



# CITY OF SAN MATEO

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## Agenda Report

Agenda Number: 8

Section Name: {{section.name}}

Account Number:

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**TO:** City Council  
**FROM:** Alex Khojikian, City Manager  
**PREPARED BY:** Finance Department  
**MEETING DATE:** October 07, 2024  
**SUBJECT:** California Municipal Finance Authority — Conduit Financing

### RECOMMENDATION:

Adopt a Resolution to authorize the City Manager to approve issuances of taxable bonds by the California Municipal Finance Authority for the benefit of local governments, non-profit organizations, and businesses to finance projects that provide community benefits and require no financial or other legal obligation from the City of San Mateo.

### BACKGROUND:

In September 2024, a representative of the California Municipal Finance Authority (CMFA) approached the City seeking approval for issuing taxable bonds by the CMFA on behalf of PRS-California Obligated Group, which owns the Peninsula Regent retirement community project in San Mateo. The issuance of these bonds would not create any financial or other legal obligation on the part of the City, but City approval is required pursuant to a Joint Powers Agreement of which the City is a member.

While the City Council approved the issuance of bonds in 2019 for the benefit of a different organization, as explained below, it did not delegate authority to staff to approve these types of transactions without Council approval. The delegation of such authority is the purpose of this staff report.

### California Municipal Finance Authority

The California Municipal Finance Authority (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 300 municipalities have become members of CMFA.

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.

### CMFA Conduit Financing

In 2019, HealthRIGHT 360, a California non-profit organization, requested that the CMFA participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$65,000,000, of which approximately \$2,900,000 is allocable to projects in the City of San Mateo, with the remaining amount allocable to projects in other cities. In order for the CMFA to have the authority to serve as the issuer of the bonds for the project, it was necessary for the City of San Mateo to become a member of the CMFA because part of the bond proceeds were utilized in our jurisdiction.

On October 7, 2019, the City Council adopted a Resolution approving the issuance of revenue bonds by the CMFA for the benefit of HealthRIGHT 360 and authorizing the City to become a member of the CMFA. The City then executed a Joint

Exercise of Powers Agreement (Attachment 2), which 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.

Bonds issued by the CMFA are the sole responsibility of the borrower, and the City has no financial, legal, or moral obligation, liability, or responsibility for the subject projects, or for the repayment of the bonds. 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.

Section 4 of the JPA provides that the CMFA can issue bonds, but it will not do so with respect to any project located in the jurisdiction of one or more members, such as the City of San Mateo, unless the governing body or its duly authorized representative approves the project, including the issuance of bonds. That approval could be in the form of a Resolution, certificate, order, report, or other written form selected by the member or its authorized representative. If the City Council adopts the proposed Resolution, the City Manager will be considered the authorized representative of the City for the purpose of approving the issuance of bonds by the CMFA for the PRS-California Obligated Group and other projects.

When the CMFA issues **tax-exempt bonds**, the City is required to conduct a public hearing under the Tax Equity and Fiscal Responsibility Act (TEFRA). These "TEFRA Hearings" provide members of the community with an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the project. Prior to the hearing, reasonable notice is provided to the members of the community to meet the requirements of the TEFRA. As such, any tax-exempt bonds to be issued by the CMFA for projects located in the City of San Mateo will require a TEFRA hearing and City Council approval.

For **taxable bonds**, a TEFRA hearing is not required. In order for the CMFA to have the authority to serve as the issuer of taxable bonds to finance projects in our jurisdiction, the JPA requires the governing body, or its duly authorized representative approve the project and the issuance of the bonds.

To streamline the approval process, staff recommends that the Council authorize the City Manager as the designated representative to approve issuances of **taxable bonds** by the CMFA for the benefit of local governments, non-profit organizations, and business to finance project that meet the following criteria:

- a) The project provides community benefits;
- b) The conduit financing is limited to taxable bonds;
- c) The City's approval is solely for the purpose of satisfying the requirements of the CMFA Joint Exercise of Powers Agreement; and
- d) The financing is solely responsible by the borrower and the City has no financial, legal, moral obligation, liability or responsibility for the projects or the repayment of bonds for the taxable conduit financing.

#### **BUDGET IMPACT:**

There is no budget impact. Bonds to be issued by the CMFA will be the sole responsibility of the borrower, and the City will have no financial, legal, moral obligation, liability or responsibility for the projects or the repayment of bonds for the financing the projects. All financing documents with respect to the issuance of 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.

#### **ENVIRONMENTAL DETERMINATION:**

This report is not a project subject to CEQA, because it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (CEQA Guidelines Section 15378(b)(4).)

**NOTICE PROVIDED**

All meeting noticing requirements were met.

**ATTACHMENTS**

Att 1 – Proposed Resolution

Att 2 – CMFA Joint Exercise of Powers Agreement

**STAFF CONTACT**

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