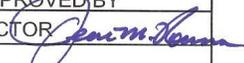




REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.	
COUNCIL MEETING	04/10/2007
APPROVED BY	
DEPARTMENT DIRECTOR	
CITY MANAGER	

April 10, 2007

FROM:  JEAN M. ROUSSEAU, Finance Director/City Controller  
Finance Department

BY:  KAREN M. BRADLEY, Assistant City Controller  
Finance Department

SUBJECT: HEARING: MATTERS CONCERNING A CERTIFICATE OF PARTICIPATION FINANCING FOR COMMUNITY MEDICAL CENTERS SYSTEM

1. TEFRA PUBLIC HEARING AS REQUIRED BY SECTION 147(f) OF THE INTERNAL REVENUE CODE OF 1986 (AS AMENDED) TO HEAR AND CONSIDER INFORMATION CONCERNING A PROPOSED FINANCING BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$350 MILLION, INVOLVING THE PROPOSED EXECUTION AND DELIVERY OF CERTIFICATES OF PARTICIPATION FOR THE BENEFIT OF COMMUNITY MEDICAL CENTERS SYSTEM ENTITIES WHICH COLLECTIVELY OPERATE AS COMMUNITY MEDICAL CENTERS.
2. RESOLUTION: APPROVING THE CERTIFICATE OF PARTICIPATION FINANCING FOR COMMUNITY MEDICAL CENTERS SYSTEM

**CONCLUSION and RECOMMENDATION**

Staff recommends that the Council of the City of Fresno first hold a Public Hearing and then upon conclusion of the hearing, adopt the accompanying Resolution approving the execution and delivery of the Installment Purchase Agreement and the execution of Certificates of Participation ("COPs"), in the aggregate principal amount not to exceed \$350,000,000, by the California Municipal Finance Authority ("CMFA") to finance or refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and/or operated by Community Hospitals of Central California and related entities ("Borrower").<sup>1</sup>

<sup>1</sup> Borrower includes Community Hospitals of Central California, Fresno Community Hospital and Medical Center, and Sierra Hospital Foundation, each a California nonprofit public benefit corporation, and Fresno Heart Hospital, a limited liability company, whose sole member is Fresno Community Hospital and Medical Center, all the foregoing hospitals which collectively operate as Community Medical Centers.

**KEY RESULT AREAS**

Customer Service and Resource Management

**EXECUTIVE SUMMARY**

The City has received a request by the "Borrower" through CMFA, that the City hold a TEFRA public hearing and adopt a resolution approving the proposed issuance of Certificates of Participation. The COPs will be used to: (i) finance or refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and/or operated by Fresno Community Hospital and Medical Center, including the health care facilities known as Community Regional Medical Center, located or to be located at 2823 Fresno Street, Fresno, California, the health care facilities known as University Medical Center, located at 445 S. Cedar Avenue, and the health care and related facilities located or to be located at 1925 E. Dakota Avenue, 2155 Divisadero Street, 7257 N. Fresno Street, and 110 N. Valeria Street and within the area bounded on the north by McKenzie Avenue, bounded on the south by Q Street, bounded on the east by Fresno Street and N. Fresno Street, and bounded on the west by N. Diana Street, all in Fresno, California; (ii) finance or refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and operated by Fresno Community Hospital and Medical Center, known as Clovis Community Medical Center, located or to be located at 2755 Herndon Avenue, Clovis, California; (iii) finance or refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and operated by Fresno Heart Hospital, located or to be located at 15 E. Audubon Drive, Fresno, California; (iv) finance the acquisition of certain equipment owned by the CMC System located or to be located at 7171 N. Cedar Avenue, 3003 N. Mariposa Street and 1140 T Street, all in Fresno, California; and (v) refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and/or operated by the CMC System located at one or more of the above-identified addresses, 2445 Capitol Street, 445 S. Cedar Avenue, 4421 N. Cedar Avenue, 3837 N. Clark Street, 3845 N. Clark Street, 2111 East Dakota Avenue, 2411 Divisadero Street, 2415 Divisadero Street, 2155 Divisadero Street, 1215 E Street, 1219 E Street, 5737 N. Fresno Street, 126 N. Howard Street, 146 N. Howard Street, 3033 N. Mariposa Street, 801 R Street, 2491 W. Shaw Avenue, 770 E. Shaw Avenue, 1550 E. Shaw Avenue, 119 N. Thesta Street, 159 N. Thesta Street, and 1279 N. Wilson Avenue, all in Fresno, California; and 88 N. Dewitt Avenue and 312 Polson Street, all in Clovis, California (collectively the "Project").

Should the City authorize the issuance of the COP, the COP will be limited obligations of the issuer, CMFA. The COP will not be a debt obligation of the City of Fresno and the City would have no obligation or liability associated with these COPs.

**KEY OBJECTIVE BALANCE**

The facilitation of the public hearing under TEFRA requirements and the approval of the resolution authorizing the execution and delivery of the tax-exempt obligations by the CMFA, on behalf of the Borrower will balance the Key Objective of Customer Satisfaction in that the City will enable one of its customers to obtain more favorable debt financing to be used for its various projects and the customer will be refinancing three series (1993, 2000, and 2001) of outstanding Certificates of Participation (COPs) originally issued by the Central California Joint Powers Health Financing Authority, a joint exercise of powers authority (JPA) consisting of the City of Fresno and the City of Clovis. The JPA is authorized to assist in the financing of facilities for public benefit projects. The refinancing will result funds being escrowed for the defeasance of the three COPS series executed and delivered through the JPA. The JPA will be a party to the Escrow Agreement for this defeasance. Neither the JPA, nor its two member cities - Fresno and Clovis have any obligation or liability associated with the previously issued COPs.

## **BACKGROUND**

The City has received a request by the Borrower to hold a TEFRA public hearing regarding the proposed execution and delivery of the COPs for the purpose of financing or refinancing the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities, and to defease the earlier JPA COPs. The defeasance will produce debt service savings through reduced interest costs.

The CMFA was created to strengthen local communities by assisting with the financing of economic development and charitable activities. The City of Fresno is a member of the CMFA. The CMFA has as one of its goals, to give back to the community. The CMFA assists local governments, non-profits and businesses with the issuance of taxable and tax-exempt financing aimed at improving the standard of living in California. Among other things, the CMFA assists qualifying public agencies in issuing taxable and tax exempt financing for any purpose or activity permitted under the JPA Agreement.

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation (the "Foundation"), acts as the Board of Directors for the CMFA. The CMFA shares a portion of its issuance fees with member communities and donates a portion of its issuance fees to the Foundation for local charities. With respect to the City of Fresno, it is anticipated that the 25 percent of the issuance fee attributable to the City's portion of the COPs issuance/conduit fee will approximate \$27,500 to be used by the City for any lawful purpose. When a particular borrower is a non-profit corporation, as is the case with Community Hospitals of Central California and related entities, the percentage of the COPs issuance/conduit fee that would ordinarily be paid to the Foundation is deemed automatically donated to such borrower through a 25% reduction in the issuance/conduit fee charged by the CMFA. This reduction constitutes a direct pecuniary benefit to the non-profit borrower, in this case the Borrower, but does not reduce the dollar amount being paid to the City.

The CMFA is a joint exercise of powers authority consisting of several California cities, counties and districts, and is authorized to assist in financing facilities for public benefit projects. In order to initiate such financing, the member participant or participants of the CMFA in which the proposed facilities will be located must (1) conduct a public hearing and (2) approve the CMFA's issuance of indebtedness. Therefore, although the CMFA will be the conduit for the execution and delivery of the COPs by the trustee as obligations of the Borrower, the financing cannot proceed without the City of Fresno's approval of the financing in connection with that part of the Project within the City, and the approval of other cities, counties and/or special districts in which the project properties are located.

The Internal Revenue Code requires the local legislative body, the Council of the City of Fresno (the "Council") to hold this public hearing before it considers authorizing the execution and delivery of such COPs. The purpose of this staff report is to facilitate the CMFA's issuance of debt. The attached resolution, if approved by the Council, will provide authorization from the City by the CMFA to execute and deliver the COPs on behalf of the Borrower in an amount not to exceed \$350,000,000.

The first item calls for the Council to hold a "TEFRA" hearing. This acronym stands for the Tax Equity and Fiscal Responsibility Act of 1982. This Act requires the elected representatives of each governmental unit in which the project is located to notice and conduct a public hearing. The Council will need to hold this hearing and call for any public testimony regarding the proposed Project financing. No written testimony as of this date has been received.

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**FISCAL IMPACT**

The City will not be a party to the financing documents. Repayment of the COPs will not be secured by any form of taxation, or be an obligation of the City. The COPs will not represent or constitute an obligation of the City, general or otherwise. Pursuant to the governing California statutes, the City of Fresno will not be responsible for the repayment of the COPs that executed and delivered through CMFA on behalf of the Borrower.

The City will have no obligation or liability associated with this financing.

Attachments: Resolution – Approving Financing

RESOLUTION NO. 2007 - \_\_\_\_\_

**RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO,  
APPROVING A CERTIFICATE OF PARTICIPATION FINANCING FOR  
COMMUNITY MEDICAL CENTERS SYSTEM**

**WHEREAS**, the California Municipal Finance Authority (the "Authority") is authorized pursuant to the provisions of California Government Code Section 6500 *et seq.* and the terms of a joint exercise of powers agreement, dated as of January 1, 2004 (the "Joint Powers Agreement"), among certain public agencies throughout the State of California, including the City of Fresno, to issue revenue bonds and other forms of indebtedness to assist nonprofit corporations to obtain tax-exempt financing for appropriate projects and purposes;

**WHEREAS**, the following entities collectively operate as Community Medical Centers, and own and/or operate certain health care facilities, located in the City of Fresno, which provide necessary health care services to residents of the City of Fresno: Community Hospitals of Central California ("CHCC"), Fresno Community Hospital and Medical Center ("FCH") and Sierra Hospital Foundation ("SHF"), each a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and Fresno Heart Hospital, LLC ("FHH"), a limited liability company the sole member of which is FCH; and

**WHEREAS**, CHCC, FCH, FHH and SHF (each, a "Member of the CMC System," and, hereinafter collectively referred to as the "Members of the CMC System" or the "CMC System") desire to: (i) finance or refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and/or operated by Fresno Community Hospital and Medical Center, including the health care facilities known as Community Regional Medical Center, located or to be located at 2823 Fresno Street, Fresno, California, the health care facilities known as University Medical Center, located at 445 S. Cedar Avenue, and the health care and related facilities located or to be located at 1925 E. Dakota Avenue, 2155 Divisadero Street, 7257 N. Fresno Street, and 110 N. Valeria Street and within the area bounded on the north by McKenzie Avenue, bounded on the south by Q Street, bounded on the east by Fresno Street and N. Fresno Street, and bounded on the west by N. Diana Street, all in Fresno, California; (ii) finance or refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and operated by Fresno Community Hospital and Medical Center, known as Clovis Community Medical Center, located or to be located at 2755 Herndon Avenue, Clovis, California; (iii) finance or refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and operated by Fresno Heart Hospital, located or to be located at 15 E. Audubon Drive, Fresno, California; (iv) finance the acquisition of certain equipment owned by the CMC System located or to be located at 7171 N. Cedar Avenue, 3003 N. Mariposa Street and 1140 T Street, all in Fresno, California; and (v) refinance the construction, improvement, expansion, renovation and equipping of certain portions of the health care and related facilities owned and/or operated by the CMC System located at one or more of the above-identified addresses, 2445 Capitol Street, 445 S. Cedar Avenue, 4421 N. Cedar Avenue, 3837 N. Clark Street, 3845 N. Clark Street, 2111 East Dakota Avenue, 2411 Divisadero Street, 2415 Divisadero Street, 2155 Divisadero Street, 1215 E Street,

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1219 E Street, 5737 N. Fresno Street, 126 N. Howard Street, 146 N. Howard Street, 3033 N. Mariposa Street, 801 R Street, 2491 W. Shaw Avenue, 770 E. Shaw Avenue, 1550 E. Shaw Avenue, 119 N. Thesta Street, 159 N. Thesta Street, and 1279 N. Wilson Avenue, all in Fresno, California, and 88 N. Dewitt Avenue and 312 Polson Street, all in Clovis, California (such financing and refinancing, hereinafter collectively referred to as the "Series 2007 Financing"); and

**WHEREAS**, a portion of the above-described facilities to be financed or refinanced are located wholly within the City of Fresno, County of Fresno, State of California; and

**WHEREAS**, in order to achieve demonstrable savings in effective interest rate, the Members of the CMC System have requested that the Authority participate in the Series 2007 Financing, which will be in the form of a certificate of participation financing, for the purpose of assisting the CMC System in financing and refinancing the above-described facilities; and

**WHEREAS**, in connection with the Series 2007 Financing, the Authority and the Members of the CMC System will enter into an installment purchase agreement (the "Installment Purchase Agreement"), pursuant to which one or more Members of the CMC System will sell certain health care facilities to the Authority and the Authority will agree to make payments (the "Installment Payments"), to one or more Members of the CMC System for the purchase of such health care facilities; and

**WHEREAS**, in connection with the Series 2007 Financing, certain certificates of participation (the "Certificates"), in an aggregate principal amount not to exceed \$350,000,000, will be executed and delivered for the purposes hereinabove specified; and

**WHEREAS**, each Certificate represents an undivided ownership interest in the Installment Payments; and

**WHEREAS**, neither the Authority nor the City of Fresno shall be obligated to pay the Installment Payments or the principal component, prepayment premium, if any, or interest component with respect to the Certificates, except from the funds provided therefor from the CMC System, neither the Authority nor the City of Fresno shall be directly or indirectly or contingently or morally obligated to use any other moneys or assets for all or any portion of the Installment Payments or for all or any portion of such other costs or expenses, and neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof, the County of Fresno or the City of Fresno is pledged to the payment of the principal component, prepayment premium, if any, or the interest component with respect to the Certificates; and

**WHEREAS**, the interest component of the Installment Payments payable in connection with the Certificates may qualify for exclusion from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") only if the

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Series 2007 Financing, which includes the execution and delivery of the Installment Purchase Agreement and the Certificates, is approved in accordance with Section 147(f) of the Code; and

**WHEREAS**, pursuant to Section 147(f) of the Code, the City Council of the City of Fresno (the "City Council") is the "applicable elected representative" of the City of Fresno and is thereby authorized to approve the Series 2007 Financing, which includes the execution and delivery of the Installment Purchase Agreement and the Certificates; and

**WHEREAS**, on March 23, 2007, there was published in a newspaper of general circulation in the City of Fresno, County of Fresno, State of California, a notice of public hearing concerning the Series 2007 Financing, which includes the execution and delivery of the Installment Purchase Agreement and the Certificates; and

**WHEREAS**, on the date hereof, this City Council held a public hearing at which interested persons were given an opportunity to express their views concerning the Series 2007 Financing, which includes the execution and delivery of the Installment Purchase Agreement and the Certificates, and the nature and location of the above-described facilities to be financed or refinanced; and

**WHEREAS**, in order to satisfy the public approval requirement of Section 147(f) of the Code and Section 4 of the Joint Powers Agreement, this City Council has been requested to approve the Series 2007 Financing, which includes the execution and delivery of the Installment Purchase Agreement and the execution and delivery of the Certificates;

**NOW, THEREFORE, BE IT RESOLVED** by the Council of the City of Fresno as follows:

**Section 1.** Pursuant to Section 147(f) of the Code, this City Council hereby approves the Series 2007 Financing, which includes the execution and delivery of the Installment Purchase Agreement and the execution and delivery of the Certificates, in an aggregate principal amount not to exceed \$350,000,000, such Certificates to be executed and delivered at the direction of the Authority; provided, however, that neither the Authority nor the City of Fresno shall be obligated to pay the Installment Payments or the principal component, prepayment premium, if any, or interest component with respect to the Certificates, except from the funds provided therefor from the CMC System, neither the Authority nor the City of Fresno shall be directly or indirectly or contingently or morally obligated to use any other moneys or assets for all or any portion of the Installment Payments or for all or any portion of such other costs or expenses, and neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof, the County of Fresno or the City of Fresno is pledged to the payment of the principal component, prepayment premium, if any, or the interest component with respect to the Certificates.

**Section 2.** It is intended that this Resolution, in accordance with Section 147(f) of the Code and Section 4 of the Joint Powers Agreement, constitute the approval, by the applicable elected representative of the government unit having jurisdiction over the area in which a portion

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of the above-described facilities are located, of the Series 2007 Financing, which includes the execution and delivery of the Installment Purchase Agreement and the execution and delivery of Certificates.

**Section 3.** The City Clerk of the City shall forward a certified copy of this Resolution and copy of the affidavit of publication of the hearing notice to:

Kathleen A. Leak, Esq.  
Orrick, Herrington & Sutcliffe LLP  
The Orrick Building  
405 Howard Street  
San Francisco, California 94105

**Section 4.** This Resolution shall take effect upon its final passage.

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Approving A Certificate of Participation Financing  
For Community Medical Centers System

STATE OF CALIFORNIA )  
COUNTY OF FRESNO ) ss.  
CITY OF FRESNO )

I, REBECCA E. KLISCH, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the 10th day of April 2007.

AYES:

NOES:

ABSENT:

ABSTAIN:

Mayor Approval: \_\_\_\_\_, 2007

Mayor Approval/No Return: \_\_\_\_\_, 2007

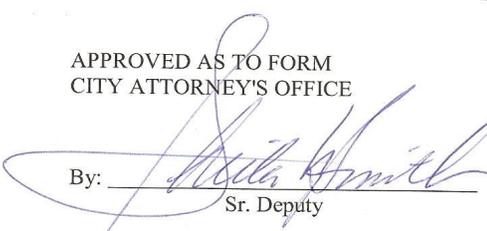
Mayor Veto: \_\_\_\_\_, 2007

Council Override Vote: \_\_\_\_\_, 2007

REBECCA E. KLISCH  
City Clerk

By: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM  
CITY ATTORNEY'S OFFICE

By:  \_\_\_\_\_  
Sr. Deputy