



Agenda Report

19-609

Agenda Date: 6/4/2019

REPORT TO COUNCIL

SUBJECT

Adopt a Resolution approving the California Municipal Finance Authority's Issuance of Tax-Exempt Bonds for the Purpose of Refinancing Indebtedness of Santa Clara University

BACKGROUND

Santa Clara University (the "Borrower") has requested that the California Municipal Finance Authority (CMFA) issue revenue bonds in the maximum principal amount of \$4,900,000 for the purpose of refinancing indebtedness of the Borrower that was incurred in 2003 to finance and refinance the acquisition, construction, improvement, rehabilitation, renovation and equipping of educational facilities owned by the Borrower and located on the Borrower's campus at 500 El Camino Real, Santa Clara, California (the "Project").

For all or a portion of the bonds to qualify as tax-exempt bonds, the City of Santa Clara (City) must conduct a public hearing under the Tax Equity and Fiscal Responsibility Act (the "TEFRA Hearing") to provide the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for financing the Project. Public notice must be provided to the community prior to the TEFRA Hearing. Following the close of the TEFRA Hearing, the City must provide its approval prior to the issuance of the bonds for financing the Project.

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. 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.

To date, over 300 municipalities have become members of CMFA. 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 Santa Clara to become a member of the CMFA, which it did on April 9, 2019 for a separate and unrelated project.

DISCUSSION

The CMFA is a public entity, separate and apart from each member executing its Joint Powers Agreement. The debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing such an agreement. The bonds to be issued by the CMFA for the Project will thus be the sole responsibility of Santa Clara University or another entity Santa Clara University entity or affiliate (collectively the "Borrower"), 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 bonds will contain clear disclaimers that the bonds are not obligations of the City or the State of California but are to be paid for solely from funds provided by the Borrower.

Outside of holding the TEFRA Hearing and adopting the required Resolution, no other participation or activity of the City or the City Council with respect to the issuance of the bonds will be required.

The Joint Exercise of Powers Agreement expressly provides that any member may withdraw from such agreement upon written notice to the Board of Directors of the CMFA. In the case of the proposed bond financing for the Project, the City following its execution of the Joint Exercise of Powers Agreement, could, at any time following the issuance of the bonds, withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA.

Conducting the TEFRA Hearing and approving the Bond issuance are procedural actions the City is required to take that will allow implementation of the Project, thereby supporting the continued operations of Santa Clara University.

FISCAL IMPACT

There is no cost to the City other than administrative staff time and expense.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(5) in that it is a governmental organizational or administrative activity that will not result in direct or indirect changes in the environment

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

As required by TEFRA regulations, a 15-day notice was published on May 15, 2019 in The Santa Clara Weekly.

RECOMMENDATION

1. Hold a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing for the issuance of up to \$4,900,000 in tax-exempt private-activity bonds by California Municipal Finance Authority (CMFA) for the benefit of Santa Clara University; and

2. Adopt a Resolution approving the issuance of the Bonds by the CMFA for the benefit of Santa Clara University as Borrower to refinance its indebtedness that was incurred to finance and refinance improvements and equipping of educational facilities and authorizing the City Manager to execute

documents as necessary to facilitate the Borrower's refinancing.

Reviewed by: Andrew Crabtree, Director of Community Development

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. TEFRA Resolution for Santa Clara University