



**DATE:** October 25, 2016

**TO:** Redevelopment Successor Agency Board

**FROM:** Acting Director of Finance

**SUBJECT:**

Approval of the Preliminary and Final Official Statements for the Redevelopment Successor Agency of the City of Hayward 2016 Tax Allocation Refunding Bonds (Refunding the Outstanding 2004 and 2006 Tax Allocation Bonds), a Bond Purchase Agreement with the Underwriters and Confirming the Issuance of the Bonds

### **RECOMMENDATION**

That the Redevelopment Successor Agency of the City of Hayward (“Successor Agency”), adopts the attached resolution (Attachment I) confirming the issuance of the 2016 Tax Allocation Refunding Bonds (“Refunding Bonds”) to refinance the outstanding Tax Allocation Bonds, Series 2004 and Tax Allocation Bonds, Series 2006 (collectively, the “Outstanding Bonds”), approving the preliminary and final official statement (“POS”), approving a bond purchase agreement with Stifel, Nicolaus & Company, Incorporated and Hilltop Securities Inc. (collectively, the “Underwriters”) and providing for other matters properly related thereto.

### **BACKGROUND**

On June 2, 2004, the Redevelopment Agency of the City of Hayward (“Redevelopment Agency”) issued \$44,790,000 of Tax Allocation Bonds, Series 2004 (“2004 Bonds”) with a final maturity of March 1, 2034. In addition, on June 20, 2006, the Redevelopment Agency issued \$11,800,000 of Tax Allocation Bonds, Series 2006 (“2006 Bonds”) with a final maturity of March 1, 2036. The 2004 and most of the 2006 bond proceeds were used to finance the joint development by the former Redevelopment Agency and the Hayward Unified School District of the new Burbank Elementary School, the development costs of the new Cannery Park and play fields, and associated street, water and sewer improvements.

NHA Advisors, LLC, serving as the City’s municipal financial advisor, has determined that the Outstanding Bonds can now be refinanced with significantly lower interest rates and substantially lower debt service. Lower bond debt service will allow a greater amount of tax increment to be allocated to all taxing entities (including the City) in the same proportion as existing tax increment revenues.

## **DISCUSSION**

The Successor Agency approved the initial refinancing resolution and draft bond documents at the May 3, 2016 meeting which included directing staff and its consultants to prepare the necessary approval package for the California State Department of Finance (“DOF”). The Successor Agency received DOF approval to move forward with the financing on September 14, 2016.

Upon the Successor Agency’s approval of the POS and bond purchase agreement, staff will work with the Underwriters, bond counsel/disclosure counsel (Jones Hall) and the municipal advisor (NHA Advisors) to complete the credit review process with the rating agencies and prepare the necessary information to market the Refunding Bonds.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Successor Agency by staff and its financing team. The Preliminary Official Statement must include all facts that would be material to an investor in the Refunding Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Refunding Bonds. Members of the Governing Board may review the Preliminary Official Statement and/or question staff and consultants to make sure they feel comfortable that it includes all material facts.

## **FISCAL IMPACT**

Issuance of the Refunding Bonds will increase the amount of tax increment revenues that are available to distribute to affected taxing entities. Overall cash flow savings are estimated to be approximately \$9,000,000. The City of Hayward’s General Fund will receive approximately 17.39% of the cash flow savings, or about \$1,750,000 over the remaining debt service term. Current projections indicate the City would receive over \$100,000 per year through FY 2029 and approximately \$50,000 per year during the remaining term through FY 2036. The balance of the debt service interest savings will be distributed among the other local taxing agencies.

Assuming approval by the Successor Agency, the Refunding Bonds are expected to be priced in mid-November with issuance in early December. Assuming the Successor Agency is able to submit an amended Recognized Obligation Payment Schedule (ROPS) request shortly after the bonds close, the first cash distributions of RPTTF to taxing entities, including the City of Hayward’s General Fund, that show an increase as a result of the proposed refunding would take place in June 2017.

## **PUBLIC INPUT**

On March 2, 2016 and April 5, 2016, the Council Budget & Finance Committee and the City Council, respectively, reviewed the City’s current debt portfolio and discussed with City staff the opportunity to refinance existing debt for financial savings.

## **NEXT STEPS**

Pending Successor Agency approval, staff will work with the financing team to develop the bond credit package and necessary bond marketing materials in the next 30 days. The Oversight Board for the Successor Agency does not need to approve the POS or the bond purchase agreement.

*Prepared by:* John Stefanski, Management Analyst

*Recommended by:* Dustin Claussen, Acting Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written above a horizontal line.

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Kelly McAdoo, City Manager