



Agenda Report

March 5, 2018

TO: Honorable Mayor and City Council

FROM: City Manager

SUBJECT: TAX EQUITY AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARING AND RESOLUTION FOR THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY REVENUE BONDS FOR THE PASADENA HOSPITAL ASSOCIATION, LTD. (HUNTINGTON HOSPITAL)

RECOMMENDATION:

It is recommended that the City Council hold a TEFRA hearing and:

1. Find that the proposed action is not a "project" subject to California Environmental Quality Act (CEQA) as defined in section 15378(b)(4) of the State CEQA Guidelines and, as such, no environmental document pursuant to CEQA is required for the project; and
2. Adopt a Resolution approving the issuance of the California Statewide Communities Development Authority (CSCDA) Revenue Bonds (The Bonds) in an aggregate amount not to exceed \$135,000,000 for the purpose of financing and refinancing all or portion of the acquisition, construction, improvement, renovation, and equipping of certain health care facilities operated by Pasadena Hospital Association, Ltd. and owed by Pasadena Hospital Associates, Ltd. or its affiliates, and certain other matters related thereto.

BACKGROUND:

The CSCDA is a Joint Powers Authority organized and existing under the laws of the State of California (specifically, California Government Code Section 6500), and is sponsored by the League of California Cities and the California State Association of Counties. Over 500 counties, cities, and special districts are member of the Authority, including the City of Pasadena. The sole purpose of the CSCDA is to finance projects that promote economic development through the issuance of bonds.

Pasadena Hospital Association, Ltd. (the "Borrower") has requested that the CSCDA serve as the issuer of Revenue Bonds in an aggregate principal amount not to exceed \$135,000,000. Proceeds from the sale of the Bonds are expected to be used to:

- 1) finance the construction, improvement, renovation, and equipping of certain health care facilities located in the City of Pasadena (the "Project");
- 2) refinance certain outstanding obligations of Huntington Hospital (Huntington); and
- 3) pay the costs of issuing the Bonds.

The Project

In the State of California, hospitals are required to comply with evolving seismic safety regulations that establish standards that must be met by certain dates. As part of its Master Plan, Huntington, in coordination with the City of Pasadena, has complied with these seismic safety regulations and met the standards currently required. In order to meet future seismic regulation requirements, Huntington must upgrade certain of its existing health care facilities by January 1, 2020. These upgrades are currently estimated to cost approximately \$80 million. Huntington expects that these upgrades will preserve the use of 75 inpatient beds that are currently required to meet the needs of the community but, without the seismic upgrades, would not be permitted to be used for acute services beyond January 1, 2020. These upgrades also are expected to preserve the option of using these buildings for acute services beyond January 1, 2030 in accordance with seismic safety regulations that became effective in 2017. Huntington is currently working with California regulatory agencies to determine whether its facilities, after completion of the upgrades, will comply with the new regulations and be permitted to be used for acute services beyond January 1, 2030. A portion of the proceeds from the sale of the Bonds will be used to finance the upgrades.

In addition, Huntington intends to use a portion of the proceeds from the sale of the Bonds to finance certain facility upgrades, including improvements to catheterization laboratories, which are expected to improve operating efficiencies, quality of care and margins. These improvements are currently estimated at a total cost of \$40 million.

Refinancing

In addition to the Project, Huntington expects to use a portion of the proceeds from the sale of the Bonds to refinance approximately \$10 million of existing indebtedness that financed or refinanced the acquisition, construction, and equipping of certain capital improvements at Huntington's health care facilities.

In order for the Obligations to qualify as tax-exempt bonds, the City must conduct a public hearing (the "TEFRA Hearing") providing the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, the City Council, the governmental unit hosting the Project, must provide its approval of the issuance of the Bonds for the financing of the Project.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goals to maintain fiscal responsibility and stability and to improve the quality of life.

ENVIRONMENTAL ANALYSIS:

The proposed action is the approval of the use of bond funds for refinancing or financing the acquisition and rehabilitation of the existing hospital. This action is not a "project" pursuant to the California Environmental Quality Act ("CEQA") in accordance with State CEQA Guidelines Section 15378(b)(4). This section excludes from the definition of "project" any government funding mechanism or other government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact to the environment. The funding mechanism here does not approve of or commit Huntington to any particular project, and only provides a funding mechanism for the seismic improvement and rehabilitation of the hospital. Huntington is separately going through the appropriate land use entitlement and environmental review process for any such improvement and rehabilitation.

FISCAL IMPACT:

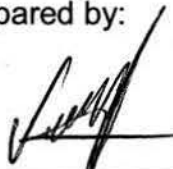
There is no fiscal impact as a result of this action nor will it have any indirect or support cost requirements. There is no anticipated impact to other operational programs or capital projects as a result of this action. The adoption of the Resolution approving the project and the issuance of the bonds complies with the requirements of Section 147(f) of the Internal Revenue Service Code. The proposed obligations to be issued by the CSCDA will be the sole responsibility of Pasadena Hospital Association, Ltd. The City will have no financial or legal obligation for the tax exempt status of the bonds, the debt service on the bonds, nor any other matter related to the proposed bonds.

Respectfully submitted,



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Director of Finance

Prepared by:



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Deputy Director of Finance/City Treasurer

Approved by:



STEVE MERMELL
City Manager