

Agenda Report

September 8, 2014

TO: Honorable Mayor and City Council

FROM: Department of Finance

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

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 the California Environmental Quality Act (CEQA) as defined in Section 21065 of CEQA and Section 15378 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 (Huntington Hospital project); in an aggregate amount not to exceed \$200,000,000 to refinance all or any portion of the acquisition, construction, improvement, renovation and equipping of the health facilities.

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 members 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 nonprofit revenue obligations in an aggregate principal amount

not to exceed \$210,000,000 (the "Obligations"). The proceeds of the Obligations will enable Huntington Memorial Hospital (HMH) to refinance all or a portion of the Series 2005 bonds issued by CSCDA in the amount of \$228,760,000 on May 17, 2005. The Series 2005 bonds were used to finance (1) the West Tower Replacement and seismic upgrade project; (2) Emergency Department expansion; (3) Modernization of hospital technology and routine capital expenditures; and (4) refinance of CSCDA Series 1996 Certificates of Participation. The refinance is expected to decrease annual interest payments, allowing HMH to continue to provide affordable healthcare to the community.

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 or refinancing 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 or refinancing of the Project.

COUNCIL POLICY CONSIDERATION:

This action supports the City Council's strategic goal to maintain fiscal responsibility and stability.

ENVIRONMENTAL ANALYSIS:

The proposed action is the approval of the use of bond funds for refinancing previously undertaken acquisition, construction, improvement, renovation and equipping of health facilities by the Pasadena Hospital Association, Ltd. This approval is an administrative action that would not cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. Therefore, the proposed action is not a "project" subject to CEQA, as defined in Section 21065 of CEQA and Section 15378 of the State CEQA Guidelines. Since the action is not a project subject to CEQA, no environmental document is required.

FISCAL IMPACT:

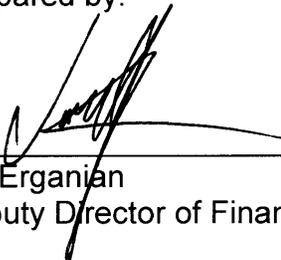
The fee for the TEFRA hearing is \$10,000 and will be a General Fund revenue. There is no anticipated impact to other operational programs or capital projects as a result of this action. The adoption of the Resolution approving the project and the issuance of the bonds complies with the requirements 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
Department of Finance

Prepared by:



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Approved by:



MICHAEL J. BECK
City Manager