

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

REPORT TO THE COMMISSIONERS

DATE: February 12, 2014

REGARDING: RESOLUTION APPROVING THE ISSUANCE AND SALE OF CONDUIT HEALTH CARE FACILITY REVENUE REFUNDING BONDS, SERIES 2014 AND AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO (HEALTHPARTNERS OBLIGATED GROUP PROJECT)

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 \$70,000,000. The specific actions being requested of the HRA Board include:

- Authorization of the issuance and sale of two series of revenue bonds to be designated Health Care Facility Revenue Refunding Bonds (HealthPartners Obligated Group Project), Series 2014A and Series 2014B (the “Bonds”); and
- Approval of documents, including a Pledge Agreement, and Loan Agreement for each Series 2014A and Series 2014B all in substantially final form and on file with the HRA.

Background

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

- 1998 Bonds issued by the HRA for Regions Hospital in the original principal amount of \$50,000,000; and
- 2003 Bonds issued jointly by the HRA and the City of Minneapolis for HealthPartners Obligated Group for facilities located throughout the metro area in the original principal amount of \$80,440,000.

The outstanding balance to be refunded is \$79,740,000 (\$36,710,000 for 1998 Bonds & \$43,030,000 for 2003 Bonds). Additional bonds issued by the HRA in 2006 and 2007 are outstanding in a total amount of \$189.5 million.

The facilities in Saint Paul that were improved with the prior bond proceeds include: Como Oral Surgery at 2500 Como Avenue, Surgery Specialty Center at 401 Phalen Boulevard, Health Center for Women at 2635 University, and multiple care units at 640 Jackson Street (Regions Hospital). Attachment B includes a map of the above locations.

HealthPartners employs 11,574 persons in Minnesota, with 6,671 in Saint Paul.

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 is acting as the placement agent for the new debt. The refunding bonds will be sold in two series consistent with the two separate refunded issues. The City of Minneapolis has provided their consent for the HRA to be the sole issuer with regard to the refunding of the 2003 Bonds.

The Series 2014A will refund the 1998 bonds and include annual principal payments and quarterly interest payments at a fixed interest rate with a final maturity of 5/15/2028. The Series 2014B will refund the 2003 bonds and include annual principal payments and quarterly interest payments at a fixed interest rate with a final maturity of 5/15/2022 (seven years earlier than 2003

issue). The debt will be privately placed with Compass Mortgage Corporation (the “Bank”). The Bank will execute an Investor Letter.

The total estimated cost of the refunding is \$81,688,910 as shown below:

<u>Sources of Funds</u>	Refunding of Series 1998	Refunding of Series 2003	Total
Principal amount of bonds	\$31,035,000	\$37,340,000	\$68,375,000
Transfer from Debt Service Reserve Fund	3,547,728	6,724,710	10,272,438
Transfer from Debt Service Fund	2,151,360	0	2,151,360
Excess DSRF Transfer	190,112	0	190,112
Investment Agreement Termination	700,000	0	700,000
Total Sources	\$37,624,200	\$44,064,710	\$81,688,910
<u>Uses of Funds</u>			
Deposit to Refunding Escrow	\$37,378,580	\$43,768,876	\$81,147,456
Costs of Issuance/Rounding	245,620	295,834	541,454
Total Uses	\$37,624,200	\$44,064,710	\$81,688,910

As a result of this refunding, HealthPartners is projected to achieve net present value savings of nearly \$7.79 million.

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on February 3, 2014.

Compliance

The proceeds from the 2014 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 on a portion of their debt.

Recommendation:

HRA Executive Director recommends approval of the Resolution, included as Attachment A, which provides authorization for the sale and issuance of up to \$70,000,000 in conduit revenue refunding bonds for HealthPartners Obligated Group and authorizes execution of documents related thereto.

Sponsored by: Commissioner Thune

Staff: Jenny Wolfe, 266-6680

Attachments

Attachment A – Resolution

Attachment B – Map/Addresses of Projects