

**OFFICE OF THE COUNTY ADMINISTRATOR**

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DATE: October 20, 2015

TO: Board of Supervisors

FROM: Dee F. Bruemmer, County Administrator

RE: Approval authorizing the execution of a memorandum of Agreement with Christian Retirement Homes, Inc. (Ridgecrest) and fixing a date for hearing on the proposed issuance of revenue bonds or notes.

Dorsey & Whitney LLP, the County's bond counsel is facilitating the refinancing of Ridgecrest Retirement's 2004 revenue bonds. Ridgecrest has \$3,000,000 remaining to be financed and is seeking a lower interest rate. Cris Kuhn, attorney at Dorsey, at our last Committee of the Whole, discussed this request with you. This conduit debt has no impact on the County's bonding capacity nor does it count against our bank qualified borrowing for the year.

Ridgecrest pays for all reimbursable expenses of the County and our bond counsel. This action approves the memorandum of agreement and sets the public hearing date for November 19, 2015. This is the only action that the Board will take regarding this financing.

CRISTINA KUHN  
(515) 699-3273  
Kuhn.cristina@dorsey.com

October 2, 2015

Scott County Board of Supervisors  
Scott County Administrative Center  
600 West Fourth Street  
Davenport, IA 52801-1003

Re: Ridgecrest Village Refunding

Dear Members of the Board of Supervisors:

This letter is related to the request by Christian Retirement Homes, Inc. d/b/a Ridgecrest Village (the "Borrower") that the Board of Supervisors of Scott County, Iowa (the "County") undertake the issuance of tax exempt bonds or notes (the "Bonds") for the purpose of refunding (the "Refunding") a previous issue by the County of its \$11,575,000 Revenue Refunding Bonds (Ridgecrest Village), Series 2004 (the "Prior Bonds"). The total cost of the Refunding is estimated to not exceed \$5,000,000. The Borrower is also contemplating refunding the County's previous issue of its \$13,820,000 Revenue Refunding Bonds (Ridgecrest Village), Series 2006, but that refunding request would be made to the Board of Supervisors in calendar year 2016. The purpose of this letter is to outline the authority and the procedures relating to the issuance of such Bonds by the Board of Supervisors.

The Board of Supervisors is authorized by Chapter 419 of the Code of Iowa to issue the Bonds and loan the proceeds thereof to the Borrower to refinance the Prior Bonds. Bonds issued under Chapter 419 of the Code of Iowa by cities and counties in the State of Iowa are common methods of obtaining federally tax-exempt financing for projects and refinancing of outstanding debt. Because the interest on such Bonds is exempt from federal income taxes, the Borrower will be able to borrow the money at lower interest rates than would be available with a conventional taxable loan. The County is authorized to issue such Bonds for facilities located within the County limits and anywhere within 8 miles of the boundaries of the County.

Bonds issued by the County pursuant to Chapter 419 are commonly referred to as "conduit" bonds because the County acts as a conduit between the purchasers of the Bonds and the Borrower. The Bonds are issued by the County and sold to purchasers of the Bonds, such as a bank. The proceeds of the sale of the Bonds are then loaned to the Borrower pursuant to a Loan Agreement in which the Borrower agrees to repay the Bonds. Once the County issues the Bonds, the County steps out of the picture and the payments made by the Borrower under the Loan Agreement are made directly to the purchasers. The County would have no accounting or processing responsibilities with respect to payments by the Borrower under the Loan Agreement or to the purchasers of the Bonds.

The Bonds do NOT count against the County's constitutional debt limit. As provided in Section 419.3 of the Iowa Code, the Bonds would be limited obligations of the County and would never constitute an indebtedness of the County within the meaning of any state constitutional provision or statutory limitation and would not constitute or give rise to a pecuniary liability of the County or a charge against its general credit or taxing powers. The Bonds would be payable solely and only out of payments made by the Borrower under the Loan Agreement and the County would not be called upon to pay the Bonds from any County funds. These limitations will be plainly stated on the face of the Bonds.

The County is authorized by Section 265 of the Internal Revenue Code (the "Code") to issue up to \$10,000,000 of "bank qualified" obligations in each calendar year (the "\$10,000,000 BQ Limit"). The County is planning to issue tax exempt solid waste disposal bonds in an amount not to exceed \$9,000,000 as bank qualified obligations. The Bonds requested by the Borrower will not count against the County's \$10,000,000 BQ Limit for calendar year 2015 because they will be structured to meet an exception to the general \$10,000,000 BQ Limit rule.

The ability of the Borrower to receive "bank qualified" status for the Bonds will result in substantial interest costs savings to the Borrower.

Our law firm will prepare all proceedings related to the transaction, including initially a Resolution approving a Memorandum of Agreement with the Borrower and setting a public hearing date on the proposal to issue the Bonds. The Memorandum of Agreement will set forth certain understandings between the County and the Borrower with respect to the Bonds, including the obligation of the Borrower to reimburse the County for any of its costs related to the issuance of the Bonds (ie for publications, mailings, etc) and to pay any issuer fee charged by the County. The notice of hearing must be published at least fifteen days prior to the hearing date. We will coordinate publication of the notice as necessary.

After the hearing is held, the County will have the authority to issue the Bonds, and we will provide an Authorizing Resolution for adoption by the Board of Supervisors, along with all the necessary Bond documents. Once the Authorizing Resolution is adopted, a closing date will be scheduled for the Bonds. Prior to the closing date, we will make arrangements for the Chairperson and County Auditor to sign the loan agreement, the Bonds and the related Bond documents. The closing would occur in 2015.

The following is a summary of the key points addressed in this letter:

1. Under Iowa law, conduit bonds are NOT a debt of the County.
2. Under Iowa law, the County has NO liability or responsibility to repay the conduit bonds; the Borrower is solely responsible to pay the purchasers under the Bond documents.
3. No County funds or tax dollars are being given to the Borrower.
4. The County is not responsible for any ongoing monitoring or collection of payments; the Borrower repays the purchasers directly.
5. The Borrower is making this request to obtain a lower interest rate on the loan to refinance the Prior Bonds.

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6. The Borrower is responsible for paying the County for any direct costs incurred by the County, such as costs for copying, postage or publication of notices, related to the issuance of the conduit bonds. Some issuers charge an issuer fee in addition to reimbursement for costs.

I hope this information will be useful as the County considers assisting the Borrower in obtaining tax exempt financing for the Refunding. Please contact me or Dave Claypool if you have any questions or if there is any further information we can supply at this time. I am available to meet with the Board to discuss either in person or by telephone.

Sincerely,



Cristina Kuhn

cc: Dee Bruemmer, County Administrator

Memorandum of Agreement and  
Setting Date for Hearing

Davenport, Iowa

October 22, 2015

The Board of Supervisors of Scott County, Iowa, met in regular session on the above date at 5:00 o'clock, p.m., at the Scott County Administrative Center, 600 West 4<sup>th</sup> Street, Davenport, Iowa. The meeting was called to order and there were present the Chairperson and the following named Board Members:

Present: \_\_\_\_\_

Absent: \_\_\_\_\_

••• Other Business•••

Matters were discussed relative to a financing for Christian Retirement Homes, Inc. d/b/a Ridgecrest Village, pursuant to Chapter 419 of the Iowa Code. Whereupon, Board Member \_\_\_\_\_ introduced the following resolution and moved its adoption, seconded by Board Member \_\_\_\_\_; and after due consideration thereof by the Board, the Chairperson put the question upon the motion and the roll being called, the following named members of the Board voted:

Ayes: \_\_\_\_\_

Nays: \_\_\_\_\_

Whereupon, the Chairperson declared the said motion duly carried and the resolution adopted as follows:

RESOLUTION \_\_\_\_\_

A Resolution authorizing the execution of a Memorandum of Agreement with Christian Retirement Homes, Inc. d/b/a Ridgecrest Village and fixing a date for a hearing on the proposed issuance of revenue bonds or notes (Ridgecrest Village Project).

WHEREAS, the County of Scott, State of Iowa (the “Issuer”), is a County authorized and empowered by the provisions of Chapter 419 of the Code of Iowa, as amended (the “Act”), to issue revenue bonds or notes for the purpose of financing the cost of acquiring, by construction or purchase, land, buildings, improvements and equipment, or any interest therein, suitable for the use of any facility for an organization described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) which is exempt from federal income tax under Section 501(a) of the Code (a “Tax Exempt Organization”) and to refund any bonds or notes issued pursuant to the Act; and

WHEREAS, the Issuer has been requested by Christian Retirement Homes, Inc. d/b/a Ridgecrest Village (the “Borrower”), a Tax Exempt Organization, to issue its Revenue Refunding Bonds (Ridgecrest Village Project), in one or more series, in an aggregate principal amount not to exceed \$3,000,000 (the “Bonds”) pursuant to the Act and loan the proceeds thereof to the Borrower for the purpose of: (i) refunding the Issuer’s outstanding Revenue Refunding Bonds (Ridgecrest Village), Series 2004, originally issued in the principal amount of \$11,575,000 (the “Prior Bonds”), the proceeds of which were used to (a) refund the City of Davenport, Iowa’s previous issue of \$15,430,000 Revenue Bonds, Series 1993-A (Ridgecrest Village) (the “Series 1993-A Bonds”), (b) finance improvements, equipment and other capital items for the Borrower’s facilities located at 4130 Northwest Boulevard, Davenport, Iowa (the “Facility”), (c) fund a debt service reserve fund for the Prior Bonds, and (d) pay costs of issuance and certain other costs associated with the issuance of the Prior Bonds; (ii) funding a debt service reserve fund for the Bonds; and (iii) paying costs of issuance and certain other costs associated with the issuance of the Bonds; and

WHEREAS, it is proposed to finance the foregoing through the issuance of the Bonds and to loan the proceeds from the sale of the Bonds to the Borrower under a Loan Agreement between the Issuer and the Borrower, the obligations of which will be sufficient to pay the principal of, premium, if any, and interest on the Bonds as and when the same shall be due and payable; and

WHEREAS, the Bonds, if issued, shall be limited obligations of the Issuer, and shall not constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers, and the principal of, interest and premium, if any, on the Bonds shall be payable solely out of the revenues derived from the Loan Agreement; and

**DORSEY & WHITNEY LLP, ATTORNEYS AT LAW, DES MOINES, IOWA**

WHEREAS, before the Bonds may be issued, it is necessary to conduct a public hearing on the proposal to issue the Bonds, all as required and provided for by Section 419.9 of the Act and Section 147(f) of the Internal Revenue Code; and

WHEREAS, a Memorandum of Agreement in the form and with the contents set forth in Exhibit A attached hereto, has been presented to the Issuer which sets forth certain mutual undertakings and agreements between the Issuer and the Borrower, relating to the further processing of said Bonds;

NOW, THEREFORE, IT IS RESOLVED by the Board of Supervisors of the Issuer, as follows:

Section 1. The Memorandum of Agreement in the form and with the contents set forth in Exhibit A attached hereto is hereby approved, and the Chairperson is hereby authorized to execute said Memorandum of Agreement and the County Auditor is hereby authorized to attest the same and to affix the seal of the Issuer thereto; said Memorandum of Agreement, which constitutes and is hereby made a part of this Resolution, to be in substantially the form, text and containing the provisions set forth in Exhibit A attached hereto.

Section 2. Officials of the Issuer are hereby authorized to take such further action as may be necessary to carry out the intent and purpose of the Memorandum of Agreement.

Section 3. This Board shall meet on the 19th day of November, 2015, at the Scott County Administrative Center, Davenport, Iowa, at 5:00 o'clock p.m., at which time and place any resident or property owner of the Issuer may present oral or written objections on the proposal to issue the Bonds referred to in the preamble hereof.

Section 4. The County Administrator or her designee is hereby directed to give notice of intention to issue the Bonds, setting forth the amount and purpose thereof, the time when and place where the hearing will be held, by publication at least once not less than fifteen (15) days prior to the date fixed for the hearing, in a newspaper published and having a general circulation within the Issuer. The notice shall be in substantially the following form:

Section 5. All resolutions and parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Passed and approved October 22, 2015.

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Chairperson

Attest:

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County Auditor

••• Other Business •••

On motion and vote, the meeting adjourned.



EXHIBIT A  
MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT is between the County of Scott, Iowa, (the “Issuer”) and Christian Retirement Homes, Inc. d/b/a Ridgecrest Village (the “Borrower”) on this 22<sup>nd</sup> day of October, 2015 (the “Dated Date”).

1. Preliminary Statement. Among the matters of mutual inducement which have resulted in the execution of this Agreement are the following:

(a) The Issuer is authorized by Chapter 419 of the Code of Iowa, as amended (the “Act”) to issue revenue bonds for the purpose of financing the cost of acquiring, by construction or purchase, land, buildings, improvements and equipment, or any interest therein, suitable for the use of any facility for an organization described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) which is exempt from federal income tax under Section 501(a) of the Code (a “Tax Exempt Organization”) and to refund any bonds issued pursuant to the Act; and

(b) The Borrower wishes to obtain satisfactory assurance from the Issuer that, subject to the public hearing required by the Act and Section 147(f) of Code and the terms of this Agreement, the Bonds (as defined herein) will be issued by the Issuer in a principal amount sufficient to loan said amount to Borrower for the purpose of: (i) refunding the Issuer’s outstanding Revenue Refunding Bonds (Ridgecrest Village), Series 2004, originally issued in the principal amount of \$11,575,000 (the “Prior Bonds”), the proceeds of which were used to (a) refund the City of Davenport, Iowa’s previous issue of its \$15,430,000 Revenue Bonds, Series 1993-A (Ridgecrest Village), (b) finance improvements, equipment and other capital items for the Borrower’s facilities located at 4130 Northwest Boulevard, Davenport, Iowa (the “Facility”), (c) fund a debt service reserve fund for the Prior Bonds, and (d) pay costs of issuance and certain other costs associated with the issuance of the Prior Bonds; (ii) funding a debt service reserve fund for the Bonds; and (iii) paying costs of issuance and certain other costs associated with the issuance of the Bonds.

2. Undertakings on the Part of the Issuer.

(a) The Issuer will begin the proceedings necessary to authorize the issuance of such bonds, in an aggregate principal amount not to exceed \$3,000,000 (the “Bonds”).

(b) Subject to due compliance with all requirements of law and the terms of this Agreement, including the provisions of and the public hearing required by the Act, it will cooperate with the Borrower in the issuance and sale of such Bonds, and the proceeds from the issuance of such Bonds shall be loaned to the Borrower upon terms sufficient to pay the principal of and interest and redemption premium, if any, on such Bonds, as and when the same shall become due.

(c) The Issuer shall determine when, in what amount, and if the Bonds may be issued without causing the Issuer to lose its qualification as a “qualified small issuer” within the meaning of Section 265(b)(3)(C) of the Code.

3. Undertakings on the Part of the Borrower.

(a) It will use all reasonable efforts to cooperate with the Issuer and comply with the Act and all other provisions of law relating to the refunding of the Prior Bonds and the sale of such Bonds.

(b) It will enter into a Loan Agreement with the Issuer under the terms of which the Borrower will obligate itself to pay to the Issuer sums sufficient to pay the principal of and interest and redemption premium, if any, on such Bonds as and when the same shall become due and payable.

4. General Provisions.

(a) All commitments on the part of the Issuer and the Borrower herein are subject to the condition that on or before one year from the date hereof (or such other date as shall be mutually agreed to) the Issuer and the Borrower shall have agreed to mutually acceptable terms relating to the issuance and sale of such Bonds, and mutually acceptable terms and conditions of the documents referred to in paragraph 3 and the proceedings referred to in paragraphs 2 and 3 hereof.

(b) Whether or not the events set forth in part (a) of this paragraph take place or take place within the time set forth or any extension thereof, the Borrower agrees (i) to pay all applicable deposits and review fees required by the Issuer at the times and in the amounts requested and (ii) to reimburse the Issuer for all reasonable and necessary direct out-of-pocket expenses which the Issuer may incur, including but not limited to, legal fees, administrative costs, printing and publication costs and filing fees arising from the execution of this Agreement and the performance, or preparation to perform by the Issuer of its obligations hereunder, or done at the request of the Borrower.

(c) All commitments of the Issuer hereunder are further subject to the conditions that the Issuer shall in no event incur any liability for any act or omission hereunder, and that such Bonds described herein shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision and shall not constitute nor give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers.

The execution of this Memorandum of Agreement by the Issuer is not intended to nor does it create a binding commitment on the part of the Issuer to proceed with the issuance of the Bonds. It is further understood that the issuance of the Bonds is subject to further review by the

Board of Supervisors of the Issuer and compliance with all provisions of the Act and the Code, including the holding of a public hearing with respect thereto.

(d) Preparation of all resolutions, agreements, instruments, certificates or other documents in final form for adoption and execution shall be the sole responsibility of Bond Counsel.

(e) Counsel for the Issuer, if requested by the Borrower or Bond Counsel, shall timely certify the non-existence of threatened litigation, pending litigation or claims with respect to the proposed Bond issue. All other attorneys' opinions or certificates with respect to issuing authority, non-arbitrage, regularity of proceedings, or otherwise shall be the responsibility of Borrower Counsel or Bond Counsel.

(f) In the event Sections 145 and 146 of the Code, restrict the aggregate principal amount of Bonds for Tax-Exempt Organizations which the Issuer may issue in any calendar year, the Issuer may, in its discretion, rescind its commitments under Paragraph 2 hereof, without liability on the part of the Issuer.

(g) All commitments of the Issuer hereunder are further subject to the condition that the Bonds will only be issued if the Issuer determines that such issuance will not cause the Issuer to lose its qualification as a "qualified small issuer" within the meaning of Section 265(b)(3)(c) of the Internal Revenue Code in any year.

Dated the Dated Date.

SCOTT COUNTY, IOWA

By \_\_\_\_\_  
Chairperson

Attest:

\_\_\_\_\_  
County Auditor

(Seal)

CHRISTIAN RETIREMENT HOMES, INC. d/b/a  
RIDGECREST VILLAGE

By \_\_\_\_\_  
Authorized Representative