TO: Mayor and City Council
FROM: Mark Moses, Director of Administrative Services
SUBJECT: TEFRA PUBLIC HEARING: CONSIDER AUTHORIZING THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO ISSUE CONDUIT (NON-CITY) TAX-EXEMPT BONDS ON BEHALF OF SUTTER HEALTH.

RECOMMENDATION

It is recommended that the City Council approve by resolution the issuance of tax-exempt bonds by the California Statewide Communities Development Authority (CSCDA) on behalf of Sutter Health for an amount not to exceed $310 million.

Summary

The Administrative Services Department is seeking Council approval for CSCDA to issue tax-exempt bonds on behalf of Sutter Health for the purpose of financing a medical clinic and offices to provide primary and ancillary health & medical services. The City of Stockton portion of the project is currently underway and is located at 2505 W. Hammer Lane. The estimated project cost is $19 million of which approximately $11 million had been spent on the project as of the end of May.

DISCUSSION

Background

The CSCDA is a Joint Powers Authority whose members include the City of Stockton and nearly 400 other California cities, counties, and special districts. The sole purpose of the CSCDA is to finance projects that promote economic development through the issuance of bonds.

Before bonds are issued, the federal tax laws under the Tax and Equity Fiscal Responsibility Act of 1982 (TEFRA) and Section 147(f) of the Internal Revenue Code require the CSCDA member to 1) conduct a public hearing; and 2) approve the CSCDA's issuance of indebtedness.

Present Situation

Sutter Health has submitted an application to the CSCDA for the issuance of tax-exempt bonds to finance or refinance certain medical facilities. A portion of the project, a medical office building and clinic providing primary and ancillary health & medical services, will be located in the City of Stockton at 2505 W. Hammer Lane.
TEFRA PUBLIC HEARING: SUTTER HEALTH

(Page Two)

In accordance with federal regulations, the CSCDA has requested the City conduct a TEFRA public hearing and approve the issuance of the tax-exempt bonds. Interested persons wishing to express their view on the issuance of the bonds or on the nature and location of the facilities proposed to be financed will be given the opportunity to do so during the public hearing.

Public Notice

The legal notice of the TEFRA public hearing is required to be advertised at least 14 days in advance. The notice for this hearing was published on June 13, 2005 in The Record.

Finance Information

CSCDA will serve as issuer of the bonds. Orrick, Herrington & Sutcliffe will serve as Bond Counsel for the issue. Morgan Stanley will serve as the senior manager and Banc of America Securities will serve as co-manager. The proposed sale of bonds will be privately placed; the bonds will be rated AA- by Standard & Poor’s and A1 by Moody’s. The bond issue will include both fixed rate and variable auction rate securities.

Representatives of Sutter Health and CSCDA will be in attendance to answer any questions.

FINANCIAL SUMMARY

The City has no financial liability as a result of approving the issuance of the tax-exempt bonds for Sutter Health.

PREPARED BY: Jim Malberg, Program Manager III

Respectfully submitted,

MARK MOSES
DIRECTOR OF ADMINISTRATIVE SERVICES

Approved by City Manager

MARK LEWIS, CITY MANAGER
RESOLUTION NO. _____

STOCKTON CITY COUNCIL

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF STOCKTON
APPROVING A TAX-EXEMPT BOND FINANCING TO BE ISSUED BY THE
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO
BENEFIT SUTTER HEALTH AND CERTAIN AFFILIATES

WHEREAS, Sutter Health, Sutter Gould Medical Foundation and certain other
affiliates of Sutter Health, each a nonprofit public benefit corporation (collectively, the
"Health Institutions"), have requested that the California Statewide Communities
Development Authority (the "Authority") issue bonds in one or more series in an
aggregate principal amount not to exceed $400,000,000 (the "Bonds") for the purpose
of, among other things, financing or refinancing the acquisition, improvement and
equipping (the "Financing") of certain health facilities owned or operated by the Health
Institutions, including Sutter Gould Medical Foundation (the "Facilities") located in the
City of Stockton (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 the requirements of Section 9 of the Amended and Restated
Joint Exercise of Powers Agreement, dated as of June 1, 1988 (the "Agreement"),
among certain local agencies, including the City; and

WHEREAS, the Authority has also requested that the Council approve, for
purposes of Section 9 of the Agreement, the issuance of any bonds to be issued by the
Authority to refund the Bonds; and

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

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF STOCKTON, AS
FOLLOWS:
Section 1. The Council hereby approves the issuance of the Bonds by the Authority. It is the purpose and intent of the Council that this Resolution constitute approval of the issuance of the Bonds by the Authority, for the purposes of (a) Section 147(f) of the Code by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Facilities are to be located, in accordance with said Section 147(f) and (b) Section 9 of the Agreement, which shall also be deemed satisfied for any Authority bonds issued to refund the Bonds.

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

Section 3. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED and ADOPTED _____________________

EDWARD J. CHAVEZ, Mayor
of the City of Stockton

I hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Stockton at a regularly scheduled meeting thereof, held on the 28th day of June, 2005 by the following vote of the Council:

AYES:

NOES:

ABSENT:

ATTEST:

KATHERINE GONG MEISSNER
City Clerk of the City of Stockton