


Calistoga Public Facilities Corporation

Staff Report

TO: Chair and Members of the Board of Directors
FROM: David W. Spilman, Treasurer
DATE: July 15, 2008
SUBJECT: Annual Report

APPROVAL FOR FORWARDING:


 James C. McCann, President

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

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

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

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

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

25 Even though the CPFC is a separate legal entity, it is considered a "component
 26 unit" of the City and is included in the audit of the Comprehensive Annual

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27 Financial Report. The non-profit corporation has no direct financial transactions
28 or obligations during the year and therefore there are no financial transactions of
29 the CPFC.

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31 **Activity during FY 07- 08**

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33 As discussed above, the CPFC is part of a type of municipal financing structure
34 that requires a "third party" to complete the transaction. The use of the CPFC is
35 a typical, convenient and low cost method to meet the legal requirements of
36 these types of municipal financings.

37 In November 2007, the City issued a municipal lease for \$4,649,000 to provide
38 funding for several community projects listed below.

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41	Community Pool & Logvy Park Improvements	1,437,100
42	Fire Station Rehabilitation/Renovation	796,800
43	Public Works Facility Improvements	441,100
44	Monhoff Rehabilitation	792,000
45	Logvy Recreation Center	<u>1,182,000</u>
46	Total Net Financing	<u>4,649,000</u>

47 The lease is secured by the public works facility and fire station and will provide
48 funds to complete the projects and be able to use the funds over the next 24
49 months. The lease was issued for 20 years at 4.95% annual interest. The funds
50 were invested to earn an estimated \$170,000 over the two year period, which will
51 offset a portion of the interest costs. In addition, the lease incorporated the ability
52 to payoff the financing in a shorter period than usual. This will allow the City to
53 use development impact fees collected from development in the future to payoff
54 the financing sooner than later and save the interest costs and allow for other
55 future financings of improvements.

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57 In March 2008, the City issued a, previously authorized, USDA loan of
58 \$2,511,170 to finance a Water Systems Facilities study, replacement of the
59 Kimball Transmission main and Myrtledale/Grant pipeline, Water Treatment Plant
60 and Kimball Reservoir. This was part of the combination USDA Loan/Grant (\$1
61 million) funding of Phase One of various water facilities projects. (Phase Two is
62 the Mt. Washington water tank). The USDA Loan was issued for 40 years at
63 4.375% annual interest.

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65 **Future Financings**

66 The CPFC will likely be used in the financing of Mt. Washington Water Tank in
67 FY 08-09.

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69 **FISCAL IMPACT:** None.

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71 **ATTACHMENTS:** None