



COUNTY OF MARIN
OFFICE OF THE ADMINISTRATOR

3501 CIVIC CENTER DRIVE, SUITE 325, SAN RAFAEL, CA 94903

415/499-6358 - FAX 415/507-4104

Matthew H. Hymel
County Administrator

September 21, 2010

Board of Supervisors
County of Marin
San Rafael, CA 94903

Subject: Tax-exempt financing by the California Municipal Finance Authority, a public entity of the State of California ("CMFA"); Consent to hold a Tax Equity and Fiscal Responsibility Act ("TEFRA") public hearing on September 21, 2010 regarding the issuance of \$11,000,000 of tax-exempt conduit bonds to refinance the construction, acquisition, installation, renovation, rehabilitation and improvement of real property, facilities, equipment and improvements of the Borrower's educational facilities located on its campus at 305 Montford Avenue, Mill Valley, California 94941.

Dear Board Members:

Recommendation: It is recommended that, after holding the public hearing, your Board adopt the resolution approving the tax-exempt financing and the issuance of the revenue bonds by the CMFA for the benefit of Marin Horizon School, Incorporated (the "Borrower"), a nonprofit corporation duly organized and existing under the laws of the State of California, solely for the purposes of satisfying the requirements of the Code.

Background: The Marin Horizon School is seeking to issue up to \$11,000,000 of tax-exempt bonds for the purpose of providing funds to (a) refinance certain outstanding revenue bonds previously issued for the benefit of the Borrower for the cost of (1) the construction, acquisition, installation, renovation, rehabilitation and improvement of real property, facilities, equipment and improvements of the Borrower's educational facilities located on its campus at 305 Montford Avenue, Mill Valley, California 94941 (the "Campus"), including but not limited to new classroom buildings, dedicated spaces for science, art and music, additional office support areas, improved and enlarged playground facilities and performance areas, and improved vehicle access and parking, (2) miscellaneous construction, renovation, improvements, demolition, capital maintenance, equipment acquisition and installation thereof and improvements at the Campus (the facilities described in (1) and (2) collectively referred to herein as the "Prior Facilities") and (3) various costs of issuance, debt service reserve, capitalized interest, related working capital and credit enhancement fees, in an amount not expected to exceed \$9,500,000; (b) refinance the acquisition of a single-story, approximately 1,180 square feet house and the approximately 7,840 square feet lot on which it is situated, all located at 260 Montford Avenue, Mill Valley, California 94941 (the "House") in an amount not expected to exceed \$500,000; (c) finance, or reimburse the Borrower for, the costs of playground equipment, technology equipment and upgrades, window replacements, seismic upgrades and miscellaneous construction, renovation, improvements, demolition, capital maintenance, equipment acquisition and installation thereof at the Campus in an amount not expected to exceed \$1,000,000 (together with the Prior Facilities and the House, the "Facilities"); (d) paying capitalized interest on the Loan; (e) funding one or

more reserve funds with respect to the Loan; and (f) paying certain costs of issuance of the Loan; (collectively, the "Project"). The Facilities are owned and operated by the Borrower.

In order for the interest on the bonds to be excluded from the gross income of the owner of the bonds (i.e. tax-exempt), an "applicable elected representative" of the government unit must approve the issuance of the bond after a public hearing ("TEFRA hearing") following reasonable public notice. The proposed bond issuance by CMFA is classified as a private activity for purposes of the Internal Revenue Code (the "Code"). Because CMFA's Board of Directors is not an elected body, the Code provides that a governmental unit with elected representatives and jurisdiction over the area in which the project to be financed is located, in this case, the Board of Supervisors of Marin County, is an "applicable elected representative" with respect to the bond issue.

The Code requires that the Board of Supervisors hold a TEFRA public hearing regarding the issuance of the bonds and adopt a resolution approving the issuance of the bonds by CMFA. The County is a member of CMFA. Staff recommends that the Board of Supervisors consent to hold a public hearing and consider adopting a resolution on September 21, 2010 regarding the issuance of the bonds.

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. The County of Marin is a member along with over 100 other municipalities.

The CMFA was formed to assist local governments, non-profit organizations and businesses with the issuance of taxable and tax-exempt financing aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in tax-exempt bond financing.

The joint exercise of powers agreement explicitly provides that the CMFA is a public entity, separate and apart from the members executing the agreement, and the debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members executing the agreement.

The bonds to be issued for this project will be the sole responsibility of the Borrower, and the County will have no contractual, financial, legal or moral obligation or liability for the repayment of these bonds. All bond documents will contain clear disclaimers that the bonds are not obligations of the County or the CMFA but are paid only from funds provided by the Borrower.

In addition, participation by the County in the CMFA will not impact the County's appropriations limits and will not constitute any type of indebtedness by the County. Once the County holds the required public hearing, adopts the required resolution following the public hearing, and signs the joint exercise of powers agreement of the CMFA, no other participation of the County in the actions of the CMFA or in the bond financing will be required.

In light of the foregoing, the lower fees of the CMFA and the fee sharing arrangement proposed by CMFA and in order to support the Marin Horizon School, staff recommends that the County hold a public hearing and adopt the resolution in favor of the bond issuance.

Fiscal Impact: Reduced Net County Costs of approximately \$5,800. The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation, acts as the Board of Directors for the CMFA. The CMFA shares a portion of its issuance fees with its member communities and donates a portion of issuance fees to the Foundation for the support of local charities.

With respect to the County of Marin, it is expected that 25% of the issuance fee attributable to the Marin project (or approximately \$5,800) will be contributed by the CMFA to the general fund of the County, to be used for any lawful purpose. The Borrower will be the beneficiary of our charitable donation through a 25% reduction in issuance fees. The County is in no way obligated on the debt.

Reviewed By: County Counsel
 Treasurer-Tax Collector

Respectfully submitted,



Matthew H. Hymel
County Administrator

cc: Patrick Faulkner, County Counsel
 Michael Smith, Treasurer-Tax Collector