

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

REPORT TO THE COMMISSIONERS

DATE: February 22, 2012

REGARDING: RESOLUTION APPROVING ISSUANCE OF REFUNDING BONDS UNDER THE MINNESOTA MUNICIPAL INDUSTRIAL DEVELOPMENT ACT, AND APPROVING AND AUTHORIZING THE EXECUTION OF DOCUMENTS IN CONNECTION THEREWITH. (HealthEast Care System Project) (Districts 7 and 17)

Requested Board Action

Approval of issuance of conduit revenue refunding bonds (“2012 Bonds”) for HealthEast Care System in an amount not to exceed \$12.5 million to refund the Series 1997A and 1997B Bonds (“1997 Bonds”). The specific actions being requested of the HRA Board are as follows:

- Approve issuance of Revenue Bonds;
- Approve documents, including, Bond Indenture, Loan Agreement, Revenue Bonds, Bond Purchase Agreement and Memorandum of Understanding; all in substantially final form and on file with the HRA; and
- Designate Briggs and Morgan, Professional Association, as bond counsel.

Background

In November 1997, the HRA issued \$29.17 million of Series 1997A and \$4.91 million of Series 1997B revenue bonds to refund bonds previously issued by the HRA in 1987. The outstanding balance of the 1997A bonds is \$9.4 million and the outstanding balance of the 1997B bonds is \$4.91 million, as of 11/1/2011, for a total amount refunded of \$14.31 million. The 1997 Bonds mature on November 1, 2017. Proceeds from the original 1987 bonds were utilized to finance capital improvements to hospital facilities including St. Joseph’s Hospital located at 45 West 10th Street and Bethesda Hospital located at 559 Capitol Boulevard.

Additionally, unrelated to this refunding, the HRA jointly issued new money and refunding bonds in 2005 for HealthEast to finance projects including the St. Joseph’s Hospital expansion and refund bonds previously issued in 1993, 1994 and 1996. The total outstanding principal as of 1/31/2012 is \$195 million. The St. Joseph’s Hospital expansion is fully operational.

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 further action is required. The requested action provides all necessary approvals. A closing is anticipated to occur within 30 days.

Financing Structure

The bonds will be fixed-rate with a direct purchase by JPMorgan Chase Bank, National Association (“Bond Purchaser”). The estimated par amount is \$11.16 million with an interest rate of 1.89% and final maturity of November 1, 2017. (The resolution authorizes up to a 2.50% stated interest rate). The bonds will be nonbank qualified tax exempt obligations. The Bond Purchaser does not require a debt service reserve, but does require certain financial covenants including, but not limited to, 1.20 debt service coverage and maintenance of an underlying stand-alone bond rating of “BB-/Ba3” from S&P and Fitch and Moody’s at all times. The proposed refunding does not increase the outstanding principal, does not extend the final maturity and does not increase the average weighted maturity; and, as such, a public hearing is not required. See **Attachment B** for a financing summary which includes a Sources and Uses of Funds and Bond Debt Service Schedule projected as of February 8, 2012.

The projected financing of the \$14.31 million refunded bonds will utilize the proceeds from the new bonds plus balances in the bond fund (estimated \$742,813.73) and debt service reserve

(estimated at \$2,979,271.25). The anticipated net present value savings is \$1,435,405. The bond approval will authorize up to \$12.5 million, as the available proceeds from the debt service reserve have not been finalized. (The proceeds are invested and subject to withdrawal penalties, all resulting proceeds are required to be used to repay the 1997 Bonds).

Finance Team

The Finance Team includes JPMorgan Chase Bank (bond purchaser), Briggs & Morgan (bond counsel), Wells Fargo Corporate Trust (trustee), Bank of America Merrill Lynch (advisor), Moore, Costello & Hart (borrowers counsel), Foley & Lardner, L.L.P. (purchaser counsel).

PED Credit Committee Review

Credit Committee reviewed the refunding on February 13, 2012 and found that the transaction is consistent with PED's conduit bond policy in relation to the fees.

Compliance

N/A - Bond refinancing only, no new construction.

Green/Sustainable Development

N/A - Bond refinancing only, no new construction.

Environmental Impact Disclosure

N/A - Bond refinancing only, no new construction.

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.

Recommendation:

The HRA Executive Director recommends adoption of the attached Resolution (**Attachment A**) authorizing the issuance of up to \$12.5 million in conduit revenue bonds to refund the 1997 Bonds.

Sponsored by: Dave Thune

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment A -- Resolution**
- **Attachment B – Financing Summary**