



City of Norman, OK

Municipal Building Council
Chambers
201 West Gray Street
Norman, OK 73069

Text File

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Title

RESOLUTION R-1213-115: A RESOLUTION APPROVING AND AUTHORIZING THE NORMAN REGIONAL HOSPITAL AUTHORITY TO REFUND A PORTION OF THE 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 IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED TWENTY-FIVE MILLION DOLLARS (\$25,000,000) TO PROVIDE FUNDS NECESSARY TO REDEEM A PORTION OF THE 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).

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 approved the refinancing and refunding plan on March 25, 2013. This item is being brought forward seeking City Council concurrence with the 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 \$27.385 million of Series 2002 Bonds issued on March 22, 2002 by using proceeds from a new \$25 million debt issuance at a lower interest rate and a shorter term and from NRHS funds to pay off an \$2.385 million of 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 (19 more years). The current principal balance is \$44.725 million.

As stated above, the source of funds for the transaction include \$25 million in replacement debt proceeds from Siemens Public, Inc. with a projected average interest rate of 3.73% and a term of 10 years, cash contribution from the NRHS Authority of around \$37,000, and a partial release of 2002 reserve funds and other Trustee held funds totaling approximately \$2.877 million. After covering the 1% redemption premium, issuance costs, and accrued interest on redeemed bonds to the date of closing, approximately \$27.385 million of the 2002 Series Bonds, at the higher interest rate, will be refinanced or refunded. Approximately \$17.34 million of the 2002 Series Bonds will remain and approximately \$25 million of new debt will be issued to Siemens Public, Inc. at the projected lower interest rate of 3.73%.

The savings to the NRHS, as outlined in the Ponder & Co. Memorandum, is projected to be \$400,000 per year in interest savings, or total cash flow savings over the ten year life of the proposed new debt of roughly \$3.68 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 \$25 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 a 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.