



REPORT TO COUNCIL

City of Sacramento

915 I Street, Sacramento, CA 95814-2604
www.CityofSacramento.org

PUBLIC HEARING
May 5, 2009

Honorable Mayor and
Members of the City Council

Title: Issuance of Revenue Bonds by the California Statewide Communities Development Authority to Benefit Kaiser Permanente

Location/Council District: 6600 Bruceville Rd/Council District 8

Recommendation: Conduct a public hearing and upon conclusion adopt a **Resolution** regarding the issuance of revenue bonds by the California Statewide Communities Development Authority (CSCDA) to benefit Kaiser Permanente.

Contact: Kimberlie Gladden, Senior Debt Analyst, 808-2675; Janelle Gray, Public Finance Manager, 808-8296

Presenters: Kimberlie Gladden

Department: City Treasurer's Office

Division: Finance

Organization No: 0900

Description/Analysis

Issue: Kaiser Foundation Hospitals and certain of its affiliates ("Kaiser") are seeking bond financing through CSCDA to finance and refinance the cost of acquisition, construction, improvement, equipping, renovation, rehabilitation, remodeling, and other capital projects. The California-wide aggregate amount is not to exceed \$2.2 billion. CSCDA will be issuing these bonds, and the City will have no financial obligation. In compliance with federal law, representatives of CSCDA have requested that the City hold a public hearing as required by section 147(f) of the Internal Revenue Code of 1986. Section 147(f) requires that the proposed financing be approved by a governmental unit having jurisdiction over the area in which the facility to be financed is located. CSCDA asks that the City Council approve only the issuance of \$286 million in bonds associated with Kaiser's South Sacramento Medical Center at 6600 Bruceville Road.

Policy Considerations: CSCDA represents that it is legally authorized and empowered to undertake this financing. The City Attorney's Office reviewed the hearing notice and the attached resolution and concluded that the City Council has the legal authority to take the recommended action.

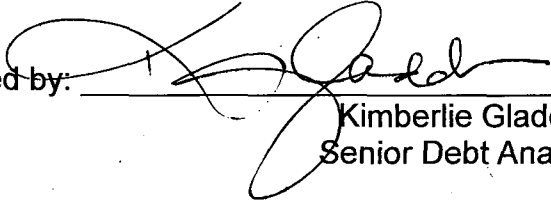
Environmental Considerations: The City Council's action in conducting a public hearing and adopting the proposed resolution is not a project for purposes of the California Environmental Quality Act.

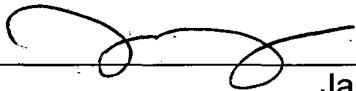
Rationale for Recommendation: Under section 147(f), CSCDA may not issue these tax-exempt obligations unless the City approves the issuance after holding a public hearing for which reasonable public notice is given. Accordingly, it is requested that the City Council hold the required public hearing regarding the issuance of these bonds and approve the issuance of the bonds by CSCDA.

Founded in 1945, Kaiser Permanente is the nation's largest not-for-profit health plan, serving 8.6 million members. To meet the health-care needs of the growing community, Kaiser's South Sacramento Medical Center implemented an expansion project in 2006 with a scheduled completion in late 2010. The project comprises the following: a five-story hospital tower with 136 beds, including 20 new intensive-care beds, increasing the Medical Center's capacity from 162 to 290 beds; expansion of the emergency room to 28,300 square feet and 41 bays; a two-story outpatient surgery center with six additional operating rooms; a special trauma follow-up care center located near the emergency room; a helipad for critical life-flight care; and an 882-space parking structure. Kaiser will use a portion of the bonds to reimburse expenditures and complete the South Sacramento Medical Center.

Financial Considerations: This project and associated financing will have no fiscal impact to the City. The bonds will be paid entirely from repayments by Kaiser under a loan agreement with CSCDA. Neither the full faith and credit nor the taxing power, if any, of the City, CSCDA and its members, the state, or any other political corporation, subdivision, or agency of the state is pledged to the payment of the principal of, any premium for, or interest on the bonds. Nor will the City, CSCDA and its members, the state, or any other political corporation, subdivision, or agency of the state be liable or obligated to pay the principal of, premium for, or interest on the bonds.

Emerging Small Business Development (ESBD): No goods or services are being purchased as a result of these actions.

Respectfully Submitted by: 
Kimberlie Gladden
Senior Debt Analyst

Approved by: 
Janelle Gray
Public Finance Manager

Recommendation Approved:



Russell T. Fehr
City Treasurer

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RESOLUTION NO 2009 - _____

ADOPTED BY THE SACRAMENTO CITY COUNCIL

**APPROVING A TAX-EXEMPT BONDS TO BE ISSUED BY
THE CALIFORNIA STATEWIDE COMMUNITIES
DEVELOPMENT AUTHORITY FOR THE BENEFIT OF
KAISER PERMANENTE**

BACKGROUND:

- A.** Kaiser Foundation Hospitals, Kaiser Foundation Health Plan, Inc., Kaiser Health Plan Asset Management, Inc., Kaiser Hospital Asset Management, Inc., each a nonprofit public-benefit corporation (collectively, "Kaiser"), have requested that the California Statewide Communities Development Authority (the "Authority"); a joint-exercise-of-powers agency established under California law, participate in financing and refinancing the cost of acquisition and construction for certain capital facilities as more fully described below.
- B.** The Authority will issue its revenue bonds in connection with the financing, in one or more series in an aggregate principal amount not to exceed \$2.2 billion (the "Bonds"). Kaiser will use approximately \$286 million of aggregate principal amount for reimbursement of expenditures and for completion of the South Sacramento Medical Center.
- C.** The Authority and Kaiser will enter into a loan agreement (the "Loan Agreement") under which the Authority will loan the proceeds of the Bonds to Kaiser to provide a plan of financing for the following (collectively, the "Project"): financing and refinancing the cost of acquisition, construction improvement, equipping, renovation, rehabilitation, remodeling and other capital projects of certain health, parking, and other support facilities owned or operated by Kaiser Foundation Hospitals or one of its affiliates. The Project includes the facility known as South Sacramento Medical Center (the "Facilities") located in the City of Sacramento (the "City").
- D.** Under section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the Authority's issuance of the Bonds must be approved by the City because the Facilities are located within the territorial limits of the City.
- E.** The Sacramento City Council (the "City Council") is the elected legislative body of the City and as such is authorized to approve the issuance of the Bonds under section 147(f) of the Code.

- F. To satisfy both 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, to which the City is a party (the "Agreement"), the Authority has requested that the City Council approve the issuance of the Bonds.
- G. In accordance with section 147(f) of the Code, the City Council has held a public hearing, following reasonable public notice, regarding the issuance of the Bonds, and the City Council now desires to approve the issuance of the Bonds.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City Council hereby approves the Authority's issuance of Bonds. The City Council intends that this resolution constitute approval of the issuance of the Bonds for the purposes of—

- (a) section 147(f), which requires approval by the applicable elected representative of the governmental unit having jurisdiction over the area in which the Facilities are to be located; 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 execute and deliver any and all documents they may deem necessary or advisable to consummate the Authority's issuance, sale, and delivery of the Bonds and to execute and deliver those documents as they may deem appropriate and otherwise to carry out, give effect to, and comply with the terms and intent of this resolution. Any actions previously taken by those officers in connection with the Bonds are hereby ratified and approved.

Section 3. The City Council expressly conditions its adoption of this resolution on its understanding that the City is not obligated to pay any principal, interest, fees, or other costs associated with the Authority's issuance of Bonds. The City Council's approval of the issuance, sale, and delivery of the Bonds is neither an approval of the underlying credit issues of the proposed Project nor an approval of the financial structure of the Bonds.

Section 4. This resolution takes effect immediately upon its adoption.