

## New Construction Cost and Funding

The total projected cost of the new construction project will be no greater than \$18,735,000.00. This is the total project cost including construction, architectural and engineering services, interest during construction and bond issuance expenses. The project will be funded by an interim construction loan and with final funding by USDA through the purchase of general obligation bonds. The principal repayment term will be a 30 year term with a projected interest rate of 3.75% making the annual payment an average of \$973,418.00.

Since OCMH is a Critical Access Hospital, it receives cost based reimbursement for inpatient and outpatient services provided to Medicare patients. This cost based reimbursement provides significant financial advantage by allowing OCMH to be paid at 101% of costs for all Medicare services. The cost is estimated using cost accounting data provided by the Medicare cost report. It is estimated OCMH will received at least 50% reimbursement allocation for the Medicare patients at the new facility which means in reality Medicare will be paying for 50% of the new facility costs. The remaining 50% of the debt service will be covered by an estimated mill levy of 9.75 mills. This mill levy is actually low in comparison to other county and district hospitals in Kansas that have either constructed new or remodeled in prior years. An example of a homeowner property tax increase at 9.75 mills on a monthly basis for a \$60,000 home would be \$5.61 per month. A commercial business owner with a property value of \$100,000 could expect to pay an additional \$20.31 per month. Agriculture property owners increases is estimated at an annual cost per acre for dry copy land at \$0.25, irrigated land at \$1.68 and grass land at \$0.09.

OCMH does have other funding sources for the new construction project that would lower the total bond amount and mill levy. One of these sources is the New Markets Tax Credit. The potential net subsidy could be up to \$3,285,150.00. These funds would be used for the necessary equipment and would reduce the amount necessary for the USDA loan. However, potential award of these funds will not be acknowledged until March 2018. Therefore, the mill levy could possibly be reduced by up to 2 mills from receipt of the New Markets Tax Credit.

Additional funding sources include the Kansas Community Tax Credits which are being used for all the pre-construction costs. OCMH has raised approximately \$15,000 in private funds and will continue fundraising initiatives over the next two years. Once vote approval is received there will be opportunities to apply for grants for the new construction project as well.

OCMH is also very fortunate to have received the gift of land to build the new facility on from the City of Osborne so there is no cost for acquisition of the land. The architects and OCMH project team have designed a lean facility to meets the needs of the county to provide services as a Critical Access Hospital and allow for future growth. Please vote "YES" to continue health care services in Osborne County for many years into the future!