



**Contra
Costa
County**

To: West Contra Costa Healthcare District

From: Anna Roth, Health Services Director

Date: November 9, 2021

Subject: West Contra Costa Healthcare District Refunding of the 2018 and 2019 Bonds

RECOMMENDATION(S):

Acting as the governing board of the West Contra Costa Healthcare District:

1. ACKNOWLEDGE the September 30, 2021 recommendation of the West Contra Costa Healthcare District Finance Committee and the October 14, 2021, recommendation of the Debt Affordability Advisory Committee to approve the refunding of the 2018 and 2019 Bonds in the principal amount of approximately \$44,745,000, and the recommendation of the DACC to pursue a public offering of the refunding bonds.
 2. ACKNOWLEDGE the refunding of existing debt will result in total savings of approximately \$9 million in debt service, subject to changes in market conditions prior to the date of sale.
 3. ADOPT, as the Governing Board of the District, Resolution 2021/381, approving the issuance by the District of its West Contra Costa Healthcare District Refunding Revenue Bonds, Series 2021 to refund the Districts 2018 and 2019 Bonds of which \$50,538,000 is currently outstanding subject to a not-to-exceed underwriters discount of .525% of the par amount of the Bonds and subject to a minimum net present value savings of 10% of the par
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☒ APPROVE

☐ OTHER

☒ RECOMMENDATION OF CNTY

☐ RECOMMENDATION OF BOARD

ADMINISTRATOR

COMMITTEE

Action of Board On: **11/09/2021** ☒ APPROVED AS RECOMMENDED ☐ OTHER

Clerks Notes:

VOTE OF SUPERVISORS

AYE: John Gioia, District I Supervisor

Candace Andersen, District II
Supervisor

Diane Burgis, District III Supervisor

Karen Mitchoff, District IV
Supervisor

Federal D. Glover, District V
Supervisor

I hereby certify that this is a true and correct copy of an action taken and entered on the minutes of the Board of Supervisors on the date shown.

ATTESTED: November 9, 2021

Monica Nino, County Administrator and Clerk of the Board of Supervisors

By: Stacey M. Boyd, Deputy

Contact: Patrick Godley,
925-957-5405

amount of the outstanding principal amount of the 2018 and 2019 Bonds.

4. AUTHORIZE the forms and direct

RECOMMENDATION(S): (CONT'D)

the execution and delivery of the financing documents, including: (i) an Indenture of Trust by and between the District and U.S. Bank National Association as Trustee; (ii) a Bond Purchase Agreement by and between the District and Piper Sandler as Underwriter; (iii) an Escrow Agreement by and between the District and U.S. Bank National Association, as Escrow Bank; (iv) a Continuing Disclosure Certificate between the District and a Dissemination Agent to be appointed; and (v) a Preliminary Official Statement to be revised to a final Official Statement after the date of sale of the Bonds.

5. APPROVE AND AUTHORIZE the taking of necessary actions and the execution of necessary documents in connection therewith.

FISCAL IMPACT:

The refunding of the 2018 and 2019 Bonds will result in total savings of approximately \$9 million through 2042.

BACKGROUND:

The District has two outstanding revenue bonds that are secured by and repaid from the District's parcel taxes:

1. 2018 Bonds (\$15,015,000 original principal amount sold to Pacific Western Bank at 3.625% with a final maturity of July 1, 2028)
2. 2019 Bonds (\$20,254,500 original principal amount sold to Pacific Western Bank and \$20,254,500 original principal amount sold to Western Alliance Business Trust both initially at a taxable rate of 5.00% that have been converted to a tax-exempt rate of 4.125% earlier this year, with a final maturity of July 1, 2042).

Both the 2018 and 2019 Bonds (the "Outstanding Bonds") are callable on any interest payment date, at par, with no prepayment penalty. The first interest payment date the District can refund the Outstanding Bonds is January 1, 2022. As such, the District can issue refunding bonds to refund the currently Outstanding Bonds sometime between October 3, 2021, and December 31, 2021. The refunding would qualify as a current refunding and be eligible as a tax-exempt obligation.

Since the Outstanding Bonds were initially sold, interest rates have declined, and the District's credit profile has improved. The combination of these two factors combined with the favorable prepayment (optional redemption) provisions associated with the Outstanding Bonds has created an opportunity to generate substantial debt service savings by refunding the Outstanding Bonds. If the District misses the January 1 date, the next available redemption date is July 1, 2022, at which time the interest rate might be higher.

On September 30, 2021 the Finance Committee of the West Contra Costa Healthcare District (the "District") recommended to approve a refunding of the 2018 and 2019 Bonds in the principal of approximately \$44,745,000.

On October 14, 2021, the Debt Affordability Advisory Committee (the “DAAC”) recommended to approve the refunding of the 2018 and 2019 Bonds in the principal amount of approximately \$44,745,000 pursuant to a public offering of the refunding bonds.

Financing Details

The following is an overview of the two options considered and the preferred option being recommended for approval:

- Private Placement Term Sheet Proposal from Umpqua Bank:
 - Callable at any time with a call premium that starts at 3% and declines to 0% in 10 years.
 - Total savings of approximately \$7.1 million and approximately \$5.8 million on a net present value basis which is over 11.5% of the Outstanding Bonds par amount.
- Public Offering with Proposed Pricing Provided by Piper Sandler:
 - Based on an indicative rating by Moody’s of “Aa3” the total savings are approximately \$9.7 million and approximately \$7.8 million on a net present value basis which is over 15.5% of the Outstanding Bonds par amount.
 - Risks and additional costs in proceeding with the Public Offering include:
 - Additional management time and effort to prepare disclosure documents and maintain a rating as well as requirements to provide ongoing public disclosure of the District’s financial information and disclosure of parcel tax background and history.
 - The bonds won’t likely be callable until July 1, 2031.
 - Interest rates could increase while waiting to sell the bonds which is when the rate will lock in.

Based on the facts presented, the DAAC, the District’s Finance Committee, the District’s management team and consultants, the District’s Financial Advisor and Underwriter all recommend that the District to pursue a publicly offered tax-exempt refunding revenue bond that refunds, on a current basis, the Outstanding Bonds.

The refunding is contingent on a minimum level of savings being achieved to benefit the District to be effective. This minimum level is set at a net present value savings of 10% of the par amount of the outstanding principal amount of the 2018 and 2019 Bonds. Due to the uncertainty of changing market interest rates between now and the sale date (expected to be November 18, 2021), if interest rates increase, that could have the effect of reducing the actual net present value savings below the present level of just over 15% of the par amount of the 2018 and 2019 Bonds. The underwriter’s discount is capped at .525% of the par amount of the Bonds.

CONSEQUENCE OF NEGATIVE ACTION:

Failure to meet the deadlines for the refunding and redemption of the Outstanding Bonds could result in a \$9 million missed savings opportunity for the District, which savings could go towards community healthcare services.

ATTACHMENTS

Resolution 2021/381

Bond Purchase Agreement

Continuing Disclosure Agreement

Escrow Agreement

Indenture of Trust

Preliminary Official Statement

Financial Analysis

Governing Board of WCCHD Resolution