

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

Date: March 4, 2008

To: Council Member Lisa Goodman, Community Development Committee

Subject: Request for Approval Authorizing the Execution of Documents Related to Amendments to the Series 1995B, 2004A, 2004B and 2007A Bonds for Children's Health Care d/b/a Children's Hospitals and Clinics of Minnesota.

Recommendation: The CPED Director recommends that the City Council adopt the attached Resolution authorizing the execution of various documents to amend the Series 1995B, 2004A, 2004B and 2007A Bonds issued for Children's.

Previous Directives: The City has issued ten series of revenue bonds totaling \$395 million for various Children's projects over the years, including construction of the Children's Hospital in Minneapolis and major renovations to existing Children's facilities in both St. Paul and Minneapolis. The first bonds were issued in 1980 and the latest series was issued in 2007.

Prepared by: Bob Lind, Business Finance

Approved by: Charles T. Lutz, Deputy Director CPED _____

Presenters in Committee: Bob Lind

Reviews

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

Financial Impact

- Other financial impact: The issuance of the Series 1995B, 2004A, 2004B and 2007A Bonds are generating revenue bond administrative fees of approximately \$70,000 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: To promote strong healthy families and communities and grow businesses along the Minneapolis Life Sciences Corridor.
- Sustainability Targets: N.A.
- Comprehensive Plan: The various projects have all been in compliance with the policies of the Minneapolis Plan.

- Zoning Code: The medical facilities are zoned OR3 Institutional Office Residential District.
- 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 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 X No ____

Supporting Information

Children's Hospitals and Clinics of Minnesota has requested of the cities of Saint Paul and Minneapolis to approve amendments to indentures relating to its Series 1995B, Series 2004A, Series 2004B and Series 2007A Bonds in connection with Children's decision to proceed with a conversion of its outstanding bonds from the current auction rate mode. Children's presently anticipates converting \$23,200,000 of its Series 1995B Bonds and \$48,900,000 of its Series 2004A Bonds to fixed rate. In addition, Children's anticipates converting \$46,100,000 of its Series 2004B Bonds and \$103,000,000 of its Series 2007A Bonds to variable rate demand bonds. As a result of the rating agency review in connection with the conversion, Children's anticipates that the rating agency may request minor and technical changes to the provisions of the indentures relating to variable rate bonds. Subject to the review and approval of the City Attorney's office, the necessary documents would be executed by the City following approval by the City Council and Mayor.

Project Location & Description:

The 1995B Bonds were a joint issue with the St. Paul HRA for various improvements, renovations and equipment at the Children's facilities. The 2004 Bonds were a joint issuance with St. Paul for again various improvements at the Children's facilities in St. Paul and Minneapolis and the refinancing of some prior revenue bonds. The 2007 Bonds were a joint issuance, again, for the major construction and expansion of the Children's Hospital in Minneapolis and various renovations to the existing facilities in St. Paul and Minneapolis.

Type of Financing:

No new financing, just amendments to existing revenue bond documents to enable Children's to convert the auction rate mode bonds in accordance with rating agency comments. In order to carry this out, certain amendments to the existing revenue bond documents may be necessary and would need to be executed by the cities of St. Paul and Minneapolis.

BOND COUNSEL:

Dorsey & Whitney LLP

UNDERWRITER:

Piper Jaffray & Co.

Children's 2008 Amendments City Council Report Approval

PROPOSED RESOLUTION

RELATING TO CONVERSION OF HEALTH CARE REVENUE BONDS TO DIFFERENT INTEREST MODES

WHEREAS, pursuant 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 (the “Saint Paul HRA” and together with the City, the “Issuer”), acting jointly, have previously issued on behalf of Children’s Health Care, a Minnesota nonprofit corporation doing business as Children’s Hospitals and Clinics (the “Corporation”) their (i) Health Care Revenue Bonds (Children’s Health Care), Series 1995B (Auction Rate Securities) (the “1995B Bonds”); (ii) Health Care Facilities Revenue Bonds (Children’s Hospitals and Clinics), Series 2004A and 2004B (Auction Rate Securities) (the “2004 Bonds”); and Health Care Facilities Revenue Bonds (Children’s Hospitals and Clinics), Series 2007A (Auction Rate Securities) (the “2007 Bonds”, and collectively with the 1995B Bonds and the 2004 Bonds, the “Bonds”).

WHEREAS, the 1995B Bonds were issued pursuant to the terms of an Amended and Restated Bond Trust Indenture, dated as of August 15, 2004, between the Issuer and U.S. Bank National Association, as trustee (the “Bond Trustee”) (the “1995B Indenture”); the 2004 Bonds were issued pursuant to the terms of a Bond Trust Indenture, dated as of August 15, 2004, between the Issuer and the Bond Trustee (the “2004 Indenture”); and the 2007 Bonds were issued pursuant to the terms of a Bond Trust Indenture, dated as of November 1, 2007, between the Issuer and the Bond Trustee (the “2007 Indenture”, and together with the 1995B Indenture and the 2004 Indenture, the “Indentures”).

WHEREAS, the Issuer loaned the proceeds of the Bonds at the time of their respective issuance to the Corporation pursuant to the terms of loan agreements between the Issuer and the Corporation.

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

WHEREAS, because of adverse market conditions in the auction security market the Corporation desires to convert the 1995B Bonds and the 2004 Bonds, or portions thereof, from an Auction Rate Period to a Variable Rate Period or a Fixed Rate Period (as such terms are defined in the 1995B Indenture and the 2004 Indenture), and to convert the 2007 Bonds, or portions thereof, from an ARS Rate Period to a Variable Rate Period or a Fixed Rate Period (as such terms are defined in the 2007 Indenture) (such transactions collectively referred to herein as the “Conversion”).

WHEREAS, the Corporation has advised the City that, in connection with the Conversion, it may be necessary to enter into supplements to the Indentures in order implement technical modifications or amendments to the Indentures in order 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 that the Corporation has requested that the Issuer enter into

supplements to the Indentures for these purposes (collectively, the “Bond Indenture Supplements”).

NOW THEREFORE, BE IT RESOLVED that the City hereby consents to the Conversion, and subject to the approval of the form thereof by City Attorney’ Office, the Bond Indenture Supplements 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 shall be executed by the appropriate City officers. The execution of any of the Bond Indenture Supplements 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 Supplements, 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 the acting Mayor, Assistant City Clerk, Acting City Finance Officer or other officer may execute such instrument.