**WORK SESSION**
**JUNE 10, 2021**

Present at work session: Clark Harrell, Sam Farrow, James Nance, Dickie Dowdy, Mark Crenshaw, Rick Lawson, Haden Hooks, Sherrie Leverett, Miller Edwards and Steve Gautney.

Chairman Farrow opened the work session to discuss the Crisp Regional Bond Issuance. Administrator Harrell stated that there is no doubt that this commission supports Crisp Regional Hospital. The purpose of this meeting is to give the elected officials an opportunity to ask questions and get comfortable with the $44 million bond issuance backed by the county. Commissioners have before them an Intergovernmental Contract, Resolution, and Tefra papers. The hospital held a public hearing and no one from the public had any input. If you decide to move forward you can present this at a regular meeting or a called meeting. Miller Edwards with Mauldin & Jenkins, county auditors, is here to talk about this from a county standpoint, and maybe what affect, if any, this will have on the county. Mr. Edwards advised that Mrs. Leverett had asked him to take a look at the paperwork, and on the surface he didn't see a concern. She then sent him the financial statements and, like her, he was concerned about why we would want to do this, in light of the economic world we live in and the hospital having a substantial amount of equity. After talking with the finance director at the hospital, it came back that they wanted to maintain those equity funds. The question then was what is the right amount of funds to have. Both of your entities are very healthy; the county has about eight months of fund balance and the hospital has a stronger fund balance. He advised that the county funds are seasonal but a question he has is the hospital funds seasonal; often if we have debt, we try to pay it off before we incur more debt. In this case, it will be adding another layer to the overall debt, although they do have plans and it sounds like the plans are very good. The current bonds on the hospital are around $23 MM, and they are essentially asking the county to almost double the guarantee to $44 MM. Mr. Edwards advised that the funds they have are invested in a wide variety of things that the county cannot do. He doesn't understand why they would be issuing debt rather than paying off what they have; he is sure the investment guy is creating an offset to their interest expense, which would make sense. They would have those funds earning interest to offset the interest expense on the other side. Then the question comes to him, what if you reduce both sides, reduce the investments on this side and the debt on this side, it would accomplish the same thing. That is the question that probably should be addressed by someone. He brought up an example, if you had a hefty bank account and if you wanted to incur debt, would you issue debt to maintain your hefty bank account or would you use some of your equity; could you live with a smaller equity? Mrs. Leverett stated that the county has about an 8 month surplus, and if at this budget cycle I advised that we aren't going to use any of our surplus to balance this budget as I want to hold on to it, this is exactly the same, and there again the question is how much is too much. We are comfortable with 8 months surplus, but we are also comfortable with 6 ½ to 7 months, so we said rather than raise taxes and put it on the taxpayers, we will pull some from surplus to balance the budget. Mr. Nance said we know what we would do, but we want to know why the hospital is not willing to draw from surplus. Chairman Farrow stated if you have $150,000 and it is invested and bringing in more revenue than what interest is going to cost you on borrowed money, what would you do? Mr. Edwards stated that why would they need all the surplus, there again what is the right level of surplus do you need. Mrs. Hooks asked what affect this would have once the county issued the bonds, would this impact the county's rate. Mr. Edwards said he couldn't quantify that but it would absolutely factor in as everybody is going to look at your other debts or guarantees and anything else that will have a negative effect in the issuance you are wanting to do right now; it may not be a big demerit as this is a strongly operating entity, and that will factor in as well.

Administrator Harrell advised that we have gone back and forth with the Intergovernmental Contract with Mr. Lawson trying to make sure we have the protections that hopefully commissioners will feel comfortable with, and one of the things we added is on page 7 No. 3K. It says "in the event that the authority should sell or cause to sell the obligated proof to sell facilities to another entity, the Authority agrees that it shall or cause the obligated group to refund payoff to defease the Series 2021 Certificates". He ask Mr. Lawson was that language sufficient, and Mr. Lawson stated that in the very, very unlikely event that the hospital was sold, I thinks it is, in fact I don't think the bonds can stay outstanding if the authority is a backer of these bonds, if they sell the hospital. Administrator Harrell asked what if they leased the hospital, as the word lease is not in there, do we need to put that language in. Mr. Lawson said he didn't know why you would because if they are leasing they are still performing the essential functions of what we want our local hospital to do. He said the hospital, through the authority, have members that the commissioners appoint, so we have some control through the board membership. Commissioner Nance replied that commissioners accept their recommendation to appoint. Mr. Edwards said most of the time the bonds have a call date, say the call date is 2024, so if you issue debt to refund and pay back those, the bonds won't be paid off, they are put in escrow, to be paid back in 2024, and defeasement is the process of going through that. If you pay it off early, you will have a penalty. Administrator Harrell said he wanted to make sure the IG contract protects the commission and county taxpayers' investments not knowing what the future holds. We have 2013 & 2015 Certificates plus new debt to equal the $44 MM, and a max annual debt service of $2,650,000 over a 30 yr. period, with the plan being for the hospital $18 MM and then $8 MM on 16th Avenue. He asked commissioners if they had any questions. Mr. Lawson advised that they looked at the last agreement and made sure that everything was in here that was in our prior agreements, it was very similar to what we agreed to before, you just have more of a business decision with the amounts and debt.

Mr. Edwards advised that he understands that excess funds are like insurance in that they give you that much more strength to weather the storms that might be out there, that is a positive; the only question he has got again comes down to the question of risk, what happens if the market tanks and what that does to us then. Are we comfortable with them having so many funds in the market, there is no right or wrong. That is a decision that needs to be made on how far are you willing to go to with this approach to maintaining and establishing funds at the hospital. Mrs. Leverett ask Mr. Lawson that on page 2 of the IG, it says "whereas the authority at the request of the obligated group has proposed refunding all or a portion of the outstanding refunded certificates", if this goes through, are we going to have $44 MM total or we going to have $44 MM under the new issue and some part left from the 2013 & 2015 issues? Also, it only refers to refunding the $16,500,000, which is the 2013 issue, with no reference to refunding the 2015 issue, which is $11 MM; if that is the case our guarantee will be $55 MM instead of $44 MM. Are we going to end up with just the $44 MM or we going to end up with $44 MM and something left out of the other two issues? Mr. Gautney advised his understanding is the upper limit is the $44 MM. He advised there is another amount out there, we did not include that originally because we felt like there would be penalties involved, but they have talked with SunTrust, who holds that, and they agree that they would not charge penalties so we would like to get rid of that debt in this bond issue. Mrs. Leverett said so all the current issues will be refunded and included in the $44 MM, and Mr. Gautney replied yes. Mr. Edwards advised that the total bonds from 2013 & 2015 are around $23MM, and that will be paid off with the $44 MM, but it will almost double the current situation. It just comes back if you are comfortable with that number. He thinks it would be fair to ask the hospital to work with the county to demonstrate what their surplus needs are. Mrs. Leverett said if they were to pay off some of the current issues with their investments rather than re-finance, would it or would it not reduce their investment level to a worrisome level. Mr. Edwards said that is a judgement call, there is no right or wrong answer. Mr. Lawson stated that what he is hearing is to go back to bond council and advise that we would like this document to reflect all the previous debt refunded instead of just a portion; that still gives an extra $21 MM. Mr. Gautney advised that time is of the essence to them, especially if interest rates go up it changes the whole thing; also the $16,500,000 is sitting at its current interest rate versus what we can refinance it at and estimated to be about $20,000 a month additional interest expense debt that is accruing, but everybody needs to be comfortable. Mr. Crenshaw ask if the hospital would want to revise the amount to a lower amount, and Mr. Gautney advised no because they wouldn't be able to do what they need to do to create the growth that they need to create. Mr. Crenshaw stated that if you pay off some of the debt, we wouldn't be as opposed to that much money. Mr. Gautney stated that what they are trying to do is cost the county taxpayers as little as possible and keep the hospital growing; one of the secrets to this success has been the reinvestment of the people of the county. If you use some portion of the money you have in investments, it is not gaining interest and investments, which is income you are not going to have. If you are able to borrow this debt we are talking about at 2% interest, you are borrowing at a much lower rate, and if you take some investments away and you don't borrow as much, you are costing yourself money because you are spending more money. Mr. Gautney addressed the question of how much is enough, and he would like to have $100 MM in funding, depreciation, investments, or cash. The other side is the hospitals that have been real conservative and keep their debt paid off, if something happens, they suddenly have a big amount of money they have to pay that they don't have the cash to dip into; having cash available is super important. He advised that the hospital belongs to the county and it is a county asset, and if all those investments went away tomorrow, he think the taxpayers will still have no real exposure because you have the assets, equipment and operating business of the hospital that is generating about $9 MM in cash a year. This is done in counties all around, and the protections that are put in the IG are a little unusual, but they are fine because we have over the last 30 years, the county has backed around $43.6 MM in debt for Crisp Regional, and the county has never had to pay anything, including paying for charity or indigent care. Commissioner Crenshaw stated that we are not saying we are not going to fund this, we just want to get some questions answered. Mr. Edwards said that when you look at your audit financials, you have a $47 MM that says this is investments designated for capital improvements, why would you want to go in debt instead of using this. Mr. Lawson stated that Administrator Harrell ask before about the leasing, the hospital has a complicated organizational structure but the authority owns the property, owes the debt on the property and in fact it leases to Crisp Regional Hospital, who is a nonprofit corporation, so they already are leasing. If in the future someone else came it, they would change the lease. Mr. Gautney said that the authority could choose to lease it to a different organization. Mrs. Leverett asked what affect that would have on the county on the $44 MM; Mr. Gautney said the debt and assets are both held within the authority, so it continues to be owned by the county. Administrator Harrell ask what if you have another hospital that wants to lease it from the hospital authority and trying to protect the taxpayers going forward of this 30 yr. period, that if some other entity came in that may not have the community oriented background that CRH has, would this go away and not keep the taxpayers on the hook with the lease, transfer or sale. Mr. Lawson said these are non-profit corporations. Mrs. Hooks asked if the hospital authorities' law required the entity that is operating a hospital to be a non-profit owner. Mr. Gautney said he has seen where an authority leases to a for-profit corporation. Mr. Edwards ask Mr. Gautney if the hospital were to lease to a for-profit entity, is there anything in the law or charter that you have to get the county's approval. Mr. Gautney did not know that answer, but the authority can issue debt on its own, but what we are asking here is to have a lower interest rate. Chairman Farrow asked if for some reason, this went south and we had to sell it or lease it to pay off the bond debt, we want to make sure the bonds will be covered. He said what if the hospital didn't have that reserve or revenue for the expansion, would we still do it, and he can see where the hospital is coming from. Commissioner Dowdy said he didn't think there is one of us that don't want the best for this county, the hospital is part of that investment, and if you are paying your obligation, that is the only way you have to preserve and operate your business. The hospital has good management, and we both have sound financial statements, let's get these other two bond certificates resolved where we only have one number where we can agree that it is not out of the realm of possibility; I want to do what we can do as a commission and whatever the legal team can come up with, he has confidence in both legal teams as he wants to be corporative. Commissioner Nance said that in 20 yrs. from now a lot of people in the room will not be here, so we want to make sure everything is spelled out as best as possible. Chairman Farrow stated we want to make sure the taxpayers are protected on this bond issue. Mrs. Leverett said we need to know what the maximum debt amount the commissioners are comfortable with, she is not comfortable with $44 MM, but if commissioners are, she would certainly hope we don't go over the $44 MM. Mr. Gautney said they had laid out the plans of what they want to do. Mr. Harrell said the thing here for the administrative side is trying to provide you with all the information we can, you have done this many times before, I just want you understanding it so when you are at restaurants and events and people ask you why you did what you did, you will have as much information about this as you can. Mrs. Leverett advised that in the original meeting they had talked about bond insurance, they said they don't do that anymore; Mr. Edwards made a point, she had mentioned to Administrator Harrell and a couple of commissioners that had it not been for bond insurance you would not have been able to dodge the bullet you did on the Solid Waste Management Authority. Administrator Harrell advised that back to Mr. Gautney's point, the Hospital Authority owns the assets, so there are levels of protection. Chairman Farrow said maybe we need something in the agreement that they are responsible for the payoff if they ever get out of the hospital business. Mr. Lawson said we could change that one section that if it is leased to another entity other than the obligated group, which is defined as Crisp Regional. Commissioner Nance said the main issue is the board's comfort level we are willing to finance. Mr. Lawson ask if they wanted to require refunding of the 2013 & 2015 issues. If you pay these issues off, you will almost be doubling your liability of where you are today. Commissioner Nance said the hospital is our baby, it belongs to us; the hospital is a great asset to the community. Mr. Lawson stated that if all the prior issues are refunded, that will leave the hospital with about $5 MM they will have to come up with, the extra $21 MM they will have for construction and their budget is $26MM. Administrator Harrell ask Mr. Lawson if he was hearing that you are going to get with King and Spaulding, get the proper documents back to me to present to the board. Mr. Lawson advised yes and he would copy everybody so everybody will see what he is asking for, so if he say something wrong, someone can say that is not what we agreed. Administrator Harrell said he understands time is of the essence. He asked the chairman what his thoughts on once the documents are sent back to us. Chairman Farrow said if we can get the wording worked out on the debt borrowed, and to make sure we are ok time-wise. Mrs. Hooks advised that they had discussed that before, and if they get it approved by their July meeting, Jessica didn't think there would be a problem with the date of the Tefra hearing. Administrator Harrell stated that he is seeing that the board is agreeable to that. They replied yes. Mr. Lawson said he would get the documents fixed this afternoon. Commissioner Crenshaw ask Mrs. Leverett what number she would be comfortable with for the county to guarantee, and she said that is a hard question to answer, I don't know, I am with Mr. Edwards on the hospital financials as they have $47MM designated for Capital Improvements, yet they don't want to use any of that for capital improvements, they want to borrow some new money. She heard Mr. Gautney say he would like to have $100MM in investments, and she would like to have $30MM, as that is each entity's years' worth of operations. Mr. Gautney said there would be a loss of what is available if we take money out of investments. Mrs. Leverett ask Mr. Gautney if the county could get comfortable with the $44MM max for the bond issue, would they have any problem of losing $5MM or $6MM out of their reserves to complete these two projects. Mr. Gautney said he would not have a problem with that, but before you hold me to that let me check, but we have talked about this after we started this process and yes we will come up with the money. Mr. Gautney stated that it has been clear to him from the hospital board that they expect this hospital to operate profitably and have a quality product. Commissioner Crenshaw ask Mr. Lawson if they decided to sell the hospital, would we have any say so; Rick advised that the county would not, they are an independent authority, but we want this agreement to say that if it happens those bonds are going to be paid.

Commissioners agreed to have a called meeting, if needed.

Sam N. Farrow, Jr., Chairman

Clark Harrell, Administrator