



MEMORANDUM

TO: HONORABLE MAYOR &
CITY COUNCIL

FROM: Katano Kasaine
Director of Finance

SUBJECT: Oakland 2018 Bond Rating and
Financing Results

DATE: October 16, 2018

City Administrator
Approval

Date:

10/24/18

INFORMATION

Ratings:

The City of Oakland's (the "City") credit ratings were affirmed at Aa2/AA, the third highest ratings available, by Moody's and Standard and Poor's ("S&P") and upgraded to AA- from A+ by Fitch. The rating agencies note the City's robust economy, healthy financial position and strong management team. The rating agencies also note the City's long-term liability burdens remain a concern that the City is working to address. The Oakland Redevelopment Successor Agency's (the "ORSA") credit ratings were upgraded 3-notches to AA- from A- reflecting strong assessed valuation growth, improved covenants and geographic and economic diversity. **Table 1** summarizes the City's current credit ratings.

Table 1: Credit Ratings as of 10/16/2018

Credit	Moody's		S&P		Fitch	
General Obligation or Issuer Default	Aa2	Affirmed	AA	Affirmed	AA-	Upgraded
Lease Revenue	Aa3	Affirmed	AA-	Affirmed	-	
Pension Obligation	Aa3	Affirmed	AA-	Affirmed	A+	Upgraded
ORSA RPTTF ¹ Pledge	-		AA-	Upgraded	-	

Financing Results:

Staff has been proactive and diligent in taking advantage of attractive opportunities in the current interest rate environment to successfully prepay a portion of the City's California Public Employees' Retirement System ("CalPERS") liability and complete three refinancings of existing debt (i.e. bond refundings). The prepayment and bond refundings generated over \$39 million in savings for the City, local governments and constituents. The prepayment was financed by the issuance of the 2018-19 Tax and Revenue Anticipation Note (the "TRAN") which bears an aggressive interest rate and provides cost efficiencies. The refunding bonds enjoyed outstanding investor demand and reduced borrowing costs achieving significant debt service savings. **Table 2** summarizes the bond financing results.

¹ Redevelopment Property Tax Trust Fund

Table 2: Bond Financing Results

Par, Series	Final Maturity	TIC ²	Gross Savings	NPV ³ Savings ⁴	Savings To City
\$83,430,000 Oakland TRAN 2018-19 (Taxable)	6/28/2019	2.77%	\$1,561,401	-	\$1,561,401
\$60,025,000 JPFA LRB Ref Series 2018	2026	2.36%	\$7,115,697	\$6,895,595 Or 10.52%	\$7,115,697
\$15,190,000 ORSA TAB Ref Series 2018-TE	2031	2.58%	\$4,551,949	\$3,234,667 Or 17.99%	\$1,411,104
\$41,765,000 ORSA TAB Ref Series 2018-T (Taxable)	2039	4.16%	\$23,143,045	\$11,878,878 Or 31.44%	\$7,174,344
\$1,380,000 PP1 LOB Ref Series 2018	2039	3.57%	\$2,909,274	\$463,621 Or 17.17%	-
Total			\$39,281,366	\$22,472,761	\$17,262,546

Oakland TRAN

The City’s TRAN was issued to finance the prepayment of the City’s Employer Unfunded Accrued Liability contribution to CalPERS for Fiscal Year 2018-19 (“FY18-19”). The City received a 3.50 percent (3.50%) prepayment discount from CalPERS for the lump sum payment. Debt service on the TRAN is secured by general fund revenues received by the City in FY18-19.

Benefits:

- The City will save almost \$1.6 million in FY18-19 by making a lump sum payment instead of monthly payments to CalPERS.

JPFA Refunding Bonds

The Oakland Joint Powers Financing Authority (the “JPFA”) Lease Revenue Refunding Bonds (Oakland Administration Building) Series 2018 (the “JPFA Refunding Bonds”) were issued to refund the JPFA’s outstanding Series 2008B bonds. The JPFA’s bonds were originally issued to finance the design, construction, rehabilitation and equipping of the City’s Wilson Building and Dalziel Building. Debt service on the JPFA Refunding Bonds is secured by rental payments made by the City to the JPFA to lease the Wilson Building.

Benefits:

- The City will save \$7.1 million in total gross debt service.
- The refunding enabled the City to release the previous lien on the Dalziel Building.

² True interest cost

³ Net present value

⁴ Dollar amount of NPV savings or percentage of refunded par

ORSA Refunding Bonds

The ORSA Subordinate Tax Allocation Refunding Bonds, Series 2018-TE and Series 2018-T (Federally Taxable) (the "ORSA Refunding Bonds") were issued to refund the ORSA's outstanding Series 2006B-TE and Series 2011A-T bonds. The ORSA's bonds were originally issued to finance the ORSA's 1) redevelopment activities in the Coliseum Area Redevelopment Project Area and 2) low and moderate income housing activities. Debt service on the ORSA Refunding Bonds is secured by property tax increment revenues.

Benefits:

- The City will receive a total of \$8.6 million more in property tax revenues.
- Fourteen overlapping taxing entities, such as Oakland USD, Peralta CCD and AC Transit, will receive a share of \$19.1 million more in property tax revenues.

PP1 Refunding Bonds

The City of Oakland, California Limited Obligation Refunding Bonds Utility Underground Assessment District No. 2007-232, Piedmont Pines Phase 1 ("PP1") (Reassessment and Refunding of 2018) (the "PP1 Refunding Bonds") were issued to refund PP1's outstanding Series 2010 Bonds. PP1's bonds were originally issued to finance the costs of undergrounding utilities of special benefit to property within PP1. Debt service on the PP1 Refunding Bonds is secured by property tax assessments levied on property within PP1.

Benefits:

- Property owners in PP1 will save on average over \$600 per year totaling about \$13,469 per parcel on their assessment levies.

Upcoming Issuance:

Future issuance plans include general obligation bonds to finance improvements to water quality related to Lake Merritt, recreational facilities and parks and open space per Measure DD as well as improvements to infrastructure such as streets and sidewalks, City facilities and affordable housing per Measure KK.

Respectfully submitted,



Katano Kasaine
Director of Finance, Finance Department

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