

COUNCIL ACTION FORM

SUBJECT: SETTING SEPTEMBER 11, 2012, AS THE DATE OF PUBLIC HEARING FOR AUTHORIZATION TO ISSUE HOSPITAL REVENUE BONDS, MARY GREELEY MEDICAL CENTER SERIES 2012, IN AN AMOUNT NOT TO EXCEED \$26,000,000

BACKGROUND:

Mary Greeley Medical Center (MGMC) is in the process of implementing a major facility expansion to continue to provide quality regional medical services. The Medical Center also has an opportunity for savings by refunding outstanding Series 2003 bonds. The Municipal Code section that specifies duties and authorities of the Hospital Trustees does not delegate activities related to the issuance and sale of revenue bonds. Therefore, Council action is required to issue revenue bonds for the Hospital.

Since revenue bonds are being issued, only revenues from MGMC will be used to pay back the bonds. Even though the issuance of revenue bonds by MGMC does not create a financial obligation or pledge of credit or taxing authority for the City of Ames, failure to follow through with bond payments could have a negative impact on the future credit of the City. Therefore, when available, the City Council previously required MGMC to purchase insurance to protect the City in the unlikely event of default. Since this type of insurance is no longer available, this bond issue will not be insured. However, it should be remembered that because of the strong financial condition of the Hospital, the City Council supported the most recent issuance of hospital revenues bonds even without the insurance protection.

ALTERNATIVES:

1. Establish September 11, 2012, as the date to hold a public hearing and take action to authorize the issuance of Hospital Revenue Bonds, Mary Greeley Medical Center Series 2012, in an amount not to exceed \$26,000,000.
2. Delay the hearing on the issuance of Hospital Revenue Bonds.

MANAGER'S RECOMMENDED ACTION:

Mary Greeley Medical Center provides quality medical services to both Ames and a large surrounding area, and is a major economic contributor to the community. Issuance of these bonds is needed to provide funding for the Medical Center's planned facility expansion, and will also provide savings by refunding outstanding bonds. Issuance of these bonds involves no financial obligation on the part of Ames property taxpayers.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby establishing September 11, 2012, as the date to hold a public hearing and take action to authorize the issuance of Hospital Revenue Bonds, Mary Greeley Medical Center Series 2012, in an amount not to exceed \$26,000,000.