

# Agenda Report

**ATTN: Finance Committee** 

TO: Mayor and City Council

December 7, 1998

FROM: City Manager

SUBJECT: Recommendation to Hold a Public Hearing and to Adopt a

Resolution Approving an Installment Purchase Financing to be undertaken by the California Statewide Communities Development

Authority to Benefit The Internext Group

#### RECOMMENDATION

The Internext Group, a California nonprofit public benefit corporation (Corporation), has requested the California Statewide Communities Development Authority ("CSCDA") to participate in an installment purchase financing for the purpose of financing the acquisition, improvement and equipping of certain residential care facilities, assisted living facilities and skilled nursing facilities of the Corporation located within the City of Pasadena. In order to proceed with the financing and refinancing, Internext has requested that the City hold a public hearing and approve the proposed financing. It is recommended that the Council hold the public hearing and, after the hearing, adopt the attached resolution approving an installment purchase financing to benefit Villa Gardens through proceeds from the sale of certificates of participation.

### **BACKGROUND**

CSCDA is a joint powers authority currently comprised of over 200 cities and counties, including the City of Pasadena. It is basically a "joint venture" of the California State Association of Counties and the League of California Cities. One of the programs offered by CSCDA allows nonprofit Section 501(c)(3) organizations located within the jurisdictions of the CSCDA members to undertake tax-exempt financing, thereby reducing costs to these nonprofit organizations. For a nonprofit 501 (c)(3) organization financing program, CSCDA's joint powers agreement requires that the City be a CSCDA member

MEETING OF 12/7/98

AGENDA ITEM NO. \_6.B.

and approve the financing. There are no financial obligations or risks associated with a City's membership in CSCDA, or any tax-exempt obligations issued by CSCDA.

In addition, CSCDA requires that the nonprofit organization demonstrate that it provides services which result in public benefit and that the tax-exempt obligations to be issued be rated at least "A". (In that regard, it should be noted that the tax-exempt obligations issued for the benefit of Villa Gardens are expected be rated A+, based on the rating of the State of California, the issuer of the proposed tax-exempt obligations.)

This hearing is necessitated due to the purchase of Villa Gardens by Internext from the Foundation to Assist California Teachers (FACTS). In November 1996, the City Council held a similar public hearing for FACTS in order for it to issue tax exempt bonds to refinance its notes on Villa Gardens. In order to take out those bonds with new tax exempt bonds, Internext has requested the City's assistance.

# REQUIRED PUBLIC HEARING

The Internal Revenue Code requires that a public hearing be held concerning the proposed financing. The required hearing must be preceded by notice published at least 14 days in advance of the hearing. Notice of the proposed hearing was published on November 23, 1998.

## FISCAL IMPACT

The City will not be directly or contingently obligated in any manner by the proposed financing, and the City will not be a party to the financing documents. Only CSDCA and Internext will be parties to the financing documents, and CSCDA's liability will be limited to payments made by Internext for the purpose of paying debt service.

Respectfully submitted,

nthia J. Kur

City Manager

Approved by:

Jay M. Goldstone

Director of Finance