



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

Date: April 8, 2008

To: Council Member Lisa Goodman, Community Development Committee

**Subject:** A Request for Approval Authorizing the Execution of Documents Related to Amendments to the Series 2007C Bonds for Allina Health Systems.

**Recommendation:** The CPED Director recommends that the City Council adopt the attached Resolution authorizing the execution of documents related to amendments to the Series 2007C Bonds for Allina Health Care.

**Previous Directives:** The City has issued over a billion dollars in 501(c)(3) Tax-exempt Revenue Bonds for various projects with Allina Health Care Systems and Abbott Northwestern Hospital from 1977 to the present. On September 21, 2007, City Council Authorized a request for Preliminary and Final Approval of up to \$500 million in 501(c)(3) Tax-exempt revenue Bonds as a Joint Issue with the Saint Paul HRA for the Health Care Systems (Allina Health Systems) Project. At this time, City Council authorization is being requested to amend certain documents related to these 2007 bonds.

Prepared by: Becky Shaw, CPED, Business Finance Approved by: Cathy Polasky, Director, CPED _____ Presenters in Committee: Becky Shaw
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### Reviews

- Permanent Review Committee (PRC): Approval N.A. Date \_\_\_\_\_

### Financial Impact

- Other financial impact: The issuance of the Series 2007C Bonds are generating revenue bond administrative fees of approximately \$50,000 a year that are used to support the small business assistance programs of the City of Minneapolis.

### Community Impact

- Neighborhood Notification: N.A.
- City Goals: The proposed project is consistent with the City Goal of preserving and enhancing the urban institutes and amenities that define Minneapolis.
- Sustainability Targets: N.A.
- Comprehensive Plan: The proposed project is in compliance with the policies of the Minneapolis Plan.
- Zoning Code: The project is in compliance.
- Living Wage/Business Subsidy Agreement Yes \_\_\_\_\_ No  X  All conduit revenue bonds allocated under State Statute Chapter 474A, refunding bonds and 501(c)(3) bonds are exempt from both the City Ordinance and the State Act unless the intent of the bond financing is to create jobs and the net benefit is greater than \$100,000.
- Job Linkage Yes  X  No \_\_\_\_\_

### Supporting Information

Allina Health Care Systems has requested an approval from the City of Minneapolis and Housing and Redevelopment Authority of Saint Paul, of an amendment to documents related to its Series 2007C-1 and 2007C-2 (Allina Health Systems) Bonds. The cities of Minneapolis and Saint Paul jointly issued the Series C Bonds in the amount of \$125 million in October 2007. Because of adverse market conditions in the auction security market, it is desirable at this time to convert both Series of 2007C-1 and 2007C-2 Bonds from auction rate securities to a more suitable and marketable type of security. In order to complete the conversion, Allina Health Systems is requesting approval of execution of amendments to the Loan Agreements and Bond Indentures associated with the Series 2007C Bonds.

### Project Location & Description

The 2007C Bonds in the amount of \$125 million were jointly issued by the cities of Minneapolis and Saint Paul for the purposes of financing improvements, construction and remodeling of facilities throughout Minnesota. Projects included in this financing were Owatonna Hospital, Allina Medical Clinic of Northfield, Mercy Hospital of Coon Rapids, Abbott Northwestern Hospital in Minneapolis, Unity Hospital of Fridley, United Hospital of St Paul, and New Ulm Hospital. Although construction is not completed at some of these locations, no new money will be infused into the project as part of this amendment.

### Type of Financing:

The Series 2007C-1 and 2007C-2 bonds were issued as MBIA insured auction rate bonds. The amendments to the current agreements will be a two fold adjustment. First, the MBIA insurance must be replaced with a direct pay bank letter of credit to address the issue of downgraded MBIA insurance in the marketplace. Then the bonds must be converted from an Auction Rate mode to a variable rate security with a Weekly Rate Period or other interest rate mode. In order to complete these two steps, amendments to the existing revenue bonds will be drafted and executed by the cities of Minneapolis and Saint Paul.

BOND COUNSEL:

Dorsey & Whitney LLP

UNDERWRITER:

Piper Jaffray & Co  
USB Securities LLC

**RESOLUTION**  
**of the**  
**CITY OF MINNEAPOLIS**

By \_\_\_\_\_

RESOLUTIONS RELATING TO CONVERSION OF  
HEALTH CARE SYSTEM REVENUE BONDS (ALLINA HEALTH SYSTEM) TO  
DIFFERENT INTEREST MODE

WHEREAS, pursuant to Minnesota Statutes, Section 469.152 through 469.165, as amended, the City of Minneapolis (the “City”) and the Housing and Redevelopment Authority of the City of Saint Paul, Minnesota, acting jointly (the “Issuer”), have previously issued on behalf of Allina Health System, a Minnesota nonprofit corporation (the “Corporation”), their Health Care System Revenue Bonds, Series 2007C-1 and 2007C-2 (Allina Health System) (the “Bonds”).

WHEREAS, the Bonds were issued pursuant to the terms of a Trust Indenture, between the Issuer and Wells Fargo Bank, National Association, as trustee, dated as of October 1, 2007 (the “Bond Indenture”).

WHEREAS, the Issuer loaned the proceeds of the Bonds to the Corporation pursuant to a Loan Agreement between the Issuer and the Corporation dated as of October 1, 2007 (the “Loan Agreement”).

WHEREAS, all of the Bonds presently bear interest at an Auction Rate, as such term is defined in the Bond Indenture.

WHEREAS, because of adverse market conditions in the auction security market the Corporation desires to convert the Bonds, or portions thereof, from an Auction Rate Period to a Daily Rate Period, a Weekly Rate Period (as such terms are defined in the Bond Indenture), or another Interest Rate Period under the Bond Indenture, in accordance with the terms of the Bond Indenture (the “Conversion”).

WHEREAS, in connection with the Conversion the Corporation intends to replace the bond insurance policy issued with respect to the bonds with a direct pay letter of credit issued by a bank (the “Credit Facility Substitution”).

WHEREAS, the Corporation has advised the City that, in connection with the Conversion and the Credit Facility Substitution, it will be necessary to enter into supplements or amendments to the Bond Indenture and Loan Agreement that implement technical modifications or amendments to the Bond Indenture and the Loan Agreement in order to provide for the Credit Facility Substitution, to obtain a short term rating on the Bonds from one or more rating agencies

or to enhance the marketability of the sale of the Bonds upon the Conversion and the Credit Facility Substitution, and that the Corporation has requested that the Issuer enter into a supplement to the Bond Indenture (the "Bond Indenture Supplement") and an amendment to the Loan Agreement (the "Loan Agreement Amendment") for these purposes.

NOW THEREFORE, BE IT RESOLVED that the City hereby consents to the Conversion and the Credit Facility Substitution, and subject to the approval of the forms thereof by City Attorney' Office, the Bond Indenture Supplement and the Loan Agreement Amendment are directed to be executed in the name and on behalf of the City by the City Finance Officer. Any other City documents and certificates necessary to the Conversion and the Credit Facility Substitution shall be executed by the appropriate City officers. The execution of any of the Bond Indenture Supplement, the Loan Agreement Amendment or any other document or instrument by the City Finance Officer or by the appropriate officer or officer of the City shall be conclusive evidence of the approval of such document in accordance with the terms hereof.

FURTHER RESOLVED, the Mayor, the City Clerk, the City Finance Officer and all other officers of the City are hereby authorized and directed to execute and deliver all other documents which may be required under the terms of the Bond Indenture Supplement or the Loan Agreement Amendment, 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 Mayor, the City Clerk, the City Finance Officer or any other officer of the City named in any instrument to be executed on behalf of the City in connection with the Conversion and the Credit Facility Substitution, the acting Mayor, Assistant City Clerk, Acting City Finance Officer or other officer may execute such instrument.

Certified as an official action of the City Council:

RECORD OF COUNCIL VOTE (X INDICATES VOTE)													
COUNCIL MEMBER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN	COUNCIL MEMBER	AYE	NAY	NOT VOTING	ABSENT	VOTE TO OVERRIDE	VOTE TO SUSTAIN
President Johnson							Goodman						
							Glidden						
Ostrow							Schiff						
Gordon							Remington						
Hofstede							Benson						
Samuels							Colvin Roy						
Lilligren							Hodges						

**PASSED** \_\_\_\_\_  
**VETOED** \_\_\_\_\_

DATE

APPROVED  NOT APPROVED

**ATTEST** \_\_\_\_\_  
 CITY CLERK

\_\_\_\_\_  
 MAYOR

\_\_\_\_\_  
 DATE

