



CITY OF OAKLAND

MEMORANDUM**TO:** HONORABLE MAYOR &
CITY COUNCIL**FROM:** Katano Kasaine**SUBJECT:** Results of City of Oakland 2014-15
Tax and Revenue Anticipation Notes
Market Pricing**DATE:** July 9, 2014

City Administrator

Date

Approval

/s/ **Henry L. Gardner****7/11/14****INFORMATION**

The purpose of this informational report is to provide the City Council with an update on the recent pricing for the \$55,000,000 City of Oakland 2014-2015 Tax and Revenue Anticipation Notes (TRAN) (the “2015 Notes”). The 2015 Notes were issued to finance General Fund expenditures secured by future tax revenues to facilitate availability of cash flows (primarily due to the timing of the receipt of property tax revenues) including current expenses, capital expenditures and the discharge of other obligations of the City. **The closing on the 2015 Notes will occur on July 23, 2014.**

The Treasury Bureau along with its financial advisor, FirstSouthwest has been proactively outreaching to investors to convey the strong credit of the City of Oakland (the “City”) and its 2015 Notes. The City continues to experience modest economic growth and produce stable financial results. On July 9, 2014, the City competitively sold its 2015 Notes through MuniAuction, an online bidding platform. The City’s 2015 Notes were well received by the market and outperformed all other municipalities (i.e., City of Los Angeles, County of Los Angeles, County of Santa Cruz, City of Berkeley, etc) that were sold through a competitive and negotiated sale since June 2014. In a competitive sale, the notes are award to the lowest bidder through a bidding process versus a negotiated sale the terms and price of which are negotiated through a selected underwriter. See attached Exhibit A for a full list.

It was not until 2012 that the City had sold its TRANs through a competitive sale again due to the 2008 financial crisis. In 2012, the City Treasurer believed that the City’s notes had strong credit and could be sold competitively to reduce borrowing cost. The Treasury Bureau with its financing team engaged investor’s interest through market outreach (i.e., presentation, net roadshow, one-on-one calls, etc.) on the City’s notes resulting in the first successful competitive sale since the turmoil in the market and has continued the trend of the competitively method of sale. As the market conditions improved and better reception of the City’s debt, the City continues to improve each year in the market as shown in the table below.

HONORABLE MAYOR AND CITY COUNCIL

Subject: City of Oakland 2014-15 Tax and Revenue Anticipation Notes Market Pricing

Date: July 9, 2014

Page 2

Year	TIC
2012-13 Notes	0.209%
2013-14 Notes	0.178%
2014-15 Notes	0.108%

The City has demonstrated strong financial management practices to investors over the years and has continued to maintain high credit ratings for the 2015 Notes, which resulted in participation by ten (10) bidders who submitted a total of twenty-three (23) bids. RBC Capital Markets was the winning bid with a true interest cost (TIC) of 0.108% – the lowest cost of funds compared to other comparable California municipalities that have priced in the market since the note season began in early June 2014. Below is a schedule summarizing the bid results. The tight spread in interest rates between the top bidders demonstrated the competitiveness of the bids.

\$55,000,000*		
City of Oakland, California		
2014-15 Tax and Revenue Anticipation Notes		
Bid	Firm	True Interest Cost (TIC)
1 st	RBC Capital Markets	0.10817%
2 nd	Mitsubishi	0.11028%
3 rd	Goldman Sachs	0.11091%
4 th	Citigroup	0.11150%
5 th	JP Morgan	0.11196%
6 th	Wells Fargo Bank	0.11242%
7 th	Piper Jaffray	0.11407%
8 th	Barclays	0.11879%
9 th	Jefferies & Co.	0.14956%
10 th	Bank of America	0.15222%

* Preliminary, subject to change

For questions please contact Katano Kasaine, Treasurer, at 510-238-2989.

Respectfully submitted,

/s/

 KATANO KASAINÉ
 Treasurer, Treasury Bureau