

**ORTONVILLE CITY COUNCIL MEETING MINUTES**  
**JOINT WORKSHOP MEETING**  
**City of Ortonville and OAHS Health Care Board**  
**CITY OFFICE MEETING ROOM**  
**315 Madison Avenue, Ortonville, MN**  
**Monday, December 1, 2008**  
**6:30 P.M.**

**CALL TO ORDER AND ROLL CALL:**

Mayor Blair Johnson called the Special Meeting of the Ortonville City Council and the OAHS Health Care Board to order at 6:01 P.M. Roll Call was taken with the following Present: Mayor Johnson, Nick Anderson, Craig Randleman, Steve Berkner, Bob Meyer, John Cunningham, and Mike Dorry. Staff Present: City Administrator David Lang, Deputy City Clerk Susan Lundell. Media Present: Mike Swenson (*Ortonville Independent*). Others Present: OAHS Administrator Rick Ash, OAHS Chief Financial Officer Jim Foster, Carolyn Drude, Ehlers & Associates, Inc., John Henningsgard and Steve Proeschel of Piper Jaffray, OAHS Board Members Marilyn Lindahl, Bill Thyne, Mary Ann Ulrich, Ron Thomas, Alice Radermacher, Marcy Stotesbery, Bruce Swigerd, Norman Schultz, Mel Ehlert and other interested citizens.

**DISCUSSION: FINANCING FOR OAHS HOSPITAL REBUILD PROJECT -**

Ehlers & Associates, Inc. & Piper Jaffray

John Henningsgard of Piper Jaffray commenced the discussion. The financial markets have not rebounded, nor has the credit market. The recommendation is the long-term fixed rate bond issue that has been the primary option all along throughout this process. It is recommended that the City issue Series 2008 and Series 2009 Public Utility Revenue Warrants. The 2008 Series would total \$9,440,000.00 and the 2009 Series would total \$7,520,000.00. These warrants would be secured by the net revenues of the public utilities of the City. Warrants can be refinanced at a lower interest rate in the future. We need to move forward this month in order to qualify as bank qualified tax treatment. The City has not structured this issue to require a mortgage on the hospital property.

The timing of removing the financing risks is a primary reason to move forward at this time. Using General Obligation bonds would require an approximately 90-day process and would mean the bonds would not be bank qualified.

The City would have a one-time option to do an advance refunding of these bonds to take advantage of lower long-term interest rates in the future.

The OAHS financial forecast has been updated by management and includes the following key assumptions: Project cost \$18.5 million, OAHS equity contribution of \$3.5 million; 9% interest rate on Warrants; Volumes remain stable; growth in FTEs from projected 138 to 162 in 2012 (related to clinic integration); Salary and benefit increases of approximately 4% annually.

**DISCUSSION: FINANCING FOR OAHS HOSPITAL REBUILD PROJECT –  
(Cont.)**

This forecast includes the purchase and integration of Northside Clinic and incorporates provider-based reimbursement. During the forecast period, 2009-2012, OAHS operating margin ranges from 3.9% to 9.3%, with the low occurring in 2011. OAHS maximum annual debt service coverage ranges from 1.42x to 2.26x, with the low occurring in 2009. OAHS day's cash on hand ranges from 66 to 192 days, with the low occurring in 2010.

John Henningsgard believes our forecast estimates are conservative since there is no forecasted increase in revenue volume. He noted the other four enterprise funds in total would make the coverage ration even stronger. The interest rate for the 2009 issue will be at the same interest rate as the 2008 issue.

**ADJOURNMENT:**

Mayor Johnson adjourned the meeting by consensus at 6:32 PM.

APPROVED:

ATTEST:

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Blair Johnson  
Mayor

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David A. Lang  
Clerk-Administrator