

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

REPORT TO THE COMMISSIONERS

DATE: MARCH 22, 2017

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT
REVENUE BONDS OF THE HRA AND CITY OF MINNEAPOLIS ON BEHALF OF
ALLINA HEALTH SYSTEM AND THE EXECUTION OF DOCUMENTS, DISTRICT 9,
WARD 2**

Requested Board Action

The requested action includes a public hearing and authorization to issue up to \$200,000,000 in conduit revenue refunding bonds jointly with the City of Minneapolis for the Allina Health System (the “Borrower”) and execution of related documents. The proceeds of the bonds will be used to refund bonds issued jointly by the HRA and City of Minneapolis in 2007 and 2009 for the benefit of multiple Borrower facilities including United Hospital located at 333 Smith Avenue.

Background

Allina Health System (“Allina”) is a Minnesota nonprofit corporation that delivers health care services to patients in Minnesota and western Wisconsin. As a mission-driven organization, Allina is committed to improving the health of the communities it services. With nearly 27,500 full and part-time employees, including 5,400 in its Saint Paul operations, Allina is one of the largest employers in Minnesota. Allina owns and operates twelve hospitals and jointly owns and operates one other hospital. These include urban tertiary care, suburban community and rural hospitals. Allina hospitals provided nearly 103,300 inpatient admissions and nearly 1,398,600 outpatient visits during 2016. United Hospital is the largest hospital in the Twin Cities east metro area, providing a full range of health care services to more than 200,000 people each year.

In October 2007 the HRA, jointly with the City of Minneapolis (the “Joint Issuer”), issued bonds for Allina as follows: Series 2007A: \$131.975M; Series 2007B: \$217.52M; and 2007C: \$125M (collectively, the “2007 Bonds”). The proceeds from the 2007 Bonds were primarily used to refund a portion of bonds issued by the Joint Issuer in 1993 (Series 1993A) and bonds issued by the City of Minneapolis in 2002 (Series 2002A), and to complete approximately \$125 million in

capital projects throughout Allina facilities within the metro area, including approximately \$12 million for renovations at United Hospital.

In November 2009 the Joint Issuer issued bonds for Allina as follows: Series 2009 A-1: \$113.415M; Series 2009A-2: \$71.83M; Series 2009B: \$114.525M; and Series 2009C: \$50M (collectively, the “2009 Bonds”). The proceeds from the 2009 Bonds were primarily used to refund a portion of bonds issued by the Joint Issuer in 2007 (Series 2007B) and 1998 (Series 1998A), and to complete approximately \$50 million in capital projects throughout Allina facilities within the metro area, including elevator upgrades at United Hospital.

The Borrower has submitted an application to the HRA to issue up to \$200,000,000 in conduit revenue refunding bonds, jointly with the City of Minneapolis (the “2017 Bonds”). The proceeds from the 2017 Bonds will be used primarily to refund all of the outstanding Series 2007A Bonds, and to refund a portion of the outstanding Series 2009A-1 Bonds and Series 2009A-2 Bonds.

A map of United Hospital is included as an Attachment. United Hospital is located in planning district #9 and a demographic profile is included as an Attachment.

Budget Action

This is a conduit bond issue. The 2017 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 2017 Bonds are payable solely out of the revenues and other sources pledged to the payment thereof as described in the bond documents.

Future Action

N/A

Financing Structure

The 2017 Bonds will be sold in two separate transactions, with a portion sold through a public offering underwritten by JP Morgan and Wells Fargo, and a portion placed directly with a Lender. The estimated terms are as follows:

- Series 2017A will be publicly offered in an estimated principal amount of \$79,970,000, with the final maturity date remaining from the prior bonds of 11/15/2029. The Series 2017A bonds will be rated by Fitch, S&P, and Moody's. Allina is currently rated Aa3 by Moody's, AA- by S&P and AA- by Fitch.
- Series 2017B will be directly purchased by Wells Fargo Municipal Capital Strategies, LLC, a wholly owned subsidiary of Wells Fargo Bank in an estimated principal amount of \$78,480,000, with the final maturity date remaining from the prior bonds of 11/15/2022.

The Series 2017A Bonds will be sold in minimum denominations of \$5,000, consistent with PED's conduit bond policy for bonds rated in the A category.

The total cost of the financing is currently estimated to total \$172,297,088 as shown below:

Sources of Funds	Amount
Par Amount from Series 2017A-1	\$47,420,000
Par Amount from Series 2017A-2	32,550,000
Par Amount from Series 2017B	78,480,000
Premium Series 2017A-1	8,236,471
Premium Series 2017A-2	5,610,617
Total Sources	\$172,297,088

Uses of Funds	Amount
Series 2007A Refunding Escrow	\$77,695,000
Series 2009A-1 Refunding Escrow	54,943,470
Series 2009A-2 Refunding Escrow	37,668,143
Costs of Issuance/Rounding	1,990,475
Total Uses	\$172,297,088

As a result of the refunding, the net present value savings are estimated to total over \$11.6 million.

PED Credit Committee Review

The PED Credit Committee reviewed this project on March 6, 2017 and found that the transaction is consistent with previous joint-issue conduit bond transactions involving the Cities of Saint Paul and Minneapolis.

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 the Borrower.

Green/Sustainable Development

N/A

Environmental Impact Disclosure

N/A

Historic Preservation

N/A

Public Purpose

The bond refunding will help Allina sustain its commitment to providing high-quality healthcare in Saint Paul and the east metro.

Statement of Chairman (for Public Hearing)

“Being duly authorized by the Board of Commissioners to conduct this Public Hearing, the hearing is now open. This is a Public Hearing called for the purpose of approving the issuance and sale of approximately \$200 million in conduit healthcare revenue refunding bonds by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (HRA), jointly with the City of Minneapolis, for the Allina Health System Project. Notice of time, place, and purpose of this hearing was published in the Pioneer Press, a newspaper of general circulation in the City on the 4th of March, 2017. The Affidavit of Publication of the Notice of Public Hearing

will be made a part of these proceedings. Is there anyone who wishes to be heard on this matter? If not, the Chair will declare this Public Hearing adjourned.”

Recommendation:

The HRA Executive Director recommends approval of the Resolution which authorizes the issuance and sale of up to \$200,000,000 in conduit revenue refunding bonds for Allina and execution of documents.

Sponsored by: Commissioner Noecker

Staff: Jenny Wolfe, 266-6680

Attachments

- **Attachment** – Map of United Hospital
- **Attachment** – District 9 Demographic Profile