

Calistoga Public Facilities Corporation

Staff Report

TO: Board of Directors, Calistoga Public Facilities Corporation
FROM: Bill Mushallo, Treasurer
DATE: July 19, 2011
SUBJECT: Annual Report

APPROVAL FOR FORWARDING:


Richard Spittler, President

1 **ISSUE:** Annual Report of the Calistoga Public Facilities Corporation.

2
3 **RECOMMENDATION:** To receive and file report.

4 **BACKGROUND/DISCUSSION:** This type of non-profit corporation is required by the
5 Federal IRS code in order to issue a public financing instrument called a Certificate of
6 Participation (COP). A COP is a typical California public financing instrument for public
7 facilities or equipment. It is essentially a type of lease purchase that requires a third
8 party for the lease transaction. The Calistoga Public Facilities Corporation (CPFC)
9 assigns all of the rights, obligations and financial transactions to others, such as the City
10 or Trustee for the COP.

11 The CPFC was created as a Section 501 (c) (4) non-profit public benefit corporation in
12 September 1987 by the City of Calistoga as part of the initial financing of the new Police
13 Station and parking lot. The costs of these improvements were funded, in part, through
14 the issuance of a 1987 \$2,115,000 Certificate of Participation (COP).

15 In 1993, the 1987 COP was refinanced through a financing pool sponsored by the
16 Association of Bay Area Governments (ABAG). In July 2002, the 1993 ABAG COP was
17 refinanced, again, along with the 1997 Logvy Community Park property acquisition note.
18 In all cases, the refinancing was done to lower the interest rates and provide for more
19 flexible terms or coverage. In April 2005, the City of Calistoga issued a \$2,028,500 COP
20 to the United States Department of Agriculture (USDA) for financing the balance of the
21 Wastewater Treatment Plant improvements.

22 Even though the CPFC is a separate legal entity, it is considered a "component unit" of
23 the City and is included in the audit of the Comprehensive Annual Financial Report. The

24 non-profit corporation had no direct financial transactions or obligations during the
25 2008/09 fiscal year and therefore there are no financial transactions of the CPFC.

26
27 In November 2007, the City issued a municipal lease for \$4,649,000 to provide funding
28 for several community projects. The lease was secured by the public works facility and
29 fire station and provided funds to complete the projects. The lease was issued for 20
30 years at 4.95% annual interest. The funds were invested to earn an estimated \$170,000
31 over the two year period, which served to offset a portion of the interest costs. In
32 addition, the lease incorporated the ability to payoff the financing in a shorter period than
33 usual. This will allow the City to use development impact fees collected from
34 development in the future to payoff the financing sooner than later and save the interest
35 costs and allow for other future financings of improvements.

36
37 In March 2008, the City issued a, previously authorized, USDA loan of \$2,511,170 to
38 finance a Water Systems Facilities study, replacement of the Kimball Transmission main
39 and Myrtledale/Grant pipeline, Water Treatment Plant and Kimball Reservoir. This was
40 part of the combination USDA Loan/Grant (\$1 million) funding of Phase One of various
41 water facilities projects. (Phase Two is the Mt. Washington water tank). The USDA Loan
42 was issued for 40 years at 4.375% annual interest. Debt service payments are being
43 made through recently secured Measure A funding.

44
45 **2010/11 Activity**

46
47 In June 2011 the City issued a previously authorized USDA loan of \$3,750,000 to
48 finance construction of the Mt Washington Water Tank project. This financing, along
49 with funds previously authorized through Measure A, will fund the remainder of the
50 project. The USDA loan was issued for 40 years at 2.5% annual interest. Debt service
51 payments will be made from the Water Utility and were anticipated during the recently
52 updated rates.

53
54 **Future Financings**

55
56 There are no anticipated future financings at this time.

57
58 **FISCAL IMPACT:** None.

59
60 **ATTACHMENTS:** None