

Agenda Report

March 24, 2003

TO: City Council

FROM: City Manager

SUBJECT: AUTHORIZE THE EXECUTION OF AN APPROVAL CERTIFICATE AUTHORIZING PRINCIPLES, INC. TO REFINANCE CERTAIN DEBT ISSUED FOR CERTAIN SUBSTANCE ABUSE FACILITIES THROUGH THE ISSUANCE OF TAX-EXEMPT OBLIGATIONS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$3.0 MILLION

RECOMMENDATION

It is recommended that the City Council authorize the execution of an Approval Certificate authorizing Principal, Inc. (Impact Drug and Alcohol Treatment Center) to refinance certain debt issued for certain substance abuse facilities with the issuance of tax-exempt obligations in an aggregate principal amount not to exceed \$3.0 million.

BACKGROUND

The City of Pasadena is a member of California Communities (Authority) which is a joint exercise of powers authority consisting of numerous California cities, counties and special districts. The Authority is authorized to assist in the financing of facilities for non-profit public benefit organizations. In order to initiate such a financing, the member participant of the Authority in which the proposed facilities will be located typically must (i) conduct a public hearing and (ii) approve the Authority's issuance of indebtedness. As this proposed financing is a current refunding in which the maturity date of the original bonds will not be extended, a public hearing is not required. In order for the Authority, however, to be the issuer of the tax-exempt obligations for Principles, Inc., the City must approve the Authority's issuance of indebtedness.

DISCUSSION

In 1969, Impact Drug and Alcohol Treatment Center (Impact) opened its first facility in Panorama City. In 1973, Impact opened a facility in Pasadena and was licensed to house up to 46 patients. Subsequent improvements allowed an increase to 90 clients. In 1986, Impact acquired adjacent property expanding its capacity to 135 clients and staff. This acquisition allowed for the addition of new medical facilities, an outpatient and family services center, a new meeting room and additional housing for clients.

In 1991, the City Council authorized the issuance of approximately \$2.5 million in debt. The proceeds were used to construct a multi-purpose room to provide for large client group meetings; convert an existing kitchen to a prenatal nursery room and expand services to pregnant women; upgrade, redecorate and furnish existing patient rooms to accommodate four beds per room; convert an existing garage to its original state and use the top for open leisure activities, dining and outdoor meetings; renovate the exterior and interior of all existing facilities; purchase moveable equipment; and refinance three existing loans.

The average interest rate paid on these is 7.05%. The expected interest rate following the refinancing will be around 5.45%. It is expected that this refinancing will save principles, Inc. more than \$320,000 in interest over the remaining 18-year term of the bonds.


FISCAL IMPACT

There is no fiscal impact with the approval of the Authority Approval Certificate. The bonds are not an obligation of the City nor will the City have any financial obligations for the repayments of the bonds.

Respectfully Submitted,


Cynthia J. Kurtz
City Manager

Approved by:


Jay M. Goldstone
Director of Finance