

# AU Medical Center Financing Update

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# Agenda: Information Item

- Overview of AU Health System
- Overview of existing financing arrangements
- Plan to replace short-term variable debt with long-term fixed rate debt as a result of the extension of the Master Lease (BOR approval August, 2016)
- Update on Columbia County Hospital



University System of Georgia  
Board of Regents, Chancellor

Brooks Keel  
President, AU  
CEO, AUHS



**Brooks Keel**  
President, AU  
CEO, AUHS



Correctional  
Health Care

GA War Vet  
Nursing Hm

**AUMC**

**AUMA**

RWSRH

Columbia  
Co Hospital



# High Level Overview of AU Health

- AUHS Board of Directors 15 voting members (Keel, Chair/CEO)
  - 4 Regents (Wilheit, Pruitt, Hull, Waters) plus Chancellor
  - 3 appointed by Governor; 3 by Chair; President AU
  - 2 from AUMA; EVP Health Affairs (CEO AUMC)
- AU Medical Center (AUMC)
  - Operates the hospitals and clinics
  - 478 bed adult Level I Trauma Center
  - 154 bed Children's Hospital of Georgia Level IV NICU
  - More than 80 outpatient practice sites; ambulatory care centers
- AU Medical Associates (AUMA)
  - Operates the physician faculty practice
  - 560 physicians and providers



# High Level Overview of AU Health

- Combined annual revenues of \$800M
  - AUMC: \$642M
  - AUMA:\$158M
- AUMC periodically issues debt secured by a general pledge on its revenues to finance:
  - facility construction
  - improvements
  - equipment
- AUMC is rated A2/A- by Moody's/S&P



# AUMC Debt Structure

<b>Debt</b>	<b>Principal Outstanding</b>	<b>Interest Rate</b>	<b>Expiration</b>
<b>2014A Tax Exempt Direct Placement Loan (JP Morgan)</b>	\$59,095,000	Synthetic Fix (Variable w/swap)	2024
<b>2014B Tax Exempt Direct Placement Bond (TD Bank)</b>	\$59,095,000	Synthetic Fix (Variable w/swap)	2026
<b>2012 Taxable Direct Bank Loan (BB&amp;T)</b>	\$43,870,833	Variable	2018
<b>Equipment Capital Leases Under MSA (Philips)</b>	\$36,179,449	Fixed	2028
<b>Capital Lease for VOIP Project</b>	\$2,000,000	Fixed	2019
<b>Total</b>	<b>\$200,240,282</b>	<b>3.74% blended</b>	

# Proposed Refinancing + New Money

<b>Tax-Exempt Fixed Rate Bond Issue (publicly offered) JP Morgan Underwriter</b>	
<b>Refinance BB&amp;T Loan</b>	\$41M
<b>Reimburse AUMC for prior capital expenditures</b>	\$12M
<b>Potential new projects (estimate)</b>	\$6M
<b>AUMC cash contribution</b>	(-4.5M)
<b>Cost of Issuance</b>	\$1M
<b>Total</b>	<b>\$55.5M</b>

AUMC leverage ratio (debt to capitalization) remains at 42% as compared to June 30, 2016 (Credit Neutral)



# Goals of this refinancing

## Credit Positives

- ✓ Allocation of a portion of debt portfolio to committed debt
- ✓ Reducing maximum annual debt service through moderate debt extension to match the age of the assets financed
- ✓ Putting moderate amount of cash back on the balance sheet to improve liquidity
- ✓ Locking in a fixed interest rate at historically low levels
- ✓ Introduction of AUMC credit to the tax exempt bond market/ investors ahead of financing of Columbia County financing



# Rating and issuance

- S&P and Moody's onsite week of April 17<sup>th</sup>
- Objective is to maintain A2/A- ratings
- Issuer: Richmond County Development Authority
- Pricing: First week of June

## AUMC Credit Strengths

- Financial, governance, and management support from Georgia as clinical site for the State's medical school
- Aligned management team
- Moderate debt level
- Solid volume trends

## AUMC Credit Weaknesses

- Weak operating and net margins with modest debt service coverage
- Reliance on special funding sources (i.e. Medicaid supplemental payments)
- Competitive service area
- Direct purchase (i.e. contingent) debt structure
- Uncertainty around AUMC management team due to CEO vacancy



# Columbia County Hospital Update



**Total Square Footage: 259,649 GSF**

**Estimated Total Project Cost:  
\$148,605,346**

**80 acres, Grovetown, Exit 190**

**100 beds**

