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MENDOCINO COAST HEALTH CARE DISTRICT
MCHCD provides a hospital and fosters leadership, advocacy and collaboration for our community health and well-being.

TO: BOARD OF DIRECTORS **BOD Meeting: 11/19/2026**

FROM: Katharine Wylie, Administrator, Wayne Allen, CFO **Item: 3b)**

SUBJECT: STAFF REPORT - Public Hearing Under Section 147(f) of the Internal Revenue Code (the "TEFRA Hearing") Regarding the Proposed Issuance of Certificates of Participation (2026 Seismic Improvements Project) and Related Matters

RECOMMENDED ACTION

Staff recommends that the Board conduct and close the public hearing required under Internal Revenue Code section 147(f) regarding (1) the proposed issuance of the Certificate and (2) the change in use and deemed reissuance of the 2016 General Obligation Bonds described above. As described under The TEFRA Hearing Requirement above, the Board's subsequent adoption of Resolution 2026-5, addressed in the separate Financing staff report for this agenda item, constitutes the Board's approval of both matters for TEFRA purposes; no separate vote on these matters is required at this portion of the agenda item.

BACKGROUND

The Mendocino Coast District Hospital, portions of which were constructed several decades ago, is subject to state-mandated seismic safety requirements administered by the California Department of Health Care Access and Information (HCAI), with a statewide compliance deadline of January 1, 2030. To meet this mandate, the District must complete a series of structural and nonstructural seismic improvements to the hospital facility (the "Project"), which is owned by the District and operated by Adventist Health Mendocino Coast under a long-term lease.

The Board has previously approved a Plan of Finance, dated December 11, 2025, to fund the Project in two phases. The first phase, a short-term, mostly interest-only financing, is the subject of the proposed Certificates of Participation and Resolution 2026-6 discussed in the separate Financing staff report prepared for this same agenda item. This staff report addresses the related public hearing required under federal tax law, and the related change in use and deemed reissuance of the District's outstanding General Obligation Refunding Bonds, Series 2016 (the "2016 GO Bonds") that is approved as part of that hearing.

THE TEFRA HEARING REQUIREMENT

Because the Certificates of Participation (the "Certificate") are intended to be issued on a tax-exempt basis, federal tax law (Internal Revenue Code section 147(f), commonly

referred to as the "TEFRA" requirement) requires that an "applicable elected representative" of the jurisdiction in which the financed project is located approve the plan of finance, following reasonable public notice and a public hearing at which interested persons may comment on the financing and on the nature and location of the facilities being financed. For this financing, the Board of Directors serves as that applicable elected representative, and this public hearing is the vehicle for that approval.

The public hearing is to be held prior to adoption of the Resolution, as part of this same agenda item. The Board's adoption of Resolution 2026-6 following the close of the public hearing itself constitutes, for TEFRA purposes, the Board's approval of the proposed plan of finance for the Project and of the change in use and deemed reissuance of the 2016 GO Bonds described below; no separate TEFRA vote is required. Those approvals facilitate the tax-exempt status of both the Certificate and the 2016 General Obligation Bonds, and are a condition to that tax-exempt status; without them, the financing could not be delivered on a tax-exempt basis.

NOTICE OF THE PUBLIC HEARING

Notice of the public hearing has been posted to the District's website in advance of this meeting, as required, where it has remained continuously available for at least seven calendar days before the hearing, consistent with the published notice safe harbor for governmental issuers under federal tax law. The notice described the proposed Certificate, the Project and its location, the proposed change in use and deemed reissuance of the 2016 GO Bonds discussed below, and the time and means by which interested persons could participate in the hearing or submit written comments.

MATTERS TO BE CONSIDERED AT THE HEARING

The hearing will address two related matters:

Issuance of the Certificate. The proposed issuance by the CSDA Finance Corporation of Certificates of Participation to finance the Project, in an amount expected to be approximately $19,000,000, with a Board-authorized not-to-exceed amount of $21,000,000 as set forth in Resolution 2026-5. Interested persons may comment on the financing and on the nature and location of the facilities to be financed.

Change in Use and Deemed Reissuance of the 2016 General Obligation Bonds. A change in use and deemed reissuance of the District's 2016 GO Bonds, currently outstanding in the principal amount of approximately $2,300,000, as qualified 501(c)(3) bonds under Internal Revenue Code section 145. The 2016 GO Bonds originally refunded the District's Election of 2000 General Obligation Bonds, which financed real property

improvements to the hospital facility. Because that facility is now leased to and operated by Adventist Health Mendocino Coast, a 501(c)(3) nonprofit corporation, rather than operated directly by the District, federal tax law potentially views this as private business use requiring a remedial action to preserve the tax-exempt status of the 2016 GO Bonds, as concluded by the District's bond counsel. The deemed reissuance as qualified 501(c)(3) bonds is that remedial action.

This second matter is distinct from, and should not be confused with, the District's 2016 Insured Revenue Bonds, which are a separate bond issue being retired entirely as part of the same financing, not reissued.

FISCAL IMPACT

There is no fiscal impact to the District from conducting the public hearing or from the change in use and deemed reissuance of the 2016 GO Bonds; that action does not affect the District's debt service, cash flow, or balance sheet. The fiscal impact of the Certificate financing itself is addressed in the separate Financing staff report prepared for this same agenda item.