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Financing for hospital expansion inches forward



Photo by: Courtesy photo

An expansion at Southwest Memorial Hospital will include a remodeled main entrance.

By [Jim Mimiaga](#) Journal staff writer

Southwest Memorial Hospital is negotiating with local banks for a \$40 million loan to finance an expansion project and pay off \$9.7 million in outstanding debt.

The financing is being structured as revenue bonds through Montezuma County to gain tax-exempt status and save costs.

However, the county would not be obligated for any debt service, said Kelly McCabe, attorney for the Montezuma County Hospital District.

“It is structured so there is zero responsibility or liability to the county,” he said.

Southwest Health Systems, the private, nonprofit corporation that operates the hospital, would be the obligor of the loan. According to bond documents, “The county will have no responsibility for the debt service on the bonds or any other matter related to the bonds.”

Debt payments on the \$40 million loan will be made from a sales tax revenues passed by voters in 2015 for hospital improvements. The sales tax, which sunsets in 15 years, is expected to generate \$1.35 million per year.

During a required public hearing Monday at the county, no one from the public spoke on the matter.

Commissioner Larry Don Suckla questioned the financing plan, pointing out that after 15 years the sales tax would only generate \$20 million, but the debt is \$40 million.

Hospital officials said the shortfall would be made up by Southwest Health revenues, which have been strong and are expected to continue.

“The hospital is doing well financially, and is expected to do better with these improvements,” McCabe said.

Southwest Health board chair Paul Deshayes said SHS is committed to a “net revenue pledge to repay the balance” after the sales tax sunsets.

“It is actually a bank loan, and the bond is issued so it can be done as a tax-exempt transaction,” he said.

Commissioner Keenan Ertel said, “We’re doing this as a courtesy for the hospital and cost savings for them.”

The county had to vote to certify that the public hearing was held, part of the legal requirements for bonding, but it is not final approval of the financing package, officials said.

Montezuma County attorney John Baxter assured the county they were not approving the bond package as of yet.

“You still need to see the documents they want us to execute,” he said.

In a 2-1 vote, the county certified that the public hearing took place, with commission chair Suckla voting no.

“I hate to do this like ‘Obamacare’ and sign it before you know what is in it,” he said.

Other than a 30-year term, the exact terms of the financing, such as interest rates and monthly payments, have not been finalized, Deshayes said.

“We’re waiting on the final language,” he said. “All the local banks came together to support the project. The vision is to make a true medical campus to meet patient needs and provide health services for the county all in one area.”

Participating banks include Vectra, Dolores State, First National in Cortez and Durango, **Four Corners Community**, and First Southwest.

All hospital improvements financed by the issuance of the bonds will be owned by the Montezuma County Hospital District. The hospital district is a special tax district that owns the hospital facilities and leases management and business operations to Southwest Health System.

Of the loan, \$30 million will be used for the hospital expansion project, and \$10 million will be used to pay off outstanding financial obligations from the last hospital expansion project in 2007.

The current hospital improvement plan includes a new 20-bed inpatient wing to replace the one on the hospital's second floor, and a new 25,000-square-foot medical office building on the front of the hospital.

The new patient wing includes improved security, family waiting area, updated records keeping, a new family birthing center and an expanded medical imaging department featuring a women's health center.

The new medical office center will house up to 30 medical providers and specialists including family medicine, orthopedics, podiatry, internal medicine, obstetrics and gynecology and general surgery. This building will include a retail pharmacy, X-ray capabilities, vaccination clinic and Coumadin clinic attached to the main hospital campus for easy access to additional services.

Consolidating hospital services from throughout Cortez under one roof is expected to save the hospital \$300,000 per year in expenses.

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