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Memo

To Measures A, B and J Independent Citizens' School Facilities Bond Oversight Committee and the Facilities Committee

From Kyla Johnson-Trammell, Superintendent
Timothy White, Deputy Chief, Facilities Planning and Management

Committee Meeting Date August 12, 2019

Subject Update on GO Bond Sale

Action Update on Series 2019 bond sale.

**Background/
Discussion** On August 1, 2019, Oakland Unified School District successfully priced \$175 million in general obligation bonds, comprised of \$160 million in tax-exempt bonds and \$15 million in taxable bonds. The strong order period allowed the District to negotiate further reductions in borrowing rates. The final true interest cost or TIC on the Series 2019 bonds were 2.90%, which is substantially lower than the estimate of 4.35% provided to the Board at the time of the bond resolution. The total debt service on the bonds will be approximately \$271 million, more than \$52 million lower than the estimate provided to the board at the time of the bond resolution. The Series 2019 bonds will be issued (and bond proceeds deposited into the District's building fund) on Tuesday, August 13, 2019.

Recommendation Update on Series 2019 bond sale

Fiscal Impact 175 million in capital funds

Attachment N/A

Oakland Unified School District is currently in the process of issuing its third and final series of bonds under the Measure J authorization. There was a presentation by our financial advisor at the CBOC meeting on April 8th. In late April, the financing team received direction from the District Board to delay the pricing until after the adoption of the 2018-19 budget. Based on the direction from the Board, the financing schedule was updated for a July pricing. The District has continued to move forward on the bond financing. Some of the key accomplishments are as follows:

- **Underwriter Selection Process:** The District conducted an underwriter selection process for the Series 2019 bonds. The District received proposals from six underwriting firms. Based on the written responses, the District interviewed four underwriting firms. Siebert Cisneros Shank & Co. LLC (“Siebert”) was selected as senior manager and Stifel, Nicolaus & Company, Inc. (“Stifel”) was selected as co-manager. Siebert has been the underwriter for the District for many years and demonstrated their thorough understanding of the District’s credit profile during the selection process. Siebert is also Oakland based and is a minority / women owned business enterprise (M/WBE). Stifel has extensive experience working on California school district bond financings and its main contacts are Oakland residents. The underwriter takedown on a per bond basis will be approximately half of the levels in the District’s prior bond pricing.
- **Meeting with the rating agencies:** On April 12th, OUSD management met with analysts from the rating agencies. Given the change in the financing schedule, Moody’s was requested to hold off on providing a rating on the upcoming bonds. As we get closer to the pricing date, the financing team has been in touch with Moody’s and has provided them with recent and new OUSD financial information such as the Third Interim Report and draft of the 2019-20 Budget. Moody’s is expected to provide a rating on the upcoming bonds soon.
- **Cash flow discussions:** There were a number of discussions on the facilities project cash flows, including an in-person meeting between bond counsel and the OUSD facilities staff. These discussions helped develop a common understanding regarding the facilities cash flow and the likelihood of meeting the spenddown requirements under tax law.
- **Adoption of authorizing resolution by District Board and County:** The District Board approved authorizing resolution and most of the required documents in form at the board meeting on April 24th. Given the District’s “qualified” status on its interim budgets, County Board approval was also necessary. The County Board approved their resolution on May 21st.
- **Substantial completion of the preliminary official statement (POS):** The preliminary official statement is the main disclosure document provided to potential investors of the District’s bonds. There is a significant amount of OUSD financial and management information in the POS and the financing team has been working closely with key OUSD staff over the last few weeks to complete and thoroughly review the POS. [The Board has approved the form of POS at last night’s board meeting.]

The next steps are to post the POS and to begin the investor outreach process. The investor outreach process allows the potential investors to conduct their due diligence as they evaluate whether to purchase the District's bonds. The underwriters are recommending one-on-one investor calls prior to the bond pricing. The bond market continues to be very strong and the financing team is working in close collaboration with OUSD staff to have a successful pricing and closing.

Makiko Sato - Principal