

***PALOMAR/POMERADO HOSPITAL DISTRICT***

# **PARTICIPATING BOND TRANSACTIONS**

presented by

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Partner

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# I. BACKGROUND

A. HISTORY

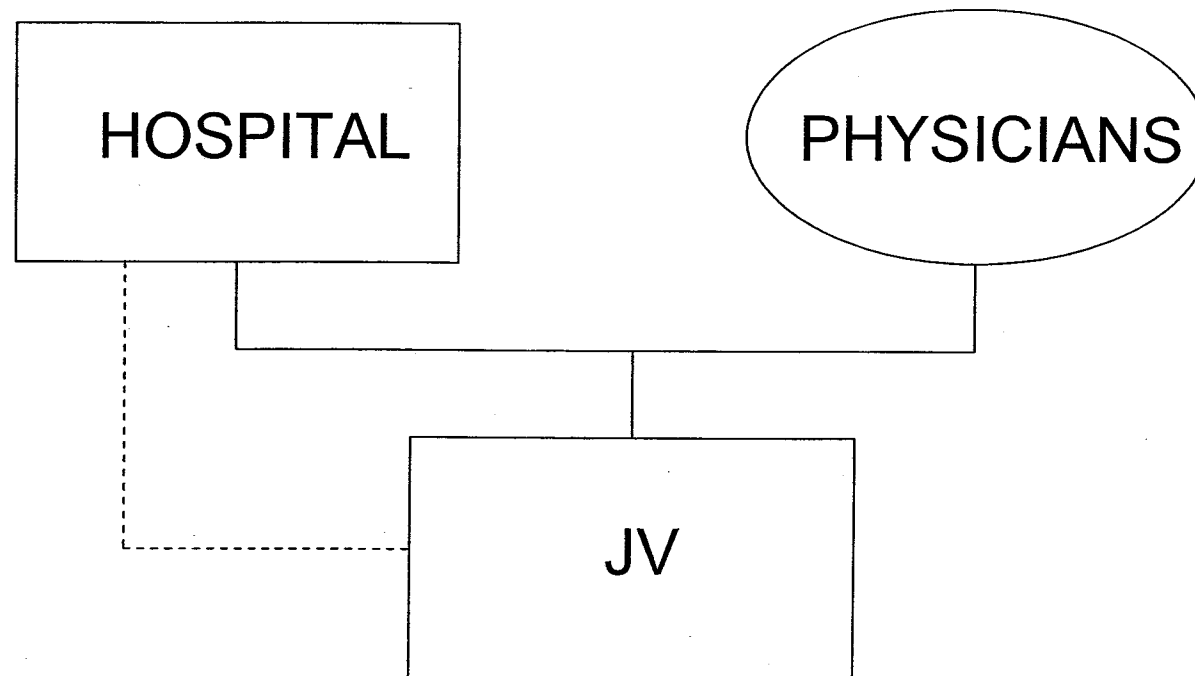
B. COMPETITION TODAY

C. COMPETITION TOMORROW

## II. JOINT VENTURES

- A. DESCRIPTION
- B. KEY FEATURES
- C. ISSUES

# A. DESCRIPTION



## B. KEY FEATURES

1. TAX FLOW-THROUGH ENTITY
2. GOVERNANCE
3. DILUTION

## C. ISSUES

1. HIGHER COSTS
2. INEFFICIENCY
3. PRACTICAL ISSUES
4. CREDIT RISKS
5. POLITICAL RISKS
6. LEGAL RISKS

# 1. HIGHER COSTS

FINANCING COSTS	\$2,135,000
SERVICES AND SUPPLIES	600,000
PROPERTY TAXES (2.7%)	1,423,201
SALES TAXES (8.25% x 49%)	1,111,687
INCOME TAXES	<u>1,822,525</u>
TOTAL	\$7,092,413

## 2. INEFFICIENCY

PROPERTY TAX	\$ 378,652
SALES TAX	253,628
LOWER PAYMENTS	1,238,922
HIGHER FINANCING	228,083
INCOME TAX	<u>159,312</u>
TOTAL ADDED COSTS	\$2,258,597
AFTER-TAX RETURNS	\$ 238,968



### 3. PRACTICAL ISSUES

- A. DILUTION
- B. RETAINED EARNINGS
- C. BUY-OUTS
- D. NEW INVESTORS

## 4. POLITICAL RISKS

- A. PCPs
- B. SPECIALISTS
- C. NEW LAWS, REGULATIONS

## 5. CREDIT RISKS

- A. MOODY'S REPORT
- B. REVENUE LOSS
- C. INDIRECT DEBT
- D. ALIENATION OF INDEPENDENTS

## 6. LEGAL RISKS

- A. STARK
- B. ANTI-KICKBACK
- C. INTERNAL REVENUE CODE
- D. VALUATION ISSUES

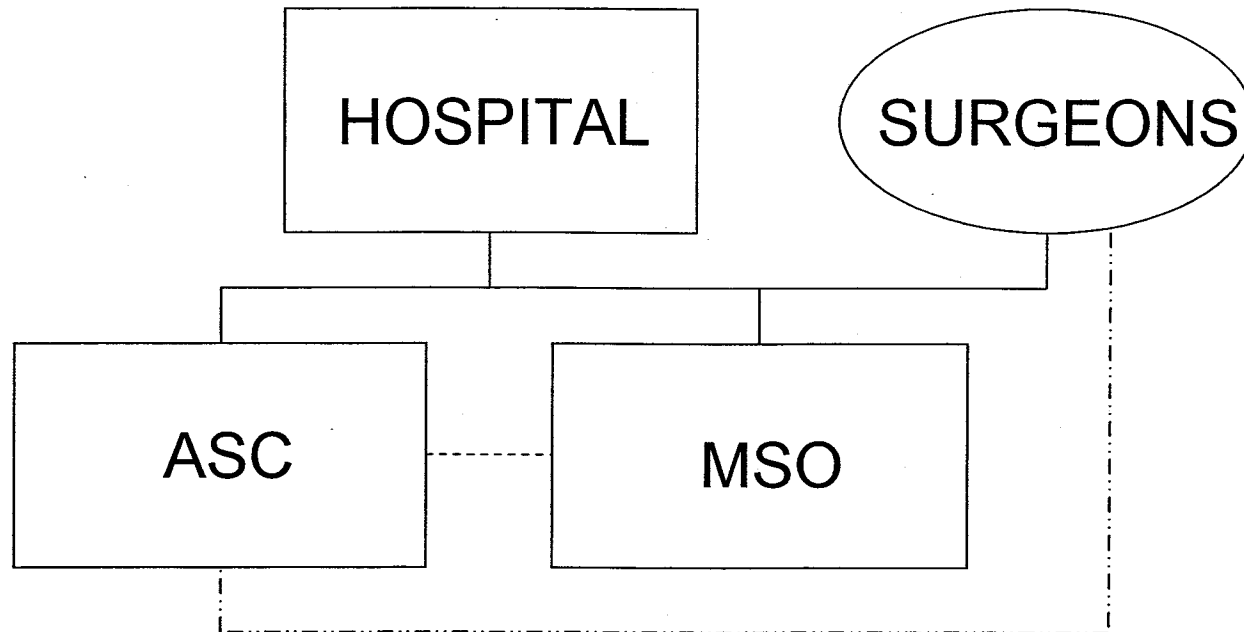
# III. BOND TRANSACTIONS

- A. HISTORY
- B. DESCRIPTION
- C. KEY FEATURES
- D. PERFORMANCE TARGETS
- E. ISSUES
- F. EXAMPLES

# A. HISTORY

1. 20 YEARS
2. TRANSACTIONS CLOSED
3. PRIVATE LETTER RULINGS / AUDIT
4. OIG REVIEW
5. BOND COUNSEL

## B. DESCRIPTION



## C. KEY FEATURES

1. HIGH RETURNS
2. "PARTICIPATING"
3. FIXED YIELD
4. TERM



## C. KEY FEATURES (CONT'D)

- 5. COVENANT
- 6. SUBORDINATED LAYER
- 7. SECURITY
- 8. CALL

# D. PERFORMANCE TARGETS

1. FINANCIAL TARGETS
2. QUALITY AND PATIENT SATISFACTION
3. OTHER
4. MODIFICATION

# ACCRUAL BONDS

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Cash Flow	-0-	-0-	\$1,409	\$4,790	\$5,725
% Earned	11%	11%	11%	11%	11%
% Paid	-0-	-0-	22%	36%	11%
Pre-Tax	-0-	-0-	36.6%	60%	18.3%

## E. ISSUES

1. HIGHER COSTS
2. EFFICIENCY
3. PRACTICAL ISSUES
4. POLITICAL RISKS
5. CREDIT RISKS
6. LEGAL RISKS

# 1. COSTS

	<u>EQUITY JV</u>	<u>PBT</u>
FINANCING COSTS	\$2,135,000	-?-
SERVICES AND SUPPLIES	600,000	-0-
PROPERTY TAXES (2.7%)	1,423,201	-0-
SALES TAXES (8.25% x 49%)	1,111,687	-0-
INCOME TAXES	<u>1,822,525</u>	<u>-0-</u>
TOTAL	\$7,092,413	-0-

## 2. EFFICIENCY

JV ADDED COSTS	\$1,019,675
JV RETURNS	\$ 238,968
REIMBURSEMENT LOSSES	\$1,000,000
PBT COSTS	-0-
PBT RETURNS	\$ 211,807

# 3. PRACTICAL ISSUES

- A. DILUTION
- B. RETAINED EARNINGS
- C. BUY-OUTS
- D. NEW INVESTORS

## 4. POLITICAL RISKS

- A. PCPs
- B. SPECIALISTS
- C. LEGAL, REGULATORY



## 5. CREDIT RISKS

- A. MOODY'S REPORT
- B. REVENUE LOSS
- C. INDIRECT DEBT
- D. ALIENATION OF INDEPENDENTS

## 6. LEGAL ISSUES

- A. STARK
- B. ANTI-KICKBACK STATUTE
- C. INTERNAL REVENUE CODE
- D. CMP LAW
- E. VALUATION ISSUES

QUESTIONS?