



CITY OF HAYWARD
AGENDA REPORT

AGENDA DATE 06/21/05
AGENDA ITEM 4
WORK SESSION ITEM _____

TO: Mayor and City Council
FROM: Acting Finance Director
SUBJECT: Authorization and Adoption of the Vehicle License Fee Receivables Sale and Related Sale Resolution

RECOMMENDATION:

It is recommended that Council adopt the attached resolution authorizing the sale of the VLF Receivable and authorizing the City Manager to execute all documents in connection with this transaction.

BACKGROUND:

Vehicle license fees ("VLF") were historically assessed in the amount of 2% of a vehicle's depreciated market value for the privilege of operating a vehicle on California's public highways. Beginning in 1999, the VLF paid by vehicle owners was offset (or reduced) to the effective rate of .65%. In connection with the offset of the VLF, the Legislature authorized appropriations from the State General Fund to "backfill" the offset so that local governments, which receive all of the vehicle license fee revenues, would not experience any loss of revenues. The legislation that established the VLF offset program also provided that if there were insufficient State General Fund moneys to fully "backfill" the VLF offset, the percentage offset would be reduced proportionately (i.e., the license fee payable by drivers would be increased) to assure that local governments would not be disadvantaged.

In June 2003, the Director of Finance under the Davis Administration ordered the suspension of VLF offsets due to a determination that insufficient State General Fund moneys would be available for this purpose. As a result, approximately \$1.2 billion was not received by local governments, with Hayward's share of this amount equaling \$2,454,076. The State committed to remit in August 2006 the amount withheld from cities and counties. The amount withheld constitutes a VLF Receivable.

Senate Bill 1096, authorized the California Statewide Communities Development Authority ("CSCDA") to institute a mechanism to enable cities and counties to sell their respective VLF Receivables to CSCDA for an upfront fixed purchase price. The actual purchase price of the VLF Receivables will depend on the total amount of VLF Receivables that cities and counties sell to CSCDA and on bond market conditions at the time the VLF Notes are priced. If the City sells its VLF Receivable, CSCDA will pledge the City's VLF Receivable to secure the

repayment of a corresponding portion of the VLF Notes. The City's sale of its VLF Receivable will be irrevocable. Bondholders will have no recourse to the City if the State does not make the VLF Gap Repayment.

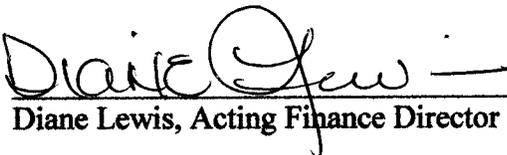
CSCDA is a joint powers authority sponsored by the League of California Cities and the California State Association of Counties. The member agencies of CSCDA include approximately 230 cities and 54 counties throughout California, including Hayward.

As indicated in the Mid-year Budget Review the benefit to Hayward is to provide budget flexibility for 2005-06. More specifically, the sale of the City's VLF Receivable would provide additional revenues in FY 2005-06 which can be applied to resolve budgetary challenges.

Upon delivery of the VLF Notes, CSCDA will make available to the City its fixed purchase price. This payment will equal the City's VLF Receivable amount less capitalized interest costs (to pay interest on the VLF Notes until maturity), credit enhancement fees and bond issuance costs. As discussed above, the City of Hayward's VLF Receivable is \$2,454,076. The purchase price to be paid by CSCDA is estimated to be \$2,245,579 but cannot be determined with specificity until the total number of participants in the VLF Program is known and bond market conditions are taken into account at the time the VLF Notes are priced. This amount has been recognized in the recommended budget for fiscal year 2005-06.

The current CSCDA funding is expected to close in July 2005 with funds available to Hayward immediately thereafter. The various documents authorizing the sale of the VLF Receivable such as Execution and Delivery of Purchase and Sale Agreement are on file with the City Clerk.

Recommended by:



Diane Lewis, Acting Finance Director

Approved by:



Jesús Armas, City Manager

DRAFT

HAYWARD CITY COUNCIL

RESOLUTION NO. _____

Introduced by Council Member _____

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 VEHICLE LICENSE FEE RECEIVABLE FROM THE STATE; AND DIRECTING AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, certain public agencies within the State of California (the "State") are entitled to receive certain payments payable by the State to each such local agency on or before August 15, 2006, in connection with vehicle license fees pursuant to Section 10754.11 of the California Revenue and Taxation Code ("VLF Gap Repayments"); and

WHEREAS, The City of Hayward (the "Seller") is entitled to and has determined to sell all right, title and interest of the Seller in and to the "VLF Receivable", as defined in Section 6586(i) of the California Government Code (the "VLF Receivable"), namely, the right to payment of moneys due or to become due to the Seller out of funds payable in connection with vehicle license fees to a local agency pursuant to Section 10754.11 of the California Revenue and Taxation Code; and

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

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

WHEREAS, in order to finance the purchase price of the VLF Receivable from the Seller and the purchase price of other VLF Receivables from other local agencies, the Authority will issue its taxable and tax-exempt notes (the "Notes") pursuant to Section 6590 of the California Government Code and an Indenture (the "Indenture"), by and between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"), which Notes will be payable solely from the proceeds of the VLF Receivable and such other VLF Receivables; and

WHEREAS, the Seller acknowledges that the Authority will grant a security interest in the VLF Receivable to the Trustee and any credit enhancer to secure payment of the Notes; and

WHEREAS, a portion of the proceeds of the Notes will be used by the Authority to, among other things, pay the purchase price of the VLF Receivable; and

WHEREAS, the Seller will use the proceeds received from the sale of the VLF Receivable for any lawful purpose as permitted under the applicable laws of the State.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward 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 VLF Receivable to the Authority for a price no less than the Minimum Purchase Price set forth in Purchase and Sale Agreement. An Authorized Officer (as set forth in Purchase and Sale Agreement.) is hereby authorized and directed to execute and deliver the Sale Agreement on behalf of the Seller, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto, as such Authorized Officer shall approve, which approval shall be conclusively evidenced by the execution and delivery of the Sale Agreement.

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 notifying the State of the sale of the VLF Receivable and instructing the disbursement pursuant to Section 65898.5(c) of California Government Code of the VLF Receivable to the Trustee, on behalf of the Authority.

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 one or more tax certificates, if required, appropriate escrow instructions relating to the delivery into escrow of executed documents prior to the closing of the Notes, 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 VLF Receivable or the issuance of the Notes, 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 VLF Receivable to the Authority 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.

IN COUNCIL, HAYWARD, CALIFORNIA _____, 2005

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