



CITY OF SAN MATEO

City Hall
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Agenda Report

Agenda Number: 14

Section Name: {{section.name}}

File ID: {{item.tracking_number}}

TO: City Council
FROM: Drew Corbett, City Manager
PREPARED BY: Finance Department
MEETING DATE: October 07, 2019

SUBJECT:
HealthRIGHT 360 Project – Tax Exempt Financing

RECOMMENDATION:

Adopt a Resolution to approve the issuance of revenue bonds by the California Municipal Finance Authority for the benefit of HealthRIGHT 360, a California nonprofit public benefit corporation; to issue revenue bonds in an amount not to exceed \$65,000,000, of which \$2,900,000 will be utilized for projects in the City of San Mateo, solely for the purposes of satisfying the requirements of the Tax Equity and Fiscal Responsibility Act; and authorize the Finance Director to execute the agreement with the California Municipal Finance Authority.

BACKGROUND:

HealthRIGHT 360 has requested that the California Municipal Finance Authority (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 will be allocable to projects in the City of San Mateo, and the remaining amount will be allocable to projects in other cities. The projects in the City are the following:

- (a) Not more than \$300,000 to provide for the prepayment of a HELP II loan from the California Health Facilities Financing Authority in 2008 to Women's Recovery Association, a predecessor of the Corporation (WRA), to finance renovations and equipment, and a facility for the residential treatment of up to five women and up to six dependents located at 27-29 N Humboldt Street in San Mateo, California.
- (b) Not more than \$400,000 to provide for the prepayment of a loan from Union Bank of California, N.A. in 2001 to WRA, to finance the acquisition of the real property for a residential treatment facility for up to 12 women located at 900 Laurel Avenue in San Mateo, California.
- (c) Not more than \$2,200,000 to finance renovations and equipment to facilities providing residential substance use disorder treatment services located at 27-29 North Humboldt Street, 202 East Bellevue Avenue, and 900 Laurel Avenue in San Mateo.

All facilities are leased, owned, or to be owned and operated by the Borrower in connection with the Borrower's provision of residential substance use disorder treatment services.

In order for all or a portion of the Bonds to qualify as tax-exempt bonds, the City of San Mateo 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. 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.

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 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.

EXECUTION OF THE JOINT EXERCISE OF POWERS AGREEMENT

In order 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 San Mateo to become a member of the CMFA. A copy of the Joint Exercise of Powers Agreement to be executed by a designated signatory of the City is included as Attachment 2.

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.

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of the Borrower, and the City will have no financial, legal, or 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.

There are no costs associated with membership in the CMFA, and the City will in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the City in the CMFA will not impact the City's appropriations limits, and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required resolution, and executing the Joint Exercise of Powers Agreement of the CMFA, 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 Borrower, 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.

BUDGET IMPACT:

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (Foundation), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of San Mateo, it is expected that that approximately \$2,000, which is a portion of the issuance fee attributable to the City, will be granted by the CMFA to the General Fund of the City. Such grant may be used for any lawful purpose of the City.

ENVIRONMENTAL DETERMINATION:

This resolution is not a project subject to CEQA, because it is an organizational or administrative activity that will not result in direct or indirect physical changes in the environment. (CEQA Guidelines Section 15378(b)(5).)

NOTICE PROVIDED

All meeting noticing requirements were met.

ATTACHMENTS

Att 1 – Proposed Resolution
Att 2 - CMFA JPA Agreement

STAFF CONTACT

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