



Legislation Text

File #: 2019-340, Version: 1

TITLE

PUBLIC HEARING TO CONSIDER APPROVAL, SOLELY FOR PURPOSES OF MEETING THE REQUIREMENTS OF THE INTERNAL REVENUE CODE, OF UP TO \$57,000,000 IN RETIREMENT FACILITIES REVENUE BONDS TO BE ISSUED BY THE PUBLIC FINANCE AUTHORITY FOR THE BENEFIT OF FRIENDS HOMES, INC.

SPONSOR

Jeffrey Poley (Attorney, Parker Poe Attorneys & Counselors at Law)

BACKGROUND

The Public Finance Authority (PFA) is a governmental unit of the State of Wisconsin created for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities nationwide. PFA is sponsored by the National Association of Counties, the National League of Cities, the Wisconsin Counties Association and the League of Wisconsin Municipalities. Any debt issued is not debt of the County or PFA, but rather is payable solely from debt service payments received from the entity involved (in this case, Friends Homes, Inc. ("Friends Homes")). Other continuing care community projects financed in in the State of North Carolina by PFA include (1) Given's Estates, (2) SearStone, and (3) Whitestone Masonic Home. In addition, major health systems utilizing PFA include (1) WakeMed, (2) Cape Fear Valley Health System and (3) Cone Health (in fact Guilford County approved the Cone Health financing). Over 100 projects (educational facilities, CCRCs, hospitals and others) in North Carolina have been financed by PFA. Each had to go through the same local public approval process.

PFA has been requested to issue the Bonds in the principal amount of up to \$57,000,000 for (1) refinancing certain outstanding tax-exempt indebtedness of Friends Homes the proceeds of which were used for various capital improvements to Friends Homes's campus; (2) financing new capital improvements to the campus (together with the refinanced capital improvements (the "*Projects*")); (3) financing certain funds and accounts; and (4) paying certain costs of issuance.

Federal tax law requires that tax exempt bonds issued to finance or, in certain circumstances, refinance, facilities owned by nonprofit organizations be approved by the elected legislative body (or highest elected representative) of the governmental unit that has jurisdiction over the area in which the facility is to be located. Prior to this approval, Internal Revenue Code Section

147(f) requires that a public hearing be held, at which hearing the public is given the opportunity to comment on the Projects.

Because the proceeds of the Bonds will be used to finance and refinance projects located in County, the Board is one of the appropriate governing bodies to approve the use of tax-exempt bonds to finance and refinance the Projects for the purposes of Section 147(f) of the Internal Revenue Code.

Because interest rates for these types of financing are at historic lows, time is of the essence. Closing is currently expected in September of this year. Friends Homes will promise to repay the principal, premium, if any, and interest on the Bonds. Neither PFA nor the County will have any liability whatsoever for the payment of principal or interest on the Bonds. Friends Homes will be solely responsible for repayment of the Bonds.

The Bonds shall not be deemed to constitute a debt of the County or a pledge of the faith and credit of the County, but shall be payable solely from the revenues and other funds provided therefor.

The County will have no responsibility whatsoever for the Bonds. The Bonds will not affect the County's debt ratios or legal debt limit. Because no taxes or other revenues of the County are pledged to pay these bonds, the staff of the County has made no financial analysis of the Bonds, Friends Homes or the Projects.

The notice of public hearing was published on the Guilford County Legal Notices website as required by law. The form of the resolution to be adopted by the Board is also attached.

BUDGET IMPACT

NO ADDITIONAL COUNTY FUNDS REQUIRED

REQUESTED ACTION

That the Board of County Commissioners ("Board") hold a public hearing on the proposed issuance of not to exceed \$57,000,000 of the Bonds to be issued by the Public Finance Authority and the Projects financed and refinanced thereby; and at the conclusion of a public hearing, the Board adopt the attached resolution which finds:

- That the \$57,000,000 in retirement facilities revenue bonds do not constitute a debt of the County; nor require a tax levy or a pledge of the faith and credit of the County; nor will affect the County's debt ratios or legal debt limit; and,
- That the County has made no financial analysis of the Bonds, Friends Homes, Inc. or the Projects financed or refinanced; and,

- Approves solely for purpose of meeting the requirements of the Internal Revenue Code of 1986, as amended, the issuance of not to exceed \$57,000,000 in retirement facilities revenue bonds to be issued by the Public Finance Authority for the benefit of the Friends Homes.