

*City Council Memorandum*

To: Mayor Fasbender & City Councilmembers
From: Dan Wietecha, City Administrator
Date: September 5, 2023
Item: Schedule Public Hearing Regarding Duluth EDA Financing Benedictine Health System Projects

Council Action Requested:

Approve Resolution Scheduling a Public Hearing on the Issuance of Health Care Facilities Revenue Obligations by the Duluth Economic Development Authority to Finance Projects by Benedictine Health System.

Background Information:

Regina Senior Living, an affiliate of Benedictine Health System operates a senior care facility (Benedictine Living Community—Regina) in Hastings, is planning some improvements at the facility. The proposal is to have the improvements at the Hasting facility, along with improvements at two other Benedictine affiliate locations (in Winona and New Brighton) be financed via the issuance of bonds by the Duluth Economic Development Authority. We are requesting the consent of the City (as the host of the project location) to the issuance of bonds by the DEDA to finance the improvements in Hastings. Under the tax rules, a public hearing is also required; therefore, we are asking that the City approve a resolution calling for a public hearing, publish notice of the public hearing, hold the public hearing; and following the public hearing, approve by resolution the issuance of the bonds by DEDA to finance the improvements in Hastings. If the City incurs any costs or expenses with respect to the above, those costs are paid by Benedictine.

Financial Impact:

The borrower will pay the City's cost incurred in conjunction with the bond issuance. Consenting to the issuance has no effect on the City's bond rating or capacity to issue bonds.

Committee Discussion:

Not applicable

Attachment:

Resolution Scheduling a Public Hearing on the Issuance of Health Care Facilities Revenue Obligations by the Duluth Economic Development Authority to Finance Projects by Benedictine Health System

RESOLUTION NO. _____

**RESOLUTION SCHEDULING A PUBLIC HEARING ON THE
ISSUANCE OF HEALTH CARE FACILITIES REVENUE OBLIGATIONS
BY THE DULUTH ECONOMIC DEVELOPMENT AUTHORITY TO
FINANCE PROJECTS BY BENEDICINE HEALTH SYSTEM**

BE IT RESOLVED, by the governing body of the City of Hastings, Dakota 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 to 469.165, as amended.

Authorized Officers: the Mayor and City Administrator of the City.

Benedictine: Benedictine Health System d/b/a Benedictine, as Obligated Group Agent.

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

Borrower: Owner/Operator.

City: the City of Hastings, Minnesota.

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

DEDA: the Duluth Economic Development Authority.

Governing Body: the Council of the City.

Host City Project: the portion of the Project located in the City.

Host Municipalities: the City and the Cities of Winona, Minnesota and New Brighton, Minnesota.

Master Indenture: the Master Trust Indenture dated July 1, 2021 among Benedictine, the initial members of the Obligated Group, and U.S. Bank Trust Company, National Association, successor in interest to U.S. Bank National Association, as Master Trustee.

Obligated Group: as of the date of issuance of the Obligations, a group composed of the following affiliates of Benedictine: Benedictine Care Centers, Benedictine Health Center, Benedictine Living Communities, Inc., Benedictine Living Community of Wahpeton, Benedictine Living Community of Wahpeton, LLC, Bridges Care Center, City of Lakes Care Center, Ellendale Evergreen Place, Inc., Benedictine Living Community Owatonna, Madonna Meadows of Rochester, Madonna Summit of Byron, LLC, Madonna Towers of Rochester, Inc.,

Regina Senior Living, Saint Anne of Winona, St. Gertrude's Health Center, Steeple Pointe Senior Living Community and Villa St. Vincent.

Obligated Group Agent: Benedictine, as obligated group agent under the Master Indenture.

Obligations: means DEDA's Revenue Bonds, Series 2023, proposed to be issued in a maximum principal amount of \$16,000,000.

Owner/Operator: Regina Senior Living, an affiliate of Benedictine.

Project: the constructing, improving, renovating, furnishing and equipping of health care facilities located at: 1101 Black Oak Drive, New Brighton, Minnesota 55112, 1175 Nininger Road, Hastings, Minnesota 55033, and 1347 W. Broadway Street, Winona, Minnesota 55987.

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

2.01 Representatives of Benedictine have represented to the City that:

(a) the Host City Project is owned and operated by the Owner/Operator as a health care facility. The Owner/Operator provides health care and senior housing services available to residents of the City and in the surrounding area;

(b) the Owner/Operator is a member of the Obligated Group, and is a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Code;

(c) the Obligated Group desires to incur debt to pay or reimburse costs previously incurred to construct, improve, renovate and equip the Host City Project and pay costs associated with the financing;

(d) the Obligated Group also desires to finance the other portions of the Project under the Act, which are located in jurisdictions of the other Host Municipalities; and

(e) the proceeds of the Obligations will be loaned to the Obligated Group to finance the Project, including the Host City Project.

1.02 Bond Counsel to DEDA has advised the City as follows:

(a) the legal authority for the issuance of the Obligations is the Act;

(b) the Act authorizes DEDA to issue revenue obligations to finance indebtedness incurred by an organization engaged in providing health care facilities and services;

(c) in order for interest on the Obligations to be exempt from federal income taxation, the tax-exempt bond rules of the Code require that each jurisdiction in which a

portion of the Project is located must hold a public hearing on the Project and approve the issuance of the Obligations; and

(d) in order for the Obligations to be legally issued by the Issuer, Minnesota State law (Minnesota Statutes, Section 471.656) requires that the City consent to the issuance of the Obligations by the Issuer.

Section 2. Public Hearing.

2.01 The City agrees to hold a public hearing on the Project and issuance of the Obligations by DEDA.

2.02 The City Administrator, or Bond Counsel at the direction of the City Administrator, is authorized and directed to publish the notice substantially in the form attached hereto as Exhibit A, in the official newspaper of the City and a newspaper of general circulation in the City not less than 14 days nor more than 30 days prior to the date set for the public hearing; provided that if the official newspaper of the City is a newspaper of general circulation in the City, the notice may be published only once.

Section 3. City Costs. Benedictine has agreed that it will pay the administrative fees of the City and pay, or, upon demand, reimburse the City for payment of, any and all costs incurred by the City in connection with the issuance of the Obligations, whether or not the Project is carried to completion, or the Obligations are issued.

Adopted: September 5, 2023.

Mayor

Attest:

City Administrator

**NOTICE OF PUBLIC HEARING ON PROPOSED PROJECT AND THE ISSUANCE OF
PRIVATE ACTIVITY BONDS**

CITY OF HASTINGS, MINNESOTA

Notice is hereby given that the governing body of City of Hastings, Minnesota (the “City”) will meet on Monday, October 2, 2023, at 7:00 p.m., or as soon thereafter as reasonably possible in the City Council Chambers at City Hall located at 101 East 4th Street, Hastings, Minnesota, for the purpose of conducting a public hearing to consider giving host approval to the issuance by the Duluth Economic Development Authority (the “Issuer”) of revenue obligations, in one or more series, under Minnesota Statutes, Sections 469.152 through 469.165 (the “Act”), in order to finance the cost of financing, refinancing and reimbursing all or a portion of the costs of constructing, improving, renovating, furnishing and equipping health care facilities located at 1175 Nininger Road in the City (the “Project”), funding a debt service reserve fund, paying capitalized interest, and paying a portion of the costs associated with the financing, in the maximum amount of \$3,600,000, all on behalf of, Benedictine Health System d/b/a Benedictine, a Minnesota nonprofit corporation and organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (“Benedictine”), and certain of its affiliates, including without limitation: Benedictine Care Centers; Regina Senior Living; and Saint Anne of Winona. The proposed revenue obligations will be qualified 501(c)(3) bonds as defined in Section 145 of the Code. Benedictine has proposed combining the financing for the Project with the financing of other projects of the aforementioned affiliates which are located in the Cities of Winona and New Brighton, Minnesota (collectively with the City, the “Host Municipalities”), with the total amount of the obligations to be issued presently being estimated at not to exceed \$16,000,000. Regina Senior Living owns and operates the Project. The obligations and interest thereon shall not be payable from nor charged against any funds of the Host Municipalities or the Issuer other than revenue pledged for the payment thereof, nor shall the Host Municipalities or the Issuer be subject to any liability thereon. No holders of the obligations shall ever have the right to compel any exercise of the taxing power of the Host Municipalities or the Issuer to pay the obligations or the interest thereon, nor to enforce payment against any property of the Host Municipalities or the Issuer. Such obligations shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the Host Municipalities or the Issuer, nor shall the same constitute a debt of the Host Municipalities or the Issuer within the meaning of any constitutional or statutory limitations.

All persons interested may appear and be heard at the time and place set forth above or may submit written comments to the City Administrator in advance of the hearing.

**EXTRACT OF MINUTES OF A REGULAR MEETING OF THE
CITY COUNCIL OF THE
CITY OF HASTINGS, MINNESOTA**

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Hastings, Minnesota, was held at City Hall located in Hastings, Minnesota, on September 5, 2023, at 7:00 p.m.

The following members were present: _____

and the following members were absent: _____

MOTION: Member _____ moved to adopt Resolution No. _____, entitled “Resolution Scheduling a Public Hearing on the Issuance of Health Care Facilities Revenue Obligations by the Duluth Economic Development Authority to Finance Projects by Benedictine Health System,” the reading of which had been dispensed with by unanimous consent.

SECOND: Member _____

RESULT: On a roll call vote the motion was carried.

Ayes:
Nays:
Not Voting:
Absent: