

The Allen County Board of Commissioners met in regular session at 8:30 a.m. with Chairperson Jim Talkington, Commissioner Jerry Daniels, Commissioner Thomas R Williams and Sherrie L. Riebel, Allen County Clerk.

Bob Johnson, Iola Register, Larry Walden, citizen, David Toland, Thrive Executive Director, Cole Herder, City of Humboldt Administrator and Bryan J. Murphy, Allen County Sheriff, was present to observe the meeting.

Commissioners approved the minutes of the regular meeting on September 26, 2017.

Cole discussed asphalt work and road striping in Humboldt.

Cole presented an invitation to the 60<sup>th</sup> Biblesta Parade and events.

Mitchell Garner, Allen County Public Works Director, reported the signs are on the overpasses across US Hwy 169.

Mitch stated the California Bridge is coming along good.

Mitch reported another airport wants the rest of the damaged airport hangar. He stated he might bid it out. They will be starting on the repair pretty quick, just need to get the iron and doors. Mitch and crew will be getting the new one up and going.

Mitch stated they are waiting on striping on 9<sup>th</sup> Street in Humboldt until Bettis gets the fix done.

Mitch reported the fires are on their way.

Mitch updated the commission on work below the Humboldt River Bridge. They are making headway with the pile. Cole stated the City of Humboldt appreciates the work below the dam. Discussion followed.

Commissioner Williams thanked David Toland for the applying for grants for Allen County. David thanked the commissioners for their support over the last 10 years.

Ron Holman, Allen County House and Grounds, asked for hand sanitizers for the hall ways. He also asked to replace the sign at the Iola Senior Center. Commissioners approved the painting on the windows.

Ron reported the railing on the north side of the courthouse is installed.

Tony Thompson, Allen County Regional Hospital Administrator, Larry Peterson, Allen County Regional Hospital Financial Director, Loren Korte, Allen County Regional Hospital Trustee, were present to discuss Bond Refinancing. Loren stated if the county refinances the bonds; it will save the county money. Tony introduced Larry, who presented the information to the commission. The following is the information presented:



**Allen County Regional**  
**HOSPITAL**

To: Board of Trustees  
From: Larry Peterson, CFO  
Subject: Bond refinancing

We have requested and received proposals on the refinancing of our bond issues from both Piper Jaffray and United Missouri Bank (UMB), and discussed participation in this refinancing with multiple local banks. The proposals received are to refinance:

- 2011 Bonds (a portion of these bonds)
- 2012 Bonds (all or a portion of these bonds)
- 2013 Bonds ["working capital loan"]: (to replace a portion of these bonds, expiring on 04/30/18)

After reviewing both proposals with the Finance Committee of the Board, we feel that the UMB proposal is far superior to that of the Piper Jaffray proposal. I will summarize key parts of both proposals for you below. The first section will address the actions to be taken in regards to the 2011/2012 bond issues (tax exempt bonds). The second section will address the actions to be taken in regards to the 2013 bond issue (taxable bonds).

### **The 2011 and 2012 Bonds:**

**Piper Jaffray:** This proposal is split into two parts in order to treat each as bank qualified tax exempt bonds for the purpose of getting better interest rates.

**Part 1:** This represents the refunding of \$8,625,000 of the 2012 bonds and issue new bonds (i.e. the 2017 issue) in the amount of \$9,150,000 (face value).

The estimated proceeds of this bond issue are estimated to be \$9,914,670 (sold at a premium), with issue costs of \$183,646, and net proceeds of \$9,731,024 placed into escrow (for the future retirement of our existing bonds).

The estimated savings over our current costs for the period of 2023 through 2036 is \$470,085, or an average of \$35,000 per year.

**Part 2:** This represents the refunding of \$3,965,000 of the 2011 bonds and \$5,125,000 of the 2012 bonds. This would require the issuing of new bonds (i.e. the 2018 issue) in the amount of \$9,090,000 (face value).

The estimated proceeds of this bond issue are estimated to be \$9,895,622 (sold at a premium), with issue costs of \$188,780, and net proceeds of \$9,706,842 placed into escrow (for the future retirement of our existing bonds).

The estimated savings over our current costs over the period of 2020 through 2031 is \$337,817, or an average of \$28,000 per year.

Together, these transactions amount to:

- Total refunding = \$17,715,000
- Issue costs = \$372,426
- Savings = \$807,902 (during the periods of 2020 through 2036)

**United Missouri Bank:** This proposal refunds \$3,465,000 of the 2011 bond issue, plus the entire \$15,000,000 of the 2012 bond issue, totaling \$18,465,000. This amount is funded through two new bond issues (i.e. the 2017 and 2018 bonds). This splitting into two bond issues is done in order to make the issues bank qualified tax exempt bonds, in order to get better interest rates. The total of the two issues is \$19,465,000.

The estimated proceeds from these transactions are \$19,465,000 (face value), less issue costs of \$238,040, with net proceeds of \$19,226,960 placed into escrow (for the future retirement of our existing bonds). The estimated savings over our current costs during the period of 2020 through 2036 is \$2,446,542, or an average of \$144,000 per year.

Together, these transactions amount to:

- Total refunding = \$18,465,000
- Issue costs = \$238,040
- Savings = \$2,446,542 (during the periods of 2020 through 2036)

### **The 2013 Bonds (working capital loan):**

**Piper Jaffray:** This proposal is to replace the current \$5,000,000 bond issue (which expires on 04/30/18) with a new taxable bond issue in the amount of \$4,500,000. The bond issue (\$4,500,000), less bond issue costs of \$90,000, will yield net proceeds of \$4,410,000. The hospital will need to pay cash in the amount of \$590,000 to fund the debt reduction of \$500,000 plus the \$90,000 in issue costs.

The average interest rate/yield = 3.24%.

This is a significant savings over the current bond interest, which is currently paying out at 4.50%. The current bond issue is a variable rate issue, versus a fixed rate bond issue. The total interest paid over the 10 year period would be \$835,000.

**United Missouri Bank:** This proposal is to replace the current \$5,000,000 bond issue (which expires on 04/30/18) with a new taxable bond issue in the amount of \$4,500,000. The bond issue (\$4,500,000), less bond issue costs of \$85,000, will yield net proceeds of \$4,415,000. The hospital will need to pay cash in the amount of \$585,000 to fund the debt reduction of \$500,000 plus the \$85,000 in issue costs.

The average interest rate/yield = 2.95%.

This is a significant savings over the current bond interest, which is currently paying out at 4.50%. The current bond issue is a variable rate issue, versus a fixed rate bond issue. The total interest paid over the 10 year period would be \$815,000.

In addition, UMB has stated that if we can make a private placement (instead of a public offering/sale) of these bonds, they would waive their portion of the underwriter's fee, and that the incremental legal fees should be minimal (total issue costs of less than \$5,000). This would lower the cash needed by the hospital for both the debt reduction and issue costs from \$585,000 to about \$505,000.

## **Summary:**

The UMB proposals (for all bond issues) puts more money in the hospital's pocket through lower issue costs and lower interest rates, during the period of the refunding. Both Piper Jaffray and UMB have indicated that if the proposed bond issues do not sell, that there would be no out of pocket cost to the hospital. Of course, we only achieve these savings if the bonds sell at the rates proposed. From this standpoint, we had an excellent experience with UMB in the issuing of our original 2011/2011/2013 hospital bonds.

There is a fairly tight time frame for making a decision on this refinancing. The two primary reasons for this are:

- The favorable short and long term interest rate situation that exists at the present time.
- The yearend deadline for the splitting of the total amount of the refinancing into two issues. This is done in order to get the best interest rates, by issuing the bonds as bank qualified tax exempt bonds of less than \$10,000,000 each. The first issue would have to be issued in December 2017, while the remaining issue would be issued in January 2018.

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Larry reported the Allen County Regional Hospital Board of Trustees recommended to refinance all three series of bonds through UMB and they recommended it to go before the county commission. The working capital loan can be paid off whenever, but the 2017 and 2018 will not be able to be paid out for 7 to 10 years. Discussion followed. Chairman Talkington asked about monies for a Medical Arts Building. Larry reported interest savings only will be what they have, not monies for that. Alan explained who they work with on the bonds prep. They are not expanding the bond payments, just changing them. Loren stated financing interest has gone down, so now is the time to refinance and save around 2 million dollars. Commissioner Daniels asked what the risks would be. Larry stated the risk is only if they don't sell, which they are confident they can sell them. Commissioner Williams moved to approve the refinancing. Commissioner Daniels seconded, discussion followed on questions from Larry Walden, not commissioners. Motion passed 3-0-0.

Stevee Kennard, EDP Renewables, Chris More and Alan Weber, Allen County Counselor, presented information on the Zoning meeting. Stevee discussed the land and where it is located. They are in the process of selling the land to KCP&L. Alan discussed the zoning meeting last Thursday evening. No opposition was presented to the meeting. None of this property is property of Prairie Queen Wind Farm. Alan asked for the Commissioners approval. Commissioner Williams approved the Conditional Use Permit. Commissioner Daniels seconded, motion passed 3-0-0.

Sheriff Murphy asked when the project would start. Stevee stated in the spring of 2018. Discussion followed on roads and construction. Sheriff Murphy stated he didn't think it would affect roads for this portion.

Alan discussed the dispatch center and whether to finish the parking lot. Currently it has been chip seal and Angie would like to have it asphalted. Chairman Talkington stated he is not in favor of it this year. Commissioner Daniels asked who chip and sealed it. Alan stated it was the county road crew. Commissioner Williams stated he thought chip and seal was fine with him. Commissioner Daniels asked if it needs to be done. No action was taken at this time and will consider after more information is collected.

Commissioners approved the following documents:

- a) Clerks Vouchers - \$300,261.21
- b) Payroll Changes
- c) Clerks Journal Entry #56-58
- d) Abatement: TR Value 105, \$18.76, Year 2016

With no further business to come before the board, the meeting was adjourned until October 10,

2017 at 8:30 a.m. in the Commission room of the courthouse.

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Jim Talkington, Chairperson

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Thomas R. Williams, Commissioner

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Sherrie L. Riebel, Allen County Clerk

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Jerry Daniels, Commissioner