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Memo

To Board of Education

From Kyla Johnson-Trammell, Superintendent
Curtiss Sariky, Chief of Staff
Joshua Daniels, General Counsel

Board Meeting Date August 28, 2019

Subject Presentation of Actual Issuance Costs for Series 2019 Bonds
Authorized under Measure J

Action Receive presentation on the actual issuance costs for the Series 2019 Bonds authorized under Measure J.

Background Measure J, passed by Oakland voters in 2012, authorized the District to issue up to \$475 million in General Obligations bonds. The District previously issued bonds under Measure J in 2013 and 2015. (The District also issued bonds in 2016 under a different authorization.) Education Code section 15146 requires a presentation on actual issuance costs after each series of bonds is issued.

Discussion No discussion necessary unless Board members have questions.

Fiscal Impact The District issued slightly more than \$175 million in bonds. In comparison to prior issuances, both the issuance costs and the interest costs were significantly lower, increasing the value of the issuance for local taxpayers.

Attachment OaklandUSD-Education Code 15146 Disclosures.pdf



To: Oakland Unified School District, Board of Education

From: Isom Advisors, A Division of Urban Futures, as Municipal Advisor

Date: August 2019

In accordance with Education Code 15146(d)(1), the actual cost information associated with the General Obligation Bonds (Election of 2012), Series 2019A and Series 2019B is presented below.

Comparison of Good Faith Estimates Provided in the District Bond Resolution versus actual figures.

	Good Faith Estimate in the District Bond Resolution	Actual
True Interest Cost (TIC)	4.35%	2.90%
Finance Charge of the Bonds ¹	\$1,800,000.00	\$1,442,728.42
Amount of Proceeds to Be Received	\$175,000,000.00	\$174,941,719.95
Total Payment Amount	\$323,950,000.00	\$271,233,486.85

¹ Finance charge of the Bonds includes the payments to be made from the costs of issuance account (as detailed below), underwriter's compensation, and bond insurance premium. The Finance Charge of the Bonds will be paid from bond proceeds, not the District's General Fund.

Actual Breakdown of Costs of Issuance

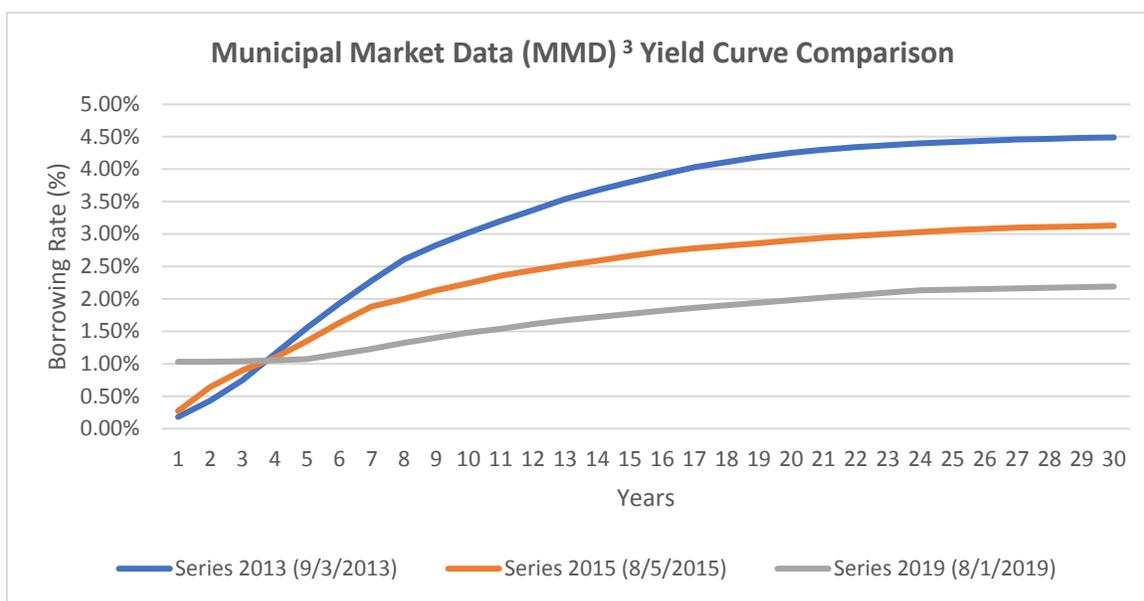
Service	Provider	Cost ²
Bond & Disclosure Counsel	Orrick, Herrington & Sutcliffe LLP	\$160,000.00
Municipal Advisor	Isom Advisors, a Division of Urban Futures, Inc.	61,923.18
Paying Agent	U.S. Bank National Association	3,330.00
Rating Agency	Moody's Investors Service	103,000.00
Printing POS/OS	Avia Communications	2,510.04
Investor Meeting Travel Expenses	Siebert Cisneros Shank & Co.	1,044.54
Contingency	Returned to District Debt Service Fund	18,192.24
Total:		\$350,000.00

² The estimates provided in the District bond resolution totaled \$365,000. These costs are included in the "Finance Charge of the Bonds" in the table above, and will be paid from bond proceeds, not the District's General Fund.

In addition to the legal requirements, the tables and charts below provide information comparing the Series 2019 bond financing to prior Oakland USD bond financings.

Comparison of General Interest Rate Environment

The Series 2019 bonds were priced in a very strong interest rate environment. The graph below compares the municipal market data (MMD) yield curve at the time of each of the Measure J bond sales.



³The Thomson Municipal Market Data (MMD) AAA curve is a proprietary yield curve that provides an approximation of the borrowing rate of “AAA” rated state general obligation bonds and serves as a benchmark yield in the municipal bond market.

Comparison of Borrowing Rates

While the credit profile of the District at the time of the Series 2019 bond pricing was not as strong as it was a few years ago, a comparison of borrowing rates (for maturities where direct comparisons can be made) shows that the District’s borrowing rates were significantly **lower** for the Series 2019 bonds than they were for the District’s most recent bond financing in 2017. Notably, spreads to the benchmark MMD rates were also very similar between the two financings despite the change in the District’s bond ratings.

Issuer	Oakland Unified School District				Oakland Unified School District					
Date	August 1, 2019				May 11, 2017					
Ratings	A1 (negative outlook)				Aa3/AA-/AAA					
Insurance	AGM				N/A					
Call Date	Shorter 8-year call				Standard 10-year call					
Years to Maturity	Year	Coupon	Yield	Spread	Year	Coupon	Yield	Spread	Difference in Yield	Difference in Spread
8	2027	5.00%	1.43%	+11	2025	5.00%	2.00%	+11	-0.57%	+0
9	2028	5.00%	1.56%	+16	2026	5.00%	2.19%	+14	-0.63%	+2
10	2029	5.00%	1.67%	+19	2027	5.00%	2.34%	+18	-0.67%	+1
11	2030	5.00%	1.77%	+23	2028	5.00%	2.51%	+25	-0.74%	-2
12	2031	5.00%	1.86%	+25	2029	5.00%	2.64%	+27	-0.78%	-2
13	2032	5.00%	1.93%	+26	2030	5.00%	2.73%	+27	-0.80%	-1

Comparison of Repayment Ratios

	Repayment Ratio ⁴
GO Bonds (Election of 2012), Series 2019 Bonds*	1.55 to 1
GO Bonds (Election of 2006), Series 2016 Bonds	1.59 to 1
GO Bonds (Election of 2012), Series 2015 Bonds	1.79 to 1
GO Bonds (Election of 2012), Series 2013 Bonds	1.92 to 1

⁴Repayment ratio is a statistic that compares total debt service to initial par amount. A lower figure indicates lower interest expense over time. The statutory maximum is a 4 to 1 repayment ratio. Only new money bond issuances are included in the analysis above since the bond structures for new money bond issuances are more similar to the bond structure for the Series 2019 bonds.

Comparison of Underwriter's Compensation for Series 2019 Bonds versus Prior Financings:

	Total Underwriter's Compensation	Underwriter Compensation per Bond
GO Bonds (Election of 2012), Series 2019 Bonds ⁵	\$402,500.00	\$2.30 per bond
2017 GO Refunding Bonds	\$1,423,489.47	\$4.85 per bond
GO Bonds (Election of 2006), Series 2016 Bonds	\$428,921.95	\$6.60 per bond
2016 GO Refunding Bonds	\$1,034,657.68	\$6.64 per bond
GO Bonds (Election of 2012), Series 2015 Bonds*	\$1,400,425.42	\$7.78 per bond
2015 GO Refunding Bonds*	\$1,143,358.61	\$6.78 per bond
GO Bonds (Election of 2012), Series 2013 Bonds*	\$836,110.55	\$6.97 per bond

⁵The District conducted an RFP process for underwriting services in connection with the Series 2019 bond financing with assistance from Isom Advisors. The District selected Siebert Cisneros Shank & Co. as senior manager and Stifel Nicolaus & Co. as co-manager.

*Bonds were sold without underlying ratings.