

WOODWARD INDUSTRIAL FOUNDATION

P. O. BOX 1026
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March 12, 1986

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Representative Mickey Edwards
 U.S. House of Representatives
 2434 Rayburn Building
 Washington, D.C. 20515

Dear Rep. Edwards:

In 1946 a group of concerned local citizens formed the Memorial Hospital Foundation in order to lessen the burdens of municipal government and assist the City in the operation of its City Hospital. In order to secure exemption from Income Tax, the Foundation applied for and received a 501(c)(3) designation from the Internal Revenue Service. In December 1982, the City of Woodward determined that the City needed a new Hospital. In order to construct same, it caused the Woodward Municipal Authority, a public trust of which the City is the beneficiary and the Trustees of which are the identical persons as the members of the City Commission to issue its \$12,200,000 Sales Tax and Utility Revenue Bonds. The Bonds bore a tax exempt interest rate in excess of 11% and were secured by a City Sales Tax and revenues derived from the Water and Sanitary Sewer System of the City which was leased to the Authority. The proceeds of the Bonds were used to build a new Hospital which was leased to a Foundation. Since that time the economy of Western Oklahoma has fallen severely and the Sales Tax of the City has followed. The population of the City has dropped thus providing fewer utility revenue dollars. Also since that time interest rates have fallen dramatically. As the law existed in 1985 dramatic savings could be realized by the City if it were allowed to refinance its Sales Tax and Utility Revenue Bonds. This is essential for the contined efficient operation of the municipal government because of the shortfall in revenues.

We have been advised by Bond Counsel that we cannot refinance our Sales Tax and Utility Revenue Bond Issue because House Bill 3838 clearly prohibits the advanced refunding of "Non-Essential Function Bonds". Bonds are classified as Non-Essential Function Bonds if 10% or more of the gross proceeds are used in a trade or business by any person other than a governmental unit. Our local Foundation is not a "Governmental Unit" as defined in the Bill even though it was formed and functioned to lessen the burdens of Municipal Government and operates a City owned Hospital. We would gladly take back the Hospital or place its operation in Public Trust but have been informed we are too late because 3838 has already "tainted" the 1985 Bonds. The results of 3838 seem even more unjust

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when you consider that the Bonds are no way secured by Hospital Revenues or revenues derived from a trade or business of a non-governmental unit but are paid solely and entirely from sales tax and utility revenues.

I implore you to do all you can to block the passage of House Bill 3838 in its present form. I understand that there are numerous other inequitable situations across the State of Oklahoma. To assist in the construction of our Hospital, the Woodward Municipal Authority issued its \$2,700,000 Hospital Revenue Bonds, and loaned the proceeds to the Foundation. We cannot now refinance tax exempt for the same reason as the Sales Tax and Utility Revenue Bonds even though it is a City owned Hospital secured solely by City Hospital Revenue.

It would seem a reasonable approach if the effective date of House Bill 3838 was postponed until January 1, 1987; so that all your local communities would have an opportunity to have some input onto the final draft of this Bill to prevent a great number of inequities. Your help for the community of Woodward, Oklahoma would be sincerely appreciated.

Sincerely,

Hugh R Jones

Hugh R. Jones

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From THE HON. P. EDWARDS