
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: May 3, 2002

SUBJECT: **Resolution and Interlocal Agreement with Participating Counties to Allow IHC Health Services, Inc. to Refinance up to \$175 Million of Hospital Revenue Bonds**

STAFF REPORT BY: Gary Mumford

CC: Rocky Fluhart, David Nimkin, Roger Cutler, Chris Bramhall, Jim Matsumori

Document Type	Budget-Related Facts	Policy-Related Facts	Miscellaneous Facts
Two resolutions	Salt Lake City's only role is to hold a TEFRA hearing, approve a resolution authorizing Utah County to issue hospital bonds, and approve a resolution authorizing an interlocal agreement with the participating counties.	Allowing an enterprise to secure tax-exempt bonds is a form of development subsidy, but it does not represent any direct cost to Salt Lake City taxpayers.	Utah County has agreed to issue the bonds necessary to refinance the original bonds.

IHC Health Services, Inc. is requesting that Salt Lake City allow IHC to refinance private activity bonds that were issued by Salt Lake City in 1990 and 1992 to build several hospitals in Salt Lake, Utah, Cache, Iron, Millard, Washington, and Weber Counties. Utah County has agreed to issue the new bonds. The Salt Lake City Council set the date of May 7, 2002 to hold a hearing as required by the Tax Equality and Fiscal Responsibility Act (TEFRA).

Private activity bonds are really corporate bonds issued by municipalities. Since a municipality's name is attached to the bonds, the bonds are considered tax-exempt to the investors and, therefore, can be sold by a corporation at a more favorable interest rate. A reason for lending the name of the municipality to these bonds is to help stimulate economic growth, to promote employment, to achieve greater industrial development, or to promote health care.

OPTIONS AND MOTIONS:

Following the hearing, the Council may wish to consider adopting both resolutions:

- ["I move that the Council"] **adopt a resolution approving the proposed issuance by Utah County of hospital revenue bonds in an amount not to exceed \$175 million.**
- ["I move that the Council"] **adopt a resolution approving and authorizing the execution of an interlocal agreement dated May 1, 2002 among Cache County, Iron County, Millard County, Salt Lake County, Utah County, Washington County, Weber County, and Salt Lake City.**

At the City Council briefing held on April 9, 2002, Jim Matsumori of George K. Baum & Co., IHC's financial advisor, responded to Council Members' questions. He explained that the bonds are conduit financing and that Salt Lake City has no liability or risk. Before the Utah Interlocal Cooperation Act, bonds had to be issued by each local government where an IHC hospital or medical facility was located. Now one local government can issue the bonds as long as the other municipalities agree. In the past, Salt Lake County, Weber County and Salt Lake City have issued bonds for the IHC hospital system. Mr. Matsumori said that it was now Utah County's "turn" to issue the bonds since Utah County has the second largest hospital in the IHC system. Utah County's fees are slightly lower than Salt Lake City's conduit-issuer fees, but there isn't any ongoing revenue involved.

The following information was provided to the Council previously.
It is provided again for your reference.

The interlocal agreement process permits the financing to be accomplished by a single local government resulting in a larger, more marketable bond issue and in reduced administrative costs. Bond counsel affirms that the bonds are obligations of IHC, and neither Salt Lake City nor any other local government has risk.

The original bonds were issued for the following purposes:

1. Primary Children's Medical Center, Salt Lake City
2. Wasatch Canyons Hospital, Salt Lake County
3. Cottonwood Hospital Medical Center, Murray
4. Orem Community Hospital, Orem
5. Alta View Hospital, Sandy
6. Delta Community Medical Center, Delta
7. Fillmore Community Medical Center, Fillmore
8. Utah Valley Regional Medical Center, Provo
9. McKay-Dee Hospital Center, Ogden
10. McKay-Dee Hospital Replacement, Ogden
11. LDS Hospital, Salt Lake City
12. American Fork Hospital, American Fork
13. Dixie Regional Medical Center, St. George
14. Logan Regional Hospital, Logan
15. Dixie Regional Medical Center Replacement, St. George
16. Valley View Medical Center Replacement, Cedar City