
City of Grand Forks
Staff Report
Committee of the Whole November 28, 2016
City Council December 5, 2016

Agenda Item: Resolution authorizing the issuance of Revenue Bonds on behalf of Altru Health Systems

Submitted by: Maureen Storstad, Finance and Administrative Services Director

Staff Recommended Action: Adopt the resolution authorizing the issuance of revenue bonds on behalf of Altru Health Systems & set public hearing for January 3, 2017 at 5:30pm.

Committee Recommended Action:

Council Action: Refer to City Council with recommendation to approve. Ken Vein was recused.

BACKGROUND: State statute, as referenced in the attached resolution, allows the city to issue revenue bonds for Altru Health System. We have done this in the past. Altru Health System is requesting that the City issue its revenue bonds, in one or more series, under the North Dakota Municipal Industrial Development Act of 1955, North Dakota Century Code, Chapter 40-57 (The "Act") as amended. The proceeds of the revenue bonds, if issued, would be used to refund all or a portion of (i) the outstanding principal amount of the City's Health Care Facilities Revenue Bonds (The United Hospital Obligated Group), Series 1996A, (ii) the City's Health Care System Revenue Bonds (Altru Health System Obligated Group), Series 2005, (iii) the City's Health Care System Revenue Refunding Bond (Altru Health System Obligated Group), Series 2007, and (iv) the City's Health Facilities Revenue Note (Altru Health System Obligated Group), Series 2011 (together, the "Refunded Bonds").

ANALYSIS AND FINDINGS OF FACT:

- The North Dakota Municipal Industrial Development Act authorizes the City to issue bonds for certain purposes
- Altru Health Systems is asking to issue debt under this act
- The bonds will finance the project
- This debt, by legislation, is not considered debt of the City
- A public hearing is required before this debt is issued
- The Council needs to authorize the issuance and call for a public hearing

SUPPORT MATERIALS:

- Resolution

RESOLUTION RELATING TO THE ISSUANCE OF
REVENUE BONDS ON BEHALF OF
ALTRU HEALTH SYSTEM, AND
CALLING A PUBLIC HEARING

BE IT RESOLVED by the City Council of the City of Grand Forks, North Dakota (the "City"), as follows:

1. Recitals. The North Dakota Municipal Industrial Development Act of 1955, Chapter 40-57, North Dakota Century Code, as amended (the "Act") provides that:

(a) any city may issue its revenue bonds to finance any "project," defined as any real property, buildings, and improvements on real property or the buildings thereon, and any equipment located on such real property or in such buildings, or elsewhere, or personal property used or useful in connection with a revenue-producing enterprise engaged or to be engaged in any one or more of various specified activities, including the provision of hospital, nursing home or other health care facilities and service;

(b) with respect to any hospital, nursing home, or other health care facility comprising a project to be used by any nonprofit corporation, a city may enter into a loan agreement with such nonprofit corporation providing for the city to loan the proceeds of its bonds issued pursuant to the Act to the nonprofit corporation for payment of costs of the project and providing for repayment of the loan by the nonprofit corporation;

(c) a city may issue its revenue bonds to refund, in whole or in part, bonds previously issued under the Act; and

(d) before issuing bonds under authority of the Act, the governing body of the city shall give notice and hold a public hearing on the proposed bond issue.

2. Proposal. Altru Health System (the "System"), a North Dakota nonprofit corporation, which owns and operates an acute care hospital, medical clinics and related facilities in the City, now proposes that the City issue its revenue bonds under the Act, in one or more series, to refund all or a portion of (i) the outstanding principal amount of the City's Health Care Facilities Revenue Bonds (The United Hospital Obligated Group), Series 1996A, (ii) the City's Health Care System Revenue Bonds (Altru Health System Obligated Group), Series 2005, (iii) the City's Health Care System Revenue Refunding Bond (Altru Health System Obligated Group), Series 2007, and (iv) the City's Health Facilities Revenue Note (Altru Health System Obligated Group), Series 2011 (together, the "Refunded Bonds").

3. Public Hearing. This Council shall meet at 5:30 p.m. on January 3, 2017, to conduct a public hearing on the proposal that the City issue its revenue bonds under the Act, in one or more series, to refund the Refunded Bonds. The City Auditor is hereby authorized and directed to publish a notice of the hearing in the official newspaper of the City once a week for two successive weeks before the time set for the public hearing, in substantially the form attached hereto as Exhibit A.

Mayor

(SEAL)

Attest: _____
Director of Finance and
Administrative Services

The motion for the adoption of the foregoing resolution was duly seconded by Councilmember _____ and upon vote being taken thereon the following voted in favor:

and the following voted against the same:

whereupon the resolution was declared passed and adopted and was signed by the Mayor and attested by the Director of Finance and Administrative Services.

EXHIBIT A

NOTICE OF PUBLIC HEARING CITY OF GRAND FORKS, NORTH DAKOTA

NOTICE IS HEREBY GIVEN that the City Council of the City of Grand Forks, North Dakota (the "City"), will meet on January 3, 2017, at 5:30 o'clock p.m. at the City Hall in the City, for the purpose of conducting a public hearing on the proposal that the City issue its revenue bonds, in one or more series, under the North Dakota Municipal Industrial Development Act of 1955, North Dakota Century Code, Chapter 40-57 (the "Act"), as amended. The proceeds of the revenue bonds, if issued, would be used to refund all or a portion of (i) the outstanding principal amount of the City's Health Care Facilities Revenue Bonds (The United Hospital Obligated Group), Series 1996A (the "Series 1996A Refunded Bonds"), (ii) the City's Health Care System Revenue Bonds (Altru Health System Obligated Group), Series 2005 (the "Series 2005 Refunded Bonds"), (iii) the City's Health Care System Revenue Refunding Bond (Altru Health System Obligated Group), Series 2007 (the "Series 2007 Refunded Bonds"), and (iv) the City's Health Facilities Revenue Note (Altru Health System Obligated Group), Series 2011 (the "Series 2011 Refunded Bonds"; together with the Series 1996A Refunded Bonds, the Series 2005 Refunded Bonds and the Series 2007 Refunded Bonds, the "Refunded Bonds").

The Series 1996A Refunded Bonds were issued to finance the improvement and equipping by Altru Health System, a North Dakota nonprofit corporation (the "System") of the System's acute care hospital and medical facility located at 1200 South Columbia Road in the City (the "Hospital").

The Series 2005 Refunded Bonds were issued to finance the acquisition and installation of items of equipment and other personal property and the renovation, remodeling and improvement of real property at the Hospital and at adjacent property thereto in the City and to refund all or a portion of the City's Health Care System Revenue Bonds (Altru Health System Obligated Group), Series 1997 (the "Series 1997 Bonds") and the City's Health Care System Revenue Bonds (Altru Health System Obligated Group), Series 2000 (the "Series 2000 Bonds"). The Series 1997 Bonds were issued to finance the acquisition, improvements and equipping of clinic facilities located at 1000 South Columbia Road, 1380 South Columbia Road and 3165 DeMers Avenue in the City and improvements to the Hospital, and the Series 2000 Bonds were issued to finance the acquisition of certain real property and the improvement of the Hospital.

The Series 2007 Refunded Bonds were issued to refinance portions of the Series 1997 Bonds and Series 2000 Bonds.

The Series 2011 Refunded Bonds were issued to refinance a portion of the Series 1997 Bonds and the City's Health Care Facilities Revenue Bonds (The United Hospital Obligated Group), Series 1994 (the "Series 1994 Bonds"). The Series 1994 Bonds were issued to finance improvements to and equipping of the Hospital and acquisition of land adjacent thereto.

The maximum amount of bonds proposed to be issued to refund the Refunded Bonds is \$[_____]. The bonds, if issued, shall be limited obligations of the City payable solely from the revenues pledged to the payment thereof; the City shall not be subject to any liability thereon, and no holder of any bond shall ever have the right to compel any exercise of the taxing power of the City to pay any such bond or interest thereon nor to enforce payment thereof against any property of the City. The proceeds of the bonds, if issued, will be loaned by the City to the System, or to the System and one or more of its affiliated corporations, under an agreement which would provide for the repayment of the loan by the System, or by the System and one or more of its affiliated corporations. The facilities to be financed by the proceeds of the bonds will be owned by the System.

Notice is also given that the activities and services of the System compete with activities and services of other business enterprises within the City.

All interested persons may appear and be heard at the time and place specified above for the public hearing, or may submit their views in writing before the time specified for such public hearing.

Dated: December 5, 2016.

Maureen Storstad
Director of Finance and Administrative Services

4847-6728-81243