

SUBSTITUTE

ORDINANCE NO. 86-146

A SUPPLEMENTAL ORDINANCE TO PROVIDE FOR THE
SALE OF THE INGHAM MEDICAL CENTER REVENUE
REFUNDING BONDS, SERIES 1986

Introduced by the Finance Committee

WHEREAS, by Ordinance No. 86-110 adopted May 27, 1986 ("Ordinance No. 86-110"), the County of Ingham (the "County"), State of Michigan, authorized the issuance of its Ingham Medical Center Revenue Refunding Bonds, Series 1986 (the "Series 1986 Bonds") for the purpose of refunding in advance all of its Ingham Medical Center Revenue Bonds, Series 1980 (the "Outstanding Bonds") and for other expenditures related thereto; and

WHEREAS, Ordinance No. 86-110 provides for the sale of the Series 1986 Bonds in a principal amount, at a price and interest rates, bond maturities, redemption provisions and other details to be approved by a supplemental ordinance to be adopted by the Board of Commissioners; and

WHEREAS, Ordinance No. 86-110 requires that there be established an Escrow Fund (as defined in Ordinance No. 86-110) to be established with the Trustee (as defined in Ordinance No. 86-110) pursuant to an Escrow Agreement (as defined in Ordinance No. 86-110) into which will be deposited from proceeds of the Series 1986 Bonds and from other funds, if necessary, sufficient funds to pay or to provide for payment of the Outstanding Bonds and it accordingly is necessary to approve the designation of the Trustee and to approve the form and execution and delivery of the Escrow Agreement; and

WHEREAS, it is necessary to approve the form of the Preliminary Official Statement and the form and content of the Official Statement with respect to the Series 1986 Bonds and to authorize the execution of the Official Statement and the distribution thereof by the Underwriters identified below; and

WHEREAS, the County has received an offer to purchase the Series 1986 Bonds from Van Kampen Merritt, Inc. and Prescott, Ball & Turben, Inc. (the "Underwriters") as set forth in detail in the bond purchase agreement (the "Purchase Agreement") submitted by the Underwriters; and

WHEREAS, the offer of the Underwriters conforms to the requirements and conditions established by the County in Ordinance No. 86-110 and otherwise and the County deems it to be in the best interest of the County to accept the offer of the Underwriters and to enter into the Purchase Agreement;

THE BOARD OF COMMISSIONERS OF THE COUNTY OF INGHAM
ORDAINS:

Section 1. Definitions. All terms not defined herein which are defined in Ordinance No. 86-110, when used herein, shall have the same meaning as defined in Ordinance No. 86-110 unless the context requires otherwise.

Section 2. Purchase Agreement. The Purchase Agreement submitted to the County by the Underwriters and the offer of the Underwriters therein set forth to purchase the Series 1986 Bonds at a purchase price of \$10,368,787.50, together with accrued interest, is hereby approved and accepted, and any one of the Chairperson, Chairperson Pro Tem, Vice-Chairperson Pro Tem and Controller is hereby authorized and directed to execute and deliver the Purchase Agreement for and on behalf of the County.

Section 3. Official Statement; Preliminary Official Statement. The Official Statement with reference to the Series 1986 Bonds, in the form and content as this day submitted to the County, is hereby approved and authorized to be executed by any one of the Chairperson, Chairperson Pro Tem, Vice-Chairperson Pro Tem and the Controller for and on behalf of the County, subject to such minor changes or variations therein as the Controller may hereafter deem necessary. The form of the Preliminary Official Statement for the Series 1986 Bonds dated June 17, 1986, and the distribution thereof by the Underwriters on behalf of the County are approved.

Section 4. Escrow Agreement. The form of Escrow Agreement to be entered into by and between the County of Ingham and the National Bank of Detroit bearing draft date 6/24/86, submitted for approval at this meeting, is hereby approved and any one of the Chairperson, Chairperson Pro Tem, Vice-Chairperson Pro Tem and the Controller are hereby authorized and directed to execute and deliver the Escrow Agreement for and on behalf of the County. The transfer of funds provided in the Escrow Agreement is hereby approved.

Section 5. Trustee. National Bank of Detroit, Detroit, Michigan is hereby designated as Trustee under the Escrow Agreement.

Section 6. Authorization to Purchase Securities. The Chairperson, Chairperson Pro Tem, Vice-Chairperson Pro Tem and the Controller are severally authorized to purchase any United States Treasury Securities - State and Local Government Series and other obligations of the United States of America necessary to carry out the refunding of the Outstanding Bonds and to amend the maturities, interest rates and amounts of such securities as may be necessary to comply with the arbitrage provisions of the Internal Revenue Code of 1954, as

amended, and Ordinance 86-110. In addition, the National Bank of Detroit is hereby appointed as attorney in fact for the County through January 15, 1987, to subscribe through its duly appointed officers for the purchase of the United States Treasury Securities - State and Local Government Series, necessary to carry out the refunding. Either of the Chairperson, the Chairperson Pro Tem, the Vice-Chairperson Pro Tem or the Controller are hereby authorized to request an early redemption of the United States Treasury Securities - State and Local Government Series, if necessary, and the Chairperson, the Chairperson Pro Tem, the Vice-Chairperson Pro Tem, the Controller and the National Bank of Detroit are severally authorized to include this authorization in any subscription for the United States Treasury Securities - State and Local Government Series.

Section 7. Bond Details. The Series 1986 Bonds shall be issued in the aggregate principal amount, shall mature on May 1, and November 1, in the amounts and in the years, shall bear interest at the rates and shall be subject to redemption prior to maturity as shown on Exhibit A hereto.

Section 8. Election to Redeem. The County hereby irrevocably elects and directs the Controller to redeem the Outstanding Bonds maturing on and after November 1, 1991, on November 1, 1990, from moneys and proceeds of securities on deposit in the Escrow Account.

Section 9. Amendment of Ordinance No. 86-110. Ordinance No. 86-110 is hereby amended as follows:

a. The words "fix rates and charges sufficient to produce Net Revenues from the Center in the amounts which are required by Section 10 of this Ordinance, to fund depreciation to the extent required by Section 18 of the Ordinance, to" are added to the definition of "Permitted Lease" between the words "requiring the lessee to" and "carry insurance on the Center."

b. The words "of ownership" are added after the words "provide for the transfer" in the fifth from last line of the definition of "Permitted Lease."

c. The paragraph "Anything in this Section 10 to the contrary notwithstanding, the Net Revenues for any fiscal year of the Center shall be not less than one hundred percent (100%) of the largest amount of principal of and interest thereafter maturing in any Bond Year on all Bonds then outstanding and payable from the revenues of the Center and failure to maintain such revenues in any Bond Year shall entitle the Bondholders to exercise all remedies available under Act 94 and this Ordinance and specifically Section 6 of this Ordinance." is added to Section 10 of this Ordinance.

d. The sentence "In calculating the maximum amount of principal and interest due on the Bonds, the principal amount of any series of Bonds having a single principal maturity and no sinking fund requirements or a final principal maturity of series of Bonds which exceeds an amount equal to 120% of the maximum principal amount of the Series of Bonds due in any preceding bond year shall be included in the calculation as if the principal and interest were payable as level debt service over twenty (20) years." shall be substituted for the last sentence of the third paragraph of Section 12.B.

e. The words "in United States government obligations, obligations the principal and interest of which are fully guaranteed by the United States, and certificates of deposits of banks whose debt is rated by Standard and Poors Corporation and Moody's Investors Service, Inc. at least equal to or higher than the respective rating by Standard and Poors Corporation and Moody's Investor Service on the Bonds." is substituted for "accordance with Section 24 of Act 94." in the first sentence of Section 15 of this Ordinance.

f. The phrase "the principal amount of any series of Bonds having a single principal maturity and no sinking fund requirements or a final principal maturity on a series of Bonds which exceeds an amount equal to 120% of the maximum principal amount due in a preceding year shall be included in the calculation as if the principal and interest were payable as level debt service over twenty (20) years." are substituted for the remainder of the part of the second sentence of the second paragraph of Section 19 that follows the words "to become due in any future year on the Bonds."

g. The following is added to Section 18:

The Center agrees to establish a fund designated an "Excess Depreciation Fund." There shall be deposited to the credit of the Excess Depreciation Fund on or before the end of each Bond Year, Excess Depreciation Deposits in an amount equal to the sum of:

(a) The Excess Depreciation Allowance for the preceding Bond Year.

(b) The amount of any withdrawals from the Excess Depreciation Fund for the preceding Bond Year to fund working capital pursuant to (iii) of this Section.

(c) The aggregate amount of any deficiencies resulting from failure to make required Excess Depreciation Deposits in prior Bond Years.

(d) Any additional amounts required to be deposited into the Excess Depreciation Fund in connection with the issuance of Additional Bonds.

Provided, however, that the obligation of the Corporation to make Excess Depreciation Deposits as required by the foregoing subsections (b), (c) and (d) may be deferred by the Center, if and to the extent that the making of such deposits would render the Center unable to pay the expenses and obligations of the Center when due without incurring additional indebtedness.

Notwithstanding the foregoing provisions of this Section, Excess Depreciation Deposits shall not be required to be made in any Bond Year in an amount which would cause the amount on deposit in the Excess Depreciation Fund to exceed (a) the aggregate amount of principal requirements on the Bonds for each Bond Year in which it is projected that such principal requirements will exceed depreciation for such Bond Years less (b) the sum of (i) the aggregate amount of depreciation relating to the Center in each of the Bond Years designated under clause (a) of this paragraph and (ii) the amount then on deposit in the Bond Reserve Account.

The Center may make withdrawals from the Excess Depreciation Fund only for the following purposes, but such withdrawals must be made as permitted by subsections (ii), (iii) and (iv) if and to the extent necessary to enable the Center to avoid a default in the making payments of principal of or interest on the Bonds:

(i) To pay the cost of capital improvements to the Center.

(ii) To pay, or provide funds for payment of, principal and interest on the Bonds in any Bond Year in the event and to the extent that the principal requirements included in such payments which the Center is required to pay or provide funds for payment exceed the amount reimbursable for depreciation relating to the Center (estimated in accordance with generally accepted accounting principles) for such Bond Year.

(iii) To finance additions to the working capital of the Center, which are necessary in accordance with prudent hospital management practices, in an amount not to exceed in any Bond Year thirty (30) times the average daily operating expenses of the Center for such Bond Year.

(iv) To pay the cost of capital improvements other than to the Center which are necessary in accordance with prudent hospital management practices.

Moneys in the Excess Depreciation Fund may be invested in obligations capable of being reduced to cash within 365 days or redeemable at the option of the holder within 365 days at an established price, or saleable at any time at a determinable market price; provided, however, that the Center shall take all reasonable and prudent steps to insure that the Excess Depreciation Fund is invested so that at all times the market value of the fund is equal to at least 95% of the amount computed by subtracting from the aggregate deposits made to the fund pursuant to subsections (a), (b), (c) and (d) of this Section the aggregate amounts disbursed from the Excess Depreciation Fund pursuant to this Section. For purposes of the Section:

For purposes of this Section, "Excess Depreciation Allowance" shall mean, for any Bond Year, (a) that portion of the total operating expenses of the Center for such Bond Year which constitutes depreciation determined in accordance with generally accepted accounting principles, less (b) an amount equal to the sum of the payments made by the Center (otherwise than from the Excess Depreciation Fund) during such Bond Year (i) to pay or to provide funds for paying that portion of principal and interest requirements on the Bonds which represents principal thereof and (ii) to pay the cost of capital improvements, exclusive of interest and financing charges, relating solely to the Center and "Excess Depreciation Deposits" shall mean the deposits to the Excess Depreciation Fund required by this Ordinance.

h. "The Bond Reserve Account shall be valued annually as of the end of each operating year at the lower of cost or market and, if the value is less than ninety percent (90%) of the amount required to be in the Bond Reserve Account, amounts shall be added to be Bond Reserve Account so that the amount of the deficiency will be restored by the end of the subsequent operating year." shall be inserted between the second and third sentence in the third paragraph of Section 12.B.

i. The words "and the Net Revenues for the most recent audited operating year of the Center shall be equal to at least one hundred ten percent (110%) of the maximum annual principal and interest due in any future operating year on all outstanding bonds" shall be inserted between "then being issued" and "or, if the" in the 17th line of the second paragraph of Section 19.

j. The words "the Net Revenues for the most recent audited operating year of the Center shall be equal to at

least one hundred ten percent (110%) of the maximum annual principal and interest due in any future operating year on all outstanding Bonds and the Net Revenues for each of the two (2) operating years and" shall be inserted between "improving the Center," and "the average Net" in line 19 of the second paragraph of Section 19.

k. The words "one hundred ten percent (110%) and" shall be inserted between "to at least" and "one hundred thirty" in line 26 of the second paragraph of Section 19.

l. The word and punctuation ", respectively, " shall be inserted between "thirty percent (130%)" and " of the maximum" in lines 26 and 27 of the second paragraph of Section 19.

m. The sentence in the second paragraph of Section 19 which starts "For purposes of this" and ends "of the additional Bonds." is deleted.

n. The designation "(a)" and the phrase "-", or (b) congressional action shall have taken place which is generally accepted by the municipal bond market as providing assurance that the effective date with respect to such requirement or the substantive requirement applicable to the Series 1986 Bonds set forth in the Bill will be changed so that such requirement would no longer apply to the Series 1986 Bonds" are deleted from the first sentence of Section 26.

Section 10. Execution; Other Approvals. The Chairperson, Chairperson Pro Tem, Vice-Chairperson Pro Tem, the County Clerk and the Controller, are hereby severally authorized and directed to execute and deliver such certificates and other documents and to take such other actions as may be necessary or convenient to effect the proper sale, execution and delivery of the Series 1986 Bonds, subject to the Purchase Agreement, Ordinance No. 86-110 and this Ordinance.

Section 11. Conflicts. All ordinances and parts of ordinances inconsistent with the provisions of this Ordinance are hereby rescinded.

Section 12. Publication and Recordation. Ordinance 86- 110 and this Ordinance shall be published in full in The State Journal, a newspaper of general circulation in the County qualified under State law to publish legal notices, promptly after its adoption and shall be recorded in the minutes of the Board of Commissioners and the Board of Trustees and such recording shall be authenticated by the signatures of the Chairperson of the Board of Commissioners,