



Funding Projects Now

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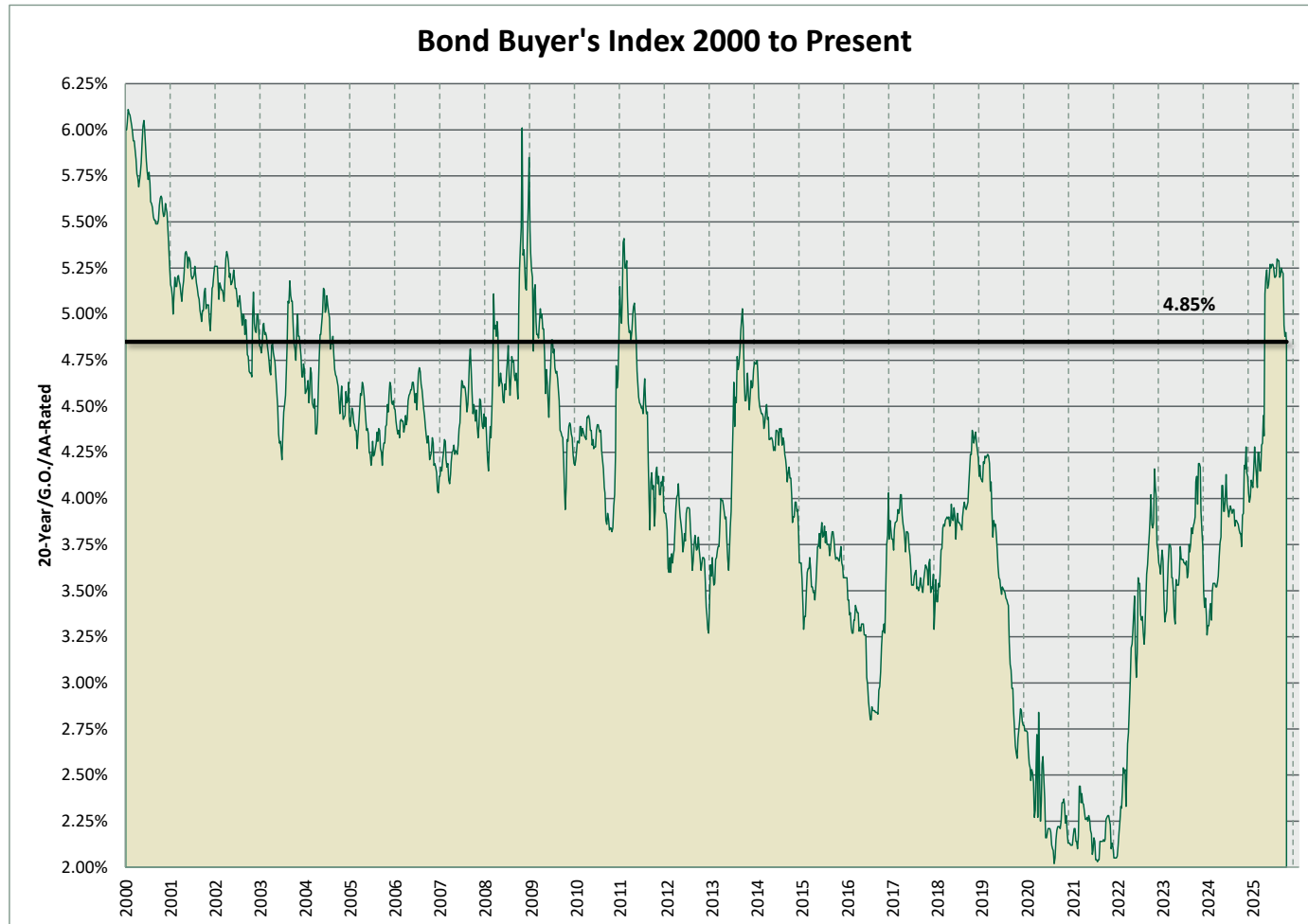
Agenda

- Current Capital Market Conditions
 - Interest rate trends and expectations
- Hospital and Health System Credit Trends
 - Key financial ratios
- Funding Projects Now
 - Comparison of borrowing options



Current Capital Market Conditions

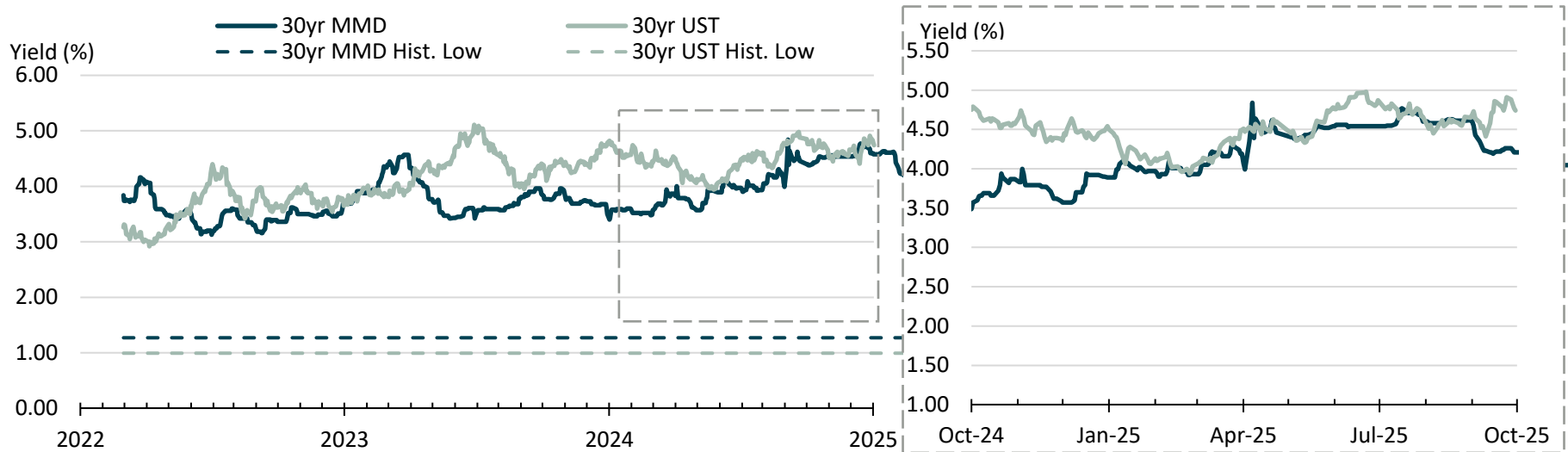
Current Market Conditions



Source: Data compiled by Northland Securities from published Bond Buyer's GO 20-Bond Index

Current Market Conditions

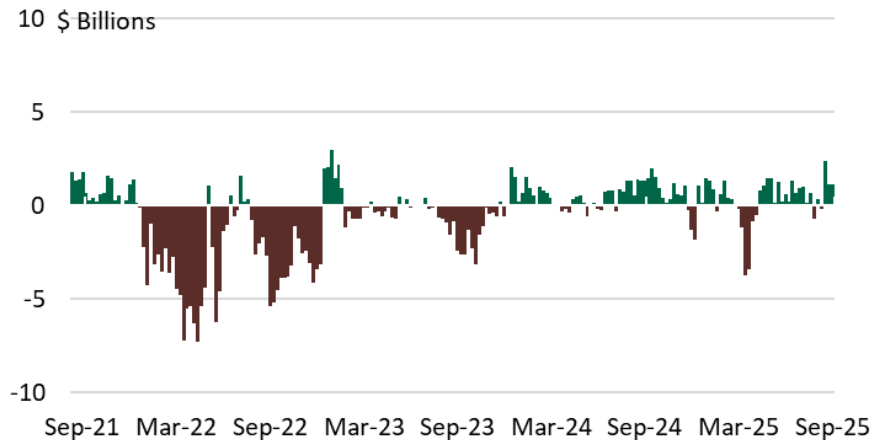
Long-Term Benchmark Rates



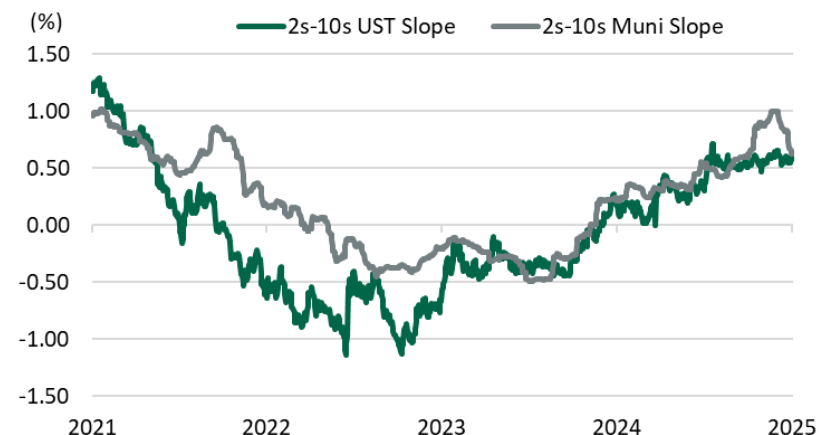
Source: Refinitiv Municipal Market Data and Treasury.gov

Current Market Conditions

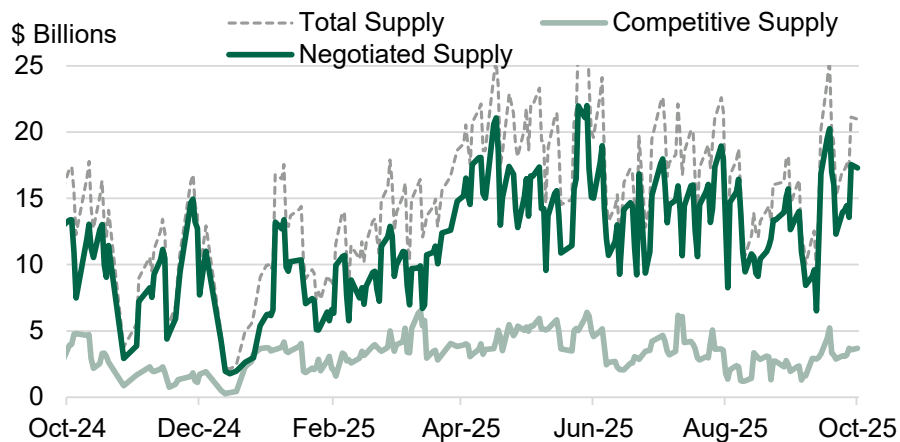
Municipal Fund Flows



Muni and UST Slopes

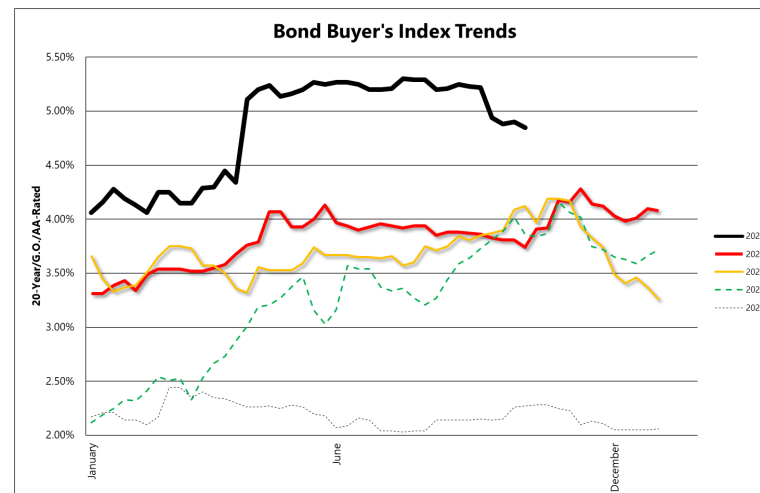


30-Day Visible Supply



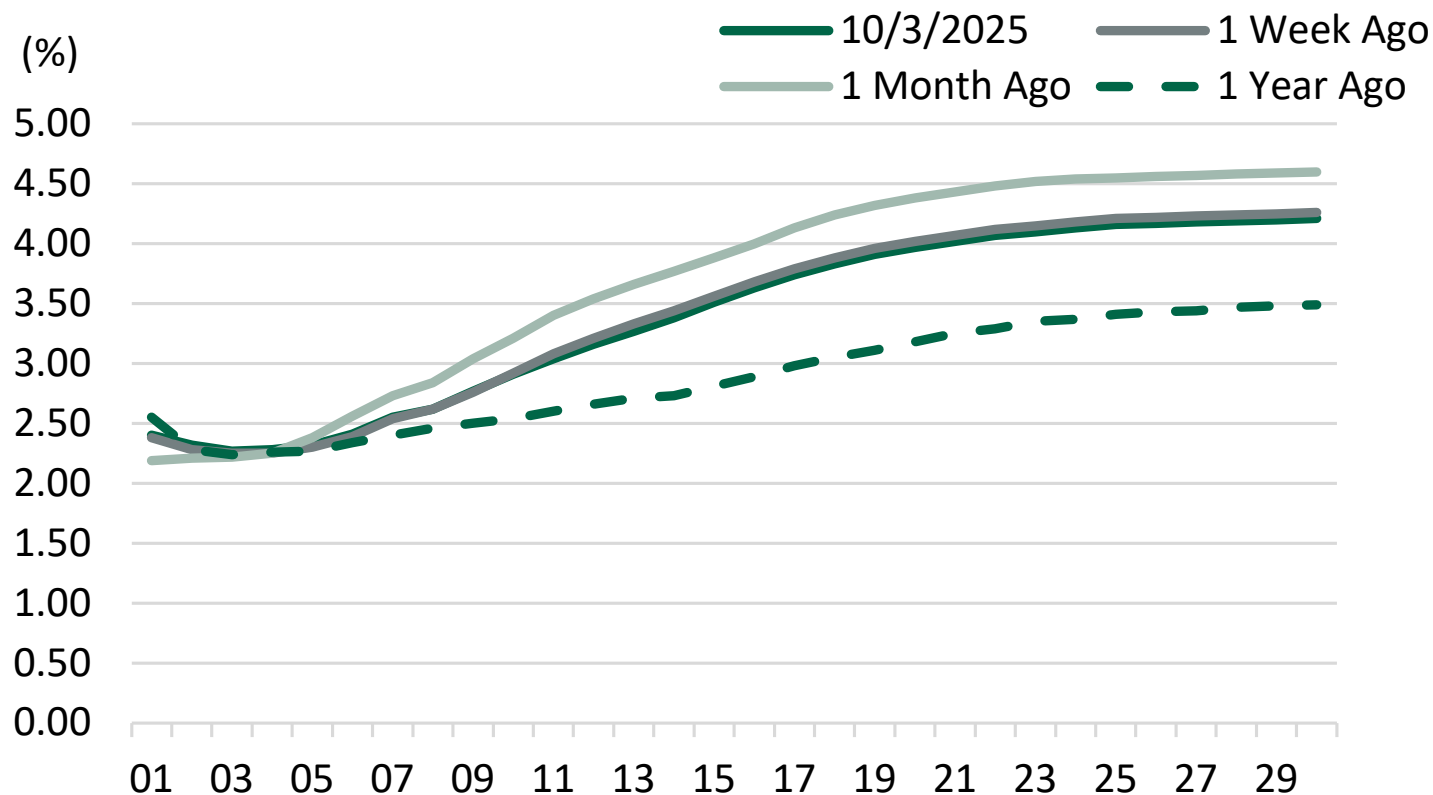
Source: Bloomberg and The Bond Buyer

Bond Buyer's Index Trends



Current Market Conditions

AAA G.O. MMD Historic Curves



Source: Bloomberg and The Bond Buyer



Hospital and Health System Financial Trends

Profitability

- Fitch Ratings: “2025 Median Ratios: Not-for-Profit Hospitals and Healthcare Systems,” published August 5, 2025
- 85 AA-rated borrowers – median annual revenue of \$2.578 billion
- 92 A-rated borrowers – median annual revenue of \$1.359 billion
- 38 BBB-rated borrowers – median annual revenue of \$822 million

Operating Margin



Operating EBITDA



Source: Fitch Ratings

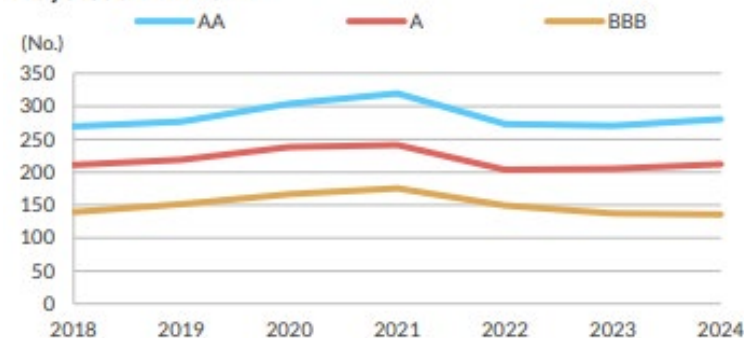
Balance Sheet

- Median 2025 Debt to Capitalization continued to decline to 30.7%
 - 2022 high of 34.2%
- Median 2025 Average Age of Plant increased, for a ninth straight year, to 12.7 years
 - 12.2 yrs in 2023 and 10.8 yrs in 2015
- Overall capital spending increased noticeably in 2025
 - Median capital expenditure of 123.4% of depreciation expense vs. 109.1% for 2023

Cash to Debt



Days Cash on Hand

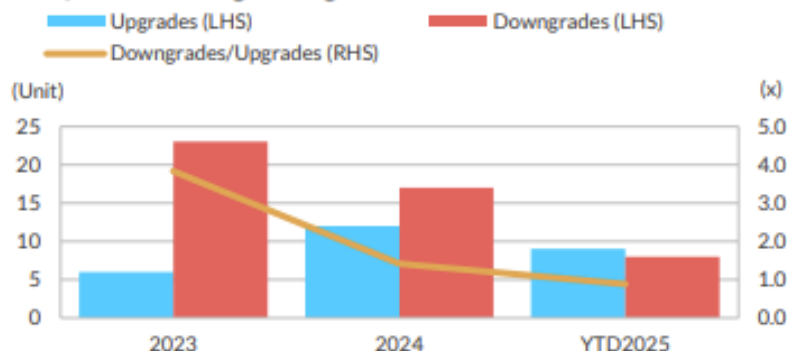


Source: Fitch Ratings

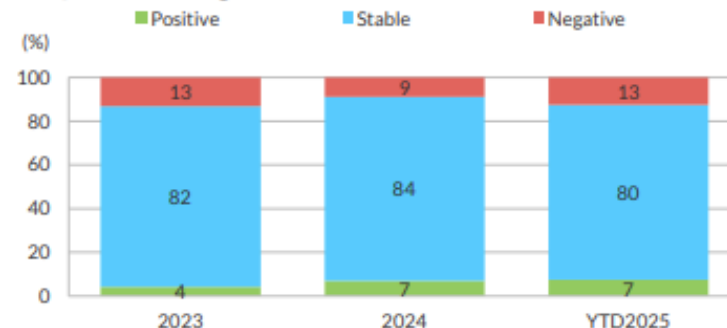
General Outlook

- Chief Concerns:
 - Tariff uncertainty and impact on supply chains
 - OBBBA uncertainty regarding Medicaid funding & ObamaCare subsidies
- Key strategy is to create additional access points and capacity
 - Clinics
 - Conversion of space to additional out-patient services

Hospitals - Rating Changes



Hospitals - Rating Outlooks



Source: Fitch Ratings



Funding Projects Now

Financing Structures to Consider

Unenhanced Revenue Bonds Fixed Interest Rate; Tax-exempt/Taxable	Bonds are sold based on the underlying credit strength of the non-profit and its project. Broad range of potential investors, including institutional and retail.
Private Placement Revenue Bonds Fixed/Variable Interest Rate; Tax-exempt/Taxable	Bonds are placed on the underlying credit strength of the non-profit and its project. Generally, a limited number of investors or commercial banks involved in placement.
Bond Insured Revenue Bonds Fixed Interest Rate; Tax-exempt	Bonds are sold based on an insurance policy for the life of the issue. Often allows a non-profit to achieve a higher rating for its bonds, broadening the range of potential investors.
USDA Rural Development*	USDA provides commitments, to qualifying non-profit projects for long-term fixed interest rate permanent loans. Construction financing is obtained separately, with improved terms based on the USDA commitment.

*Only available for rural locations.

Unenhanced Revenue Bonds

Eligible Projects	• 501(c)(3) and government hospitals • New construction, renovation & refinance (subject to useful life test) • Non-eligible projects can be funded with a taxable issue
Loan Sizing	• Variable and driven by credit strength of the hospital and the project • May or may not include tax-support
Loan Term & Amortization	• Matching term and amortization, up to 30-years typical
Interest Options	• Fixed • Based on market conditions at time of bond sale • <\$10 million may be Bank Qualified, possibly resulting in lower interest rate
Likely Covenants	• Debt service coverage covenant • Days cash on hand covenant • Unless A-rated or above, debt service reserve fund • CPA-prepared financial projection may be necessary • Mortgage may be necessary • Minimum 5-year call protection, often 10-year call protection
Timing	• 3-4 months

Case Study



- Government owned 25-bed critical access hospital, along with an attached 54-bed nursing home, located in Crosby, MN
- \$25,825,000 issue – New Construction

Maturity Serials	Principal Amount	Coupon	Price	Yield
2026	405,000	4.25	100.000	4.25
2027	425,000	4.15	100.000	4.15
2028	445,000	4.25	100.000	4.25
2029	465,000	4.35	100.000	4.35
2030	485,000	4.40	100.000	4.40
<i>Term Bonds</i>				
2036	3,430,000	5.00	100.000	5.00
2038	1,390,000	5.25	100.000	5.25
2043	4,200,000	5.50	100.000	5.50
2048	5,505,000	5.50	98.003	5.50
2053	9,075,000	5.75	100.000	5.75

Key Terms:

- Publicly sold
- Non-rated
- CPA-prepared examination
- Provided first mortgage lien
- No prepayment for 7-years
- One-year debt service reserve fund (\$1.8 million)
- 1.20x debt service coverage covenant

Private Placement Revenue Bonds

Eligible Projects	• 501(c)(3) and government hospitals • New construction, renovation & refinance (subject to useful life test) • Non-eligible projects can be funded with a taxable issue
Loan Sizing	• Variable and driven by credit strength of the hospital and the project • May or may not include tax-support
Loan Term & Amortization	• Often involve a tender date or balloon maturity • 7 to 10 years common • Amortization may include interest only-period and be up to 30-years
Interest Options	• Variable or Fixed • Reset generally tied to an index, may include a cap or floor • May be set at commitment letter or based on an index calculation • <\$10 million may be Bank Qualified, possibly resulting in lower interest rate
Likely Covenants	• Debt service coverage covenant • Days cash on hand covenant • Stronger liquidity covenant may substitute for debt service reserve fund • CPA-prepared financial projection may be necessary • Appraisal may be necessary • Mortgage likely • Minimum 3-year call protection and/or tied to interest rate reset or tender
Timing	• 3-4 months

Case Study



- 501(C)(3) 170-bed hospital located in Hastings, NE
- \$9,855,000 issue - Refinance

Key Terms:

- Privately placed with a commercial bank
- Non-rated
- Bank-Qualified
- Interest rate set 10-days prior to closing based on formula established with term sheet
- Provided Deed of Trust
- Appraisal
- Six-year term, fulling amortizing
 - Prepayable, with penalty after one year
 - Prepayable with no penalty after third year
- Covenants:
 - 75 Days Cash on Hand
 - 1.15x Debt Service Coverage

Bond Insured Revenue Bonds

Eligible Projects	• 501(c)(3) and government hospitals • New construction, renovation & refinance (subject to useful life test) • Non-eligible projects can be funded with a taxable issue
Loan Sizing	• Generally tied to achieving a stand-alone investment grade rating • Cost of bond insurance calculated based on the total debt service payments over the life of the issue
Loan Term & Amortization	• Matching term and amortization, up to 30-years typical
Interest Options	• Fixed • Based on market conditions at time of bond sale
Likely Covenants	• Debt service coverage covenant • Days cash on hand covenant • CPA-prepared financial projection likely • Mortgage likely • Minimum 5-year call protection, often 10-year call protection
Timing	• 4-5 months

Case Study



JOHNSON COUNTY HOSPITAL

- Government owned 25-bed critical access hospital located in Tecumseh, NE
- \$5,080,000 issue – New Construction

Maturity Serials	Principal Amount	Coupon	Price
2025	115,000	5.00	101.488
2026	120,000	5.00	103.231
2027	125,000	5.00	104.804
2028	130,000	5.00	106.115
2029	140,000	5.00	107.241
2030	145,000	5.00	107.062
2031	150,000	5.00	106.589
<i>Term Bonds</i>			
2037	1,060,000	4.00	100.000
2039	410,000	4.00	98.887
2041	450,000	4.13	99.095
2043	490,000	4.25	100.000
2045	530,000	4.38	98.983
2047	580,000	4.50	9.2910
2049	635,000	4.50	98.5230

Key Terms:

- Publicly sold
- AA-rated
 - Based on Assured Guaranty bond insurance policy
- Aggregate Original Issue Premium of \$22,288
- No prepayment for 5-years
- Minimal covenants

USDA Rural Development

Eligible Projects	• Local, independent 501(c)(3) and government hospitals • New construction, renovation & refinance (refinance less than 50% of proceeds) • Must be in communities of less than 20,000 residents
Loan Sizing	• Generally tied to CPA-prepared financial projection • Targets: >1.50 debt service coverage and >75 days cash on hand • Public private partnership goals
Loan Term & Amortization	• Permanent loan has matching term and amortization, up to 35-years typical
Interest Options	• Fixed • Based on USDA published rate at the time of the issuance of the Letter of Conditions
Likely Covenants	• CPA-prepared financial projection required • Construction financing must be obtained separately • Will require non-USDA funds to be involved in project • Likely require appraisal • If available, mortgage required • Prepayable at any time
Timing	• 8-9 months

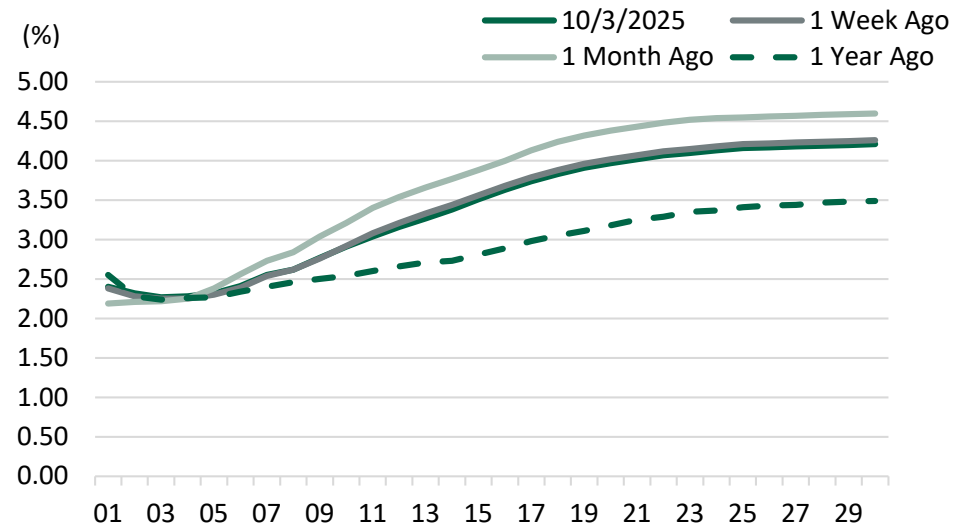
Current Considerations



- Direct loan program annual funding levels at approximately \$1.2 billion
- Interest rate reset quarterly based on Bond Buyer Revenue Index (currently 5.125%)

AAA G.O. MMD Historic Curves

Permanent Sources of Funds	Hypothetical Project	USDA Targets
USDA Direct Loan	15,000,000	65-75%
Non-USDA Financing	3,000,000	15-25%
Cash Contribution	2,000,000	10% min.
Total Project	20,000,000	





Questions?

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