

Special Meeting
Requested by the Herington Municipal Hospital
September 30, 2020
6:00 p.m.

The Board of the City Commission for the City of Herington, Kansas met at the Herington Community Building at 6:00 p.m. on the above date – The following being present: Commissioner Bell, Commissioner Gares, Commissioner Donahue, City Manager Branden Dross, City Attorney Brad Jantz, City Clerk Marcus Hawkes and City Clerk in training Megan Lawrenz. Not present were Mayor Urbanek and Commissioner Hartman.

Also present were Herington Municipal Hospital board members: Chairman Phyllis Bettles, Patient Advocate Leslie Mayes, Board Member Howard Hailey, Board Member Edwin Mueller, Board Member Mike Sullivan, CEO Isabel Schmedemann and minute taker Casey Tyler.

Due to significant public attendance please see attached sign in sheet for list of public attendees.

The meeting opened with the Pledge of Allegiance.

Commissioner Gares motioned to recess for 5 minutes to allow City Attorney Brad Jantz to arrive. Seconded by Commissioner Donahue. Motion carried, all voting “Aye”.

Herington Hospital and Herington City Commission discussion for Commission consideration to appoint a Public Building Commission (PBC) for funding of a new hospital for Herington and the surrounding area. Commissioner Bell turned to CEO Isabel Schmedemann for discussion, she deferred to Hospital Board Patient Advocate Leslie Mayes. Mayes explained that the Herington Hospital was seeking the creation of a PBC. She explained that the PBC could consist of 5 members appointed by the City of Herington Commissioners. Mayes said for example the PBC could consist of 2 Hospital Board members, 2 City Commissioners and 1 at large citizen, the PBC’s mission would be to help fund a Herington Hospital Project.

Dustin Avey with Piper/Sandler and Company spoke on behalf of the Herington Hospital about the process of forming a PBC, and the Bond process.

Public Comments – Commissioner Bell opened the meeting up for public comments reminding the community that the comments must be relevant to the PBC.

Suzanne Snurpus – Voiced concerns about closed door/captive audience meetings by the Herington Municipal Hospital about building a competing retail pharmacy. Questioned why the Hospital was not expanding services instead of building a whole new hospital.

Commissioner Bell reminded the public, that comments needed to be related to PBC and suggested having a townhall meeting to discuss the community’s other concerns regarding the Hospital.

Robert Snurpus – Stated that he is for the PBC. He asked the Hospital Board how many jobs a new hospital facility would create for both permanent hospital staff and temporary construction

jobs for building the new facility. The Hospital Board could not give a specific number of new jobs to be created but confirmed that there would be new jobs. Robert also questioned whether the Hospital would add provisions in the building contract to utilize local Kansas construction companies in the building of the new facility. CFO Brian Coffey said that the Hospital intends use local Kansas companies when possible. Brian also stated with increasing the size of the hospital to double what it is now, that it could potentially double the staff from the current 90 to 180.

Larry Mann – Said he has been a firm supporter of the Hospital for years. His only concern is understanding why it feels like the Hospital is pushing the Commission to make a decision before discovering all the questions that the community has. He recommends the City of Herington Commission table the decision until all legal items are understood. He said the citizens of Herington need to know. Larry also questioned why the newspaper has been told it could not attend the Hospital Meetings, he said these are the kinds of things the citizens of Herington need to know.

David Rziha – Employ's 8 people. Heard recently that the Herington Hospital plans to open a retail pharmacy. What upsets him the most is that no one from the hospital has reached out to him or to Mrs. Kay throughout this whole process. He feels the pharmacy has been put on trial behind closed doors, Commissioner Bell reminded David that his comments need to be about the PBC. David Rziha opposes continued construction or any future construction without the approval of the public and bringing light to the situation so the taxpayers know where their money will be spent.

Linda Herbel- Declined to speak until the proper time.

Kat Souza – In 2017 there was a similar conversation about Hospital finances. It was at that time Kat reached out to JT Klaus an attorney with Triplett Woolf Garretson LLC; he had been responsible for assisting the City in prior PBC's. A PBC was created when the City took over the senior living facility that are now apartments. Kat had asked in an email to JT what the City's financial responsibilities were given the unique relationship the City and the Hospital. The response was that there was some confusion over a practical/technical answer. Kat said that what [hospital speaker] said did not highlight the risks involved when entities enter a PBC. Technically bonds are drafted to constitute a revenue bond obligation of the City, payable from the revenues of the Hospital. If the revenues generated were insufficient to pay the debt service on the bond when due, ultimately it was the same situation for sale, disposition, dissolution, or other revenues for the payment of the bonds. From a practical standpoint, the proposed bond holder is a department of the US government which is the USDA which was referenced previously by Dustin Avey. And the issuer of those bonds is the City/taxpayers. Both the City and Hospital Board are warranting that the Board agreed to set such rates and fees and provide for such debt service coverage resources to make sure the bonds get paid on time. If they do not get paid, she believes there could be consequential damager to the City, it's fiscal management, it's decision making ability, it's overall economic viability and plenty of City blame to go around. She is 1000% against a PBC and against the building of a new hospital. She stated our town cannot survive it.

Dave Jones – His only concern is that if a PBC is established, that any planning includes entirely what happens to the current property and current building. The City cannot afford another Hilltop. Leslie Mayes responded that they have made provision for that, same as what was done for the

school, the property would not be left to stand empty, it would become part of the Hospitals parking for the new facility. The Hospital is adamant about that.

Commissioner Bell asked if there were any other questions or comments.

Commissioner Donahue – Brought up the courthouse in Abilene, they are going through a bond issue. They are over budget and behind on their bond. When that happens, who does the responsibility fall on? [hospital speaker] said that the City would have to try and get some legal verbiage in the contract to get some safeguards in place for the City.

Jamie Plank – Wondered what was to be decided at the meeting. What was the purpose of the meeting? Commissioner Bell responded that the purpose was to discuss the PBC. Wanted to know if there were going to be votes at the meeting, and if the Commissioners were going to appoint a PBC. Commissioner Bell responded that it was on the agenda.

Josh Lawrenz – Asked if the PBC could be up for a vote by the community? He asked why we couldn't do that instead of having our Commissioners decide today if there will be a PBC or not. City Attorney Brad Jantz responded that a PBC is a statutory creation done by the Commission. The Commission could do an advisory type an election to get the Community's opinion, but it is not binding to the Commission.

Commissioner Donahue – Questioned why the Hospital suggested 5 board members, with 2 Hospital Board members and 2 Commissioners that means there is only 1 at large. That is not enough, needs to be odd number, recommends 7 at least or 9 or 11 to get more at large. He asked if they must live within city limits? What about a business owner that lives outside of the community, but owns a business in the community? They need to have a voice. Mayes responded that she only said that as an example, it does not have to be 2 Hospital Board members, or 2 Commissioners. Commission can decide who sits on the PBC. It is the Commissions decision not the Hospital Board.

Jamie Plank – Believes that the board should be within the county of Dickinson because all of us support the hospital. Thinks all the surrounding towns should be represented in a potential vote for PBC because it does affect more cities than just Herington.

Further discussion on appointment of a public building commission to secure bonds for the building of a new hospital. Commissioner Bell asked if there was any more discussion.

Commissioner Gares – Is not prepared to consider a PBC. Suggests that the Commission direct the City Manager to investigate the financial viability of the Hospital. By arranging for an independent audit covering the past 3 fiscal years and a 3-year forecast of Hospital revenue. Commissioner Donahue recommended 5 years. Commissioner Gares suggested bringing it up at the next regularly scheduled Commission meeting. Hospital CFO Brian Coffey responded that the Hospital goes through an independent audit each year, they have a nationwide firm now instead of a boutique firm out of Topeka. New firm went through the last 3 years. Every year, financials are audited by an independent CPA firm that signs off on them stating that there are no material misstatements in the finances and that they are in conformity with generally accepted accounting principles. The hospital board reviews them every year and votes to accept them and the auditors

report. CFO Brian Coffey said if we go down this path independent of the PBC, we have engaged a nationwide firm to perform a feasibility study, because that is a prerequisite before Mr. Avery can even do anything on behalf of the Hospital, this independent CPA firm goes through all the data to confirm for the Hospital and Commissioners feasibility of a new hospital so the community is not at risk. It has already been started. Commissioner Gares asked who paid for that firm. Brian replied that it was the Hospital who paid for it out of revenues from core operations. CEO Brian Coffey stated that the Hospital has never received funds from the City from the operating fund. Commissioner Bell stepped in to remind everyone that we were off topic.

Shirley Meyer – Stated that she felt that the cart was before the horse. That the feasibility study should be done, so the community can understand, hopefully positive prognosis for growth and finances of the building. She said to the Hospital, it seems you would present that first for the community to understand, then go after a PBC.

Vote on public building commission. Commissioner Bell made a motion to table this until further notice so we can gather information. Seconded by Commissioner Donahue. Further discussion included City Manager Dross asking for clarification on whether a vote needed to be made for his task to investigate the financial viability of the Hospital. Commissioner Gares responded that a vote was not needed and that it would be spoken about at the next regularly scheduled Commission meeting. Commissioner Gares asked when the Commission would like to table this to, Commissioner Donahue recommended it be tabled until after a townhall meeting. Commissioner Gares stated that he was not prepared to bring this up again on Tuesday, or in November as he feels there needs to be more information given to the Governing Body. Commissioner Gares wanted to know before voting, how long this was going to be tabled. Commissioner Bell suggested we start getting all the information together, it will be on going. Motion carried all voting “Aye”.

Adjourn. Commissioner Gares made a motion to adjourn seconded by Commissioner Donahue. Motion carried all voting “Aye”.

Megan Lawrenz, City Clerk in Training