

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: October 21, 2010

CAO File No. 0220-02221-8714

Council File No. 10-1280

Council District: 2

To: The Mayor
The City Council

From: Miguel A. Santana, City Administrative Officer 

Reference: Council File 10-1280

Subject: **RESOLUTION AND MINUTES OF TEFRA HEARING FOR THE ISSUANCE OF
TAX-EXEMPT BONDS FOR THE CAMPBELL HALL SCHOOL PROJECT BY
THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY**

SUMMARY

The City Administrative Officer (CAO) is requesting approval of the Resolution (Attachment 1) and Minutes from the TEFRA Public Hearing held on September 15, 2010 at 10:00 a.m. (Attachment 2) for the issuance of up to \$30 million in tax-exempt bonds by the California Municipal Finance Authority (CMFA) for the Campbell Hall (Episcopal) School Project, located at 4533 Laurel Canyon Boulevard, Los Angeles, California in Council District 2.

On July 20, 2010, the Krekorian-LaBonge Motion was approved by the Council, instructing the CAO to establish a date, time and location for a public hearing in accordance with the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 for the issuance of up to \$30 million in tax-exempt bonds to finance the acquisition, construction, improvement and equipping of capital improvements at the School's educational facilities. The Motion also instructed the required public noticing of the hearing and further instructed the CAO to submit the results of the TEFRA hearing to the Council for consideration.

The notice of the TEFRA hearing was published by Bond Counsel, Squire Sanders & Dempsey LLP, in the Los Angeles Daily Journal on September 1, 2010 within the 14-day notice requirement in accordance with TEFRA (Attachment 3).

The TEFRA hearing was held on September 15, 2010 at the published location and time. When the hearing was called to order, there were representatives from the Campbell Hall School, the CMFA and Bond Counsel. No other members of the public were present (See Attachment 2 for the Minutes). The hearing concluded at 10:25 a.m.

The current financing is to provide for the development of three two-story connected buildings totaling approximately 11,000 square feet with classrooms, an art gallery, a facility resource

center and subterranean parking. Attachment 4 is a copy of the CMFA report which includes information such as project description, staffing, financing structure, financing team, and public benefits.

This report is in compliance with the City's Financial Policies.

RECOMMENDATION

That the Council:

Adopt the attached Resolution and Minutes from the Public Hearing held in accordance with Section 142 of the Internal Revenue Code of 1986, as amended, and Section 147(f) of the Code for the California Municipal Finance Authority to issue up to \$30 million in tax-exempt bonds for the Campbell Hall School, located at 4533 Laurel Canyon Boulevard, Los Angeles, California.

FISCAL IMPACT STATEMENT

Issuance of tax-exempt bonds by the California Municipal Finance Authority for the Campbell Hall School will not result in any fiscal impact on the City. These bonds will be fully repaid by the Campbell Hall School.

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Attachments

ATTACHMENT 1

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOS ANGELES APPROVING A TAX-EXEMPT BOND FINANCING TO BE UNDERTAKEN BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY TO BENEFIT THE CAMPBELL HALL (EPISCOPAL) SCHOOL

TEFRA RESOLUTION

RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES APPROVING THE ISSUANCE OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY REVENUE BONDS (CAMPBELL HALL (EPISCOPAL)), SERIES 2010 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$30,000,000 FOR THE PURPOSE OF FINANCING AND/OR REFINANCING THE ACQUISITION, CONSTRUCTION, IMPROVEMENT AND EQUIPPING OF EDUCATIONAL FACILITIES AND CERTAIN OTHER MATTERS RELATING THERETO

WHEREAS, the Campbell Hall (Episcopal), a nonprofit public benefit corporation and an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Borrower"), has requested that the California Municipal Finance Authority (the "Authority") participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$30,000,000 (the "Bonds") for the acquisition, construction, improvement and equipping of certain capital improvements relating to the Borrower's educational facilities (the "Project") located at 4533 Laurel Canyon Boulevard in the City of Los Angeles, California (the "City"), which educational facilities are or will be owned and operated by the Borrower. Such educational facilities include, but are not limited to, three two-story connected buildings totaling approximately 111,000 square feet, with classrooms, an art gallery, a faculty resource center and subterranean parking; and

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the issuance of the Bonds by the Authority must be approved by the City because the Project is to be located within the territorial limits of the City; and

WHEREAS, the Council of the City (the "City Council") is the elected legislative body of the City and is one of the "applicable elected representatives" required to approve the issuance of the Bonds under Section 147(f) of the Code; and

WHEREAS, the Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "Agreement"), among certain local agencies, including the City; and

WHEREAS, pursuant to Section 147(f) of the Code, the Office of the City Administrative Officer has, following notice duly given, held a public hearing regarding the issuance of the Bonds, and

WHEREAS, the City Council now desires to approve the issuance of the Bonds by the Authority;

NOW, THEREFORE, BE IT RESOLVED, by the City Council as follows:

Section 1. The City Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the City Council that this resolution constitute approval of the issuance of the Bonds by the Authority, for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is to be located, in accordance with said Section 147(f) and (b) Section 4 of the Agreement.

Section 2. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this resolution and the financing transaction approved hereby.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the City Council this ____ day of _____, 2010.

AYES:

NOES:

ABSTAIN:

ABSENT:

[SEAL]

Attest:

By: _____
City Clerk

ATTACHMENT 2

TEFRA PUBLIC HEARING MEETING MINUTES

TEFRA PUBLIC HEARING MEETING MINUTES
Wednesday, September 15, 2010, 10:00 a.m.
Office of the City Administrative Officer
200 N. Main Street
City Hall East, Room 1500
Los Angeles, CA 90012

This meeting is to conduct the required Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982 public hearing for the Campbell Hall (Episcopal) School for the issuance of up to \$30 million in tax-exempt bonds to finance the acquisition, construction, improvement and equipping of capital improvement at the School's educational facilities to be located at 4533 Laurel Canyon Boulevard, Los Angeles, California, in Council District 2.

Staff is present and began the meeting at 10:00 a.m., in accordance with the published hearing notice. A notice of this hearing was published in the Los Angeles Daily Journal on September 1, 2010.

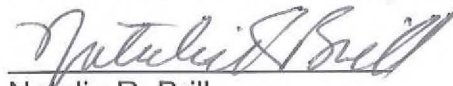
The purpose of this meeting is to hear public comments regarding the subject of the issuance of tax-exempt bonds by California Municipal Finance Authority (CMFA) in an amount not-to-exceed \$30 million to finance the acquisition, construction, improvement and equipping of capital improvement at the School's educational facilities.

Staff present is Natalie R. Brill from the City of Los Angeles, Office of the City Administrative Officer. Also present at the meeting are representatives from the Campbell Hall School, the CMFA and Bond Counsel

The time is now 10:25 a.m. and seeing that no members of the public are present or want to speak, this meeting is now adjourned.

I declare under penalty of perjury that this is a true and exact copy of the TEFRA hearing held for the above referenced project on Wednesday, September 15, 2010 at Los Angeles, California.

CITY OF LOS ANGELES
Office of the City Administrative Officer
MIGUEL A. SANTANA, City Administrative Officer



Natalie R. Brill
Chief of Debt Management

ATTACHMENT 3

DECLARATION OF PUBLICATION

LOS ANGELES DAILY JOURNAL

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DJ# 1937166

NOTICE OF PUBLIC HEARING

PUBLIC NOTICE IS HEREBY GIVEN that a public hearing will be held by the City of Los Angeles, California (the "City"), in the Office of the City Administrative Officer, 200 N. Main Street, Room 1500, City Hall East, Los Angeles, California 90012, on September 15, 2010, at or about 10:00 a.m., on the proposed issuance by the California Municipal Finance Authority (the "Authority") of its revenue bonds, in one or more series, in an amount not to exceed \$30,000,000 (the "Bonds"). The proceeds of the Bonds will be loaned to Campbell Hall (Episcopal), a nonprofit public benefit corporation as described in section 501(c)(3) of the Internal Revenue Code of 1986 (the "Corporation"), to finance and/or refinance the acquisition, construction, improvement and equipping of capital improvements relating to the Corporation's educational facilities located at 4533 Laurel Canyon Boulevard, Los Angeles, California (the "Project"), which educational facilities are or will be owned and operated by the Corporation. Such educational facilities include, but are not limited to, three two-story connected buildings totaling approximately 111,000 square feet, with classrooms, an art gallery, a faculty resource center and subterranean parking.

The Bonds will not be deemed to constitute a debt or liability of the City, the State of California (the "State") or any political subdivision thereof, other than the Authority, but will be payable solely from the funds provided therefor. The Authority will not be obligated to pay the principal of the Bonds, or the redemption premium, if any, or interest thereon, except from funds provided from loan repayments by the Corporation. Neither the faith and credit nor taxing power of the City, the State or any political subdivision thereof, including the Authority, will be pledged to the payment of the principal or redemption premium, if any, or interest on the Bonds. The issuance of the Bonds will not directly, indirectly or contingently obligate the City, the State or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power. The Office of the City Administrative Officer of the City of Los Angeles is conducting the public hearing as an accommodation to the Corporation. The City of Los Angeles will not be the issuer of the Bonds for the Project and takes no responsibility for the Bond financing or the Project.

Those wishing to comment on the proposed financing and the nature and location of the Project may either appear in person at the public hearing or submit written comments, which must be received by the City prior to the hearing. Written comments should be sent to the City of Los Angeles, Office of the City Administrative Officer, 200 N. Main Street, City Hall East, Room 1500, Los Angeles, California 90012, Attention: Ms. Natalie R. Brill, Chief of Debt Management, fax number (213) 473-7540, until 9:00 a.m. on September 15, 2010.

Natalie R. Brill,
Chief of Debt Management
City of Los Angeles

September 1, 2010

9/1/10

DJ-1937166#



ATTACHMENT 4

REPORT OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY

Summary and Recommendations

Applicant:	Campbell Hall (Episcopal)
Amount:	Up to \$30 million of tax-exempt revenue bonds to be issued by the California Municipal Finance Authority
Purpose:	Acquisition and construction of educational facilities
Primary Activity:	K-12 education
Legal Structure:	Nonprofit Corporation

Background:

Campbell Hall (Episcopal) was founded in 1944 in North Hollywood, California. The school began with 74 students and has grown to over 1,000 students from kindergarten through twelfth grade. For more than 60 years, the commitment to encourage, inspire and nurture all aspects of child development, from the academic and ethical to the spiritual and emotional, has energized the very heart of the mission at Campbell Hall. Believing balance to be crucial in healthy, productive lives, the school's program provides a vast range of possibilities for creative and intellectual pursuits throughout the campus. The academic program, from primary classes through the most advanced courses at the high school, is structured and challenging. The elementary school provides young learners with a strong foundation in a carefully planned sequence of study. The college preparatory curriculum readies secondary students for the subject mastery and learning processes necessary for advanced study in the traditional disciplines. The school and its faculty endeavor to explore with students the cultures of the world, their art, literature, values, and ideals, and to instill habits of life-long learning.

Campbell Hall (Episcopal) has submitted an application to the California Municipal Finance Authority (CMFA), a joint powers authority of which the City is a member, requesting that CMFA issue its tax-exempt revenue bonds in a principal amount not to exceed \$30 million. The bonds will be sold to municipal bond investors. CMFA would then loan the proceeds of the bonds to Campbell Hall (Episcopal) on the terms described in Attachment A under the heading "Financing Structure," and Campbell Hall (Episcopal) would use such loan to finance its project as described in Attachment A under the headings "Sources and Uses of Funds" and "Project Description."

In order for CMFA to issue tax-exempt bonds for the Campbell Hall School project, the City Council must first approve the bond issue, in accordance with the CMFA joint powers agreement and Section 147(f) of the Internal Revenue Code. Notwithstanding any such approval, under no circumstances will the City become liable for the repayment of the bonds.

Recommendations: Based on the overall Project public benefit and finance related considerations detailed above and on attachment A, it is recommended that the City Council approve the Resolution as submitted to the City Council, which:

1. Approves the issuance of the Bonds and the financing of the project, and
2. Approves all necessary actions and documents for the financing

Attachment A

Public Benefit:

Campbell Hall (Episcopal) embraces the philosophy that the students entrusted to its care are persons of both faith and reason. The faculty and staff encourage each student to quest for knowledge and to fit the educational experience into a pattern of faith for daily living. The school provides a climate where the values of community, self-worth, compassion, respect, service, and responsibility are taught as part of the school's tradition. Campbell Hall is committed to academic excellence and to the nurturing of decent, loving, and responsible human beings. The issuance of bonds will allow Campbell Hall to achieve a savings in effective interest rate as opposed to other financing alternatives.

TEFRA Hearing: A TEFRA hearing was held by the Chief Administrative Officer of the City of Los Angeles on September 15, 2010.

Finance Team:

Bond Counsel:	Harriet Welch, Squire, Sanders & Dempsey LLP
Bond Advisor:	Dirk ten Grotenhuis, Stone & Youngberg LLC
Bond Purchaser:	Carolyn Powell, First Republic Bank
Purchaser Counsel:	Gerald McGovern, Sidley Austin LLP
Borrower's Counsel:	Rossi A. Russell, The Law Offices of Rossi A. Russell
CMFA Counsel:	Harriet Welch, Squire, Sanders & Dempsey L.L.P.
Trustee:	TBD

Financing Structure: The bonds will be privately placed and are unrated, bank-qualified obligations. The bonds will mature in no more than 30 years and will bear interest at a fixed rate. The proposed offering is in accordance with CMFA's Issuance Policy.

Estimated Sources and Uses:

Sources:

Bond proceeds	<u>\$30,000,000</u>
Total uses	<u>\$30,000,000</u>

Uses:

Construction	\$25,700,000
Equipment	2,500,000
Architectural & Engineering	1,300,000
Legal & Professional costs	<u>500,000</u>
Total uses	<u>\$30,000,000</u>

Description of project: The proceeds of the Bonds will be loaned to Campbell Hall (Episcopal), a nonprofit public benefit corporation as described in section 501(c)(3) of the Internal Revenue Code of 1986 (the "Corporation"), to finance and/or refinance the acquisition, construction, improvement and equipping of capital improvements relating to the Corporation's educational facilities located at 4533 Laurel Canyon Boulevard, Los Angeles, California, which educational facilities are or will be owned and operated by the Corporation. Such educational facilities include, but are not limited to, three two-story connected buildings totaling approximately 111,000 square feet, with classrooms, an art gallery, a faculty resource center and subterranean parking.

Staffing: Campbell Hall's organization currently includes 150 full-time faculty, 45 administrators/staff and 40 part-time faculty and staff. Campbell Hall does not anticipate that the project will result in a significant increase in its staffing but will enhance the quality of the educational facilities for the children.