



# Board Agenda Item 5

DATE: November 16, 2021

TO: Board of Supervisors

SUBMITTED BY: Jean M. Rousseau, County Administrative Officer

SUBJECT: Conduit Financing for Community Hospitals of Central California and Fresno Community Hospital and Medical Center (Not a County Liability)

RECOMMENDED ACTION(S):

- 1. Conduct a public hearing under the Tax Equity and Fiscal Responsibility Act (“TEFRA”) and the Internal Revenue Code of 1986, as amended (the “Code”), regarding the conduit issuance of qualified 501(c)(3) bonds (the “Bonds”) in an aggregate principal amount not to exceed \$425,000,000 to finance the construction, improvement, expansion, renovation and/or equipping of certain portions of the health care and related facilities owned and/or operated by Community Hospitals of Central California and Fresno Community Hospital and Medical Center (the “Borrowers”) located in the City of Fresno and Clovis in Fresno County.**
- 2. Adopt the resolution approving the conduit issuance of the Bonds by the California Municipal Financing Authority (“CMFA”) for the benefit of the Borrowers which adoption is solely for the purposes of satisfying the requirements of TEFRA and the Code.**

The County has received a request from the CMFA and the Borrowers, each of which is a nonprofit public benefit corporation, to conduct a public hearing concerning the conduit issuance by the CMFA of qualified 501(c)(3) bonds in an amount not to exceed \$425,000,000 to finance the construction, improvement, expansion, renovation and/or equipping of certain portions of the health care and related facilities owned and/or operated by the Borrowers. Exhibit “A” includes the letter requesting the hearing. The recommended actions are solely for the purposes of satisfying the requirements of TEFRA and the Code.

The Code requires that prior to the issuance of the Bonds by the CFMA, the applicable elected representatives of a qualifying governmental unit with jurisdiction over the area where the project is located must hold a noticed public hearing and adopt a resolution approving the issuance of the Bonds by the CMFA. Since the facilities being financed and/or refinanced are located within the County, the Borrowers have requested the County Board of Supervisors conduct a public hearing on the proposed conduit issuance and consider adoption of an approving resolution in order to satisfy the requirements of the Code. This item is located in Districts 3 and 5.

ALTERNATIVE ACTION(S):

If your Board does not approve the recommended actions, the Borrowers would have to conduct the required hearing before an alternative qualifying government unit with jurisdiction over the area the projects are located.

**FISCAL IMPACT:**

The Bonds to be issued by the CMFA for the proposed projects will be the sole responsibility of Borrowers and the County will have no financial, legal, or moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the proposed projects. All financing documents with respect to the issuance of the Bonds by the CMFA will contain clear disclaimers that the Bonds are not obligations of the County or the State of California but are to be paid solely from funds provided by the Borrowers.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation ("Foundation"), acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the Foundation for the support of local charities. With respect to the County of Fresno, a pro-rated share of 25% of the issuance fee will be granted by the CMFA to the general fund of the County, which may be used for any lawful purpose of the County.

**DISCUSSION:**

The Borrowers have requested that the CMFA issue 501(c)(3) bonds in the amount not to exceed \$425,000,000 for projects located in Fresno County. The facilities and/or equipment to be financed are at the Clovis Community Medical Center, located at 2755 Herndon Avenue, Clovis California in an amount not to exceed \$400,000,000 and the Community Regional Medical Center, located at 2823 Fresno Street, Fresno, California in an amount not to exceed \$50,000,000. The total maximum amounts listed above exceed the maximum amount of the Bonds that may be issued by the CFMA; nevertheless, the maximum total dollar amount of the financing will not exceed \$425,000,000. The projects to be financed include the construction, improvement, expansion, renovation and/or equipping of certain portions of the health care and related facilities.

In order for the CFMA to issue all or a portion of the Bonds, applicable elected representatives of a qualifying governmental unit, such as the Board of Supervisors for the County of Fresno, must conduct a public hearing (TEFRA Hearing) providing for members of the community an opportunity to speak in favor of or against the use of the Bonds for the financing of the proposed projects. Prior to the TEFRA Hearing, reasonable notice must be provided to the members of the community. To satisfy that requirement, notice of the TEFRA Hearing was published in The Business Journal on November 8, 2021. Following the close of the TEFRA Hearing, the applicable elected representative of the governmental unit with jurisdiction over the area where the project is located must approve the issuance of the Bonds by the CMFA. Your Board would provide that approval by adopting the recommended resolution.

**CALIFORNIA MUNICIPAL FINANCE AUTHORITY:**

The CMFA was created on January 1, 2004, pursuant to a joint exercise of powers agreement to promote economic, cultural and community development, through the financing of economic development and charitable activities throughout California. The CMFA was formed to assist local governments, non-profit organizations, and businesses with the issuance of taxable and tax-exempt bonds aimed at improving the standard of living in California. The CMFA's representatives and its Board of Directors have considerable experience in bond financings.

The Joint Exercise of Powers Agreement provides that the CMFA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities, and obligations of CMFA do not constitute debts, liabilities or obligations of the members executing such agreement.

The County is a member of the CMFA. The Joint Exercise of Powers Agreement expressly provides that any member may withdraw from the CMFA upon written notice to the Board of Directors of the CMFA. In the case of the proposed bond financing for Valley Health Team, Inc., the County could at any time following the

issuance of the Bonds by the CMFA, withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA.

This proposed conduit issuance was reviewed by the County's Debt Advisory Committee on October 15, 2021.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A

On file with the Clerk - Resolution

On file with the Clerk - Proof of Publication

CAO ANALYST:

Greg Reinke