

Methodist McKinney Hospital

Hospital Medical Office Building

Methodist McKinney Hospital originally intended to open with a two story medical office building on campus. Several of the original physicians involved in the project were going to move on campus into the MOB.

A legal battle ensued between two key physician leaders in the MMH project over the selection of the MOB developer. As a result, the MOB was not developed. Taxable property values, patient volumes, and operating results were impacted.

The doctors involved in the legal battle and several other affiliated physicians who were committed to the hospital project either left MMH in the first year or never came to MMH.

Methodist, Nuetera, and several remaining physicians, who were fully committed to McKinney, increased their capital investment in Methodist McKinney Hospital by approximately 100% through three separate capital calls.

MMH ultimately turned the corner and has continued to grow the business. MMH has created many more local jobs than originally contemplated. (See accompanying scheduling showing salaries and wages impact.) MMH has significantly reduced outmigration of healthcare patients and jobs from McKinney, having a positive impact on the local economy and raising the local standard of living.

MMH has spent much more on operating expenses than originally anticipated due to strong patient demand. This has directly increased local sales tax dollars for the community. (See attached schedule).

ASC Purchase and Upgrade

MMH purchased a surgery center in east McKinney in 2013. The facility needed significant improvements. MMH did internal renovations and convinced the landlord to make significant exterior renovations (there are other tenants).

Sleep Center

MMH opened a Sleep Center in 2013 that was closed, thereby creating additional local jobs and bringing more patients back to McKinney. MMH continues to operate the Craig Ranch Sleep Center today.

MMH Campus Development Plans

MMH has contracted with Jerry Huffman to build medical office condos on campus. The first building is currently awaiting City and Stonebridge Ranch approval. (See attached schedule for more detail.)

MMH is nearing its capacity on inpatient beds at times. Our ability to add more beds is prohibited by the Affordable Care Act. MMH is supporting proposed legislation that will repeal this restriction so that we can expand the hospital.

MMH Community Support

MMH is active in the community supporting local organizations such as the Chamber, Collin College, Samaritan Inn, the Community Health Clinic, and several other organizations by serving on boards and committees, volunteering, and with donations.

Methodist Mckinney Hospital

	<u>2011 Assessed Value</u>	
Real Property	\$	22,389,335
Personal Property	\$	7,349,784
Total Assessed Value	\$	29,739,119
Required Value per Loan	\$	42,000,000
Shortfall	\$	(12,260,881)
% Shortfall		29.2%
Loan Amount	\$	900,000
Shortfall	\$	(262,733)

Interest on shortfall
 - Due Feb 1, 2012
 - 1 year LIBOR plus 4%

Year	Libor Rate + 4%	Months of Interest	Interest \$ Due
2012	4.68%	11	\$ 11,278
2013	4.68%	12	\$ 12,304
2014	4.56%	12	\$ 11,981
2015	4.69%	3	\$ 3,081
Total			\$ 38,643

Total Amount Due w/ Interest **\$ 301,377**

Methodist Mckinney Hospital
Analysis of Taxes and Expense vs Proforma

Property Taxes				
	2011 Assessed Value	2012 Assessed Value	2013 Assessed Value	2014 Assessed Value
Real Property	\$ 22,389,335	\$ 22,462,120	\$ 19,750,000	\$ 19,750,000
Personal Property	\$ 7,349,784	\$ 7,015,522	\$ 6,463,764	\$ 6,660,443
Total Assessed Value	\$ 29,739,119	\$ 29,477,642	\$ 26,213,764	\$ 26,410,443
Required Value per Loan	\$ 42,000,000	\$ 42,000,000	\$ 42,000,000	\$ 42,000,000
Shortfall	\$ (12,260,881)	\$ (12,522,358)	\$ (15,786,236)	\$ (15,589,557)
% Shortfall	29.2%	29.8%	37.6%	37.1%
Tax Rate	\$ 2.451800	\$ 2.451799	\$ 2.576643	\$ 2.569960
Shortfall	\$ (300,612)	\$ (307,023)	\$ (406,755)	\$ (400,645)

Local Sales Tax Collections	2011	2012	2013	2014
Supplies & Implants - Actual	\$ 8,534,729	\$ 10,865,108	\$ 12,934,844	\$ 16,439,015
Supplies & Implants - Proforma	\$ 5,822,427	\$ 5,939,459	\$ 6,058,734	\$ 6,180,298
Additional Supplies & Implants Purchased above Proforma	\$ 2,712,302	\$ 4,925,649	\$ 6,876,110	\$ 10,258,717
Local Sales Tax Rate Only	2.00%	2.00%	2.00%	2.00%
Excess Local Sales Tax	\$ 54,246	\$ 98,513	\$ 137,522	\$ 205,174

This section analyzes the incremental local sales tax received as a result of MMH outperforming projections.

This does not include the additional local benefit derived from the 6.25 cents in sales tax sent to the state that funnel back into the local community.

Salaries, Wages, and Benefits	2011	2012	2013	2014
SWB Expense - Actual	\$ 6,352,742	\$ 7,049,037	\$ 8,581,537	\$ 10,010,657
SWB Expense - Proforma	\$ 5,581,120	\$ 5,946,909	\$ 6,255,720	\$ 6,530,179
Additional Salaries & Wages above Proforma	\$ 771,622	\$ 1,102,128	\$ 2,325,817	\$ 3,480,478

This section shows the benefit MMH has provided to the community thru directly employed personnel only. MMH has created many good paying jobs and reduced outmigration of healthcare jobs and patients dollars.

This does not reflect the impact of jobs created for people who work at the hospital daily such as doctors and hospital vendors or additional community benefit from spinoff to businesses in the area.

Total Other Expenses (excl. Interest, Depr., & Amort.)	2011	2012	2013	2014
Other Expense - Actual	\$ 7,670,528	\$ 7,181,945	\$ 8,244,971	\$ 10,944,322
Other Expense - Proforma	\$ 7,282,624	\$ 7,423,424	\$ 7,567,376	\$ 7,714,970
Additional Other Expense above Proforma	\$ 387,904	\$ (241,480)	\$ 677,595	\$ 3,229,352

It is very difficult to determine how much of this expense is taxable vs non-taxable goods and services. However, there is definitely some sales tax derived here (ie: parts on repairs are taxable).

Total Operating Expenses (excl. Interest, Depr., & Amort.)	2011	2012	2013	2014
Other Expense - Actual	\$ 22,557,999	\$ 25,096,089	\$ 29,761,352	\$ 37,393,994
Other Expense - Proforma	\$ 18,686,171	\$ 19,309,792	\$ 19,881,830	\$ 20,425,447
Additional Other Expense above Proforma	\$ 3,871,828	\$ 5,786,297	\$ 9,879,522	\$ 16,968,547

Property Taxes on New Development	2016	2017	2018	2019
Proposed Medical Office Development - Real Property Value Only	\$ 2,422,756	\$ 4,845,512	\$ 7,268,268	\$ 14,536,536
Tax Rate	\$ 2.569960	\$ 2.451799	\$ 2.576643	\$ 2.569960
Shortfall	\$ 62,264	\$ 118,802	\$ 187,277	\$ 373,583

We have entered into a contract with Huffman Builders to develop medical office condos on campus. The first phase will begin in 2015 and includes three buildings projected at a total of approximately 18,000 square feet.

We have contracted with Huffman to start the first building and he is currently awaiting approval from the city and Stonebridge Ranch to proceed.

This section conservatively assumes construction of only 9,212 square feet per year. The total campus development plan far exceeds this number.