



**CITY OF SANTA CLARITA
AGENDA REPORT**

PUBLIC HEARINGS

CITY MANAGER APPROVAL:

Ken Stripling

DATE: September 13, 2016

SUBJECT: HENRY MAYO NEWHALL MEMORIAL HOSPITAL TAX EQUITY
AND FISCAL RESPONSIBILITY ACT (TEFRA) HEARING

DEPARTMENT: Administrative Services

PRESENTER: Lance O'Keefe

RECOMMENDED ACTION

City Council:

1. Conduct a public hearing and adopt a Tax Equity and Financial Responsibility Act (TEFRA) resolution approving the issuance of tax-exempt obligations by the California Public Finance Authority (CalPFA or Authority) in an aggregate amount not to exceed \$150 million to finance the construction of a New Patient Tower at the Henry Mayo Newhall Memorial Hospital.
2. City Council approve the CalPFA's Joint Exercise of Powers Agreement naming the City as an Additional Member to the Authority.

BACKGROUND

The California Public Finance Authority is a joint exercise of powers authority created under the California Joint Powers Authority Act. More than 15 California cities and counties are members of the CalPFA, which issues bonds on behalf of their members and to nonprofit and private entities within the members' geographical jurisdictions where public benefit projects are proposed to be located. Section 147(f) of the Internal Revenue Code of 1986 requires that, in order for the interest on such obligations to be excluded from gross income to investors for federal income tax purposes, the applicable elected representatives of the host governmental unit must approve the issuance of debt. This hearing and approval process is referred to as a "TEFRA" hearing, after the Tax Equity and Fiscal Responsibility Act of 1983, the regulations for which were promulgated under the Tax Code changes of 1986.

The City received a request from the California Public Finance Authority to conduct a public hearing under and in accordance with Section 147(f) of the Internal Revenue Code in order to

issue tax-exempt revenue bonds (Bonds) in an aggregate amount not to exceed \$150 million on behalf of Henry Mayo Newhall Memorial Hospital (Borrower). The Borrower will use the proceeds of the Bonds to fund the construction of a new 125,000-square-foot patient care tower (Project). The Project will add an additional 120 patient beds, a new maternity unit, and additional operating rooms. The Project construction timeline is expected to begin in 2016 and end in 2018. The Project is part of the Borrower's 15-year Master Plan Development that was approved by City Council on December 9, 2008.

The Bonds would be tax-exempt private activity bonds for purposes of the Internal Revenue Code and, as such, require the approval of the elected body of the governmental entity having jurisdiction over the area where the Project to be financed is located. The approval and adoption of the resolution authorizing the issuance of the Bonds will not require the City to be financially obligated, liable, or provide any financing for the Project. The City's credit and bond ratings are not at risk by adopting this resolution; no City revenues are at risk by this bond issuance.

In order for the Authority to issue such Bonds, the City must 1) become an Additional Member of the Authority through the signing of a Joint Exercise of Powers Agreement (JPA), 2) conduct a public hearing allowing members of the public to comment on the proposed Project, and 3) approve the Authority's issuance of Bonds on behalf of the proposed financing. Although the Authority (not the City) will be the issuer of the tax-exempt revenue bonds for the Project, the financing cannot proceed without the City being a member of the Authority and, as the governmental entity having jurisdiction over the site, approving of the Authority's issuance of indebtedness.

The City is not a current member of the Authority, and there is no cost to the City to become an Additional Member of the Authority. The approval and adoption of the resolution authorizing the issuance of Bonds will agree that the City will become a member of the Authority through the signing of a JPA.

The City has previously conducted public hearings to allow Henry Mayo Newhall Memorial Hospital to meet the procedural requirements associated with bond financing. On November 28, 2000, the City Council held a public hearing and adopted Resolution 00-153, approving the issuance of tax-exempt obligations by the California Statewide Communities Development Authority (CSCDA), in an amount not to exceed \$55 million for the refinancing of 1988 tax-exempt obligations and earthquake repairs and seismic retrofits. On April 24, 2007, the City Council held a public hearing and adopted Resolution 07-24, approving the issuance of tax-exempt obligations by the CSCDA, in an amount not to exceed \$75 million for infrastructure expansion and medical equipment upgrades. On November 26, 2013, City Council held a public hearing and adopted Resolution 13-75, approving the issuance of tax-exempt obligations by the CSCDA, in an amount not to exceed \$175 million for the refinancing of the 2000 and 2007 tax-exempt obligations. The remaining \$54 million was allocated to the planning and construction of various improvements to the facilities; including the predevelopment of the New Patient Tower, a medical office building, parking structure expansion, and medical equipment. For this item, the Borrower selected CalPFA as the financing agency, as determined by the Borrower's Capital Markets group through an in-house evaluation and selection process. As a result of the Borrower selecting CalPFA, the City will have a positive fiscal impact from

CalPFA's Community Benefit Program. This program provides for 15% of the annual Administrative fee paid by the Borrower to be allocated to the City.

Participation by the City will not impact the City's appropriations limits or constitute any type of indebtedness by the City. Once the City holds the required public hearing and adopts the required resolution following the public hearing and executes the JPA agreement, no other participation of the City in the actions of the CalPFA or in the financing will be required.

Approval pursuant to this Resolution does not constitute any other approval by any commission or agency of the City with respect to any other City regulatory or other requirements, such as building permits, in connection with the Project.

ALTERNATIVE ACTION

1. City Council not agree to the City becoming an Additional Member of CalPFA, subsequently declining the approval of the issuance of bonds by the CalPFA for the New Patient Tower at the Henry Mayo Newhall Memorial Hospital.
2. Other direction as determined by City Council.

FISCAL IMPACT

The City is to receive on an annual basis, over the 20-30 year life of the Bond, 15% of the Administrative fee that Henry Mayo Newhall Memorial Hospital pays to CalPFA annually, which equates to approximately \$2,250 in FY 2016-17. The life of the Bond has yet to be determined by the Authority or the Borrower.

ATTACHMENTS

Public Notice

Resolution

CalPFA Agreement/Additional Member Signature Page

CalPFA No Liability Letter