



Board Agenda Item 9

DATE: January 10, 2017

TO: Board of Supervisors

SUBMITTED BY: Jean Rousseau, County Administrative Officer

SUBJECT: Conduit Financing for Community Medical Centers and its Affiliates (No County Liability)

RECOMMENDED ACTION(S):

1. Conduct public hearing under Tax Equity and Fiscal Responsibility Act (“TEFRA”) and the Internal Revenue Code of 1986 as amended (“Code”) regarding the issuance of tax-exempt conduit bonds for Community Hospitals of Central California, Fresno Community Hospital and Medical Center, Fresno Heart Hospital, LLC and Sierra Hospital Foundation, which collectively operate as Community Medical Centers (“CMC”) in an amount not to exceed \$500,000,000 to refinance 2007 and 2009 certificates of participation and to finance a region cancer treatment and research center
2. Adopt the resolution approving the issuance of the Bonds by the California Municipal Financing Authority (“CMFA”) for the benefit of CMC, 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 from CMC to conduct a public hearing concerning the issuance, in an amount not to exceed \$500,000,000 (“Bonds”), of conduit bonds to refinance 2007 and 2009 certificates of participation and to finance the cost of a regional cancer treatment center on the campus of Clovis Community Medical center in the County of Fresno, in the city of Clovis (“Project”). The recommended actions are solely for the purposes of satisfying the requirements of TEFRA, the Code.

The Code requires that prior to issuance of the Bonds, 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 CMC health care facilities being refinanced and financed are all located within the County, CMC asked the County Board of Supervisors to conduct the public hearing and consider adoption of an approving resolution in order to satisfy the requirements of the Code (Exhibits A&B).

ALTERNATIVE ACTION(s):

If your Board does not approve the issuance of the Bonds by CMFA by holding the hearing required by the Code and adopting the proposed resolution, then CMFA and CMC will be required to request approvals by similar hearings and resolutions of both the City of Fresno and the City of Clovis. Staff are informed by CMFA and CMC, however, that notwithstanding the legal availability of that option, it would cause delay that could adversely affect the debt service savings to CMC.

FISCAL IMPACT:

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, it is expected that 25% of the issuance fee will be granted by the CMFA and is excepted to net \$25,000 to the general fund of the County of Fresno. The actual amount received by the County will be based on the par amount of the bonds issued and the fee that the CMFA receives. Such grant may be used for any lawful purpose of the County. Community Medical Centers will be the beneficiary of the CMFA’s charitable donation through a 25% reduction in issuance fees.

DISCUSSION:

Community Medical Centers have requested that the CMFA serve as the municipal issuer of tax-exempt and/or taxable obligations in an aggregate principal amount not to exceed \$500,000,000 (“Bonds”). Proceeds of the Bonds will refinance 2007 and 2009 certificates of participation and finance a regional cancer treatment and research center within the County of Fresno, in the city of Clovis.

In order for all or a portion of the Bonds to qualify as tax-exempt 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 tax-exempt bond for the financing of the Project. 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 Fresno Bee on Thursday, December 22, 2016. 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 provide its approval of the issuance of the Bonds. Your Board would provide that approval by adopting the proposed 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, though the financing of economic development and charitable activities throughout California. To date, over 200 municipalities and other local agencies, including the County, have become members of CMFA.

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

are to be paid for solely from funds provided by CMC.

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 CMC, the County could at any time following the issuance of the Bonds, withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA.

ATTACHMENTS INCLUDED AND/OR ON FILE:

Exhibit A

Exhibit B

On file with Clerk-Resolution

On file with Clerk-Proof of Publication

CAO ANALYST:

Debbie Paolinelli