

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.

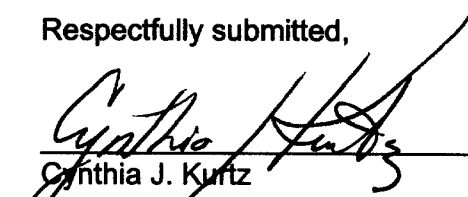
REQUIRED PUBLIC HEARING

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.

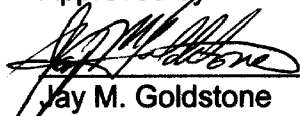
FISCAL IMPACT

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 CSCDA 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,


Cynthia J. Kurtz
City Manager

Approved by:


Jay M. Goldstone
Director of Finance