City of Loma Linda Official Report

Floyd Petersen, Mayor
Karen Hansberger, Mayor pro tempore
Robert Christman, Councilmember
Stan Brauer, Councilmember
Robert Ziprick, Councilmember

COUNCIL AGENDA: December 16, 2003

TO: City Council

VIA: Dennis R. Halloway, City Manager

FROM: Scott H. Beck, Kutak Rock

SUBJECT: Public Hearing – Council Bill #R-2003-56 – Approving an Associate Membership Agreement between ABAG Finance Authority For Nonprofit Corporations and the City and the financing of an LLUMC project comprised of various medical equipment, office equ9pment, information technology equipment and construction projects

RECOMMENDATION

Adopt Council Bill #R-2003-56.

BACKGROUND

As the Council may recall, the Loma Linda University Medical Center (the "Medical Center") has periodically requested the City's assistance in obtaining financing for the construction of buildings or the acquisition of hospital equipment. The role of the City is typically referred to as that of "conduit issuer." In this capacity, the City is responsible for issuing the debt, but the repayment obligation rests entirely with the Medical Center. The reason for resorting to this financial device is that it allows the Medical Center to avail itself of tax exempt financing thereby securing lower rates of interest on its debt.

Recently, the Medical Center asked the City for help with its latest financing project. This entails borrowing $27 million for financing or refinancing the acquisition of medical and other related equipment and the acquisition or construction of buildings. It differs from previous projects in that the City is not to be the issuer of the debt. Instead, the issuer will be the Association of Bay Area Governments ("ABAG") Finance Authority for Nonprofit Corporations. By using ABAG, the Medical Center expects to reduce its costs of issuance and minimize administrative and paperwork requirements for both the City and itself.

While the City will not serve as the issuer, its participation in the financing process is still required. To begin with, in order for ABAG to serve as the issuer, the City must become a member of the organization. While the City could become a voting member of the organization,

it is recommended that it join as only an associate member. Associate membership alleviates the need for attendance at meetings or for active participation in financing activities not within its own jurisdiction.

The ABAG Finance Authority for Nonprofit Corporations is a joint powers entity, comprised of California cities and counties, that was formed to help eligible nonprofits and other borrowers gain access to tax-exempt debt financing. It is managed by, but separate from, the Association of Bay Area Governments. Since its inception, the Authority has maintained members from both inside and outside the Association's more narrowly defined nine-county Bay Area. The Authority currently has 26 regular and 24 associate members. It does not involve itself in financings without the approval of local jurisdictions. Furthermore, the Authority does not assess any sort of fee to its regular or associate members. Its cost of operations is covered entirely through fees charged to borrowers.

Another aspect of the financing that requires City participation is the holding of a public hearing and approving the issuance of the debt. This hearing is mandated by the Tax Equity and Fiscal Responsibility Act ("TEFRA") of 1983. For the Medical Center financing, the required hearing was properly noticed in a local newspaper of general circulation on December 3, 2003, and is on the City Council's agenda for December 16, 2003. Following the hearing, the Council is required to take action to approve the project and the financing.

ANALYSIS

The availability of tax-exempt financing on a $27 million debt issue has the potential of saving the Medical Center a considerable amount of money. This not only benefits the Medical Center, but also the community it serves, including the City of Loma Linda. It is, therefore, in the City's interests to help the Medical Center as much as possible.

ENVIRONMENTAL

Not applicable.

FINANCIAL IMPACT

See attached Memo regarding fee in connection with bond financing.

RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LOMA LINDA, APPROVING ASSOCIATE MEMBERSHIP BY THE CITY OF LOMA LINDA IN THE ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS AND THE EXECUTION OF AN ASSOCIATE MEMBERSHIP AGREEMENT RELATING TO ASSOCIATE MEMBERSHIP OF THE CITY IN THE AUTHORITY; AND SUPPORTING THE PROPOSED PLAN OF FINANCING FOR THE COSTS OF A PROJECT FOR THE LOMA LINDA UNIVERSITY MEDICAL CENTER FOLLOWING A PUBLIC HEARING PURSUANT TO THE REQUIREMENTS OF THE TAX EQUITY AND FISCAL RESPONSIBILITY ACT OF 1982 (TEFRA)

RESOLVED, by the City Council (the "Council") of the City of Loma Linda (the "City"), as follows:

WHEREAS, the Loma Linda University Medical Center (the "Participant"), a nonprofit corporation organized and existing under the laws of the State of California, has requested that the City assist in the financing of various medical equipment, office equipment, information technology equipment and construction projects (the "Project") for the Participant in and to the benefit of the City;

WHEREAS, in furtherance thereof and to facilitate such request, the City desires to become an associate member of the ABAG Finance Authority for Nonprofit Corporations (the "Authority");

WHEREAS, the form of associate membership agreement (the "Associate Membership Agreement") between the City and the Authority has been filed with the City, and the members of the Council, with the aid of its staff, have reviewed the Associate Membership Agreement;

WHEREAS, one of the purposes of this resolution is to satisfy the public approval requirement of Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), in order to qualify the interest on the Bonds (as hereinafter defined) for exclusion from the gross income of the owners thereof for federal income tax purposes pursuant to the applicable provisions of the Code; and

WHEREAS, under the plan of financing, the Authority will enter into a Loan Agreement (the "Loan Agreement") with the Participant and issue bonds in an aggregate face amount not exceeding $27,000,000 (the "Bonds"); and

WHEREAS, the proceeds of the Bonds will be used by the Participant for the purpose of financing or refinancing the Project; and

WHEREAS, in order to comply with the requirements of Section 147(f) of the Code, a notice of public hearing was published on December 3, 2003 in a local newspaper of general circulation (the "Notice") and thereafter a public hearing was held on December 16, 2003 (the "Public Hearing"), and all interested parties were invited to attend and speak to the matter before the Public Hearing; and

WHEREAS, Section 147(f) of the Code requires the Council, as the elected representative, to approve the plan of finance and the issuance of the Bonds for the Project following the publication of the Notice and the Public Hearing:

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Loma Linda, hereby finds, determines and declares as follows:

Section 1. Associate Membership in the Authority. The Council hereby approves an associate membership by the City in the Authority.

Section 2. Approval of Associate Membership Agreement. The Council hereby approves the form of, and authorizes the Mayor, the City Manager or any designee of such officers, to execute, the Associate Membership Agreement and authorizes the City Clerk to attest to such signature, in substantially the form on file with the City Clerk, together with any changes therein deemed advisable by the official signing the Associate Membership Agreement.

Section 3. Official Action. The Mayor, the City Manger, the City Clerk and other officers and officials of the City, are hereby authorized and directed to take all action and do all things necessary or desirable hereunder with respect to associate membership in the Authority including but not limited to the execution and delivery of any and all agreements, certificates instruments and other documents which they, or any of them, may deem necessary or desirable and not inconsistent with the purposes of this resolution.

Section 4. Public Approval. Following the Public Hearing upon this matter of which this Council has been informed, the Council hereby approves the issuance of the Bonds in the aggregate principal amount of not to exceed $27,000,000, for the purpose of financing or refinancing on behalf of the Participant the costs of the Project.

Section 5. Limited Obligations. The Obligations will be limited obligations of the Authority and will not constitute an indebtedness of the Authority, the members of the Authority, the City of Loma Linda, the State of California or any political subdivision thereof. The Authority has no taxing power. The Obligations will not be payable out of any funds other than those pledged and assigned under the Loan Agreement.

Section 6. Effective Date. This Resolution shall take effect upon its adoption by this Council.

PASSED, APPROVED AND ADOPTED this 16th day of December 2003 by the following vote:

Ayes:
Noes:
Abstain:
Absent:

_____
Floyd Petersen, Mayor

ATTEST:

_____
Pamela Byrnes-O'Camb, City Clerk

ASSOCIATE MEMBERSHIP AGREEMENT

by and between the

ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS
and the
CITY OF LOMA LINDA

THIS ASSOCIATE MEMBERSHIP AGREEMENT dated as of December 16, 2003, is by and between the ABAG FINANCE AUTHORITY FOR NONPROFIT CORPORATIONS, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority") and the CITY OF LOMA LINDA, a municipal corporation duly organized and existing under the laws of the State of California (the "City").

W I T N E S S E T H:

WHEREAS, certain public agencies of the State of California (collectively, the "Members"), have entered into a Joint Powers Agreement, dated as of April 1, 1990, revised as of September 18, 1990, and further revised as of June 9, 1992 (the "Agreement"), establishing the Authority and prescribing its purposes and powers; and

WHEREAS, the Authority has been formed for the purpose, among others, of assisting nonprofit corporations and other entities to obtain financing for projects and purposes serving the public interest; and

WHEREAS, the Board of Directors of the Authority and the City Council of the City have determined that the City should become an associate member of the Authority.

NOW, THEREFORE, in consideration of the above premises and of the mutual promises herein contained, the Authority and the City do hereby agree as follows:

Section 1. Purpose. The purpose of this Associate Membership Agreement is to assist nonprofit corporations and other entities to obtain financing for projects and purposes serving the public interest within or impacting upon the City.

Section 2. Associate Members Status. The City is hereby made an associate member of the Authority for all purposes of the Agreement. From and after the date of execution and delivery of this Associate Membership Agreement by the City and the Authority, the City shall be and remain an associate member of the Authority.

Section 3. Restrictions on Rights of City. The City shall not have the right, as an associate member of the Authority, to vote on any action to be taken by the Authority or participate in debate. In addition, no officer, employee or representative of the City shall have any right to become an officer or director of the Authority.

Section 4. No Obligations of City. The debts, liabilities and obligations of the Authority shall not be the debts, liabilities and obligations of the City.

Section 5. Execution of the Agreement. The parties to this Associate Membership Agreement have caused this Associate Membership Agreement to be executed and attested by their proper officers thereunto duly authorized, on the day and year first set forth above.

ABAG FINANCE AUTHORITY FOR
NONPROFIT CORPORATIONS

By: _____

Title: _____

Attest:

By: _____
Secretary

CITY OF LOMA LINDA

By: _____

Title: _____

Attest:

By: _____
City Clerk

City Of Loma Linda

25541 Barton Road, Loma Linda, California 92354 • (714) 799-2800• FAX (714) 799-2890

Sister City — Manipal, Karnataka, India

CITY OF LOMA LINDA
CITY COUNCIL ACTION
APPROVED
DENIED
DEFERRED TO
AT THE MEETING OF August 24
1993
Pamela Byrnes-O'Camb
CITY CLERK

August 17, 1993

MEMO TO: CITY COUNCIL

FROM: CITY CLERK

SUBJECT: ISSUER FEE IN CONNECTION WITH BOND FINANCING

Background

On December 11, 1984, City Council established a policy of imposing a 1 percent issuer fee on new bond financing and a 1/4 of 1 percent fee on refunding issues, based upon recommendation from Special Bond Counsel of Stradling, Yocca, Carlson & Rauth and in compliance with Federal arbitrage regulations.

At the meeting of August 10, 1993, City Council approved a request from Loma Linda University Medical Center to calculate the City issuance fee for the $62,565,000 Series 1993-A LLUMC Bonds, based upon 1 percent of the principal amount of the bonds net of original issue discount.

City Council also requested a similar policy be established for application to all future bond issues.

It was staff's feeling that if the City received a lesser fee because the fee was based upon discounted bonds, that the City should also enjoy a greater amount if the bonds were sold at a premium.

Recommendation

Establish a policy whereby the initial amount of the 1 percent issuer fee on new bond financing and the 1/4 of 1 percent fee on refunding issues be determined by reference to the "issue price" under Federal Tax Principles. (Policy wording suggested by Special Bond Counsel).

Respectfully submitted,

Pamela Byrnes-O'Camb

Pamela Byrnes-O'Camb
City Clerk

Recycled paper