

COUNCIL ACTION FORM

**SUBJECT: ISSUANCE OF HOSPITAL REVENUE REFUNDING BONDS FOR
MARY GREELEY MEDICAL CENTER**

BACKGROUND:

Mary Greeley Medical Center (MGMC) has an opportunity for savings by refunding outstanding Series 2011 bonds. Summary information on the refunding is included in an attachment prepared by the MGMC financial advisor.

The Municipal Code section that provides for the duties and authorities of the hospital trustees does not delegate activities related to the issuance and sale of revenue bonds. Therefore, City Council approval is required to issue revenue bonds for the hospital.

The issuance of revenue refunding bonds by MGMC does not create a financial obligation or pledge of credit or taxing authority for the City of Ames. Only revenues from MGMC will be used to pay back the bonds.

Issuance of these bonds requires that a public hearing be held.

ALTERNATIVES:

1. Establish April 26, 2016, as the date to hold a public hearing and take action to authorize the issuance of Hospital Revenue Refunding Bonds, Mary Greeley Medical Center Series 2016, in an amount not to exceed \$68,000,000.
2. Delay the hearing on the issuance of Hospital Revenue Refunding Bonds.

MANAGER'S RECOMMENDED ACTION:

Mary Greeley Medical Center provides quality medical services to Ames and the surrounding area, and is a major economic contributor to the community. Issuance of refunding bonds will provide savings by refunding outstanding bonds. Issuance of the bonds involves no financial obligation on the part of Ames property tax payers.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as described above.

Bond Refinancing Overview



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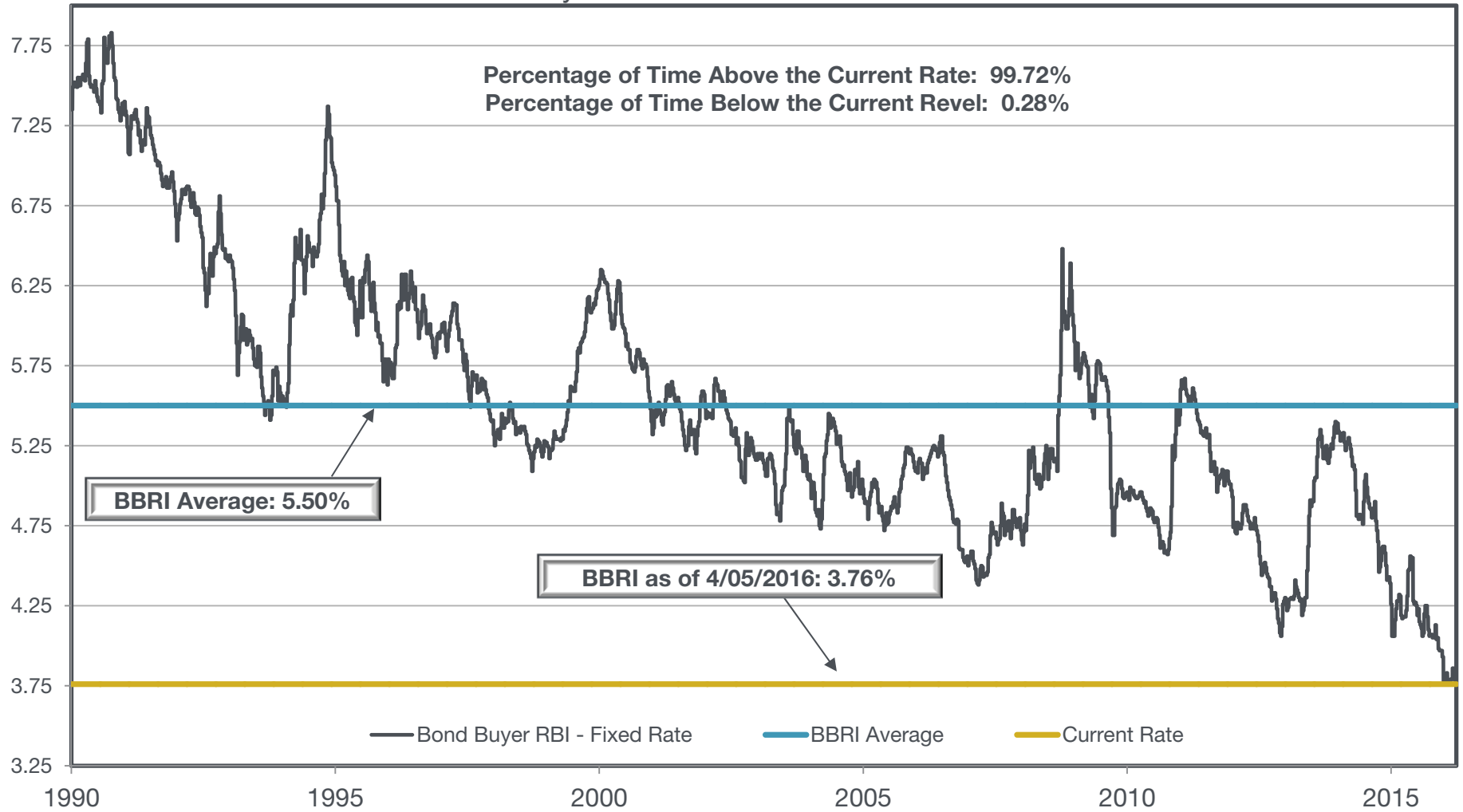
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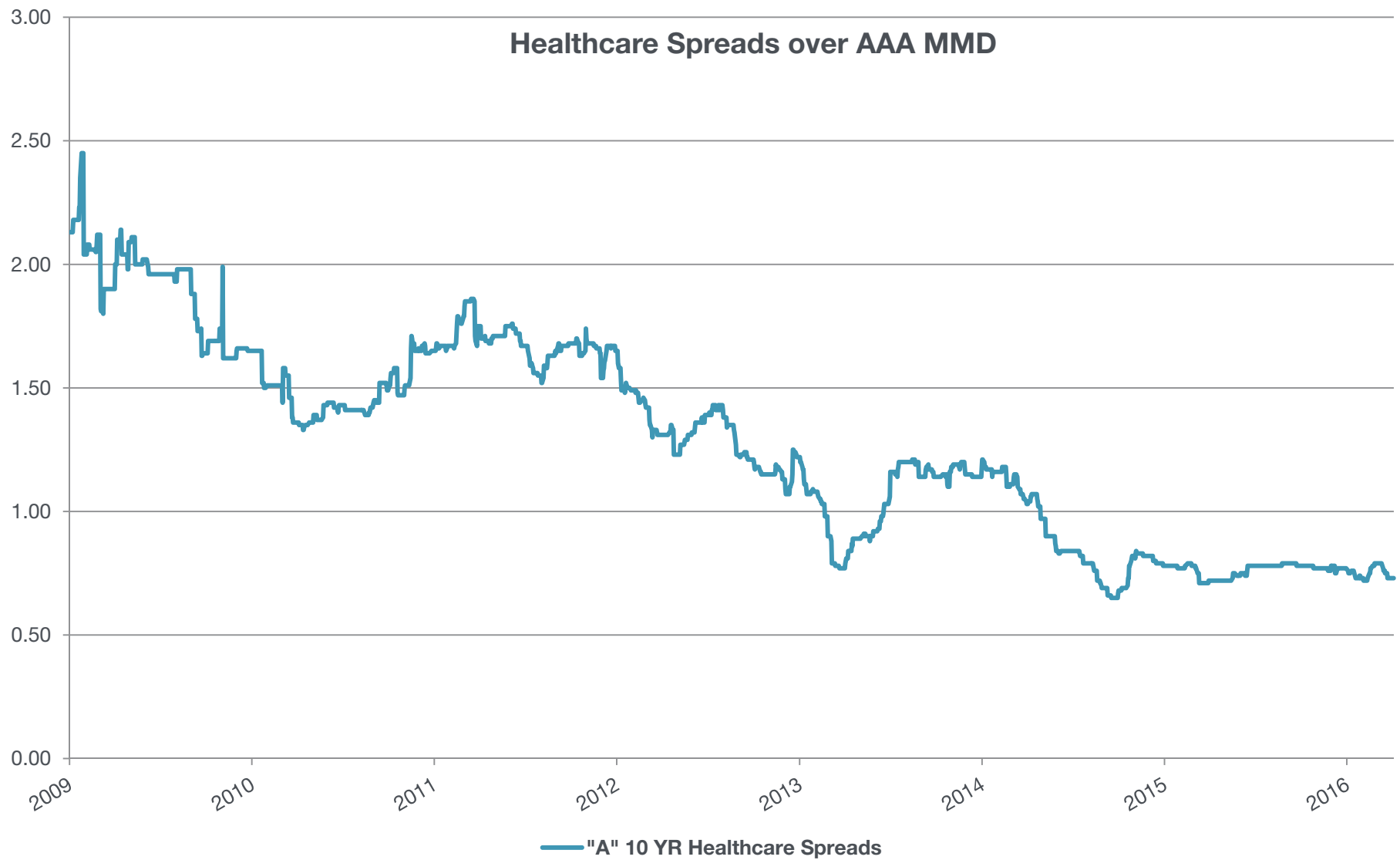
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Current Conditions in Tax Exempt Market

The Bond Buyer Revenue Bond Index
25 Rated Issues (average rating equivalent to Moody's A1 and S&P A+)
30 year term - AMT and Non-AMT Issues



Historical Healthcare Credit Spread Conditions



Refunding Opportunity for the Series 2011 Bonds

- Mary Greeley has the opportunity to refinance the Series 2011 Bonds for significant cash flow and net present value savings.
- The Series 2011 Bond proceeds were used to finance the construction and equipping of the energy plant, a six-story patient tower and the two story vertical addition to the Medical Center's west wing.
- Because bond proceeds were used for new money purposes, these bonds are eligible for an advance refunding prior to the call date.
 - These bonds are currently outstanding in the amount of \$63,560,000
 - The Bonds currently have an average coupon of 5.30%
 - Average Life of 13.67 years
 - The Bonds are callable on June 15, 2020
- For our analysis, we have assumed the following:
 - Closing date of June 15, 2016
 - Costs of issuance estimated at approximately 1% of Par Amount
 - Current market Treasury yields on escrow securities
- The following slide summarizes the refinancing economics for an advance refunding of the Series 2011 Bonds.

Summary of Refunding Economics*

	Existing Series 2011	Refunding of Series 2011
Dated/Delivery Date	10/25/2011	5/24/2016
Final Maturity	6/15/2036	6/15/2036
Principal Amount of Bonds Refunded/Refunding	\$63,560,000	\$65,580,000
Average Interest Rate/True Interest Cost	5.30%	3.15%
Average Life	13.665	13.560
Average Annual Savings	N/A	\$235,000
Gross Debt Service Savings	N/A	\$5,059,612
Total Net Present Value Savings	N/A	\$3,891,010
NPV Savings as a % of Refunded Par Amount	N/A	6.12%

*Preliminary, subject to change.

Steps Remaining to Complete Financing

- Approval process:
 - Mary Greeley Medical Center Board final approval on April 25th
 - Public Hearing and final approval by City Council on April 26th
- Preliminary Official Statement printed on April 27th
- Bond pricing week of May 9th (specific day to be determined)
- Bond closing tentatively scheduled for week of May 23rd

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