

Sublette County Rural Health Care District
Board of Trustees
Special Meeting
October 2, 2018

Venue: Marbleton Town Hall, Marbleton, WY

Trustees Present:

Scott Scherbel Chairman
Laura Clark, Vice-Chairman
John Godfrey, Secretary/Treasurer (via phone)
Wendy Boman, Trustee
Chuck Bacheller, Trustee

Call to Order:

Mr. Scherbel called the meeting to order at 6:00 pm. He announced that being it is a Special Board meeting and there will be no public comments, only a Board discussion.

Agenda:

Approval of Keri Hull's Contract:

Ms. Clark made a motion to renew Keri Hull's contract, as presented. Mr. Bacheller seconded the motion. The motion passed unanimously.

Progress Report from Lorraine Werner with the USDA on our loan application and next steps:

Mr. Scherbel stated that the SCRHCD received the USDA progress report, that it was reported to the Sublette Examiner and posted on our website. Mr. Scherbel summarized the letter by stating that the USDA application was determined as ineligible for a number of reasons, which are included in their letter. In the letter, the District was provided with information regarding the Appeals process, should we decide to appeal their decision. Mr. Scherbel expressed that there is a 3-level Appeal process: 1) an informal review, 2) mediation, and 3) a formal Appeal. The informal review requires notification to the USDA within 15 days of receipt of their letter. Mediation requires notification, with a 30-day deadline from the receipt of the letter.

Board Action on USDA report and next steps:

Ms. Boman inquired whether or not the \$100,000 escrow that was set aside for purchase of the Bloomfield property was returned to SCRHCD. Mr. Scherbel answered that it has not yet been returned. Ms. Boman questioned why it has not been returned and Mr. Scherbel responded that we have not yet completed the USDA application process; the Board will be deciding in this meeting whether or not to continue with the Appeal process. Ms. Boman questioned if the Bloomfield contract is null and void regarding the loan application, as it was contingent upon USDA approval. Mr. Scherbel replied that there is still the option of an Appeal and if the Board decides to appeal, there is no

need to return the \$100,000 to the District.

Regarding the Appeals process, Ms. Clark asked for clarification between the appeal, mediation, and informal review. From the USDA letter, Mr. Scherbel summarized that if we have questions for the USDA regarding their denial, we may request an informal review which requires us to send a letter explaining why we feel the denial is wrong, provide any new information, evidence, and possible alternatives. If we choose to mediate, we lose the opportunity for an informal review. We would have 10 days to select a mediator from a provided list of certified neutral mediators, then be given 45 days to complete the mediation. Mr. Godfrey inquired if there is a cost associated with the mediation. Mr. Scherbel responded that there is a cost, and we are required to pay 50% of that cost. In some cases, the mediator waives the customer's 50% share; the USDA would pay the remaining 50%. The cost is not specifically stated in the letter, but the mediator attempts to keep the cost at a minimum. When the mediation is complete, the 30-day timeline begins again. We have the right to an appeal within 40 days after the USDA receives our written request, which must include any relevant material to their office's examiner. We would then be provided with the time and date for a Hearing.

Ms. Boman asked Ms. Lorraine Werner for an approximate timeline for the appeals process, stating that there is an upcoming election. Ms. Werner responded that this depends on the USDA's and attorneys' schedule, but it is done as quickly as possible.

Ms. Boman stated that the \$100,000 that has been set aside for the Bloomfield property could be earning interest, rather than just sitting in an escrow account. Ms. Boman made a motion to have the escrowed \$100,000 returned to the SCRHCD's account. No second motion was given; the motion was failed for lack of a second.

Ms. Clark stated that she would be willing to make a motion in favor of an informal review. Mr. Scherbel interjected by stating that he prepared 10 options the Board may consider: 1) do nothing further related to the hospital and leave it to the future Board 2) follow the 3-level appeal process through the USDA; 3) follow the recommendations received from Dougherty Mortgage, which includes the appeals process; 4) request for a Pinedale Town Council vote, because there has been no official action from the Town Council (or from the County Commissioners), as a whole; 5) redesign another scaled-back version of the most current proposed hospital design to try to reduce the cost of construction; 6) research other sources of funding, private funding interest rate is around 7%; 7) purchase the Bloomfield property so we don't lose that opportunity; 8) continue the design process so when funding is procured, we don't have further delays; 9) discontinue the hospital project efforts altogether and look for new revenue sources for the clinics by possibly raising taxes, turning administration over to a hospital to attempt to become financially solvent; 10) determine what other services can be cut from the existing clinics to sustain us financially. Mr. Scherbel stated that the annual operating loss for the clinics is currently \$1.6 million. With existing services, we would only be able to operate for another 6 ½ years before we run out of reserves.

Mr. Scherbel relayed that Dougherty Mortgage's letter recommends that the SCRHCD proceed with the informal review and immediately hire a management company, Cypress Management, to assist with securing a loan through the USDA.

Ms. Boman commented that decisions about a hospital's construction should wait until after November's election, because we will have at least one new Board member, and possibly four. Ms. Boman conveyed that she is in favor of Option 1 from Mr. Scherbel's list, to take no further action toward building a hospital. Ms. Clark stated that she is not in favor of Option 1, she is in favor of

hiring Cypress Management and would like to explore the items included in Option 4, not in favor of Option 5, in favor of Option 6, 7, and 8, and not in favor of Options 9 and 10. Mr. Godfrey expressed that he is not in favor of an informal review, but is in favor of mediation, hiring Cypress Management, and seeking other funding resources. Mr. Godfrey stated that he is not in favor of taking no action. Mr. Bacheller stated that he does not agree with the statement made in the USDA's denial letter regarding SCRHCD not having community support, that the Town Councils and County Commissioners have expressed their support in various ways. He commented that he does not feel the Garrison road construction is critical, as indicated by the Town of Pinedale within the USDA letter. Mr. Bacheller stated that he is in favor of proceeding with the mediation process and that construction costs will only increase should there be further delay. Mr. Bacheller stated that he is not in favor of hiring a management firm or pursuing other financing sources.

Lorraine Werner asked to speak at this time and stated that it must be understood that she addressed the project that the District turned in to the USDA. She has two letters from two Mayors that do not support the project. She also stated that an elected Board can not put future Boards in debt. She again stated that she can only look at what was submitted to her. She stated that she was told by the County Attorney for Sublette County that Garrison Dr. has to be built and that it would be a cost of \$1.5-\$2 million.

Ms. Boman stated that it is not fair to commit funds for a new Board to take on; she suggested that the Board should further discuss getting funding from the County Commissioners and Towns. Ms. Boman also commented that she wants the project to go forward, but on a smaller scale. Ms. Boman asked if the future Board will be allowed to take different actions if they are not in agreement with what the current Board decides. Mr. Doug Mason answered that a new Board can change the current Board's decision, but there will be consequences for breaching the contract regarding the land purchase. Mr. Scherbel added that the SCRHCD has paid earnest money toward the Bloomfield property, but the purchase is contingent upon USDA loan approval; the District has not yet purchased it. Mr. Godfrey asked if we would be obligated to go through with the Bloomfield purchase if the new Board does not agree with its purchase. Mr. Mason replied that if the USDA application is approved, we are obligated to buy the property; if the loan is not approved and we do not buy the property, we will be liable for breach of contract. Ms. Boman inquired if there is an expiration date on the land purchase contract. Mr. Mason replied that the SCRHCD's offer has been accepted by the Seller with no expiration date.

Mr. Scherbel stated that he is: not in favor of Option 1, in favor of mediation and hiring Cypress Management, in favor of Option 4, not in favor of Option 5, in favor of Option 6, 7, and 8, not in favor of Option 9, and not in favor of Option 10.

Ms. Boman asked what the cost would be for hiring the management firm. Mr. Scherbel responded by stating that Dougherty Mortgage is suggesting we hire a management firm initially as a consultant during the design process, up until the time of construction; Mr. Scherbel thought the cost would be approximately \$200,000 for about one year of their services. Ms. Boman expressed her concerns about being able to afford a loan payment, based on a 7% loan interest rate if borrowing from private lenders versus the 3.75% interest rate through the USDA.

Mr. Godfrey made a motion to request mediation with USDA. Mr. Bacheller seconded the motion. Motion carried, 4 to 1 with Ms. Boman voting no.

Mr. Godfrey made a motion to authorize BKD to revise their feasibility study using a 7% loan interest rate for a cost not to exceed \$2000. Ms. Clark seconded the motion. Motion carried, 4 to 1 with Ms. Boman voting no.

Ms. Clark motioned to request each of the three Town Councils to pass a formal resolution stating their support or non-support of the District's proposed hospital project as submitted to the USDA and to also state their willingness to provide or not provide any financial support to the project. Mr. Bacheller seconded the motion. All in favor, motion carried unanimously.

Ms. Clark motioned to authorize Board Chair work with the Board attorney to prepare an agreement to be brought to the Pinedale Town Council related to construction of the unconstructed part of Garrison Drive [bordering Block 1 of the Bloomfield Addition] that would allow that construction be done at some future time when the road is actually needed. Mr. Bacheller seconded the motion. All in favor, motion carried unanimously.

Ms. Clark made a motion to request that the Rural Health Foundation (RHF) provide their fund-raising plans in support of the hospital to the USDA as soon as possible, for use in the mediation process. Mr. Godfrey seconded the motion. All in favor, motion carried unanimously.


Mr. Scherbel requested that Ms. Clark contact Cypress Management to see what their costs would be to facilitate the overall appeal process with the USDA and the subsequent construction and operation of the CAH and have that cost provided at the next regular Board meeting. A list of mediators can be provided within a few days of USDA receiving a request for mediation and a mediator can be decided upon at the next regular Board meeting on October 17, 2018.

Adjournment:

Mr. Godfrey made a motion to adjourn at 7:33 pm. Motion seconded by Mr. Bacheller. Motion carried.

Minutes taken by Jean Straw


Scott Scherbel, Chairman


Amanda Key, SCRHCD Practice Manager