



# Agenda Report

November 18, 2019

**TO:** Honorable Mayor and City Council

**FROM:** Department of Finance

**SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARING AND RESOLUTION FOR THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY (CMFA) FOR THE BENEFIT OF THE SEQUOYAH SCHOOL**

## **RECOMMENDATION:**

It is recommended that the City Council hold a TEFRA hearing and:

1. Find that the proposed action is not a "project" subject to California Environmental Quality Act (CEQA) as defined in section 15378(b)(4) of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Adopt a Resolution of the City Council of the City of Pasadena approving a financing to be undertaken by the California Municipal Finance Authority (CMFA) for the benefit of the Sequoyah School in a maximum aggregate principal amount of \$3,000,000 for the purpose of refinancing certain debt and financing and/or refinancing certain facilities and other matters relating thereto.

## **BACKGROUND:**

The Sequoyah School requested that the CMFA incur, pursuant to a plan of finance, one or more tax-exempt loans in an aggregate principal amount not to exceed \$3,000,000 (collectively, the "Loan") to be used to: (1) refinance certain indebtedness of the Borrower (the "Refunded Debt"), in the aggregate principal amount of approximately \$2,300,000, the proceeds of which were used to finance the construction of classroom facilities at the Corporation's campus located at 535 South Pasadena Avenue, in Pasadena (the "Campus"), and to purchase vans for student transportation (such uses, collectively, the "Refunded Debt Project"); (2) finance a portion of the costs of the acquisition, construction, equipping and/or improvement of educational facilities and related equipment to be located at the Campus (the "New Money Project" and, together with the Refunded Debt Project, the "Project"), in the aggregate principal amount of

approximately \$700,000; (3) fund a debt service reserve and other reserves, if necessary; and/or (4) pay certain expenses incurred in connection with the Loan.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Pasadena must conduct a public hearing (the “TEFRA Hearing”) that provides members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project.

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 300 municipalities, including the City of Pasadena, have become members of CMFA.

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.

**COUNCIL POLICY CONSIDERATION:**

This action supports the City Council’s strategic goals to maintain fiscal responsibility and stability and to improve the quality of life.

**ENVIRONMENTAL ANALYSIS:**

The proposed action is the approval of the use of bond funds for refinancing or financing the acquisition and rehabilitation of the existing property. Bond Counsel for the CMFA has advised the City that this action is not a “project” pursuant to the California Environmental Quality Act (“CEQA”) in accordance with State CEQA Guidelines Section 15378(b)(4). This section of the State CEQA Guidelines excludes from the definition of “project” any government funding mechanism or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact to the environment. Bond Counsel for the CMFA has advised that the funding mechanism here does not approve of or commit Sequoyah School to any particular project, and only provides a funding mechanism for the improvement and rehabilitation of the School.

**FISCAL IMPACT:**

This action requires staff and outside counsel time which will be reimbursed by CMFA or The Sequoyah School as part of the proposed financing. 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 bonds complies with the requirements of Section 147(f) of the Internal Revenue Service Code. The proposed obligations to be issued by the CMFA will be the sole responsibility of The Sequoyah School. The City will have no financial or legal obligation for the tax exempt status of the bonds, the debt service on the bonds, nor any other matter related to the proposed bonds. In addition, CMFA and/or The Sequoyah School will provide indemnification to the City consistent with this lack of financial or legal obligation to the City.

Respectfully submitted,

  
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