

Calistoga Public Facilities Corporation

Staff Report

TO: Board of Directors, Calistoga Public Facilities Corporation
FROM: Bill Mushallo, Treasurer
DATE: July 21, 2009
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
27 Financial Report. The non-profit corporation had no direct financial transactions
28 or obligations during the 2008/09 fiscal year and therefore there are no financial
29 transactions of the CPFC.

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

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34	Community Pool & Logvy Park Improvements	1,437,100
35	Fire Station Rehabilitation/Renovation	796,800
36	Public Works Facility Improvements	441,100
37	Monhoff Rehabilitation	792,000
38	Logvy Recreation Center	1,182,000
39	Total Net Financing	<u>4,649,000</u>
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42 The lease is secured by the public works facility and fire station and will provide
43 funds to complete the projects and be able to use the funds over the next 12 to
44 24 months. The lease was issued for 20 years at 4.95% annual interest. The
45 funds were invested to earn an estimated \$170,000 over the two year period,
46 which will offset a portion of the interest costs. In addition, the lease incorporated
47 the ability to payoff the financing in a shorter period than usual. This will allow the
48 City to use development impact fees collected from development in the future to
49 payoff the financing sooner than later and save the interest costs and allow for
50 other future financings of improvements.

51

52 In March 2008, the City issued a, previously authorized, USDA loan of
53 \$2,511,170 to finance a Water Systems Facilities study, replacement of the
54 Kimball Transmission main and Myrtdale/Grant pipeline, Water Treatment Plant
55 and Kimball Reservoir. This was part of the combination USDA Loan/Grant (\$1
56 million) funding of Phase One of various water facilities projects. (Phase Two is
57 the Mt. Washington water tank). The USDA Loan was issued for 40 years at
58 4.375% annual interest. Debt service payments will be made through recently
59 secured Measure A funding.

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61 **2008/09 Activity**

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63 There was no activity during the fiscal year ended June 30, 2009

64 **Future Financings**

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66 The CPFC will likely be used in the financing of Mt. Washington Water Tank in
67 FY 09-10.

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69 **FISCAL IMPACT:** None.

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71 **ATTACHMENTS:** None