



Oakland Unified School District



\$65,000,000
General Obligation Bonds
(Election of 2006), Series 2016A

\$155,780,000
2016 General Obligation Refunding Bonds

Board Presentation

August 24, 2016



EXECUTIVE SUMMARY

- Upon the District's successful completion of its FY 2014-15 Audit, it **obtained high investment grade ratings of Aa3/AA-/AAA** from Moody's, S&P, and Fitch, respectively
- With ratings secured and notice of the new ratings disseminated to investors, **the District saved over \$44 million of debt service payments for its tax payers** on August 4th via a refunding of \$183 million Series 2006 and 2009A Measure B Bonds
- The debt service savings created capacity for the District to concurrently **issue the remaining \$65 million Measure B Bonds with a 25-year amortization at a low cost of 2.77% (TIC)***

*Note: The 2.77% TIC is only for the \$65 million New Money series. The TIC of the combined transaction is 2.35%.



CREDIT RATINGS SUMMARY

- On July 15th, Superintendent Wilson, Senior Business Officer Hal, Chief Financial Officer Alahydoian, and other deal team members presented to Moody's, S&P, and Fitch to obtain ratings for its new and existing bonds

- The presentations and subsequent Q&A primarily focused on a few key topics:
 - Improved District operations and performance metrics as well as local competition
 - The District's substantial progress on its Audits and sound financial metrics
 - Strong assessed valuation of the County and its growing economy
 - Federal, state, and local bondholder protections that are unique to GO bonds, particularly in CA

- **Resultant ratings of Aa3/AA-/AAA are 6 notches higher than expectations of the Baa3/BBB-/AAA ratings, which were discussed at the June 8th Board Meeting**

- Commentary from the rating agencies in their publicly available reports include:
 - **"The \$47 billion tax base provides strong fundamental support for the 'AAA' 2016 GO Rating" – Fitch**
 - **"The District's General Fund cash position has improved significantly over the years..." – Moody's**
 - **"Oakland Unified School District's management practices are considered good under Standard & Poor's Financial Management Assessment "**



INVESTOR MARKETING RESULTS

- The District undertook a strategically targeted marketing plan to engage 1) current holders of its non-rated bonds, 2) investors who participated in the Series 2015 investor luncheon and one-on-one calls, and 3) new investors
- Engagement primarily consisted of early press releases, one-on-one call availability, Electronic Municipal Market Access notices, wide dissemination of principal offering documents, an investor presentation, SBS internal sales calls and distribution of the SBS new issue packet (a collection of cutting edge market analysis tools provided to investors)

Investor Results

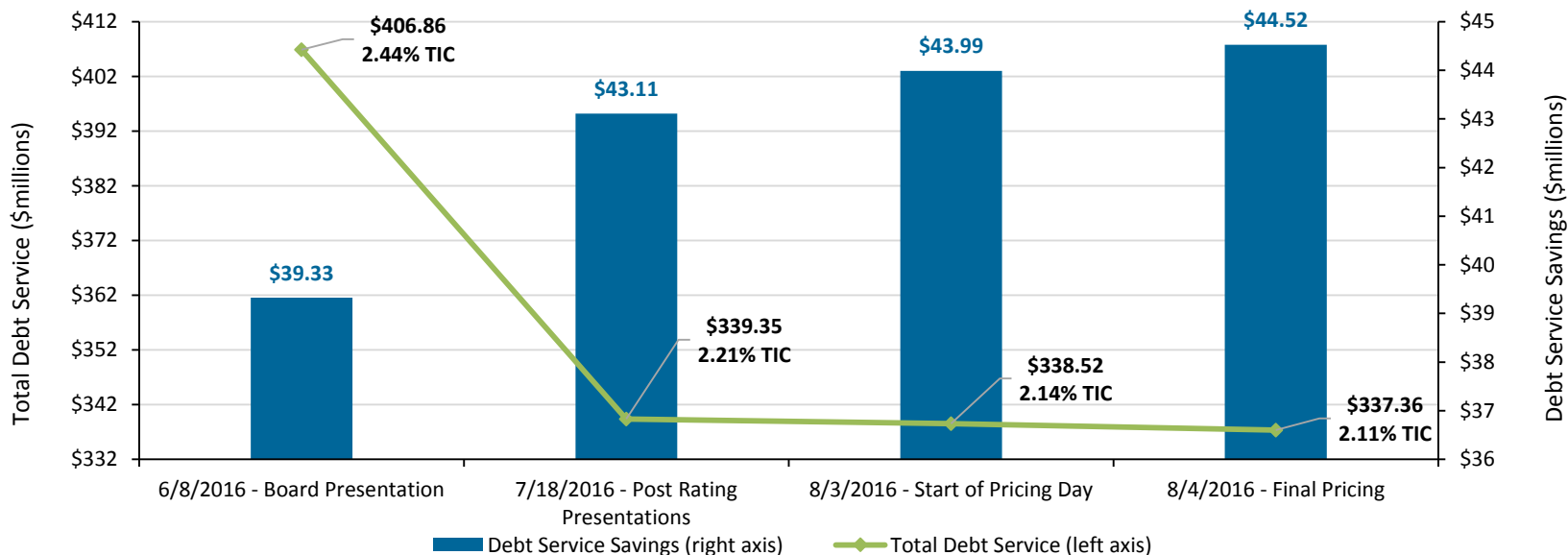
- **53 investors submitted over \$490 million orders, making the deal 2.2x oversubscribed**
- **43 new investors that are not publically identified as current holders and 10 current holders of the District's bonds submitted orders**
- **12 investors that participated in last year's investor conference and 1-on-1 calls submitted \$147 million in orders**
- **Nuveen, Oppenheimer and Putnam were current holders of the Series 2009A Bonds and submitted orders for the 2016 Refunding Bonds**
- **7 investors who currently hold the non-rated Series 2012A, 2013, 2015 New Money, and 2015 Refunding Bonds submitted orders**



IMPACT OF RE-PRICING DURING MARKET ORDER PERIOD

- Between the District's June 8th Board meeting and the District's August 4th pricing, **debt service savings on the 2016 GO refunding transaction increased by \$5.2 million, or 13.2%, primarily as a result of the District obtaining high investment grade ratings**
- Over the same time period, total debt service on the financing was reduced by \$69.5 million**
- On pricing day, the District entered the market expecting to achieve \$44.0 million of debt service savings, and exceeded that mark as **the cost of the refunding series declined by 3 basis points**
- Final debt service savings totaled \$44.5 million, or 28.6% of the refunded par amount

Debt Service Savings and Total Debt Service Over Time





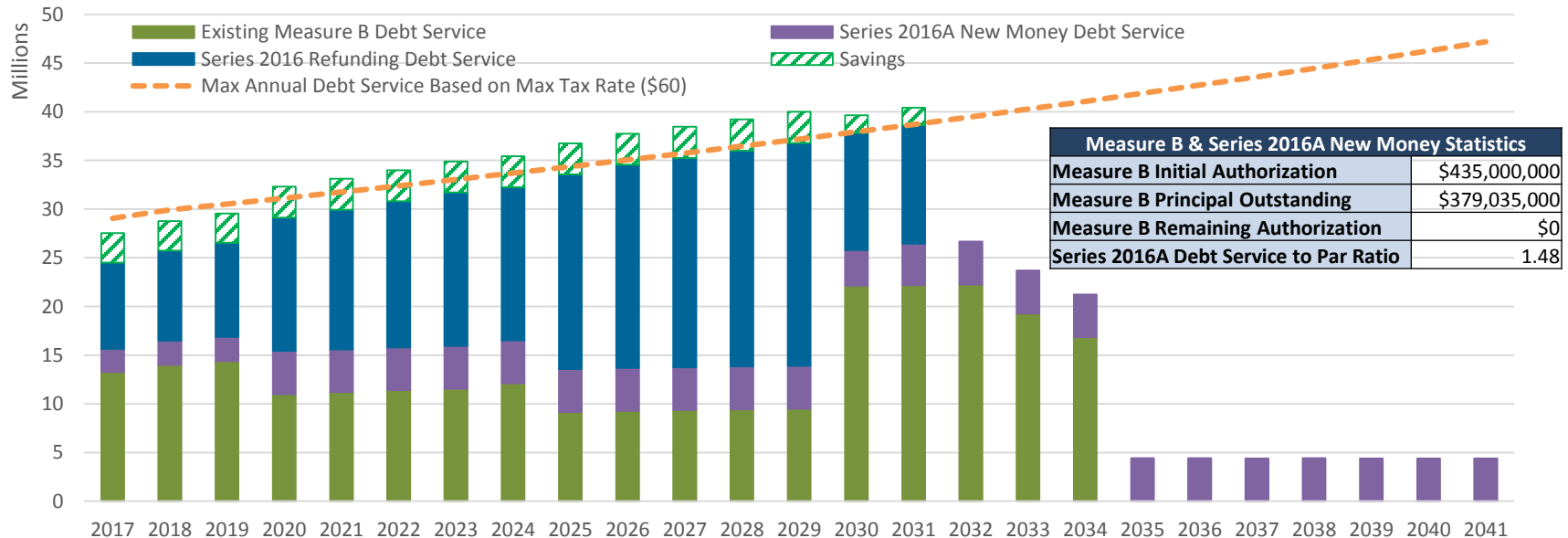
FINANCING RESULTS

- Issuing the refunding bonds allowed the District to **issue the authorized but unissued \$65 million new money Measure B bonds at a low cost of 2.77% (TIC)**
- The new money bonds were structured with a 3% discount term bond in 2041 and 4% coupon bonds between 2020-2027, as well as 2032-2036, to reduce debt service, attract additional investors, and comply with premium restrictions
- Using assumed conservative assessed value growth rates of 3% in 2017 and 2018, and 2% thereafter, we estimate that the Measure B maximum tax rate will be \$59.87 in 2031, below the \$60 cap

Summary of Financing Results

| | 2016 Refunding | 2016A New Money | Total |
|----------------------------------|----------------|-----------------|--------------------|
| Delivery Date | 8/17/2016 | 8/17/2016 | 8/17/2016 |
| Par (\$) | 155,780,000 | 65,000,000 | 220,780,000 |
| Refunded Par (\$) | 182,570,000 | n/a | 182,570,000 |
| TIC | 2.11% | 2.77% | 2.35% |
| Total Debt Service (\$) | 233,898,051 | 103,462,074 | 337,360,126 |
| Max. Ann. D/S (\$) | 22,881,000 | 4,441,450 | 27,322,450 |
| Debt Service Savings (\$) | 44,523,205 | n/a | 44,523,205 |
| D/S Savings % Ref. Par | 28.58% | n/a | 28.58% |
| Avg. Ann. Savings (\$) | 2,968,214 | n/a | 2,968,214 |

Pro Forma Measure B Debt Service





FINANCING COSTS

- Cost of Issuance was \$3.39 per bond and Underwriter's Discount was \$6.63 per bond

Cost of Issuance Components

| | \$/Bond | Total |
|-----------------------------------|---------|--------------|
| Financial Advisor Fee | \$0.77 | \$170,000.00 |
| Moody's Ratings | 0.53 | 118,000.00 |
| S&P Ratings | 0.48 | 105,000.00 |
| Fitch Ratings | 0.43 | 95,000.00 |
| Bond Counsel Fee | 0.41 | 90,000.00 |
| Disclosure Counsel Fee | 0.27 | 60,000.00 |
| District Reimbursement | 0.18 | 40,000.00 |
| Legal Opinion (Fitch ratings) | 0.16 | 35,000.00 |
| Contingency | 0.08 | 18,000.00 |
| Distribution & Printing of POS/OS | 0.02 | 5,000.00 |
| Financial Advisor Expenses | 0.02 | 5,000.00 |
| Paying Agent | 0.02 | 3,400.00 |
| Verification Agent | 0.01 | 2,750.00 |
| Escrow Agent | 0.00 | 700.00 |
| Total | \$3.39 | \$747,850.00 |

Underwriter's Discount Components

| | \$/Bond | Total |
|----------------------------|---------|----------------|
| Takedown | \$6.25 | \$1,379,875.00 |
| Underwriter's Counsel | 0.23 | 50,000.00 |
| Dalcomp Bookrunning | 0.08 | 16,955.90 |
| Day Loan | 0.03 | 7,460.73 |
| CDIAC | 0.01 | 3,000.00 |
| Out-of-pocket | 0.01 | 2,500.00 |
| CUSIP Fee | 0.01 | 1,203.00 |
| DAC Due Diligence | 0.00 | 1,000.00 |
| DTC | 0.00 | 800.00 |
| Electronic Order Entry | 0.00 | 500.00 |
| Avia Investor Presentation | 0.00 | 150.00 |
| Dalnet Wire System | 0.00 | 135.00 |
| Total | \$6.63 | \$1,463,579.63 |

Please note, all statistical references or rankings information was obtained from Securities Data Corporation (“SDC”)

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