

Southern Coos Health District
Board of Directors Meeting
September 15, 2011 – 7:30 p.m.

Minutes

- I. **Call to Order** - The regular monthly meeting of the Board of Directors for Southern Coos Health District was called to order at 7:32 p.m. by Chairman, Bob Hundhausen.

Members Present: Bob Hundhausen, Chair; David Allen; Marilyn Noorda; Brian Vick; and Esther Williams.

Others Present: Jim Wathen; Shirley Holt; Lonnie Scarborough; Dennis Jurgenson; Melody Gillard-Juarez; James & Donna Reilly; Matt Winkle; Carol Acklin; Dee Fowler; Juanita Montgomery, Darwin Noorda; Megan Holland, M.D.; and others.

- II. **Public Input** – None

- III. **Consent Agenda** – Mr. Hundhausen asked for a motion to accept the Consent Agenda. Mr. Vick **Moved** to accept. Ms. Noorda **Seconded** the motion. Motion passed unanimously.

Matt Winkel – Will give details of what is proposed here and will answer any questions and give you as much detail as you want on exactly what this is about. It is basically an extension of the existing Urban Renewal District. By extension, that doesn't mean enlarging it or encompassing property, it basically means increasing the maximum of our indebtedness and since our revenue stream will be consistent and the way you do that is not by increasing revenue or increasing the revenues that come from the various overlapping taxing districts, like the Hospital, the Board, and the school and then the various taxing districts in the County. You extend the length of the District so you collect that increment longer for a longer period of time, in order to do some of the projects that are being proposed. In this renewal district, this particular one encompasses Old Town, the Jetty, and the Woolen Mill area. I have kind of outlined in a letter some of the major projects, some of the things done in the past, and types of things being proposed for the future, and some pretty exciting projects we are proposing to do with these funds. For example, we used the money we had in the bank to buy the Cheese Factory property so we now own that without any debt service on it and the big focus of the plan for the proposal of moving forward is renovating and revitalizing and redeveloping that particular area. I can say that we are negotiating with some investors to put a cheese factory in and to put a brewery in and the city also has plans again, if we can extend this plan, to put in an Eco-tourism center and a number of other projects, some park projects, park and recreation projects, some projects working with the Port, there are a lot of projects we are proposing to do if we, in fact extend the District, Community-benefit type of projects. In order for us to proceed with this effort, we have to get the

consent of the over-lapping taxing districts representing 75% of the revenue that comes into urban renewal. Tax increment financing, urban renewal basically gets a, they freeze a value in the area within the District you see on your map in your packets. Then, as Urban Renewal goes, the increase in the assessed valuation, the tax is on the original valuation when it was frozen will continue to go over to the overlapping taxing District. The increment, the increase in those values, the taxes on that go back to Urban Renewal has to be spent by the District. That is how we end up doing the projects we have done. And again, these funds will be spent in that and hopefully create jobs. Those two projects alone are supposed to, they are projecting 30 jobs, which is good for all of us. The more people we have in town the better off we are. That is what we are about and generally, that is the request and if in fact you concur with that, then that will help us move forward with this. It is an extension for about 12 years. The current revenue stream is projected to run out about 2021 and this will extend it to 2033, it is about a 12-year extension. By extending it like that, what happens is that it becomes revenue and is in place and we know it is there, allows us to borrow money and allows us to do some of the improvements that are needed within the District, and we use the Revenue stream to pay back that debt. Mr. Winkel then said he would answer any questions. There we no questions from the public attending.

Mr. Hundhausen asked if there would be any Enterprise Zones proposed within in Urban Renewal. Mr. Winkel replied 'nothing new'. There is Enterprise Zone, the Woolen Mill area is an existing Enterprise Zone, it does not change that, it does not add to it. Mr. Hundhausen then asked about the projections based on the Enterprise Zone and the taxation that will probably result? Mr. Winkel said the Enterprise Zone would not impact the Revenue Stream for the Hospital District. The Enterprise Zone would basically freeze the property taxes that would be paid on existing property and those taxes that are exempted, usually for a period of three years, are the taxes on the increased value. The taxes on any of that increased value, if you didn't have the Enterprise Zone, taxes would go ?????????? So it doesn't extend or impact the Hospital District or any of the other Districts. Comment was made that it does impact the Woolen Mill area. The Woolen Mill property right now is city owned so there are no taxes being paid on it. Both the cheese factory property and the rest of the property the city owns, all the property, actually the Urban Renewal owns the cheese factory property, the idea is to lease or purchase that property and it goes back into the private sector so it can be developed. Once that happens then Urban Renewal completes all its projects, it goes away, and eventually we all go away, and all that goes back onto the tax rolls and the overlapping taxing districts get all that benefit. If we do have a renewal and we are not successful in getting, for example, the cheese factory and the brewery, the type of things we are talking about right now, if we didn't have Urban Renewal and didn't do that, then even if Urban Renewal went away, there would be no tax benefit at all to the overlapping taxing districts because it would just stay in the City's hands, it is not going to be taxed. We have to get that and our goal is to somehow get that into the private sector again. As much as possible, at least the developable parts, so that we can start generating tax revenue for the Districts. Mr. Hundhausen said certainly there are qualifications for the attached relief in the Enterprise Zone. With or without Urban Renewal the Enterprise zone exists, it is not going to be disbanded or expanded. Generally, looking at the ones that have been done in the past, it's 3 years after that. Bandon Dunes had some tax exemptions, and they're within the District. He believed that Larry Hardin had some

exemptions. But those things only last 3 years and he thought those had all gone away now.

Mr. Hundhausen asked if he anticipates any problems getting 75% concurrence from the other overlapping Districts? Mr. Winkel said he certainly hoped not. The forum has already approved it. The City will. The School District, I anticipate they will because the School District hasn't lost the revenue as a result of Urban Renewal. The way they work, the revenues for the School District, is the State sets the formula for how much per student goes to the schools and they give them that money. Mr. Hundhausen stated that they were not part of the overlapping district. Mr. Winkel said yes, the school is an overlapping taxing District. There is revenue generated, so they count in that regard because the Urban Renewal revenue, if Urban Renewal went away, the school district share goes to the State and the State then would use that to pay out to the schools. So, in essence what happens is that the State backfills for the School Districts, the difference between the taxes they collect and what the State formula says. He said it is roughly 1/3 from property taxes and the other 2/3 from the State income taxes. If we got rid of Urban Renewal and the School District collects additional taxes, they are still going to get the same amount back from the State. It is just a little bit less money the State has to backfill out of their funds to provide the school with the money. They are still a overlapping taxing district but their impact is minimal. Mr. Hundhausen said it seems to be an excellent report, it answered a lot of my questions when he read through it. Mr. Hundhausen said on Pg. 3 of the explanations you show the values of today's dollars of the extension. The dollars are not in debt for inflation, is that correct? It is strictly today's dollars. Mr. Winkel confirmed that was correct. Yes, this revenue stream, for example, the share from the Hospital District, current average annual of what is currently there. Again, it is just continuing the status quo, not decrease in any way, the value within the District that the Hospital gets its revenues from, it does not get decreased, it basically stays the same. So any debts for inflation, the amounts would be considerably more. Mr. Winkel said you have a frozen value there within the Urban Renewal District and you are levying against that, the share you get, and that continues on, so the frozen value is going to stay the same on this. And unless your tax rate changes, you are still going to be levying against that. So the percentage stays consistent. Mr. Hundhausen referred Mr. Winkel to the next page. It is saying the agency (Urban Renewal District) collected approximately \$307,000 for 2011 for the plan. Projections are that the agency would reach this trigger point of level revenue by \$137,523 for fiscal year ending 2025 and then begin to share revenues in 2026. As opposed to fiscal year ending 2021 when otherwise without this increase the Urban Renewal District would end. Mr. Winkel said theoretically what would happen in 2021, once we have reached the maximum indebtedness of \$5 million dollars. This is 10% of that. Basically what this is referring is, there are 2 pieces to the request.

- 1) To allow us to extend the maximum amount of indebtedness,
- 2) To collect as much, the full share, while we are collecting it.

The reason for that is in 2021, we would never get to that \$537,000 because there would be no limit. It shows if we extend the plan, the projections are that in 2025 would be limited in collecting the \$537,000 and anything we collected over that would be split and go back to the Districts. But as you can see, it is \$327,000 in 2011 and does not get to \$537,000 in 2025, the amount of money that represents is not a whole lot on an annual basis when you divide it among all the agencies. So, if in fact we collect the full amount, instead of being limited to \$537,000, all of the taxes on an increment, it just means the Urban Renewal is going to end sooner.

We want to get Urban Renewal ended as soon as possible if we collect the maximum, to pay that into the debt, and use that to retire the debt, and reach our amount of indebtedness, we are going to reach it a lot faster than if we start giving some of that money back to the Districts and then we just need the Urban Renewal to last a little bit longer. The goal of Urban Renewal is to get rid of itself. Get the improvements done, get the things done we need to get done because we cannot expand the District, there is a limit on it, it is 1% of the area and we have used that all up. We annexed in the Lighthouse. Legally and statutorily the District is not going to grow any, so once the projects are done, it just ceases to exist. The only area really left, the biggest area, is the Woolen Mill Area, we are going to try and get some private development and job creation down there and there is a lot of peripheral projects. Our total indebtedness right now is about \$5.4 million. At the rate we are collecting and the rate we are spending, we are going to reach our level in 2021. We will keep going until 2021. We are really talking about a period that goes from 2021 until 2033. We are going to keep collecting in 2021, if we don't extend the District. If we extend the District, by increasing the maximum amount of indebtedness, we will increase if from the \$5.4 million, by \$6.6 million to \$12 million, it is an additional \$6.6 million that gets collected and spent, that actually be collected during a period of time, but will allow us to spend it a lot sooner because we can go to blending agencies, or the State, or different places we can go to borrow the money. We know we have this money coming in until 2033, we just pledge that to pay back loans. Urban Renewal is required to be in debt, the only way Urban Renewal can spend money is to be in debt. And the idea is to go out and borrow money, you do the projects that need to be done, and that gets the economic development, whatever you have happening there, then you pay that debt back over those future years. The stretched out years into the future is basically a debt payback, along the line we are proposing to do several large borrowings to get some projects done.

– Mr. Hundhausen asked Ms. Holt about the dollar, physical impact on the hospital and the recommendation of the last Board meeting. She asked her if she could address that briefly. Ms. Holt said that she and Mr. Wathen had worked together on the question and Jim is ready to answer that question. Mr. Wathen said it would take a lot more research to determine exactly what the financial impact would be. Part of that is because there was not a good understanding about how this would actually impact the tax revenues of the District and as a result of that we approached counsel for an interpretation of what the impact would be based on what the City has presented to us and what public agencies in terms of the Urban Renewal amendments for Urban Renewal Area 1. We were concerned, and the question was brought up at the last meeting by Mr. Allen, what the actual tax impact of the tax would because it had meant nothing within our taxing District would be allowed to increase based upon increases and assessed valuation. There was a real concern on part of District with respect to that. In talking with counsel and following counsels discussion with Mr. Winkel the other day, it was determined it didn't come close to the impact that we were afraid might have upon our tax revenues. He then asked Mr. Winkel for verification that the concurrence of our Board with the proposed amendment to be Urban Renewal District extension, the District will continue to receive everything that it receives today in tax revenues from everything within the Urban Renewal District plus the remainder of our Health District. Mr. Winkel confirmed this was correct. The only thing this will apply to that could have a potential impact on the Health District would be if there are increases

in assessments of property values within Urban Renewal District 1, we only forego taxes applying to those increases in assessments for Urban Renewal District 1. We still get everything we get today, provided there are no decreases in assessed valuation. If there are increases, we still get what we get today out of that portion of the Health District. We only forego taxes applying to increases in assessed valuations. Mr. Winkel responded 'correct'. Mr. Wathen said that was what we wanted to make sure was the limit. And based upon the city's response and the interpretation of that on the part of counsel, from an administrative standpoint, we feel that in the long-run, it is beneficial to the City of Bandon, beneficial to potential businesses that can form in the Woolen Mill District, it is beneficial economically to the community of Bandon and will have very minor impact upon any of the tax revenues received by the District and my recommendation would be that the Board make a motion to concur with the City's analysis. Mr. Hundhausen thanked Mr. Wathen and said it was very helpful. The then asked for if there were any more questions or discussion. Mr. Hundhausen said he would entertain a motion to adopt the draft resolution language. Ms. Williams **Moved** that the Southern Coos Health District Board of Directors, concurs with the increase in the maximum indebtedness of Bandon Area 1 Urban Renewal plan to \$12,003,981.00 and with the intent of the Bandon Urban Renewal Agency to certify 100% of the maximum tax revenues for the plan while debt issued or incurred under the plan is outstanding. Ms. Noorda **Seconded** the motion. Motion was Moved and Seconded to concur with the increase as stated and with the intent of the Bandon Urban Renewal Agency to certify 100% of the maximum tax. Motion passed unanimously.

Staff Reports

CEO Report - Mr. Wathen said he did not have much to report. You have seen the financial report, you have seen my narrative in their packet. This is a difficult time. We have been through a similar time about 2 years ago that we were able to come out of in a very positive way. This, given the impact of the economy that we find ourselves in and given the experience we are having with patient volume at the hospital, is a very tough time. We have some very serious things we need to look at, and based upon that alone, I would the Board members to consider an Executive Session next Thursday afternoon or evening to discuss potentials that may significantly impact employees of the District. And since it is employee related and based on a number of different factors it will qualify for an Executive Session. I would like to pull it together so you could be exposed to what we are looking at, what the potentials are, and how that may or may not impact us in the long run. It is an important thing to hear, it is an important to know, people who are going to be impacted, and we will look forward to doing some things in the following week at a planning session on Thursday, September 29, and move forward from there. There are a number of things that need to be shared in Executive Session that certainly qualify for an Executive Session discussion and we would like to pursue it at that time. We are already working on plans and actions to bring things into order by the end of the year, if nothing changes in terms of things we are now experiencing. There was discussion about when to have the Executive Session. It was decided to have the Special Executive Session on Wednesday, September 21 at 4 p.m. Mr. Hundhausen asked how Paragon was going. Mr. Wathen said the implementation of Paragon has really gone well. The information we got from them last month, we are very, very impressed. Any issues that have come up have been turned over to Paragon, and they come on line and work with us. We have decided

to wait to upgrade when release 11 comes out late winter or early spring. We are putting off any changes until that time.

CFO Report - Ms. Holt started off with Utilization. It is very important to note the trends we are seeing in Utilization in the hospital. In August, we experienced 62.6% decrease from what he had in the previous year and a 41.3% decrease in Outpatient visits from the prior year. We are 53% down for inpatient days and 36.4% for outpatient visits. Each of the major revenue sources by department are also down year over year, with the exception of respiratory and radiology. When we relate the utilization to the income statement we find the revenues are showing the same significant drops year over year. Our bottom line, we experienced a \$292, 338 loss in the month of August and year-to-date we have a \$478, 281 loss. She reminded the Board that at the end of the 2010, just two months ago, we had a \$514,000 loss as an annual experience over an entire year. In just the first 2 months of this fiscal year we are at \$478,281. Due to the continued low patient volumes, Leadership will initiate additional cost saving measures associated with employee benefits and other items. We are looking at the 3% match to voluntary retirement to be postponed beginning in January or sooner and other cost saving things related to the deductible year end. Since I have written this slide, we met again and at the end of this presentation is the complete Leadership Plan that outlines the other items that have been considered in the meantime. Inpatient revenue in August was \$342,520 or 51.5% below budget. Outpatient was 3% below budget. After deductions from revenue, operating revenues were \$430, 265 or 31.7% below budget in August. You can see we reacted to the low census. Expenses dropped significantly, \$203,000 or 14.5% below budget. Even with the reduction expenses, we had a \$227,897 operating loss for the month. Some of this deduction and the expenses related to our efforts in retiring all overtime. We started in August with our Management Team. We were running an average of 6-8 percent in the prior 2 years and this last month we were at 12%, our go-live month, which is the worst case scenario our overtime could be. It dropped from that to 5.3% in August. This is a heroic effort on the part of management to create a very tight environment in our largest expense, which is payroll. Cash-on-hand is being affected by our low utilization and our low revenues, decreasing from 42.8 days in July to 36.2 days in August. We are now averaging 39.5 days cash-on-hand. Reserves are at \$1.548 million and due to these cash reserves, immediate additional expense reduction is recommended to maintain the cash reserves and pursuit of revenue sources for stability in future operations. A/R days went down in August to 70.6 which is good. This will continue to decrease with the efficiencies with Paragon. With continued low census, the front buckets are also dropping. It is a bit deceiving to forget bucket, because we have less money in overall. They are going down on both ends now. The rolling 12-month average is now 71.2 with a stable trend. Compared to other CAHs, we are within 5 days for days in A/R, 65 days for that group. In conclusion, August was a poor revenue month due to inpatient days down by 62.6% from prior year, and outpatient visits down 41.3% compared to prior year. Expenses were controlled but higher than prior year. Expense reductions are in place to preserve cash reserves, but \$105,000 was used in August for operations. At this level of utilization, additional and immediate expense reductions are needed to maintain our reserves. Strategic planning for additional revenue opportunities will be critical to long-term sustainability. The expense reductions we are considering are part of what we would like to discuss inside Executive Session next week. Wages have already been initiated, the no

overtime and no pay increase, the short-term disability, in terms of benefits has already been initiated. If we initiate a freeze on our match of these and the employee responsibility for health deductible insurance, those are those values. We also employed a Hospitalist which will save us \$90,000 in Locums costs. So we took all those deductions first, and everything we could consider, and we backed into a reduction in force number and that is the \$465,000. Ms. Holt said she would get her report to the Board before the Executive Session. We can project with this basic draft, an annualized cost reduction of \$1.1 million or monthly cost reduction of \$96,000. Question was asked if that was going to be enough. Discussion followed.

CNO Report - Ms. Scarborough referred members to her report and said she would answer any questions they may have. Flu vaccines at the city lot will be October 5, 2011. She distributed flyers for the Flu vaccines. Auxiliary will give \$2,500 to help with vaccine cost. Ms. Gillard-Juarez has applied for a \$2,000 State grant to help with the cost. The community gives every year and last year we collected around \$3,000. She said we can always use volunteers.

Medical Staff Report - Dr. Holland referred the Board to the list of physicians to be accepted by the Board. Medical Staff recommends your approval for Thomas Gerow, M.D., Courtesy Privileges in ED; James Hongola, M.D., Courtesy Privileges for Surgery; and Jane Gilbert, M.D., Courtesy Privileges for Ophthalmology. We are still waiting to complete the reference checks for Gregory Saunders, M.D. Mr. Hundhausen said he would entertain a motion to accept Drs. Gerow, Hongola, and Gilbert for Courtesy Privileges. Mr. Vick **Moved** to accept and Ms. Williams **Seconded** the motion. Motion carried unanimously.

IV. **Old Business** - City Urban Renewal Plan Amendment Consideration

This report was moved to the head of the Agenda for Mr. Winkel's presentation of the City Urban Renewal Plan due to time restraints.

V. **New Business** - Temporary Reduction in Retirement Benefits – Mr. Wathen said this was part of the CFO's report. One of the things that will give us some significant level of reduction. We approach this very sensitively because in the long term it has impact on people. Until we are comfortable with the financial direction of the District, with respect of the Health District retirement program, we would like to place a freeze on the basic level of retirement funds, and to allow a freeze on the matching personal deferrals into retirement programs. The two of them combined approximate \$90,000 if we can put them into effect immediately. We still have to be sure we meet all legal obligations in order to do that. We are waiting for further and more detailed information. If we can do that, we would like the Board to allow us to do that at the first opportunity. Mr. Wathen said this is a benefit that was approved by our Board when we switched to this program in 1999. What we would seek from the Board is the approval to freeze the basic and matching programs as soon as possible so that, depending on the legal interpretation, would be effective to the start of this fiscal year. It would go back to July 2011 or to the first of January 2012, depending to their interpretation. If the Board would consider approving a motion to a freeze basic and matching retirement funding as soon as possible, that gives us either option. Mr. Hundhausen said he is entertaining a motion to freeze basic and matching retirement funding programs as soon as possible consistent with legal

obligations. Ms. Noorda **Moved** to accept the motion. Mr. Vick Seconded the motion. Motion carried.

FY 2011-2012 Meeting Schedule – Mr. Wathen said the Schedule basically retains the 3rd Thursday of every month for the Board meetings. Mr. Hundhausen asked for a motion to accept the calendar. Ms. Noorda **Moved** to accept the calendar. Ms. Williams **Seconded** the motion. Motion carried unanimously.

Open Discussion

Ms. Williams – Planning Session – don't spend money we don't have. Melody did a phenomenal job. Thank you.

Mr. Vick – Echoed Esther thoughts, especially with Melody's good work. Tough road ahead of us. Be there on Wednesday and be prepared to discuss this so we can identify the problem and deal with it.

Ms. Noorda – Glad to be getting departmental profit & loss reports.

Mr. Hundhausen – Thanked Jim, Melody and Shirley for being there at cycle event.

Mr. Wathen said we have had a huge 4 or 5 days with the Cranberry Festival and the Cycle Oregon being here. We have had fund-raisers going on during both events. He gave strong kudos for a good group of employees of our organization who brought forth the ideas for and the labor to put together this year's float for the Cranberry Festival. It was truly more than anything I saw during the entire parade 'The Sentimental Journey' that showed people the original Southern Coos General Hospital and the new Southern Coos Hospital & Health Center. He thanked them for their efforts because they got first place again which is the 3rd time in 4 years they have earned the first place prize for a float in the Cranberry Festival.

VII. Adjournment

Mr. Hundhausen adjourned the meeting at 8:52 p.m. The next regular meeting of the Southern Coos Health District Board will be Thursday, **October 20, 2011**, at 7:30 p.m. in the Conference Room.

Robert J. Hundhausen, Chairman

Esther Williams, Secretary