



COUNTY OF SAN MATEO
Inter-Departmental Correspondence
County Counsel



DATE: May 8, 2013
BOARD MEETING DATE: May 21, 2013
SPECIAL NOTICE/HEARING: 14 Day Notice
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors

FROM: John C. Beiers, County Counsel

SUBJECT: Public Hearing and Resolution Approving California Municipal Finance Authority Loan for the benefit of The Carey School

RECOMMENDATION:

- A) Conduct a public hearing under the Tax Equity and Fiscal Responsibility Act regarding the issuance by the California Municipal Finance Authority of a loan in an amount not to exceed \$3,000,000 for the purpose of financing, refinancing, or reimbursing the Carey School for, the costs of constructing, renovating, remodeling, replacing, improving, furnishing and equipping educational facilities owned and operated by the Carey School.

- B) Adopt a Resolution approving the issuance by the California Municipal Finance Authority of a loan to the Carey School in an aggregate principal amount not to exceed \$3,000,000 for the purpose of financing the construction, improvement, renovation, remodeling, replacement, furnishing and equipping of certain educational facilities.

BACKGROUND:

The 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. To date, over 175 municipalities, including the County of San Mateo (the "County"), have become members of CMFA. 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.

DISCUSSION:

The Carey School ("Borrower"), located at 2103 Alameda De Las Pulgas (also known as One Carey Lane), in the City of San Mateo, County of San Mateo (the "Campus"), has

requested that the CMFA serve as the municipal issuer of a loan in an aggregate principal amount not to exceed \$3,000,000 (the "Loan"). The proceeds of the Loan will be used for the purpose of financing, refinancing, or reimbursing the Borrower for, the costs of constructing, renovating, remodeling, replacing, improving, furnishing and equipping educational facilities owned and operated by the Borrower (the "Project"). The Loan will be "directly placed" with Boston Private Bank & Trust Company. This means that the bank will make what is referred to as an "Authority Loan" to CMFA which, as provided in a Master Loan Agreement, will in turn loan the proceeds from the Bank loan to the Borrower and assign all payment rights to the Bank.

In order for the Loan to qualify as a tax-exempt obligation under federal law, the County, as the CMFA member within whose jurisdiction the Project is sited, must conduct a public hearing (the "TEFRA Hearing") to provide the members of the community an opportunity to speak in favor of or against the use of tax-exempt obligations for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. As required by law, a Notice of Public Hearing was published in San Mateo County, in the San Mateo County Times on May 7, 2013, notifying all interested persons that a public hearing would be held on May 21, 2013 by the County for the purpose of approving the financing.

The Loan to be issued by the CMFA for the Project will be the sole responsibility of the Borrower, and the County will have no financial or legal obligation, liability or responsibility for the Project or the repayment of the Loan. All financing documents with respect to the issuance of the Loan will contain clear disclaimers that the Loan is not a loan or obligation of the County or the State of California, but is to be repaid solely from funds provided by the Borrower.

Participation by the County in the CMFA and this transaction will not impact the County's appropriations limits and will not constitute any type of indebtedness by the County. Outside of holding the TEFRA hearing and adopting the required resolution, no other participation or activity of the County or the Board of Supervisors with respect to the issuance of the Loan will be required.

Approving and authorizing the issuance of the Loan will contribute to the Shared Vision 2025 outcome of Collaborative Community by supporting fiscal accountability.

FISCAL IMPACT:

The County will receive 25% of the issuance fee from the CMFA, which fee is estimated to total approximately \$8,000 if the full amount of the Loan is issued. These funds can be used at the County's discretion. There will be no other fiscal impact to the County associated with Loan.