

Board Office Use: Legislative File Info.	
File ID Number	18-0340
Introduction Date	3/28/2018
Enactment Number	18-0549
Enactment Date	3/28/18 OK



OAKLAND UNIFIED SCHOOL DISTRICT
Community Schools, Thriving Students

Memo

To Board of Education

From Kyla Johnson-Trammell, Superintendent

Board Meeting Date March 28, 2018

Subject **Contract for Municipal Advisory Services – KNN PUBLIC FINANCE**

Action Requested **Approval of Contract for Municipal Advisory Services with KNN Public Finance**

Background and Discussion KNN Public Finance, a limited liability company, Oakland, CA, has been a trusted and knowledgeable financial advisor to the District for a number of years. This contract is to provide the following services on an as-needed basis 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 Contract is for the term from March 15, 2018 to June 30, 2022, 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.

Recommendation Approval of Contract for Municipal Advisory Services with KNN Public Finance, with a term of March 15, 2018 to June 30, 2022

Fiscal Impact Not to exceed \$115,000 for bond sales; not to exceed \$120,000 for Certificates of Participation; fees paid from the financing transaction

Attachment

- Contract for Municipal Advisory Services



CONTRACT JUSTIFICATION FORM
This Form Shall Be Submitted to the Board Office
With *Every* Consent Agenda Contract.

Legislative File ID No. _____

Department: _____

Vendor Name: _____

Contract Term: Start Date: _____ End Date: _____

Annual Cost: \$ _____

Approved by: _____

Is Vendor a local Oakland business? Yes ___ No ___

Why was this Vendor selected?

Summarize the services this Vendor will be providing.

Was this contract competitively bid? Yes ___ No ___

If No, answer the following:

1) How did you determine the price is competitive?

2) Please check the competitive bid exception relied upon:

- Educational Materials**
- Special Services** contracts for financial, economic, accounting, legal or administrative services
- CUPCCAA exception** (Uniform Public Construction Cost Accounting Act)
- Professional Service Agreements** of less than \$87,800 (increases a small amount on January 1 of each year)
- Construction related Professional Services** such as Architects, DSA Inspectors, Environmental Consultants and Construction Managers (require a "fair, competitive selection process)
- Energy** conservation and alternative energy supply (e.g., solar, energy conservation, co-generation and alternate energy supply sources)
- Emergency** contracts [requires Board resolution declaring an emergency]
- Technology** contracts
 - electronic data-processing systems, supporting software and/or services (including copiers/printers) over the \$87,800 bid limit, must be competitively advertised, but any one of the three lowest responsible bidders may be selected
 - contracts for computers, software, telecommunications equipment, microwave equipment, and other related electronic equipment and apparatus, including E-Rate solicitations, may be procured through an RFP process instead of a competitive, lowest price bid process
 - Western States Contracting Alliance Contracts (WSCA)
 - California Multiple Award Schedule Contracts (CMAS) [contracts are often used for the purchase of information technology and software]
- "Piggyback" Contracts** with other governmental entities
- Perishable Food**
- Sole Source**
- Change Order for Material and Supplies** if the cost agreed upon in writing does not exceed ten percent of the original contract price
- Other, please provide specific exception**

Agreement

In consideration of the mutual covenants and conditions set forth in this Agreement, the parties agree as follows:

1. Financial Consulting

The District is retaining KNN to perform the consulting services as found in Exhibit A, and KNN agrees to perform such services pursuant to the terms and conditions of this Agreement. If there are required services outside the scope found in Exhibit A, KNN and the District will negotiate the terms for those services. KNN does not provide legal advice or interpretations and refers the District to its attorneys with respect to any legal matters or matters requiring legal interpretation.

2. District 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 the legal documents and the official statement that may be required, and to assert its best efforts to verify the accuracy of the information contained in such documents. All information provided to KNN by the District will be accurate and complete.

3. Material Development

All material, originally prepared and delivered to the District will be the property of the District. This excludes any proprietary information, ideas, or other intellectual property.

4. Term of Agreement

This contract shall be valid and binding from March 15, 2018, through December 31, 2023. 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 Principal of KNN. District agrees to compensate KNN for any services provided and expenses incurred up through termination date.

5. Compensation

For municipal advisory services under this Agreement, KNN shall be paid the transaction fees set forth in Exhibit B. The compensation to KNN will be contingent upon the ultimate sale and delivery of municipal securities and will be payable from bond proceeds or other monies from the sale of the securities. Invoice for payment will be provided at closing of each financing. The number and type of financings pursuant to this agreement is not determined. Please see Exhibit C for disclosures regarding contingent fees.

Expenses

The District will reimburse KNN for its reasonable out of pocket expenses, which shall not exceed \$5,000 per each financing. Such expenses include, but are not limited to, travel and administration

costs, the expense of any outside copying costs, courier or delivery charges, conference call charges, data information (fees for data information services such as TM3 and Bloomberg will be billed at \$550 per transaction), and processing services, and the costs of obtaining statistical data from outside sources, shall be paid by the District.

Other Financing Expenses. The District will pay all costs and expenses incurred by other consultants retained by the District.

6. Other Provisions

Insurance

KNN shall maintain in full force and effect, workers' compensation insurance, general liability and professional liability and errors and omissions insurance covering its employees at KNN expense.

Indemnification

Each party (the "Indemnifying Party") shall indemnify and hold harmless the other party, its officers, directors, employees, and affiliates (collectively, the "Indemnified Party") against any claims or actions arising out of any and all claims by third parties arising out of the performance or non-performance of the Indemnifying Party's obligations under this Contract, except to the extent attributable to the negligence or willful misconduct of the Indemnified Party; provided, however, that this indemnity shall not preclude the Indemnified Party's recovery of direct damages pursuant to the terms and subject to the limitations of this Contract. This provision shall survive termination of the Agreement.

Additional Disclosures

Please see Exhibit B for disclosures pursuant to Municipal Securities Rulemaking Board ("MSRB") Rule G-42, on Duties on Non-Solicitor Municipal Advisors, Municipal Advisors MSRB disclosure and pursuant to MSRB Rule G-10, on Investor and Municipal Advisory Client Education and Protection.

7. Termination

Each party may terminate this agreement, with or without cause, at any time by giving the other party thirty (30) days written notice of termination. KNN may also resign from performing services upon written notice in the event that KNN has a conflict with professional regulations, standards or guidelines as required by Municipal Advisory rules and regulations.

In the event, such termination of this agreement is less than 30 days prior to a financing transaction that KNN has provided consulting services, KNN shall be entitled to compensation for any work associated with the financing. KNN will submit an itemized invoice for services rendered within thirty (30) days of the written notice of termination and shall identify any/all services provided under this agreement, who provided such service and the corresponding hourly rate for such person. District will review the invoice and pay any undisputed amounts due within thirty (30) days after receipt of said itemized invoice.

8. Notice to Parties

Notices to be given to parties named in this agreement shall be made in writing and delivered by United States Post Office, registered:

To the District

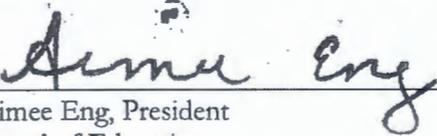
Kyla Johnson-Trammell, Superintendent
Oakland Unified School District
1000 Broadway, Suite 680
Oakland, CA 94607

To the Municipal Advisor

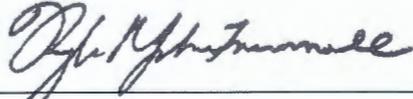
Blake Boehm, Principal/Director
KNN Public Finance, LLC
1300 Clay Street, Suite 1000
Oakland, CA 94612

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

OAKLAND UNIFIED SCHOOL DISTRICT

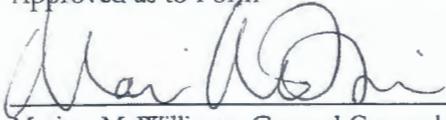

Aimee Eng, President
Board of Education

3/29/18
Date


Kyla Johnson-Trammell
Superintendent and Secretary, Board of Education

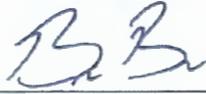
3/29/18
Date

Approved as to Form


Marion McWilliams, General Counsel

2/21/18
Date

KNN PUBLIC FINANCE, LLC
a California limited liability company


Blake Boehm, Principal/Director

2/21/18
Date

EXHIBIT A

Scope of Municipal Advisory Services

If acting in the capacity of an Independent Registered Municipal Advisor (“IRMA”) with regard to the IRMA exemption of the SEC Rule, KNN Public Finance, LLC will review all third-party recommendations submitted to KNN Public Finance, LLC in writing by the Oakland Unified School District.

A. Bond Program Management.

1. *General Management.* Advise the District as to the decisions that need to be made and the actions that need to be taken, including the schedule of the issuance and structure of bonds, the expenditure of bond proceeds, the levy and collection of taxes, and the repayment of bonds issued.
2. *Timing of Issues.* Advise as to the timing for each series of bonds to be sold based upon the District’s historical and projected bond program expenditures, market interest rate environment, work schedules of the interested parties, and other factors.
3. *Sizing of Issues.* Advise as to the sizing of each series of bonds to be sold based upon District bond program needs, federal tax law limitations, state regulatory restrictions, targeted tax rates, goals of the bond program, and other matters.
4. *Structure of Issues.* Advise as to the repayment structure of each series of bonds to be sold based on targeted tax rates, impact on interest costs, prudent debt management practices, and other considerations.
5. *Ongoing Support.* Answer questions, attend meetings, and make presentations as appropriate to support the bond program.
6. *Monitor for Refundings.* 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.
7. *Evaluate Financing Alternatives.* Evaluate non-general obligation bond financing alternatives whether developed by KNN Public Finance, inquired about by the District, or presented to the District by a third party. Recommend financing alternatives to be pursued based on such evaluations.

B. Issuance of Securities.

1. *Coordination and Communication.* Attend all meetings and present materials in connection with any bond financing issues as requested by the District.

2. *Manage Financing Process.* Manage the financing process, on behalf of the District. In connection with each series of bonds sold, prepare a schedule of activities and monitor the schedule to ensure the financing is completed in a timely manner.
3. *Authorizing Documentation.* Provide bond counsel with all information necessary for their preparation of all appropriate authorizing documentation (including a resolution prepared for District Board approval), and review and comment on such authorizing documentation prior to their approval.
4. *Financial Documentation.* Review the draft official statement prior to its approval by the governing board, prior to the posting of the preliminary official statement, and prior to the printing of the final official statement.
5. *Rating and Insurance Process.* Determine appropriate strategy for the rating and insurance process and perform all tasks necessary to implement such strategy. For an issue that requires a presentation to the rating agencies, work in conjunction with the District's underwriter and bond counsel to prepare a presentation booklet and prepare the appropriate District representatives to make such presentation, and assist in presenting to insurance and rating agencies.
6. *Closing Documentation.* Provide bond counsel with all appropriate information necessary for their preparation of appropriate closing documentation, and review and comment on such documentation prior to District approval.
7. *Ongoing Responsibilities.* Review with the District certain ongoing responsibilities of the District in connection with the financing, and assist in arranging for the provision of certain of ongoing services at the direct written request of the District.

Exhibit B
Compensation*

Municipal Securities FA Fees

Certificates of Participation	Not to exceed \$120,000 for each series
General Obligation Bonds	Not to exceed \$115,000 for each series
Bond Anticipation Notes	
Lease Revenue Bonds	
General Obligation Refunding Bonds	

*See Section 5, Compensation

Exhibit C **MSRB Disclosures**

Pursuant to Municipal Securities Rulemaking Board (“MSRB”) Rule G-42, on Duties on Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary Events of KNN Public Finance, LLC (“KNN Public Finance”) and its associated persons.

Conflicts of Interest

From time to time, KNN Public Finance provides services to the City of Oakland and Alameda County. We don’t believe that such services present a conflict of interest with our services for the District.

KNN Public Finance represents that in connection with the issuance of municipal securities, KNN Public Finance may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, KNN Public Finance hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding KNN Public Finance’s ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair KNN Public Finance’s ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

If KNN Public Finance becomes aware of any additional potential or actual conflict of interest after this disclosure, KNN Public Finance will disclose the detailed information in writing to the Issuer in a timely manner.

Legal or Disciplinary Events

KNN Public Finance, LLC, has never been subject to any legal, disciplinary or regulatory actions nor was it ever subject to any legal, disciplinary or regulatory actions previously, when it was a division of Zions First National Bank or Zions Public Finance, Inc.

A regulatory action disclosure has been made on Form MA-I for one of KNN’s municipal advisory personnel relating to a 1998 U.S. Securities and Exchange Commission (“SEC”) order that was filed while the municipal advisor was employed with a prior firm, (not KNN Public Finance). The details of which are available in Item 9; C(1), C(2), C(4), C(5) and the corresponding regulatory action DRP section on Form MA and Item 6C; (1), (2), (4), (5) and the corresponding regulatory action DRP section on Form MA-I. Issuers may electronically access KNN Public Finance’s most recent Form MA and each most recent Form MA-I filed with the Commission at the following website:

www.sec.gov/edgar/searchedgar/companysearch.html.

The SEC permits certain items of information required on Form MA and Form MA-I to be provided by reference to such required information already filed on a regulatory system (e.g., FINRA CRD). The above noted regulatory action has been referenced on both Form MA and MA-I due to the information already filed on FINRA’s CRD system and is publicly accessible through

BrokerCheck at <http://brokercheck.finra.org>. For purposes of accessing such BrokerCheck information, the Municipal Advisor's CRD number is 4457537.

There has been no change to any legal or disciplinary event that has been disclosed on KNN Public Finance's original SEC registration Form MA filed on February 8, 2016 or Form MA-I's filed on January 22, 2016.

Additional Disclosures - MSRB Rule G-10

Pursuant to Municipal Securities Rulemaking Board Rule G-10, on Investor and Municipal Advisory Client Education and Protection, Municipal Advisors are required to provide certain written information to their municipal entity and obligated person clients which include the following:

- a) KNN Public Finance, LLC is currently registered as a Municipal Advisor with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board.
- b) Within the Municipal Securities Rulemaking Board ("MSRB") website at www.msrb.org, Oakland Unified School District may obtain the Municipal Advisory client brochure that is posted on the MSRB website. The brochure describes the protections that may be provided by the MSRB Rules along with how to file a complaint with financial regulatory authorities.