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File ID Number	11-3155
Introduction Date	12.7.11
Enactment Number	11-2628
Enactment Date	12-14-11



**OAKLAND UNIFIED
SCHOOL DISTRICT**

Community Schools, Thriving Students

Memo

To Board of Education
From Tony Smith, Ph.D., Superintendent
 By: Maria Santos, Deputy Superintendent, Instruction, Leadership & Equity-in-Action
 Vernon Hal, Deputy Superintendent, Business & Operations

Board Meeting Date
(To be completed by Procurement) 12-14-11

Subject Contract for Professional Advisory Services - KNN Public Finance - Kelling, Northcross & Nobriga (contractor)-905/Business & Operations(site/department)

Action Requested Approval by the Board of Education of Contract for Professional Advisory Services between Oakland Unified School District and KNN Public Finance - Kelling, Northcross & Nobriga, a Division of Zions First National Bank ("KNN"), as Financial Advisor to assist the District with various financial responsibilities. The Contract shall be valid and binding through the issuance of all series of bonds issued under authorization to be paid from bond sale proceeds for bond transactions and consultant services for non-transactions a cumulative cost not-to-exceed \$130,000.00 for the period of July 1, 2011 through June 30, 2012.

Background KNN has served as the Oakland Unified School District financial advisor since 1995 for bonds and other financing needs.

Discussion The District agrees to cooperate with KNN, bond counsel and other parties to the transactions, and to furnish the necessary information for the preparation and drafting of disclosure documents and legal documents, and to assert its best efforts to verify the accuracy of the information contained in such documents.

Recommendation Approval by the Board of Education of Contract for Professional Advisory Services between Oakland Unified School District and KNN Public Finance - Kelling, Northcross & Nobriga, a Division of Zions First National Bank ("KNN"), as Financial Advisor to assist the District with various financial responsibilities. The Contract shall be valid and binding through the issuance of all series of bonds issued under authorization to be paid from bond sale proceeds for bond transactions and consultant services for non-transactions a cumulative cost not-to-exceed \$130,000.00 for the period of July 1, 2011 through June 30, 2012.

Fiscal Impact Funding resource name General Fund not to exceed \$130,000.00.

Attachments

- Contract for Professional Advisory Services including scope of work.



CONTRACT FOR FINANCIAL ADVISORY SERVICES

BETWEEN

OAKLAND UNIFIED SCHOOL DISTRICT AND
1025 Second Avenue
Oakland, CA 94606

KNN PUBLIC FINANCE
A Division of Zions First National Bank
1333 Broadway, Suite 1000
Oakland, CA 94612

We are advised that the Oakland Unified School District (the "District") wishes to employ the services of KNN Public Finance, a Division of Zions First National Bank ("KNN") as Financial Advisor to assist the District with various responsibilities, as described below.

The responsibilities of the Financial Advisor will include:

- providing and facilitating on-going communication between the District, rating agencies, bond insurers, and the bond market;
- assist the District in preparing materials for continuing disclosure to the nationally recognized municipal securities repositories (NRMSIRs), rating agencies, bond insurers, and the bond market in general;
- maintain debt service schedules and tables as back-up for District-prepared reports;
- assist the District in structuring and issuing securities related to the financing of school facilities (see Appendix A for scope of services);
- assist the District in borrowing for cash flow stability (see Appendix A for scope of services);
- assist the District in providing for other capital financing needs; and special projects, as assigned.

District's Obligations

The District agrees to cooperate with KNN, bond counsel and other parties to the transactions, and to furnish the necessary information for the preparation and drafting of disclosure documents and legal documents, and to assert its best efforts to verify the accuracy of the information contained in such documents.

Duration of Contract

This contract shall be valid and binding from July 1, 2011, through June 30, 2012. The District or KNN may terminate this contract at any time by giving 30 days written notice of termination. All written notices shall be given to the Superintendent for the District or the Managing Director of KNN. District agrees to compensate KNN for any services provided and expenses incurred up through termination date.

Insurance

KNN maintains insurance coverage for general liability, professional liability and errors and omissions in excess of most public agency requirements.

Compensation

For financial consultant services for non-transaction assignments, we propose a fee schedule that allows all payment to be made quarterly, based on the hours worked. KNN would receive \$200 per hour. Such consultant fees would be billed quarterly in an amount not-to-exceed \$15,000 annually.

For financial consultant services specific to a transaction, KNN shall be paid from proceeds of the transaction. Fees will depend on the complexity and nature of the transaction and will be discussed and agreed upon prior to the close of the transaction. The fee for a specific transaction may range from \$20,000 (short-term notes) to \$120,000 (Certificates of Participation). The fee for each series of general obligation bonds is anticipated to be \$115,000.

Reimbursement for expenses: For out-of-pocket expenses for outside printing and/or copying of disclosure material, courier or delivery charges, conference call charges, obtaining statistical data from outside sources, and other miscellaneous expenses, KNN will invoice the District.

The following signatures indicate acceptance of the responsibilities and services described in this contract.

KNN PUBLIC FINANCE

By: *Ruth Arakhydoian*

Title: Vice President

Date: October 25, 2011

ACCEPTED:

OAKLAND UNIFIED SCHOOL DISTRICT

Jody London

By: Jody London 12/15/11
President, Board of Education

Title: _____

Date: *Edgar Rakestraw, Jr.* 12/15/11
Edgar Rakestraw, Jr., Secretary
Board of Education

OAKLAND UNIFIED SCHOOL DISTRICT
Office of General Counsel
APPROVED FOR FORM & SUBSTANCE
By: *J. Minor*
Attorney at Law



LEGISLATIVE FILE

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APPENDIX A

SCOPE OF SERVICES TO BE PROVIDED BY FINANCIAL ADVISOR

As Financial Advisor (the “Advisor”), KNN Public Finance, a Division of Zions First National Bank, will assist the District in structuring and issuing securities to be offered in the municipal bond markets. The following services are specific to general obligation bonds but can be applied to any other municipal financing and are provided here as a broad scope of services to be provided:

BASIC SERVICES:

THE FOLLOWING SERVICES ARE OFFERED FOR A PROPOSED GENERAL OBLIGATION BOND PROGRAM PRESENTED TO VOTERS FOR AUTHORIZATION.

Pre-Election: Financial Planning and Bond Measure Options

- Present bond authorization options based on a review of present and future capital needs, current outstanding debt, existing tax rates and District overall objectives. Prepare tax rate impact analyses for each option, with a discussion of the factors that influence the tax rate and the policy implications of adjusting such factors. Present strategies that minimize tax rate impact and address District financing priorities including sizing of issues, tax rate thresholds and timing of sales.
- Coordinate our efforts with any voter survey or election consultants, bond counsel, the District, and the appropriate county officials in the preparation and drafting of necessary documents for the election process.
- Develop a long-term financial model, or bond program, to meet the District's construction time line, projected cash flow needs, and targeted tax rate threshold. This comprehensive financial plan generally includes a proposed bond issuance schedule and a tax impact analysis, and documents the assumptions that affect the schedule and tax rates.

Election: Voter Authorization

- Consult with the County Registrar of Voters to establish the bond election proceedings and deadline dates, and monitor that all plan appropriately for these dates.
- Prepare the District's tax rate statement to be included in the voter pamphlet and review the tax rate statement with the County Auditor-Controller's office.

professional assessment of the municipal bond market at the time of sale. KNN will provide the following services:

- Advise as to securities market conditions and the timing of the sale;
 - For a competitive sale, KNN shall distribute the official notice of sale and bid form, along with the preliminary official statement, to prospective underwriters, respond to their questions regarding the financing, actively solicit their bids, coordinate the publication of notices of sale, coordinate the bid opening process, and calculate the true interest cost of each bid received to determine the best bidder;
 - For a negotiated sale, KNN shall assist the District in the selection of an underwriter, negotiate underwriting spread and interest rates on behalf of the District, and monitor the underwriter's sale effort to ensure the lowest financing costs are achieved. KNN's preferred method in a negotiated sale is to structure the financing and assemble the official statement as described above, and then select an underwriter and negotiate with its underwriting desk only when the issue is ready to sell. This approach, when pursued with three or four underwriters simultaneously, delivers the lowest possible negotiated underwriting cost, often approaching the results of a competitive sale.
- Coordinate the delivery, printing, and final approval of legal documents, and the preparation of closing certificates and final official statement.
 - Coordinate the work of the District and members of the financing team to ensure that the issue is consummated within a reasonable period of time.
 - Advise the District subsequent to the issuance of each series of bonds as to the ongoing responsibilities related to such issue, including responsibilities related to the appropriate expenditure of bond proceeds, arbitrage rebate reporting, and continuing disclosure, among others.
 - Assist in planning for the investment of bond proceeds and coordinate the investment activity.

Post Sale: Bond Program Management

- Provide the necessary information to the County Tax Collector for the calculation and collection of the annual tax levy.
- Provide the District each Fall with information related to the proposed tax rate to be levied by the County to support bonds issued under the authorization and how such proposed rate relates to the tax rate estimates provided during the campaign.
- Provide ongoing updates to the District's financing plan as changes to facility needs and/or methods of funding change.
- Monitor interest rates and evaluate refunding opportunities for outstanding general obligation bonds. Provide periodic updates to the District on the feasibility of refunding outstanding bonds.