



CITY OF POMONA COUNCIL REPORT

October 7, 2019

To: Honorable Mayor and Members of the City Council

From: Linda Lowry, City Manager

Submitted By: Andrew Mowbray, Finance Director/City Treasurer

**SUBJECT: PUBLIC HEARING – CONSIDERATION OF A RESOLUTION
APPROVING CONDUIT FINANCING FOR HEALTHRIGHT 360
PROJECT UNDER REQUIREMENT OF THE TAX AND EQUITY
FISCAL RESPONSIBILITY ACT (TEFRA)**

RECOMMENDATION:

It is recommended that the City Council conduct a public hearing under the requirements of the Tax and Equity Responsibility Act (TERFA) and the Internal Revenue Code of 1986 to receive testimony and comments and, upon concluding the hearing, adopt the following resolution:

**RESOLUTION NO. 2019-157 – A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF POMONA APPROVING THE ISSUANCE OF REVENUE
BONDS BY THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY IN AN
AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$65,000,000 FOR
THE PURPOSE OF FINANCING AND REFINANCING THE ACQUISITION,
CONSTRUCTION, IMPROVEMENT AND EQUIPPING OF FACILITIES FOR
HEALTHRIGHT 360 AND CERTAIN OTHER MATTERS RELATING
HERETO**

EXECUTIVE SUMMARY:

That the City Council conduct a TERFA public hearing and adopt the attached resolution (Attachment 1) in favor of tax-exempt revenue bonds issuance not to exceed \$65,000,000 by the California Municipal Finance Authority (CMFA). This action allows HealthRIGHT 360 (the “Borrower”) to comply with the public hearing requirements in order to consolidate debt and finance renovations and equipment to a Pomona-based facility.

FISCAL IMPACT:

The Bonds to be issued by the CMFA for the Project will be the sole responsibility of the Borrower, and the City will have no financial, legal, more obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing

documents with respect to the issuance of the Bonds will contain clear disclaimers that the Bonds are not obligations of the City of Pomona or the State of California but are to be paid solely from funds provided by the Borrower. The City will receive approximately \$4,300 from the CMFA issuance fee, to the General Fund for reimbursement of the administrative costs to process the public hearing.

PUBLIC NOTICING REQUIREMENTS:

Notice of the TEFRA Hearing for the issuance of Revenue Bonds was published in the Inland Valley Daily Bulletin on September 27, 2019.

PREVIOUS RELATED ACTION: None

DISCUSSION:

The Borrower, a California nonprofit public benefit corporation and an organization described in section 501(c)(3) of the Internal Revenue Code of 1986, has requested that the California Municipal Finance Authority (the “CMFA”) participate in the issuance of one or more series of revenue bonds in an aggregate principal amount not to exceed \$65,000,000 (the “Bonds”), of which approximately \$6,450,000 will be allocable to projects in the City and the remaining amount will be allocable to projects in other cities. The projects in the City are the following:

- (a) Not more than \$3,700,000 to refund the outstanding California Statewide (a) not more than \$1,600,000 to refund the portion of the outstanding California Health Facilities Financing Authority Insured Health Facility Revenue Bonds (Prototypes/Social Model), 2001 Series A, issued to make a loan to Prototypes, A Center for Innovation in Health, Mental Health and Social Services, a predecessor of the Corporation (“Prototypes”), to finance the purchase of approximately 3.2 acres of property located adjacent and immediately to the west of 845 East Arrow Highway in Pomona, California, and the construction thereon of an approximately 11,000 square foot building for an expanded outpatient and day treatment substance abuse recovery facility and allow for 23 beds for residential substance abuse treatment.
- (b) Not more than \$2,650,000 to provide for the prepayment of a loan from Bank of America, N.A. in 1991 to Prototypes, to finance renovations to the residential treatment facility for 164 women at located at 845 East Arrow Highway in Pomona, California.
- (c) Not more than \$2,200,000 to finance renovations and equipment to facilities providing residential substance use disorder treatment located at 831 East Arrow Highway and 845 East Arrow Highway in Pomona, California.

In order for all, or a portion of, the Bonds to qualify as tax-exempt bonds, the City of Pomona must conduct a public hearing (the “TEFRA Hearing”) providing for the members of the community an opportunity to speak in favor of or against the use of tax-exempt bonds for the financing of the Project. Prior to such TEFRA Hearing, reasonable notice must be provided to the members of the community. Following the close of the TEFRA Hearing, an “applicable elected representative” of the governmental unit hosting the Project must provide its approval of the issuance of the Bonds for the financing of the Project.

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, through the financing of economic development and charitable activities throughout California. To date, over 300 municipalities have become members of CMFA including the City of Pomona.

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 the 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 the Borrower, and the City will have no financial, legal, moral obligation, liability or responsibility for the Project or the repayment of the Bonds for the financing of the Project. All financing documents with respect to the issuance of the Bonds will 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 the Borrower.

Participation by the City in the CMFA will not impact the City's appropriations limits and will not constitute any type of indebtedness by the City. Outside of holding the TEFRA hearing, adopting the required resolution no other participation or activity of the City or the City Council with respect to the issuance of the Bonds will be required.

Prepared by:

Jane Rich
Finance Manager

Attachment No.1 – Resolution No. 2019-157

Attachment No. 2 – Notice of Public Hearing Regarding Issuance of Revenue Bonds