



City of Palo Alto

City Council Staff Report

(ID # 7615)

Report Type: Consent Calendar

Meeting Date: 1/9/2017

Summary Title: Approving the Issuance of the CMFA 2017 Tax Exempt Loan for International School of Peninsula

Title: Adoption of a Resolution of the City Council of the City of Palo Alto Approving the Issuance of the California Municipal Finance Authority 2017 Tax Exempt Loan (International School of the Peninsula) in an Aggregate Principal Amount Not-to-Exceed \$7,500,000

From: City Manager

Lead Department: Administrative Services

RECOMMENDATION

1) Adopt a resolution (Attachment A) approving the issuance of a tax exempt loan by the California Municipal Finance Authority (CMFA) for the benefit of International School of the Peninsula (Borrower).

BACKGROUND:

The International School of the Peninsula ("ISTP"), a California nonprofit public benefit corporation requested that the CMFA serve as the municipal issuer of a tax exempt loan for the ISTP project in an aggregate principal amount not to exceed \$7,500,000. Proceeds from the loan will be used to: (a) finance and refinance all or a portion of the acquisition, construction, improvement and equipping of certain educational facilities located in the City of Palo Alto, California (the "City") at 151 Laura Lane in the City (the "ISTP Project") and, in connection therewith, prepay and retire all of the outstanding California Statewide Communities Development Authority Refunding Revenue Bonds (International School of the Peninsula Project) Series 2006, previously issued to finance and refinance all or a portion of the ISTP Project; and (b) pay costs of issuance and certain interest with respect to the Loan, hereinafter defined (such items (a) and (b), collectively, 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 adopt a resolution (Attachment A) that approves the issuance of the loan by the CMFA for the benefit of ISTP. Local jurisdictional approval of tax exempt loans is required under the Tax Equity and Fiscal Responsibility Act of 1982 (Pub.L. 97-248), also known as TEFRA.

The loan is intended to refinance all of the outstanding California Statewide Communities Development Authority Refunding Revenue Bonds (International School of the Peninsula Project) Series 2006, previously issued to finance and refinance all or a portion of the ISTP Project.

The CMFA is a joint exercise of powers authority that the City became a member of on April 14, 2008. The Joint Exercise of Powers Agreement 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 loan 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 loan for the financing of the project. All financing documents with respect to the issuance of the loan will contain clear disclaimers that the loan is not the obligation of the City of Palo Alto or the State of California but is 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 or loan approval. In addition, participation by the City in the CMFA and the subject loan approval do not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of adopting the required resolution, no other participation or activity of the City or the City Council with respect to the issuance of the loan will be required. Based on the benefits of the project 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.

RESOURCE IMPACT

As stated, the City will incur no financial obligation from approval of the recommendations. ISTP is requesting authority to issue up to \$7.5 million in a tax exempt loan through the CMFA. The City will receive a fee for its services when the loan is issued. The City would receive approximately \$5,000 if the principal amount of the loan made is the expected \$7.5 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 California Municipal Finance Authority for the Stevenson House project, CMR: 184:08).

ENVIRONMENTAL REVIEW

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

Attachments:

- Attachment A: Resolution of the City Council of the City of Palo Alto, California Approving the Issuance of the California Municipal Finance Authority 2017 Tax Exempt Loan

NOT YET APPROVED

Resolution No. _____

Resolution of the City Council of the City of Palo Alto, California Approving the Issuance of the California Municipal Finance Authority 2017 Tax Exempt Loan (International School of the Peninsula) in an Aggregate Principal Amount Not To Exceed \$7,500,000 for the Purpose of Refinancing the Acquisition, Construction, Improvement and Equipping of Various Educational Facilities for the International School of the Peninsula located in the City of Palo Alto, California And Certain Other Matters Relating Thereto

A. Pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), certain public agencies (the "Members") have entered into the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "Agreement"), in order to form the California Municipal Finance Authority (the "Authority") for the purpose of promoting economic, cultural and community development, and in order to exercise any powers common to the Members, including the issuance of bonds, notes or other evidences of indebtedness.

B. The City of Palo Alto, California (the "City") is a Member of the Authority.

C. The Authority is authorized to make loans and to issue and sell revenue bonds and other evidences of indebtedness for the purpose, among others, of financing or refinancing the construction of capital projects.

D. The Authority intends to obtain a loan (the "Authority Loan") from Boston Private Bank & Trust Company (the "Lender"), the interest with respect to which Authority Loan shall be excluded from income of Lender for federal income tax purposes and exempt from State of California personal income taxes, for the purpose of making a loan to the Corporation (the "Corporation Loan," and together with the Authority Loan, the "Loan") for the purpose, among others, of (a) financing and/or refinancing all or a portion of the acquisition, construction, improvement and equipping of certain educational facilities located in the City of Palo Alto, California (the "City") at 151 Laura Lane in the City (the "ISTP Project") and, in connection therewith, prepay and retire all of the outstanding California Statewide Communities Development Authority Refunding Revenue Bonds (International School of the Peninsula Project) Series 2006, previously issued to finance and refinance all or a portion of the ISTP Project; and (b) pay costs of issuance and certain interest with respect to the Loan (such items (a) and (b), collectively, the "Project").

E. The owner of the Project will be the Borrower or an affiliate of the Borrower.

F. The undertaking of the Loan by the Authority will effect demonstrable savings in interest rate and/or issuance costs which constitute significant public benefits pursuant to the Act.

NOT YET APPROVED

G. The Act and the Agreement require that the local agency within which a project to be financed and/or refinanced with the proceeds of the Loan is located, approves the financing and/or refinancing of the project by the Authority.

H. The Authority has requested that the City Council of the City (the "City Council") approve the financing of the Project by the Authority through the undertaking of the Loan in order to satisfy the approval requirement of the Act and the requirements of the Agreement.

I. It is in the public interest and for the public benefit that the City Council approve the undertaking of the Loan by the Authority to finance and/or refinance the acquisition of the Project.

NOW, THEREFORE, the Council of the City of Palo Alto hereby RESOLVES as follows:

Section 1. The City Council hereby approves the financing and/or refinancing of the acquisition of the Project through the undertaking of the Loan by the Authority and finds that this method of financing will affect the significant public benefits of the type described in Section 6586(a) of the Act, as set forth above. It is the purpose and intent of the City Council that this resolution constitute approval by the City Council of the financing of the Project through the undertaking of the Loan in accordance with the Agreement and the Act.

Section 2. The undertaking of the Loan shall be subject to the approval by 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.

Section 3. 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 to refinance 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.

Section 4. The executing officer, the City Clerk and all other proper officers and officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to perform such other acts and deeds, as may be necessary or convenient to effect the purposes of this Resolution and the transactions herein authorized.

Section 5. The City Clerk shall forward a certified copy of this Resolution to the Authority in care of its bond counsel:

Nathan A. Treu, Esq.
Squire Patton Boggs (US) LLP
275 Battery Street, Suite 2600
San Francisco, CA 94111

NOT YET APPROVED

Section 6. This resolution shall take effect immediately upon its passage.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

City Clerk

Mayor

APPROVED AS TO FORM:

APPROVED:

Senior Assistant City Attorney

City Manager or Designee

Director of Administrative Services