

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

## Resolution No. 2005-04

### Disposition of Funds Following Redemption of California Health Facilities Financing Authority Revenue Bonds (SAVRS), 1989 Series A and Series B

March 30, 2005

Staff recommends that the Authority approve a resolution that funds remaining on deposit in the funds and accounts established for the above referenced SAVRS pooled bond financing, less any payments incurred by the Authority in connection with the bonds, be applied to the HELP II loan program following final mandatory redemption. Staff further recommends that any remaining rental lease payments to be paid to the Authority be added to the HELP II program, as received.

#### **BACKGROUND:**

In 1989, the Authority issued a pooled bond financing known as the California Health Facilities Financing Authority Revenue Bonds (SAVRS), 1989 Series A and Series B (“the Bonds”). There are currently two remaining participants in this program, the City of Long Beach and the County of Los Angeles. The current outstanding amount of Bonds is \$6,800,000.

Proceeds were made available pursuant to lease agreements between the Authority as lessor, and each participant as lessee. Each lessee may exercise an option to purchase the health facilities leased from the Authority prior to the termination date of its lease agreement.

#### **ISSUE:**

Both remaining participants in the program have informed the Authority they intend to exercise their option to purchase the Authority’s interest in the leased health facilities on or about April 22, 2005. Subsequent to the final redemption of the Bonds, projected to occur on May 18, 2005, there will be approximately \$2.3 million of funds in the accounts held by the trustee which, per the bond documents, will be released to the Authority.

There is another possible scenario (see Attachment A for a summary). If the County of Los Angeles decides that it will not proceed with its plans to make a prepayment, there will nonetheless be a mandatory redemption that will be triggered in the event the City of Long Beach prepays. The County of Los Angeles will continue to be obligated to pay its remaining lease payments, which will be paid directly to the Authority. An amount

equal to those remaining payments will be paid from the reserve fund for purposes of the final redemption. Therefore, the remaining funds held by the trustee will be approximately \$1.7 million.

The following are the estimated fees and expenses related to the dissolution of the bond program:

Bond counsel fees:	\$52,000.00
Trustee counsel fees:	<u>600.00</u>
Total:	\$52,600.00

**RECOMMENDATION:**

Staff recommends that the Authority approve a resolution that funds remaining in the SAVRS pooled bond financing trustee-held funds, less any payments incurred by the Authority in connection with the bonds, be applied to the HELP II loan program following redemption of the Bonds. Staff further recommends that any remaining rental lease payments to be paid to the Authority be added to the HELP II loan program, as received.

## ATTACHMENT A

### Summary:

As of March 1, 2005, the balance outstanding for each Lessee/Participant totals:

City of Long Beach:                 \$3,526,000

County of Los Angeles:         \$ 618,000

### If both lessees prepay:

As of March 1, 2005, the amount of outstanding bonds is \$6.8 million, as follows:

·	CHFFA Revenue Bonds (SAVRS), 1989 Series A: \$3,400,000.	\$ 3,400,000
·	CHFFA Revenue Bonds (SAVRS), 1989 Series B: \$3,400,000.	<u>3,400,000</u>
		6,800,000
	Less the balance outstanding for each Lessee:	
	City of Long Beach:	3,526,000
	County of Los Angeles:	<u>618,000</u>
	Remainder to be paid from bond reserve fund:	2,656,000
	Beginning bond reserve fund balance:	<u>5,000,000</u>
	Ending bond reserve fund balance, following final redemption:	\$ 2,344,000

### If only Long Beach prepays:

As of March 1, 2005, the amount of outstanding bonds is \$6.8 million, as follows:

·	CHFFA Revenue Bonds (SAVRS), 1989 Series A: \$3,400,000.	\$ 3,400,000
·	CHFFA Revenue Bonds (SAVRS), 1989 Series B: \$3,400,000.	<u>3,400,000</u>
		6,800,000
	Less the balance outstanding for Long Beach:	
	City of Long Beach:	<u>3,526,000</u>
	Remainder to be paid from bond reserve fund:	3,274,000
	Beginning bond reserve fund balance:	<u>5,000,000</u>
	Ending bond reserve fund balance, following final redemption:	\$ 1,726,000