



**Agenda Item D.1
PUBLIC HEARING
Meeting Date: August 19, 2008**

TO: Mayor and Councilmembers

FROM: Daniel Singer, City Manager

CONTACT: Michelle Greene, Administrative Services Director

SUBJECT: A Resolution Approving a Tax-Exempt Bond Financing to Be Issued By the California Statewide Communities Development Authority to Benefit Goleta Valley Cottage Hospital and Affiliates

RECOMMENDATION:

- A. Conduct the public hearing; and
- B. Adopt the resolution No. 08-__ entitled "A Resolution of the City Council of the City of Goleta, California Approving a Tax-Exempt Bond Financing to Be Issued By the California Statewide Communities Development Authority to Benefit Goleta Valley Cottage Hospital and Affiliates."

BACKGROUND:

The California Statewide Communities Development Authority (CSCDA) is a California joint exercise of powers authority, organized and existing under the laws of the State of California (specifically, California Government Code Section 6500 and following), and is sponsored by the League of California Cities and the California State Association of Counties. Currently over 460 cities (including Goleta), counties and special districts or agencies of some type are program participants of CSCDA.

CSCDA is authorized to issue bonds in order to promote economic development including assisting in the financing of facilities for non-profit organizations. Cottage Health System has requested that CSCDA issue bonds in one or more series in the aggregate principal amount not to exceed \$285,000,000. A portion of these proceeds will be used for the construction of a new replacement hospital on the existing campus of Goleta Valley Cottage Hospital.

Although the CSCDA will be the issuer of the tax-exempt revenue obligations for the Cottage Health System, the City must approve of CSCDA's issuance of bonds since Goleta Valley Cottage Hospital is in the City's jurisdiction. However, the City of Goleta has no financial obligation and incurs no financial liability in the issuance of the tax-exempt revenue bonds to be issued by the CSCDA.

DISCUSSION:

The tax-exempt revenue bonds to be issued by CSCDA will facilitate project locations in the cities of Goleta and Santa Barbara on behalf of Cottage Health System. Both municipalities are required to conduct a public hearing per the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA).

TEFRA Public Hearing

Section 147(f) of the Internal Revenue Code requires that the proposed financing be approved by the governmental unit having jurisdiction over the area in which each project to be financed is located. The financing will be treated as having been approved by the governmental unit if the applicable elected representative of such governmental unit approves such issue after a public hearing. Therefore, the City has been requested by the CSCDA to conduct such public hearing (a.k.a. TEFRA Hearing) prior to the issuance of tax exempt revenue bonds for the benefit of Cottage Health System and its affiliate Goleta Valley Cottage Hospital. Interested persons wishing to express their views 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.

Notice of the TEFRA Hearing must be advertised at least 14 days in advance of the public hearing. The notice of public hearing associated with this matter was published in the Santa Barbara News Press on Monday, August 4, 2008.

ALTERNATIVE:

The City Council could choose not to conduct the public hearing; and not to adopt the resolution approving the issuance of bonds. However, since approval of the proposed financing by the City of Goleta is required under Section 147(f) of the Internal Revenue Code, such action would jeopardize the bond issuance process for this project.

FISCAL IMPACTS:

There is no fiscal impact to the City of Goleta associated with this bond issuance. As stated above, the City of Goleta has no financial obligation and incurs no financial liability.

Submitted By:

Approved By:

Michelle Greene
Administrative Service Director

Daniel Singer
City Manager

ATTACHMENTS:

1. A Resolution of the City Council of the City of Goleta Approving a Tax-Exempt Bond Financing to Be Issued By the California Statewide Communities Development Authority to Benefit Goleta Valley Cottage Hospital and Affiliates

RESOLUTION NO. 08-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GOLETA, CALIFORNIA APPROVING A TAX-EXEMPT BOND FINANCING TO BE ISSUED BY THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY TO BENEFIT GOLETA VALLEY COTTAGE HOSPITAL AND AFFILIATES

WHEREAS, Goleta Valley Cottage Hospital (“GVCH”), an affiliate of Cottage Health System (the “Borrower”), both nonprofit public benefit corporations, has requested that the California Statewide Communities Development Authority (the “Authority”) issue bonds in one or more series (the “Bonds”) in the aggregate principal amount not to exceed \$285,000,000, a portion of the proceeds will be used for the purpose of, among other things, financing or refinancing the acquisition, construction, improvement, equipping, renovation, rehabilitation and remodeling (the “Financing”) of certain health facilities owned or operated by GVCH or its affiliates (the “Facilities”) located in the City of Goleta (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 is also requesting that the City approve the issuance of any refunding bonds hereafter issued by the Authority for the purpose of refinancing the Bonds which financed the Facilities (the “Refunding Bonds”), but only in such cases where federal tax laws would not require additional consideration or approval by the City Council; 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 Goleta as follows:

SECTION 1.

The Council hereby approves the issuance of the Bonds and Refunding 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.

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.

SECTION 4.

The City Clerk shall certify to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED this 19th day of August 2008.

MICHAEL T. BENNETT, MAYOR

ATTEST:

APPROVED AS TO FORM:

DEBORAH CONSTANTINO
CITY CLERK

BRIAN A. PIERIK
ASSISTANT CITY ATTORNEY

STATE OF CALIFORNIA)
COUNTY OF SANTA BARBARA) ss.
CITY OF GOLETA)

I, DEBORAH CONSTANTINNO, City Clerk of the City of Goleta, California, DO HEREBY CERTIFY that the foregoing Resolution No. 08-__ was duly adopted by the City Council of the City of Goleta at a regular meeting held on the 19th day of August, 2008, by the following vote of the Council:

AYES:

NOES:

ABSENT:

(SEAL)

DEBORAH CONSTANTINO
CITY CLERK