

RESOLUTION 20D-07

RESOLUTION APPROVING A PROJECT BY DULUTH HEALTH SERVICES AND CONSENTING TO THE ISSUANCE OF TAX EXEMPT OBLIGATIONS BY THE CITY OF SCANLON, MINNESOTA

BE IT RESOLVED, by the Board of Commissioners of the Duluth Economic Development Authority, St. Louis County, Minnesota, as follows:

Section 1. Definitions. The capitalized terms used in this resolution have the meanings assigned below:

Act: Minnesota Statutes, Sections 469.152 through 469.1655, as amended.

Authorized Officers: the President and Secretary of DEDA.

Board: the Board of Commissioners as the governing body of DEDA.

Bond Counsel: Fryberger, Buchanan, Smith & Frederick, P.A.

Bonds: Health Care Facilities Revenue Refunding Bonds (Duluth Health Services Project), Series 2020.

Code: the Internal Revenue Code of 1986, as amended.

DEDA: the Duluth Economic Development Authority.

DHS: Duluth Health Services.

Existing Facilities: the 92-bed skilled nursing facility located at 3111 Church Place in Duluth.

Morris Notes: the City of Morris, Minnesota \$6,400,000 Health Care Facilities Revenue Note, Series 2012B (St. Francis Health Services of Morris, Inc. Project) and the City of Morris, Minnesota \$2,134,396 Health Care Facilities Revenue Note, Series 2015 (Viewcrest Health Center Project).

Morris Notes Project: acquiring and renovating the Existing Facilities, including but not limited to constructing and equipping an approximately 28,000 square foot, two-story addition containing 46 single occupancy rooms, conversion of multiple occupancy rooms to single occupancy rooms, roof repair and replacement, improvements to improve handicapped accessibility and general improvements to the building infrastructure and constructing and equipping a 42-bed, two-story atrium addition

New Project: demolishing portions of the Existing Facilities constructed in 1960 and improvements to the Existing Facilities including renovation of dining, food service and mechanical areas, replacement of main entrance, improved access to the outdoors,

parking improvements, purchase of capital equipment and creation of new therapy, employee-use and administration areas.

Project: the New Project and the Morris Notes Project.

Qualified Services and Activities: health care services and health care related activities.

Scanlon: the City of Scanlon, Minnesota.

SFHS: St. Francis Health Services of Morris, Inc.

Section 2. Recitals. The Board makes the following recitals of fact:

a. Representatives of DHS have represented to DEDA that:

i. DHS is a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Code;

ii. the sole member of DHS is SFHS;

iii. DHS is engaged directly or through one or more of its affiliated organizations, including SFHS, in providing Qualified Services and Activities;

iv. DHS desires to finance reimbursement of funds advanced by SFHS to pay the costs of the New Project and refinance the Morris Notes issued to finance and refinance the Morris Notes Project; and

v. at the request of DHS, the governing body of Scanlon has expressed its intent to finance the New Project and refund the Morris Notes and refinance the Project through the issuance of the Bonds, which are tax-exempt revenue bonds.

b. Bond Counsel has advised DEDA that:

i. the Act authorizes the issuance of revenue obligations to refinance indebtedness incurred by an organization engaged in providing Qualified Services and Activities; and

ii. in order for the Bonds to be issued on a tax-exempt basis, and in order to comply with Minnesota laws restricting the issuance of obligations by one municipality for a project in another municipality, DEDA must (i) conduct a public hearing on the proposal of DHS to undertake and refinance the Project and (ii) consent to the issuance of the Bonds by Scanlon.

Section 3. Limitations. The Bonds, when, as and if issued, shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of DEDA or Scanlon, and the Bonds, when, as and if issued, shall recite in substance that the Bonds, including interest thereon, are payable solely from the revenues received from DHS and the

property pledged to the payment thereof, and shall not constitute a debt of DEDA or Scanlon within the meaning of any constitutional or statutory limitation.

Section 4. Public Hearing.

a. A Notice of Public Hearing was published in the *Duluth News Tribune*, DEDA's official newspaper and a newspaper of general circulation, calling a public hearing on the proposed issuance of the Bonds and the proposal to undertake, finance and refinance the Project.

b. The Board has, on January 22, 2020, held a public hearing on the proposal to undertake, finance and refinance the Project, through the issuance of the Bonds by Scanlon, at which all those appearing who desired to speak were heard and written comments were accepted, if submitted.

Section 5. Approvals; Authorizations.

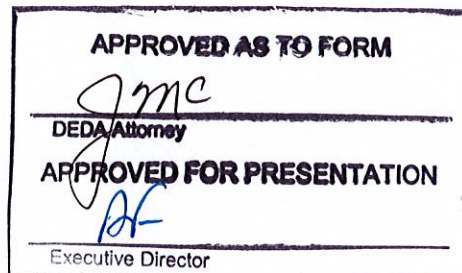
a. The proposal of DHS to undertake, finance and refinance the Project is approved. The issuance of the Bonds by Scanlon is approved.

b. The Authorized Officers are authorized and directed to execute and deliver such documents or certificates needed from DEDA for the issuance of the Bonds.

Approved by the Duluth Economic Development Authority this 22nd day of January, 2020.

ATTEST:

Executive Director



STATEMENT OF PURPOSE: This Resolution approves the issuance and sale by the City of Scanlon, Minnesota, of not to exceed \$15,000,000 Health Care Facilities Revenue Refunding Bonds (Duluth Health Services Project), Series 2020 (the "Bonds"). The actions approved in this Resolution are required by the State of Minnesota and federal law both for the valid issuance of the Bonds and tax exemption of interest on the Bonds. The proceeds of the Bonds will be used, in part, to refinance debt incurred for improvements to Viewcrest Health Center located in Duluth and reimburse SFHS, the parent company of DHS, for its funds used to pay the costs of improvements to Viewcrest.