Council Meeting
June 22, 2010

PUBLIC HEARING

Honorable Mayor and Members
of the City Council
City Hall
Torrance, California

Members of the Council:

Subject: Finance – Public Hearing - Conduit financing for Centinela Feed, Inc., or an affiliate thereof (the "Borrower")
Expenditure: None

RECOMMENDATION

Recommendation of the Finance Director that the City Council hold a public hearing and adopt a **RESOLUTION** approving the tax-exempt financing and the issuance of revenue bonds by the California Municipal Finance Authority (CMFA) for the Borrower, solely for the purposes of satisfying the requirements of the Tax and Equity Fiscal Responsibility Act of 1982 (TEFRA) of the Internal Revenue Code and the CMFA Joint Exercise of Powers Agreement.

Funding

The City has no liability with respect to repayment of the bonds and will not be a party to any of the bond documents. CMFA and the Borrower will be parties to the bond financing documents. The bonds are a limited obligation of CMFA and will be payable from solely payments received from the Borrower.

BACKGROUND

The City Council is being asked to adopt a resolution approving the issuance of tax-exempt bonds by the California Municipal Finance Authority ("CMFA") for Centinela Feed, Inc., a California corporation, or an affiliate thereof (the "Borrower").

The Borrower requested that the CMFA serve as the municipal issuer of tax-exempt revenue bonds in one or more series (the "Bonds") in an aggregate principal amount not to exceed $4,000,000. The proceeds of the Bonds will be loaned by CMFA to the Borrower, and applied by the Borrower to the acquisition and installation of certain equipment for the manufacture of pet food products at the Borrower's facility at 2727 Maricopa Street, Torrance, California (collectively, the "Project"), and to pay certain expenses incurred in connection with the issuance of the Bonds.

The Borrower is a small retail chain selling pet food and pet supplies in Southern California. Founded in 1926, the Borrower is a family-owned business operating from a single 123,000 square foot distribution center in Torrance, California, and from 13 retail locations, all within the greater Los Angeles area. In 2003, the Borrower began producing all-natural dog foods using human-grade products such as hormone free meats, brown rice and barley, and organic fruits and vegetables. The subject Bonds are part of the Borrower's plan to bring its manufacturing operations in-house, to its Torrance facility.

Under federal tax laws known as the Tax and Equity Fiscal Responsibility Act of 1982 ("TEFRA"), before tax-exempt bonds may be issued for a private entity in the City, the City must hold a public hearing, and following the hearing the legislative body or other elected official of the City must approve the financing. In addition, CMFA's Joint Exercise of Powers Agreement (the "Agreement") requires the local jurisdiction (the City) to approve the financing before it will issue bonds for any project in that jurisdiction. The City's approval will not constitute any planning approval of the City or an approval for any other purpose.

The CMFA was created on January 1, 2004 pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. Its membership consists of over 100 California public agencies, including the City of Torrance. The Agreement explicitly provides that CMFA is a public entity, separate and apart from the members executing the Agreement, and the debts, liabilities and obligations of the CMFA do not constitute debts, liabilities or obligations of the members.

The bonds to be issued for this project will be the sole responsibility of the Borrower, and the City will have no contractual, financial, legal or moral obligation or liability for the repayment of these bonds. All bond documents will contain clear disclaimers that the bonds are not obligations of the City or CMFA but are paid only from funds provided by the Borrower.

Participation by the City in CMFA does not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Once the City adopts the required resolution, no other participation of the City in the actions of the CMFA or in the Bond financing will be required.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for CMFA. Through its conduit issuance activities, CMFA shares a portion of the issuance fees it receives from the Borrower with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the City of Torrance, it is expected that 25% of the issuance fee will be granted by CMFA to the City's general fund. Such grant may be used for any lawful purpose of the City. A similar amount will be donated by the CMFA to one or more nonprofit organizations in the City.

Respectfully submitted,

Eric E. Tsao
Finance Director

CONCUR:

LeRoy J. Jackson
City Manager

Attachments:
A. Resolution
B. Copy of Daily Breeze Public Notice
C. Aerial & Location Maps
D. Hearing Script (Limited Distribution)

ATTACHMENT A

RESOLUTION NO. 2010 -

RESOLUTION APPROVING THE ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION AND INSTALLATION OF CERTAIN MANUFACTURING FACILITIES FOR THE BENEFIT OF CENTINELA FEED, INC.

WHEREAS, pursuant Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), certain public agencies (the "Members") have entered into a Joint Exercise of Powers Agreement Relating to the California Municipal Finance Authority, dated as of January 1, 2004 (the "Agreement"), in order to form the California Municipal Finance Authority (the "Authority") for the purpose of promoting economic, cultural and community development, and in order to exercise any powers common to the Members, including the issuance of bonds, notes or other evidences of indebtedness; and

WHEREAS, the Authority is authorized to issue and sell revenue bonds for the purpose, among others, of financing or refinancing the acquisition, installation, development and construction of capital projects, including equipment; and

WHEREAS, Centinela Feed, Inc., a California corporation (the "Borrower"), has requested that the Authority issue and sell revenue bonds in the maximum principal amount of $4,000,000 (the "Bonds") for the purpose of making a loan to the Borrower or an affiliate thereof, to enable the Borrower or such affiliate to finance or refinance the costs of the acquisition and installation of new processing equipment relating to the manufacture of pet food products (the "Project"), all to be located in the City of Torrance (the "City"), California, at 2727 Maricopa Street; and

WHEREAS, the City is a member of the Authority; and

WHEREAS, in order for the interest on the Bonds to be tax-exempt, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), requires that an "applicable elected representative" of the governmental unit, the geographic jurisdiction of which contains the site of facilities to be financed with the proceeds of the Bonds, hold a public hearing on the issuance of the Bonds and approve the issuance of the Bonds following such hearing; and

WHEREAS, the Authority has determined that the City Council of the City (the "City Council") is an "applicable elected representative" for purposes of holding such hearing; and

WHEREAS, the Authority has requested that the City Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 4 of the Agreement; and

WHEREAS, notice of such public hearing has been duly given as required by the Code, and this City Council has heretofore held such public hearing at which all interested persons were given an opportunity to be heard on all matters relative to the financing or refinancing of the Project and the Authority's issuance of the Bonds therefor; and

WHEREAS, it is in the public interest and for the public benefit that the City Council approve the issuance of the Bonds by the Authority for the aforesaid purposes;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL, AS FOLLOWS:

Section 1. The City Council hereby finds and determines that the foregoing recitals are true and correct.

Section 2. The City Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the City Council that this resolution constitute approval of the issuance of the Bonds (a) by the "applicable elected representative" of the governmental unit having jurisdiction over the area in which the Project is or is to be located in accordance with Section 147(f) of the Code and (b) by the City Council in accordance with Section 4 of the Agreement.

Section 3. The issuance of the Bonds shall be subject to the approval of the Authority of all financing documents relating thereto to which the Authority is a party. The City shall have no responsibility or liability whatsoever with respect to the Bonds.

Section 4. The adoption of this resolution shall not obligate the City or any department thereof to (i) provide any financing to acquire, install or construct the Project or any refinancing of the Project; (ii) approve any application or request for or take any other action in connection with any planning approval, permit or other action necessary for the acquisition, installation or operation of the Project; (iii) make any contribution or advance any funds whatsoever to the Authority; or (iv) take any further action with respect to the Authority or its membership therein.

Section 5. The executing officers, the City Clerk and all other proper officers and officials of the City are hereby authorized and directed to execute such other agreements, documents and certificates, and to perform such other acts and deeds, as may be necessary or convenient to effect the purposes of this resolution and the transactions herein authorized.

Section 6. The City Clerk shall forward a certified copy of this resolution to the Authority in care of its counsel:

Harriet M. Welch, Esq.
Squire, Sanders & Dempsey LLP.
555 South Flower St., Suite 3100
Los Angeles, CA 90071-2300

Section 7. This resolution shall take effect immediately upon its passage.

ADOPTED by the City Council of the City of Torrance at a regular meeting of the City Council held on the 22nd day of June 2010, by the following vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

_____
Title:

ATTEST:

_____
City Clerk

ATTACHMENT B

Copy of Daily Breeze Advertisement

DB 6-32

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on June 22, 2010, a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986 will be held with respect to the proposed issuance by the California Municipal Finance Authority (the "Authority") of its revenue bonds in one or more series in an amount not to exceed $4,000,000 (the "Bonds"). The proceeds of the Bonds will be used to: (1) finance all or a portion of the costs of the acquisition and installation of new processing equipment relating to the manufacture of pet food products (the "Project"), all to be located at 2727 Maricopa Street in the City of Torrance (the "City"), California; and (2) pay certain expenses incurred in connection with the issuance of the Bonds. The Project is to be owned and operated by Centinela Feed, Inc., a corporation organized and existing under the laws of the State of California, or an affiliate thereof (the "Borrower"). The Borrower has submitted an application to the Authority for the financing of the Project through the issuance of the Bonds, and reference is made to such application for further particulars.

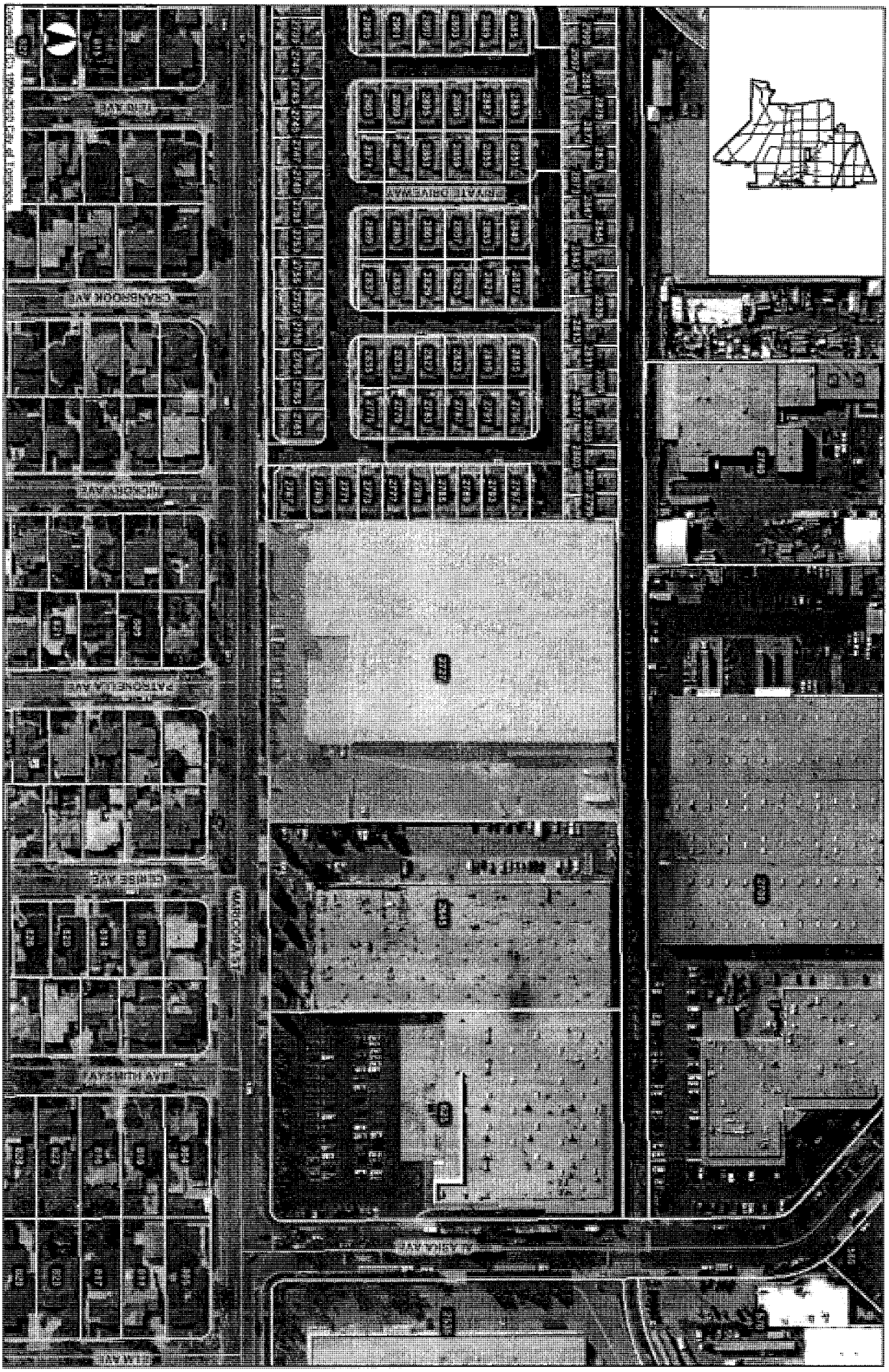
The Bonds and the obligation to pay principal of and interest thereon and any redemption premium with respect thereto do not constitute indebtedness or an obligation of the Authority, the State of California or any political subdivision thereof, within the meaning of any constitutional or statutory debt limitation, or a charge against the general credit or taxing powers of any of them. The Bonds shall be a limited obligation of the Authority, payable solely from certain revenues duly pledged therefor and generally representing amounts paid by the Borrower.

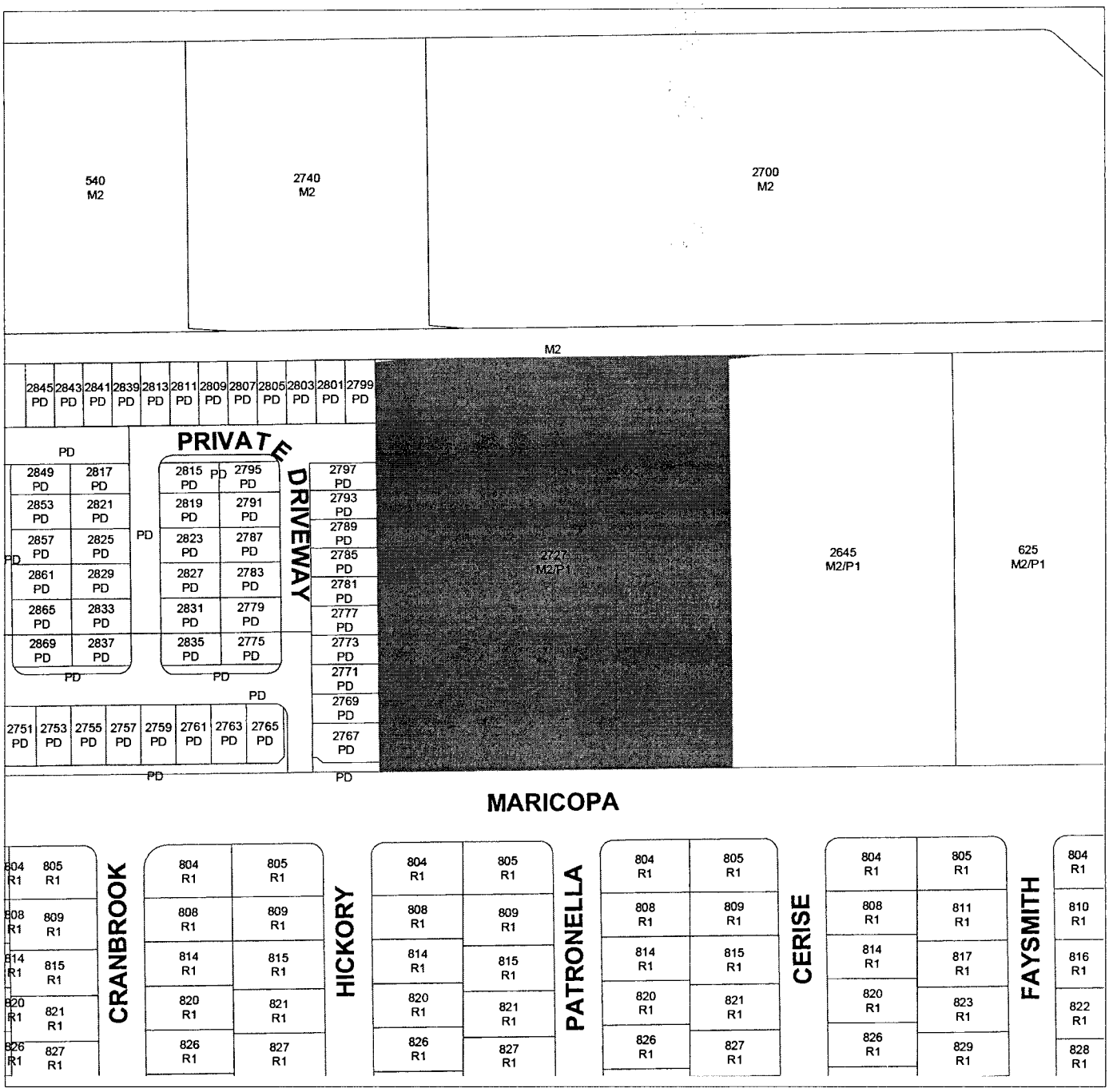
The hearing will commence at 7:00 p.m. or as soon thereafter as the matter can be heard, and will be held in the City Hall Council Chamber, 3031 Torrance Blvd., Torrance, California. Interested persons wishing to express their views on the issuance of the Bonds or on the nature and location of the facilities proposed to be financed may attend the public hearing or, prior to the time of the hearing, submit written comments.

Additional information concerning the above matter may be obtained from, and written comments should be addressed to, City Clerk, City of Torrance, 3031 Torrance Blvd., Torrance, California 90503.

Pub: June 08, 2010

ATTACHMENT C





LOCATION AND ZONING MAP

2727 Maricopa Street

TORRANCE COMMUNITY DEVELOPMENT GIS

LEGEND

Subject Site

0 75 150 300 Feet

N W E S

Prepared using City of Torrance Community Development Geographic Information System
Jeffery W. Gibson, Community Development Director