

SNOQUALMIE VALLEY HOSPITAL DISTRICT

PUBLIC HOSPITAL DISTRICT NO. 4, KING COUNTY BOARD OF COMMISSIONERS

MINUTES

ANNUAL PUBLIC BUDGET HEARING

November 13, 2014, 6:00 p.m.

Snoqualmie Valley Hospital, Weyerhaeuser Room
Snoqualmie, WA

IN ATTENDANCE:

Joan Young, President
David Speikers, Secretary
Dariel Norris, Vice President
Ryan Roberts, Commissioner
Gene Pollard, Commissioner

ALSO PRESENT:

Rodger McCollum, CAO/Superintendent
Jay Rodne, General Counsel
Valerie Huffman, Recorder

PRESENTERS:

Steve Daniel, Chief Financial Officer

CALL TO ORDER: The meeting was called to order at 6:00 pm. by Pres. Young who called for roll call which revealed all commissioners present.

APPROVAL OF AGENDA

A motion was made and seconded to approve the agenda as written. M/Roberts, S/Norris

Comm. Pollard moved to table Agenda Items 3, 4 and 5 until the next meeting.

It was once again explained that the urgency of these matters is that the revenue bond issuance must be completed within the window of time that the District has to acquire the hospital, which is 30 days at or within substantial completion. Substantial completion, as defined under the development agreement with Benaroya, will probably be around mid-March. Experience shows that it takes 6-9 months to do a bond issuance. If this window of opportunity is lost, there is a risk of being locked into a long term lease at 10.9% interest rate versus the bond revenue issuance that would be anywhere from 7 to 7.5%.

A meeting is scheduled with Absher and Benaroya next week and an invitation was extended to Comm. Speakers and Comm. Norris to attend. The meeting is scheduled for Monday, November 17th at 1 pm at the District Office.

After considerable further discussion and debate, it was decided to return to the original motion and approve the agenda with a friendly amendment to table Agenda Items 3, 4 and 5. The motion unanimously carried.

Comm. Speakers and Comm. Norris both stated they would attend the meeting on Monday, 11/17/20 at 1 pm with Absher and Benaroya.

It was then further decided that a special meeting would be scheduled for next week to discuss Agenda items 3, 4 and 5 that were tabled by the above motion.

PUBLIC COMMENT

Herschel Backues, North Bend

- Made a suggestion for the commissioners but to frame it properly want to review the problems the hospital district has had over the years, a few topics specifically mentioned were as follows:
 - No one thinks that it's reasonable that the District can pay \$285,000 per month for rent of the new hospital
 - It's his opinion that this hospital has been going in the wrong direction for 10 years
 - Thinks the commission is a rubber stamp board that has followed Rodger McCollum's suggestions; doesn't know of many requests that have been denied
 - The existing hospital, according to Rodger McCollum, is not sufficient, not sustainable because there was no exposure but he feels exposure for a hospital of this type is not necessary yet the District sold "this hospital," and gone into terrible debt building a new hospital;
 - There was a fiasco with the Leisure Time property that no one stepped up and took responsibility for and no one lost their job. The in-house attorney did not include a caveat in the contract on the zoning change that a hospital could still be built and signed a 12 million contract to buy Leisure Time and then the District was unable to build a hospital.
 - Feels the district has been led to a cliff and feels the district is about to hit the bottom of the cliff
- Called for the commissioners to fire Rodger McCollum

Lizzy Billington, CEO of Snoqualmie Valley Chamber and Vice President of Women in Business

- Represents roughly 420 business owners and managers in the Valley
- Also holds a contract for economic development with the City of Snoqualmie

- Feels strongly that nothing is to be accomplished by sitting in a circle firing guns at each other
- The Chamber is in a position to promote the success of the hospital, promote the success of the Board, Rodger and Jay
- Would like to offer any assistance the Chamber can give.
- Chamber is currently a vendor who is owed money by the hospital District and the Chamber stands behind the hospital by saying they are sure the hospital is good for it.
- Would like to offer her services to help find a resolution and move forward. If looking for buyers, she could help.
- There are going to be high emotions, knee jerk reactions and perhaps inappropriate responses but feels all could move forward methodically and calmly and again, would like to offer her services.

Comm. Pollard suggested that the Board think about appointing a citizen to serve voluntarily on the Finance Committee. Pres. Young stated this will be taken under advisement.

Charles Peterson, Snoqualmie

- Asked to clarify that there are two opportunities for public comment per the agenda;
- Supports Comm. Speakers position; Mr. Peterson has attended quite a few meetings and the last meeting was the first he had heard about having bond valuation done, etc., or a push that it had to be done right away. Acknowledged that it may have been mentioned in Finance Committee meetings but challenged that anything was said in a public meeting.

Jim Simon, Snoqualmie

- Commented on the 2015 budget were as follows:
 - Net patient revenue appears to be 1.2% less than estimated for this year; red flag in his mind; Expenses increasing 2.7%;
 - Contractual reductions from revenue 44% higher than this year
 - Bad debt and charity care 28% higher
 - Another concern is that the wages are not divulged in the handouts. He is of the opinion in this serious time of fiscal need, that any percent increase in salary/wages for anybody should be across the board including management. Last year's average salary increase was 1.7%. At some point, looking at the state website, there were management individuals who got 5% and stated this is not fair.
 - Concerned about the rent for the new hospital; rent does not include utilities, maintenance
 - A major concern is the long term debt; Unable to discern from the budget handouts how the principal and interest will be paid on the debt service; will be meeting with Steve Daniel, CFO for more details and clarification;
 - Feels it's well documented that fiscal issues of the District are longstanding.



 Initials

ACTION ITEMS:

1. Resolution No. 465-1114 – Approving Regular Property Taxes for 2015. This resolution, as introduced at the November 6, 2014 meeting, approves the levying of taxes for 2015 and the amount is 3.3 million dollars, which is an increase from last year as allowed by state law. This is a non-voted levy.

A motion was made and seconded to adopt Resolution No. 465-1114 Approving Regular Property Taxes for 2015. M/Roberts, S/Pollard

There was no further discussion and the motion unanimously carried.

2. Resolution No. 466-1114 – Approving 2015 Operating Budget for 2015. This resolution, as introduced at the November 6, 2014 meeting, approves the District's operating budget for fiscal year 2015. Steve Daniel, Chief Financial Officer, provided essentially the same overview of the budget as he did at the November 6, 2014 meeting. Handouts of the PowerPoint slides shown were provided and are available upon request.

Following the presentation and lengthy discussion, including questions asked and answered, **a motion was made and seconded to adopt Resolution No. 466-1114 Approving 2015 Operating Budget. M/Roberts, S/Speikers**

The motion carried by a vote of 4:1 with Comm. Pollard voting no.

There was a request from the board to review the budget on a quarterly basis going forward.

3. Resolution 469-1114 – Approving Howard Thomas Consultant Agreement.

A motion to approve Resolution 469-1114 Approving Howard Thomas Consultant Agreement. M/Speikers, S/Norris

There were concerns with the contract as written but Comm. Speikers stated the consultant will not accept any changes to the contract. The further stated the Board can terminate the contract at any time. The contract is for a maximum of 40 hours at \$275 per hour plus expenses. Total cost for the 40 hours is approximately \$11,000.

There was concern expressed that if the board hires a consultant to pursue other potential affiliations, there could be confusion by the public since it was previously announced that the hospital district and Overlake were no longer pursuing an affiliation and it that the District would stay independent.

However, it was felt that it is time and money well spent to give the board needed information that could relate to alternative plans and strategies that have to do with the 2-5 year plan of the hospital district. The consultant will be reporting directly to the board.

Comm. Speakers will stay in close contact with the consultant for updates as they become available.

Jay Rodne, as General Counsel, cautioned the board that the consultant's contract contains a confidentiality clause. In addition, because the consultant has been retained by the board, Jay asked that the management team be kept apprised of the reports. The board will call upon general counsel as needed.

There was no further discussion and the motion carried with a vote of 4:1, with Comm. Pollard voting no beyond \$5,000.

PUBLIC COMMENT

Joe Larson, Snoqualmie

- Spoke on the following topics:
 - Looks like from the budget in terms of operating month to month, year to year, the budgets he has seen comes within plus/minus a couple hundred thousand dollars;
 - In terms of annual operations year to year, the District accumulates 2-3 million dollars of debt; how is that quantified? Asked if that amount was negligible?
 - Also asked what percentage of patient revenue is from Medicare to which it was stated was about 50% of the District's revenue. However, 70% of the lease cost of the new hospital will be paid by Medicare.
 - From a value and appreciation standpoint, these are nice tools to leverage to interest a buyer. It would be a mistake to look at this as a fire sale or an entity that is close to bankruptcy.
 - Stated there is nothing that he sees in the budget to say that this is not a working business model.
 - Feels that there have been successes that the District has had to date and pointed out that these were done under the staff and board's governance.
 - Also commented that the District has gone from a 3-4 million entity to a 30 million dollar entity.
 - Applauds what the District is doing and stated he thinks there is a lot more coherence going on in the last few years than meets the eye.

Jim Simon, Snoqualmie

- At the last meeting, he requested that the website be cleaned up in terms of financial information. Going forward, he requested an immediate fix by the end of the year. Compared the District website to Evergreen's website.
- Stated there should be concern with the possibility of Critical Access status going away.

Charles Peterson, Snoqualmie

- Mr. Peterson stated he and his wife have always been deeply appreciative of the services received from the District
- It's other parts that they have concerns with, i.e. the finances, etc.
- Appreciates having the two sections of public comment on the agenda
- Suggested the Board look at the calendar now to schedule next year's budget meeting
- Also encouraged the board to look at the budget process and presentations of other governmental entities and other public hospital districts. Stated he did not think the budget presentation was good and should have had much more detail.
- Reviewed his wife, Carol's, connection and history with the District when it was first formed.

4. **Scheduling of special meeting.** A special meeting was tentatively scheduled for Thursday, November 20, 2014 at 6 pm., pending confirmation of commissioner availability and a meeting space reserved. The information for the meeting with Absher and Benaroya was again given for Commissioners Speikers and Norris to attend: Monday, 11/17/2014 at 1 pm.

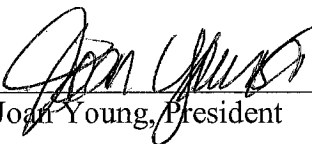
NEXT SCHEDULED MEETING:

Special Meeting: Tentative Date: Thursday, November 20, 2014, 6:00 pm., Location TBD.

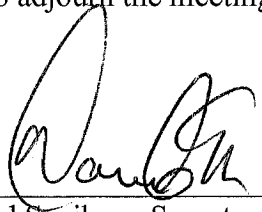
Regular Meeting: Thursday, December 4, 2014, 6:30 pm, Snoqualmie City Hall, Council Chambers.

Please note that the audio recording of Board of Commissioners meetings can be accessed on the District's website, Governance Page or at:
<http://www.snoqualmiehospital.org/audio>.

There being no further business, a motion was made to adjourn the meeting at approximately 7:55 pm. **M/Speikers, S/Norris**



Joan Young, President



David Speikers, Secretary



Initials