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## FISCAL IMPACT REPORT

ORIGINAL DATE 01/28/21  
 LAST UPDATED 02/07/21      HB \_\_\_\_\_

SPONSOR Diamond

SHORT TITLE Sierra County Special Hospital District      SB 76/aSHPAC

ANALYST Graeser

### REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY21	FY22	FY23	FY24	FY25		
	About \$320.0 per 1 mill levy				Recurring	Sierra County Special Hospital District (GO Bonds)

Parenthesis ( ) indicate revenue decreases

### SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Finance Authority

### SUMMARY

#### Synopsis of SHPAC Amendment

Senate Health and Public Affairs Committee amendment requires that the members of the initial board of trustees be elected from single-member districts, eliminating the option that all members could be elected at-large.

#### Synopsis of Original Bill

Senate Bill 76 would create a new special hospital district called the Sierra County Special Hospital District through legislative action as opposed to the general law process established by the Special Hospital District Act. SB76 also provides for the Sierra County Commissioners and county clerk to take actions necessary to provide for the election of the board of trustees. The District shall be subject to the provisions of the Special Hospital District Act. The Special Hospital District would be funded through a general obligation bond approved by the voters.

### FISCAL IMPLICATIONS

NMFA has provided the following analysis and description of the funding mechanism for this new district.

The Sierra Vista Hospital is created through a Joint Powers Agreement (“JPA”) between Sierra County, the City of Truth or Consequences, the City of Elephant Butte, and the Village of Williamsburg. Sierra Vista Hospital closed on a Public Project Revolving Fund (“PPRF”) loan in the amount of \$30.22 million with the New Mexico Finance Authority (“NMFA”) in May of 2016 (the “2016 Hospital Loan”) for the purposes of constructing a new hospital facility. In November of 2018, the 2016 Hospital Loan was resized to meet the revenues expected to be generated by the hospital. The restructured loan of approximately \$25.38 million has a scheduled maturity in 2046. The restructured 2016 Hospital Loan is secured and repaid by the net system revenues of Sierra Vista Hospital, plus additional GRT pledges from each member of the JPA.

Prior to the 2016 Hospital Loan, Sierra County, in 2012, closed a PPRF loan for the purposes of constructing and renovating the emergency room at Sierra Vista Hospital (the “2012 Sierra County Loan”). The County, as the sole borrower on the 2012 Sierra County Loan, pledged its County Hospital Emergency Gross Receipts Tax (“CHEGRT”) as security and repayment of the 2012 Sierra County Loan. Sierra Vista Hospital would have to (i) remain a “county hospital facility” after the creation of the District and transfer of the Sierra Vista Hospital facility assets, or (ii) enter into a healthcare facilities contract with the District (see “SIGNIFICANT ISSUES” below), so that the 2012 Sierra County Loan could also be taken over by the District.

Passage of SB76 would allow for the creation of the District as a legal entity, at which point the District would need to acquire the current Sierra Vista Hospital facility. The outstanding 2016 Hospital Loan with Sierra Vista Hospital will need to either (i) be paid in full, or (ii) the District will need to become the obligor on the loan concurrently with the transfer of the hospital facility assets to the District. The NMFA would require the District to take over the 2016 Hospital Loan and keep all existing terms in place, including, specifically, the GRT revenue pledges provided by the members of the current JPA.

Sierra Vista Hospital is current on its monthly payments related to the outstanding 2016 Hospital Loan.

Property tax net taxable value and mill levies for Sierra County (2020 Tax Year) follow:

	Residential		Non-Residential	
	Net Taxable Value	Rate(\$ per \$1,000 net value)	Net Taxable Value	Rate(\$ per \$1,000 net value)
T or C	\$64,466,452	23.634	39,378,007	25.585
Williamsburg	\$4,292,140	23.797	1,235,218	25.585
Elephant Butte	\$42,338,805	26.317	16,904,750	27.585
County Areas	\$76,607,217	22.092	75,666,191	23.360

Each 1 mill levy would generate \$321 thousand.

**SIGNIFICANT ISSUES**

NMFA further explains the issues:

Sierra County pledged its CHEGRT enacted pursuant to NMSA Section 7-20E-12.1 and imposed pursuant to Sierra County Ordinance No. 94-003; Ordinance Nos. 96-001, 97-005 and 11-013 amending Ordinance No. 94-003 (“Tax Ordinance”) to both the 2012 Sierra County Loan and the 2016 Hospital Loan. The dedication in the Tax Ordinance is for payment of bonds for a county hospital facility. Surplus revenues may then be used for current operations and maintenance of a hospital owned by the county or a hospital with which the county has entered into a healthcare facilities contract. This is consistent with the authorized uses in the CHEGRT, namely, dedication for payment of bonds or a loan for “acquisition of land or buildings for, and the design, construction, equipping, remodeling or improvement of, a county hospital facility”. It further authorizes the tax to be dedicated for “current operations and maintenance of a hospital owned by the county or a hospital with which the county has entered into a health care facilities contract.”

In order for Sierra County to continue to pledge the CHEGRT to both the 2012 Sierra County Loan and the 2016 Hospital Loan, Sierra County would need to amend the Tax Ordinance, or take other steps, to ensure that Sierra Vista Hospital is to remain a county hospital facility after the creation of the District and transfer of the hospital facility assets. Alternatively, Sierra Vista Hospital would have to enter into a healthcare facilities contract with the District.

#### **PERFORMANCE IMPLICATIONS**

Per NMFA, an operating agreement is in place with Quorum Health Resources, LLC (“QHR”) and the Sierra Vista Hospital. It has been NMFA’s experience that the overall financial performance and oversight of Sierra Vista Hospital has improved significantly since QHR took over operations of the hospital.

#### **ADMINISTRATIVE IMPLICATIONS**

Per NMFA, the current governance structure of the JPA established Sierra Vista Hospital and includes a hospital board and a separate Joint Powers Commission. Establishing one board of trustees for the District creates efficiencies in operational and financial oversight.

#### **OTHER SUBSTANTIVE ISSUES**

Artesia, Nor-Lea, Jal and Eunice have previously formed special hospital districts. Artesia apparently raised a bond with a levy of 1.318 mills. Nor-Lea (4.00 mills), Jal (3.00 mills) and Eunice (2.00 mills) also use the property tax for debt. A specific provision of 4-48A-16 is that any special hospital district bonds are subject to yield control, despite that the bonds are approved by the voters..

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