

AGENDA
TOWN COUNCIL WORKSHOP
MARTIN'S POINT HEALTHCARE - 6:00 P.M
TOWN COUNCIL CHAMBERS

Wednesday, September 7, 2016

- Item 1.** Call to Order.
- Item 2.** Those Present.
- Item 3.** Discussion on Martin's Point Healthcare.
- Item 4.** Adjournment.

MEMO TO: Town of Scarborough Manager and Council

FROM: Eaton Peabody, Peter Garcia

RE: \$8.0 million Town of Scarborough Revenue Bonds,
Martin's Point Health Care, Inc. 2016 Issue

DATE: September 1, 2016

Municipalities borrow at lower interest rates because the Internal Revenue Code gives the lender (bond purchaser) a tax benefit. Interest paid on the debt is excluded from the lender's taxable income.

The Internal Revenue Code allows funding certain favored private activities, including projects of IRS designated charitable organizations, like Martin's Point Health Care, Inc.

The law requires that so-called private activity bonds be issued by a governmental entity, like the Town of Scarborough. The governmental issuer is not liable for repayment of the bonds, or for the expense of their issuance, and usually consents to issue private activity bonds to encourage development in its community. Typically the bonds are sold to the public, or to a private party (in this case Androscoggin Bank). The proceeds of the bond sale are loaned to the borrower (Martin's Point). The borrower pays the bond purchaser directly. The borrower bears all the expenses, including cost of counsel to the Town who will review all documents prior to closing. The documents, most particularly a Loan Agreement, will confirm there is no pledge of the credit, nor any responsibility by the Town for the repayment of the bonds, and that the borrower (Martin's Point Health Care, Inc.) will defray all expense.

Maine law, the Maine Municipal Securities Approval Program, governs the process for approval and issuance of such bonds by the Town. Proposed projects are reviewed by the Finance Authority of Maine before issuance of bonds by the Town.

Formal steps in the process are:

1. Town adopts Inducement Resolutions and authorizes Inducement Agreement and submission of FAME application. This is scheduled for September 7, 2016.
2. FAME holds a hearing, after public notice, to determine whether or not the project should be approved pursuant to the criteria set out in the statute, including avoiding undue harm to competition, public benefit and environmental protection. After hearing, if satisfied, FAME issues its certificate of approval. Scheduled for September 28, 2016.
3. Town holds a hearing, after notice, and adopts resolutions authorizing the issuance of the bonds. Scheduled for October 5, 2016.
4. Notice of the intent to issue is posted for 30 days, after which documents are signed and the transaction is closed. Scheduled for December 15, 2016.

Bond counsel generally drafts necessary documents and coordinates the process of compliance with all the requirements for closing the transaction, all in close consultation with counsel to the issuer (Town of Scarborough).