

St. James Medical Center

Mayo Health System
August 4, 2008

Honorable Amy Klobuchar
Senator – Minnesota
302 Hart Senate Building
Washington DC 20510-2304
Fax: 202.228.2186

Re: Regulation / Policy / Bookletter HM – 08 – 5; Proposed Rule 12 CFR Part 615; RIN 3052-AC42; Funding and Fiscal Affairs, Loan Policies and Operations, and Funding Operations; Mission-Related Investments, Rural Community Investments

Honorable Amy Klobuchar:

In August 2006, St. James Health Services, Inc. began construction of its replacement Critical Access Hospital. Funding was provided as follows:

\$ 1,000,000	Community Pldgc
5,000,000	USDA Direct Lending
<u>16,325,000</u>	Guaranteed USDA Community Facilities through ArborOne
\$22,325,000	Total Project Cost

This combination of financing to our community was essential to our ability to replace our hospital. St. James Minnesota is a rural community of 4,695 people located 2 hours southwest of Minneapolis Minnesota. We know that a thriving rural community is dependent upon infrastructure (governance, power, water, waste, transportation, telecommunications); community services (education, healthcare, safety); and business (industry, services). Without infrastructure and community services, our community's ability to attract and retain businesses is very limited.

Much of the nation's rural health care involves facilities that were built 40 – 50 years ago. Over the years, some of the hospitals in the area have closed. Others, like St. James Health Services, were sorely in need of replacement or faced the possibility of closing as well. In 1998 the U. S. Government created the Critical Access Hospital designation to allow for improved reimbursement of Medicare claims. While this increased the cash flows generated by rural hospitals, financing replacement hospitals remains a challenge.

Tax Exempt Bonds are an available source of financing; however, the cost of credit enhancement and obtaining a rating would have been time consuming and expensive. Taxable bonds with a USDA Guarantee was an alternative option if we could develop a relationship with a qualified financial institution willing to recognize the value of the guarantee in their terms and conditions.