



CITY OF HAYWARD

Hayward City Hall
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Cover Memo

File #: LB 16-046, **Version:** 1

DATE: May 3, 2016

TO: Chair and Members of the Redevelopment Successor Agency Board

FROM: Director of Finance

SUBJECT:

Authorization for the Redevelopment Successor Agency to Issue Tax Allocation Refunding Bonds in an Amount Not to Exceed \$45 Million to Refinance the Outstanding 2004 and 2006 Tax Allocation Bonds

RECOMMENDATION

That the Hayward City Council, acting as the governing board of the Redevelopment Successor Agency of the City of Hayward ("Successor Agency"), adopts the attached resolution (Attachment I) approving the issuance of Refunding Tax Allocation Bonds ("Refunding Bonds") to refund the outstanding Tax Allocation Bonds, Series 2004 and Tax Allocation Bonds, Series 2006 (collectively, the "Outstanding Bonds") in the principal amount not to exceed \$45 million.

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 14-acre Cannery Park and play fields, and associated street, water and sewer improvements.

NHA Advisors, LLC serving as the City's municipal 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 resolution (Attachment I) approves the issuance of the Refunding Bonds to refinance the Outstanding Bonds. Under current market conditions, NHA Advisors, LLC projects total cash flow savings of approximately \$8,825,000 as a result of the issuance of the Refunding Bonds, creating a present value savings of approximately \$7,330,000.

Prior to the sale of the Refunding Bonds, the Oversight Board must also approve a similar resolution. That meeting is scheduled for June 8, 2016. Assuming Oversight Board approval, the resolution and related bond issuance documents (e.g., financing plan memo, Escrow Agreement and Indenture of Trust) will be transmitted to the California State Department of Finance for review and approval, which could take up to sixty-five days.

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 at approximately \$8,825,000. The City of Hayward's General Fund will receive approximately 17.39% of the cash flow savings, or about \$1,535,000 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 Oversight Board, and the State Department of Finance, the bonds are expected to be delivered by August 2016. 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 City financial savings.

NEXT STEPS

Pending Successor Agency and Oversight Board approval, staff will work with the financing team to develop the underlying financing documents, credit package, and official statement, with a funding target date of August 11, 2016.

Prepared and Recommended by: Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager

Attachments:

Attachment I
Attachment II
Attachment III

Authorizing Resolution
Indenture of Trust
Escrow Agreement