



Legislation Text

File #: 07-1880, **Version:** 1

Hearing to consider adoption of Resolution **07-2008** approving the issuance of tax-exempt lease obligations for CALSTAR by the Association of Bay Area Governments (ABAG) Finance Authority for Nonprofit Corporations in an amount not to exceed \$20,000,000 to finance the acquisition of certain assets including helicopters.

RECOMMENDED ACTION: 1. Conduct the public hearing; and 2. Adopt the attached resolution approving the issuance of the tax-exempt lease obligations for CALSTAR by the ABAG Finance Authority for Nonprofit Corporations.

Fiscal Impact/Change to Net County Cost: These conduit tax-exempt lease obligations are special, limited obligations ("Obligations") of the ABAG Finance Authority for Nonprofit Corporations ("Authority") payable solely through lease payments consisting of principal and interest components by CALSTAR. The tax-exempt lease obligations issued by the Authority will not be a direct obligation of the Authority, the County or any member of the Authority. Neither the faith or credit, nor the taxing power of the County, any member of the Authority, the State or any political subdivision is pledged to the repayment of the Obligations.

Background: State law provides the ability for cities and counties to join together under cooperative agreements to form joint powers authorities to issue debt obligations to fund projects that provide a public benefit and serve the needs of residents within the jurisdiction of the participating members. Federal law allows these obligations to be issued on a tax-exempt basis under certain circumstances. Cities and counties in California have the ability to act as issuers of conduit bonds and other obligations, but many jurisdictions utilize joint powers authorities primarily for economies of scale, to access specialized transaction knowledge and resources.

The Association of Bay Area Governments Finance Authority for Nonprofit Corporations (ABAG) is a joint exercise of powers authority consisting of numerous governmental agencies.

Reason for Recommendation: California Shock Trauma Air Rescue, Inc. (CALSTAR), a California nonprofit public benefit corporation which operates an air ambulance service, has requested the Authority to issue tax-exempt lease obligations in an aggregate amount not to exceed \$20,000,000. The ABAG Finance Authority has been established pursuant to a joint exercise of powers agreement to assist nonprofit corporations and other entities to obtain financing for projects located within the several jurisdictions of Authority members with purposes serving the public interest. El Dorado County has been an associate member of ABAG since November 2005. ABAG is authorized to assist in the financing of capital costs for non-profit public benefit organizations, including CALSTAR.

Proceeds from the Obligations will be used to assist CALSTAR in financing the cost of acquiring certain assets, including four helicopters to be used in connection with CALSTAR's air ambulance operations, and which will be owned by CALSTAR. Some of these helicopters may be based or used within the County of El Dorado, as well as its other eight helicopter bases throughout the state of California.

The financing for CALSTAR involves the issuance of tax-exempt lease obligations and may be completed through the Authority if the County approves the financing, as the County is a member of the Authority. The purpose of this TEFRA (Tax Equity and Fiscal Responsibility Act) hearing is to receive public comment and request approval of the financing, as required by the Internal Revenue Code of 1986 as amended. The Bond Counsel in this transaction, Nixon Peabody LLP, has properly noticed today's hearing, and has prepared the attached resolution for approval.

The County is required to conduct a public hearing and approve the issuance of the Obligations and the use of the proceeds of the Obligations to finance the assets pursuant to Section 147(f) of the Internal Revenue Code before Obligations can be issued as tax-exempt obligations. In the past, the Board has heard similar request through the Authority. In this case, CALSTAR approached the Authority for the financing, and therefore that group has taken the lead.

Action to be taken following Board approval: Chair to sign three (3) copies of the attached resolution; Board Clerk's office to return two (2) signed copies to Public Health.

Contact: Miles Julihn, ext. 7621