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OFFICE OF THE CITY CLERK
OAKLAND

2017 AUG 29 PM 2:55

AGENDA REPORT

TO: Sabrina B. Landreth
City Administrator

FROM: Katano Kasaine
Director of Finance

SUBJECT: Oakland 2017-18 TRAN Informational
Report

DATE: August 21, 2017

City Administrator Approval

Date:

8/28/17

RECOMMENDATION

Staff Recommends That The City Council Receive An Informational Report Regarding The Issuance And Sale Of The \$70,605,000 City Of Oakland 2017-2018 Tax And Revenue Anticipation Note.

EXECUTIVE SUMMARY

The \$70,605,000 City of Oakland (the "City") 2017-2018 Tax and Revenue Anticipation Note (the "Note") was issued on July 20, 2017. The Note was issued as one taxable series bearing an interest rate of 1.69 percent (1.69%) per annum and maturing on June 29, 2018. The Note was issued to finance the prepayment of the City's Employer Unfunded Accrued Liability ("UAL") contribution to CalPERS for Fiscal Year 2017-18 ("FY17-18"). The City received a 3.55 percent (3.55%) prepayment discount from CalPERS for the "pre-funding." Issuance of the Note and pre-funding of the City's annual CalPERS UAL contribution generated net cost savings of \$1,720,975 for FY17-18.

BACKGROUND / LEGISLATIVE HISTORY

On June 6, 2017, City Council adopted Ordinance No. 13437 C.M.S. (the "Ordinance") providing for the borrowing of funds and the issuance and sale of 2017-2018 notes payable from revenues received during the fiscal year 2017-2018 in an amount not to exceed \$86,000,000 and approving certain related matters.

On June 20, 2017, City Council adopted Resolution No. 86800 C.M.S. (the "Resolution") providing for the borrowing of funds for fiscal year 2017-2018 and the issuance and sale of the City of Oakland 2017-2018 Tax and Revenue Anticipation Note in an amount not to exceed \$86,000,000, and approving the execution of a note purchase agreement relating to such note and authorizing other actions in connection therewith.

Item: _____

Finance and Management Committee
September 12, 2017

ANALYSIS AND POLICY ALTERNATIVES

The Note was issued on July 20, 2017 in a principal amount of \$70,605,000. The Note was issued as one taxable series with a maturity date of June 29, 2018. The Note was purchased by Bank of America N.A. at an interest rate of 1.69 percent (1.69%) per annum. Per the Ordinance and Resolution, principal of and interest on the Note (i.e., debt service), is payable from property taxes, taxes, income, revenue, cash receipts, and other moneys of the City which are attributable to FY17-18 and available for the payment of current expenses and other obligations of the City.

The Note was issued to finance the prepayment of the City's UAL contribution to CalPERS for FY17-18. By making a lump sum payment by July 30, 2017 instead of monthly payments throughout the fiscal year, the City received from CalPERS a prepayment discount of 3.55 percent (3.55%) of the required annual UAL contribution. Issuance of the Note and pre-funding of the City's annual CalPERS UAL contribution generated net cost savings of \$1,720,975 for FY17-18.

As previously stated, beginning in FY17-18, only the UAL portion of the employer contribution can be pre-funded. The Normal Cost¹ portion of the employer contribution will be made as part of the regular payroll reporting process.

FISCAL IMPACT

This item is for informational purposes only and does not have a direct fiscal impact or cost.

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 Treasury Bureau in coordination with the Finance Department and Office of the City Attorney.

¹ The minimum required employer contribution includes the sum of two components: 1) Normal Cost ("NC") Rate, which represents the annual cost of service accrual for the upcoming fiscal year, for active employees. Normal cost is shown as a percentage of payroll and paid as part of the payroll reporting process. 2) Annual payment on the Unfunded Accrued Liability ("UAL") is the amortized dollar amount needed to fund past service credit earned (or accrued) for members who are currently receiving benefits, active members, and for members entitled to deferred benefits, as of the valuation date. The UAL is billed monthly.

SUSTAINABLE OPPORTUNITIES

Economic: There are no economic opportunities associated with this item.

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

Social Equity: There are no social equity opportunities associated with this item.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the City Council receive an informational report regarding the issuance and sale of the \$70,605,000 City of Oakland 2017-2018 Tax and Revenue Anticipation Note.

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

Respectfully submitted,



Katano Kasaine
Director of Finance, Finance Department

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Treasury Bureau