the city. Staff has submitted an ordinance authorizing the borrowing of funds to meet some of the City's authorized expenditure requirements for the Finance and Management Committee on April 28, 2015 and this resolution will authorize the sale of the TRAN as well as the execution of all documents and the taking of all necessary actions relating to the issuance of the TRAN.

The City traditionally issues its TRAN at the beginning of each fiscal year in order to avoid cash deficits prior to the receipt of significant property tax revenues from the County in December and April of each year. The amount of a TRAN borrowing should closely match the maximum projected deficit for the fiscal year so as to minimize borrowing costs and adhere to Internal Revenue Service (IRS) guidelines for sizing a TRAN issuance.

ANALYSIS

TRANs are issued to address temporary cash flow shortfalls arising from fluctuations in annual tax or revenue receipts that the General Fund is dependent on to meet monthly cash flow needs during the fiscal year. The City is planning to issue in one or more series.

Series A (tax-exempt): The schedule in which the City receives its revenues (including property taxes, business license taxes, and sales and use taxes, etc.) is irregular, the General Fund Group has temporary cash flow deficits in the first half of each fiscal year. These deficits are "made-

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whole" at the end of each fiscal year when all of the revenues are received. The issuance of Series A is necessary to alleviate the periodic cash flow deficits within the City's General Fund Group for fiscal year 2015-2016. In effect, the Series A TRAN will positively impact the City's finances as these TRAN will be critical to meeting the operating expenditures of the City in the first half of fiscal year 2015-2016.

Series B (taxable): By "pre-funding" the required contribution to CalPERS in fiscal year 2015-2016 through the issuance of Series B, the City will receive a prepayment discount of 3.55 percent from CalPERS. It is currently expected that the City's General Purpose Fund will benefit upfront cash flow savings of \$3.4 million. These "savings" are realized by the prepayment discount CalPERS gives the City for "pre-funding" the lump sum amount, as opposed to normal periodic payments. In addition, by pre-funding CalPERS through the Series B issuance, it is expected that the Series B will ultimately lower the future employer contribution requirements.

Table 1 below summarizes the savings for prefunding CalPERS payments:

Table 1

City of Oakland 2015-2016 CalPERS Prepayment Analysis			
	Miscellaneous (City Portion)¹	Safety	Total (City)
CalPERS Projected Contribution ²	\$ 49,378,409	\$ 47,385,554	\$ 96,763,963
CalPERS Prepayment	47,624,767	45,702,687	\$ 93,327,454
Gross Savings	\$ 1,753,642	\$ 1,682,867	\$ 3,436,509
% Gross Savings	3.55%	3.55%	3.55%

1. City Portion is approximately 74.82%
2. From CalPERS report dated October 2014

The City's financial advisor, Public Financial Management, Inc. will review all aspects of the sale of both Series to ensure that the TRAN is fairly priced. Hawkins Delafield & Wood LLP, the City's Bond counsel will review all aspects of the issuance to ensure that all applicable legal regulations are met and Straddling Yocca Carlson & Rauth, P.C, the City's Disclosure counsel will provide advice on disclosure documents and will prepare the Preliminary Official Statement as well as the Official Statement. The TRAN will be rated by the accredited rating agencies of Moody's Investors Service and Standard & Poor's Rating Services.

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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 and Controller's Bureau.

COST SUMMARY/IMPLICATIONS

The TRAN is a one year borrowing; the debt service will be covered by the General Purpose Fund and investment earnings. The City will be required to set aside an amount sufficient to pay principal and interest of approximately \$85 million in March 2016 and \$85 million in May 2016.

SUSTAINABLE OPPORTUNITIES

Economic: Issuance of the TRAN will result in a positive impact on the City's finances, which will benefit Oakland's economy at large.

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

Social Equity: There is no social equity opportunities associated with this report.

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

Respectfully submitted,


KATANO KASAINE
Treasurer, Treasury Bureau

Reviewed by:
Dawn Hort, Financial Analyst
Treasury Bureau

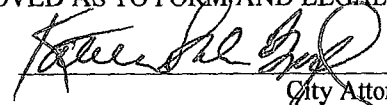
Prepared by:
Max Kumar, Treasury Analyst III
Treasury Bureau

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APPROVED AS TO FORM AND LEGALITY


City Attorney

OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

**RESOLUTION AUTHORIZING THE SALE OF 2015-2016
TAX AND REVENUE ANTICIPATION NOTES , SERIES A
AND SERIES B (FEDERALLY TAXABLE) IN AN AMOUNT
NOT TO EXCEED ONE HUNDRED SEVENTY MILLION
DOLLARS (\$170,000,000); AND, AUTHORIZING THE
EXECUTION AND DELIVERY OF RELATED
DOCUMENTS AND APPROVING CERTAIN RELATED
ACTIONS**

WHEREAS, pursuant to Section 53850 et seq. of the Government Code of the State of California (the "Government Code") contained in Article 7.6 thereof, entitled "Temporary Borrowing," on or after the first day of any fiscal year (being July 1), a city may borrow money by issuing notes for any purpose for which a city is authorized to expend moneys, including but not limited to current expenses, capital expenditures and the discharge of any obligation or indebtedness of a city; and

WHEREAS, pursuant to Section 53853 of the Government Code, the City Council (the "Council") of the City of Oakland (the "City") has found and determined that the sum of up to One Hundred and Seventy Million Dollars (\$170,000,000) is needed for the requirements of the City to satisfy obligations payable from the General Fund of the City, and that it is necessary that an amount up to said sum be borrowed for such purpose at this time by the issuance of notes therefor, in one or more series, in anticipation of the receipt of taxes, revenues and other moneys of the City and every department of the City, to be received by the City for the General Fund of the City during or allocable to Fiscal Year 2015-2016; and

WHEREAS, the City intends to issue one or more series of the (i) 2015-2016 Tax and Revenue Anticipation Notes (the "Series A Notes") in the sum of up to Fifty-Five Million Dollars (\$55,000,000) to satisfy obligations payable from the General Fund of the City, and (ii) 2015-2016 Tax and Revenue Anticipation Notes, Series B (Federally Taxable) (the "Series B Notes" and together with the Series A Notes, the "Notes") in the sum of up to One Hundred Fifteen Million Dollars (\$115,000,000) to satisfy obligations payable from the General Fund of the City, including but not limited to funding the early payment of a portion of the contribution of the City, including the various departments of the City, to CalPERS for the Fiscal Year 2015-2016, pursuant to an ordinance to be enacted; and

WHEREAS, the City desires to sell one or more series of the Notes pursuant to a public sale; and now therefore be it

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RESOLVED: that one or more series of the Notes shall be sold at a public sale upon the direction of the City Administrator, the Treasurer, or the designee of either, said public sale to be at the time and place and upon the terms provided in the Official Notice of Sale pertaining to the Notes, which shall be in substantially the form on file with the City Clerk (the "Notice of Sale"). Bids for the purchase of the Notes shall be received by the City Administrator, the Treasurer, or the designee of either, at the time and place and in the manner set forth in the Notice of Sale. The City Administrator, the Treasurer, or the designee of either, is authorized to distribute copies of the Notice of Sale. The Council hereby authorizes and ratifies publication in The Bond Buyer of a Notice Of Intention To Sell in substantially the form on file with the City Clerk, said publication being required to be made in a financial publication generally circulated throughout the State at least 5 days prior to the award of the Notes at competitive bid pursuant to Section 53692 of the Government Code; and be it

FURTHER RESOLVED: that the City Administrator, the Treasurer, or the designee of either, is hereby authorized to award the Notes in an aggregate principal amount not exceeding the sum set forth in the Ordinance to the bidder(s) for the Notes providing the lowest net interest rate as provided in the Notice of Sale. Upon award of the Notes to the successful bidder(s), (i) the City Administrator, the Treasurer, or the designee of either, is hereby authorized and directed to deliver a certificate stating the principal amount of the Notes, the maturity date of the Notes, and the interest rate on the Notes, and (ii) appropriate officers of the City are authorized and directed to execute and deliver the Notes to the successful bidder(s); and be it

FURTHER RESOLVED: that the proposed form of Fiscal Agent Agreement (the "Fiscal Agent Agreement"), by and between the City and a financial institution to be selected by the Treasurer, on file with the City Clerk, is hereby approved. The City Administrator or Treasurer, or a designee of any such official, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Fiscal Agent Agreement, substantially in such form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution thereof; and be it

FURTHER RESOLVED: that the preparation and distribution of a Preliminary Official Statement relating to the Notes, in substantially the form and substance on file with the City Clerk, is hereby ratified and approved. The City Administrator, the Treasurer, or the designee of either, is authorized to deem such Preliminary Official Statement "final" for purposes of Securities and Exchange Commission Rule 15c2-12, and is further authorized to approve the final Official Statement with such changes therein, deletions therefrom and modifications thereto, such approval to be conclusively evidenced by the execution and delivery thereof by such officer; and be it

FURTHER RESOLVED: that the City hereby covenants and agrees that it will comply with and carry out all of the provisions of that certain Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of the Notes, as originally executed and as it may be amended from time to time in accordance with the terms thereof. Any Noteholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section. Noncompliance with this Section shall not result in any default with respect to the Notes or the acceleration of the Notes; and be it

FURTHER RESOLVED: that Public Financial Management, Inc. (the "Financial Advisor") is hereby appointed to serve as financial advisor in connection with the issuance of the Notes; and be it

FURTHER RESOLVED: that the City Administrator, Treasurer 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 entering into investment agreements with respect to the Notes and using proceeds of the Series B Notes to fund the early payment of a portion of the contribution of the City, including the various departments of the City, to CalPERS for the Fiscal Year 2015-2016; and be it

FURTHER RESOLVED: that 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; and be it

FURTHER RESOLVED: that this Resolution shall take effect immediately upon its passage.

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: _____
LaTonda Simmons
City Clerk and Clerk of the
Council of the City of Oakland

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