



## Staff Report

**Date:** May 10, 2016

**To:** City Council

**From:** Valerie J. Barone, City Manager

**Reviewed by:** Victoria Walker, Director of Community and Economic Development

**Prepared by:** Brian Nunnally, Business Development Manager  
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**Subject:** **Approve Resolution 16-31 Pursuant to the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) and the Internal Revenue Code of 1986 for the California Statewide Communities Development Authority to Issue Up to \$546,000,000 in Tax-Exempt Obligations on Behalf of John Muir Health**

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### Report in Brief

The California Statewide Communities Development Authority (CSCDA) is a joint exercise of powers authority sponsored by the League of California Cities and California State Association of Counties; various entities, including the City of Concord (City), are among the more than 500 CSCDA members statewide, which include cities, counties, special districts and other agencies. John Muir Health (JMH) desires to seek issuance of up to \$546,000,000 in tax exempt bonds through CSCDA. The bond issuance is a complete refinancing of the existing debt, with savings from the refinancing expected to generate an additional \$30 million to \$40 million that will be used for eligible capital projects at both the Concord and Walnut Creek JMH campuses. In order for all or part of the bonds to qualify as tax-exempt bonds, the City or another CSCDA public agency member must conduct a TEFRA public hearing, providing the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing. CSCDA has asked (1) that the City conduct the TEFRA public hearing as a first step in the bond process, and (2) that at the conclusion of the public hearing the Council adopt Resolution 16-31 approving the bond issuance by CSCDA.

Bond repayment is the sole responsibility of John Muir Health; the City would have no responsibility for bond repayments and the bond debt would in no way affect property taxes in Concord.

### **Recommended Action**

Staff recommends that the City Council:

- 1) Conduct a public hearing under the requirements of the TEFRA and the Internal Revenue Code of 1986; and
- 2) Adopt Resolution 16-31 (Attachment A) approving the issuance of the bonds by CSCDA for the benefit of John Muir Health.

### **Background**

CSCDA is a joint exercise of powers authority sponsored by the League of California Cities and California State Association of Counties, of which the City is a member. The Joint Exercise of Powers Agreement provides that CSCDA is a public entity, separate and apart from each member executing such agreement. The debts, liabilities and obligations of CSCDA do not constitute debts, liabilities or obligations of the members executing such agreement.

The City previously approved two series of funding, in April 2006 and September 2009. JMH anticipates a refunding of \$200 million of its Series 2009A bonds, \$50.6 million of its Series 2008A bonds, and \$44.5 million of its Series 2008C bonds. The refunding of the Series 2006A bonds, which total approximately \$251 million, will result in approximately \$30-40 million of new money being generated as a result of costs savings.

### **Analysis**

The bonds to be issued by CSCDA would be the sole responsibility of John Muir Health, and the City would have no financial, legal, or moral obligation, liability or responsibility for the repayment of the bonds. All financing documents with respect to the issuance of the bonds would contain clear disclaimers that the bonds are not obligations of the City or the State of California but are to be paid for solely from funds provided by JMH.

JMH would invest the refinanced funding in new eligible capital projects at its Concord and Walnut Creek campuses. JMH has many eligible projects that can utilize the new bond funds between the two campuses. While the allocation between the two campuses has not yet been determined, the short list of projects includes a \$23 million refurbishment of the Concord campus' Intensive Care Unit, a project which is slated to take place during the next 18 months.

In order for all or a portion of the bonds to qualify as tax-exempt bonds, the City or other public agency members of CSCDA must conduct a public hearing (TEFRA hearing), providing the members of the community an opportunity to speak in favor of or against

the use of tax-exempt bonds for the financing. Prior to the hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA hearing, pursuant to Section 147(f) of the Internal Revenue Code of 1986, the issuance of the bonds by CSCDA must be approved by the Concord City Council because the project facilities are located within the territorial limits of the City and the City Council is the elected legislative body of the City, and is one of the applicable elected representatives required to approve the issuance of the bonds. The City of Walnut Creek will also be holding a TEFRA public hearing because the Walnut Creek City Council is the elected legislative body required to approve the issuance of the bonds for the proposed project(s) that JMH is considering at its Walnut Creek campus.

**Financial Impact**

There is no financial impact to the City. All financing for this proposal will be completed by outside parties.

**Public Contact**

Notice of the Public Hearing was posted in accordance with Public Hearing notification procedures. Notice of Public Hearing was published in the *East Bay Times* newspaper on April 25, 2016, which satisfies the minimum notification time required for this action. The City Council agenda was posted.

**Attachment**

1. Resolution No. 16-31

**BEFORE THE CITY COUNCIL OF THE CITY OF CONCORD  
COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA**

**A Resolution of the City Council of the City of  
Concord Approving the Issuance of One or More  
Series of the California Statewide Communities  
Development Authority Revenue Bonds (John Muir  
Health), Series 2016 in an Aggregate Principal  
Amount Not To Exceed \$546,000,000 for the Purpose  
of Financing and Refinancing the Acquisition,  
Construction, Improvement, Equipping, Renovation,  
Rehabilitation and Remodeling of and Other Capital  
Projects at Certain Health Facilities for John Muir  
Health and Certain Other Matters Relating Thereto**

**Resolution No. 16-31**

**WHEREAS**, John Muir Health, a California nonprofit public benefit corporation (the “Borrower”), has requested that the California Statewide Communities Development Authority (the “Authority”) issue revenue bonds in one or more series in an aggregate principal amount not to exceed \$546,000,000 (the “Bonds”) for the purpose of, among other things, financing and refinancing the acquisition, construction, improvement, equipping, renovation, rehabilitation and remodeling of and other capital projects at (the “Financing”) those certain health facilities owned and operated by the Borrower and known as John Muir Medical Center – Concord (the “Facilities”) located in the City of Concord, California (the “City”); and

**WHEREAS**, the Bonds may also finance capital expenditures at additional health facilities located in other jurisdictions, which jurisdictions will also consider approval of the transaction separate from the City; and

**WHEREAS**, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the “Code”), the issuance of the Bonds by the Authority must be approved by the City because the Facilities are located within the territorial limits of the City; and

**WHEREAS**, the City Council of the City (the “Council”) is the elected legislative body of the City and is one of the applicable elected representatives required to approve the issuance of the Bonds under Section 147(f) of the Code; and

**WHEREAS**, the Authority has requested that the Council approve the issuance of the Bonds by the Authority in order to satisfy the public approval requirement of Section 147(f) of the Code and

1 the requirements of Section 9 of the Amended and Restated Joint Exercise of Powers Agreement,  
2 dated as of June 1, 1988 (the "Agreement"), among certain local agencies, including the City; and

3 WHEREAS, the Authority is also requesting that the Council approve the issuance of any  
4 refunding bonds hereafter issued by the Authority for the purpose of refinancing the Bonds which  
5 financed or refinanced the Facilities (the "Refunding Bonds") but only in such cases where federal tax  
6 laws would not require additional consideration or approval by the Council; and

7 WHEREAS, pursuant to Section 147(f) of the Code, the Council has, following notice duly  
8 given, held a public hearing regarding the issuance of the Bonds, and now desires to approve the  
9 issuance of the Bonds by the Authority.

10 **NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CONCORD DOES**  
11 **RESOLVE AS FOLLOWS:**

12 **Section 1.** The Council hereby approves the issuance of the Bonds and Refunding Bonds by  
13 the Authority. It is the purpose and intent of the Council that this resolution constitute approval of the  
14 issuance of the Bonds and Refunding Bonds by the Authority, for the purposes of (a) Section 147(f) of  
15 the Code by the applicable elected representative of the issuer of the Bonds and the governmental unit  
16 having jurisdiction over the area in which the Facilities are to be located, in accordance with said  
17 Section 147(f) and (b) Section 9 of the Agreement.

18 **Section 2.** The officers of the City are hereby authorized and directed, jointly and  
19 severally, to do any and all things and to execute and deliver any and all documents which they deem  
20 necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this  
21 resolution and the financing transaction approved hereby.

22 **Section 3.** This resolution shall become effective immediately upon its passage and adoption.

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**PASSED AND ADOPTED** by the City Council of the City of Concord on May 10, 2016, by the following vote:

**AYES:** Councilmembers -

**NOES:** Councilmembers -

**ABSTAIN:** Councilmembers -

**ABSENT:** Councilmembers -

**I HEREBY CERTIFY** that the foregoing Resolution No. 16-31 was duly and regularly adopted at a regular meeting of the City Council of the City of Concord on May 10, 2016.

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Joelle Fockler, MMC  
City Clerk

**APPROVED AS TO FORM:**

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Susanne Meyer Brown  
City Attorney