



City of Norman, OK

Municipal Building
Council Chambers
201 West Gray
Norman, OK 73069

Master

File Number: R-1415-70

File ID: R-1415-70

Type: Resolution

Status: Consent Item

Version: 1

Reference: Item 19

In Control: City Council

Department: Legal Department

Cost:

File Created: 01/14/2015

File Name: Hospital Bond Refinancing Resolution

Final Action:

Title: RESOLUTION R-1415-70: A RESOLUTION APPROVING AND AUTHORIZING THE NORMAN REGIONAL HOSPITAL AUTHORITY TO REFUND A PORTION OF ITS OUTSTANDING SERIES 2002 HOSPITAL REVENUE BONDS (THE "SERIES 2002 BONDS") TO BE ACCOMPLISHED BY THE ISSUANCE OF BONDS, NOTES OR OTHER EVIDENCES OF INDEBTEDNESS, ON A TAX-EXEMPT OR TAXABLE BASIS, AT A PREMIUM OR DISCOUNT, IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FIFTEEN MILLION DOLLARS (\$15,000,000) TO PROVIDE FUNDS NECESSARY TO REDEEM THE OUTSTANDING SERIES 2002 BONDS AND PAY THE COSTS OF ISSUANCE; APPROVING AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS IN CONNECTION THEREWITH; AND WAIVING COMPETITIVE BIDDING PURSUANT TO 60 O.S. SECTION 176(F).

Notes: ACTION NEEDED: Motion to adopt or reject Resolution No. R-1415-70.

ACTION TAKEN: _____

Agenda Date: 01/27/2015

Agenda Number: 19

Attachments: Summary of Debt Issuance.pdf, R-1415-70.pdf

Project Manager: Jeff Bryant, City Attorney

Entered by: ellen.usry@normanok.gov

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
---------------	--------------	-------	---------	----------	-----------	-----------------	---------

Text of Legislative File R-1415-70

Body

BACKGROUND: Norman Regional Health Systems (NRHS) is a public trust operated under the authority of the Oklahoma Public Trust statutes (60 O.S. §176 et seq.). The City of Norman is the beneficiary of the public trust. As a beneficiary of the public trust, the Norman City Council is required to consider and approve of debt issuances of the public trust. NRHS has moved forward to refinance and refund a prior debt issuance. The NRHS Board is scheduled to consider the refinancing and refunding plan on January 26, 2015. This item is being brought forward seeking City Council concurrence with the anticipated action of the NRHS Board.

DISCUSSION: Included with the Agenda packet is a memorandum from Grant Ostlund of Ponder and Co. (financial advisors) to Ken Hopkins, Chief Financial Officer of Norman Regional Health Systems, that details the transaction and the attendant savings to the NRHS that will come from this refunding and refinancing. To

summarize the main points, the proposal is to refund \$16.305 million of Series 2002 Bonds issued on March 22, 2002 by using proceeds from a new \$14.855 million debt issuance at a lower interest rate and a shorter term and from release of the Series 2002 Reserve Fund and release of other NRHS funds to pay off the remaining debt issued in 2002. The original issue was \$55 million with rates ranging from 5% to 5.5% (average rate of 5.46%). The original final maturity date is September 1, 2032 (17 more years). Another partial refunding of the Series 2002 debt was accomplished in 2013. The current remaining principal balance of the Series 2002 debt is \$16.305 million.

As stated above, the source of funds for the transaction include \$14.855 million in replacement debt proceeds from Capital One with a projected average interest rate of 3.23% and a term of 14 years, and a final release of 2002 reserve funds and other Trustee held funds totaling approximately \$1.935 million. This refinancing will completely defease the 2002 Series debt which will no longer be outstanding.

The total debt service savings to the NRHS from defeasing the 2002 Series debt, as outlined in the Ponder & Co. Memorandum, is projected to be \$5.4 million. The 2002 Series Bonds and the proposed new debt being refinanced are both revenue bonds secured only by the proceeds generated from the operation of the NRHS. No City of Norman revenues, property, or credit was pledged to secure the 2002 Series Bonds, nor will City of Norman revenues, property, or credit be pledged to secure the \$14.855 million debt to be used for the refunding of that portion of the 2002 Series Bonds.

RECOMMENDATION: Based on a review of the information provided by the NRHS regarding the refinancing of the remaining portion of the 2002 Series NRHS Bonds, it is anticipated the rate will be lowered, the term will be shortened, and the interest savings will be significant over the life of the Bonds. In addition, no revenues, assets, or credit of the City of Norman, as beneficiary of the NRHS Public Trust, is being pledged to support the refinancing. It is recommended the City Council, acting as the Beneficiary of the NRHS Public Trust, consent to the proposed refinancing. If you have questions or need additional information, City Legal and Finance Staff, as well as representative of the NRHS will be available at the meeting, or you may contact us individually before the meeting as well.