City of Culver City, California

Agenda Item Report

Meeting Date: 10/25/10	Item Number: PH-1
CITY COUNCIL AGENDA ITEM: PUBLIC HEARING - Adoption of a Resolution Approving the Issuance of Bonds by the California Municipal Finance Authority for the Benefit of MWLA, Inc. (dba Turning Point School) to Refund Existing Debt.	
Contact Person/Dept.: Nick Kimball, Senior Management Analyst	Phone Number: 310-253-6013
Fiscal Impact: Yes [X] No []	General Fund: Yes [X] No []
Public Hearing: [X] Action Item: [] Attachments: [X]	
Commission Action Required: Yes [] No [X] Date: ________________	
Public Notification: (Email) Meetings and Agendas – City Council (10/20/10); (Newspaper) Notice printed in Culver City News (7/08/09); (Email) Turning Point School representatives (10/20/10).	
Department Approval: Jeff Muir	City Attorney Approval: Carol Schwab (by H. Baker) (10/19/10)
Chief Financial Officer Approval: Jeff Muir (by N. Kimball) (10/20/10)	City Manager Approval: John M. Nachbar (10/20/10)

RECOMMENDATION:

Staff recommends the City Council conduct the public hearing under the requirements of the Tax and Equity Fiscal Responsibility Act and the Internal Revenue Code of 1986, as amended; and approve the issuance of bonds by the California Municipal Financing Agency for the benefit of MWLA, Inc. (dba Turning Point School) to provide project financing.

PROCEDURE:

1. Mayor seeks motion from the City Council to receive and file the affidavits of publication and posting of notices, and correspondence received in response to the public hearing notices; and,]

2. Mayor calls for a staff report and the City Council Members may pose questions to staff as desired; and,

3. Mayor seeks a motion to open the public hearing; and,

4. Mayor seeks motion to close the public hearing after all public testimony has been presented; and,

5. City Council discusses the item and arrives at its decision.

BACKGROUND:

In July 2009, the City Council conducted a public hearing under the requirements of the Tax and Equity Fiscal Responsibility Act (TEFRA) and the Internal Revenue Code of 1986, as amended; approved a resolution authorizing the City Manager to execute a Joint Powers Agreement with the California Municipal Financing Agency (CMFA); and approved the issuance of bonds by CMFA for the benefit of MWLA, Inc. (dba Turning Point School) to provide project financing.

By conducting the TEFRA hearing and joining CMFA, the City allowed Turning Point School to issue approximately $20,000,000 in tax-exempt bonds to refund $12,000,000 of existing debt and take new proceeds to finance a proposed expansion to the school. The bonds were issued by CMFA.

CMFA was formed to assist local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

DISCUSSION:

Due the historically low interest rates currently available, Turning Point School is interested in lowering their debt service costs by refunding some of their outstanding bonds. CMFA has once again agreed to work with Turning Point School to issue the bonds. However, as the local public entity with geographic jurisdiction, the City Council is being requested conduct a public hearing to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986, as amended. The purpose of the TEFRA Hearing, as it is commonly referred, is to provide members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of a proposed project. Following the close of the TEFRA Hearing, an "applicable elected representative" of the governmental unit hosting the project (i.e. City of Culver City) must provide its approval of the issuance of the bonds for the financing of the project.

The bonds to be issued by CMFA for the project will be the sole responsibility of the borrower (i.e. Turning Point School), and the City will have no financial, legal, or moral obligation, liability or responsibility for the project or the repayment of the bonds for the financing of the project. All financing documents with respect to the issuance of the bonds will contain clear disclaimers that the bonds are not obligations of the City or the State of California but are to be paid for solely from funds provided by Turning Point School.

In light of the foregoing, and in order to assist the Turning Point School in lowering their operating costs, staff recommends that the City Council conduct the TEFRA Hearing and adopt a resolution in favor of the issuance of the bonds by the CMFA.

FISCAL ANALYSIS:

There are no costs associated with membership in the CMFA, and the City will in no way become exposed to any financial liability by reason of its membership in CMFA. Outside of holding the TEFRA hearing and adopting the required resolution, no other participation or activity of the City or the City Council with respect to the issuance of the Bonds will be required.

Additionally, the Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of Culver City, it is expected that 25% of the issuance fee will be granted by the CMFA to the City's General Fund (estimated to be approximately $9,000). Such grant may be used for any lawful purpose of the City. MWLA, Inc. (dba Turning Point School) will be the beneficiary of the Foundation's charitable donation through a 25% reduction in issuance fees.

ATTACHMENTS:

1. Proposed Resolution w/ Exhibit A

MOTION:

That the City Council:

1. Adopt a resolution approving the issuance of revenue bonds by the CMFA for the purpose of financing and refinancing the acquisition, construction, and improvement of certain facilities for the benefit of MWLA, Inc (dba Turning Point School); and,

2. Authorize the City Attorney to review/prepare the necessary documents; and,

3. Authorize the City Manager to execute such documents on behalf of the City.