



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

**Date:** August 19, 2014

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

**Subject:** Request for Final Approval of up to \$56,000,000 in 501(c)(3) Tax-exempt Refunding Revenue Bonds for Children's Health Care (d/b/a Children's Hospitals and Clinics of Minnesota) Series 2014 to refund a portion of the Series 2004A and all of Series 2004B Bonds as a joint issue by the City of Minneapolis and the St. Paul Housing and Redevelopment Authority. Request to authorize the execution of a new Joint Powers Agreement with the St. Paul Housing and Redevelopment Authority.

**Recommendation:** **The CPED Director recommends that the City Council adopt the attached Resolution giving Final Approval to the issuance of up to \$56,000,000 in 501(c)(3) Tax-exempt Refunding Revenue Bonds for Children's Hospitals and Clinics of Minnesota Series 2014 to refund a portion of the Series 2004A Bonds and all of the Series 2004B Bonds as a joint issue by the City of Minneapolis and the St. Paul Housing and Redevelopment Authority. The CPED Director recommends that the City Council authorize the execution of a new Joint Powers Agreement with the St. Paul Housing and Redevelopment Authority.**

**Previous Directives:** July 23, 2004, the City Council granted approval of the issuance of up to \$110 million in Taxable and Tax-exempt 501 ( c )3 Revenue Bonds that consisted of both new bonds as Series 2004A and 2004B Bonds and the refunding of Series 1995 Bonds for the Children's Hospitals and Clinics in Minneapolis and St. Paul.

Over the course of previous decades, the City Council has granted approval of additional Tax-exempt Revenue Bond financings for Children's Hospital and Clinics of Minnesota for a variety of projects.

Prepared by: Charles Curtis

Approved by: Charles T. Lutz, Interim Director CPED \_\_\_\_\_

Catherine A. Polasky, Director, Economic Development \_\_\_\_\_

Presenters in Committee: Charles Curtis 612-673-5069

### Reviews

- Permanent Review Committee (PRC): NA

### Financial Impact

- Other financial impact: The issuance of the refunding revenue bonds for Children's Hospitals and Clinics of Minnesota will allow revenue bond administrative fees of approximately \$25,000 a year to continue. The St. Paul Housing and Redevelopment Authority will also continue to receive administrative fees of approximately \$25,000 a year.

### Community Impact

- Neighborhood Notification: Refunding Only
- City Goals: The proposed refunding will promote Living Well in the City and contribute to the City's hub of economic activity.
- Sustainability Targets: NA
- Comprehensive Plan: In compliance, an existing facility.
- Zoning Code: In compliance, an existing facility.
- Living Wage/Business Subsidy Agreement Yes \_\_\_\_ No X
- Job Linkage Yes \_\_\_\_ No X

### Supporting Information

The current request for approval of the Series 2014 Tax-exempt Refunding Revenue Bonds will allow Children's Hospitals and Clinics of Minnesota to diversify the makeup of its outstanding debt by privately placing the proposed bonds with a financial institution.

The original 2004 Bonds were used for the expansion and improvement of facilities in Minneapolis and St. Paul, including neonatal intensive care unit, operating rooms, ambulatory facilities and the installation of equipment in in these facilities.

**Project Location & Description:** Minneapolis: 2525 Chicago Avenue South

St. Paul: 345 N. Smith Avenue

**Type of Financing:** Tax-exempt Refunding Revenue Bonds

**Present Employment:** Total Employees: 4498

Minneapolis Employees: 3004

**New Employment:** Refunding Only

**Assessor's Estimate Annual Tax Increase:** Tax-exempt facilities

**Affirmative Action Compliance:** In process.

An approved Affirmative Action plan will be completed prior to the closing of the proposed financing.

**Development Standards**

Compliance with the Land Use Plan of the City's Comprehensive Plan.

In compliance. Existing facilities.

**Tax-exempt Institution**

Refinancing is permitted when new jobs are created or when a significant number of jobs are preserved; any interest cost savings must directly reduce patient costs.

4498 Existing Jobs

Any savings will reduce patient costs

BOND COUNSEL:

Dorsey & Whitney LLP

UNDERWRITER:

None

Children's Hospitals and Clinics will directly negotiate and place the proposed bonds with a financial institution.

Children's Hospitals and Clinics is rated A+ by Standard and Poor's

RESOLUTION AUTHORIZING THE ISSUANCE AND SALE OF REVENUE BONDS  
OF THE CITY AND THE HOUSING AND REDEVELOPMENT AUTHORITY OF THE  
CITY OF SAINT PAUL ON BEHALF OF  
CHILDREN'S HEALTH CARE AND THE EXECUTION OF DOCUMENTS

WHEREAS, this Council has received a proposal from Children's Health Care, a Minnesota nonprofit corporation (the "Corporation"), that the City of Minneapolis (the "City"), acting jointly with the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota (the "HRA," and together with the City, the "Issuer"), issue its revenue bonds (the "Bonds") under Minnesota Statutes, Sections 469.152 to 469.165 (the "Act"), in one or more series, for the purposes of financing or reimbursing to the Corporation (a) a portion of the costs of refunding all or a portion of the Issuer's outstanding Variable Rate Revenue Bonds (Children's Hospitals and Clinics), Series 2004A (the "Original Series 2004A Bonds"), excluding that portion of the Original Series 2004A Bonds which was remarketed as the Issuer's Health Care Facilities Revenue Bonds, Series 2004A-1 (Children's Hospitals and Clinics) on March 25, 2010 and Variable Rate Revenue Bonds (Children's Hospitals and Clinics), Series 2004B and (b) certain costs of issuance of the Bonds (together, the "Refunding").

WHEREAS, this Council hereby finds that the issuance and sale of up to \$56,000,000 aggregate principal amount of the Bonds in one or more series under the authority contained in the Act to finance the Refunding would promote the purposes contemplated and described in Section 469.152 of the Act and further promote the public purposes and legislative objectives of the Act by providing the City and surrounding area with necessary healthcare facilities, is in the best interest of the City, and the City hereby determines to issue and sell such Bonds.

WHEREAS, in connection with the issuance of the Bonds, the City and the HRA will enter into a Joint Powers Agreement (the "Joint Powers Agreement"), a draft of which has been made available to the Council prior to this meeting and which has been reviewed to the extent deemed necessary.

WHEREAS, the proceeds of the Bonds will be lent (the "Loan") by the Issuer to the Corporation, in order to finance the Refunding.

WHEREAS, pursuant to one or more Loan Agreements (whether one or more, the "Loan Agreement"), to be entered into between the City, the HRA and the Corporation with respect to the Bonds, a draft of which has been made available to the Council prior to this meeting and which has been reviewed to the extent deemed necessary, the Corporation will issue to the City and the HRA its Note or Notes (whether one or more, the "Notes"). The Notes will be issued under the Master Trust Indenture (the "Master Indenture"), dated as of September 1, 1995, between the Corporation and U.S. Bank National Association, formerly known as First Trust National Association, as trustee (the "Master Trustee"), as previously supplemented and amended and as supplemented and amended by one or more Supplemental Indentures (whether one or more, the "Supplemental Indenture") to be entered into between the Corporation and the Master Trustee. Under the Notes the Corporation, and other members of the Obligated Group under the Master Indenture, will unconditionally agree to repay the Loan made by the Issuer under the Loan Agreement in specified amounts and at specified times sufficient to make the necessary payments of principal of, premium, if any, and interest on the Bonds, when due. In addition, the Loan Agreement contains provisions relating to the payment by the Corporation of administrative costs of the Bond Trustee (as hereinafter defined), the administrative fees of the City and the HRA, indemnification, insurance and other agreements and covenants which are

required by the Act or which are permitted by the Act and which the City and the HRA and the Corporation deem necessary or desirable for the sale of the Bonds.

WHEREAS, pursuant to one or more Indentures of Trust (whether one or more, the "Bond Indenture") to be entered into between the City, the HRA and U.S. Bank National Association (the "Bond Trustee") with respect to the Bonds, a draft of which has been made available to the Council prior to this meeting and which has been reviewed to the extent deemed necessary, the Issuer assigns and pledges all of its right, title and interest in the Loan Agreement (other than the right of the Issuer for indemnification and administrative expenses), the Notes, the Master Indenture and the Supplemental Indenture to the Bond Trustee. In addition, the Bond Indenture, among other things, sets the interest rates, maturity dates and redemption provisions for the Bonds, establishes the various funds and accounts for the deposit and transfer of money and contains other provisions which are required by the Act or which are permitted by the Act and which the Issuer and the Corporation deem necessary or desirable in connection with the sale of the Bonds.

WHEREAS, the Bonds will be special, limited obligations of the Issuer payable solely from amounts payable by the Corporation and other members of the Obligated Group under the Master Indenture under the Notes, other than to the extent payable from the proceeds of the Bonds. The Bonds shall not be payable from or charged upon any funds other than the revenue pledged to the payment thereof, nor shall the City or the HRA be subject to any liability thereon. No holder or holders of any Bond shall ever have the right to compel any exercise of the taxing power of the Issuer to pay any such Bond or the interest thereon, nor to enforce payment thereof against any property of the Issuer except the Notes. The Bonds shall not constitute a debt of the Issuer within the meaning of any charter, constitutional or statutory limitation.

WHEREAS, the Bonds will be purchased from the Issuer by The Northern Trust Company (the "Purchaser") at a price equal to the principal amount thereof.

NOW, THEREFORE, BE IT RESOLVED, in order to finance the Refunding, the City hereby authorizes the issuance of the Bonds as revenue bonds under the Act in one or more series, in the aggregate principal amount of up to \$56,000,000. The City Finance Officer is hereby authorized to approve the aggregate principal amount of the Bonds, provided that such principal amount is not in excess of \$56,000,000; the maturity schedule of the Bonds, provided that the Bonds mature at any time or times in such amount or amounts not exceeding 40 years from the date of issuance thereof; the provisions for prepayment and redemption of the Bonds prior to their stated maturity; and the interest rates for any series of Bonds, provided that no initial interest rate exceeds 7.00% per annum. Such approval shall be conclusively evidenced by the execution of the Bond Documents as provided herein.

FURTHER RESOLVED, each Bond, as initially issued, shall be executed on behalf of the City by the manual or facsimile signature of the City Finance Officer. The Bonds when executed and delivered shall contain a recital that they are issued pursuant to the Act. U.S. Bank National Association is hereby designated as authenticating agent pursuant to Minnesota Statutes, Section 475.55. If any officer who shall have signed any of the Bonds shall cease to be an officer of the City before the Bonds so signed shall have been actually authenticated by the Trustee or delivered by the City, such Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person who signed such Bonds had not ceased to be such officer of the City.

FURTHER RESOLVED, the Joint Powers Agreement, the Bond Indenture and the Loan Agreement (the "Bond Documents") are hereby made a part of this Resolution as fully as though set forth in full herein and are hereby approved in the form made available prior to this meeting, and the City Finance Officer is hereby authorized and directed to execute, acknowledge and deliver the Bond Documents on behalf of the City with such changes, insertions and omissions therein as do not change the substance of such documents and as may be approved by the City Finance Officer, such approval to be evidenced conclusively by his execution of the documents named herein.

FURTHER RESOLVED, the City Finance Officer is hereby authorized and directed to execute and deliver all other documents which may be required under the terms of the Bond Documents, and to take such other action as may be required or appropriate for the performance of the duties imposed thereby or to carry out the purposes thereof.

FURTHER RESOLVED, in the absence or disability of the City Finance Officer, the Assistant City Finance Officer or such other officer of the City as, in the opinion of the City Attorney, may act on his behalf, may execute such instrument. The execution of any instrument by an officer of the City shall be conclusive evidence of its approval.

FURTHER RESOLVED, the City Finance Officer is hereby designated for all purposes of the Bond Documents as the City official authorized to execute on behalf of the City certificates, requests or consents as provided in the Bond Documents.

FURTHER RESOLVED, the Bonds are hereby designated "Program Bonds" and are determined to be within the "Health Care Program" and the "Program", all as defined in Resolution 88R-021 of the City adopted January 29, 1988, and as amended by Resolution 97R-402 of the City adopted December 12, 1997.

FURTHER RESOLVED, this resolution shall take effect upon publication.