



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: SEPTEMBER 17, 2019

FROM: FINANCE DEPARTMENT WARDS: 7

SUBJECT: PUBLIC HEARING – RESOLUTION AUTHORIZING CALIFORNIA MUNICIPAL FINANCE AUTHORITY TO ISSUE BONDS ON BEHALF OF LA SIERRA UNIVERSITY, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$11,100,000 FOR PURPOSE OF FINANCING OR REFINANCING ACQUISITION, CONSTRUCTION AND IMPROVEMENT OF EDUCATIONAL FACILITIES WITHIN CITY OF RIVERSIDE

ISSUES:

Conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing regarding the proposed issuance of revenue bonds to finance or refinance the costs of the acquisition, construction and improvement of certain educational facilities located at 4500 Riverwalk Parkway in the City of Riverside, adopt a resolution to authorize the issuance of revenue bonds in an aggregate amount not to exceed \$11,100,000 by the California Municipal Finance Authority, a Joint Exercise of Powers Authority, on behalf of La Sierra University, and authorize the City Manager or his designee to execute all required documents.

RECOMMENDATIONS:

That the City Council:

1. Conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) Public Hearing regarding the proposed issuance of revenue bonds to finance or refinance the costs of the acquisition, construction and improvement of certain educational facilities located at 4500 Riverwalk Parkway in the City of Riverside (“the Project”);
2. Adopt a resolution to authorize the issuance of revenue bonds in an aggregate amount not to exceed \$11,100,000 by the California Municipal Finance Authority, on behalf of La Sierra University, a California nonprofit religious corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 to provide for the financing of the Project; and
3. Authorize the City Manager, or designee, to execute all required documents and make certain changes as required, including making minor non-substantive changes and/or corrections.

BACKGROUND:

The California Municipal Finance Authority (the “Authority”) is a California joint exercise of powers

Authority, organized and existing under the laws of the State of California (specifically, California Government Code Section 6500 and following), and is sponsored by the League of California Cities and the California State Association of Counties. The Authority was created on January 1, 2004 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. To date, over 300 municipalities, including the City of Riverside, have become members of the Authority. The Authority serves as the conduit issuer and provides access to an efficient mechanism to finance locally approved projects.

DISCUSSION:

The City has received a request from the Authority to conduct a TEFRA public hearing as required by the Internal Revenue Code in order to issue one or more series of tax-exempt revenue bonds (the "Bonds") in an aggregate amount not to exceed \$11.1 million. The Bonds will be issued by the Authority for the purpose of providing financing to La Sierra University, a nonprofit religious corporation described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Borrower"). The Borrower will use the proceeds of the Bonds for the acquisition, construction and improvement of certain educational facilities located at 4500 Riverwalk Parkway (the "Project") located within the City of Riverside ("the City") at La Sierra University (the "University").

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of Riverside must conduct a 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 Project. Prior to the TEFRA Hearing, the City must provide members of the community reasonable notice of the hearing. 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.

The Authority will issue the Bonds for the Project. The Bonds will be the sole responsibility of the Borrower, and the City of Riverside 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 Riverside or the State of California, but will be paid solely from funds provided by the Borrower.

FISCAL IMPACT:

There is no direct or indirect fiscal impact to the City of Riverside as a result of the proposed financing by the Authority. The Authority will issue revenue bonds on behalf of the Project. The revenue bonds are payable solely from the revenues derived by the Borrower from the applicable Project. The City will have no financial obligation for project financing costs or debt repayment. Through its conduit issuance activities, the Authority shares a portion of the issuance fees it receives with its member communities. A portion of the issuance fee attributable to the City of Riverside will be granted by the Authority to the City's General Fund. The funds may be used for any lawful purpose of the City.

Prepared by: Edward Enriquez, Chief Financial Officer/Treasurer
Certified as to
availability of funds: Marie Ricci, Assistant Chief Financial Officer
Approved by: Charlie Myers, Deputy City Manager
Approved as to form: Gary G. Geuss, City Attorney

Attachments:

1. Resolution Authorizing Issuance of Bonds
2. Notice of Public Hearing
3. Presentation