



# City of Huntington Beach

**File #:** 19-623

**MEETING DATE:** 6/3/2019

## REQUEST FOR CITY COUNCIL ACTION

**SUBMITTED TO:** Honorable Mayor and City Council Members

**SUBMITTED BY:** Lori Ann Farrell Harrison, Interim City Manager

**PREPARED BY:** Kellee Fritzel, Deputy Director of Economic Development

**Subject:**

**Conduct a Tax and Equity Fiscal Responsibility Act ("TEFRA") public hearing and adopt Resolution No. 2019-41 approving the financing of the construction of improvements to the Pegasus School, located at 19692 Lexington Lane, with no City obligations**

**Statement of Issue:**

The City Council is asked to conduct a public hearing under the Tax and Equity Fiscal Responsibility Act ("TEFRA") for the purpose of making one or more loans by the California Municipal Finance Authority ("CMFA"), a joint exercise of powers of authority and public entity of the State of California, for the construction of educational site improvements at Pegasus School, located at 19692 Lexington Lane, in an amount not to exceed \$13,000,000, (the "Loans"). The Loans would be for the purposes of financing the costs of the construction of a science and technology building, remodeling current middle school classrooms, restructuring a parking lot, and upgrading the middle school quad. It will also include the associated design, engineering and planning costs related thereto, and related capital project costs (the "Facilities") and paying related expenses incurred in connection with the making of the Loans (collectively, the "Project").

**Financial Impact:**

The Loans to be issued by the CMFA for the Project, will be the sole responsibility of the School, and the City 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 Loans, will contain clear disclaimers that the Loans are not obligations of the City or the State of California, but are to be paid for solely from funds provided by the School.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of Huntington Beach, it is expected that that a portion of the issuance fee attributable to the City will be granted by the CMFA to the general fund of the City. Such grant may be used for any lawful purpose of the City. The School will be the beneficiary of the

CMFA's charitable donation through a 25% reduction in issuance fees.

**Recommended Action:**

- A) Conduct the public hearing under the requirements of TEFRA and the Internal Revenue Code of 1986, as amended (the "IRS Code"); and,
  
- B) Adopt Resolution No. 2019-41, "A Resolution of the City Council of the City of Huntington Beach approving the making of the one or more loans by First Republic Bank to the California Municipal Finance Authority in a Principal Amount not to Exceed \$13,000,000, for the Purpose of Financing the Costs of Certain Improvements to a School Commonly Known as the Pegasus School and Certain Other Matters relating thereto."

**Alternative Action(s):**

Do not approve the Resolution and direct staff as necessary.

**Analysis:**

The Pegasus School requested that the CMFA serve as the municipal issuer of the Loans in an aggregate principal amount not to exceed \$13,000,000 of tax-exempt loans. The proceeds of the Loans will be used for the purposes of financing the costs of the construction of a science and technology building, remodeling current middle school classrooms, restructuring a parking lot, and upgrading the middle school quad. It also includes all associated design, engineering and planning costs related thereto, of a school commonly known as The Pegasus School, located at 19692 Lexington Lane, Huntington Beach, California and related capital project costs and paying related expenses incurred in connection with the making of the Loans.

In order for all or a portion of the Loans to qualify as tax-exempt bonds, the City of Huntington Beach 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 tax-exempt loans 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 Bond issuance 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 310 municipalities have become members of CMFA.

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The CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt debt aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

**Environmental Status:**

Applicant will adhere to all CEQA regulations

**Strategic Plan Goal:**

Non-Applicable - Administrative Item

**Attachment(s):**

1. Resolution No. 2019-41, "A Resolution of the City Council of the City of Huntington Beach Approving the making of the one or more loans by First Republic Bank to the California Municipal Finance Authority in a Principal Amount not to Exceed \$13,000,000, for the Purpose of Financing the Costs of Certain Improvements to a School Commonly Known as the Pegasus School and Certain Other Matters relating thereto."