



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 27, 2016

FROM: FINANCE DEPARTMENT WARD: 5

SUBJECT: PUBLIC HEARING – CALIFORNIA BAPTIST UNIVERSITY FINANCING OF NOT TO EXCEED \$95 MILLION THROUGH THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY (CMFA) FOR THE ACQUISITION, CONSTRUCTION, IMPROVEMENT, AND EQUIPPING OF CERTAIN FACILITIES - RESOLUTION

ISSUE(S):

Conduct a public hearing on behalf of California Baptist University (CBU) to consider the issuance of debt by the CMFA for the costs associated with the financing and refinancing of acquisition, construction, improvement and equipping costs for facilities at CBU; and adopt a resolution approving the issuance by the CMFA of tax-exempt revenue bonds in an amount not to exceed \$95 million for the financing and refinancing of acquisition, construction, improvement, and equipping costs for facilities at CBU. The proposed debt is strictly an obligation of CBU, but the Internal Revenue Code requires that the jurisdiction in which the university is located conduct a public hearing and adopt a resolution approving the issuance of the bonds.

RECOMMENDATIONS:

That the City Council:

1. Conduct a Public Hearing on behalf of CBU to consider the issuance of debt by the CMFA for the costs associated with the financing and refinancing of acquisition, construction, improvement, and equipping costs for facilities at CBU; and
2. Adopt the attached resolution approving the issuance of tax-exempt revenue bonds in an amount not to exceed \$95 million by CMFA for the above named purposes for the benefit of CBU.

DISCUSSION:

CBU approached the City for its assistance with a routine approval process that will allow CBU to issue tax-exempt bonds in an amount not to exceed \$95 million to finance various capital projects at the university. Specifically, the Internal Revenue Code allows nonprofit organizations to access tax-exempt borrowing rates routinely available to public institutions. To initiate such financings, the member participant of the CMFA in which the proposed facilities will be located (the City in this case) must: 1) conduct a public hearing; and 2) approve the CMFA's issuance of debt. Today's actions accomplish these requirements and will allow CBU to proceed with the transaction.

The CMFA is a joint exercise of powers authority consisting of over 200 municipalities throughout California, including the City. 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 proceeds of the bonds will be used to: (1) finance and refinance all or a portion of the acquisition, construction, improvement and equipping of educational and related facilities, including related administrative facilities, site improvements, parking structures and surface parking, all located in the City, including but not limited to (a) construction of new facilities to house the Borrower's College of Engineering, to be located near the center of the Borrower's main campus, the address of which is 8432 Magnolia Avenue, bounded by Magnolia Avenue, Adams Street, Diana Avenue and Monroe Street (the "Campus"), (b) construction, renovation and reimbursement for construction and renovation of facilities located on the campus of the Borrower's College of Health Sciences, the address of which is 3532 and 3626 Monroe Street, (c) construction of or renovation of existing space for a new library and/or study spaces and other improvements located on the Campus and at 8775 Magnolia Avenue, (d) acquisition and construction of facilities at 8230 Magnolia Avenue, and (e) acquisition and construction of facilities located on a parcel adjacent to the facilities at 8230 Magnolia Avenue; (2) fund a debt service reserve fund; and (3) pay certain expenses incurred in connection with the issuance of the Bonds.

TEFRA HEARING

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Riverside 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 bonds for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. In the local newspaper of general circulation within the City a notice that a public hearing regarding the Bonds was published on September 9, 2016 giving notice to the community and an opportunity to speak on the Project. 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.

FISCAL IMPACT:

There is no fiscal impact nor debt obligation created for the City of Riverside by approving these actions. The debt service on the bonds will be issued by the CMFA on behalf of CBU and will strictly be an obligation of CBU only.

Prepared by: California Baptist University and
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Certified as to
availability of funds: Scott G. Miller, PhD, Chief Financial Officer/City Treasurer

Approved by: Marianna Marysheva, Assistant City Manager

Approved as to form: Gary G. Geuss, City Attorney

Attachment: Resolution