



# COUNTY OF HUMBOLDT

For the meeting of: 6/23/2020

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File #: 20-761

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**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Public Hearing

**SUBJECT:**

Public Hearing for Conduit Financing for the Open Door Community Health Centers Project

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Open the public hearing;
2. Receive a staff report;
3. Receive comments from the public;
4. Close the public hearing;
5. Adopt the attached resolution approving the issuance of bonds by the California Municipal Finance Authority (CMFA) for the benefit of Open Door Community Health Centers (Open Door), to provide for the financing of the project, and authorizing the Chair of the Board to execute the Joint Exercise of Powers Agreement with CMFA.

**SOURCE OF FUNDING:**

N/A

**DISCUSSION:**

Open Door requested that the CMFA serve as the municipal issuer of the bonds in an aggregate principal amount not to exceed \$35 million of tax-exempt revenue bonds. The proceeds of the bonds will be used for the purpose of making a loan to Open Door to enable them to:

(a) finance the construction costs of a new 34,000 square foot, two story, replacement community health center to be located at 1150 Foster Street, Arcata, California, and

(b) refinance a loan from the United States Department of Agriculture, made in 2018, to finance a community health center located at 3750 Rohnerville Rd, Fortuna, CA 95540 ((a) and (b) collectively known as the "Project").

In order for all or a portion of the bonds to qualify as tax-exempt bonds, the County of Humboldt must conduct a public hearing under the Tax and Equity Fiscal Responsibility Act (TEFRA) 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 Jan. 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.

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.

#### **EXECUTION OF THE JOINT EXERCISE OF POWERS AGREEMENT:**

In order for the CMFA to have the authority to serve as the issuer of the bonds for the Project, it is necessary for the county to become a member of the CMFA. Attached to this report is a copy of the Joint Exercise of Powers Agreement to be executed by a designated signatory of the county.

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 county 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 county or the State of California but are to be paid for solely from funds provided by the Borrower.

There are no costs associated with membership in the CMFA and the county will in no way become exposed to any financial liability by reason of its membership in the CMFA. In addition, participation by the county in the CMFA will not impact the county’s appropriations limits and will not constitute any type of indebtedness by the county. Outside of holding the TEFRA hearing, adopting the required resolution and executing the Joint Exercise of Powers Agreement of the CMFA, no other participation or activity of the county or the Board of Supervisors with respect to the issuance of the Bonds will be required.

The Joint Exercise of Powers Agreement expressly provides that any member may withdraw from such agreement upon written notice to the Board of Directors of the CMFA. In the case of the proposed

bond financing for the Borrower, the county, following its execution of the Joint Exercise of Powers Agreement, could, at any time following the issuance of the Bonds, withdraw from the CMFA by providing written notice to the Board of Directors of the CMFA.

FINANCIAL IMPACT:

The Board of Directors of the California Foundation for Stronger Communities, a California non-profit public benefit corporation, acts as the Board of Directors for the CMFA. Through its conduit issuance activities, the CMFA shares a portion of the issuance fees it receives with its member communities and donates a portion of these issuance fees to the foundation for the support of local charities. With respect to Humboldt County, it is expected that that a portion of the issuance fee attributable to the county will be granted by the CMFA to the General Fund of the county. Such grant may be used for any lawful purpose of the county.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by creating opportunities for improved safety and health .

OTHER AGENCY INVOLVEMENT:

CMFA

ALTERNATIVES TO STAFF RECOMMENDATIONS:

The Board could choose not to adopt the resolution approving the issuance of bonds for the benefit of Open Door financing a construction project. However, this is not recommended as adopting the resolution supports quality health care and supports vulnerable populations.

ATTACHMENTS:

1. Resolution No \_\_\_\_ Approving, Authorizing and Directing Execution of a Joint Exercise of Powers Agreement and Approving the Issuance of Revenue Bonds
2. CMFA Joint Powers Agreement
3. CMFA Membership List

PREVIOUS ACTION/REFERRAL:

Board Order No.: N/A

Meeting of: N/A

File No.: N/A