



**OAKLAND UNIFIED
SCHOOL DISTRICT**
Community Schools, Thriving Students

Independent Citizen Bond Oversight Committee (CBOC) Meeting

by

Isom Advisors,
a Division of Urban Futures, Inc.

April 8, 2019



About Isom Advisors and the Municipal Advisor Role

Introduction

Meeting your financial challenges and saving you money

Oakland Unified School District

- ❖ Isom Advisors is a full service planning, campaign, and financial advisory firm that serves California school districts.
- ❖ The leading financial advisor to school districts for since 2011 based on number of general obligation bond financings.
- ❖ We are independent with no conflicts of interest.
- ❖ Our staff has over 100 years of experience providing honest advice and the highest level of service.
- ❖ Strong references from our clients.
- ❖ Regional experience includes:
 - Albany USD
 - Campbell UHSD
 - Fairfield Suisun USD
 - Franklin-McKinley SD
 - Fremont UHSD
 - Gilroy USD
 - Hayward USD
 - Livermore USD
 - Martinez USD
 - Mtn View-Los Altos UHSD
 - New Haven USD
 - San Lorenzo USD
 - Pacifica SD
 - San Bruno City SD
 - San Lorenzo USD
 - South San Francisco USD
 - Sunnyvale SD
 - Tracy USD
 - Walnut Creek SD



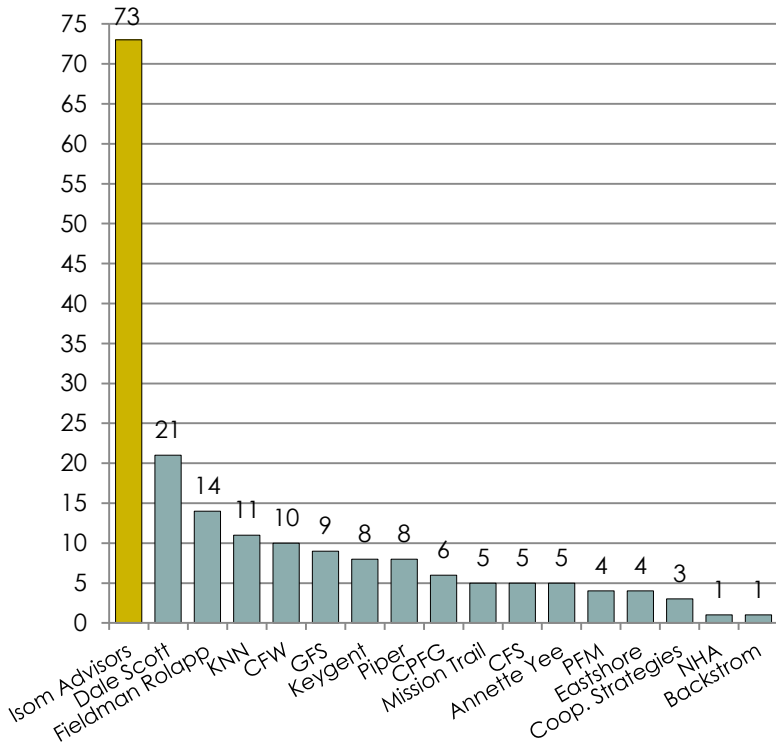
Past Bond Program Successes

A leader in every election cycle

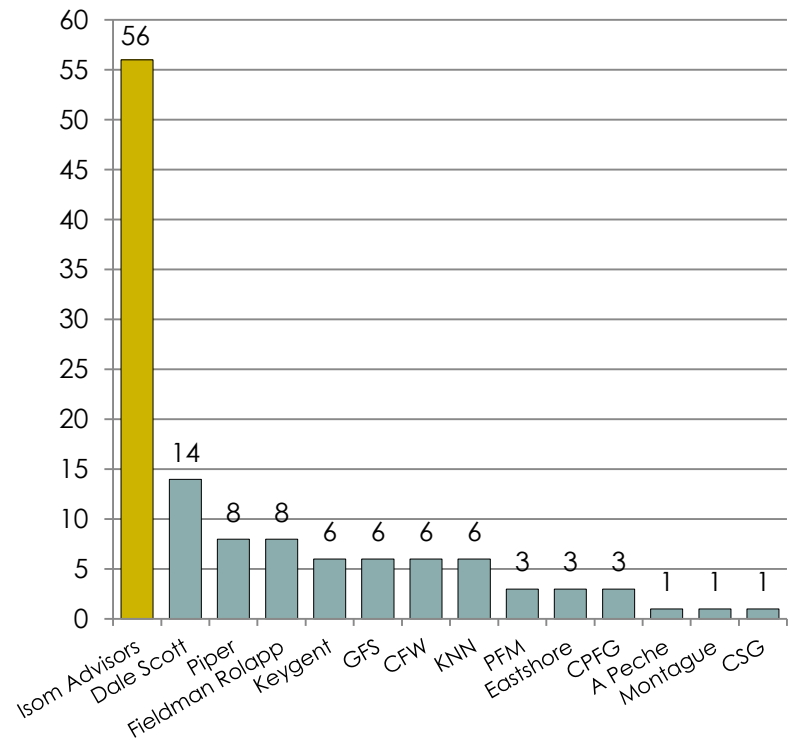
Oakland Unified School District

- ❖ We have more than triple the amount of experience in implementing new bond authorizations than our nearest financial advisor competitor.

2016 Successful K-12 School Bond Programs by Financial Advisors



2018 K-12 Successful School Bond Programs by Financial Advisors



A Leader in the Industry

More K-12 bonds sold since 2011 than any FA firm

Oakland Unified School District

- ❖ Isom Advisors has been the leading financial advisor to California school districts in 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018.
- ❖ Isom Advisors is in the market managing bond sales more frequently than any other F.A. firm. This experience provides our clients unparalleled expertise in structuring bonds and determining appropriate interest rates.

**2018 Ranking of Top 7 K-12 CA Financial Advisors
of District Bond Sales***

Financial Advisor	Districts
Isom Advisors, Urban Futures Inc.	100
Fieldman Rolapp	20
Dale Scott & Co.	20
Piper Jaffray	18
KNN Public Finance	13
Caldwell Flores Winters	11
PFM	11

*Updated and corrected for full year

**2017 Ranking of Top 7 K-12 CA Financial Advisors
of District Bond Sales**

Financial Advisor	Districts
Isom Advisors, Urban Futures Inc.	128
Dale Scott & Co.	35
KNN Public Finance	28
Fieldman Rolapp	27
Keygent	22
Caldwell Flores Winters	22
Government Financial Strategies	19

**2016 Ranking of Top 7 K-12 CA Financial Advisors
of District Bond Sales**

Financial Advisor	Districts
Isom Advisors, Urban Futures Inc.	98
Keygent	42
Dale Scott & Co.	36
Fieldman Rolapp	33
KNN Public Finance	33
Government Financial Strategies	30
Caldwell Flores Winters	26

**2015 Ranking of Top 7 K-12 CA Financial Advisors
of District Bond Sales**

Financial Advisor	Districts
Isom Advisors, Urban Futures Inc.	93
Dale Scott & Co.	36
Keygent	32
KNN Public Finance	25
Caldwell Flores Winters	25
Government Financial Strategies	22
Fieldman Rolapp	21

**2014 Ranking of Top 7 K-12 CA Financial Advisors
of District Bond Sales**

Financial Advisor	Districts
Isom Advisors, Urban Futures Inc.	48
Keygent	37
Dale Scott & Co.	17
Caldwell Flores Winters	15
Fieldman Rolapp	11
Government Financial Strategies	11
Dolinka Group	10

**2013 Ranking of Top 7 K-12 CA Financial Advisors
of District Bond Sales**

Financial Advisor	Districts
Isom Advisors, Urban Futures Inc.	55
Keygent	41
Dale Scott & Co.	29
Fieldman Rolapp	29
Caldwell Flores Winters	28
Kelling Northcross Nobriga	25
Dolinka Group	25

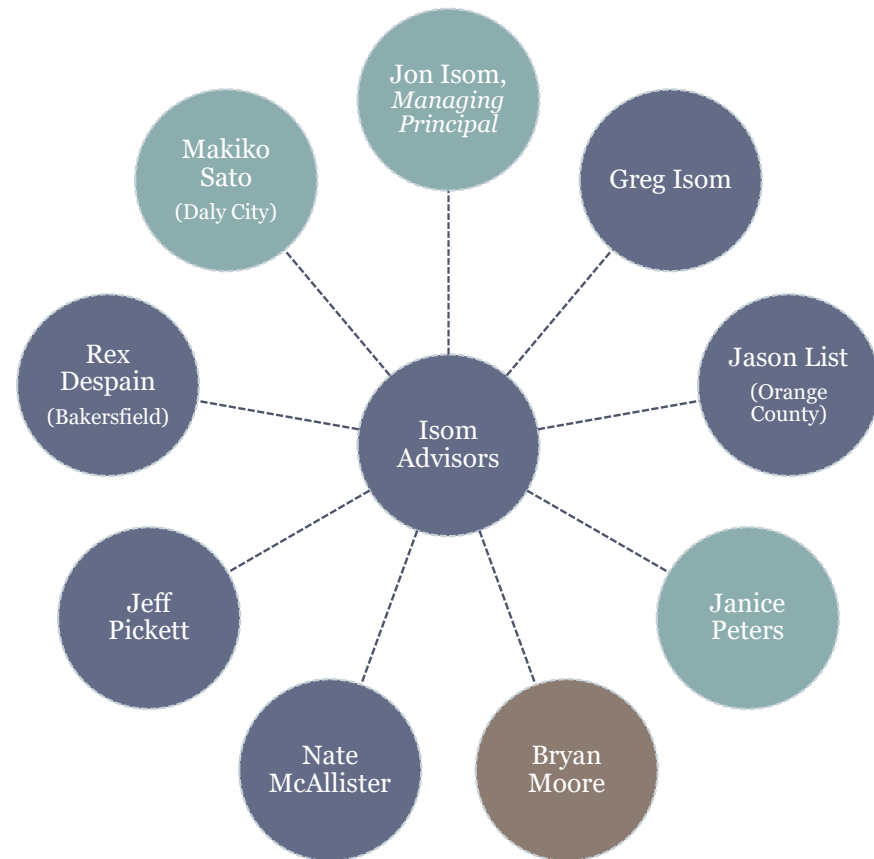
Source: California Debt and Investment Advisory Commission, Thompson Reuters, Isom Advisors

Isom Advisors Staff

Focus on serving our school district clients

Oakland Unified School District

- ❖ Delivering **high-quality** and **timely** work product to our California school district clients is a top priority for us
- ❖ Our staff has **over 100 years of combined experience** providing honest advice and the highest level of service
- ❖ We believe that our school district clients benefit from **senior level service** and we do not rely on junior analysts.
- ❖ As our client base has expanded over the last five years, we have correspondingly **increased our staff, while other firms are cutting**, to continue to deliver the type of service we believe our clients deserve
- ❖ We have a **rating specialist** on staff with seven years of senior experience at S&P
- ❖ Most of our staff is located in **northern California** – either in the Walnut Creek or Daly City office

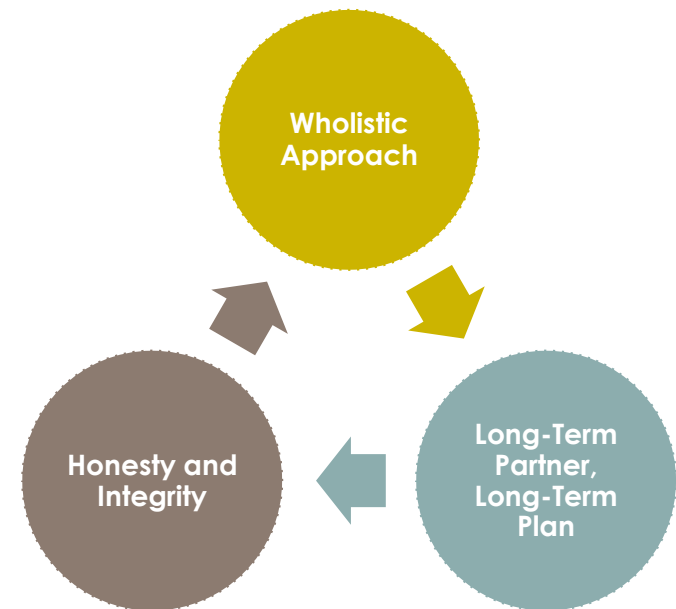


Isom Advisors Philosophy

We have a long-term, wholistic, and honest approach

Oakland Unified School District

- ❖ **Long-Term Partner, Long-Term Plan:** We will partner with the District to develop a sustainable and responsible long-term plan to meet the District's facility needs through bond funding and other funding sources while maintaining and garnering community trust and support.
- ❖ **Wholistic Approach:** We take a wholistic approach to bond financings and have a variety of tools (bond structuring skills, rating expertise, community survey experience, pricing expertise, political insight) to provide Oakland USD with insightful financing solutions.
- ❖ **Honest and Integrity:** We understand the importance of providing honest and responsible advice, which includes fees we charge our clients. Further, our firm has never been in a lawsuit with a client, and neither our conduct nor our financings have ever been questioned or investigated in court, or by the Securities and Exchange Commission (SEC), Internal Revenue Service (IRS), or Municipal Securities Rulemaking Board (MSRB).



Municipal Advisor Role

Fiduciary Duty to the District

Oakland Unified School District

- ❖ Municipal advisors have an explicit **fiduciary duty** their clients.
- ❖ Government Finance Officers Association (GFOA)'s Best Practices strongly recommend that governments hire a municipal advisor for their bond transactions.
- ❖ We work as an extension of staff during the bond financing process to:
 - ✓ Assist District, as needed, to assemble bond finance team members
 - ✓ Manage bond issuance process including the coordination with other finance team members
 - ✓ Analyze the assessed valuation and bonding capacity of the District and perform financial analysis to determine possible bond proceeds
 - ✓ Analyze bond market to determine timing, credit enhancement, structure, bond amount, and method of sale
 - ✓ Present financing options to District staff and the Board, as necessary or desired
 - ✓ Review legal documents including resolutions, purchase agreements, and offering documents
 - ✓ Prepare credit presentation; negotiate with credit analysts and prepare District for rating meetings
 - ✓ Discuss structure and tax rate objectives with underwriter, provide feedback on pricing
 - ✓ Review closing legal, tax and continuing disclosure documents
 - ✓ Prepare wrap up presentation to summarize the bond sale for presentation to the board

District's Current Bond Program

Bond & Assessed Value History

District's AV has grown by 6.14% per year on average since 2000

Oakland Unified School District

Oakland USD Historical Assessed Value		
Bond Year Ending	Total Value	% Change
2001	\$20,015,378,495	N/A
2002	22,173,493,675	10.78%
2003	24,125,381,918	8.80%
2004	26,398,611,273	9.42%
2005	28,773,255,734	9.00%
2006	31,742,592,507	10.32%
2007	35,397,975,133	11.52%
2008	38,788,595,546	9.58%
2009	40,642,124,986	4.78%
2010	39,402,498,742	-3.05%
2011	38,126,374,551	-3.24%
2012	38,499,028,268	0.98%
2013	39,181,389,882	1.77%
2014	40,351,744,891	2.99%
2015	42,915,939,049	6.35%
2016	47,003,395,467	9.52%
2017	50,278,981,123	6.97%
2018	53,863,451,057	7.13%
2019	57,556,383,413	6.86%
Average		6.14%

Source: Alameda County; California Municipal Statistics

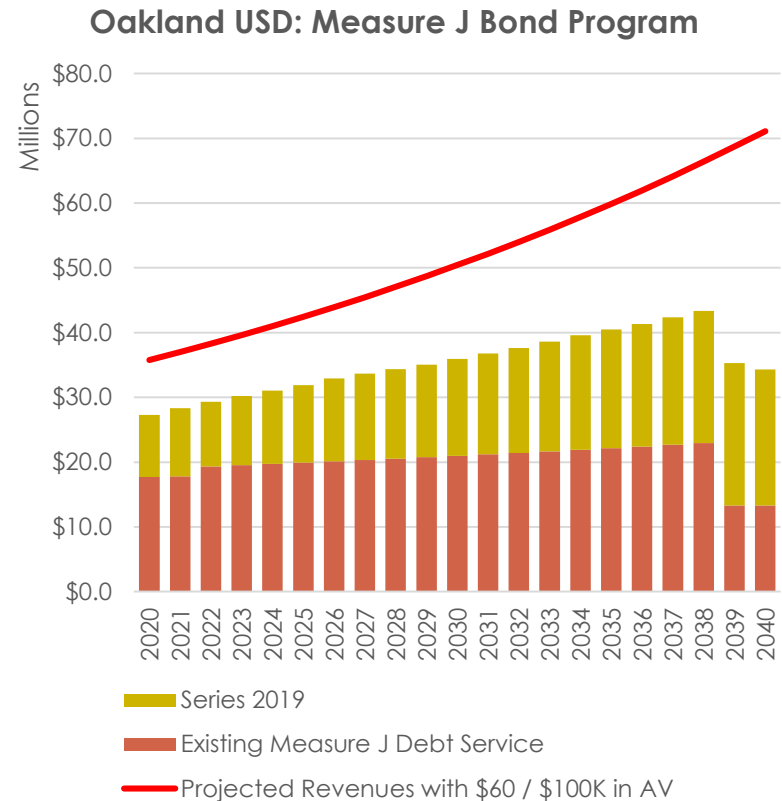
- ❖ In 1994, District voters approved a \$170.0 million bond measure at 84.0% voter support (Measure C).
- ❖ In 2000, District voters approved a \$303.0 million bond measure at 84.7% voter support. (Measure A)
- ❖ In 2006, District voters approved a \$435.0 million bond measure at 78.0% support. (Measure B)
- ❖ In 2012, District voters approved a \$475.0 million bond measure at 84.4% support. (Measure J)
- ❖ The District 2018-19 tax rate is \$117.60 per \$100,000 in A.V.

Measure J Bond Program

Measure J Series 2019 bond series

Oakland Unified School District

- ❖ The District is planning to issue the third series of bonds under the Measure J authorization this May/June.
 - The District has \$175,000,000 in authorized but unissued bonds remaining under the Measure J authorization.
 - The District has plenty of capacity under the Proposition 39 bond program maximum of \$60 per \$100,000 in assessed value tax rate assuming an average assessed valuation increase of 3.5% per year.
 - While the District is still finalizing the par amount and repayment structure of the bonds, we are looking for opportunities to repay bonds faster while being mindful of the overall tax rate impact to taxpayers.



Challenges and Opportunities

Notable steps in the Series 2019 bond issuance process

Oakland Unified School District

❖ **Rating Strategy and Investor Outreach:**

- The financial position of the District is not as strong as it was when it last sold bonds in 2017.
- Moody's and S&P have already downgraded the District and will be evaluating the District closely over the next few months/years.
- Another challenge is that a Puerto Rico bankruptcy decision may impact the ability to get the 'AAA' rating from Fitch.
- Obtaining municipal bond insurance on the bonds can bolster the credit of the bonds.
- Focused investor outreach may be critical to improve the pricing outcomes on the financing.

❖ **Underwriter Request for Proposals (RFPs):**

- The Government Finance Officers Association (GFOA) recommends the use of a Request for Proposal (RFP) process when selecting underwriters in order to promote fairness, objectivity and transparency.
- We are in the middle of conducting the RFP process for underwriter. We have received six underwriting proposals and we expect to interview four firms.
- Although the RFP process is still ongoing, we estimate that the reduction in underwriting fees from the RFP process is likely to be in the hundreds of thousands of dollars based on the proposals we received.

Timeline – Next Steps

Bond issuance in June

Oakland Unified School District

Task	Responsible Party	Timing*
Underwriter Selection Process	Finance Team / District	Early April
Credit presentation to rating agencies	District/Isom	April 12 th
Board approves financing	District	April 24 th
Board approves preliminary official statement	District	May 8 th
Distribute Preliminary Official Statement	Finance Team	May 9 th
County Board of Supervisors meeting	Finance Team	May 21 st
Sell GO Bonds	Finance Team	May 22 nd
Finalize legal documents	Finance Team	Late May / Early June
Close Transaction – District receives funds	Finance Team	Early to Mid-June

*Tentative timeline; adjustments may be made to accommodate for changing market conditions and other outside factors that could affect the timing of the bond sale process.