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MANAGEMENT REPORT

November 18, 2024

To: Cupertino Public Facilities Corporation

From: Kristina Alfaro, Director of Administrative Services

Re: Tax-Exempt, Reporting Requirements, and Debt Issuance Update

Background

The Cupertino Public Facilities Corporation (CPFC) was incorporated in 1986 as a vehicle to provide financing for public improvements. The CPFC's bylaws and other key documents are available at on the [City's online records](#).

At the end of 2023, it was brought to staff's attention that the CPFC had lost its tax-exempt status due to a lapse in annual reporting. In response, the City contracted with external legal counsel to address the compliance issues and apply for reinstatement. The application was submitted to the IRS in December, and CPFC's tax-exempt status has since been successfully reinstated. The City is currently completing the required Form 990 filings and is pursuing an exemption from future Form 990 filing requirements.

Over the past year, staff has issued three memoranda providing background on the CPFC formation, updates on the tax-exempt status, and responses to questions from the CPFC Board members. These memoranda can be found at <https://www.cupertino.org/our-city/city-council/council-informational-memos>.

Meeting Schedule and Board Actions

The CPFC Board has not convened regularly since 2020, likely due to a lack of agenda items requiring board action. To ensure compliance with CPFC bylaws and City resolutions, staff has scheduled this meeting and incorporated an annual meeting into the November schedule. Per resolution, meetings are to take place on the third Monday in November.

At this time, staff does not anticipate the CPFC will issue or refinance any existing debt, and there is only one item requiring Board action: the approval of minutes from the 2020 meeting. Moving forward, staff will either adhere to the current bylaws by holding annual

meetings or explore options to amend the bylaws to allow meetings only when necessary, per the Board's direction.

Nest Steps

Staff will continue to monitor compliance and provide updates as necessary. Staff is also working towards completing the Form 990 filings and obtaining an exemption from future filing requirements.

Sustainability Impact

No sustainability impact.

Fiscal Impact

Any additional expenditures needed to come into compliance will be assumed within existing budget appropriations.

California Environmental Quality Act

Not applicable.

Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Christopher D. Jensen, City Attorney

Approved for Submission by: Tina Kapoor, Acting City Manager