

# Calistoga Public Facilities Corporation

## Staff Report

**TO:** Board of Directors, Calistoga Public Facilities Corporation  
**FROM:** Gloria Leon, Treasurer  
**DATE:** July 17, 2012  
**SUBJECT:** Annual Report

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APPROVAL FOR FORWARDING:

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Richard Spitler, President

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

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

4 **BACKGROUND/DISCUSSION:** The Calistoga Public Facilities Corporation was created  
5 as a Section 501 (c) (4) non-profit public benefit corporation in September 1987 by the  
6 City of Calistoga as part of the initial financing of the new Police Station and parking lot.  
7 The costs of these improvements were funded, in part, through the issuance of a 1987  
8 \$2,115,000 Certificate of Participation (COP).

9 This type of non-profit corporation is required by the Federal IRS code in order to issue a  
10 public financing instrument called a Certificate of Participation (COP). A COP is a typical  
11 California public financing instrument for public facilities or equipment. It is essentially a  
12 type of lease purchase that requires a third party for the lease transaction. The Calistoga  
13 Public Facilities Corporation (CPFC) assigns all of the rights, obligations and financial  
14 transactions to others, such as the City or Trustee for the 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 2011/12 fiscal year and therefore there are no financial transactions of the CPFC.

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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.

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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 Myrtdale/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.

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

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52 **2011/12 Activity**

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54 The Mt. Washington Water Tank is under construction. The construction is  
55 approximately 30% complete and total project completion is expected in early summer of  
56 2013.

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58 **Future Financings**

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60 There are no anticipated future financings at this time.

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62 **FISCAL IMPACT:** None.

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64 **ATTACHMENTS:** None