

DATE: October 20, 2009

TO: Mayor and City Council,
Hayward Redevelopment Agency Board Members

FROM: Director of Finance
Redevelopment Director

SUBJECT: FY 2010 Budget Update on City and RDA Budgets; Authorizing the Execution of a Purchase and Sale Agreement for Proposition 1A Receivable from the State; Authorizing Internal Financing of Purchase of Fire Apparatus; and Authorizing Transfers of General Fund Reserves

RECOMMENDATION

That Council approves the attached resolutions authorizing 1) a Proposition 1A securitization loan, 2) an internal loan for the financing of fire apparatus, and 3) amendments to the FY 2010 City Budget providing for transfers of General Fund reserves.

SUMMARY

This Budget Update provides Council with information related to: the preliminary/pre-audited year-end results for FY 2009; FY 2010 Budget Update and how the State "takes" of local revenues will affect the City of Hayward and the Hayward Redevelopment Agency; minor proposed amendments to the FY 2010 Adopted Budget; and the details for proposed financing transactions.

FISCAL YEAR ENDED JUNE 30, 2009

General Fund Reserves increased by \$3.8 million over the previous year, which was \$3.3 million more than projected in the FY 2010 budget process. The following summarizes the sources of this increase:

General Fund Resources - Preliminary FY 2009 General Fund revenues were \$912,000 more than the budgeted estimate. However, \$4.2 million of the revenue was from one-time land transfers. There were several areas in which revenues exceeded estimates presented during the budget presentation in May 2009. These include a few unexpected construction projects that generated additional permit and license fees, and the completion of a land sale, which was originally planned to close in FY 2010, but which closed in FY 2009. Also, Sales Tax and Real Property Transfer Tax exceeded year-end estimates. Transfers were \$5 million greater than the previous year due to a one-time transfer from the Housing Trust Fund.

General Fund Expenditures - Preliminary FY 2009 spending indicates that General Fund outlays were \$2.7 million less than projected. Net employee services costs contributed to the overall savings, which included significant savings in budgeted overtime.

During FY 2009, the City implemented many cost saving measures including salary concessions by Fire and Police unions, unrepresented employees, City executives, and elected officials; implementing an early retirement program; transferring employees to enterprise/non-General Fund positions; layoffs; a 52-hour holiday furlough; and additional salary concessions equivalent to an additional 24-hour furlough. The sum of all these actions successfully contributed to the employee services savings.

General Fund Reserves - The General Fund has a preliminarily or pre-audit ending Fund Balance of \$20.6 million at June 30, 2009, which is a \$3.8 million increase to the reserve balance from the prior year. Please see the chart on the next page for the details for the General Fund reserves.

General Fund Summary					
<i>Reserve Balances</i>					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2009
	Actual	Actual	Actual	<i>Estimate</i>	Preliminary
<i>\$'s in 1000's</i>					
Reserved for:					
Encumbrances	874	474	776	776	974
Advances	20	-	30	-	-
Inventory	31	28	22	28	28
Total Reserved Fund Balance	\$925	\$502	\$828	\$804	\$1,002
Designated for:					
Economic Uncertainty	7,000	7,000	7,000	7,000	7,000
Liquidity	3,500	3,500	3,500	3,500	3,500
Redevelopment Agency Loan	1,336	1,336	-	-	-
Public Safety Radio System	380	1,000	-	-	-
Hotel Conference Center	1,250	1,250	1,000	1,000	1,000
Retirement Reserve	-	-	1,122	522	522
Police Staffing	-	-	1,000	1,000	1,000
Contingencies	8,677	8,936	1,696	2,780	6,546
Total Designated Fund Balance	\$22,143	\$23,022	\$15,318	\$15,802	\$19,568
Change in Contingency Reserve		\$879	-\$7,704	\$484	\$3,766
Total Reserved and Designated	\$23,068	\$23,524	\$16,146	\$16,606	\$20,570

FY 2010 UPDATE

General Fund Revenues: The General Fund top two revenue sources are being watched closely. Property tax revenue totaled \$40.1 million in FY 2009, which is 4% or \$1.7 million more than reported the previous year. Staff has planned for reassessments and foreclosures affecting the FY 2010 property tax revenue. The FY 2010 adopted property tax estimate is \$37.2 million or 7.4% lower than the amount received in FY 2009. However, recent data is projecting as much as a 14-17% decline in

property tax revenues due to the unstable commercial real estate market and the actions of the County Assessor to reduce property tax assessed values “across the board”, as a result of overall economic conditions. We will watch this revenue and provide revised estimates, as necessary, at mid-year.

Sales tax revenue in FY 2009 totaled \$25.6 million, which is 10% or \$2.9 million less than collected the previous year. This reduction in sales tax was expected, and an additional 5% decline was budgeted in the FY 2010 budget. The most recent quarterly sales tax report reviewed by the City reports a 17% decline from the same quarter last year. These estimates do not include potential increases from the “cash for clunkers” program, and we are hopeful that these numbers will improve over the next few quarters. We will provide Council with revised sales tax revenue projections at mid-year, as necessary.

Internal Borrowing for Capital Equipment Needs: In September 2008, the City Council authorized the purchase of a tractor drawn aerial (TDA) fire truck to replace our current 1995 TDA (Truck No. 7). The current Truck No. 7 will replace the reserve TDA, taking it out of reserve status. This apparatus is currently being completed in the Seagrave factory and will be ready for delivery after a complete inspection by Hayward Fire Department and Maintenance Services personnel.

Staff recommends creating an internal borrowing promissory note between the Maintenance Services-Fleet fund and the Airport Real Estate fund to finance the payment of the replacement TDA truck, rather than entering into a commercial capital lease. The seven-year note will include the payment of monthly interest at the rate the City earns on the City Investment Portfolio. The Airport is required to keep the FAA informed of any similar financial transactions involving Airport funds and staff is in the process of doing so. A resolution authorizing the City Manager to execute a promissory note between the Airport Fund and the Fleet Fund is attached for Council’s consideration.

Transfers of General Fund Reserves for General Liability and Capital Replacement Needs

Capital Replacement - The City has not set aside sufficient reserves for General Fund capital needs such as technology, equipment replacement, and facilities. Last year two new internal services funds were created along with corresponding capital replacement funds to begin to allocate funds for technology and facilities needs. This year staff has also identified the need to create capital replacement funds for specialized equipment.

Staff recommends that there be four (4) new funds created as a mechanism to accumulate reserves for capital replacement of specialized fire, police, technology, and maintenance equipment. Each year the City Manager would have the authority to transfer budget savings from the General Fund departments to the new capital replacement funds if the General Fund had a surplus during the previous year. The City Manager would determine the amounts that would not exceed the savings from the previous year.

The City’s Technology Strategic Plan identified replacing the current financial system with an Enterprise Resource Planning (ERP) system as a high priority. The current system is limited in its abilities. ERP is a way to integrate the data and processes of the organization into one single system. This form of integrated system will alter the way we conduct business. It will create efficiencies by allowing the sharing of data between managers and departments, eliminating the need for dual entry of data by separate business units as occurs now. A new system will also provide stronger capabilities in the areas of outcome budgeting and financial modeling and projection consistent with the

organization's move toward long range financial planning. Creating these reserves will allow for the replacement of technology and equipment. For this year the recommended transfers are as follows:

<i>PROPOSED CAPITAL REPLACEMENT TRANSFERS</i>	<i>Transferred out of General Fund Reserves</i>	<i>Transferred into New Equipment Replacement Funds</i>
Fire Equipment Replacement	(\$100,000)	\$100,000
Police Equipment Replacement	(\$100,000)	\$100,000
Maintenance Services Equipment Replacement	(\$ 50,000)	\$ 50,000
Technology-Enterprise Resource Planning (ERP) System	(\$2,500,000)	\$2,500,000
TOTAL	(\$2,750,000)	\$2,750,000

General Liability Reserves - The City has a Risk Management internal service fund to track and set aside reserves for the City's self-insured claims and judgments. Historically, the Risk Management Fund has had a \$2 to \$3 million reserve balance; however last year the City settled several long-time claims, which have reduced reserves significantly. Staff recommends transferring \$1 million from General Fund Reserves to the Risk Management Fund to restore the depleted self-insurance reserves.

The City records a long-term liability for accumulated employee leave balances. Last year the City created two new internal service funds in which the employees assigned to these funds have accumulated leave balances that must be transferred to the new funds from the General Fund. Staff recommends transferring \$95,400 to the Facilities Internal Service Fund and \$125,600 to the Technology Internal Service Fund. For this year these transfers would be the following:

<i>PROPOSED LIABILITY RELATED TRANSFERS</i>	<i>Transferred out of General Fund Reserves</i>	<i>Transferred into Internal Service Funds</i>
Risk Management	(\$1,000,000)	\$1,000,000
Facilities	(\$95,400)	\$95,400
Technology	(\$125,600)	\$125,600
TOTAL	(\$1,221,000)	\$1,221,000

A resolution to authorize the transfer of \$3,971,000 from the General Fund Contingency Reserve to the funds noted above for the purposes of capital replacement and general liability needs is attached for Council's consideration.

State of California "Takes" of Local Revenue: The Council adopted the FY 2010 Operating and Capital Budgets on June 16, 2009. Since that time the State of California has attempted to balance the State Budget, which has affected local governments, including the City of Hayward in several ways by:

1. Borrowing approximately \$3.6 million from the City's General Fund as allowed under Proposition 1A.

2. Requiring the RDA to pay an additional ERAF payment of \$4.4 million, in which, approximately \$2.1 million can be borrowed from the RDA Mod/Moderate Income Housing Fund and paid back in FY 2015. Also, payment of the FY 2011 ERAF requirement is \$909,401, which can all be borrowed from the RDA Mod/Moderate Income Housing Fund and paid back in FY 2015 and FY 2016.
3. Delaying payment to the City of Gas Tax and Proposition 42-Streets and Roads revenue.

Several of these actions by the State will require the City to make adjustments to the FY 2010 Budget and to enact certain preventative measures as described below:

1. Proposition 1A State Loan

Proposition 1A Suspension: Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services. Provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concurs.

The emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor as ABX4 14 and ABX4 15 as part of the 2009-10 budget package on July 28, 2009. Under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts. The City of Hayward's portion is estimated at \$3.6 million. The State will be required to repay those obligations plus interest by June 30, 2013. The State Department of Finance set the interest rate at two percent (2%) on September 25, 2009. The City's average portfolio rate for FY 2009 was 3.06%, although the overall rate has dropped to 1.38% for the month of August 2009.

The State legislature passed a clean-up bill, SB67 which provides for a few critical changes to the enacted legislation. While SB 67 has not yet been signed into law, California Communities expects that to occur prior to funding the Program. If for any reason SB 67 is not enacted and the bonds cannot be sold by December 31, 2009, all approved documents placed in escrow with Transaction counsel will be of no force and effect and will be destroyed.

Proposition 1A Securitization Program: Authorized under ABX4 14 and ABX4 15, the Proposition 1A Securitization Program was to enable Local Agencies (Cities) to sell their respective Proposition 1A Receivables to California Communities, a JPA. Under the Securitization Program, California Communities will simultaneously purchase the Proposition 1A Receivables from all Local Agencies that sign-up to participate, issue bonds ("Prop 1A Bonds") and provide each local agency with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010 (to coincide with the dates that the State will be shifting property tax from local agencies). The price paid to the local agencies will equal 100% of the amount of the property tax reduction. All transaction costs of issuance and interest will be paid by the State of California. Participating local agencies will have no obligation on the bonds and no credit exposure to the State.

If the City of Hayward sells its Proposition 1A Receivable under the Proposition 1A Securitization Program, California Communities will pledge the City of Hayward's Proposition 1A Receivable to secure the repayment of a corresponding amount of the Prop 1A Bonds. The City of Hayward's sale of

its Proposition 1A Receivable will be irrevocable. Bondholders will have no recourse to the City of Hayward if the State does not make the Proposition 1A Repayment.

Benefits of Participation in the Proposition 1A Securitization Program: The benefits to the City of Hayward of participation in the Proposition 1A Securitization Program include:

- Immediate cash relief – the sale of the City of Hayward's Proposition 1A Receivable will provide the City of Hayward with 100% of its Proposition 1A Receivable in two equal installments, on January 15, 2010 and May 3, 2010.
- Mitigates impact of 8% property tax withholding in January and May – Per ABX4 14 and ABX4 15, the State will withhold 8% of property tax receivables due to Cities, Counties, and Special Districts under Proposition 1A. The financing outlines bond proceeds to be distributed to coincide with the dates that the State will be shifting (or taking) property tax from local agencies. This will eliminate the need budget cuts in the General Fund to account for an additional \$3.6 million of revenue reductions.
- All costs of financing borne by the State of California. The City of Hayward will not have to pay any interest cost or costs of issuance in connection with its participation or the issuing of the bonds.
- No obligation on Bonds. The City of Hayward has no obligation with respect to the payment of the bonds, nor any reporting, disclosure or other compliance obligations associated with the bonds.

Proceeds of the Sale of the City of Hayward's Proposition 1A Receivable: Upon delivery of the Proposition 1A Bonds, California Communities will make available to the City of Hayward its fixed purchase price, which will equal 100% of the local agency's Proposition 1A Receivable. These funds may be used for any lawful purpose of the City of Hayward and are not restricted by the program. Staff recommends participation in the Proposition 1A Securitization Program. To date 354 cities have enrolled in the program. A resolution approving the form of and authorizing the execution and delivery of a purchase and sale agreement and related documents with respect to the sale of the City of Hayward's Proposition 1A receivable from the State and directing and authorizing certain other actions in connection with the process is attached for Council's consideration.

2. **Status of the Redevelopment Agency**

Several critical items now affect the amount of funds available to the Agency in FY 2010 and forward. These include actions by the State as well as impacts of the current economic conditions. Staff will watch these situations closely and report back to Council during the Mid-year update on any recommended actions necessary to modify the FY 2010 Adopted Budget in response to these impacts, which are summarized below:

State Raids on RDA Funds: As presented in a Weekly Report item on September 4, 2009, the legislation approved Assembly Bill 26 4X in late July. The bill authorizes the collection of redevelopment revenue in FY 2010 and in FY 2011 to be deposited in a county Supplemental Educational Revenue Augmentation Funds (ERAF) in order to meet the State's Prop 98 obligations to schools. It is estimated that the Hayward Redevelopment Agency's required payment will be approximately \$4.4 million in FY 2010, and approximately \$900,000 in FY 2011. The Agency may borrow some of this amount from its 20% Low-Mod Housing funds to make these ERAF payments,

with the caveat that the funds must be repaid to the Low-Mod Fund within five years. Based on current revenue projections, if the Agency utilizes this provision, it would allow approximately \$2.1 million of the FY 2010 payment and all of the FY 2011 payment to be made from the Low-Mod Housing Fund. The remaining \$2.3 million of the FY 2010 payment would come from the Agency's Project and Administrative Fund (Fund 451).

The California Redevelopment Association (CRA) is preparing to file a lawsuit to prevent the State from requiring the ERAF payments under AB 26 4X. Two communities, Union City and Fountain Valley, have been selected to be co-plaintiffs with the CRA. In addition, the State dropped its appeal of last year's successful challenge by the CRA to the ERAF take. As a result, the Agency will not have to make a payment for FY 2009. However, it should be noted that the State made modifications to AB 26 4X legislation in order to ward off further legal challenge based on the CRA's successful legal arguments last year. Staff will continue to monitor the situation and update the City Council/Agency Board as significant developments occur.

Drop in the City's Assessed Valuation: In late July, the Alameda County Auditor-Controller released the Assessed Valuation (AV) Report for the Redevelopment Agency for FY 2010. Based on the new assessed values, the Agency's projected tax increment revenue (TI) is now approximately \$900,000 lower for the current fiscal year than was presented in the FY 2010 budget.

While staff previously included all property assessment appeals that had been filed with the County, and had otherwise taken measures to be reasonably conservative in its estimates, it appears that the Alameda County Tax Assessor made a decision to reduce property tax assessed values "across the board", as a result of overall economic conditions. Staff originally projected that AV levels would be 10% below the previous year – an unheard of phenomenon in our lifetime. However, with the continuing impacts of the economy and the actions of the County Assessor, AV levels are now projected to be 17% below the previous year, or 7% lower than staff projected for FY 2010.

As a result of the drop in assessed values and assuming that the Agency will have to make the State ERAF payment, the Agency's 80% Project and Administrative Fund (fund 451) is now expected to have roughly a \$2.7 million deficit by the end of the current fiscal year, if no changes are made. There is continuing uncertainty about the timing of the recovery in the housing and commercial development markets. Therefore, staff is working with its consultants to adjust the Agency's TI projections going forward, as well as taking a conservative approach to projecting minimal, if any, school and park fee revenues. Staff is also adjusting pricing and timing for the sale of the Burbank School surplus property, and reviewing schedules for paying back the City's enterprise funds for previously borrowed amounts or for the purchase of land from the City.

Agency Bonding Capacity: The Agency's financial advisor, CSG Advisors, has prepared recent analysis indicating that due to the recent drop in projected revenue, the Agency's current bonding potential has dropped from approximately \$18 million to \$12.7 million to potentially zero. Staff will be working with the consultants as more revenue information comes in through the first County payment of property taxes to the City and in January, to reassess the possible bonding scenarios including timing, amounts, and costs. It is possible that the consultants could advise the Agency not to attempt a bond issue in the near future.

If the Agency does not issue new bonds, it will not have to pay the projected bond debt service, which will eliminate one major source of new expenditures. However, eliminating the new bond debt service alone will not resolve the projected deficit and will have a major negative impact on the Agency's project plans and commitments. Projects that are current Agency priorities, carry commitments, or have important planning and development goals, and which would benefit from the Agency's ability to bond, are:

South Hayward BART TOD – The Agency has made a conditional commitment of \$12.7 million in future bond funds to undertake public improvements, including public parking, for this development. In addition to the public facilities funding, the Agency committed to fund \$7.1 million for the proposed affordable housing. Original commitments depended on a successful bond issue. Staff is currently looking at when funds will actually be needed by the project and alternative methods for assuring that this commitment is met.

Sycamore-Pinedale Assembly and Other Mission Boulevard Redevelopment – The potential assembly and redevelopment of the property at Sycamore-Pinedale Court is another project that staff anticipated would be funded largely with new bond proceeds. Staff has previously estimated that approximately \$8.5 million would be needed to assemble the entire block. The Agency has already expended \$3.6 million in property acquisition and clearance. Staff will continue to assess opportunities to acquire property in the Sycamore-Pinedale block within the available resources and commitments to other projects.

City Center Campus Redevelopment – This site could be a candidate for financing via Recovery Zone Facilities Bonds, under the American Recovery and Reinvestment Act of 2009, which are private placement bonds. Hayward has an allocation of approximately \$2.7 million in funding from this program, which staff is currently pursuing. If secured, the funds might be useful to assist the developer in leveraging private-sector project financing and/or in clearing the site for development sooner than might occur with solely developer financing.

3. Effects of Delay in Gas Tax (Huta) and Proposition 42-Streets and Roads Funding

The State has approved the delay of both Highway Users Tax Act (Gas Tax) revenue and Proposition 42-Streets and Roads revenue. The Prop 42 regular monthly payments have been held and will be paid in April, May, and June 2010. The State will pay Gas Tax due for this July, August, September, and October in October 2009; then November, December, January, February, and March will be paid in April 2010; other monthly payments will be on schedule.

These transportation funds support the City's improvements to local streets and roads, including city-wide pavement rehabilitation and reconstruction programs, congestion management, replacement streetlights, and sidewalk repairs. Since almost all Gas Tax funded projects were eliminated this year to increase transfers to the General Fund, the delay of Gas Tax funds will require some delay in quarterly transfers to the General Fund. Proposition 42 funds mainly augment other funding in the Street System Improvement Fund for which the largest projects are the Mt Eden Annexation Improvements, Annual

Sidewalk Rehabilitation Program, and Median Landscaping Improvements. It is possible that at least one of these projects will likely be deferred due to the delay in Proposition 42 funding from the State.

How The Economy And The State's Actions Are Affecting Other Agencies In Hayward: The Proposition 1A State borrowing also affects the County of Alameda, Hayward Unified School District (HUSD), and Hayward Area Recreation District (HARD).

Hayward Unified School District (HUSD) and other districts statewide are struggling to meet their budget expenses with fewer funds than were allocated by the legislature in previous years. Some districts, including HUSD, are deficit spending (i.e., their expenses exceed their revenue). Therefore, they have to make reductions and/ or eliminations to programs to provide public education within the budget provided to students. HUSD is indeed faced with the harsh reality that they have to make reductions that will have a negative impact on the services provided to schools.

The State legislature funds public education and is the main source of income for school districts. The recent downturn in the state economy has contributed to HUSD's \$18 million budget deficit. The District's budget is \$180 million (\$120 million unrestricted - to fund regular programs and operational expenses and \$60 million restricted – to fund categorical programs). Districts develop their budgets on current and future revenue. Not only are Districts not getting the Cost of Living Adjustment for the 2008-09 and the 2009-10 school year that the State had projected (\$12 million lost for HUSD), HUSD is also spending \$6 million more than revenue projected.

To address HUSD's budget shortfall, they have eliminated \$18 million of ongoing expenses for the next three academic years. On February 11, 2009, the HUSD Board of Trustees took action to reduce and eliminate \$9.6 million on an ongoing basis and \$3 million one-time in programs and services for students, and staff. The following reductions were included in the Board's action:

- Over \$1 million in District Office Administrative Staff
- Over \$2.5 million in classified staff reductions
- The elimination of the high school 4x4 block system
- The elimination of Class Size Reductions (CSR) for K-3

Some HUSD departments and programs have been significantly impacted by the reductions, and there must be an additional \$4.5 million in reductions to the District's budget on an ongoing basis to meet their financial obligations and to maintain positive certification.

HARD will lose an additional \$1.1 million due to the Prop 1A State loan. They have been hit with increased ERAF takes that add up to more than \$124 million over the past 17 years. Last year HARD paid \$12 million of their property taxes to State ERAF. HARD is committed to maintain existing parks, facilities and programs by reducing hours, personnel and maintenance. They are likely faced with reductions to much needed programs, such as Hayward Adult School Disabled and Senior Adult Programs. HARD has decided to securitize the Prop 1A borrowing as the District cannot afford to lose additional tax dollars necessary to support its facilities and programs.

The County of Alameda is also hard hit with the affects from the State cuts and borrowing. As much as \$40 million in Alameda County property taxes will be "borrowed" by the State due to the Proposition 1A suspension, in addition to the over \$320 million the State already takes each year.

Another \$10.8 million hit to the County's redevelopment funds will eliminate funding for, among other things, retail development projects that would generate new sales and property taxes, and other projects that would create local construction jobs. Approximately 1,200 In-Home Support Services (IHSS) recipients in Alameda County will no longer receive vital services. An additional 14,400 IHSS recipients will have their service hours reduced. Certain CalWORKs recipients will experience severe service cuts. There are also, reduced wages for county workers and an overall staffing decrease of 235 FTE as compared to prior year. Reduced law enforcement, including the Coroner, Crime Lab, emergency, jail and animal shelter services are of great concern.

FISCAL IMPACT

The State decisions impact the City General Fund, Redevelopment Agency, and transportation-related revenues as follows.

Impact	Proposed Solution
Proposition 1A borrowing of \$3.6 million in General Fund Property Tax dollars.	Participate in the Prop 1A Securitization Program, which will provide the City with bond proceeds to offset the entire \$3.6 million borrowed from the State.
AB 26 authorizing collection of two years of Supplemental ERAF payments from the Hayward Redevelopment Agency in the amount of \$4.4 million in FY 2010 and \$900,000 in FY 2011.	The RDA will continue to participate with the CRA to fight this legislation. If payment is required in May the RDA will borrow approximately \$2.1 million from the RDA Mod/Moderate Income Housing Fund to be paid back in FY 2015. Also, the FY 2011 ERAF requirement of approximately \$900,000 which can all be borrowed from the RDA Mod/Moderate Income Housing Fund and paid back in FY 2016. At Mid-year staff will propose additional budget reductions in RDA programs and projects, as necessary.
Delay of payment of Gas Tax and Proposition 42 Transportation Funds	Staff will adjust cash flow projections to account for the delay of payments from the State, and adjust the award of projects as necessary.

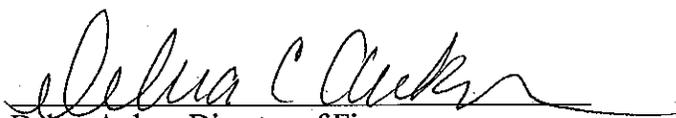
Below is a summary of the use of Contingency Reserves if Council adopts the proposed resolution:

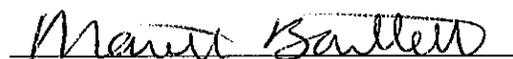
Recommended Transfers	
Beginning Fund Balance Reserves- FY2010	\$20,570,000
-Transfers to create Capital Replacement Reserves, including the ERP	(\$2,750,000)
-Transfers to Internal Service Funds	(\$1,221,000)
Ending Fund Balance Reserves	\$16,599,000

NEXT STEPS

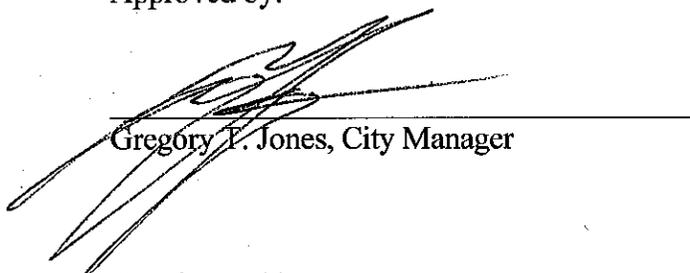
If Council approves the proposed resolutions, staff will move forward with the Proposition 1A securitization process. All required documents will be submitted to California Communities by the November 6th deadline and bonds are scheduled to be sold in November. The City will receive half or the Prop 1A borrowing in January 2009 and the other half in May 2010. Staff will continue to watch the City revenue picture and report back to Council in February during the Mid-year Review.

Prepared by:


Debra Auker, Director of Finance


Maret Bartlett, Redevelopment Director

Approved by:


Gregory T. Jones, City Manager

Attachment(s):

1. Resolution Approving The Form Of And Authorizing The Execution And Delivery Of A Purchase And Sale Agreement And Related Documents With Respect To The Sale Of The Seller's Proposition 1a Receivable From The State; And Directing And Authorizing Certain Other Actions In Connection Therewith.
2. Resolution for Fire Apparatus Internal Financing
3. Resolution Authorizing Transfers of General Fund Reserves for Capital Replacement and General Liability needs.

DRAFT

RESOLUTION NO. _____

CITY COUNCIL
OF THE
CITY OF HAYWARD

mae
10/16/09

A RESOLUTION APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE AND SALE AGREEMENT AND RELATED DOCUMENTS WITH RESPECT TO THE SALE OF THE SELLER'S PROPOSITION 1A RECEIVABLE FROM THE STATE; AND DIRECTING AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to Section 25.5 of Article XIII of the California Constitution and Chapter 14XXXX of the California Statutes of 2009 (Assembly Bill No. 15), as amended (the "Act"), certain local agencies within the State of California (the "State") are entitled to receive certain payments to be made by the State on or before June 30, 2013, as reimbursement for reductions in the percentage of the total amount of ad valorem property tax revenues allocated to such local agencies during the State's 2009-10 fiscal year (the "Reimbursement Payments"), which reductions have been authorized pursuant to Sections 100.05 and 100.06 of the California Revenue and Taxation Code;

WHEREAS, the City of Hayward, a local agency within the meaning of Section 6585(f) of the California Government Code (the "Seller"), is entitled to and has determined to sell all right, title and interest of the Seller in and to its "Proposition 1A receivable", as defined in Section 6585(g) of the California Government Code (the "Proposition 1A Receivable"), namely, the right to payment of moneys due or to become due to the Seller pursuant to Section 25.5(a)(1)(B)(iii) of Article XIII of the California Constitution and Section 100.06 of the California Revenue and Taxation Code, in order to obtain money to fund public capital improvements or working capital;

WHEREAS, the Seller is authorized to sell or otherwise dispose of its property as the interests of its residents require;

WHEREAS, the California Statewide Communities Development Authority, a joint exercise of powers authority organized and existing under the laws of the State (the "Purchaser"), has been authorized pursuant to Section 6588(x) of the California Government Code to purchase the Proposition 1A Receivable;

WHEREAS, the Purchaser desires to purchase the Proposition 1A Receivable and the Seller desires to sell the Proposition 1A Receivable pursuant to a purchase and sale agreement by and between the Seller and the Purchaser in the form presented to this City Council (the "Sale Agreement") for the purposes set forth herein;

WHEREAS, in order to finance the purchase price of the Proposition 1A Receivable from the Seller and the purchase price of other Proposition 1A Receivables from other local agencies, the Purchaser will issue its bonds (the "Bonds") pursuant to Section 6590 of the California Government Code and an Indenture (the "Indenture"), by and between the Purchaser and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Bonds will be payable solely

from the proceeds of the Seller's Proposition 1A Receivable and other Proposition 1A Receivables sold to the Purchaser by local agencies in connection with the issuance of the Bonds;

WHEREAS, the Seller acknowledges that (i) any transfer of its Proposition 1A Receivable to the Purchaser pursuant to the Sale Agreement shall be treated as an absolute sale and transfer of the property so transferred and not as a pledge or grant of a security interest by City of Hayward to secure a borrowing, (ii) any such sale of its Proposition 1A Receivable to the Purchaser shall automatically be perfected without the need for physical delivery, recordation, filing or further act, (iii) the provisions of Division 9 (commencing with Section 9101) of the California Commercial Code and Sections 954.5 to 955.1 of the California Civil Code, inclusive, shall not apply to the sale of its Proposition 1A Receivable, and (iv) after such transfer, the Seller shall have no right, title, or interest in or to the Proposition 1A Receivable sold to the Purchaser and the Proposition 1A Receivable will thereafter be owned, received, held and disbursed only by the Purchaser or a trustee or agent appointed by the Purchaser;

WHEREAS, the Seller acknowledges that the Purchaser will grant a security interest in the Proposition 1A Receivable to the Trustee and any credit enhancer to secure payment of the Bonds;

WHEREAS, a portion of the proceeds of the Bonds will be used by the Purchaser to, among other things, pay the purchase price of the Proposition 1A Receivable;

WHEREAS, the Seller will use the proceeds received from the sale of the Proposition 1A Receivable for any lawful purpose as permitted under the applicable laws of the State;

NOW THEREFORE, the City Council of the City of Hayward hereby resolves as follows:

Section 1. All of the recitals set forth above are true and correct, and this City Council hereby so finds and determines.

Section 2. The Seller hereby authorizes the sale of the Proposition 1A Receivable to the Purchaser for a price equal to the amount certified as the Initial Amount (as defined in the Sale Agreement) by the County auditor pursuant to the Act. The form of Sale Agreement presented to the City Council is hereby approved. An Authorized Officer (as set forth in Appendix A of this Resolution, attached hereto and by this reference incorporated herein) is hereby authorized and directed to execute and deliver the Sale Agreement on behalf of the Seller, which shall be in the form presented at this meeting.

Section 3. Any Authorized Officer is hereby authorized and directed to send, or to cause to be sent, an irrevocable written instruction to the State Controller (the "Irrevocable Written Instruction") notifying the State of the sale of the Proposition 1A Receivable and instructing the disbursement pursuant to Section 6588.6(c) of California Government Code of the Proposition 1A Receivable to the Trustee, on behalf of the Purchaser, which Irrevocable Written Instruction shall be in the form presented at this meeting.

Section 4. The Authorized Officers and such other Seller officers, as appropriate, are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents, including but not limited to, if required, appropriate escrow instructions relating to the delivery into escrow of executed documents prior to the closing of the Bonds, and such other documents mentioned in the Sale Agreement or the Indenture, which any of them may deem necessary or desirable in order to implement the Sale Agreement and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 5. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the sale of the Proposition 1A Receivable or the issuance of the Bonds, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, may be given or taken by an Authorized Officer without further authorization by this City Council, and each Authorized Officer is hereby authorized and directed to give any such consent, approval, notice, order or request, to execute any necessary or appropriate documents or amendments, and to take any such action that such Authorized Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 6. The City Council acknowledges that, upon execution and delivery of the Sale Agreement, the Seller is contractually obligated to sell the Proposition 1A Receivable to the Purchaser pursuant to the Sale Agreement and the Seller shall not have any option to revoke its approval of the Sale Agreement or to determine not to perform its obligations thereunder.

Section 7. This Resolution shall take effect from and after its adoption and approval.

PASSED AND ADOPTED by the City Council of the City of Hayward, State of California, this _____ day of _____, 2009, by the following vote:

AYES:

NOES:

ABSENT:

Mayor

Attest:

City Clerk

Approved as to form :

SELLER'S COUNSEL

By _____

Dated: _____

APPENDIX A

CITY OF HAYWARD

Authorized Officers: Gregory T. Jones, City Manager

Debra C. Auker, Director of Finance

Fran David, Assistant City Manager

any designee of any of them, as appointed in a written certificate of such Authorized Officer delivered to the Trustee.

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 09-

Introduced by Council Member _____

mee
10/16/09

RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A LOAN AGREEMENT BETWEEN THE FLEET FUND AND THE AIRPORT REAL ESTATE FUND TO FINANCE FIRE APPARATUS

BE IT RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to enter into a loan agreement between the Fleet Fund and the Airport Real Estate Fund for an amount not to exceed \$1 million, in a form to be approved by the City Attorney, to finance the design, build and purchase of an aerial tiller fire apparatus.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2009

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:
MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. 09-

Introduced by Council Member _____

mal
10/16/09

RESOLUTION AMENDING RESOLUTION 09-082, AS AMENDED, THE BUDGET RESOLUTION FOR THE CITY OPERATING BUDGET FOR FISCAL YEAR 2010, RELATING TO A TRANSFER OF FUNDS FROM THE GENERAL FUND TO VARIOUS FUND

BE IT RESOLVED by the City Council of the City of Hayward that the Director of Finance is hereby authorized to appropriate and transfer \$3,971,000 from the General Fund (Fund 100), to various funds, as listed below.

Transfer From:	
General Fund (100)	(3,971,000)
Transfer To:	
Risk Management (711)	1,000,000
Facilities (720)	95,400
Technology (725)	125,600
Fire Equipment (416)	100,000
Police Equipment (415)	100,000
Technology (ERP) (726)	2,500,000
Maintenance Services Equipment (417)	50,000
	<u>3,971,000</u>

IN COUNCIL, HAYWARD, CALIFORNIA

ADOPTED BY THE FOLLOWING VOTE:

AYES: COUNCIL MEMBERS:

MAYOR:

NOES: COUNCIL MEMBERS:

ABSTAIN: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

ATTEST: _____
City Clerk of the City of Hayward

APPROVED AS TO FORM:

City Attorney of the City of Hayward