

**CITY OF TEMECULA  
AGENDA REPORT**

**TO:** City Manager/City Council

**FROM:** Luke Watson, Director of Community Development

**DATE:** July 9, 2019

**SUBJECT:** Conduct the Linfield School Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing Approving of Tax Exempt Obligations for Construction and Renovation of Facilities at Linfield Christian School and Join California Enterprise Development Authority

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**PREPARED BY:** Luke Watson, Director of Community Development

**RECOMMENDATION:** That the City Council:

1. Conduct a public hearing for the financing of the Linfield Christian School proposed facilities project located at 31950 Pauba Road, Temecula, California 92592;
2. Adopt a resolution entitled:

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA APPROVING ASSOCIATE MEMBERSHIP BY THE CITY OF TEMECULA IN THE CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY AND THE EXECUTION OF AN ASSOCIATE MEMBERSHIP AGREEMENT RELATING TO ASSOCIATE MEMBERSHIP OF THE CITY IN THE AUTHORITY**

3. Adopt a resolution entitled:

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMECULA APPROVING THE ISSUANCE BY THE CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY OF ITS REVENUE OBLIGATIONS FOR THE BENEFIT OF LINFIELD CHRISTIAN SCHOOL AND/OR A RELATED ENTITY IN AN AGGREGATE AMOUNT NOT TO EXCEED \$25,000,000 FOR THE PURPOSE OF FINANCING OR REFINANCING THE COST OF**

**ACQUISITION, DEVELOPMENT, CONSTRUCTION,  
INSTALLATION, EQUIPPING AND FURNISHING OF  
CERTAIN FACILITIES, AND OTHER MATTERS  
RELATING THERETO**

**SUMMARY:**

The California Enterprise Development Authority, a joint powers agency, (the “Authority”) proposes to finance the construction and renovation of educational facilities on the campus of Linfield Christian School in Temecula (“Obligations”).

The Obligations will be tax exempt as this will reduce financing costs and debt service costs for Linfield Christian School.

In order for the Obligations to be tax exempt, the federal Tax Equity and Fiscal Responsibility Act of 1982 (“TEFRA”) requires the City to take three actions:

- 1) Hold a noticed public hearing on the proposed Obligations;
- 2) Adopt a Resolution join California Enterprise Development Authority as an associate member; and
- 3) Adopt a Resolution approving the issuance of the Obligations.

The City Council is required to take these actions because the proposed facilities at Linfield Christian School being financed are located within the City of Temecula, and the City Council is the elected legislative body of the City and is the “applicable elected representative” under Section 147(f) of the Internal Revenue Code.

There is no financial impact to the City from its approval of the issuance of the Obligations. The Authority will act as issuer and perform all of the necessary legal and administrative responsibilities associated with the financing. The Obligations are special, limited obligations of the Authority payable solely through the repayment of the loan by Linfield Christian School which repayment is used to pay the principal of and interest on the Obligations. The Obligations issued by the Authority are not an obligation of the City or any member of the Authority. Neither the faith or credit, nor the taxing power of the City, any member of the Authority, the State or any political subdivision is pledged to the repayment of the Obligations.

**BACKGROUND:**

**CALIFORNIA ENTERPRISE DEVELOPMENT AUTHORITY**

The California Enterprise Development Authority (the “Authority”) is a joint powers authority established by the California Association for Local Economic Development (“CALED”) whose purpose is to issue tax-exempt and taxable conduit revenue bonds to fund commercial and industrial development projects within member jurisdictions. Federal and state laws provide the ability for cities and counties to join together under cooperative agreements to form joint powers authorities to issue tax-exempt and taxable bonds to fund projects that provide a public benefit and

serve the needs of residents within the jurisdictions of the participating members. Cities and counties in California utilize joint powers authorities primarily for economies of scale, to access specialized transaction knowledge and resources, and to avoid using valuable local staff time on these types of transactions.

The Authority is a joint powers authority created pursuant to a Joint Powers Agreement, dated as of June 1, 2006 (the “JPA Agreement”), among the cities of Selma, Lancaster and Eureka. There are now approximately 200 cities and counties who are associate members of the Authority. The Authority’s activities are dedicated to providing economic development assistance to member jurisdictions as an extension of the economic development assistance provided by CALED to its members.

The JPA Agreement permits any other local agency in California to join the Authority as an “Associate Member.” The Authority has requested that the City become an Associate Member of the Authority. Associate membership in the Authority will assist the City as well as for-profit and nonprofit organizations located within the City in financing industrial and commercial development projects and other public purpose projects within the City. Associate Members are not restricted or inhibited in any way with respect to their independent ability to finance any project in any manner they deem appropriate, which may or may not involve or include the Authority. Once the City becomes an Associate Member of the Authority, the City will be eligible to participate in the Authority’s programs.

### LINFIELD CHRISTIAN SCHOOL

Linfield Christian School, the Borrower, was founded in 1936, by Dr. Mabel Culter as Culter Academy. The Borrower was incorporated as a 501(c)(3) organization in 1971. The school expanded with the opening of Linfield Middle School in 1984 and Linfield Elementary in 1985, and it only continued to grow through the 1990’s, enriching its college preparatory curriculum, adding a wide variety of athletic programs, constructing new facilities, and developing new traditions. The school’s name was officially changed to Linfield Christian School in 2001 in order to reflect its mission, and with the construction of a state of the art two-story high school building in 2006, the three campuses were set in their current locations.

Today Linfield Christian School is home to a thriving community of dedicated teachers, parents, and over 800 students in Transitional-Kindergarten through 12th grade. A rigorous college preparatory curriculum in core subjects and enriching electives well-prepares students for life beyond Linfield. On average, 99% of Linfield’s graduates go on to college, and Linfield students’ SAT/ACT scores are consistently the highest of any school in the area. The school’s athletic teams have won 99 League Championships and 16 CIF Championships since joining the CIF Southern Section in 1980; the Fine Arts program has produced hundreds of theatrical productions, films, concerts, and works of art, and the students are boldly living out their faith by serving in the community and around the world.

### PROJECT DESCRIPTION

The Authority will loan the proceeds of the Obligations to the Borrower for the purpose of (a) financing and refinancing certain outstanding indebtedness of the Borrower incurred to finance

and refinance the construction, acquisition, installation, renovation, rehabilitation, and improvement of real property, facilities, equipment, and improvements of the Borrower's educational facilities located at 31950 Pauba Road, Temecula, California 92592 (the "Facilities"), and (b) paying certain costs of issuance in connection with such financing. Refinancing the Facilities will allow the Borrower to achieve significant debt service savings and deploy resources towards providing educational services provided by the Borrower to residents of the City of Temecula and the surrounding communities in accordance with its mission.

The issuance of the Obligations as tax-exempt will reduce financing costs and debt service costs for the Borrower. In order to satisfy the requirements for the obligations to be issued as tax-exempt, an applicable elected representative which is also a member of the Authority is required to conduct the hearing required by the Tax Equity and Fiscal Responsibility Act of 1982 ("TEFRA") and approve the issuance of the tax-exempt obligations in accordance with Section 147(f) of the Code. The City Council of the City constitutes an applicable elected representative under Section 147(f) of the Code.

**FISCAL IMPACT:** There is no financial impact to the City. The Authority will act as issuer and perform all of the necessary legal and administrative responsibilities associated with the financing. The Obligations are special, limited obligations of the Authority payable solely through the repayment of the loans from the Authority which repayment is used to pay the principal of and interest on the Obligations. The Obligations issued by the Authority are not an obligations of the City or any member of the Authority. Neither the faith or credit, nor the taxing power of the City, any member of the Authority, the State or any political subdivision is pledged to the repayment of the Obligations.

**ATTACHMENTS:**

1. Resolution Approving the Joint Powers Agreement
2. Associate Membership Agreement
3. Resolution Approving the Issuance of Obligations