

Agenda Report

November 15, 1999

ATTN: Finance Committee

TO: Mayor and City Council

FROM: City Manager

SUBJECT: Recommendation to Hold a Public Hearing and to Adopt a Resolution Approving an Installment Sale Financing to be Undertaken by the California Statewide Communities Development Authority to Benefit the Principles, Inc.

RECOMMENDATION

It is recommended that the City Council hold a Public Hearing and adopt a Resolution approving an Installment Sale Financing by the California Statewide Communities Development Authority (CSCDA) to benefit Principles, Inc.

BACKGROUND

Principles Inc. was established in 1971 as a non-profit corporation dedicated to promoting the recovery of chemically dependent men and women. Principles is a therapeutic community for the treatment of substance abusers, operated by the Corporation (d.b.a.) IMPACT Drug and Alcohol Treatment Center. The program was started by a group of men and women determined to overcome drug and alcohol addiction. In 1982, following an almost two year survey of its operations, the Corporation received full accreditation from the Joint Commission of Accreditation of Healthcare Organizations. Principles currently offers 130 residential and 40 in-custody treatment beds as well as 200 outpatient openings. In addition, Principles offers 30 transitional living beds. Principles seeks to provide services for under-served populations, and targets minorities, women, persons living with HIV/AIDS and individuals with disabilities.

Principles is a California Nonprofit Public Benefit Corporation which has been determined to be an exempt, charitable organization under Section 501c(3) of the Internal Revenue Service Code. Principles' primary facility is located at 1680 N. Fair Oaks, Pasadena, California.

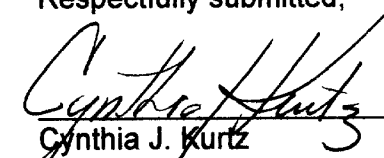
REQUIRED PUBLIC HEARING

Principles Inc. currently has \$2.035 million in outstanding debt at an average coupon rate of 7.02%. The purpose of this financing is to refund these bonds at a lower interest rate in order to reduce borrowing costs. No new money is being raised with the financing. In order for Principles Inc. to have access to tax exempt financing, 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 1, 1999.

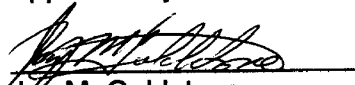
FISCAL IMPACT

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 Principles, Inc. will be parties to the financing documents, and CSDCA's liability will be limited to payments made by Principles, Inc. for the purpose of paying debt service.

Respectfully submitted,


Cynthia J. Kurtz
City Manager

Approved by:


Jay M. Goldstone
Director of Finance