

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

REPORT TO THE COMMISSIONERS

DATE: January 14, 2015

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF A CONDUIT
HEALTH CARE REVENUE REFUNDING BOND, SERIES 2015, AND
AUTHORIZING THE EXECUTION OF DOCUMENTS RELATING THERETO
(GILLETTE CHILDREN'S SPECIALTY HEALTHCARE PROJECT)**

District 17, Ward 2

Requested Board Action

Approval for the HRA to issue conduit health care revenue refunding bonds for Gillette Children's Specialty Healthcare, a nonprofit corporation (the "Borrower"), in an amount not to exceed \$10,000,000.

Background

Gillette Children's Specialty Healthcare (the "Borrower") was founded in 1897 and provides specialized health care for people who have short-term or long-term disabilities that began during childhood. They help children, adults, and their families improve their health, achieve greater well-being and enjoy life. The Borrower is an independent, not-for-profit hospital located in Saint Paul, with multiple clinics located through the state. In 2013, they treated 2,328 inpatients and had over 146,000 visits to outpatient clinics throughout the state. Their total revenue in 2013 was \$208 million. Gillette has a total workforce of 1,430, including 1,306 in Saint Paul.

In 2010, the HRA issued \$26,250,000 in conduit revenue bonds for the Borrower (Series 2010 Bonds) for Phase II of their new building and renovation project to accommodate growth, enhance clinical effectiveness, help strengthen Gillette's position in the marketplace, and create an environment that is welcoming for patients, families, and staff. The Project included a new surgery unit, ten new private inpatient rooms, space for new family support services, and capacity for future growth. The Borrower's facility is located within Regions Hospital and is located in a B-5 zoning district, with all of their land uses permitted. See Attachment B for a map of the facility.

The HRA has received a request from the Borrower to issue conduit revenue refunding bonds to refund the Series 2010 Bonds currently outstanding in the principal amount of \$12,105,000.

Additional bonds previously issued by the HRA include Series 2005 and Series 2009 with a total principal amount outstanding of \$36 million.

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. The closing will occur by the end of January, 2015.

Financing Structure

Piper Jaffray is acting as the placement agent for the Series 2015 Bonds. The Series 2015 Bonds will be structured as a private placement/direct purchase with Wells Fargo Municipal Capital Strategies, an affiliate of Wells Fargo Bank (the “Bank”). The Series 2015 Bonds will have a fixed interest rate, estimated at 1.45%, with the same final maturity as the Series 2010 Bonds, February 1, 2021. The Bank will execute an Investor Letter.

Piper Jaffray projects net present value savings of over \$1,000,000 to the Borrower with the proposed refunding structure. The Series 2010 Bonds to be refunded have an average coupon of 5%. No public hearing is required and the bonds will be deemed to be Bank Qualified as allowed with the 2010 issuance (and special law).

The total estimated cost of the refunding is \$12,613,206 as shown below:

Sources of Funds

Principal amount of Series 2015 Bonds	\$9,170,000
Transfer from Series 2010 Bonds DSRF	1,650,000
Transfer from Series 2010 Bonds DSF	1,759,481
Equity Contribution	33,725
Total Sources	\$12,613,206

Uses of Funds

Deposit to Refunding Escrow	\$12,392,494
Costs of Issuance/Rounding	220,712
Total Uses	\$12,613,206

PED Credit Committee Review

The PED Credit Committee reviewed the proposal for conduit bonds on January 7, 2015, and found it to be consistent with PED's conduit bond policy.

Compliance

The Borrower has acknowledged receiving notice of the City/HRA compliance requirements that may be applicable to the proposed refunding. There is no construction associated with the refunding and therefore the only compliance required is Affirmative Action, Chapter 183.04 for Gillette Children's Specialty Healthcare (the Borrower).

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose/Comprehensive Plan Conformance

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.

The Borrower will reduce their financing expenses as a result of the proposed refunding. Conventional, commercial financing to refinance the Series 2010 Bonds is available only on a limited basis and at such high costs of borrowing that the economic feasibility of operating the Borrower's facilities would be significantly reduced.

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.

Recommendation:

HRA Executive Director recommends approval of the Resolution, included as Attachment A, which provides authorization for the sale and issuance of up to \$10,000,000 in conduit revenue refunding bonds for Gillette Children's Specialty Healthcare 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 Project