

Recommendations for the Formulation of Advanced
Fiscal Policies to Institutionalize Strategic Bond
Issuance, Optimize Municipal Investment Returns, and
Leverage Intergovernmental and Philanthropic Capital
Funding (RFAFPISBIOMIRLIPCF)

Item 2



3 Recommendations

- Establish a Structured Bond Issuance Framework
- Develop a Comparative Bond Issuance Analysis and Timeline
- Modernize Investment Policy and Establish a Capital Grant Matching Fund

Establish a Structured Bond Issuance
Framework

What are Bonds?

Establish a Structured Bond Issuance
Framework

Basically, Loans

Establish a Structured Bond Issuance Framework

Basically, Loans

Well, you see Loans are lent out by a single institution (such as a bank or individual creditor) in private agreement which allow them to be streamlined fast, have more flexibility and are better suited for borrowers who need to change the terms of the loan over time. Municipal bonds on the other hand are sold (rather than negotiated) to a large number of public and institutional investors on the open market. They are less flexible but also have a longer maturities (typically 10, 20, or 30 years). The bonds additionally are often bought and sold on the public market (kind of like stocks but also nothing like stocks because they have maturities that give

Establish a Structured Bond Issuance Framework

Basically, Loans

Well, you see Loans are lent out by single institution (such as bank or individual creditor) in private agreement which is better suited for borrowers who need to change (rather than negotiated) to a market. They are less flexible but also have a lot of liquidity. They are often bought and sold on the public market (kind of like stocks but also nothing like stocks because they have maturities that give

Basically, Loans

Establish a Structured Bond Issuance Framework

Aquatic Park Tide Tube Cleanout

\$438k in Measure T1 Bonds



Establish a Structured Bond Issuance Framework

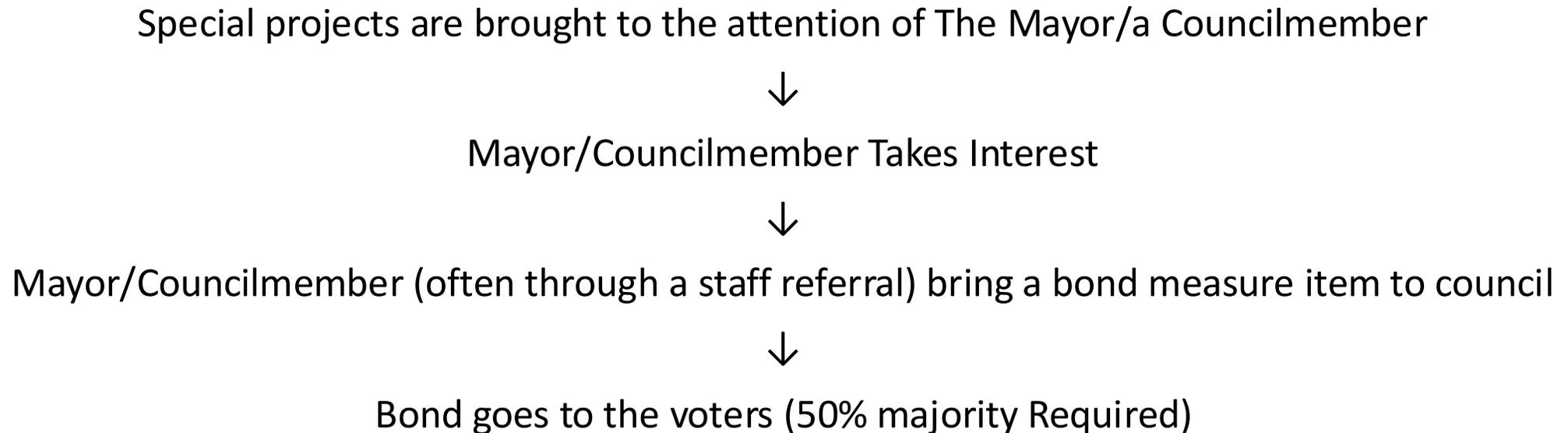
Rose Garden Renovations

\$ 4m in Measure T1 and
Measure F bonds



Establish a Structured Bond Issuance Framework

- Current Bonding System:



Establish a Structured Bond Issuance Framework

- Current Bonding System:

Requires somebody to be aware of the issue and willing to push for it

Requires somebody to have a direct relationship with a councilmember/mayor

Special projects are brought to the attention of The Mayor/a Councilmember



Somebody on council needs to take interest in the issue

Mayor/Councilmember Takes Interest



Bond measure needs to be brought to council

Mayor/Councilmember (often through a staff referral) bring a bond measure item to council



Bond needs to be explainable to somebody who doesn't have any understanding of how city budgets work

Bond goes to the voters (50% majority Required)

The Bond needs to be campaigned for

Establish a Structured Bond Issuance Framework

- What should a bonding system look like?
 - Issuing bonds based of the measurable fiscal state of the city's revenues.
 - Prioritize infrastructure projects on a non-partisan, non-political basis.
 - Maintain a consistent Debt Service Tax Rate.
 - As the city's income goes up, bond more.

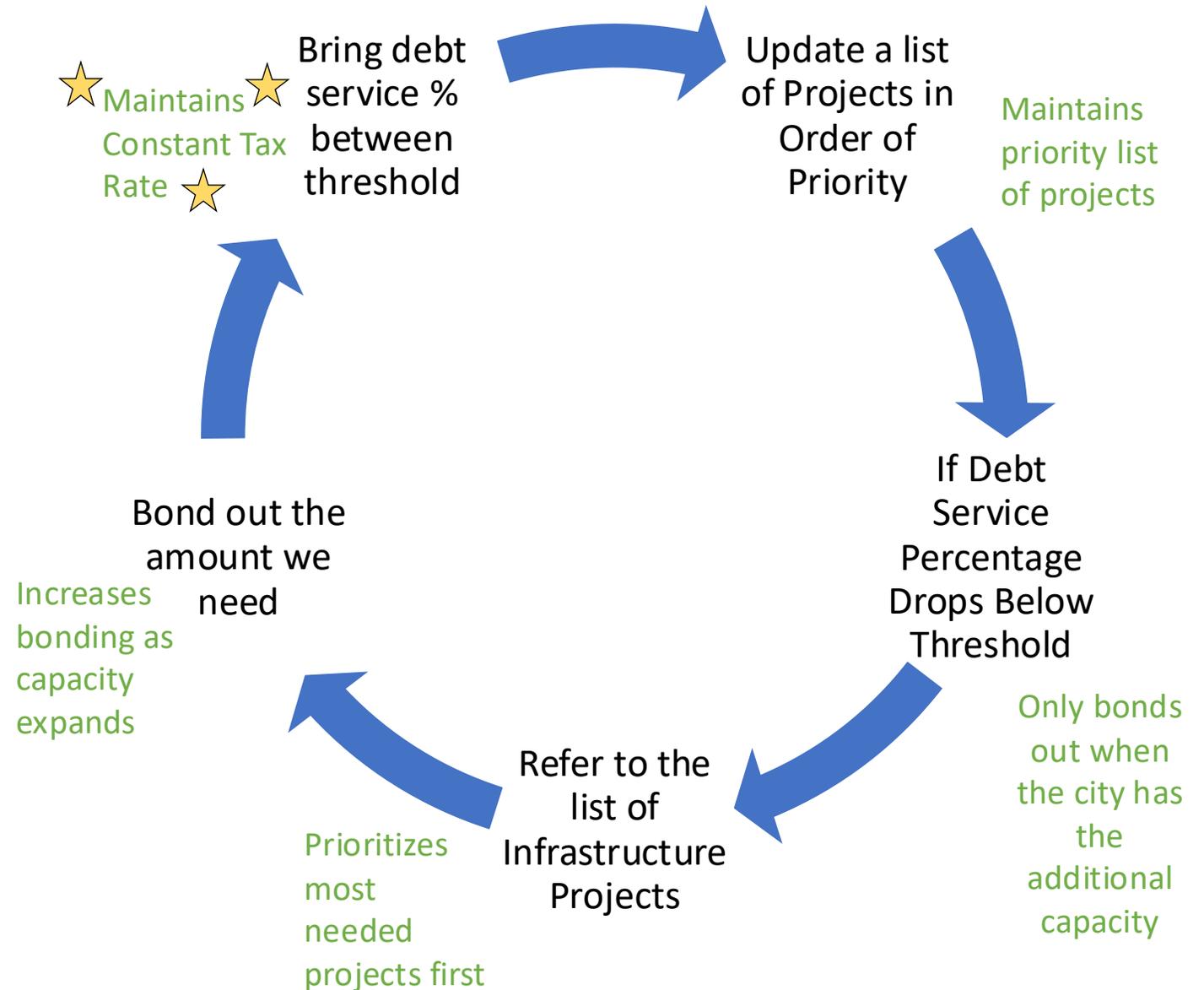
Establish a Structured Bond Issuance Framework

Proposed Bond System:



Establish a Structured Bond Issuance Framework

Proposed Bond System:



Develop a Comparative Bond Issuance
Analysis and Timeline

**What is a Bond
Issuance?**

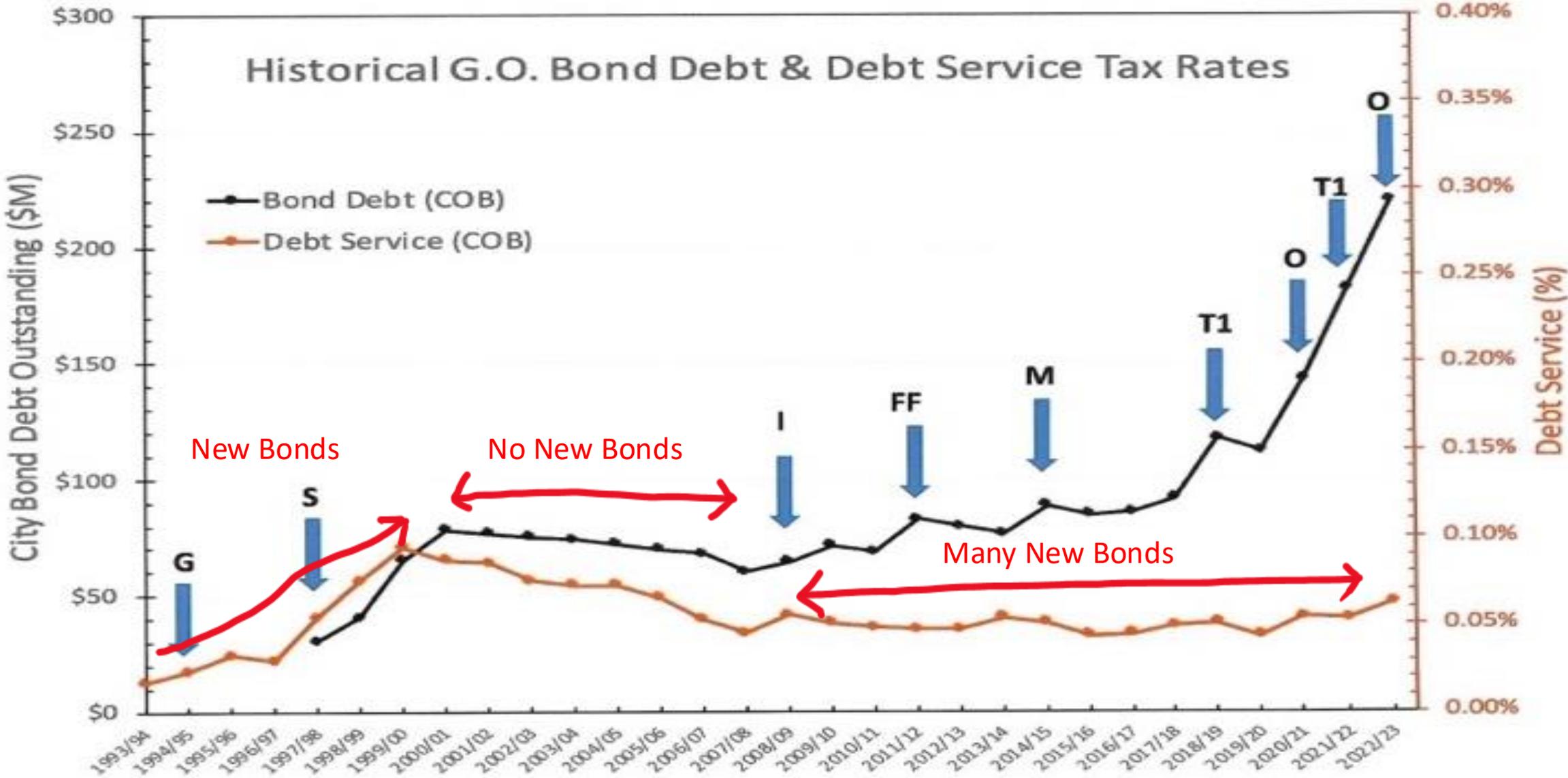
Develop a Comparative Bond Issuance
Analysis and Timeline

The Frequency at which
the city issues bonds
Or, takes out loans

Develop a Comparative Bond Issuance Analysis and Timeline

- Prop 13 Income Expansion
 - Every time an old property is bought, the tax rate jumps back up to its assessed value
- Middle Housing Property Expansion
 - Denser housing leads to increased property values
 - Increased property values, leads to increased income

Bond Debt Mystery – The Rise and Fall of the Debt Service Tax Rate



Develop a Comparative Bond Issuance Analysis and Timeline

	Lowest Since 2000	Highest Since 2000	Difference Between Lowest and Highest	Current Rates
Debt Service Tax Rate:	.042%	.095%	.053%	.049%
Median Sale Price in Berkeley (Redfin) : \$1,300,000	\$546	\$1,235	\$689	\$639

Develop a Comparative Bond Issuance Analysis and Timeline

- Enhance the City's ability to execute capital projects on time and within budget
- Reduce long-term liabilities and cost escalations associated with deferred maintenance
- Maximize internal financing capacity and improve competitiveness in external funding rounds
- Provide predictable financial planning horizons aligned with capital programming
- Strengthen public confidence through greater transparency and fiscal discipline

Modernize Investment Policy and Establish a
Capital Grant Matching Fund

**What is a Capital Grant
Matching Fund?**

Modernize Investment Policy and Establish a
Capital Grant Matching Fund

**Allocated Money
Specifically for Grant
Matching**

Modernize Investment Policy and Establish a Capital Grant Matching Fund

- Could the City increase its Yield while maintaining the safety of its Principle?
- Investment Modernization:
 - Review our investment policies
 - Improve our rates of return, can help with the deficit
 - Confirmation the >\$3m is going to capital improvement

For Quarter Ending September 30, 2024			
Period	City	State LAIF	Difference
July-24	3.26%	4.52%	-1.26%
Aug-24	3.12%	4.58%	-1.46%
Sept-24	3.09%	4.58%	-1.49%
July 1-Sept 30	3.16%	4.56%	-1.40%

Other California Cities Earned Interest Rates	
For the Quarter Ending September 30, 2024	
City	Rates Earned
Oakland	4.54%
San Diego	3.83%
San Francisco	3.67%
San Jose	3.61%
Hayward	3.58%
Burbank	3.47%
Los Angeles	3.42%
Berkeley	3.16%
Sacramento	3.02%
Palo Alto	2.46 %

Modernize Investment Policy and Establish a Capital Grant Matching Fund

How the city makes money from its money:

First \$3m goes to the general fund

The rest is divided into thirds:

- **1/3** goes to the Section 115 Pension Trust up to \$5.5 million per fiscal year or as advised by the City's actuarial and staff,
- **1/3** to General Fund reserves up to 30% of General Fund revenue or as recommended by Council policy, and
- **1/3** to address the City's capital infrastructure plan.



Modernize Investment Policy and Establish a Capital Grant Matching Fund

Establish dedicated Capital Grant Matching Fund with a designated portion of the investments:



Modernize Investment Policy and Establish a Capital Grant Matching Fund

Capital Grant Matching:

Many federal grant programs, particularly for infrastructure, require a local matching fund contribution

- Displays a greater interest in the program
- Ensures a greater commitment to project results
- Such grants generally have a more narrow applicant pool

Recommendation

Send to Council with a positive recommendation
to

1. Establish a Structured Bond Issuance Framework
2. Modernize Investment Policy and Establish a Capital Grant Matching Fund
3. Develop a Comparative Bond Issuance Analysis and Timeline