



Request for City Council Committee Action from the Department of Community Planning & Economic Development - CPED

Date: January 28, 2014

To: Council Member Lisa Goodman, Community Development and
Regulatory Services Committee

Subject: A Request for approval of a Resolution consenting to and approving the issuance by the Housing and Redevelopment Authority of the City of St. Paul of Health Care Facilities Revenue Refunding Bonds in an amount of approximately \$69,000,000 for HealthPartners to refund a 1998 Revenue Bond Series of the Housing and Redevelopment Authority of the City of St. Paul and a 2003 Revenue Bond issue of the City of Minneapolis under a Joint Powers Agreement with the Housing and Redevelopment Authority of the City of St. Paul and approving the execution of a Cooperative Agreement and other necessary documents.

Recommendation: **The CPED Director recommends that the City Council adopt the attached Resolution, consenting to and approving the issuance by the Housing and Redevelopment Authority of the City of St. Paul of Health Care Facilities Revenue Refunding Bonds in an amount of approximately \$69,000,000 for HealthPartners to refund a 1998 Revenue Bond Series of the Housing and Redevelopment Authority of the City of St. Paul and a 2003 Revenue Bond issue of the City of Minneapolis under a Joint Powers Agreement with the Housing and Redevelopment Authority of the City of St. Paul and approving the execution of a Cooperative Agreement and other necessary documents.**

Previous Directives: In 2003 the City Council approved the issuance of \$80,440,000 in Tax-exempt 501 (c)(3) Revenue Bonds for the HealthPartners Obligated Group under a Joint Powers Agreement with the Housing and Redevelopment Authority of the City of St. Paul.

Prepared by: Charles Curtis, CPED - Business Development (612) 673-5069
Approved by: Charles T. Lutz, Deputy Director CPED _____
Catherine A. Polasky, Director, Economic Development _____
Presenters in Committee: Charles Curtis

Reviews

- Permanent Review Committee (PRC): N.A.

Financial Impact

- Due to the nature of the 2003 bonds and the reduction of principal, the refinancing of the outstanding City of Minneapolis 2003 Bonds will reduce annual administrative fees from \$25,000 to \$15,750. The Joint Powers Agreement currently governing the bonds issued by the City of Minneapolis and the Housing and Redevelopment Authority of the City of St. Paul stipulates that the two jurisdictions will evenly share bond fees. The staff of the Housing and Redevelopment Authority of the City of St. Paul has indicated that the current sharing arrangement will continue for the 2014 Refunding Bonds.

Community Impact

- Neighborhood Notification: N.A.
- City Goals: Authorization of a Cooperative Agreement with the Housing and Redevelopment Authority of the City of St. Paul is consistent with the City's goal of building strong partnerships with other public entities. A City that Works.
- Sustainability Targets: NA
- Comprehensive Plan: In compliance.
- Zoning Code: In compliance.
- Living Wage/Business Subsidy Agreement Yes ____ No X All conduit revenue bonds allocated under Statute 474A, refunding bonds and 501 (c)(3) bonds are exempt from the State Act. City bond financing is not subject to the City's local ordinance if the intent of the bond financing is not to create jobs.
- Job Linkage Yes ____ No X

Supporting Information

The original 2003 City of Minneapolis Revenue Bonds were issued under a Joint Powers Agreement with the Housing and Redevelopment Authority of the City of St. Paul for \$80,440,000

The 2003 Bonds were used to refund a Series 1992 City of Minneapolis Tax-exempt Health Care Facilities Revenue Bonds, fund various health care facility construction projects and to reimburse Health Partners for construction projects already completed. The construction projects were in various locations in both Minneapolis and St. Paul.

Health Partners is seeking to refund the 2003 City of Minneapolis bonds in order to restructure the debt and reduce the interest costs. The Underwriter has selected the Housing and Redevelopment Authority of the City of St. Paul to issue the refunding bonds. The adoption of the attached resolution is needed to complete the refunding, as well as to continue the fee sharing arrangement.

Resolution 2014-_____

Authorizing the issuance of Health Care Facility Revenue Refunding Bonds (HealthPartners Obligated Group Project), Series 2014 by the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota to refund the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota and City of Minneapolis, Minnesota Health Care Facility Revenue Bonds, Series 2003 (HealthPartners Obligated Group Project)

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

SECTION 1. BACKGROUND.

1.01. Pursuant to a Bond Trust Indenture, dated as of October 15, 2003 (the "2003 Indenture") by and among the City of Minneapolis (the "City"), the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "HRA" and, together with the City, the "Issuers") and Wells Fargo Bank, National Association, (the "Trustee"), the Issuers jointly issued their Health Care Facility Revenue Bonds, Series 2003 (HealthPartners Obligated Group Project), dated October 15, 2003 (the "Series 2003 Bonds"), in the aggregate principal amount of \$80,440,000 and loaned the proceeds thereof to Group Health Plan, Inc. (the "Borrower") pursuant to a Loan Agreement, dated as of October 15, 2003, among the Issuers and the Borrower (the "2003 Loan Agreement") to (i) reimburse the Borrower for payments made by it to acquire or construct health care facilities, including land, buildings, improvements, and equipment and other movable personal property acquired or to be acquired by the Borrower and located at, or used in connection with, existing facilities maintained and operated by the Borrower in the Cities of Minneapolis and Saint Paul and other Minnesota municipalities and to discharge certain indebtedness previously incurred by the Borrower with respect thereto; (ii) refund the Issuers' Health Care Facility Revenue Bonds, Series 1992 (Group Health Plan, Inc., Project); (iii) to make a deposit into the Debt Service Reserve Fund; and (iv) to pay certain costs of issuance of the Bonds, including the discount thereon.

1.02 Pursuant to Article V of the 2003 Indenture the Series 2003 Bonds are subject to redemption at par plus accrued interest and without premium on any business day on or after December 1, 2013 at the direction of the Borrowers.

1.03 The Borrower has requested that the HRA issue its Health Care Facility Revenue Refunding Bonds (HealthPartners Obligated Group Project), Series 2014 (the "Series 2014 Bonds") pursuant to Minnesota Statutes, Chapter 469.152 through 469.1654, to, among other things, refund the outstanding principal balance of the Series 2003 Bonds.

1.04 The Borrower has requested that the City consent to the issuance of the Series 2014 Bonds to refund the Series 2003 Bonds in accordance with Minnesota Statutes.

SECTION 2. CONSENT TO REFUNDING PRIOR BONDS.

2.01 In accordance with Minnesota Statutes, Sections 469.152 through 469.1654, the City hereby approves the issuance by the HRA of the Series 2014 Bonds to, among other things, refund the Series 2003 Bonds. The City hereby consents to the Borrower calling the Series 2003 Bonds for redemption.

2.02. In connection with the City's consent to the issuance of the Series 2014 Bonds and the refunding of the Series 2003 Bonds, the City hereby determines that the Borrower shall pay the City's fees with respect to the portion of the Series 2014 Bonds allocable to the new money portion of the Series 2003 Bonds (currently outstanding in the aggregate principal amount of \$15,205,000 and expected to be approximately \$13,195,000 of the principal amount of the Series 2014 Bonds) (as further defined in a fee agreement to be entered into with the Borrower, the "New Money Bonds") as follows:

On July 1, 2014, and on each July and January thereafter, so long as any of the New Money Bonds are outstanding, a semiannual fee equal to the sum of (i) 1/16% of the first \$10,000,000 of the aggregate principal amount of the New Money Bonds then outstanding, plus (ii) 1/32% of the aggregate principal amount of the New Money Bonds greater than \$10,000,000 then outstanding, as of the last day preceding each such semiannual payment date.

2.03 The Finance Officer is hereby authorized to execute on behalf of the City an agreement with the Borrower regarding payment of the City's fees and any other documents necessary in connection with the issuance of the Series 2014 Bonds and the refunding of the Series 2003 Bonds (the "Refunding Documents"). The execution of any instrument by the Finance Officer shall be conclusive evidence of the approval of such document in accordance with the terms hereof. In the event of absence or disability of the Finance Officer, any of the documents authorized by this Resolution to be executed may be executed without further act or authorization of the City by any duly designated acting official, or by such other officer or officers of the City as, in the opinion of the City Attorney, may act in his behalf.

2.04. This Resolution shall take effect and be in force from and after its approval and publication. Pursuant to Chapter 4, Section 9, of the Charter of the City, only the title of this resolution and a summary of this resolution conforming to Minnesota Statutes, Section 331A.01, subdivision 10, shall be published in the official paper of the City.