

Three Rivers Hospital

Board of Commissioners Special Meeting

October 24, 2017

Minutes

The Three Rivers Hospital Board of Commissioners called a special meeting to order at 5:04 p.m. Tuesday, October 24, 2017 in the McKinley Building Conference Room at 507 Hospital Way, Brewster WA 98812. The presiding officer was Vicki Orford, Chair.

A quorum was present, including:

Vicki Orford, Chair
Mike Pruett, Vice Chair (via phone)
Tracy Shrable, Secretary
Cherri Thomas, Member (via phone)
Leslie McNamara, Member

Others present:

J. Scott Graham, Chief Executive Officer
Melanie Neddo, Chief Operating Officer
Jennifer Munson, Chief Financial Officer (via phone)
Gretchen Aguilar, Chief Nursing Officer
Anita Fisk, Director of Human Resources
Jennifer Best, Administrative Assistant
Christine Smith, Assistant Chief Nursing Officer
Nicky Markey, Director of Quality, Risk & Compliance
Christopher Majors, Business Development Coordinator
Bradley Berg, Attorney, Foster Pepper PLLC (via phone)

Vision, Mission & Values

The board members took turns reading the vision, mission, and values statements.

Agenda

T. Shrable motioned and L. McNamara seconded to approve the agenda as presented. Motion passed unanimously.

Old Business

Resolution 2017-9 Coastal Community Bank Tax Anticipation Note: S. Graham explained this resolution is regarding approval of an agreement with Coastal Community Bank to establish a revolving line of credit the hospital could draw from, up to \$600,000.

Resolution 2017-10 Coastal Community Bank Limited Tax General Obligation and Revenue Bond: This resolution authorizes a bond through Coastal Community Bank in the amount of \$600,000, which the hospital could opt to accept in a lump-sum payment.

Foster Pepper attorney Bradley Berg explained that the revolving line of credit matures in May 2018, unless the bank and hospital agree to extend it. The interest rate is variable, as low as 4.25%. It's based on the Wall Street Journal prime rate. The hospital district would use its property tax revenues to repay the note, and if the hospital pays off the balance before the maturity date we could still borrow up to \$600,000.

The bond is payable over a five-year period, plus interest on a semi-annual basis. The interest rate is fixed at 5%. It should qualify as a tax-exempt obligation.

The board is asked to consider both resolutions, which would authorize the transaction to move forward for closing on Friday, October 27. The bond would be available immediately, and the revolving line of credit would be available to draw on if needed.

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Referring to Page 4 of Resolution 2017-10, section “Y” refers to the property tax revenue.

The repayments dates were changed to May 31 and November 31, to allow the hospital more time to collect property taxes. Okanogan County Treasurer Leah McCormack had requested payment dates of June 1 and December 1, but the bank had already received internal credit approval for those repayment dates and changing the dates would have delayed this process even further.

V. Orford asked about the bond registrar and fiscal agent, a role that L. McCormack fills. B. Berg stated that L. McCormack could assign those roles to someone else.

V. Orford asked what parity bonds are. B. Berg explained that parity bonds, which could potentially be issued in the future, would have claim to the same revenue being used to meet the current debt service. In this case, in order for the district to issue further parity bonds they'd need the bank's consent.

V. Orford asked if only S. Graham and J. Munson are authorized to make draws on the line of credit; yes.

V. Orford asked if tax revenues from November 2018 would be used to pay for the line of credit even though it matures in May; only if the note wasn't paid off at its maturity date.

L. McNamara asked if there's a prepayment penalty on the bond; no. She asked about interest earned on the money we've deposited. That refers to a federal tax limitation allowing the bond to qualify for a tax-exempt obligation. It prevents the hospital from generating revenue on interest.

M. Pruett thanked B. Berg for his clear explanations.

C. Thomas' questions about the line of credit and the bond were already answered. She asked if the loan is one of the ways the hospital will be able to stay out of registered warrants. S. Graham said the goal is to continue managing finances well, building toward an upward trajectory of accumulating reserves. The line of credit could be used if, for whatever reason, the hospital needs to make payroll or other bills. The bond will be used for projects such as moving the clinic and Emergency Department.

C. Thomas asked if Okanogan County has objected to this; no. B. Berg has had conversations with L. McCormack and she didn't object to the hospital obtaining financing.

V. Orford asked for clarifications regarding the hospital's ability to borrow registered warrants versus using the revolving line of credit. S. Graham would like to have the line of credit as a fallback, if we're not able to access warrants. V. Orford asked if the line of credit would be used for unexpected, emergent needs; possibly. The note is flexible enough to allow us to use it for a project if needed, but S. Graham advises taking the more conservative route and leave the note untouched unless absolutely necessary. L. McCormack has an accurate perception of where the hospital is financially, in terms of not being out of the woods yet despite not needing to use warrants for a few months.

L. McNamara feels comfortable voting on the resolutions.

V. Orford clarified that the bond would be used for capital improvements and the note could be used as needed, not the other way around as discussed in the September 26, 2017 regular board meeting. S. Graham explained that the bank representative had gotten the information switched.

Our top priorities are moving the clinic and ER, which will necessitate some building repairs and upgrades. We also have some OR equipment needs.

T. Shrable asked if there would be any interference between repaying the line of credit and paying back Medicare, both of which would be due around the same time. J. Munson has done some projections accounting for the Medicare repayment, and assuming nothing else changes her work shows a positive cash flow. If we needed to draw on the line of credit there could be an issue.

T. Shrable asked what the impact will be regarding changes to Medicare reimbursement, with regard to value-

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based payments. The hospital has received notice that our reimbursement rates will drop; the inpatient rate will drop about 10%. J. Munson calculated that into her projections. The details regarding value-based payments are still being worked out on a government level. There's a chance it could benefit our hospital. S. Graham thinks it's ultimately the right way for Medicare to go, as it'll be good for patients. A lot is riding on what Congress does with the Affordable Care Act, and what's happening with Medicaid on a state level. Hospital administration will need to stay on top of the Medicare value-based changes and work together with staff to adapt successfully.

L. McNamara motioned to accept Resolutions 2017-9 and 2017-10 as presented. T. Shrable seconded. Motion passed unanimously.

Adjournment

C. Thomas motioned and T. Shrable seconded to adjourn the meeting at 5:49 p.m. Motion passed unanimously.

Vicki Orford, Chair

Mike Pruett, Vice Chair

Tracy Shrable, Secretary

Cherri Thomas, Member

Leslie McNamara, Member