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OAKLAND UNIFIED  
SCHOOL DISTRICT

Community Schools, Thriving Students

# Memo

**To** Board of Education

**From** Vernon Hal, Deputy Superintendent

**Board Meeting Date** June 12, 2013

**Subject** **CONTRACT FOR FINANCIAL ADVISORY SERVICES WITH KNN PUBLIC FINANCE, A DIVISION OF ZIONS FIRST NATIONAL BANK**

**Action Requested** Approval of Contract for Financial Services with KNN Public Finance, a division of Zions First National Bank

**Background** KNN has been the financial advisor for the District for many years. As the District's financial advisor, KNN facilitates communications between the District, rating agencies, and bond investors; assists in preparing materials to meet continuing disclosure obligations; maintains debt service schedules; assists the District in structuring and issuing securities; and assists the District in borrowing funds for cash flow.

**Discussion**  
*One paragraph summary of the scope of work.*

The term of the Contract is the period from July 1, 2012 to June 30, 2014. Fees for financial consultant services specific to a transaction, such as a bond sale, are paid from the bond proceeds. The specific fees vary depending on the complexity of the transaction, but generally range from \$20,000 for short term notes to \$120,000 for Certificates of Participation. The fee for the upcoming sale of general obligation bonds is estimated to be approximately \$115,000. For services not specific to a transaction, KNN's billing rate is \$200 per hour.

**Recommendation** APPROVAL OF CONTRACT FOR FINANCIAL ADVISORY SERVICES WITH KNN PUBLIC FINANCE, A DIVISION OF ZIONS FIRST NATIONAL BANK

**Fiscal Impact** Funding resource name: Fees to be paid from financing transaction proceeds

**Attachments**

- Contract



## 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 investors, 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, 2012, through June 30, 2014. 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 payment to be made based on the hours worked, with an annual not-to-exceed of \$15,000. KNN's hourly billing rate is \$200 per hour. Such consultant fees will be billed quarterly.

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 Mahydoian

Title: Vice President

Date: May 31, 2013

ACCEPTED:

OAKLAND UNIFIED SCHOOL DISTRICT

David Kakishiba 6/13/13  
Title: President, Board of Education

Date: Edgar Rakestraw, Jr.

Edgar Rakestraw, Jr. 6/13/13  
Edgar Rakestraw, Jr., Secretary  
Board of Education

OAKLAND UNIFIED SCHOOL DISTRICT  
Office of General Counsel  
APPROVED FOR FORM & SUBSTANCE  
[Signature]  
Attorney at Law

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By: [Signature]

## 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:**

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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.
- Prepare 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, 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.