



**STAFF REPORT OF THE SUCCESSOR AGENCY TO THE
HERCULES REDEVELOPMENT AGENCY**

DATE: January 24, 2022

TO: Contra Costa County Countywide Oversight Board

FROM: Edwin Gato, Finance Director, City of Hercules

SUBJECT: Adopt a Resolution Approving the Issuance and Sale of Tax Allocation Refunding Bonds by the Successor Agency to the Hercules Redevelopment Agency and Authorizing Certain Other Actions in Connection Therewith

RECOMMENDED ACTION:

It is recommended the Contra Costa County Countywide Oversight Board adopt the attached Countywide Oversight Board Resolution approving the issuance and sale of tax allocation refunding bonds by the Successor Agency to the Hercules Redevelopment Agency and authorizing certain other actions in connection therewith.

DISCUSSION:

The Hercules Redevelopment Agency (the “Former Agency”) previously issued four series of Hercules Merged Project Area Tax Allocation Bonds (the “Prior Obligations”). As summarized in the table below, \$90.65 million of the Prior Obligations remain outstanding, all of which are callable on any date.

Outstanding Successor Agency Tax Allocation Bonds				
Bond Issue	Original Par	Outstanding Par	Final Maturity	Average Coupon
TABs, Series 2005	56,260,000	29,115,000	8/1/2035	4.96%
TABs, Series 2007 A	60,555,000	46,405,000	8/1/2042	4.74%
Housing TABs, Series 2007A (Taxable)	13,130,000	8,455,000	8/1/2033	6.12%
Housing TABs, Series 2007B	12,760,000	6,675,000	8/1/2033	4.94%
	\$ 142,705,000	\$ 90,650,000		4.88%

Health and Safety Code Section 34177.5(a)(1) authorizes successor agencies to refinance outstanding debt obligations to produce debt service savings. A successor agency is generally not permitted to issue bonds that would increase the overall indebtedness of the successor agency or provide additional

proceeds to be expended, but it can issue bonds to refund prior debt obligations and effectuate debt service savings.

On January 11, 2022, the Successor Agency to the Hercules Redevelopment Agency (the “Successor Agency”) adopted the Successor Agency Resolution attached hereto as Attachment 2 approving documents and actions needed to authorize the issuance and sale of Successor Agency to the Hercules Redevelopment Agency 2022 Tax Allocation Refunding Bonds (the “2022 Bonds”), including the form of certain financing documents attached hereto as Attachments 4, 5, 6, and 7. The Countywide Oversight Board is being asked to approve the issuance of refunding bonds by the Successor Agency to refund the Prior Obligations for debt service savings.

If approved by the Countywide Oversight Board, then the Board’s action, including the Oversight Board Resolution and the other materials submitted by the Successor Agency herewith, will be subject to approval by the California Department of Finance (“DOF”). DOF has up to 65 days to review the transaction. Because the impact of the refunding would be to reduce the interest costs associated with the Prior Obligations, it is anticipated that DOF will not object to this action.

FISCAL IMPACT OF RECOMMENDATION:

As illustrated in the Municipal Advisor’s Savings Memorandum attached hereto as Attachment 3, the issuance of the 2022 Bonds is estimated to result in debt service savings of approximately \$25.1 million and Net Present Value savings of approximately \$17.8 million, or 19.6% of refunded par. Savings would be distributed among various taxing entities.

These estimates are based on market conditions as of December 21, 2021, as prepared by Stifel, Nicolaus & Company, Incorporated, as Underwriter, and reviewed by Urban Futures, Inc., as Municipal Advisor. Additionally, these estimates are based on a proportional savings structure, among other assumptions; the Successor Agency may select an alternative structure for the 2022 Bonds and other assumptions may be adjusted, which would change the results. Final savings achieved from the refunding will not be determined until the sale of the 2022 Bonds (currently estimated to be in April 2022).

ATTACHMENTS:

1. Countywide Oversight Board Resolution
2. Successor Agency Resolution
3. Municipal Advisor’s Savings Memorandum
4. Indenture of Trust
5. Form of Escrow Agreement
6. Bond Purchase Agreement
7. Continuing Disclosure Certificate