



# CITY OF HAYWARD

Hayward City Hall  
777 B Street  
Hayward, CA 94541  
www.Hayward-CA.gov

## Cover Memo

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**File #:** LB 16-066, **Version:** 1

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**DATE:** June 14, 2016

**TO:** Mayor and City Council;  
Board of Directors of the Hayward Public Financing Authority

**FROM:** Director of Finance

### **SUBJECT**

Authorization for the City Council and the Hayward Public Financing Authority to Approve Resolutions and Financing Documents in an Amount Not to Exceed \$23.5 million to Refinance the Outstanding 2007 Refunding Certificates of Participation

### **RECOMMENDATION**

That the Hayward City Council and the Board of Directors of the Hayward Public Financing Authority, during a joint meeting, adopt a Resolution approving certain lease financing documents for the purpose of refinancing the outstanding 2007 Refunding Certificates of Participation (Civic Center and Capital Projects) in the principal amount not to exceed \$23.5 million for the purpose of refunding.

### **BACKGROUND**

In September 1996, the Hayward Public Financing Authority issued \$32,595,000 in Certificates of Participation to fund the construction of the Civic Center, parking facilities and other City site improvements. In 1997, additional certificates of participation were issued to complete construction of fire stations, the corporation yard, the police building, and road improvements. On August 15, 2007, the City of Hayward ("City") issued \$31,820,000 of 2007 Certificates of Participation ("2007 Certificates") to refund both the 1996 and 1997 certificates of participation to capture lower interest rates and reduce interest costs.

In coordination with City staff, NHA Advisors, LLC serving as the City's municipal advisor, has determined that the 2007 Refunding Certificates of Participation can now be refinanced with significant savings to the City and its General Fund. There will be no extension of the final maturity, and lower interest rates will result in cash flow savings in each of the remaining years of the financing (FY 2026).

The City Council adopted a resolution on May 3, 2016 that authorized City staff to pursue the public sale of refunding Certificates of Participation or the private placement of a financing lease with a single financial institution - indicating that staff would return for approval of specific documents once the best option is known. In working with the City's financing team, staff has determined that a refunding of the 2007 Certificates through a private placement with CoBiz Public Finance, Inc. provides the City with the

greatest savings on future lease payments. The action before the City Council tonight is approval of the private placement with CoBiz Public Finance, Inc. and related documents.

## DISCUSSION

As communicated to City Council in May, the 2016 Certificates would either be sold directly to a financial institution through a placement agent or sold into the public markets through an underwriter, depending on which method is determined to provide the City with the most benefits. Staff, working with the financing team, has determined that a private placement would provide the City with the greatest benefit. Selling the 2016 financing directly to a single bank or financial institution provides the lowest interest rate and minimizes the transaction costs and ongoing disclosure requirements associated with a traditional public offering.

Financing Team - The financing team is comprised of City staff, NHA Advisors as municipal advisor, Jones Hall as bond counsel, and Hilltop Securities as placement agent. To prepare the City for the refunding, NHA Advisors requested proposals from various bond underwriting firms that are active as both underwriters and placement agents of California municipal bonds, with the goal of finding the firm that has the best combination of experience, structuring ideas, marketing capabilities, familiarity with the City, and proposed fee. This proposal process resulted in the City's selection of Hilltop Securities as underwriter or placement agent for the 2016 Certificates.

As placement agent, Hilltop Securities, in cooperation with NHA Advisors (the City's financial advisor), requested bids from various banks and other financial institutions. The bid with the most favorable terms for the City was submitted by CoBiz Public Finance, Inc. Based on the terms proposed in the bid, the City will reduce its annual debt service payments by approximately \$136,000 - \$170,000. The total cash flow savings to the General Fund over the next ten years will be approximately \$1,550,000.

Description of Financing Documents: -- The attached two resolutions (City and Authority) approve a variety of documents that are required in order to proceed with the refinancing. These have been prepared and/or reviewed by the City's bond counsel, Jones Hall.

1. Draft Private Placement Agreement - Agreement between City and Hilltop Securities for private placement services by Hilltop.
2. Draft Lease Agreement - Under this document, the City will agree to make lease payments to the Authority for the use and occupancy of City Hall.
3. Draft Site Lease - Under the Site Lease, the City will lease City Hall to the Authority so that the Authority can lease it back to the City under the Lease Agreement.
4. Draft Assignment Agreement - Under this document, the Authority will assign its right to receive the lease payments made by the City under the Lease Agreement to CoBiz Public Finance, Inc.
5. Draft Costs of Issuance Custodian Agreement - Under this document, the City will retain a financial institution to pay the costs of the lease transaction.

6. Draft Escrow Deposit and Trust Agreement - Under this document, the City will direct The Bank of New York Mellon Trust Company, as trustee for the 2007 Certificates, to use proceeds of the 2016 lease financing to pay off the outstanding 2007 Certificates.
7. Draft Termination Agreement - This document will result in the 2007 lease financing documents being terminated as an encumbrance on the City Hall.

#### Project Financing Schedule

The City's financing team conducted a Due Diligence call with CoBiz Public Financing, Inc. on May 19, 2016. Following the approval of tonight's authorizing resolutions, the City intends to close financing on June 29, 2016.

#### **FISCAL IMPACT**

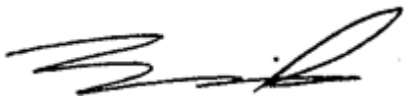
General Fund savings from the refunding the 2007 Certificates is projected to average about \$140,000 annually, with cumulative savings over the remaining term of the financing of \$1,550,000.

#### **PUBLIC CONTACT**

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 City financial savings. On May 3, 2016, City Council adopted resolutions authorizing the City to pursue refunding through either a public offering or via private placement financing.

*Prepared and Recommended by:* Tracy Vesely, Former Director of Finance and Dustin Claussen, Acting Director of Finance

Approved by:



Fran David, City Manager

Attachments:

Attachment I

Authorizing Resolution - City of Hayward

Attachment II	Authorizing Resolution - Hayward Public Financing Authority
Attachment III	Draft Private Placement Agreement
Attachment IV	Draft Lease Agreement
Attachment V	Draft Site Agreement
Attachment VI	Draft Assignment Agreement
Attachment VII	Draft Costs of Issuance Custodian Agreement
Attachment VIII	Draft Escrow Deposit and Trust Agreement
Attachment IX	Draft Termination Agreement