

# HOUSING AND REDEVELOPMENT AUTHORITY OF THE CITY OF SAINT PAUL, MINNESOTA

REPORT TO THE COMMISSIONERS

DATE: May 13, 2015

REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE OF CONDUIT REVENUE BONDS FOR THE HEALTHPARTNERS OBLIGATED GROUP PROJECT UNDER MINNESOTA STATUTES, SECTIONS 469.152 THROUGH 469.1655 AND APPROVING RELATED DOCUMENTS

District 17, Ward 2

## Requested Board Action

Approval for the HRA to issue conduit health care facility revenue refunding bonds for HealthPartners Obligated Group, a nonprofit corporation (the “Borrower”), in an amount not to exceed \$525,000,000; and approval of related documents.

## Background

The HRA has received a request from HealthPartners Obligated Group to issue conduit revenue bonds to refund bonds as follows:

- Health Care Facility Revenue Bonds, Series 2006 (HealthPartners Obligated Group Project) (the “HRA Bonds”), issued by the HRA, in the original aggregate principal amount of \$176,365,000; and
- Health Care Facilities Revenue Refunding Bonds (Park Nicollet Health Services), Series 2008 and Series 2009, issued by the City of St. Louis Park (“St. Louis Park”), in the original aggregate principal amount of \$410,190,000 (Series 2008 - \$221,850,000, Series 2009 - \$188,340,000) (collectively the “St. Louis Park Bonds”).

The outstanding balance to be refunded is \$521,750,000 (\$165,460,000 for the HRA Bonds and \$356,290,000 for the St. Louis Park Bonds).

The HRA Bonds issued in 2006 financed the expansion and renovation of the Regions Hospital facility located at 640 Jackson Street. Attachment B includes a map of Regions Hospital.

The St. Louis Park Bonds issued in 2008 and 2009 financed facilities located in St. Louis Park and equipment installed in Burnsville, Maple Grove, and Wayzata. The Cities of St. Louis Park,

Burnsville, Maple Grove and Wayzata will be adopting resolutions consenting to the HRA issuing bonds to refund the St. Louis Park Bonds.

HealthPartners, Inc. and subsidiaries (HP) is an integrated healthcare delivery system that provides healthcare services and coverage to approximately 1,023,000 members of HP-insured and self-insured products. It provides these services through a network of 80 owned and leased primary and specialty care medical facilities, and 23 dental facilities, with over 1,700 physicians and 6 owned hospitals with over 1,000 acute care beds. HealthPartners employs 21,891 persons in Minnesota, with 7,062 in Saint Paul.

Regions Hospital: The majority of Regions' main campus is owned by Ramsey County and leased to Regions. The lease agreement grants Regions use of the property through December 2066 and requires Regions to provide care to the indigent of Ramsey County, with a required minimum dollar amount of "charity care" to Ramsey County residents. Regions provides care in neuroscience, heart surgery, cardiology, oncology, emergency care, burn care, orthopedic care, mental illness, and more. It is one of only three hospitals in Minnesota that is verified as a Level 1 Trauma Center for both adults and children with the expertise and technology to treat the most serious injuries 24/7. In 2014, Regions admitted 25,744 patients, experienced 79,666 emergency room visits, and delivered 2,465 newborns, along with other clinic and surgical services.

### **Budget Action**

**This is a conduit bond issue.** The bonds shall not constitute an indebtedness, liability, general or moral obligation, or pledge of the faith or credit or taxing power of the HRA, City of Saint Paul, or any agency or political subdivision thereof, and shall not constitute indebtedness of any of the foregoing within the meaning of any constitutional, statutory, or charter provision, nor be a charge against their respective general assets, credit or taxing powers, and do not grant the owners or holders of the bonds any right to have the HRA, City of Saint Paul or any agency or political subdivision thereof to levy any taxes or appropriate any funds for the payment of the principal thereof or interest thereon. Principal and interest on the bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

## **Future Action**

No future action is needed.

## **Financing Structure**

Piper Jaffray and Wells Fargo are serving as underwriters for the new debt. The Series 2015 Bonds will be publicly offered on a fixed rate, long-term basis with serial and term bond maturities. Proceeds will advance refund the outstanding HRA Bonds and St. Louis Park Bonds, and are expected to include both tax-exempt and taxable components in the approximate ratio of 60% tax-exempt and 40% taxable. The HRA Bonds are not callable until November 15, 2016, for bonds maturing May 15, 2017 and after; the St. Louis Park bonds are not callable until July 1, 2018 for the Series 2008, and July 1, 2019 for the Series 2009. HealthPartners continues to evaluate amortization scenarios for the Series 2015 Bonds. As of the most recent analysis, the taxable bonds are expected to have a 13-year term, with a final maturity on July 1, 2028, and an average yield of 3.21%; the tax-exempt bonds are expected to have a 20-year term, with a final maturity on July 1, 2035, and an average yield of 3.33%. The City of St. Louis Park has agreed to the issuance by the HRA, subject to their City Council approval, which is scheduled for May 18, 2015.

The Series 2015 Bonds will be rated by Moody's and Standard & Poor's; currently HealthPartners carries existing ratings of "A2" and "A" both with stable outlooks. The underwriters estimate a similar rating for this financing.

The total estimated cost of the refunding is \$601,892,423 as shown below:

<b><u>Sources of Funds</u></b>	<b>Refunding of HRA Bonds</b>	<b>Refunding of St. Louis Park Bonds</b>	<b>Total</b>
Principal amount of bonds	\$137,420,000	\$348,385,000	\$485,805,000
Premium	19,944,163	21,704,887	41,649,050
Transfer from HRA Bonds DSRF	16,763,702	0	16,763,702
HRA Bonds DSRF Termination Payment	4,500,000	0	4,500,000
Transfer from St. Louis Park Bonds DSRF		38,880,162	38,880,162
Transfer from St. Louis Park Bonds DSF		14,294,509	14,294,509
<b>Total Sources</b>	<b>\$178,627,865</b>	<b>\$423,264,558</b>	<b>\$601,892,423</b>
<b><u>Uses of Funds</u></b>			
Deposit to Refunding Escrow	\$177,550,480	\$420,537,879	\$598,088,359
Costs of Issuance/Rounding	424,640	1,071,850	1,496,490
Underwriter's Discount	652,745	1,654,829	2,307,574
<b>Total Uses</b>	<b>\$178,627,865</b>	<b>\$423,264,558</b>	<b>\$601,892,423</b>

As a result of this refunding, HealthPartners is projected to achieve net present value savings of over \$42 million or 8% of the refunded principal, with \$18 million net present value savings on the HRA Bonds (11% of refunded principal).

### **PED Credit Committee Review**

The PED Credit Committee reviewed the proposal for conduit bonds on May 4, 2015, and found it to be consistent with PED's conduit bond policy.

### **Compliance**

The proceeds from the 2015 Bonds will not be used for construction, therefore vendor outreach and labor standards will not apply. HealthPartners is required to comply with AA/EEO and currently has an approved Affirmative Action Plan on file with the City.

### **Green/Sustainable Development**

N/A

## **Environmental Impact Disclosure**

N/A

## **Historic Preservation**

N/A

## **Public Purpose/Comprehensive Plan Conformance**

The Comprehensive Plan includes Land Use Plan Strategy 2.8: Work with health care institutions to assess proposed development projects, including expansion of facilities beyond their existing campuses.

The statutory authority requires that the refunding (the Project) furthers the purposes stated in Section 469.152, Minnesota Statutes: that the effect of the Project, if undertaken, will be to help assure that adequate health care services will be made available to the residents of the state and the city at reasonable costs, and will otherwise further those other purposes set forth in Minnesota Statutes, Section 469.152.

HealthPartners Obligated Group will substantially reduce their financing expenses and shorten their repayment term.

### **Recommendation:**

HRA Executive Director recommends approval of the Resolution which provides authorization for the issuance of up to \$525,000,000 in conduit revenue refunding bonds for HealthPartners Obligated Group and approving related documents.

**Sponsored by: Commissioner Thune**

**Staff:** Jenny Wolfe, 266-6680

## **Attachments**

**Attachment B** – Map/Address of Project