

# **Three Rivers Hospital**

Board of Commissioners Special Meeting

September 12, 2017

Minutes

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The Three Rivers Hospital Board of Commissioners called a special meeting to order at 5:32 p.m. Tuesday, September 12, 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 (arrived at 5:38 p.m.)  
Tracy Shrable, Secretary  
Leslie McNamara, Member

Others present:

J. Scott Graham, Chief Executive Officer  
Melanie Neddo, Chief Operating Officer  
Jennifer Munson, Chief Financial Officer  
Gretchen Aguilar, Chief Nursing Officer  
Anita Fisk, Director of Human Resources  
Jennifer Best, Administrative Assistant  
Nicky Markey, Director of Quality, Risk & Compliance

## **Vision, Mission & Values**

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

## **Agenda**

T. Shrable motioned and L. McNamara seconded accepting the agenda as official. Motion passed unanimously.

## **Capital Improvements Discussion**

V. Orford asked for this special meeting so the board could learn about the status of needed building improvements, and financing options moving forward.

S. Graham stated that this process has been underway since he was hired over three years ago. He reviewed the background and decision made through strategic planning to address significant infrastructure needs; namely, replacing the roof, upgrading the HVAC system, and moving the Emergency Department and the Three Rivers Family Medicine clinic.

Administration recommends moving forward with a combined plan to make necessary repairs to the current building while planning long-term for an addition that would house all clinical services. This would require voter support. If administration prepared to run a bond issue next year and the measure passed, the hospital would receive that money in 2019. Meanwhile, there are pressing needs now that could potentially affect the safety of patients and staff.

Until the board and administration determines if the idea to build an addition is feasible, administration would still like to move forward with relocating the ER to the current clinic space, which would require moving the clinic as well. We also have to contend with repairing Hillcrest House where flooding happened on the bottom floor before the clinic could possibly be moved there.

S. Graham presented a tentative timeline for moving the ER, the best short-term scenario for moving the clinic, and the steps needed to follow through on administration's recommendation.

Some help from outside professionals will be needed to determine space needs and regulatory requirements, and we also need to determine the financial impacts of the projects.

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The hospital receives better reimbursement having administration in Hillcrest instead of a clinic. M. Pruett asked if the entire building would be needed for clinic space; that hasn't been determined yet, but the hospital extra space is needed to meet requirements of providing orthopedic services.

V. Orford asked if Three Rivers would need to add a provider to the clinic; yes, a family practice provider would need to be hired if the hospital establishes Three Rivers Family Medicine as a rural health clinic in the Hillcrest building. Construction Review will return on September 26 to complete a more thorough, official review of the building. That report will include needed changes to convert Hillcrest into a clinic, and this will allow administration to begin to assess costs.

A construction consultant or architect would look at code compliance, building integrity, Department of Health regulations, and design factors. Administration is working on obtaining cost estimates for that step.

Once cost estimates are determined, financing will need to be secured. Options include an offer from Coastal Financial Bank; self-financing from operational revenue, which would significantly delay the projects; or financing through warrants, which is not an acceptable option. S. Graham estimates moving the clinic and ER could cost about \$500,000, based on guaranteed pricing provided by McKinstry, but they may need to reprice it. V. Orford asked about loan interest rates; the new Coastal offer includes 5% interest on a five-year, \$600,000 long-term general obligation (LGTO) bond, and 4.25% for a \$600,000 nine-month revolving line of credit. The total financing package offer is \$1.2 million.

J. Munson noted that Three Rivers could opt to seek a non-voted bond to complete the necessary work, which would require working with a bank. The hospital doesn't have any debt, with the exception of a few capital leases. J. Munson estimated the total debt capacity to be about \$26 million.

L. McNamara asked what repayment would be if Three Rivers accepted the five-year LGTO offer; about \$125,000 per year, plus the 5% interest. She asked if administration has sought financing from other banks that wouldn't consider us before. No, although administration has been talking with the USDA about lending options. She asked what the hospital would use the revolving credit for; potentially to keep the warrants balance low during slow months if needed. S. Graham, J. Munson and M. Neddo explained the history of the warrants and how the hospital has worked to pay them off over the last few years.

If the hospital were to accept the Coastal offer, there could be up to \$20,000 in fees up front to finalize the agreement. Administration hasn't attempted to negotiate with Coastal; this is just their initial offer.

L. McNamara asked where the potential addition would be built. The McKinley building could be torn down to make way for that, but nothing has been finalized yet. She asked if an addition would be the right course of action, if it's determined in another five years or so that the hospital needs an all-new building. S. Graham stated that administration would follow the board's direction, although it could take some time for the kind of financing we'd need to build new and our needs can't wait.

L. McNamara asked for more detail on why the hospital would seek creating a rural health clinic. The costs for building changes would be lower, and reimbursement would be better.

V. Orford asked if Hillcrest would house the clinic permanently. S. Graham thinks it would be more of an interim location until the addition is built, since it makes sense to have all clinical services under one roof.

V. Orford asked if the hospital could seek any grants to help with construction. Yes, the hospital has connections to grant writers, but the process is time-consuming and entities distributing grants often want something in return, such as matching funds. M. Neddo added that the USDA's funding cycle doesn't start for several months.

V. Orford asked M. Neddo for her opinion on what the hospital should do. M. Neddo would start with making investments that would require the least amount of cost. First, determine what work will be needed to move the clinic, then the ER, and the costs associated with those projects. If it would cost more than \$500,000

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or \$600,000, the administration and board may want to reconsider whether it's a good investment. If we decided not to move anything, hoping to instead construct a new building, we'd risk not getting approval for financing and wind up at square one in a few years. Meanwhile, the maintenance team is working hard to keep the roof patched up and they're repainted it to improve the appearance.

J. Munson agrees with M. Neddo's assessment. Having construction professionals come in to review everything and make recommendations would be beneficial and would help us better explain our needs to voters. There are also some big equipment needs that must be addressed, estimated to cost about \$400,000.

L. McNamara asked if administration would need the board's permission before drawing on a revolving line of credit from Coastal; that isn't certain. J. Munson doesn't think it would work much differently than how warrants are processed now.

L. McNamara asked if Coastal would be willing to extend the line of credit if we borrowed against it and paid it off within the nine-month window, but without paying all the fees over again. M. Neddo can find out.

L. McNamara expressed concern about being able to meet a debt service when the hospital may have to dip back into warrants.

M. Pruett feels confident in supporting the direction we're heading, and he'd like to give administration affirmation to move forward in amassing information to help the board make the right decision.

T. Shrable likes the direction in which we're heading and thinks the new financing offer is good. He does have a concern about the potential \$500,000 Medicare payable that could be due after the end of the year.

Commissioner Cherri Thomas asked M. Pruett to express that she shares his opinion.

L. McNamara suggested trying to negotiate the closing costs down. She would support moving forward with the Coastal loan offer and hiring an architect to get the assessments started.

V. Orford thinks administration has the board's support to move forward on determining what it will take to move the clinic and ER, one step at a time.

S. Graham appreciates the board's patience and is proud of the hard work staff has done to control costs and improve services. V. Orford thinks it's great that all departments are working toward the same goal, and seeing improvement is boosting morale.

### **Adjournment**

T. Shrable motioned and M. Pruett seconded to adjourn the meeting at 7:11 p.m. Motion passed unanimously.

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Vicki Orford, Chair

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Mike Pruett, Vice Chair

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Tracy Shrable, Secretary

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Cherri Thomas, Member

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Leslie McNamara, Member