

# Agenda Report

April 28, 2014

**TO:** Honorable Mayor and City Council

**FROM:** Director of Finance

**SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA)  
HEARING AND ADOPTION OF A RESOLUTION  
APPROVING THE ISSUANCE OF \$20,000,000 OF  
CALIFORNIA MUNICIPAL FINANCE AUTHORITY (CMFA)  
REVENUE OBLIGATIONS FOR THE BENEFIT OF  
MARANATHA HIGH SCHOOL**

## **RECOMMENDATION:**

It is recommended that the City Council hold a TEFRA hearing and adopt a resolution approving the issuance of revenue bonds or execution of a loan transaction by the California Municipal Finance Authority (the CMFA) for the purpose of financing or refinancing the acquisition, construction and improvement of certain facilities for the benefit of Maranatha High School (the Borrower).

## **BACKGROUND:**

Maranatha High School (the Borrower) requested that the California Municipal Finance Authority issue revenue bonds or execute a loan transaction in a principal amount not to exceed \$20,000,000 (the Bonds). The proceeds of the financing will be loaned to Maranatha High School, a California nonprofit public benefit corporation and an entity described in Section 501(c)(3) of the Code (the Borrower), for the purposes of: (1) refinancing certain outstanding indebtedness (the 2011 Refunding issue) of the Corporation that refinanced the original bonds issued in 2007; (2) financing and refinancing a portion of the costs of the acquisition, construction, equipping and/or improvement of the Facilities; (3) funding a debt service reserve and other reserves, if necessary; and/or (4) paying certain expenses incurred in connection with the loan.

The proceeds of the 2011 refunding debt were used to refinance the Colorado Educational and Cultural Facilities Authority Educational Facilities Revenue Bonds, Series 2007 (Maranatha High School Project) issued in the original principal amount of \$27,900,000 (the 2007 Bonds). Proceeds of the 2007 Bonds were used to: (a) finance and refinance the costs of acquiring, constructing and equipping the Borrower's original campus located at 169. S. St. John Avenue, Pasadena, California 91105 (the Original Facilities); (b) finance certain improvements to the Original Facilities and the acquisition of real property near or adjacent to the Original Facilities, including the Manor Del Mar Mansion at 359 W Del Mar Blvd. and the Mayfair Mansion at 182 S. Orange Grove Blvd., each in Pasadena, California (the Adjacent Facilities and together with the Original Facilities, the Facilities); (c) fund capitalized interest with respect to the 2007 Bonds; (d) fund a debt service reserve fund with respect to the 2007 Bonds; and (e) pay certain costs of issuance of the 2007 Bonds. The Facilities are owned and operated by the Borrower and are located entirely within the territorial limits of the City.

Since this is a refinancing, there are no outstanding permits or other City approvals required. All construction has been completed. The recommended bond issue is a refinancing for savings purposes. The new loan issue will be directly placed with First Republic Bank or an affiliate and, therefore, no public offering of the bonds will take place.

The City of Pasadena is a member of the CMFA. TEFRA approvals did not require any other actions other than the public hearing and the requisite approval.

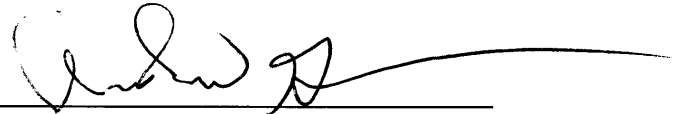
**COUNCIL POLICY CONSIDERATION:**

This action supports the City Council's strategic goal to maintain fiscal responsibility.

**FISCAL IMPACT:**

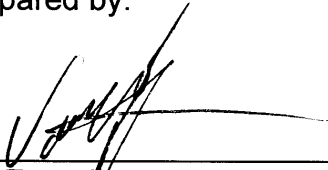
There is no fiscal impact as a result of this action nor will it have any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action. The adoption of the resolution approving the project and the issuance of the loan complies with the requirements of Section 147(f) of the Internal Revenue Code. The proposed obligation to be issued by the CMFA will be the sole responsibility of Maranatha High School. The City of Pasadena will have no financial or legal obligation for the tax exempt status of the loan, the debt service on the loan, or any other matter related to the loan.

Respectfully Submitted,



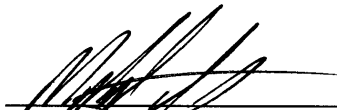
ANDREW GREEN  
Director of Finance  
Department of Finance

Prepared by:



Vic Erganian  
Deputy Director of Finance/City Treasurer  
Department of Finance

Approved by:



MICHAEL J. BECK  
City Manager

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA APPROVING A FINANCING TO BE UNDERTAKEN BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE BENEFIT OF MARANATHA HIGH SCHOOL IN A MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF \$20,000,000 FOR THE PURPOSE OF REFUNDING CERTAIN BONDS AND FINANCING AND/OR REFINANCING CERTAIN FACILITIES AND OTHER MATTERS RELATING THERETO**

**WHEREAS**, Maranatha High School (the “Corporation”), a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “State”) and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), has requested that the California Municipal Finance Authority (the “Authority”) incur, pursuant to a plan of finance, one or more tax-exempt loans in an aggregate principal amount not to exceed \$20,000,000 (collectively, the “Loan”) to be used to (1) refinance certain indebtedness of the Corporation that refinanced the Colorado Educational and Cultural Facilities Authority Educational Facilities Revenue Bonds, Series 2007 (Maranatha High School Project) issued in the original principal amount of \$27,900,000 (the “2007 Bonds”), the proceeds of which were used to (i) finance and refinance the costs of acquiring, constructing, equipping and improving the Corporation’s facilities located at 169. S. St. John Avenue, 359 W Del Mar Blvd. and 182 S. Orange Grove Blvd., each in Pasadena, California (collectively, the “Project”), (ii) fund capitalized interest with respect to the 2007 Bonds and (iii) fund a debt service reserve fund with respect to the 2007 Bonds; (2) finance a portion of the costs of the acquisition, construction, equipping and/or improvement of the Project; (3) fund a debt service reserve and other reserves, if necessary; and (4) pay certain expenses incurred in connection with the Loan. The Project is owned and operated by the Corporation and located entirely within the territorial limits of the City of Pasadena (the “City”); and

**WHEREAS**, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the “Code”), the Loan must be approved by the City because the Project is located within the territorial limits of the City; and

**WHEREAS**, the City Council of the City (the “City Council”) is the elected legislative body of the City and is one of the “applicable elected representatives” required to approve the Loan under Section 147(f) of the Code; and

**WHEREAS**, the Authority has requested that the City Council approve the Loan in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the “Agreement”), among certain local agencies, including the City; and

**WHEREAS**, pursuant to Section 147(f) of the Code, the City Council has, following notice duly given, held a public hearing regarding the Loan, and now desires to approve the Loan;

**NOW THEREFORE, BE IT RESOLVED** by the City Council of the City of Pasadena as follows:

1. The above recitals are true and correct.

2. The City Council hereby approves the Loan and the Project to be financed and/or refinanced thereby. It is the purpose and intent of the City Council that this resolution constitute approval of the incurrence of the Loan by the Authority for the purposes of (i) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with said Section 147(f) and (ii) Section 4 of the Agreement. The City of Pasadena does not bear any responsibility for the tax-exempt status of the Loan, the debt service on the Loan or any other matter related to the Loan.

3. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing transaction approved hereby.

4. The Loan shall be subject to the approval of the Authority of all financing documents relating thereto to which the Authority is a party. The City shall have no responsibility or liability whatsoever with respect to the Loan.

5. The adoption of this Resolution shall not obligate the City or any department thereof to (i) provide any financing to acquire or construct the Project or any refinancing of the Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the acquisition, rehabilitation or operation of the Project; (iii) make any contribution or advance any funds whatsoever to the Authority; or (iv) take any further action with respect to the Authority or its membership therein.


6. This resolution shall take effect immediately upon its adoption.

**ADOPTED** at the regular meeting of the City Council of the City of Pasadena held on the \_\_\_\_<sup>th</sup> day of \_\_\_\_\_, 2014, by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

By: \_\_\_\_\_  
Mark Jomsky, City Clerk

APPROVED AS TO FORM:

  
BRAD L. FULLER,  
Assistant City Attorney