City of Culver City, California

Agenda Item Report

Meeting Date: 12/10/12	Item Number: PH-2
CITY COUNCIL AGENDA ITEM: PUBLIC HEARING - Adoption of a Resolution Approving the Issuance of Tax Exempt Bonds by the California Municipal Finance Authority for Park Century School to Finance and Refinance Educational Facilities.	
Contact Person/Dept.: Nick Kimball, Procurement & Financial Svcs Manager	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 (12/07/12); (Newspaper) Notice printed in Culver City News (11/22/12); (Email) Park Century School representatives (12/05/12).	
Department Approval: Jeff Muir (12/03/12)	City Attorney Approval: Carol A. Schwab (by H. Baker) (12/06/12)
Chief Financial Officer Approval: Jeff Muir (by M. Noller) (12/05/12)	City Manager Approval: John M. Nachbar (12/07/12)

RECOMMENDATION:

Staff recommends City Council conduct a 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 Finance Authority for the benefit of Park Century School to provide project financing and refinancing.

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 joined the California Municipal Finance Authority (CMFA) by adopting a resolution authorizing the City Manager to execute a Joint Powers Agreement with CMFA. CMFA is a Joint Powers Authority that 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.

Park Century School contacted CMFA and has requested that they serve as the municipal issuer of tax-exempt revenue bonds in an aggregate principal amount not to exceed $15,000,000 (collectively, the "Bonds"). Proceeds from the Bond issue will be used to: (i) refinance the School's obligations under a loan agreement related to the $10,000,000 California Statewide Communities Development Authority Variable Rate Demand Revenue Bonds Series 2007; (ii) finance the design, construction, acquisition, installation, renovation and improvement of real property, facilities, equipment and improvements of the Campus; (iii) pay the termination payment with respect to an interest rate swap related to the Series 2007 Bonds; and (iv) pay costs of issuance and other related costs of the Bonds (collectively, the "Project"). The facilities financed as part of the Project will be owned by the School and used for the educational purposes.

CMFA has agreed to work with Park Century School to issue tax exempt bonds. However, as the local public entity with geographic jurisdiction, Culver City is being requested to 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 City has held a number of TEFRA hearings over the last few years, including hearings for The Willows Community School, Turning Point School and The HELP Group.

DISCUSSION:

The bonds to be issued by CMFA for the Project will be the sole responsibility of the borrower (i.e. Park Century School), and the City will have no financial, legal, 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 The Park Century School.

In light of the foregoing, and in order to assist Park Century School in keeping their operating costs as low as possible, staff recommends that the City Council conduct the TEFRA Hearing and adopt the resolution in favor of the issuance of the bonds by the CMFA.

FISCAL ANALYSIS:

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. Such grant may be used for any lawful purpose of the City. Park Century School will be the beneficiary of the Foundation’s charitable donation through a 25% reduction in issuance fees.

ATTACHMENTS:

1. Proposed Resolution

MOTION:

That the City Council:

1. Adopt the resolution approving the issuance of revenue bonds by the Authority for the purpose of financing and refinancing facilities for Park Century 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.