



# CITY OF HAYWARD

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

## Cover Memo

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**DATE:** May 3, 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 Issue Certificates of Participation in an Amount Not to Exceed \$23 Million to Refinance the Outstanding 2007 Refunding Certificates of Participation

### **RECOMMENDATION**

That the City Council adopts the two attached resolutions authorizing the Hayward City Council and the Board of Directors of the Hayward Public Financing Authority to issue and sell 2016 Refunding Certificates of Participation ("2016 Certificates") in the principal amount not to exceed \$23 million for the purpose of refunding the outstanding 2007 Refunding Certificates of Participation (Civic Center and Capital Projects).

### **BACKGROUND**

In September 1996, the Hayward Public Financing Authority issued \$32,595,000 Certificates of Participation to fund the construction of the Civic Center, parking facilities, and other site improvements. In 1997, additional certificates of participation were issued to complete construction on 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).

### **DISCUSSION**

Adoption of the resolutions will provide the City an opportunity to refinance the 2007 Certificates with lower interest rates. Under current market conditions, NHA Advisors, LLC anticipates that the refinancing would result in present value savings of approximately \$1,100,000 and total debt service savings of approximately \$1,250,000 through the November 2026 final maturity. Given that the municipal bond market is constantly fluctuating, the method of sale will be determined

closer to the sale date. The 2016 Certificates will 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.

### Financing Team

The financing team is comprised of City staff, NHA Advisors as financial advisor, and Jones Hall as bond counsel. 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.

### Description of Financing Documents

The attached resolutions approve a variety of documents that are required in order to proceed with the refunding. These have been prepared by the City's bond counsel, Jones Hall.

1. Draft Indenture of Trust - Governing document between City, certificate holders and trustee controlling payment parameters and actions on behalf of certificate holders.
2. Draft Lease Agreement - Document identifying the use and leased asset for the financing (City Hall) and the remedies in the event payments are not made on a timely manner
3. Draft Site Agreement - Land under City Hall that is subject to Lease Agreement
4. Draft Assignment Agreement - Direction for payments made by City to Hayward Public Financing Authority to be assigned to trustee for payment to certificate holders
5. Draft Escrow Agreement - Redemption instructions for trustee to pay off outstanding 2007 certificates of participation

### Project Financing Schedule

It is anticipated that the City's financing team will begin the rating process upon City Council adoption of the proposed resolution. Depending on the best financing structure (private placement or public offering), a secondary Council action will be required to either approve a form of preliminary official statement or a lease agreement with the selected financial institution for a private placement. Staff and its financing team anticipate bringing either action back to the City Council within the next thirty days.

### **FISCAL IMPACT**

General Fund savings from refunding the 2007 COPs is projected to be about \$100,000 annually, with cumulative savings over the remaining term of the financing of \$1.25 million.

### **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.

### **NEXT STEPS**

Pending City Council and Authority approval, staff will work with the financing team to develop the

underlying financing documents, as well as the credit package and official statement if it is more beneficial to access the capital markets, with a funding target date of late-May for a private placement and mid-June for a public offering.

*Prepared and Recommended by:* Tracy Vesely, Director of Finance

Approved by:



Fran David, City Manager

Attachments:

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| Attachment I   | Authorizing Resolution - City of Hayward                       |
| Attachment II  | Authorizing Resolution - Hayward Public<br>Financing Authority |
| Attachment III | Draft Trust Agreement  |
| Attachment IV  | Draft Lease Agreement  |
| Attachment V   | Draft Site Agreement   |
| Attachment VI  | Draft Assignment Agreement                                     |
| Attachment VII | Draft Escrow Agreement   |