City of Culver City, California

Agenda Item Report

Meeting Date: 7/27/09	Item Number: PH-1
CITY COUNCIL AGENDA ITEM: PUBLIC HEARING - Adoption of a Resolution (1) Authorizing the City Manager or Designee to Execute a Joint Exercise of Powers Agreement with California Municipal Financing Agency (CMFA) and (2) Approving the Issuance of Bonds by the California Municipal Financing Agency for the Benefit of MWLA, Inc. (dba Turning Point School, 8780 National Blvd, Culver City) to Provide Project Financing.	
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: (E-Mail) Meetings and Agendas – City Council (07/22/09); (Published) Culver City News (7/08/09); (E-Mail) Turning Point School representatives (07/22/09).	
Department Approval: Jeff Muir (07/20/09)	City Attorney Approval: Carol Schwab (by H. Baker) (07/22/09)
Chief Financial Officer Approval: Jeff Muir (07/21/09)	City Manager Approval: Mark Scott (07/22/09)

RECOMMENDATION:

Staff recommends the City Council: (1) conduct the public hearing under the requirements of Tax and Equity Fiscal Responsibility Act (TEFRA) and the Internal Revenue Code of 1986 (IRC), as amended; (2) adopt a Resolution authorizing the City Manager or designee to execute a Joint Exercise of Powers Agreement with the California Municipal Financing Agency (CMFA); and (3) approve the issuance of bonds by CMFA for the benefit of MWLA, Inc. (dba Turning Point School) to provide project financing.

PROCEDURE:

1. Mayor seeks motion from 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 January 2009, an interested party representing the Turning Point School approached staff to discuss options related to the Turning Point School's desire to issue tax-exempt bonds to finance a proposed expansion to the school. Specifically, Turning Point School is interested in issuing tax-exempt revenue bonds in an aggregate principal amount not to exceed $20,000,000. The proceeds of the bonds will be used to finance (1) the second phase of the acquisition, construction, improvement and equipping of the primary, elementary and middle school campus, including classrooms, staff offices, conference rooms, a multi-purpose activity room, outdoor play areas, landscaping and other infrastructure improvements; (2) the refunding of $12,000,000 original principal amount of the California Statewide Communities Development Authority Revenue Bonds Series 2001, which financed phase one of the above described projects; and (3) other costs related to the sale and issuance of the bonds.

Turning Point's proposed project will be located at 8780 National Boulevard, Culver City, County of Los Angeles, California, 90232 at the southeast corner of National Boulevard and Wesley Street in the City of Culver City. The project will be owned and operated by MWLA, Inc. (dba Turning Point School), an organization described in Section 501(c)(3) of the IRC, as amended.

Turning Point School's original request was to have the City act as a conduit issuer for their bonds to take advantage of an IRS code section that allows certain non-profit entities to issue tax exempt bonds if certain conditions are met. As a conduit issuer, the City would have no financial responsibility/liability related to repayment of the special obligation bond. Furthermore, the bonds would not be a debt of the City, they would not be included on the City's financial statements, they would not impact the City's credit rating, and the City would have no liability related to payment of the debt service for the bonds. However, acting as a conduit issuer would limit the City's capacity to issue tax exempt debt during the calendar year for which it acted as a conduit issuer. Although the City had no plans to issue any tax exempt debt at that time, staff was not comfortable limiting the City's debt capacity.

To provide Turning Point School with alternatives, staff supplied contact information for a number of Joint Powers Authorities that have been formed specifically to assist public and non-profit entities with issuing tax-exempt debt. Consequently, Turning Point contacted the CMFA to serve as the issuer of the bonds.

California Municipal Finance Authority

The CMFA was created on January 1, 2004, pursuant to a Joint Exercise of Powers Agreement to promote economic, cultural and community development through the financing of economic development and charitable activities throughout California.

To date, over 90 municipalities have become members of CMFA including the Cities of Los Angeles, Inglewood, El Segundo, Torrance, Anaheim, Bakersfield, San Diego, San Francisco Oakland and San Jose and the Counties of Orange, San Diego, Ventura, Riverside, San Bernardino, San Francisco, Sacramento, Fresno and Alameda.

The 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:

CMFA has agreed to work with Turning Point School to issue the bonds. However, as the local public entity with geographic jurisdiction, Culver City is being requested to conduct a public hearing under the Tax and Equity Fiscal Responsibility Act (the TEFRA Hearing) to satisfy the public approval requirement of Section 147(f) of the IRC. The purpose of the TEFRA Hearing 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 the 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.

Additionally, in order for the CMFA to have the authority to serve as the issuer of the bonds for the project, it is necessary for the City of Culver City to become a member of the CMFA. Attachment 1 to this report is a copy of the Joint Exercise of Powers Agreement to be executed by a designated signatory of the City.

The Joint Exercise of Powers Agreement (Agreement) provides that the CMFA is a public entity, separate and apart from each member executing the Agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing the Agreement.

The bonds to be issued by the 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, 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.

The Agreement expressly provides that any member may withdraw from such agreement upon written notice to the Board of Directors of the CMFA. In the case of the proposed bond financing for Turning Point School, the City, following its execution of the Joint Exercise of Powers Agreement, could, at any time following the issuance of the bonds, withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA.

In light of the foregoing, and in order to assist the Turning Point School, staff recommends the City Council conduct the TEFRA Hearing, authorize execution of the Joint Exercise of Powers Agreement of the CMFA, and adopt the resolution in favor of the issuance of the bonds by the CMFA. A representative from CMFA and Turning Point School will be present to answer any questions from the City Council or public.

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 the CMFA. In addition, participation by the City in the CMFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required resolution and executing the Joint Exercise of Powers Agreement of the CMFA, 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 $8,000). 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/ Exhibits

MOTIONS:

That the City Council:

1. Adopt a Resolution authorizing execution of a Joint Exercise of Powers Agreement with California Municipal Finance Authority and approving the issuance of revenue bonds by the Authority 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.