

Three Rivers Hospital

Board of Commissioners Special Meeting

May 4, 2017

Minutes

The Three Rivers Hospital Board of Commissioners called a special meeting to order at 4:12 p.m. Thursday, May 4, 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 (via phone)
Cherri Thomas, Board Member (via phone)

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 Marshall, Administrative Assistant
Christopher Majors, Business Development Coordinator

Vision, Mission & Values

Everyone took turns reading the vision, mission and values statements.

Agenda

C. Thomas motioned and M. Pruett seconded to accept the agenda as official. Motion passed unanimously.

Coastal Community Bank Loan Offer

S. Graham sent the board a copy of the decision from Okanogan County Treasurer Leah McCormack, regarding the hospital's request to establish a separate account to hold loan funds for capital improvements. He contacted her to inquire whether there is any flexibility on the \$1 million warrants cap effective July 1. He also asked for clarification regarding whether the county will establish a construction fund for our capital projects if we agree to the cap.

The treasurer stated she wouldn't stop the hospital from opening a construction fund, but she isn't in favor of it. She expressed concern about the hospital's ability to pay off a loan in addition to warrants. The following incremental warrants cap will be \$500,000, once the hospital gets below that point.

The treasurer relayed that this was a difficult decision for her, but the hospital has been on warrants for 15 years and they need to be paid off as quickly as possible.

S. Graham is concerned that the \$1 million cap, coming up so soon, may be problematic as we're continuing to recover from being without orthopedic services for six months at the end of 2016.

The other option L. McCormack provided was asking Coastal Bank to pay off the warrants, but S. Graham doesn't see that as a viable option. L. McCormack also suggested finding a different county treasurer.

C. Thomas is concerned about taking on a debt service with the cap being implemented by the county.

J. Munson stated that finances would be tight, but we'll be receiving some large sums of property taxes and other revenues in the next month or so that will drive the warrants balance down. C. Thomas noted there wouldn't be room to accommodate an emergency equipment or building issue.

Three Rivers Hospital

Board of Commissioners Special Meeting

May 4, 2017

Minutes

T. Shrable asked how tight finances would be if the board approved the loan. J. Munson's estimates are very conservative, and they don't show that Three Rivers will be off warrants permanently until 2019. We would need to see some serious revenue growth to be off warrants by the end of 2018, as mandated by the county.

V. Orford asked about how much the hospital has spent on loan fees with Coastal; the hospital will have to forfeit a \$10,000 deposit. M. Neddo noted that McKinstry is also owed some money, even if we don't move forward on the projects. Their engineers have put in a lot of hours and haven't charged the hospital yet.

V. Orford noted that the hospital will also have to start over with bidding for engineering work. S. Graham spoke to John Dolan of McKinstry, and he was understanding. McKinstry is willing to wait until the hospital is ready to move forward.

J. Munson asked if there's a chance the USDA could finance the capital projects instead. S. Graham stated that the USDA had previously indicated they could, but M. Neddo said the hospital will need to re-apply in the next funding cycle – likely in early 2018.

S. Graham recommended continuing to apply all revenue to the warrants to get out of them as quickly as possible. After the warrants are paid off, the hospital could seek financing again, perhaps through the USDA or a voter-approved bond. Not getting the loan would mean rolling the dice on the roof, but we're through the wet season for this year.

J. Munson agreed with S. Graham's recommendation to focus on paying off the warrants first. C. Thomas agreed as well. M. Pruetz asked if the Emergency Department move would be covered by the levy lid lift funds; it may cost more, because the clinic currently in that space will need to be moved to a new location, which also will need to be modified to be legally compliant. J. Munson pointed out that the hospital also needs to consider whether the ER move could be done without surpassing the warrants cap. V. Orford asked what the warrants balance was as of today; just under \$1 million. S. Graham would feel more confident securing the loan or moving the ER if he knew that future volumes and revenues will be as good as the last four months have been.

V. Orford stated that the loan is no longer under consideration at this time, and the hospital will need to absorb the costs it has already sunken into the loan. She stated that the hospital didn't do anything wrong; administration has been accountable and transparent with the county about its finances.

The hospital's current warrants cap is \$2 million. With a cap, that means the county won't issue any warrants beyond that so the hospital can pay bills. S. Graham noted that the options put forth by the county are so stringent that they didn't leave the hospital with any choice in its decision.

T. Shrable, C. Thomas and M. Pruetz agreed with V. Orford that Three Rivers isn't in a position to move forward with the Coastal loan. M. Pruetz advised revisiting the projects at the end of this summer to determine if at least one project can be started.

J. Munson suggested seeking a voter-approved bond, which would eliminate the county's say in how that money is spent. It also wouldn't impact cash flow. M. Pruetz suggested starting a sub-committee to gather information in preparation of running a bond. S. Graham estimated the hospital likely wouldn't be ready to run a bond until the November election. J. Munson compiled a rough estimate of about 20 cents per \$1,000, which could generate about \$6 million. She said voters may be more inclined to support a bond if the hospital offers to reduce the levy lid lift amount in exchange.

Three Rivers Hospital

Board of Commissioners Special Meeting

May 4, 2017

Minutes

C. Thomas motioned to give S. Graham the authority to inform the Okanogan County treasurer that the hospital will not exercise the option to seek the loan from Coastal Bank. M. Pruett seconded. Motion passed unanimously.

V. Orford noted the Finance Committee will start looking into the bond. J. Munson already has some preliminary numbers ready and can share them at the regular meeting on May 30, 2017.

Adjournment

M. Pruett motioned and C. Thomas seconded to adjourn the meeting at 4:54 p.m. Motion passed unanimously.

Vicki Orford, Chair

Mike Pruett, Vice Chair

Tracy Shrable, Secretary

Cherri Thomas, Member