



Agenda Report

September 14, 2020

TO: Honorable Mayor and City Council

FROM: City Manager

SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY ACT RESOLUTION FOR THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY BONDS FOR THE BENEFIT OF MARANATHA HIGH SCHOOL.

RECOMMENDATION:

It is recommended that the City Council:

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 approving the financing to be undertaken by the California Municipal Finance Authority (CMFA) for the benefit of Maranatha High School in a maximum aggregate principal amount not to exceed \$18,500,000 for the purpose of refunding certain bonds and financing and/or refinancing certain facilities, and other matter related thereto.

BACKGROUND:

Maranatha High 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 \$18,500,000 (collectively, the "Loan") for the purposes of (1) refinancing certain indebtedness of the Corporation (as further described below, the "Refunded Debt") and (2) paying certain expenses incurred in connection with the Loan. The Refunded Debt consists of the 2014 tax-exempt loan to the Corporation by the Authority. The proceeds of the Refunded Debt were used to (i) refinance certain indebtedness of the Borrower, consisting of certain bank loans (the "Bank Loans"), (ii) finance a portion of the costs of the acquisition, construction, equipping and/or improvement of the Facilities, as defined below, and (iii) pay certain expenses incurred in connection with the Refunded Debt.

The Bank Loans 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"). The proceeds of the 2007 Bonds were used to: (1) refinance certain indebtedness of the Borrower, the proceeds of which were used to finance 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"); (2) 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 "Project"); (3) fund capitalized interest with respect to the 2007 Bonds; (4) fund a debt service reserve fund with respect to the 2007 Bonds; and (5) pay certain costs of issuance of the 2007 Bonds. The Project is owned and operated by the Corporation and is located entirely within the territorial limits of the City of Pasadena (the "City").

In order for all or a portion of the Loan to qualify as tax-exempt bonds, the City of Pasadena must conduct a public hearing (the "TEFRA Hearing") providing for the members of the community an opportunity to speak in favor of or against the use of a tax-exempt Loan for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, an "applicable elected representative" of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds for the financing of the Project.

A public hearing for the Project was held on August 27, 2020.

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 320 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 High School. 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 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. The funding mechanism here does not approve of or commit the school to any particular project, and only provides a funding mechanism for the refinancing of its existing debt.

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 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 Maranatha High 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.

Respectfully submitted,



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Director of Finance

Prepared by:



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Approved by:



STEVE MERMELL
City Manager