

STAFF REPORT



FINANCIAL SERVICES

DATE: November 15, 2022

TO: Justin Hess, City Manager

FROM: Jennifer Becker, Financial Services Director 

SUBJECT: Adoption of a Resolution Approving an Associate Membership Agreement Between the City of Burbank and the California Enterprise Development Authority, and Adoption of a Resolution Approving the Issuance of California Enterprise Development Authority Revenue Obligations in an Amount Not to Exceed \$11,000,000 for the Benefit of International School of Los Angeles—Lycee International de Los Angeles

RECOMMENDATION

1. Conduct a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986 to receive comments relating to the issuance by the California Enterprise Development Authority (the “Authority”) of not to exceed \$11,000,000 of the Authority’s revenue obligations (the “Obligations”) for the benefit of International School of Los Angeles—Lycee International de Los Angeles, a California nonprofit public benefit corporation (the “Borrower”);
2. Adopt A RESOLUTION APPROVING ASSOCIATE MEMBERSHIP BY THE CITY OF BURBANK IN THE CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY AND THE EXECUTION OF AN ASSOCIATE MEMBERSHIP AGREEMENT RELATING TO ASSOCIATE MEMBERSHIP OF THE CITY IN THE AUTHORITY (Attachment 2); and
3. Adopt A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF BURBANK APPROVING THE ISSUANCE BY THE CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY OF ITS REVENUE OBLIGATIONS FOR THE BENEFIT OF INTERNATIONAL SCHOOL OF LOS ANGELES—LYCEE INTERNATIONAL DE LOS ANGELES IN AN AGGREGATE MAXIMUM STATED PRINCIPAL AMOUNT OF \$11,000,000 FOR THE PURPOSE OF FINANCING, REFINANCING AND/OR REIMBURSING THE COST OF ACQUISITION, CONSTRUCTION, IMPROVEMENT, EQUIPPING AND FURNISHING OF

FACILITIES, PROVIDING THE TERMS AND CONDITIONS FOR SUCH REVENUE OBLIGATIONS AND OTHER MATTERS RELATING THERETO. (Attachment 3).

BACKGROUND

The Borrower has requested that the Authority issue the Obligations in a principal amount not to exceed \$11,000,000 for the purposes of financing, refinancing and/or reimbursing (a) the cost of the acquisition, construction, improvement, equipping and furnishing of educational facilities, including but not limited to a multi-use building and related ancillary and administrative facilities, located at 1001 West Riverside Drive, Burbank, California 91506, and (b) the cost of acquiring, improving, renovating, remodeling, furnishing and equipping the Borrower’s educational campus located at 1105 West Riverside Drive, Burbank, California 91506 (collectively, the “Project”). The Obligations will be directly placed with First Republic Bank or an affiliate and, therefore, no public offering of the Obligations will take place.

The Authority is a joint powers authority (JPA) established by the California Association for Local Economic Development (CALED), the purpose of which is to issue tax-exempt and taxable conduit revenue bonds to fund commercial and industrial development projects within member jurisdictions. Federal and state laws provide the ability for cities and counties to join together under cooperative agreements to form joint powers authorities to issue tax-exempt and taxable bonds to fund projects that provide a public benefit and serve the needs of residents within the jurisdictions of the participating members. Cities and counties in California utilize joint powers authorities primarily for economies of scale, to access specialized transaction knowledge and resources, and to avoid using valuable local staff time on these types of transactions.

The Authority is a joint powers authority created by the cities of Selma, Lancaster and Eureka, California, pursuant to a Joint Powers Agreement, dated as of June 1, 2006 (the “JPA Agreement”), and attached to this staff report as Attachment 1. Approximately 200 cities and counties are associate members of the Authority. The Authority’s activities are dedicated to providing economic development assistance to member jurisdictions as an extension of the economic development assistance provided by CALED to its members.

DISCUSSION

1) Holding the TEFRA hearing.

The City Council has been requested to hold a public hearing pursuant to Section 147(f) of the Internal Revenue Code and Government Code Section 6500 et seq. (the “Act”). The Authority proposes to issue all or a portion of the Obligations as a tax-exempt financing to fund the Project. Section 147(f) of the Internal Revenue Code of 1986 (the “Code”), requires that, in order for the interest on the debt issued by the Authority to be excluded from gross income for federal income tax purposes, an “applicable elected representative” of the host governmental unit, as well as the Authority, must approve the issuance of the Obligations for purposes of Section 147(f). Such approval must follow a public hearing which has been preceded by reasonable public notice.

The Act (specifically Section 6596.5 of the California Government Code) also requires the local agency where a project financed with bonds issued thereunder is to be located approve the financing of said project after a public hearing preceded by public notice.

The public hearing required by Section 147(f) and the Act in connection with the Obligations will be held by the City Council on November 15, 2022. Notice of the public hearing was published on October 26, 2022 in the Los Angeles Times. At the public hearing, interested persons may express their views on the issuance of the Obligations.

Upon completion of the hearing, the City Council will consider resolutions: (A) approving the City's execution of an Associate Membership Agreement with the Authority to become an Associate Member of the Authority, and (B) approving the Obligations to finance and refinance the Project for purposes of Section 147(f) and the Act.

2) Joining the Authority.

Upon completion of the public hearing described above, the City Council will consider a resolution attached as Attachment 2 to this staff report (the "Joining Resolution") approving the City's execution of an Associate Membership Agreement with the Authority attached as Attachment 4 to this staff report (the "Associate Membership Agreement") to become an Associate Member of the Authority.

The JPA Agreement permits any local agency in California to join the Authority as an "Associate Member." The Authority's Board of Directors has requested that the City become an Associate Member of the Authority. Associate membership in the Authority will assist the City as well as for-profit and nonprofit organizations located within the City in financing industrial and commercial development projects and other public purpose projects within the City. The Authority's Associate Members enjoy nearly all the benefits of regular membership without the associated duties or obligations. Associate Members have ample opportunity to provide input on proposed or existing programs. Further, Associate Members are not restricted or inhibited in any way with respect to their independent ability to finance or refinance any project in any manner they deem appropriate, which may or may not involve or include the Authority.

Once the City becomes an Associate Member of the Authority, the City will be eligible to participate in the Authority's programs.

3) Approving the Issuance of the Obligations.

Upon completion of the public hearing described above, the City Council will consider a resolution attached as Attachment 3 (the "Approving Resolution") to this staff report approving the Obligations to finance and refinance the Project for purposes of Section 147(f) and the Act.

Holding the public hearing and adopting the Approving Resolution are requirements of Section 147(f) and the Act, but such actions do not require the City Council to approve any of the documentation relating to the issuance the Obligations. Aside from assisting

the Authority with meeting the requirements of Section 147(f) and the Act, the City Council will have no role in the issuance of the Obligations.

The Authority has informed the City that neither the faith and credit nor the taxing power of the City will be pledged to the payment of the Obligations, and the payment of the Obligations will not constitute a debt, liability or obligation of the City.

The City Council's decision in this matter does not mean approval or disapproval of the Project or any entitlements necessary for the Project.

FISCAL IMPACT

There is no fiscal impact to the City. Executing the Associate Membership Agreement will result in no membership costs or other fees. There is no fiscal impact if the City adopts the Approving Resolution in accordance with Section 147(f) of the Code and the Act. The City of Burbank does not bear any responsibility for the tax-exempt status of the interest with respect to the Obligations, the debt service on the Obligations, or any other matter related to the Obligations.

CONCLUSION

Staff recommends that Council adopt the Joining Resolution approving and authorizing the execution of an Associate Membership Agreement between the City and the Authority, and the Approving Resolution approving the issuance of the Obligations by the Authority in a maximum aggregate principal amount of \$11,000,000 for the purposes of the Project.

ATTACHMENTS:

- ATTACHMENT 1: JPA Agreement
 - ATTACHMENT 2: Joining Resolution
 - ATTACHMENT 3: Approving Resolution
 - ATTACHMENT 4: Associate Membership Agreement
- Correspondences