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6-28-05

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- Sharon Stricker

- Don Rowe

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- B.J. ?

REVISED

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AGENDA ITEM SUMMARY
OCONEE COUNTY, SC
COUNCIL MEETING DATE: 6/28/05
COUNCIL MEETING TIME: 6:00 pm

ITEM TITLE OR DESCRIPTION:

Public Hearing to Receive Written and/or oral comments regarding Ordinance 2005-09, "AN ORDINANCE AUTHORIZING THE TRANSFER OF REAL PROPERTY TO OCONEE MEMORIAL HOSPITAL, INC."

BACKGROUND OR HISTORY:

This property (53 acres) was owned by the Hospital and deeded to Oconee County for the purpose of obtaining Hill-Burton funds in 1959 for the construction of a new hospital.

SPECIAL CONSIDERATIONS OR CONCERNS:

If the property is in the name of Oconee Memorial Hospital, the Hospital will be in position to issue low cost revenue bonds to construct a new patient tower. The Hospital is also in the process of refinancing its existing debt and will assume the remaining payment of the Lila Doyle Nursing Home bonds that were issued by Oconee County in 2002.

STAFF RECOMMENDATION FOR COUNCIL ACTION:

Staff recommends Council conduct the public hearing regarding Ordinance 2005-09 as stated above.

FINANCIAL IMPACT:

The remaining \$3,435,000 of the \$4,115,000 Lila Doyle bond indebtedness will revert to the Hospital, thereby relieving the County of this debt.

ATTACHMENTS:

- (1) Proposed Ordinance
- (2) Parcel Map
- (3) Remaining debt service schedule for Lila Doyle Nursing Home


Submitted or Prepared By:

Approved for Submittal to Council:


Department Head


Ron H. Rabun, County Administrator

Reviewed By/ Initials:



County Attorney



Finance

N/A Other

C: Clerk to Council

OCONEE COUNTY COUNCIL

OCONEE COUNTY COUNCIL ORDINANCE NO. 2005-

**AN ORDINANCE AUTHORIZING THE TRANSFER OF REAL PROPERTY TO
OCONEE MEMORIAL HOSPITAL, INC.**

WHEREAS, Oconee Memorial Hospital, Inc. transferred fifty-three (53) acres to Oconee County on July 9, 1959 in two separate parcels, one parcel consisting of 19.92 acres and the second parcel consisting of 33.08 acres, and

WHEREAS, the two deeds were recorded with the Oconee County Clerk of Court on July 11, 1959 in Deed Book 7-W, at page 144 and 145; and

WHEREAS, the purpose of transferring the property from Oconee Memorial Hospital, Inc. to Oconee County was to obtain federal matching funds for the building of the hospital facility now known as Oconee Memorial Hospital; and

WHEREAS, since 1959, Oconee County has issued general obligation bonds to make capital improvements to the hospital facility in the amount of \$3,500,000 (fully paid in 1997) and to the Lila Doyle Nursing Care Facility in the amount of \$4,100,000 (of which appx. \$3,500,000 is outstanding); and

WHEREAS, since 1959, Oconee Memorial Hospital, Inc. has been the sole lessee of the property pursuant to a lease that expires June 1, 2050, has established a licensed hospital and skilled nursing facility on the premises, and has made numerous capital improvements to the facilities, including reinvestment of excess earnings and debt financed investments in excess of \$30,000,000, all which have substantially increased the value of the property; and

WHEREAS, Oconee Memorial Hospital, Inc. is in the process of refinancing its debts, and has agreed to assume the liability and responsibility for defeasing the outstanding bonds on the Lila Doyle Nursing Care Facility which are currently being paid by Oconee County; and

WHEREAS, Oconee Memorial Hospital, Inc. also plans to obtain revenue bonds to build a new patient tower for the hospital facility, and

WHEREAS, Oconee County and Oconee Memorial Hospital, Inc. have negotiated an Agreement dated June 7, 2005 (the "Agreement") which obligates Oconee County to transfer the above referenced fifty-three (53) acres back to Oconee Memorial Hospital, Inc.; and

WHEREAS, the Agreement includes monetary considerations of an amount sufficient to legally defease the Oconee County Series 2000 (Lila Doyle Facility) Bonds, and also includes and describes other monetary and non-monetary considerations and

public benefits of a significant yet not readily ascertainable value;

NOW THEREFORE, BE IT ORDAINED, by Council duly assembled and present that:

The Oconee County Administrator and the Chairman of the Oconee County Council are hereby authorized to execute a deed transferring ownership of the above referenced fifty-three (53) acres back to Oconee Memorial Hospital, Inc. pursuant to the agreement between Oconee County and Oconee Memorial Hospital, Inc. dated June 7, 2005.

Oconee County, South Carolina
 General Obligation Bonds, Series 2000
 Lila Doyle Facility
 \$4,115,000

Remaining Debt Service Schedule for Fiscal Year 2005-2006 and Future

Date	Principal	Interest	Total Payment
Sep-05	\$ 210,000.00	\$ 84,818.75	\$ 294,818.75
Mar-06		\$ 77,993.75	\$ 77,993.75
Sep-06	\$ 220,000.00	\$ 77,993.75	\$ 297,993.75
Mar-07		\$ 71,668.75	\$ 71,668.75
Sep-07	\$ 235,000.00	\$ 71,668.75	\$ 306,668.75
Mar-08		\$ 66,381.25	\$ 66,381.25
Sep-08	\$ 245,000.00	\$ 66,381.25	\$ 311,381.25
Mar-09		\$ 60,868.75	\$ 60,868.75
Sep-09	\$ 260,000.00	\$ 60,868.75	\$ 320,868.75
Mar-10		\$ 55,018.75	\$ 55,018.75
Sep-10	\$ 275,000.00	\$ 55,018.75	\$ 330,018.75
Mar-11		\$ 48,693.75	\$ 48,693.75
Sep-11	\$ 290,000.00	\$ 48,693.75	\$ 338,693.75
Mar-12		\$ 41,878.75	\$ 41,878.75
Sep-12	\$ 305,000.00	\$ 41,878.75	\$ 346,878.75
Mar-13		\$ 34,635.00	\$ 34,635.00
Sep-13	\$ 320,000.00	\$ 34,635.00	\$ 354,635.00
Mar-14		\$ 26,875.00	\$ 26,875.00
Sep-14	\$ 340,000.00	\$ 26,875.00	\$ 366,875.00
Mar-15		\$ 18,375.00	\$ 18,375.00
Sep-15	\$ 355,000.00	\$ 18,375.00	\$ 373,375.00
Mar-16		\$ 9,500.00	\$ 9,500.00
Sep-16	\$ 380,000.00	\$ 9,500.00	\$ 389,500.00
Totals	\$ 3,435,000.00	\$ 1,108,596.25	\$ 4,543,596.25

STATE OF SOUTH CAROLINA)
)
COUNTY OF OCONEE) EARNEST MONEY
) PURCHASE AGREEMENT

THIS AGREEMENT is made and entered into this ____ day of _____, 2005, by and between the County of Oconee, South Carolina (hereinafter referred to as "Seller") and Jericho Capital Partners, LLC, a South Carolina limited liability company (hereinafter referred to as "Buyer").

WHEREAS, Seller is the owner of that certain real property and improvements located in Seneca, Oconee County, South Carolina, and Walhalla, Oconee County, South Carolina more particularly described on Exhibit "A" which is attached hereto and incorporated herein by reference;

WHEREAS, Oconee Memorial Hospital, Inc. (hereinafter referred to as "Lessee") leases such property from the Seller for the purposes of operating a hospital known as Oconee Memorial Hospital, and a nursing home known as the Lila Doyle Nursing Care Facility;

WHEREAS, Seller owns and operates an assisted living facility known as the Lakeview Assisted Living Facility;

WHEREAS, Lessee has proposed to Seller a transaction by which Seller would convey to Lessee, for no monetary consideration, the 53.0 acres of property and all improvements constructed thereon on which Oconee Memorial Hospital and the other improvements described above are located in order to allow Lessee to obtain bond financing for proposed improvements;

WHEREAS, Buyer believes it to be in the best interest of Seller and its residents to convey the property owned by Seller for substantial monetary consideration, instead of for no monetary consideration as has been proposed by Lessee, which could be used to provide for the

expansion of hospital facilities and to effectively utilize public resources while providing access to quality medical care for its residents;

WHEREAS, Buyer has indicated to Seller that its primary intent is to secure the Property in order to operate and expand the public hospital facilities for the benefit of the people in Oconee County, South Carolina. The operation and expansion of the hospital facilities will be performed in a manner consistent with best management practices, sound public policy, and effective utilization of public resources;

WHEREAS, Buyer has tendered earnest money for the Right to Buy the subject property and for the exclusive right to negotiate with third party healthcare organizations to secure appropriate ownership, management, and expansion of the subject property and health care facilities for the benefit of the residents of Oconee County.

NOW THEREFORE, for and in consideration of an earnest money deposit in the sum of Fifty Thousand and No/100 Dollars (\$50,000.00), given by Buyer to Seller, the receipt of which is hereby acknowledged, the Seller and Buyer agree as follows:

1. Right to Buy. Seller gives, grants and conveys unto Buyer the exclusive and irrevocable Right to Buy, for the sum of Twenty Million and No/100 Dollars (\$20,000,000.00) plus the assumption of the Seller's Series 1995 bond debt, the following described Property:

_____ [insert property description] _____

2. Term. The term of the Right to Buy shall be a period of six (6) months beginning on the date of execution of this Agreement and ending six (6) months thereafter. The term of the Right to Buy may be extended by mutual written agreement of the parties hereto. Provided,

however, if Buyer makes a recommendation of a healthcare organization to Seller as set forth in paragraph 4 below within the six (6) month Right to Buy term, but Seller is unable to act on such recommendation prior to the expiration of the term, such term shall automatically be extended for sixty (60) days to allow Seller to consider such recommendation and make a determination whether or not to accept such recommendation.

3. Conditions. During the term of the Right to Buy, Buyer will initiate a selection process in order to select a brokerage firm experienced in advising and assisting with all business aspects of health care and hospital purchase and sale transactions. Buyer shall periodically inform the County about the progress of the selection process and the broker selected to represent Buyer in the transaction. Together with the broker and other consultants and advisors as may be selected by Buyer, Buyer shall cause to be conducted a feasibility study to verify and confirm the most appropriate operational plan of action to expand and modernize the inpatient facilities of the hospital to meet the current and anticipated future needs of the residents of the County. It is anticipated that the expansion will be substantially equivalent to or larger than the 160-bed facility contemplated by Lessee. The new facility will be designed and executed to provide the most cost effective benefit to patient users of the hospital and their families. Further, it is anticipated that patient fees charged by any new healthcare organization will be competitive with fees currently charged by Lessee, adjusted for inflation and other appropriate and relevant market factors. Also during the term of the Right to Buy, the Buyer shall have the exclusive right to negotiate with health care organizations for the provision and expansion of the hospital services. Buyer, with the assistance of the broker and other consultants and advisors as may be selected by Buyer, shall prepare a Request for Proposals (RFP) that shall be provided to prospective health care organizations. The RFP shall include the conditions of service set forth

below in Section 3.a. to 3.h. and all other applicable terms and conditions set forth in Section 3 of this Agreement. Prospective healthcare organizations wishing to negotiate shall be required under the terms of the RFP to provide a written detailed response to the RFP to Buyer. Buyer shall negotiate only with healthcare organizations which have responded to the RFP and which are licensed or eligible to be licensed to conduct business in the State of South Carolina, and otherwise qualified or eligible to be qualified to conduct hospital business under the specifications and statutory criteria stated in the Hospital Revenue Bond Act, S.C. Code §44-7-1480(b). Eligible healthcare organizations will be in sound financial condition and demonstrate a baseline investment grade bond rating of "A" or greater (in the absence of credit enhancement), as confirmed by one of Moody's, Standard & Poor's, or Fitch Rating agencies. Eligible healthcare organizations also will be required to specify to Buyer the manner in which the following conditions of service will be met:

- a. Timetable for completion of feasibility study, start of construction, and completion of the proposed hospital expansion. A goal of 18 months from engagement to the start of construction of the expansion, with completion within 3 years will be specified.
- b. Support for the Rosa Clark Free Medical Clinic.
- c. Hospital and County interaction to support and expand Emergency Medical Services (EMS), with the goal of continuing hospital ownership, management, and operation of the county EMS system.
- d. Hospital Board membership criteria and the relationship of the Hospital Board and the County going forward.
- e. Hospital support of the County Coroner including the use of hospital facilities for the provision of autopsy services and support.

f. The manner of information exchange between the County, the hospital and the public, concerning use of public funds, and compliance with covenants between the hospital and the County.

g. The manner of regular communication between the hospital and the County concerning matters of public health, actions of the Hospital Board regular sessions and meeting agendas, and other communications designed to demonstrate the performance of the Hospital and to build mutual trust and cooperation between the County and the hospital leadership.

h. Development of an effective means of soliciting public opinion and exchange with hospital management regarding community satisfaction with hospital based services.

4. Buyer's Recommendation and Seller's Approval. After evaluating proposals submitted by prospective healthcare organizations under the terms set forth above, Buyer may recommend one healthcare organization to provide the services contemplated above to Seller for Seller's approval. Such healthcare organization shall make a presentation to Seller of its proposal. If Seller approves of such healthcare organization and its proposal, Buyer may exercise its Right to Buy hereunder by giving written notice to Seller of its intent to do so. If Buyer is unable to recommend a healthcare organization to Seller or if Buyer recommends a healthcare organization but Seller does not approve of such organization or plan, Buyer's obligations hereunder shall terminate. Buyer shall forfeit its earnest money only if it is unable to recommend a healthcare organization which meets the requirements set forth in Section 3 above. If Buyer recommends a healthcare organization which meets the requirements set forth in Section 3 and Seller does not approve of such organization, Buyer shall receive a full refund of

its earnest money and shall have no further obligations under this Agreement. In any event Buyer shall have no liability to Seller or any third party under this Agreement other than for payment of the earnest money as provided herein.

5. Terms of Exercise of Right to Buy. If the Right to Buy is exercised by Buyer, Seller shall immediately give proper written notice to Oconee Memorial Hospital, Inc. of the termination of the Indenture of Lease at the expiration of twelve (12) months from the date of such notice. The Closing of the sale of the Property from Seller to Buyer shall take place twelve (12) months from the date such notice is given. At the Closing Buyer shall tender the Purchase Price and shall assume the obligations of the Series 1995 bond debt. At the Closing Seller shall deliver a limited warranty deed conveying to Buyer clear and free title in the Property.

6. Assignability. Buyer may freely assign this Agreement, and it is anticipated that it will assign its rights to purchase to the healthcare organization recommended by Buyer and approved by Seller.

7. Governing Law. The Agreement shall be interpreted in accordance with the laws of the State of South Carolina.

8. Binding on Successors. This Agreement shall be binding upon the parties hereto, their respective successor and assigns.

9. Authority. By the execution hereof, each party acknowledges that it has the lawful authority to enter into this Agreement and to bind itself and its successors and assigns.

OCONEE COUNTY, SOUTH CAROLINA

By: _____
Chairman

By: _____
County Administrator

JERICO CAPITAL PARTNERS, LLC

By: _____
Member