

**Moffat County Board of County Commissioners
221 W Victory Way Suite 130 Craig, CO 81625**

February 22, 2017

In attendance, Frank Moe, Chairman; Ray Beck, Vice Chair; Don Cook, Board Member; Amanda Tomlinson, Moffat County Deputy Clerk & Recorder; Rebecca Tyree, Moffat County Attorney; Andy Daniels, CEO at The Memorial Hospital

**Call to Order- Special Meeting
Pledge/Opening Prayer**

A special meeting was held with the Memorial Hospital to approve the documents associated with the refinancing of the hospital.

Beck made a motion to approve Resolution 2017-31 Authorizing the termination of a site lease between the County as lessor, and the Memorial Hospital Facilities Corporation, as lessee, with respect to certain real property used as a County Hospital and the execution and delivery of a new site lease of such property between the County and the Board of Trustees of the Memorial Hospital, approving a related financing transaction; authorizing officials of the County to take all action necessary to carry out the transactions contemplated hereby; and providing for related matters. The motion is also to approve the mutual release of 2008 site lease and operating lease between Moffat County and The Memorial Hospital Facilities Corporation. Finally, the motion will approve the site lease between Moffat County and the Board of Trustees of the Memorial Hospital. Cook seconded the motion.

Beck asked to hear from Daniels and the attorney about their thoughts on this and why this is important. Daniels explained that the hospital is trying to refinance the interest rate loan on their mortgage, which will drop the effective rate from 8% to somewhere around 3%. This resolution will authorize several changes: it will reverse the course of what was in existence before the hospital had the HUD loan, it will reformulate the lease of the assets from the county back to the hospital instead of the facilities corp, and it will essentially authorize the hospital to do what it needs to do to close the loan. The refinance will save the hospital about \$17 million in interest over the loan term of 35 years. Today the hospital pays into a mortgage reserve fund that it will no longer have to pay into, plus the difference in interest payments will lead to about \$1.2 million in savings annually.

Beck asked if the new interest rate would be somewhere around 3%, and Daniels replied that the blended rate would be somewhere in the low threes. The rate on 80% of the loan is 2.374% because that portion will be a direct loan from USDA, the other 20% is capped at 5.5% interest, but no one will know what the exact interest rate is until the bonds are sold after the loan closes.

Beck asked when the original loan expiration date was, and Cook responded he thought it was a 35 year loan originally that was closed in 2008. Beck said he believes refinancing is a sensible option for anyone that can save, and he is hopeful that the USDA comes through and gets this

done. The closing is supposed to be Monday February 27th, but if it doesn't happen then, it will be put off until the end of March to avoid making double interest payments. The loan was originally supposed to close in January, but the hospital is waiting on the office of the Inspector General to stamp the closing document and say do it so that the loan may be closed.

Cook asked if the local banks are still involved because it was talked about in the beginning of this process, to which Daniels replied that banks are interested in mortgaging a title, and there is no asset to mortgage in this situation. This is more like a first position, so USDA and the lender would get first position on the cash out, basically to pay for the note, but there is no asset to hold. It is a unique situation because only a county government or a county owned hospital would be able to get a loan of this size without an asset pledged. The local banks were approached, but they stepped back after realizing that there was not an asset to mortgage.

Cook also asked about the amount that will be kept in the reserve fund. The HUD reserve was capped at around \$5 million. Daniels explained that there will be \$1.7 million in the reserve, or the equivalent of one year's loan payment. The difference is that the hospital will get to hold these funds, where they have not been able to do so with the HUD loan. The will be shown in capital in cash as restricted funds. The days of cash on hand will go up based on the essential refund from HUD. This reserve will be set aside in a restricted fund for the hospital so they can work towards building on it. It will be around about \$2 million. This will help with a down payment if the hospital gets to build the office buildings it wants to.

To Beck's question, Daniels said the next step is to file the Resolution with his attorney who will then take it to closing as a checklist of all the things that have been completed. Beck asked if there was anything the BOCC could do to speed it up, but Daniels said that there is not much to do but wait.

Tyree added that county financing is a very specialized topic, and that by law county property is titled to the BOCC, therefore there is no asset to mortgage. Tyree added that the hospital cannot pledge the public credit because that is against the constitution. Tyree read section 7 from the resolution, see attached. She added that it is a very complicated process and that it is costly to not get the paperwork completed by the deadline. Daniels and Tyree discussed the delay in the process, and why it happened the way it did.

Motion carried 3-0. See attached.

Adjournment:

Moe adjourned the meeting at 9:14 am.

Meeting Adjourned

Submitted by: Amanda Tomlinson, Deputy Clerk

Approved by: *Joseph A. Moore*

Don Cook

Fay Beak

Approved on: Feb 28, 2017

Attest by: *Kelia Herod*

