Present: Chair John Gioia  
Vice Chair Federal Glover  

Staff Present:  
Attendees:  

1. Introductions  

Chair Gioia convened the meeting at 2:15 p.m. and invited attendees to introduce themselves.  

2. Public Comment  
(Speakers may be limited to three minutes on any item under the jurisdiction of the committee and not on the agenda.)  

No one asked to speak during the public comment.  

3. Presentation and Action Regarding Advance Refunding of 2011 Certificates of Participation.  

The committee accepted the report.  

The committee acknowledged the quick approval turnaround time needed due to interest rate market fluctuations.  

The committee acknowledged the potential annual savings of $350,000 and the elimination of the one million dollars in accelerated debt service payments.  

The committee approved G.L. Hicks Financial, LLC and Piper Jaffray & Co. as underwriters and Quint & Thimmig LLP as bond counsel.  

The committee approved moving forward on the refunding and directed staff to report back on June 3, 2019.  

AYE: Chair John Gioia, Vice Chair Federal Glover  
Passed  

Attachment: Refunding Report  

4. Adjourn  

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shannan.moulton@cchealth.org
PURPOSE

An advance refunding of the West Contra Costa Healthcare District’s (the “District”) 2011 Certificates of Participation (the “2011 COPs”) would achieve two objectives of the District: (i) it would provide for lower debt service payments over the remaining life of the 2011 COPs and (ii) it would eliminate the provision in the bankruptcy court agreement that requires the District to accelerate repayment of its 2011 COPs, by $1,000,000 annually beginning in 2022. These funds would then be available to the District for the support of healthcare services located within the District’s boundaries.

BACKGROUND AND FINDINGS

In 2004, the District passed a super-majority parcel tax measure, known as Measure D, to provide the needed operating capital to take over operation of Doctors Medical Center after its prior operator, Tenet Healthcare Corporation, elected to terminate its lease of Doctors Medical Center with the District. The parcel taxes produce approximately $5.7 million in revenue annually, which parcel tax revenues are provided as security for the 2011 COPs and for Refunding Revenue Bonds issued by the District in 2018 (the “2018 Bonds”) that refunded Certificates of Participation issued by the District in 2004 (the “2004 COPs”). The obligation of the District to make payments from parcel tax revenues on the 2011 COPs is on parity with the District’s obligation to make payments on the 2018 Bonds. The 2004 COPs, the 2011 COPs and the 2018 Bonds are hereinafter referred to as the Parcel Tax Obligations.

In 2006, the District filed for relief under Chapter 9 Bankruptcy due to a lack of sufficient reimbursement received from Medi-Cal and Medicare and emerged from bankruptcy thereafter.

In 2011, with heightened investor concerns due to the difficult financial condition of the District, it was determined that the District should provide statutory lien status for investors as to the parcel tax revenues securing its Parcel Tax Obligations. Senate Bill 644 was passed and signed into law to create a statutory lien against the District’s parcel tax revenues to ensure lenders that, in the event of any future bankruptcy filing, the terms of the Parcel Tax Obligations could not be modified by a bankruptcy court. Soon after passage of Senate Bill 644, the District issued its 2011 COPs to provide working capital, fund needed capital improvements to Doctors Medical Center and to repay an advance from Contra Costa County to the District.

In 2017, the District filed a second Chapter 9 Bankruptcy due to continuing operating difficulties and a failing hospital facility with the effective date of an Amended Plan for Adjustment of the District’s Debts occurring on April 2, 2018, when the District sold its hospital facility. The plan of reorganization under which the District emerged from Bankruptcy was based on a number of factors agreed to by the District, including the refinancing of the 2004 COPs and the 2011 COPs to the extent that a refunding of those two obligations were commercially reasonable.

On April 17, 2018, the District refunded the 2004 COPs with proceeds from the issuance of the 2018 Bonds and subsequently redeemed the 2004 COPs on May 4, 2018. This refunding of the 2004 COPs saved the District just over $2.4 million in net debt service payments.

The District has been evaluating a refunding of its 2011 COPs for several months. Because the 2011 COPs do not allow for an optional redemption until July 1, 2021, it cannot provide for a current refunding until April 2, 2021 (90 days prior to the first optional call date). In addition, current tax law no longer allows an
advance refunding of tax-exempt obligations using the proceeds of tax-exempt debt. As such, the District is evaluating an advance refunding of the 2011 COPs with taxable obligations instead of tax-exempt obligations, which structure is allowed by the tax code. The District has evaluated the issuance of taxable refunding debt that is nonrated, rated and insured. Of the three refunding options being considered, the most favorable option is to issue taxable insured debt. This analysis indicates that, based on current market conditions, a taxable insured refunding of the 2011 COPs would produce for the District just over $4.0 million in debt service savings. However, we believe this level of savings is subject to the District’s ability to secure an investment grade rating from Standard & Poor’s and bond insurance at a competitive premium.

SUMMARY

In summary, pursuant to the District’s recent Bankruptcy Plan of Reorganization, the District has an obligation to complete a refunding of its 2011 COPs to the extent that a refunding is “commercially reasonable.” An insured taxable refunding of the 2011 COPs, based on a best estimate of current interest rates and costs of issuance would produce approximately $4.0 million in total debt service savings and approximately $3.0 million in net present value savings or a 7.8% net present value savings as a percentage of the par amount of the 2011 COPs being refunded. We believe this would qualify as a commercially reasonable refunding. In addition, the District, by refunding both the 2004 COPs (completed in 2018) and the 2011 COPs would guarantee that it would no longer be required to accelerate the repayment of its 2011 COPs starting in 2022, as stipulated in the Bankruptcy Plan of Reorganization.

We request authorization to continue work on the proposed refunding of the District’s 2011 COPs with an out-of-pocket expenditure limit of $30,000. If continued efforts indicate that an investment grade rating and/or bond insurance are available that would produce a sufficient amount of debt service savings, we would return for final approval of a refunding of the 2011 COPs. It is anticipated that all other refinance costs will be contingent on a successful refinance. As such, we are not asking for final approval of the proposed refinancing at this time but only to continue work with efforts needed to determine if a refunding will provide sufficient debt service savings and other benefits for the District. It is not expected that final approval would be requested until June of this year.

Approval of G.L. Hicks Financial, LLC as financial advisor and Piper Jaffray as underwriter for the District is also requested at this meeting. Engagement of an independent financial advisor and an underwriter is needed for the District to further pursue the desired refunding of its 2011 COPs.

ESTIMATED TIME SCHEDULE

If approval is received to proceed as requested above, the following time schedule should be achievable.

<table>
<thead>
<tr>
<th>Date</th>
<th>Activity</th>
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<tbody>
<tr>
<td>May 7, 2019</td>
<td>Secure S&amp;P credit assessment of the District</td>
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<tr>
<td>May 15, 2019</td>
<td>Complete discussions with possible bond insurers</td>
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<tr>
<td>May 30, 2019</td>
<td>Prepare substantially final form of bond documents</td>
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<tr>
<td>June 10, 2019</td>
<td>Complete official statement and Appendix A</td>
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<tr>
<td>June 11, 2019</td>
<td>Request approval of the Refunding Bonds</td>
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<tr>
<td>June 25, 2019</td>
<td>Price Refunding Bonds</td>
</tr>
<tr>
<td>July 10, 2019</td>
<td>Close Refunding Bonds</td>
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