TO: HONORABLE CITY COUNCIL

FROM: CITY MANAGER

DEPARTMENT: ADMINISTRATIVE SERVICES

DATE: APRIL 14, 2008

CMR: 184:08

SUBJECT: TEFRA HEARING REGARDING CONDUIT FINANCING FOR THE GIDEON HAUSNER JEWISH DAY SCHOOL FACILITIES LOCATED AT 450, 470, 490 AND 560 SAN ANTONIO ROAD, PALO ALTO, AND ADOPTION OF A RESOLUTION APPROVING, AUTHORIZING AND DIRECTING EXECUTION OF A JOINT EXERCISE OF POWERS AGREEMENT RELATING TO THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY, AND APPROVING THE ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF CERTAIN FACILITIES FOR THE BENEFIT OF GIDEON HAUSNER JEWISH DAY SCHOOL

RECOMMENDATION

1) Conduct a public hearing under the requirements of the Tax Equity and Fiscal Responsibility Act of 1983 (TEFRA) and the Internal Revenue Code of 1986, as amended (Code); and

2) Adopt a resolution (Attachment A) approving the issuance of the bonds by the California Municipal Finance Authority (CMFA) for the benefit of Gideon Hausner Jewish Day School (Borrower) in financing its project and authorizing the Mayor, City Manager, or such other designated signatory to execute the Joint Exercise of Powers of Agreement with the CMFA. (Attachment B)

BACKGROUND

The Gideon Hausner Jewish Day School (GHJDC) requested that the CMFA serve as the municipal issuer of bonds in an aggregate principal amount not to exceed $25,000,000 of tax-exempt revenue bonds. Proceeds from the issuance of the bonds will be used to finance or refinance the acquisition, construction and improvement of certain facilities (450, 470, 490 and 560 San Antonio Road, Palo Alto) for the benefit of the GHJDC. The bonds will be part of a finance plan which may occur over a period of multiple years.

In order for all or a portion of the bonds to qualify as tax-exempt bonds, the City of Palo Alto must conduct a public hearing (TEFRA Hearing), providing the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the
Prior to the 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 proposed project must provide its approval of the issuance of the bonds for the financing of the project.

**DISCUSSION**

Since the facilities to be financed with the proceeds of the CMFA’s debt are located within the jurisdiction of the City of Palo Alto, the City has been asked to conduct a TEFRA hearing and adopt a resolution (Attachment A) that approves both the issuance of bonds by the CMFA for the benefit of GHJDC and authorizes the Mayor, City Manager, or such other designated signatory to join CMFA.

As cited in the published notice of March 28, 2008, the public hearing is simply an opportunity for all interested persons to speak or to submit written comments concerning the proposal to issue the debt and the nature or location of the facility to be financed; however there is no formal obligation on the part of the borrower or the Council to respond to any specific comments made during the hearing or submitted in writing.

The financing includes, but is not limited to: (a) financing or refinancing all or a portion of the costs of (i) the renovation of existing classroom facilities; (ii) landscape improvements to all or a portion of the School’s facilities; (iii) the acquisition, construction, improvement and equipping of new educational facilities, which includes demolition of pre-existing buildings unfit for use as school facilities, including a full-size gymnasium, a performing arts facility, multipurpose facilities and/or additional educational facilities; (b) paying capitalized interest on one or more series of the bonds; and (c) paying the costs of issuance of the bonds.

The recommendation includes consideration of the City’s membership in CMFA. The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement 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. 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 Palo Alto to become a member of the CMFA. Adoption of the Resolution (Attachment A) allows the City to join CMFA.

The Joint Exercise of Powers Agreement (Attachment B) provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such agreement. The bonds to be issued by the CMFA for the project will be the sole responsibility of the borrower, and the City of Palo Alto 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 of Palo Alto or the State of California but are to be paid for solely from funds provided by the borrower.

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.

Based on the benefits of the projects to the Palo Alto community and the lack of any financial obligations on the part of the City, staff recommends that Council approve the attached resolution and membership in the CMFA.

**RESOURCE IMPACT**
As stated, the City will incur no financial obligation from approval of the recommendations. Gideon Hausner Day School is requesting authority to issue up to $25 million in bonds. They may issue bonds in a series over time as capital is needed for its projects. The City will receive a fee for its services with each issue. The City would receive approximately $9,150 over time if the par amount of the bonds issued is $25 million.

**POLICY IMPLICATIONS**
Actions recommended in this report are consistent with Council’s prior actions in supporting non-profit financings under the TEFRA (e.g., approving tax-exempt financing through the Association of Bay Area Governments for the Jewish Community Center projects, CMR: 315:07).

**ENVIRONMENTAL REVIEW**
Action on this item does not constitute a project under Section 21065 of the Public Resources Code.

PREPARED BY: ____________________________
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DEPARTMENT HEAD APPROVAL: ________________
LALO PEREZ
Director, Administrative Services

CITY MANAGER APPROVAL: ___________________
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ATTACHMENTS
Attachment A: Resolution Approving, Authorizing, and Directing Execution of a Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, and Approving the Issuance of Revenue Bonds by the California Municipal Finance Authority for the Purpose of Financing or Refinancing the Acquisition, Construction, and Improvement of Certain Facilities for the Benefit of Gideon Hausner Jewish Day School.

Attachment B: Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority