

IMPARTIAL ANALYSIS OF MEASURE F

Measure F, the “Initiative Amending City of Half Moon Bay Municipal Code to Mandate that Any City Council Resolution Authorizing the Issuance of Lease Revenue Bonds be Approved by a Super-Majority Vote of Full City Council Membership,” (hereinafter the “Measure”) was placed on the ballot by an initiative petition signed by the requisite number of voters. If adopted by the voters, the language proposed by the Measure would require a super-majority vote of the full City Council membership (i.e. 4 votes out of 5 councilmembers) before the City could issue “Lease Revenue Bonds.”

A “bond” is simply a promise to repay money. There are two main types of “municipal bonds” (formal financial borrowing mechanisms available to the government) used by the State of California and other public entities like cities, counties, and school districts to finance capital improvements: Revenue Bonds and General Obligation Bonds. With the first category, Revenue Bonds, repayment of the bond is secured by a defined source of revenues such as the proceeds from a revenue-producing facility whose construction is financed by the bonds.

Lease revenue bonds are a specific subcategory of General Revenue Bonds. Lease revenue bonds are typically issued by a third-party financing entity to fund a capital improvement which is constructed and “leased back” to a separate public agency which, after completing lease payments to the financing entity, ultimately owns the improvement. In essence, one party procures the loan and constructs the facility, while the other pays off the bonds via a lease and then becomes owner of the constructed facility.

The Measure defines the term “Lease Revenue Bonds” to include both 1) any bond issue which is not backed by the full faith and credit of the government, and 2) any bond issuance which does not receive the approval of voters prior to its issuance. The Measure does not define the term “bond” as used therein.

Based on this definition of “Lease Revenue Bonds,” the Measure, if approved, would require a super-majority vote of City Council before the issuance of lease revenue bonds (those involving a lease-back of a constructed improvement to a public agency), and many other types of municipal bonds, such as Enterprise Revenue bonds (like water and wastewater revenue bonds), or Special Tax and Assessment Bonds. The only type of municipal bond not affected by the Measure may be General Obligation Bonds, which require voter approval prior to issuance (an exception called out in the Measure).

In addition, because the Measure requires a super-majority vote for “every bond issuance which does not receive the approval of voters prior to its issuance” without defining the term “bond,” it is possible that a super-majority City Council vote would be required before the City could borrow any amount of funds via a loan from traditional sources, such as from the State Revolving Fund Loan Program, other public agencies, or private financial institutions.

The above statement is an impartial analysis of Measure _____. If you desire a copy of the ordinance, please call the City Clerk's office at 650-726-8271 and a copy will be mailed at no cost to you.

DATED:

/s/

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City Attorney

City of Half Moon Bay