

Agenda Report

TO: MAYOR AND CITY COUNCIL DATE: APRIL 4, 2005

FROM: CITY MANAGER

SUBJECT: HOLD A PUBLIC HEARING AND ADOPT A RESOLUTION APPROVING A TAX EXEMPT BOND FINANCING TO BE ISSUED BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO BENEFIT PASADENA HOSPITAL ASSOCIATION LTD. D/B/A HUNTINGTON MEMORIAL HOSPITAL AND CERTAIN AFFILIATES

RECOMMENDATION

It is recommended that the City Council hold a Public Hearing and adopt a Resolution approving a tax exempt bond financing to be issued by the California Statewide Communities Development Authority to benefit Pasadena Hospital Association LTD. D/B/A Huntington Memorial Hospital and certain affiliates.

BACKGROUND

The Collis P. and Howard Huntington Memorial Hospital, a 501(c)(3) public benefit corporation, has requested the City of Pasadena's assistance in a proposed conduit financing for the West Tower Project and refunding the Series 1996 bonds. 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

New Money

If approved by the City Council, Huntington Memorial Hospital's request will generate approximately \$202 million in net new money and will be allocated as follows:

1. **The West Tower Replacement Project.** This Project will complete Huntington Memorial Hospital's replacement of all Acute Care Facilities. The West Tower will abut the existing Lobby building that was constructed in 1990. The West Tower will be approximately 237,734 square feet and consist of a basement plus seven levels above grade, at an estimated cost of \$156 million. There are also three related projects included in this cost estimate. These include: 1) SB 1953 structural upgrade retrofit of the Lobby at basement, first floor and second floor levels; 2) the construction of a bridge between the existing East Tower and West Tower at the fifth floor level; and 3) the construction of a utility and patient pedestrian tunnel connecting the West Tower to the La Vina Building to the south of the West Tower.
2. **Expansion of the Emergency Department capacity.** The hospital is planning on expanding its Emergency Department capacity. Currently, the Hospital handles 60,000 visits and projections estimate that there is a near-term need for the ability to handle up to 75,000 visits. The Emergency Department was originally built to handle a capacity of 30,000 visits. The estimated cost of this project is \$27 million.
3. **Campus technology modernization program.** Additional capital projects commensurate with a campus modernization program, which will increase the technology of the hospital and enhance the environment of care, are planned. The cost of this modernization is estimated at \$18.85 million.

Refunding

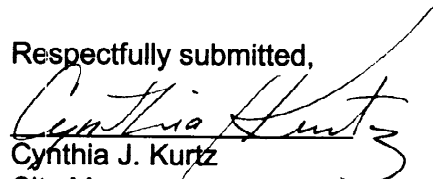
In addition to the new money, there is a component of the proposed transaction that will allow Huntington Memorial Hospital to advance refund its Series 1996 Pasadena Hospital Association Certificates of Participation. The original Par amount of this transaction was \$72.49 million and has a final maturity of July 1, 2026. The current outstanding Par amount is \$53.56 million. The estimated present value savings of this refunding is \$2.6 million or 5.44% of the refunded Par amount.

As with similar conduit financings approved by the City Council, the repayment of this obligation is the sole responsibility of Huntington Memorial Hospital. The City will not be liable at any time or in any manner for the repayment obligation.

FISCAL IMPACT

The City will not be directly or contingently obligated in any manner by the proposed financing and this transaction will not be reflected anywhere on the City's financial statements.

Respectfully submitted,



Cynthia J. Kurtz
City Manager

Approved by:



Jay M. Goldstone
Director of Finance

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA
APPROVING A TAX-EXEMPT BOND FINANCING TO BE ISSUED BY THE
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO
BENEFIT PASADENA HOSPITAL ASSOCIATION LTD. D/B/A HUNTINGTON
MEMORIAL HOSPITAL AND CERTAIN AFFILIATES**

WHEREAS, Pasadena Hospital Association Ltd. d/b/a Huntington Memorial Hospital, Sutter Medical Foundation, a nonprofit public benefit corporation (the "Health Institution"), has requested that the California Statewide Communities Development Authority (the "Authority") issue bonds in one or more series in an aggregate principal amount not to exceed \$235,000,000 (the "Bonds") for the purpose of, among other things, financing and refinancing the acquisition, improvement and equipping (the "Financing") of certain health facilities owned or operated by the Health Institution (the "Facilities") located in the City of Pasadena (the "City");

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the issuance of the Bonds by the Authority must be approved by the City because the Facilities are located within the territorial limits of the City;

WHEREAS, the City Council of the City (the "Council") is the elected legislative body of the City and is one of the applicable elected representatives required to approve the issuance of the Bonds under Section 147(f) of the Code;

WHEREAS, the Authority has requested that the Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and the requirements of Section 9 of the Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988 (the "Agreement"), among certain local agencies, including the City; and

WHEREAS, pursuant to Section 147(f) of the Code, the Council has, following notice duly given, held a public hearing regarding the issuance of the Bonds, and now desires to approve the issuance of the Bonds by the Authority;

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Pasadena as follows:

Section 1. The Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the Council that this Resolution constitute approval of the issuance of the Bonds by the Authority, for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Facilities are to be located, in accordance with said Section 147(f) and (b) Section 9 of the Agreement.

Section 2. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they

deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the financing transaction approved hereby.

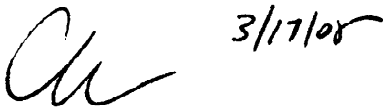
Section 3. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 4th day of April, 2005.

Approved as to form:



Diane S. Potter, Esq., as
Bond Counsel to the Authority



~~ASST~~ City Attorney (*handwritten*)

I hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Pasadena at a regularly scheduled meeting thereof, held on the 4th day of April, 2005 by the following vote of the Council:

AYES:

NOES:

ABSENT:

City Clerk