

MINUTES
Finance Committee and Planning and Development Committee
University of Minnesota Hospitals and Clinics
January 16, 1980

Present: David Cost
Bob Dickler
David Domaas
Cliff Fearing
Jeanne Givens
Al Hanser
John Herman
Clint Johnson
Tom Jones
Kevin Moore
Cheri Perlmutter
John Quistgard
Terry Rosecke
Margaret Sandberg
Irving Sawyers
Don Van Hulzen
Ron Werft
John Westerman
Paul Winchell

Absent: Harry Atwood
John Tiede
Virgil Moline
Timothy Vann
Michael Eisenberg
Joe Resch
Clint Hewitt
Debbie Gruye
Al France
JoAnne Barr
David Brown
Seymour Levitt
David Preston

The joint meeting of the Finance Committee and the Planning and Development Committee was called to order by Jeanne Givens at 12:25 p.m. in the Dale Shepherd Room of the Campus Club.

A motion to approve the minutes of the Planning and Development Committee meeting of December 12, 1979 was made by Ms. Sandberg, seconded by Ms. Perlmutter and unanimously approved by the committee.

Mr. Dickler began by noting that the topics to be covered are an update of planning for the renewal project and financing of the project. He explained that for the last three months, we have been programming for the renewal project and the first major product from that effort is the master zoning scheme. Essentially this scheme makes a determination of how many square feet various hospital functions require and where those functions will be located in terms of not only existing or new facilities but approximate location in those facilities. Mr. Dickler stated that it is planned to put this information in a narrative form to be reviewed by the Planning and Development Committee next month as well as various other groups.

He also noted that the cost estimate of this scheme of \$200,000,000 to \$221,000,000 is different from the debt capacity study, which will be redone. These cost estimates are based on the following dates of construction:

- Initiation of new construction by July, 1981.
- Completion of new construction by January 1, 1985.
- Initiation of remodeling by July 1, 1984.
- Completion of remodeling by early, 1987.

Mr. Dickler then reviewed several drawings showing proposed location of the new facility, location of departments and services within the new facility and how the locations relate to existing facilities. A substantive change which has occurred, as Mr. Dickler pointed out, is that this scheme envisions relocating all patient care services in VCHH to the new facility and moving Psychiatry and the Epilepsy Center to the VCHH. This change primarily reflects an analysis of the transportation modalities and the linkages between the Heart Hospital services and the

acute services located in the new building. The programming which the master zoning is reflecting is to be completed by March 1, 1980 and, at this time, the schematic design will be initiated and is targeted for completion by August, 1980.

The committees were provided with the debt capacity evaluation prepared by Ernst and Whinney and a summary of the debt study prepared by Mr. Fearing. Mr. Fearing suggested that the committee members review the debt study and any questions can be addressed at next month's Board meeting. He noted that dollars used in this study are not the dollars used in the construction proposal presented by Mr. Dickler today nor is the timeframe the same. The first debt capacity evaluation was done in August of 1978 based on two phases - Unit H and Unit K/E. This study evaluated three primary methods of financing - Hospital Revenue Bonds, University Bonds, and State General Obligation Bonds. In March of 1979, the study was redone to evaluate the financial impact of consolidating the project into one phase. The results of both of these studies indicated that UMH&C could finance the proposed project using either State Government Obligation Bonds or University Bonds. In June and August of 1979, the federal government issued new reimbursement regulations that, although they did not restrict capital costs, they did restrict the generation of operating cash. Due to these changes and other variables which have changed, the debt study was again redone using certain assumptions which Mr. Fearing outlined. The results of the study based on these assumptions and those outlined in the Ernst and Whinney study are that UMH&C has the financial capacity to amortize the debt necessary to construct the renewal and replacement project using either University Bonds or 25 or 30 year State of Minnesota loan agreements. Mr. Fearing also stated that the size and scope of the Hospital Renewal

and Replacement project may create future changes which will cause this evaluation to be redone. He also reviewed Exhibit A, Selected Financial Ratios, and Exhibit B, Statement of Projected Sources and Uses of Funds, provided for the committees' information.

A key factor, which Mr. Fearing pointed out in the debt study, is that if UMH&C were to use University financing, it would require a 22.8% increase for one year of our rates. It would require slightly under 19% using State Government Obligation Bonds.

Mr. Cost inquired as to how the Fairview situation impacts our project and Mr. Dickler replied that our project, in comparison with Fairview's, differs in two important ways: 1) we are upgrading that which already exists and 2) this is not a metropolitan hospital. He commented that even so, it is critical for us to work with the Metropolitan Health Board in discussing our state wide and region wide role and to emphasize that this is a project for the State of Minnesota and is not a project in opposition to other hospital construction or activity in the metropolitan area. He added that we are attempting to begin these discussions and that he will be meeting with all the executive directors of the HSA's throughout the State in the near future.

There being no further business, the meeting of the Finance Committee and the Planning and Development Committee was adjourned at 1:20 p.m.

Respectfully submitted,



Terry Rosecke
Secretary, Finance Committee

Minutes
Joint Meeting
Finance Committee and Planning & Development Committee
September 16, 1981

Members Present: Harry Atwood
Jo-Anne Barr
Joseph Buckley, M.D.
David Cost
Al France
Jeanne Givens
Debbie Gruye
Clint Hewitt
Fannie Kakela
David Preston
Margaret Sandberg
John Westerman
Dean Lawrence Weaver
Mr. John Quistgard

Staff: Cliff Fearing
John Diehl
Steve Grygar
Nels Larson
Terry Rosecke
Don Van Hulzen

Guests: Greg Hart
Ed Howell
Laurel Files
Kim Simensen
Barbara Tebbitt
Ron Werft

Members Absent: Larry Baldwin
Leonard Bienias
David Brown, M.D.
Don Erickson, M.D.
Virgil Moline
Clint Johnson
Seymour Levitt, M.D.
Cheri Perlmutter
Paul Winchell, M.D.

The joint meeting of the Finance Committee and the Planning & Development Committee was called to order by Mr. Harry Atwood, Chairman of the Planning & Development Committee, at 11:50 a.m., in Room 626 of the Campus Club.

The minutes of the Planning & Development Committee meeting of August 19, 1981 were approved by the committee.

Mr. Hewitt began with an update on the status of the construction contracts. He noted that four contracts have been awarded and one contract for excavation and underpinnings is currently out for bids. The architectural contract is under negotiation at this time.

Mr. Van Hulzen stated that the certified construction price includes the premium which the University will be paying for workers' compensation.

Mr. Fearing commented that, as of last week, tax exempt Triple A Bonds are selling as high as 12 - 13% interest rate compared to 7 1/4 - 8 1/4% interest rates in February, 1981. Due to the uncertain financial markets for debt, a number of different

methods of financing are being evaluated. It is still planned that we will use the State General Obligation Bond method of financing in January/February of 1982.

Mr. Fearing also reported that the Board of Regents had authorized the issuance of an additional \$10,000.00 in short term notes to continue the project through January 1982 at which time a decision regarding long term funding of the project would be made.

Mr. Diehl reported on the no-strike no-lockout provision.

There being no further business, the Joint Meeting of the Finance and Planning and Development Committee was adjourned at 12:45 p.m.

Respectfully submitted,

Terry Rosecke/s

Terry Rosecke, Secretary

✓ Should be

\$10,000,000

I can send out
corrected minutes
or do you want

Hansen to announce?

No.

Minutes
Joint Meeting
Finance Committee and Planning and Development Committee
October 21, 1981

Members Present: Harry Atwood
Jo-Anne Barr
Al France
Debbie Gruye
Clint Johnson
Fannie Kakela
Virgil Moline
David Preston
Margaret Sandberg
Lawrence Weaver
Paul Winchell, M.D.

Staff: Donna Ahlgren
John Diehl
Cliff Fearing
Don Van Hulzen
Nels Larson

Guests: Laurel Files
Al Hanser
Helen Pitt
Ron Werft
Steve Grygar

Members Absent: Leonard Bienias
David Brown, M.D.
David Cost
Don Erickson, M.D.
Jeanne Givens
Clint Hewitt
Seymour Levitt, M.D.
Cherie Perlmutter
John Quistgard
John Westerman

The joint meeting of the Finance Committee and the Planning and Development Committee was chaired by Mr. Atwood and was called to order at 10:00 a.m. in room 626 of the Campus Club.

I. Renewal Financing

Mr. Fearing briefly reviewed his meetings with the Board of Regents and the House Education Division of the House Appropriation Committee. The meetings were to report the overall progress and status of the Renewal Project to date.

Mr. Fearing reviewed for the Committee a Financial Timetable for Renewal Project. The schedule outlined, in brief, the actions and timing necessary to obtain a Regent resolution in January, 1982 requesting the Commissioner of Finance to issue bonds for the Renewal Project. A final determination of interest rates and determination of actions regarding the project are scheduled in February, 1982.

Mr. Fearing then covered the Suggested Schedule for February 1982 Bond Sale. This schedule briefly outlined the timing and steps taken leading to a bond sale in February 1982. Work has already started on completing the necessary

financial and nonfinancial documentation. An update of the Ernst & Whinney Feasibility Study is scheduled for completion December 1981.

A draft of the proposed Loan Agreement was reviewed by Mr. Fearing. Committee members were asked to review the agreement for action at the November 18, 1981 Board of Governors meeting.

II. Project Update

Ms. Ahlgren summarized the progress on the Renewal Project by stating that project activities are on schedule and below budget. To date the project is running approximately \$550,000 below budget. Excavation has begun and is scheduled to be completed by January, 1982. Negotiation of a No Strike - No Lockout agreement continues and will be taken up by Vice-President Bohlen.

III. September YTD Financial Statements

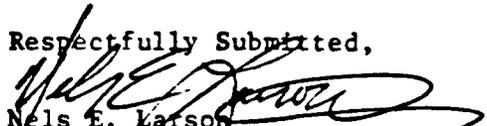
Mr. Fearing provided a review of the first quarter's operations and September 30, 1981 YTD Financial Statement. He stated that the YTD occupancy rate was 74.0%; YTD admissions totaled 5,342 compared to a budget of 5,524; patient days totaled 50,017 YTD compared to a budget of 52,912; and the average length-of -stay was 9.4 days. Clinic visits through the first quarter totaled 51,706 compared to a projected clinic census of 51,979. The Hospital's operating position through September shows total revenues over expense of \$1,671,529. Patient care charges total \$35,464,093 (2.7% below budget) and operating expenditures totaled \$33,605,202 (1.1% below budget). Other operating revenues and non-operating revenues were \$438,619 over budget for the quarter. Revenue over expense for the quarter was \$1,671,529 or \$73,080 below projection. This is 0.2% of total budgeted revenue. Mr. Fearing also noted that patient accounts receivable at the end of September totaled \$33,914,259 and represents 86 days of revenue outstanding.

IV. Board of Governors Task Force on Governance and Organization Paper

Mr. Hanser presented a draft copy of the Task Force Report and briefly described the progress of the Task Force to date. Mr. Hanser emphasized that the draft report was a working document open for discussion.

There being no other business, the joint meeting of the Finance Committee and the Planning and Development Committee was adjourned at 12:15 p.m.

Respectfully Submitted,


Nels E. Larson

LOAN AGREEMENT

THIS AGREEMENT dated as of _____, 1982, between the State of Minnesota Commissioner of Finance, called herein the State, and the REGENTS OF THE UNIVERSITY OF MINNESOTA, called herein the University, under and pursuant to the provisions of Minnesota Laws 1981, Chapter 275, Section 1,

WITNESSETH, that the State and the University, each in consideration of the representations, covenants and agreements of the other as set forth herein, mutually represent, covenant and agree as follows:

Section 1. The State shall sell University of Minnesota Hospital Bonds in that number of series and in the total amount not exceeding \$190,000,000 for the acquisition and betterment of public land, buildings and improvements of a capital nature to provide for the renewal and replacement of the University Hospitals facilities, with the number of series and the amount of each series to be determined by the State, taking into consideration interest rates, trends in interest rates, the alternative of short-term financing and the cash needs of the University.

Section 2. The State will, no later than _____, sell and issue the first series University of Minnesota Hospital Bonds in the amount of \$ _____, dated _____, 1982, pursuant to said law and the Board of Regents resolution requesting such issuance, for the purpose of providing money to be loaned to the University to finance the Hospitals Renewal Project. The premium and accrued interest received from the purchasers of the bonds shall be deposited in the University of Minnesota Hospitals Bond Account in the State Bond Fund, and the State agrees to loan the remaining proceeds of the bonds in the amount of \$ _____ to the University upon the terms and conditions set forth in this Agreement.

Section 3. The State shall issue additional series in the amount or amounts and at the dates selected by the State, and loan the proceeds of those issues, including any premium and accrued interest, to the University in accord with this agreement. In selecting the dates and amounts of each bond issue pursuant to the aforementioned law, the State shall give paramount consideration to and shall not unreasonably refuse the requests of the University on these matters.

Section 4. In accordance with said law, the loan shall bear interest at the annual rate borne by the bonds issued therefor and shall be payable in annual installments equivalent to the principal and interest which the State is obligated to pay annually to properly retire the bonds issued to provide the loan to the University.

Section 5. The University hereby agrees to use the amounts loaned to it under this agreement exclusively to provide facilities, equipment and services at the University of Minnesota Hospitals.

Section 6. The University agrees to repay the proceeds of the State's bond issue or issues loaned to the University, plus all reasonable expenses incurred by the state in connection with the issuance of the University Hospitals' State General Obligation Bonds, together with interest thereon, under the terms of Laws of Minnesota 1981, Chapter ____, Section ____, Subdivision ____, and the provisions of this agreement. A schedule estimating the dates and amounts of payments hereunder is attached as Exhibit A and incorporated herein by reference, provided that actual amounts due, (which are payable with the first installment being withheld from the proceeds of the first bond issue, and by annual installments on or before November 1 of each ensuing year) shall be in those annual amounts necessary, where added to the balance on hand in the University of Minnesota Hospitals' Bond Account maintained by the State, to pay all principal and interest due or to become due on the bonds through July 1 of the second ensuing year, plus any expenses necessarily and reasonably incurred by the State in issuing bonds under the authority of Laws of Minnesota 1981, Chapter 275, Section 1.

Section 7. The following provisions govern the University's obligation hereunder.

(a) The payments required in Section 6, above, are payable from the proceeds of the bonds and from the operating and nonoperating revenues of the University, exclusive of restricted gifts and University debt service obligations existing on the effective date of this agreement, but including appropriated funds.

(b) To assure the ability of the University to meet its obligations hereunder, the University shall maintain a separate, funded sinking fund account, into which it shall make monthly deposits in those amounts required to make the required annual payments as provided herein. Monies placed in the sinking fund account shall not be utilized by the University for any purpose other than that specified in this agreement. Upon each monthly deposit, the University shall certify to the Commissioner of Finance that the required sinking fund deposit has been made, and the Commissioner of Finance shall have the right to audit the books and records relating to the sinking fund account at the premises of the University Hospitals during normal business hours.

(c) If in any year the installment payment of the loan made available by the University is less than the installment due, the deficiency together with interest thereon shall become due and payable. Interest on the deficiency shall be calculated at the average rate of return on invested treasurers cash for the year in which the deficiency occurs.

(d) If a deficiency arises, or if the University fails to certify its monthly sinking fund deposit, the University shall be considered in default.

(e) Upon default, the Commissioner of Finance shall give written notice and a demand for certification of the sinking fund deposit or the full payment of all amounts due, including interest on any deficiency, as the case may be.

(f) If, within fifteen (15) business days after receipt of notice and demand, the University has not met its obligations hereunder, or has not presented a plan to do so that is acceptable to the Commissioner of Finance, the University shall forfeit the entire balance then on deposit in the sinking fund and the State may withhold any bond proceeds that have not been loaned to the University and may divert payment of funds appropriated by the State to the University in the amount necessary to pay all deficiencies, plus interest, plus all necessary and reasonable expenses incurred by the State in connection with the default.

(g) In the event that the balance in the sinking fund and diverted University appropriations prove insufficient to pay all deficiencies, interest thereon and reasonable expenses incurred by the State in connection with the default, the University shall, upon five (5) days notice and demand, deliver to the State a sufficient amount from the University's operating and nonoperating revenues, as defined in Section 7(a), to pay for all deficiencies, interest and default expenses.

(h) The University's annual payments are to be credited by the State to the University of Minnesota Hospitals Bond Account in the State Bond Fund on or before November 1 in each year until said bonds, and any bonds refunding the same, with interest thereon, have been fully paid and redeemed, and until the total amount of such annual payments equals the total amount of principal and interest actually paid on the State bonds, at which time the Commissioner of Finance agrees to cancel and satisfy the loan; and

(i) Income received each year from the investment of said annual payments while held in the Bond Account, as computed by the Commissioner of Finance by pro-rating the interest on the average daily balance in the State's Bond Fund, shall be credited against the amount of the payment due by the University in the following year.

Section 8. The proceeds of the bonds, when received by the University from the State Treasurer, shall be credited to a special Construction Account on the books and records of the University and used only to pay necessary expenses and costs of the Hospitals facilities as provided for in Laws of Minnesota 1981, Chapter 275, which facilities, when completed, shall

constitute part of the facilities, the revenues of which are pledged to the Hospitals Operating Fund of the University of Minnesota under the provisions of its resolution dated _____, 1981, entitled "Resolution Stating Covenants Securing the Loan to the Regents of the University of Minnesota." Nothing herein shall impair or otherwise affect the covenants and agreements contained in said resolution, and in the event of any conflict between any provisions of this Agreement and said resolution, the provisions of said resolution shall prevail.

IN WITNESS WHEREOF the University of Minnesota Board of Regents has caused this Agreement to be duly executed in its behalf by the signatures of its President and Secretary (the Board having no official seal), and the State has executed this Agreement all as of the date first above written.

REGENTS OF THE UNIVERSITY OF MINNESOTA

BY _____
President

Attest: _____
Secretary

STATE OF MINNESOTA
DEPARTMENT OF FINANCE

BY _____
Commissioner of Finance

ATTORNEY GENERAL, as to form and execution

BY _____
Assistant Attorney General

DEPARTMENT OF ADMINISTRATION

BY _____
Commissioner of Administration

October 21, 1981

TO: Board of Governors

FROM: Clifford P. Fearing

SUBJECT: Suggested Schedule for February 1982 Bond Sale

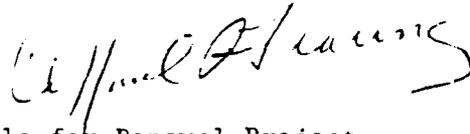
11-1-81	Start preparation on Official Statement, incorporating Hospital, University and State of Minnesota financial and non-financial data.
12-1-81	Updated Ernst & Whinney Feasibility Study completed. Review of updated Feasibility Study with State Department of Finance.
12-15-81	Schedule Bond Sale.
1-22-82	Submit application to rating agencies.
1-27-82	Mail Preliminary Official Statement, Bid Form and Notice of Sale.
2-1-82	Send description of projects being funded to committee heads, i.e., Senate Finance, House Appropriation, Senate/ House Tax and Governor.
2-2 to 2-3-82	Meet with rating agencies and credit analysts.
2-16-82	Date of Sale. Receive Bids.
3-1-82	Closing Date. Receive Proceeds.

SG/jem

October 21, 1981

TO: Board of Governors

FROM: Clifford P. Fearing



SUBJECT: Financial Timetable for Renewal Project

- 10-21-81 Loan agreement to Board of Governors for review.
- 11-12-81 Loan agreement to Board of Regents for information.
- 11-18-81 Loan agreement to Board of Governors for approval.
- 12-1-81 Updated Ernst & Whinney Feasibility Study completed and mailed to Board of Governors for review.
- 12-10-81 Loan agreement to Board of Regents for action.
Updated Feasibility Study to Regents for information.
- 12-16-81 Board of Governors action on renewal based on Feasibility Study/pending final interest rate determination.
- 1-14-82 Regents action on renewal based on Board of Governors recommendation.
Regent resolution requesting Commission of Finance to issue Bonds.
- Feb. 1982 Final determination of interest rates and determination of actions regarding renewal.

jem