



Creating a healthier Marin together.

Measure F: Bond Financing 101

Updated September 2016

What is a General Obligation (GO) bond?

- A GO bond is a common type of municipal bond in the United States that is secured by a state or local government's pledge to use legally available resources, including tax revenues, to repay bond holders.

Why is a GO bond needed for Marin General Hospital?

- California law requires that all hospitals, Marin General Hospital included, be built to meet the State's rigorous seismic standards. Hospitals not meeting this mandate are forced to close.
- As Marin County's designated Trauma Center, it is essential to the health and well-being of the community, that Marin General Hospital remain open in the immediate aftermath of a natural disaster and other emergency.

What is Measure F?

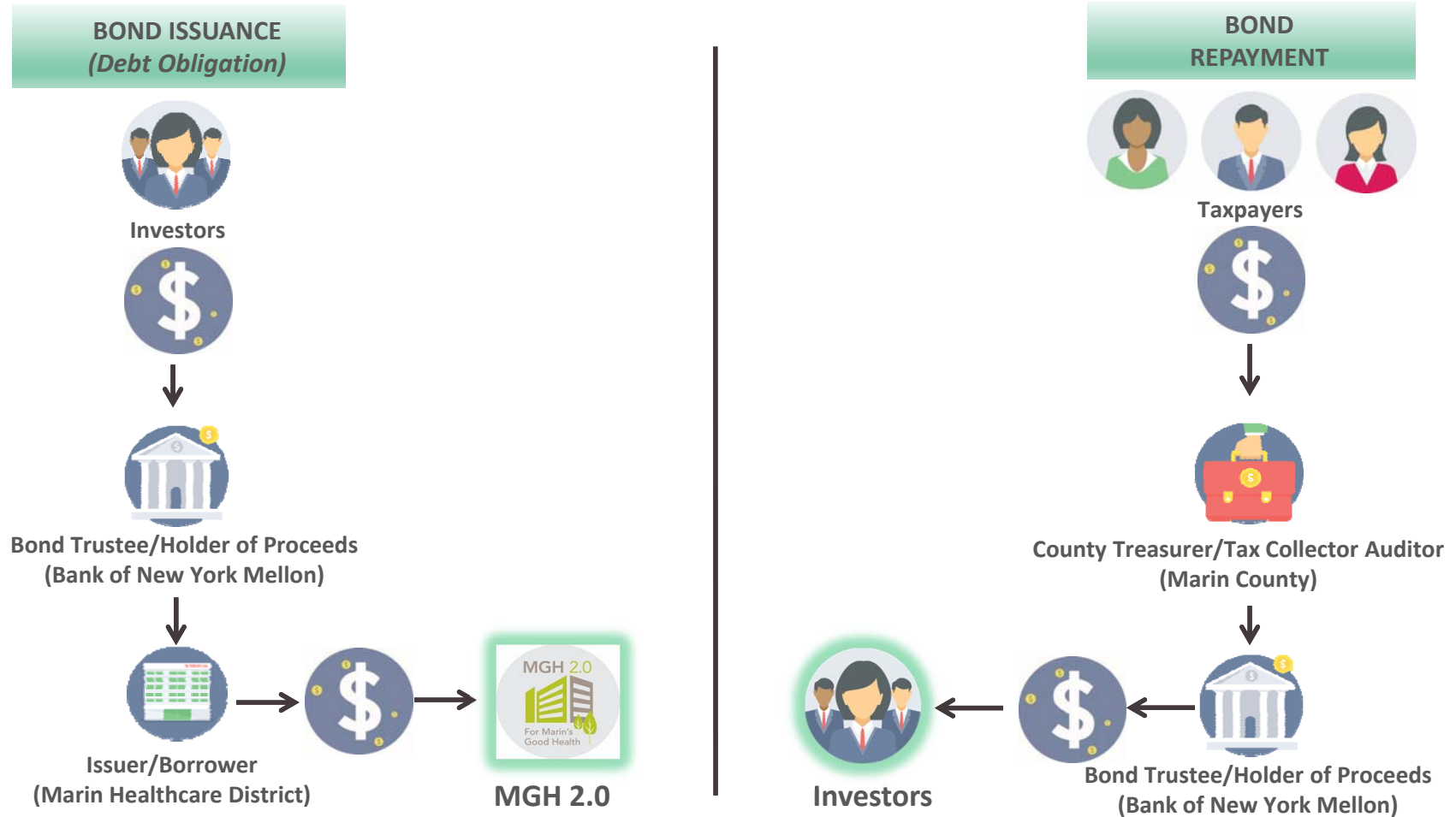
On November 5, 2013, voters in the Marin Healthcare District approved Measure F, the \$394 million general obligation (GO) bond, to rebuild Marin General Hospital. The funds from the bond, which are expected to be on taxes for the next 30 years, will be used to build the new Marin General Hospital - MGH 2.0 – a modern, earthquake-safe, hospital that will serve our community well into the future. Bond funds also include expenditures for the new Hillside Parking Structure, West Wing Renovations, and other Site Work. Property owners will be assessed on the value of owned property for the next 30 years. (For additional details, please refer to Measure F.)

MGH will request that a portion of the GO bonds be issued at various times to fund the construction of the new hospital. In November 2015, \$170 million of the \$394 million was issued. Debt service of the bonds will be funded by County of Marin Property Tax Assessments.

Who are the GO Bond Issuing Participants?

- Issuer/Borrower
 - Marin Healthcare District
- Financial Advisor
 - Hammond, Hanlon, Camp, LLC
- Bond Counsel
 - Orrick Herrington & Sutcliffe LLP
- Disclosure Counsel
 - Archer Norris PLC
- Rating Agency
 - Moody's Investment Services
- Bond Trustee/Holder of Proceeds:
 - The Bank of New York Mellon Trust Company, N.A.
- County Treasurer-Tax Collector/Auditor
 - Marin County
- Underwriter
 - Morgan Stanley
 - Stifel, Nicolaus & Company
- Underwriter Counsel
 - Sidley Austin, LLP

Bond Issuance & Re-payment Flows





Issuing Participants Explained

Issuer/Borrower: Marin Healthcare District

- Receives voter approval to issue GO bonds
- Can't afford to pay for project on a pay-as-you-go basis
 - Needs to borrow money for a large project
 - May issue certificates of participation (COPs), if no GO bonds are available

Investors/Lender

- Have money to invest
- Prefer tax free, fixed income

Issuing Participants Explained, cont.



Financial Advisor: Hammond Hanlon Camp LLC

- Fiduciary responsibility to the Issuer
- Assists with debt authorization
- Explores financing alternatives
- Constructs financial model
- Assembles “Financing Team”
- Develops financing schedule
- Evaluates and recommends method of sale
- Prepares bond specifications and terms
- Prepares district personnel and presentation materials for bond rating
- Manages bond sale
- Provides compliance
- Financial Advisor

Issuing Participants Explained, cont.

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

- Prepares legal documents including:
 - Resolution calling for election
 - Ballot proposition
 - Bond issuance resolution
- Advises:
 - State legal constraints
 - Federal tax law
- Issues “validity” opinion
- Issues tax-exempt opinion
- Prepares transcript of legal proceedings

Issuing Participants Explained, cont.

Disclosure Counsel: Archer Norris PLC

- Provides advice on disclosure obligations
- Prepared official statement
- Prepared continuing disclosure agreement
- Acts as District Counsel

Issuing Participants Explained, cont.

Rating Agency: Moody's Reviews

- Four broad factors that determine rating:
 - The financial strength of the issuer
 - The economic health of the community (commercial, industrial, residential)
 - Managerial and governance practices
 - Debt position – Direct & overlapping debt & overall debt-to-wealth position
- Interviews Issuer, others
- Assigns a letter ratings to bonds (Bond rating is Aa2)



Issuing Participants Explained, cont.

Bond Trustee/Holder of Proceeds: The Bank of New York Mellon Trust Company, N.A.

- Responsible for the payment of interest and principal on municipal bonds on behalf of the issuer
- Collects payments from Issuer
 - Distributes payments to Investors
- Holder of proceeds in fiduciary capacity

Issuing Participants Explained, cont.



County Treasurer: Tax Collector/Auditor (Marin County)

- Levies tax based on the assessed value of District property.
- Collects tax and remits proceeds to the paying agent to make principal and interest payments to investors on the outstanding bonds.

Issuing Participants Explained, cont.

Underwriters: Morgan Stanley and Stifel Nicolaus & Company

- Fiduciary responsibility to investor
- Offers to buy the bonds from the issuer at specific interest rates
 - Sells bonds to investors
 - Fee earned is called Underwriter's Spread (Reoffering Price – Purchase Price)
 - Can advise on structure/terms of financing (negotiated sale)
- 2 Divisions
 - Public Finance/Investment Banking
 - Liaison between underwriter and public officials
 - Underwriting/Trading
 - Prices bonds
 - Syndicate formation
 - Settlement/clearing