

Board Office Use: <b>Legislative File Info.</b>	
File ID Number	15-0804
Introduction Date	5/13/15
Enactment Number	15-0646
Enactment Date	5/13/15 <i>EM</i>



**OFFICE OF THE GENERAL COUNSEL**

# Memo

**To** Board of Education

**From** Vernon Hal, Senior Business Officer  
Jacqueline P. Minor, General Counsel

**Board Meeting Date** May 13, 2015

**Subject** **Agreement – KNN PUBLIC FINANCE, a division of Zions Public Finance, Inc.**

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**Action Requested** **Approval of Agreement with KNN, a division of Zions Public Finance, Inc.**

**Background and Discussion**

KNN has been the District's financial advisor for a number of years. KNN performs the following on behalf of the District:

- 1) assists the District in managing the process of structuring and bringing to market for competitive sale, negotiated sale or other placement, specific securities obligations, preparation of official statements or other offering documents, or managing or organizing the work of other professionals in a financing team to these various;
- 2) assists the District in borrowing for cash flow stability;
- 3) assists the District in providing for other capital financing needs;
- 4) provides debt service schedules and tables updated to new issues as back-up for District-prepared reports.

The Agreement is for the term from January 1, 2015 to December 31, 2017, with fees determined by the complexity and nature of the transactions, but anticipated not to exceed \$115,000 for bond sales and not to exceed \$120,000 for Certificates of Participation. The next Measure J Bond sale will occur in the summer of 2015.

**Recommendation** **Approval of Agreement with KNN**

**Fiscal Impact** Fees paid from the financing transaction

**Attachment** Agreement



CONTRACT FOR FINANCIAL ADVISORY SERVICES

BETWEEN

OAKLAND UNIFIED SCHOOL DISTRICT  
1000 Broadway, Suite 680  
Oakland, CA 94607

AND

KNN PUBLIC FINANCE  
*A Division of Zions Public Finance, Inc.*  
1300 Clay Street, 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 ("KNN"), a division of Zions Public Finance, Inc., as financial advisor to assist the District with various responsibilities, as described below.

The responsibilities of KNN will include:

- assist the District in managing the process of structuring and bringing to market for competitive sale, negotiated sale or other placement, specific securities obligations on behalf of the District, preparation of official statements or other offering documents, or managing or organizing the work of other professionals in a financing team to these various ends (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.
- provide debt service schedules and tables updated to new issues as back-up for District-prepared reports;

As a division of Zions Public Finance, Inc., KNN is a registered Municipal Advisor with the Securities Exchange Commission and Municipal Securities Rulemaking Board. Zions Public Finance, Inc. is a wholly-owned subsidiary of Zions First National Bank.

**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 January 1, 2015, through December 31, 2017. 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.

Contract for Financial Advisory Services

**Compensation**

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 final pricing 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.

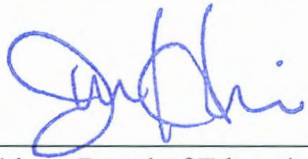
Reimbursement for expenses: For out-of-pocket expenses for outside printing and/or copying of disclosure material, courier or delivery charges, conference call charges, obtaining statistical data from outside sources, and other miscellaneous expenses, KNN will invoice the District.

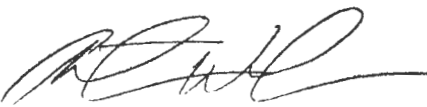
The following signatures indicate acceptance of the responsibilities and services described in this contract.

KNN PUBLIC FINANCE  
A Division of Zions Public Finance, Inc.

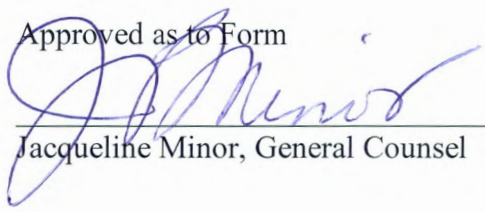
By: \_\_\_\_\_  
Jon Armstrong  
Title: Vice President  
Date: March 30, 2015

OAKLAND UNIFIED SCHOOL DISTRICT

By: \_\_\_\_\_  
  
President, Board of Education  
Oakland Unified School District

By: \_\_\_\_\_  
  
Secretary, Board of Education  
Oakland Unified School District

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Enactment Date: 5/13/15  
By: 0.15

Approved as to Form  
  
Jacqueline Minor, General Counsel



## APPENDIX A

### SCOPE OF SERVICES TO BE PROVIDED BY FINANCIAL ADVISOR FOR STRUCTURING AND ISSUING SECURITIES

As financial advisor, KNN Public Finance ("KNN"), a division of Zions Public Finance, Inc., will assist the District in managing the structuring, offering and issuing of securities in the municipal bond markets. KNN, as a division of Zions Public Finance, Inc. is a registered Municipal Advisor with the Securities Exchange Commission and the Municipal Rules Making Board, and acknowledges that as such it has a fiduciary responsibility to place first the financial interest of the District. Zions Public Finance, Inc. is a wholly-owned subsidiary of Zions First National Bank. The following services are specific to general obligation bonds, but generally (the major exception being election services are not always required) can be applied to any other municipal financing and are provided here as a broad scope of services to be provided:

#### **BASIC SERVICES:**

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#### **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.
- Provide appropriate financial advisory services as they relate to the required election documents. Review proposed ballot language as prepared by the District or the political consultant, review the proposed ballot argument and the proposed rebuttal ballot argument, if any, as prepared by campaign committee or political consultant, prepare the tax rate statement for District signature, and review the impartial analysis prepared by County Counsel.
- Attend all meetings as required and provide staff support to the District and campaign committee as appropriate during the pre-planning process and the bond campaign.
- Provide tax rate impact analyses to the District for public information during the election campaign.

**THE FOLLOWING SERVICES ARE OFFERED FOR THE EXISTING OR PROPOSED GENERAL OBLIGATION BOND PROGRAM PRESENTED TO VOTERS FOR AUTHORIZATION AND ANY OTHER FINANCING OR DEBT OBLIGATION THE DISTRICT MAY CONSIDER.**

**Post Election: Issuing Bonds**

- Advise the District as to size and timing of each series of bonds to be issued under the successful authorization. Such advice will take into account the capital needs of the District, the availability of other sources of funds, and the desired tax impact of the entire bond program.
- Structure and manage specific financings in accordance with the District's financing plan, capital project plan, and specific financing requirements and capital project needs.
- Coordinate the efforts of bond counsel and, if involved, County counsel, any other legal counsel, and county elected officials, with respect to the preparation and approval of the financing documents by the District Board and, if required, County Board of Supervisors.
- Attend all meetings and present materials for the debt financing procedure.
- Manage the credit review process with the goal of reducing borrowing costs. Such work will include the submission of materials to a rating agency or agencies and to bond insurers and other providers of credit enhancement. To the extent advisable or desired by the District, prepare and coordinate a comprehensive presentation to be used in a face-to-face meeting with the rating services. This presentation will cover all relevant information regarding the financing and will be designed to address the District's ability to fund the annual debt service payments through its tax base given the dynamics of the local economy. Prepare a similar presentation for bond insurers, if one is required.

- As needed, assist disclosure or underwriter's counsel, as the case may be, in their preparation of the official statement for the financing, based on information provided to us by the District and other participants in the financing, in a manner consistent with existing laws and regulations and standards of the securities industry. The official statement serves as a marketing instrument and a disclosure document of the District incident to the financing.
- Structure the securities transactions and manage the sale process. Such work will include a comprehensive analysis of structuring options and their policy and financial implications and 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, negotiation of 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.
- 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 coordination of the investment activity as requested.

#### **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.