

CITY OF PALM DESERT STAFF REPORT

MEETING DATE: December 12, 2024

PREPARED BY: Richard D. Cannone, AICP, Development Services Director

SUBJECT: PUBLIC HEARING TO CONSIDER THE ISSUANCE OF TAX-EXEMPT BONDS BY THE CALIFORNIA PUBLIC FINANCE AUTHORITY IN SUPPORT OF FINANCING IMPROVEMENTS TO HAZELDEN BETTY FORD FOUNDATION'S HEALTH CARE FACILITIES

RECOMMENDATION:

1. Conduct a public hearing under the Tax Equity and Fiscal Responsibility Act of 1982 and the Internal Revenue Code of 1986, as amended, and the related Treasury Regulations, on the proposed issuance of tax-exempt bonds by the California Public Finance Authority.
2. Adopt a Resolution entitled "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM DESERT, CALIFORNIA, APPROVING THE ISSUANCE OF REVENUE BONDS BY THE CALIFORNIA PUBLIC FINANCE AUTHORITY ON BEHALF OF HAZELDEN BETTY FORD FOUNDATION AND REQUESTING TO JOIN THE CALIFORNIA PUBLIC FINANCE AUTHORITY AS AN ADDITIONAL MEMBER."

BACKGROUND/ANALYSIS:

The California Public Finance Authority (CalPFA)

CalPFA was established in May 2015 under a Joint Exercise of Powers Agreement (JPA). Its purpose is to support economic, cultural, and community development by assisting local governments, nonprofit organizations, and businesses with the issuance of taxable and tax-exempt bonds. These efforts aim to improve the standard of living throughout California. To date, more than 50 cities and counties have become members of CalPFA.

The JPA establishes CalPFA as a public entity, separate from its member agencies. Consequently, the debts, liabilities, and obligations of CalPFA are not those of its members.

Hazelden Betty Ford Foundation Request

The Hazelden Betty Ford Foundation ("Hazelden") is a Minnesota nonprofit corporation that operates addiction and mental health treatment facilities throughout the United States, including approximately 15 properties within the City of Palm Desert. Hazelden has requested that CalPFA issue up to \$45,000,000 in tax-exempt revenue bonds (the "Bonds"). Of the total amount, approximately \$1,000,000 will be allocated specifically to their Palm Desert properties (the "Project") for the following purposes:

- Routine capital improvements to Hazelden facilities located at multiple addresses along Daisy Lane in Palm Desert, California.
- Payment of capitalized interest, if applicable.
- Covering issuance costs related to the Bonds.

Federal Requirements

To qualify as tax-exempt bonds under federal law, the issuance must comply with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). As required by Section 147(f) of the Internal Revenue Code of 1986 and associated Treasury regulations, the City of Palm Desert must:

1. Conduct a public TEFRA hearing to allow community members to express their views about the use of tax-exempt bonds for this project.
2. Approve the issuance of the Bonds by adopting a resolution, as the project is within the City's jurisdiction.

City's Responsibilities and Obligation

The City's involvement is limited to holding the TEFRA hearing and adopting a resolution (see Attachment A) to meet federal requirements. The attached resolution includes the following conditions:

- The Bonds will be solely the financial responsibility of Hazelden.
- The City will have no financial, legal, or moral obligation regarding the Bonds, the Project, or repayment.
- Clear disclaimers will be included in all bond-related documents, confirming that neither the City nor the State of California bears any liability for the Bonds.

To proceed with the Bond issuance, the City of Palm Desert must conduct a TEFRA hearing and adopt a resolution approving the issuance of the Bonds by CalPFA. **The City's involvement is limited to these procedural steps, with no financial or legal obligations for the Project or the repayment of the Bonds.**

Notice of the TEFRA Hearing was provided in accordance with Section 147(f) of the Internal Revenue Code of 1986, and the associated Treasury Regulations.

Legal Review:

This report has been reviewed by the City Attorney's Office.

FINANCIAL IMPACT:

There is no fiscal impact or liability to the City associated with the approval of this item.

ATTACHMENT:

1. Draft Resolution