

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

REPORT TO THE COMMISSIONERS

DATE: SEPTEMBER 25, 2019

**REGARDING: RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF CONDUIT
REVENUE REFUNDING 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 authorization to issue up to \$82,000,000 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 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 27,600 full and part-time employees, including 5,500 in its Saint Paul operations, Allina is one of the largest employers in Minnesota. Allina owns and operates eleven hospitals and jointly owns and operates one other hospital. These include urban tertiary care, suburban community and rural hospitals. With a licensed bed capacity of 2,451 acute care beds, Allina Health hospitals provided more than 52,000 inpatient admissions and nearly 696,600 outpatient visits during the six months ending June 30, 2019. 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 November 2009, the City of Minneapolis and the HRA jointly issued bonds for Allina as follows: Series 2009 A-1: \$113.415M; Series 2009 A-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 and 1998, and

to complete approximately \$50 million in capital projects throughout Allina facilities within the metro area, including elevator upgrades at United Hospital.

In 2017, the City of Minneapolis and the HRA jointly issued \$156.36 million in refunding bonds for Allina that refunded portions of the Series 2009 A-1 and Series A-2 bonds, and prior bonds issued in 2007.

The Borrower has submitted an application to the HRA to issue up to \$82,000,000 in conduit revenue refunding bonds, jointly with the City of Minneapolis (the “2019 Bonds”). The proceeds from the 2019 Bonds will be used to refund the remaining principal of the Series 2009 A-1 and 2009 A-2 Bonds currently outstanding in the principal amount of \$79,790,000 (the “Prior 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 2019 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 2019 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 2019 Bonds will be sold through a public offering underwritten by JPMorgan, Wells Fargo, Piper Jaffray and US Bank with a current estimated principal amount of \$67,680,000 with the final maturity date remaining from the Prior Bonds of 11/15/2029. The 2019 Bonds will be rated by Fitch, S&P, and Moody's. The estimated coupon rates range from 3.0% to 5.0%, yielding 0.98% to 1.61% (premium bonds).

The 2019 Bonds will be sold in minimum denominations of \$5,000, consistent with PED's conduit bond policy for investment grade rated bonds (in the BBB or higher category).

The total cost of the financing is currently estimated to total \$82,927,132 as shown below:

Sources of Funds	Amount
Par Amount – 2019 Bonds	\$67,680,000
Premium 2019 Bonds	15,247,132
Total Sources	\$82,927,132
Uses of Funds	Amount
Deposit to Refunding Escrow	\$81,872,387
Costs of Issuance/Rounding	1,054,745
Total Uses	\$82,927,132

As a result of the refunding, the net present value savings are estimated to total over \$15.6 million.

PED Credit Committee Review

The PED Credit Committee reviewed this project on September 10, 2019 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.

Recommendation:

The HRA Executive Director recommends approval of the resolution which authorizes the issuance and sale of up to \$82,000,000 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