

Agenda Report

TO: Mayor and City Council
THROUGH: Finance Committee

November 5, 2001

FROM: City Manager

SUBJECT: PUBLIC HEARING AND ADOPTION OF A RESOLUTION
AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER
FINANCING AGREEMENT FOR THE HUNTINGTON MEMORIAL
TRUST IN AN AMOUNT NOT TO EXCEED \$10 MILLION AND
AUTHORIZING CERTAIN OTHER ACTIONS RELATING THERETO

RECOMMENDATION

It is recommended that the City Council hold a Public Hearing and adopt a Resolution authorizing the execution and delivery of a master financing agreement and authorizing certain other actions relating thereto.

BACKGROUND

The Collis P. and Howard Huntington Memorial Hospital Trust (Trust), a 501(c)(3) public benefit corporation, has requested the City of Pasadena's assistance in a proposed conduit financing for computers and related equipment for the Huntington Memorial Hospital located in Pasadena. The federal tax laws permit a municipality to issue debt on behalf of a 501(c)(3) entity, unless the municipality is otherwise prohibited from doing so by its charter or state law. There is no such prohibition on the City.

DISCUSSION

If approved by the City Council, the City, the Trust and Wells Fargo Institutional Securities, LLC ("Wells Fargo") will enter into a Master Financing Agreement pursuant to which Wells Fargo will make several loans to the City which will, in turn, loan the proceeds to the Trust. The repayment obligation of each loan will be evidenced by an unsecured, assignable note executed by the Trust (the "Notes") for the benefit of the City and assigned for payment to Wells Fargo. The maximum amount of the debt will be \$10,000,000, disbursed through the several loans and payable over a maximum term of eight years. The Notes will be privately placed by Wells Fargo with sophisticated

institutional investors, however, Wells Fargo will be the nominal owner of the Notes and continue to act as servicing agent for the life of the transaction. The City will not be liable at any time or in any manner for the repayment obligation. The Note holder's recourse is limited to the Trust.

Wells Fargo currently projects timing of the funding requirements are as follows;

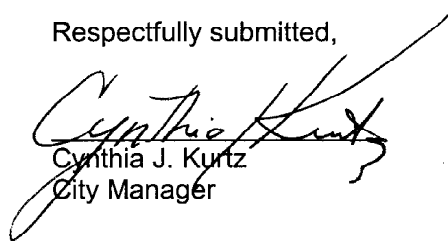
4th Quarter 2001 - \$890,000	1st Quarter 2002 - \$1,160,000
2nd Quarter 2002 - \$4,000,000	3rd Quarter 2002 - \$2,640,000
4th Quarter 2002 - \$730,000	1st Quarter 2003 - \$250,000

The Trust, a Wells Fargo customer since 1986, was formed in 1932 under the terms of the will of Henry E. Huntington. The Trust owns and leases to Huntington Hospital the land and buildings which comprise its facilities, and its sole purpose is to generate an income sufficient to perpetually maintain Huntington Hospital. The Trust's five trustees serve for life and are also Directors of Huntington Hospital. As of 7/31/01, the Trust administered assets of \$160 million, primarily cash and marketable securities of \$93 million and net fixed assets (the Hospital) of \$61 million. Total liabilities amount to \$390,000.

FISCAL IMPACT

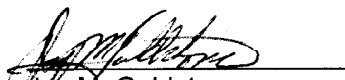
The City will not be directly or contingently obligated in any manner by the proposed financing. The City will collect an upfront fee of \$5,000 and a per draw fee of \$1,000 each time an additional loan is executed.

Respectfully submitted,



Cynthia J. Kurtz
City Manager

Approved by:



Jay M. Goldstone
Director of Finance