

**FRANKLIN COUNTY BOARD OF COUNTY COMMISSIONERS
WORKSHOP
COURTHOUSE ANNEX – COMMISSION MEETING ROOM
JULY 8, 2019
2:00 P.M.
MINUTES**

Commissioners Present: Noah Lockley – Chairman, William Massey-Vice-Chairman, Joseph Parrish, Ricky Jones, Bert B. Boldt, II

Others Present: Marcia M. Johnson-Clerk of Court, Erin Griffith-Assistant Finance Director, Michael Moron-County Coordinator, Michael Shuler – County Attorney, Lori P. Hines-Deputy Clerk to the Board.

Call to Order

Chairman Lockley called the meeting to Order.

Prayer and Pledge

Commissioner Boldt said a prayer followed by the Pledge of Allegiance.

Mr. Moron reported the main purpose of the meeting is to attempt to come up with a scope and budget for the new facility at Weems Memorial Hospital. He stated there are three people on the agenda to provide information and they are Mr. Joseph Bynum, architect, Mr. H.D. Cannington, CEO of Weems Memorial Hospital, and Mrs. Erin Griffith, Assistant Finance Director. He said the Adams Group, the United States Department of Agriculture (USDA) and the Agency for Health Care Administration (AHCA) were not able to attend. He reminded everyone this is a workshop so no action will be taken. Mr. Moron reported this is just an opportunity to get information needed to possibly move forward with the project. He stated there is also an opportunity for public comment.

Public Comment

Chairman Lockley asked for public comment. He explained individuals are allowed to speak for 3 minutes and individuals representing a group are allowed to speak for 5 minutes.

Mr. Alan Feifer, Concerned Citizens of Franklin County (CCFC), stated only 1,553 residents voted for the health care surtax on November 6, 2007. He read the ballot language and said the language was created by the Board of County Commissioners. He explained the reasons the county has not moved forward with building a new facility is an inability to get reliable financial

information, hospital losses of \$27 million before subsidies during this time, a lack of doctors or budget to get doctors, a plan to pay the hospital note with depreciation reimbursement from CMS, and the lack of patients. He stated the Board cannot make a decision to move forward with the financial uncertainty. He said just last week the hospital needed an extra \$100,000 to make payroll. Mr. Feifer stated they need a new CT machine and other items right now at the hospital. He encouraged the Board to look at other options that will provide superior health care at a fraction of the cost.

Mrs. Diane Brewer, a resident of Apalachicola, stated in 2015 the Board obtained approval from USDA for a loan not to exceed \$10 million to expand Weems Memorial Hospital. She reported the hospital has been on a downward spiral for years financially. She said an email was sent to Commissioners that included references to articles in The Apalachicola Times and she read the titles of the articles. Mrs. Brewer reported in 2017 the Board had to go to the City of Apalachicola to get a variance for the land development code to build the new plan because it exceeded the lot size coverage. She said the Board should look at the plan because a lot of the things have nothing to do with providing better health care such as parking, a drainage ditch and landscaping. Mrs. Brewer stated in 2018 the county bought out the contract of the previous CEO which costs thousands of dollars and he was receiving one of the highest salaries in Franklin County and not performing satisfactorily. She reported in 2018 Sacred Heart made a proposal to run the health care facility in Franklin County. She explained this proposal was never seen by the public and was rejected on the recommendation of the interim CEO without serious consideration that the public was aware of. Mrs. Brewer reported the information provided was sent by email to the Board and they should revisit the plan.

Mrs. Donna Butterfield, a resident of St. George Island, recommended the Board look at what is working at the hospital which is the Emergency Room (ER). She explained it provides critical services and allows a patient to be assessed and transported out to a large facility that can take care of them. She said Weems is doing this and she has no problem with it. She reported to satisfy everyone they could take the money and enhance the ER, make sure they have plenty of people and make sure the ambulances are not too old. Mrs. Butterfield stated they do not need a 10 bed hospital because they are never going to make money on it. She suggested they take what is working and make it better.

Mr. Mark Milliken, a resident of Apalachicola, said he has been watching this situation for 34 years. He reported building a new facility is not the solution to the problem. He stated they need to throw good money to good ideas. He said they need a state of the art newest technology emergency care facility with emergency transportation that has the Michael Rindler solution. He explained this approach was outlined in an article in The Apalachicola Times and no one made a comment. Mr. Milliken stated the problem is management. He said it takes three solutions to put it together and that is a tactical solution for now until 3 years, an operational solution for 3-5 years and a strategic solution for 5 years and beyond. He commented they must have money to support it and bring in the right kind of management and then it will bring in the right kind of people and doctors to perform what they need to do.

Ms. Brenda Karlin, a resident of St. George Island, stated she wrote an email to the Board members on June 13th referencing Gulf Coast Regional Medical. She encouraged the Board to look at what they did with a standalone ER. She reported the residents feel the model the county is considering is a waste of money but the Board is concerned with not fulfilling a promise that was made years ago. She said the county is not big enough to support a full service hospital. She reported Sacred Heart had an awesome recommendation and she does not know why it was turned down. She stated some more public hearings should be held because she did not know they would be allowed to speak today. Ms. Karlin reported she would support a standalone ER or urgent care. She encouraged the Board to review the article previously mentioned and do something that will work for today.

Joseph Bynum-TRO Jung-Brannen-Project Architect

Mr. Bynum said he is an architect and has been working on this project for a little over a decade. Mr. Bynum read the attached summary:

Background Summary

For over a decade, George E. Weems Memorial Hospital (WMH) has been contemplating renovations and expansion to the existing Critical Access Hospital in Apalachicola, Florida. In 2010, plans were developed that included a new entry Lobby, 14 private patient rooms (one labeled as LDR for obstetrical use), and Physical Therapy. A “shelled area” accommodating 11 future private patient rooms was shown. In addition to the inpatient Nursing Unit, the 2010 plans included a new Emergency Department, Diagnostic Imaging, Clinical Lab, Pharmacy, Endoscopy, and Surgery. The 2010 planning concept utilized the existing hospital facility for “ancillary/support” services with all inpatient care located in new construction. A total Project Budget dated 1/31/11 was developed by ADAMS Management for this plan indicating a capital outlay of \$14,312,706 *excluding* financing costs. This information was included in a project feasibility report submitted to USDA Rural Development.

In 2014, the feasibility report was updated and resubmitted to USDA Rural Development with a revised Scope of Work in response to WMH’s projected income statement indicating WMH could support a \$10.25 million investment in capital improvements. The concept plan included a new entry Lobby, 10 private patient rooms, new Emergency Department, Diagnostic Imaging, and Clinical Lab. No obstetrical, surgical, or endoscopic services were included in the scope of work. Like the 2010 planning concept, the existing hospital facility was limited to “ancillary/support” services with all inpatient care located in new construction. A total Project Budget dated 11/14/14 was developed by ADAMS Management for this plan indicating a capital outlay of \$10,249,979 *including* financing costs.

A change in executive leadership at WMH resulted in an overhaul of the planning concept in November 2015. The new vision for the hospital included a new entry Lobby, a 10-bed private patient room nursing wing with Swing Beds and Physical Therapy, new Emergency Department, and Diagnostic Imaging. Planning documents evolved over the next several months to the point of being sufficiently developed for soliciting proposals from qualified contractors for pre-

construction and construction management services. Culpepper Construction in Tallahassee, Florida was selected and submitted a Guaranteed Maximum Price (GMP) on 9/15/16 totaling \$7,350,000 for construction. To meet the hospital's total target Project Budget of \$10,249,805 *including* financing costs, Culpepper identified several cost saving/"Value Engineering" (VE) suggestions which were ultimately deleted from the Scope of Work. As planned, budgeted, and reviewed by AHCA, inpatient care would be delivered only in the new construction and the existing facility would be limited to business/support services. However, only minimal work was to be undertaken in the existing hospital. Furthermore, no surgical, obstetrical, or endoscopic services would be provided at WMH.

Current Circumstances

Today, the contemplated scope of the project at WMH is not altogether different than it was in 2016. As envisioned, it still includes (a) an **addition to the existing facility with** a new entry Lobby, a 10-bed private patient room nursing wing with Swing Beds and Physical Therapy, a new Emergency Department, and Diagnostic Imaging, **(b) renovations to the existing facility to accommodate ancillary/support functions, cosmetic room finish improvements to public areas, and undefined maintenance/repair work**, and **(c) associated costs for medical equipment, furnishings, consultant fees, and financing**. However, there are some major differences *being considered* in the project scope. For example, the emergency generator may now be sized and configured to satisfy the emergency power requirements for both the new construction and the existing facility. Furthermore, some or all the scope reductions made in 2016 to reduce the project cost may be added back into the project if budget allows. Additional provisions could also be made to replace some of the existing rooftop HVAC units and replace some deteriorated sanitary sewer lines. Budget adjustments from 2016 will have to be made to address current testing and inspection requirements; to satisfy regulations associated with acoustics (soundproofing); to address project phasing and additional life safety requirements; to include additional required consultants (acoustics, physicist, and commissioning); and to account for inflation.

Depending on the actual Scope of Work to be undertaken, the anticipated Total Project Budget to satisfy not only the "bricks and mortar" building requirements described above, but also the additional costs for (a) Professional Services, (b) Equipment and Furnishings, (c) Testing, Inspection, and Commissioning, (d) Administration & Financing, and (e) Inflation since 2016 could now be more than \$16 million. The dilemma seems to be attaching a defined Scope of Work to a defined Project Budget. The conundrum though is how to define the budget without a defined scope of work that is priced in the marketplace by those who could be doing the work. The approach to this conundrum for the sake of today's discussions is to use a three-year-old marketplace price for construction as a benchmark for establishing various budget options to inform decisions about advancing the project.

Budget Options

The various budget options presented in this Workshop report are

1. Update the 2016 GMP to account for inflation;

2. Update the 2016 GMP to account for inflation and add work that was previously deleted to achieve the budget target;
3. Update the 2016 GMP to account for inflation and include cost allowances for additional work that is needed now that was not included in the 2016 GMP;
4. Update the 2016 GMP to account for inflation, add work that was previously deleted to achieve the budget target, and include allowances for additional work that is needed now that was not included in the 2016 GMP; and
5. Update the 2016 GMP to account for inflation, add work that was previously deleted to achieve the budget target, include allowances for additional work that is needed now that was not included in the 2016 GMP, and make provisions for other items under consideration.

Mr. Bynum presented the following budget options:

Project Budget Options
Franklin County Board of County Commissioners Workshop

Benchmark Budget (9/15/16)

Construction Cost	\$ 7,350,000
Professional Services	\$ 965,584
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661
Testing & Inspections	\$ 142,846
Administration & Financing	\$ 369,224
Contingency	\$ 371,490
Inflation	\$
Total Benchmark Project Budget	\$10,259,805

Budget Option 1 (3 years of inflation)

Construction Cost	\$ 7,350,000
Professional Services	\$ 965,584
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661
Testing & Inspections	\$ 142,846
Administration & Financing	\$ 369,224
Contingency	\$ 371,490
Inflation*	\$ 1,385,791
Total Option 1 Project Budget	\$11,645,596

* Inflation calculated using 2 references: (1) R.S. Means Construction Cost Indexes and
 (2) Turner Building Cost Index applied to Total Project Cost
 R.S. Means calculations result in an inflation cost of \$1,385,790 (used)
 Turner Building Cost Index results in an inflation cost of \$1,579,738

Budget Option 2 (3 years of inflation and VE items)

Previously Deleted Scope of Work VE Items (added back to Project)	Cost
Site improvements north of hospital, including landscaping and Stormwater Pond #3	\$ 221,044
Heavy Duty Paving at Service Drive	\$ 75,000
Cable tray system for owner-supplied low voltage systems.	\$ 28,327
Curb & gutter at all locations.	\$ 60,194
Landscaping lighting allowance.	\$ 46,451
Brick pavers.	\$ 12,669
Signage and graphics allowance.	\$ 58,381
Additional landscaping to match project drawings.	\$ 17,947
Eliminate irrigation system at lawns. Irrigation system at planting areas will remain.	\$ 11,613
Plastic laminate counter tops in lieu of solid surface.	\$ 40,745
Field-formed roof panels in lieu of specified (Englert or similar).	\$ 40,312
Eliminate painting of existing facility.	\$ 15,836
Eliminate new mansard on existing facility.	\$ 53,208
Substitute asphalt paving for concrete at main entrance	\$ 14,760
Eliminate (2) automatic door operators (Corridor doors in Corr 190 & 203)	\$ 15,308
Eliminate corner guards in patient rooms	\$ 1,299
Site furnishings (benches & trash receptacles) by others	\$ 11,108
Delete chimney; reduce duct run for Decontamination Vent	\$ 10,557
Eliminate Patient Room alcoves	\$ 10,000
Total	\$ 744,759

Construction Cost	\$ 7,350,000
Professional Services	\$ 965,584
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661
Testing & Inspections	\$ 142,846
Administration & Financing	\$ 369,224
Contingency	\$ 371,490
Add VE Items Above	
Inflation (including inflation for VE items above)	\$ 1,486,386
Total Option 2 Project Budget	\$ 12,490,950

Budget Option 3 (3 years of inflation and Allowances for Necessary Work that was Excluded)

Previously Excluded Scope of Work that is Necessary (added back to Project)	Cost
Automatic doors at new entrances	\$ 62,000
Lead lined view windows and GWB	\$ 5,000
Additional Life Safety provisions	\$ 70,000
Additional general site lighting	\$ 70,000
Duplex water softening system	\$ 60,000
Additional consultants (Physicist, Acoustic, Commissioning, Special Inspections)	\$ 94,000
Construction Allowance (work to satisfy above requirements)	\$ 250,000
Enabling Projects and Infection Control	\$ 56,000
Provisions for new wind speed code requirements	\$ 200,000
Seamless vinyl floor in ER Treatment Room with integral base	\$ 20,000
Total	\$ 887,000

Construction Cost	\$ 7,350,000
Professional Services	\$ 965,584
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661
Testing & Inspections	\$ 142,846
Administration & Financing	\$ 369,224
Contingency	\$ 371,490
Add Necessary Work Items Above	
Inflation (including inflation for Necessary Work items above)	\$ 1,505,598
Total Option 3 Project Budget	\$ 12,652,403

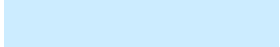
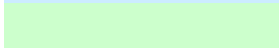

Budget Option 4 (3 years of inflation, VE items, and other Necessary Work)

Construction Cost	\$ 7,350,000
Professional Services	\$ 965,584
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661
Testing & Inspections	\$ 142,846
Administration & Financing	\$ 369,224
Contingency	\$ 371,490
Add VE Items Above	
Add Necessary Work Items Above	
Inflation (including VE items and Necessary Work items)	\$ 1,606,193
Total Option 1 Project Budget	\$ 13,497,757

Budget Option 5 (same as above including Additional Items being considered)

Additional Scope of Work Items being considered	Cost
Interior finish upgrades	\$ 67,000
Additional window treatment	\$ 20,000
Additional brick pavers	\$ 20,000
Additional landscaping and lighting	\$ 82,000
Additional building signage	\$ 70,000
ER headwall crash protection	\$ 3,000
Humidifiers	\$ 20,000
2nd veneer on wide doors	\$ 19,000
Structural provisions to allow demolition of existing hospital in the future	\$ 300,000
Endoscopy Suite to replace Mammography and Nuclear Medicine	\$ 180,000
Partial replacement of rooftop HVAC units	\$ 110,000
Partial replacement of deteriorated sanitary line in existing hospital	\$ 150,000
Emergency Generator to provide full facility service to existing hospital	\$ 350,000
Upgrade Nurse Stations & Reception/Registration Desk	\$ 47,000
Air conditioning upgrades to existing hospital	\$ 216,000
Re-feed 400 amp Kitchen panel	\$ 90,000
Total	\$ 1,744,000

Construction Cost	\$ 7,350,000
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Professional Services	\$ 965,584
Equipment & Furnishings (including Low Voltage Systems)	\$ 1,060,661
Testing & Inspections	\$ 142,846
Administration & Financing	\$ 369,224
Contingency	\$ 371,490
Add VE Items Above	
Add Necessary Work Items Above	
Add Other Work Being Considered	
Prof Serv, Equipmt & Furn, Testing & Insp, Financing, Contingency w/ above Inflation (including VE and Necessary Work only)	\$ 1,606,193
Total Option 5 Project Budget	\$ 16,984,724

Mr. Bynum said there is a plan that shows the new construction adjacent to the existing facility. He reported there is also an enlarged plan of what will be kept in the plan going forward which are the emergency department, diagnostic imaging and 10 private patient rooms. He asked if there are any questions. Chairman Lockley stated the closest option is the \$12.4 million. Mr. Bynum reported the price making up for inflation is \$11.6 but that does not include some things that cannot be overlooked and they knew that when the GMP was developed. He said there are sound proofing requirements that were necessary and they knew they would need to provide for these items. He reported they were going to need to look at some other value engineering services to achieve the target budget. Mrs. Griffith asked what was included in the GMP for the existing building. Mr. Bynum answered administration was included but it was mostly tie-ins and public corridor work. He reported there was a human resources department and phlebotomy lab but that was included in the existing facility. Mrs. Griffith reported this excluded the new roofing. Mr. Bynum stated there was no new roofing. Chairman Lockley stated they need to know what kind of GMP they can get today from what they had previously with the requirements from AHCA. Mr. Bynum explained the way to determine that is to go back out to the market place. He stated the conditions may be different and the contractors could be busy since Hurricane Michael or looking for new work and that is what will influence the GMP. Mr. Bynum said they would need to define the scope of work and ask Culpepper Construction for a new GMP. He explained Culpepper Construction would then go to the market place to obtain the numbers. Mrs. Griffith inquired how long the GMP is good for. Mr. Bynum answered usually 30-60 days and it could be extended if they are in final contract negotiations. Chairman Lockley commented all of these are not true numbers. Mr. Bynum explained there are a lot of numbers depending on the scope of work. He explained after the Board decides on the scope then they must prepare a scope document which Culpepper Construction uses to get the market place numbers. He went on to say the market place numbers are not bids but are sufficient to put together a GMP. He reported the Board would decide to bid and award the work and then Culpepper Construction would be taking

competitive bids. He explained sometimes the bid environment improves the bid but not always. Chairman Lockley stated the Board will be starting over. Mr. Bynum agreed they are starting over because they need to go back into the market place for costs. He explained he does not think Culpepper Construction would guarantee the cost of the project as they did before without going to the market place. He pointed out there has also been some discussion that the scope of work may be different than it was in 2015 or 2016. Commissioner Boldt asked if Mr. Bynum had conceptual planning and guidelines that were given to him relative to what the needs of their healthcare environment was here before he began working on the architectural plans. Mr. Bynum answered yes, they had programs and narratives that are required by AHCA and they were submitted to AHCA along with their plans. He explained recently they were told Weems wanted to do the same as before with a few tweaks to the plans. Mr. Bynum used the example of mammography which was included but said now they do not want to do it but may want to do endoscopy. He reported there is not a final decision on services except for emergency, diagnostic imaging necessary for emergency and 10 private rooms. Commissioner Boldt stated it seems they are lacking the integrated thinking to move forward on what the health care plans for this county are. He said they need a strategy plan going forward to compliment the work Mr. Bynum is talking about. Mr. Bynum explained he is not trying to convince anyone to do anything and is only here to facilitate. He stated he is not trying to discourage anyone and typically a strategic plan is a good idea to know what Weems needs to serve the community but the one caveat is there are serious discussion now by AHCA about adopting new guidelines and codes. He reported this is usually pre-announced to prepare everyone. Mr. Bynum explained they have heard the new codes and guidelines will be adopted at the end of the year. He reported if the county does not have approved plans by the end of the year then they will need to update everything to the new codes and regulations. He said in his experience when there are new codes and regulations the costs go up. He explained this is not to pressure anyone but he wants them to make the decision with full knowledge of the time window. Commissioner Parrish said the previous budget was \$10.25 and when they added back the value engineering items and work that is necessary then that adds to the overall budget. He questioned if the people knew the value engineering needed to be added back. Mr. Bynum responded no, he thinks they were trying to help get the project within budget. He said at the time there was a feeling when the project was bid there was a favorable bid climate and the bid would be lower and the Hospital had options to reduce the costs. He went on to say some costs go up and some go down but the whole purpose is to meet the project budget. Commissioner Parrish referenced the necessary expenses that were added back in and said it means they were necessary in the beginning. Mr. Bynum explained an example is AHCA said they need an acoustic consultant's report done because of the air handler's proximity to the patient rooms so they thought certain soundproofing adjustments would be needed to the plan but those requirements had never been priced. He reported they were just beginning to engage in those conversations to decide what needed to be done and they still do not know. He said the hospital has a proposal from an acoustic consultant to help determine what needs to be done. Mr. Bynum stated certain items will go up but they will look for opportunities somewhere else to compensate for the increase. Chairman Lockley asked if the main AHCA requirements are in the plans. Mr. Bynum stated they received AHCA approval

of the plans in 2016 but they did make some comments that needed to be addressed. Chairman Lockley questioned if there were many changes since then. Mr. Bynum said there are changes such as the requirement to have a Commissioning Agent now that helps demonstrate what was built actually meets the design requirements. He stated this is an independent agent and that is an added cost that will need to be included in the scope of work. Commissioner Parrish said that is Budget Option #3 and this is necessary and will now need to be done. Mr. Bynum emphasized these are allowances that came from the contractor based only on a sentence and they must include Commissioning but the contractor did not have a Commissioning specification or scope of work. He stated these are broad estimates for each of these items. Commissioner Parrish explained this is why they need to go back to the market place. Mr. Bynum answered yes and said these line items must be accounted for.

The meeting recessed at 2:43 p.m.

The meeting reconvened at 3:00 p.m.

H.D. Cannington-Weem's Memorial CEO

Mr. Cannington stated Mr. Moron asked him to look at what was sent last Friday. He explained since December when the Board approved \$50,000 to start looking at this project again they have been trying to define a scope of work and what it will cost. He stated he reviewed the scope from 2016 that had an estimated cost of \$10.25 million because some things were removed, some things added back in and some requirements from AHCA and the building code changed. He explained he looked at what the people of the county need in relation to health care and it has not changed a lot in the last few years. Mr. Cannington reported he still thinks they need 10-12 patient beds. He stated an upgraded hospital and services need to be provided in addition to a new lobby and all new patient areas. He said they need a new state of the art emergency room and 10 private rooms with private baths. He stated they need inpatient care because some people suffer from items that can be treated here and the family does not have to travel and that is good for the community. He explained swing bed care was discussed with Mr. Bynum and they have made provisions to have physical therapy and also a multi-purpose room for activities and eating, etc. He reported swing beds are where patients go after they are released from an acute care hospital and need rehabilitation. He explained Medicare provides that these patients can stay up to 20 days and Medicare pays 100% of the costs. He said this allows the patients to stay near home and get skilled nursing care. Mr. Cannington stated when he looks at the scope of a new entry, 10 inpatient beds, new diagnostic services for x-ray and emergency department he thinks that is what is needed. He said the big question is what other items can be provided such as the aesthetics and landscaping. He pointed out someone asked how many improvements are being made to the existing facility and what they are going to do with the HVAC on the roof. He explained he took 6 different budgets and looked at the overall scope to determine what they need, what can be added back and what they can talk about to determine if it is needed. Mr. Cannington said he thinks they can build a hospital with all of these things and it will take care of the needs of the

community and will be something everyone will be proud of. He reported there are some cuts that he thinks need to be added back in. He went on to say the add backs are \$745,000 and there are \$50,000-\$100,000 of items that can be removed and not affect the project. He explained they do not need to get into those items now but need to consider them quickly so they can go to AHCA and get approval. Mr. Cannington reported in relation to the necessary work they do not have exact prices and some items can be removed. He estimated they could remove \$100,000-\$250,000 from the \$890,000 and not affect patient care and hopefully not affect efficiencies. He discussed the Additional Items to be considered and said out of the \$1.7 million he does not see anything that must be done except for about \$125,000-\$150,000. Mr. Cannington said he went back to Budget Option #4 and the total was \$13,497,000. He explained if they reduce \$50,000-100,000 on the Value Engineering (VE) item and another \$100,000-\$250,000 on Necessary Work Items and then add some money back for the items they want considered he believes they can do this project for less than \$13.5 million. He said how much less will depend on the final scope of the project and that cannot be decided at a meeting like this. He reported improving the Emergency Department will be good and will help recruit doctors which they desperately need. Commissioner Jones said this year Senate Bill 21 was approved and does away with the Certificate of Need (CON) and he asked how it impacts the hospital. Mr. Cannington did not think it would impact this hospital. He explained it means someone can come in and build a new hospital without going through the CON process. He explained the problem is they cannot be a Critical Access Hospital and without this designation they are not going to make money. He expressed his opinion that no one is going to come in to build a hospital or emergency room because it is a loser for hospitals. Commissioner Jones stated "if budget allows" and "what we can afford" have been mentioned and those are the primary discussions. He explained under the currently rules they discussed and with what the Governor signed they could build an Emergency Room Hospital and still have the most expensive part of the healthcare system but someone could come in and provide services and rehabilitation that they could do on an expansion and the CON does away with their protection. Mr. Cannington stated from what he has seen, for profit companies are not going into small rural areas to provide services because the volume is not there. Commissioner Jones said he is concerned about health care in Franklin County and the Emergency Room cannot be their only consideration right now. Mr. Cannington agreed and reiterated the items he felt were needed. Commissioner Parrish referenced Budget Option #3 and said Mr. Cannington feels some of these items under Necessary Work can be removed and Mr. Bynum's presentation says allowances for Necessary Work. Mr. Bynum stated Necessary Work will have to be done but the particular cost is general in nature because they have not given the contractor a defined scope of work. Commissioner Parrish asked if the items can be cut out or are they necessary because he is getting two different opinions. Mr. Bynum felt the items were necessary. He agreed with Mr. Cannington that the county needs to look at each budget option and decide what the scope of work is. He said they can then pick the items from each budget option to make up a hybrid budget option. Commissioner Parrish explained if it is necessary then there is no option. Mr. Bynum said the items that are necessary have been identified by AHCA, the septic technique or the infection control plan. Commissioner Parrish expressed concern that if they reduce the scope they will then have to do change orders to bring the project into

compliance. He stated he does not want that and wants to know the price straight up. Mr. Bynum clarified the items are necessary but the cost assigned was provided by Culpepper Construction and was a general idea as they had nothing to base the cost on. Commissioner Parrish said he understands that but wants to know if the items are necessary. Mr. Bynum responded nothing in there can be eliminated. Commissioner Parrish questioned if the hospital is financially stable and can it make its own payroll without coming back to the county for more money out of capital outlay so the Board can support doing a project. He said they cannot do a \$14 million project and continue to pour money into Weems to make payroll because it will not work. Commissioner Parrish reported he has an email about doing a parody plan for \$200,000 a year in raises to bring all the employee's salaries up and they cannot make payroll. He stated they cannot move forward if the hospital is not on solid financial footing. He said this is the same thing that has happened for all 12 years he has been on the Board. Commissioner Parrish explained the county does not need to make money on the Hospital but it does have to stand on its own and pay its bills and employ its people. He reported if they keep going down this same path then some people will be out of a job and that is his main concern. Commissioner Parrish asked what the payment is on a \$14 million project. Mr. Moron replied \$678,000 a year for 40 years and that is less money they can subsidize to continue the operations of the hospital. Commissioner Parrish asked Mrs. Griffith to read what was presented from the Finance Department on how much money was put into the hospital out of the Health Care Trust Fund (HCTF) just for operations of the hospital. Mr. Cannington said he has heard they were short on payroll mentioned but he is CEO and did not know that. He stated he has been here over a year and they have never been short on payroll. He explained they have two bank accounts an operating account and a money market account that earns interest and two weeks ago someone did not make a transfer from the money market account to the operating account to cover payroll. He stated they were not short and did not have to come to the county for money. Mrs. Griffith reported the money did come from the Weems money market account. Mr. Cannington stated the money had already been received from the HCTF and they did not have to come to the county to meet payroll. Commissioner Parrish said yet.

Mrs. Erin Griffith-Clerk's Finance Office-Assistant Finance Clerk

Mrs. Griffith read the following statement:

As passed by voters, the Franklin County Discretionary Sales Surtax of 1% took effect on January 1, 2008. The estimated sales tax proceeds this year will be \$2,338,160. 50% of the sales tax proceeds each year acts to defray the operating costs of Weems Memorial Hospital, \$120,000 goes to support clinical operations and the balance of the sales tax proceeds as well as 100% of the interest earnings is held for capital outlay projects. Since inception of the tax, Franklin County has collected \$19,571,175 in sales tax proceeds. If you will look at the spreadsheet provided with the transfer detail, the second column totals the sales tax proceeds collected. The third column represents the 50% operational subsidy transferred to the Weems Hospital Operating Account and the fourth column represents the \$10,000 per month in clinical support which is transferred to the Weems Hospital Operating Account. The 9th column represents reimbursements for capital expenditures funded by the health care surtax. The 10th column

represents interest earnings to date for the health care trust fund. The available balance in the trust fund is calculated as follows: total sales tax revenue proceeds of \$19,571,175 to date less \$10,802,217 in 50% operational distributions to date, less clinical subsidy transfers of \$820,000 to date, less reimbursements for capital expenditures to date of \$4,130,849 plus interest earnings to date of \$50,517 = equals an available balance in the fund of \$3,868,627.

If we are looking at the amount available on the fund on an annual basis, or snapshot of a year, at the estimated sales proceeds for the current fiscal year of \$2,338,160 – assuming no additional operating funds are used, approximately 45% of the sales tax balance will be available for capital expenditures \$1,052,172. Should a debt-service payment be made, it would come from this side on an annual basis. To date this year, the county has already expended \$175,310 in capital reimbursements/repairs. The capital side of the fund provides funding for upgrades and repairs to the existing facilities (which with this plan will still be used), as well as improvements/upgrades/replacements for the ambulance service. If a debt-service payment of \$500,000 per year was due this year, this would leave an amount accumulating in the health care trust of \$376,862. The board needs to think about how much flexibility is desired.

Mrs. Griffith said the Board needs to think about how much money they want available on a year to year basis if the hospital were to need additional funds. Commissioner Parrish stated part of doing a new building is they must keep \$2 million in escrow all the time because that is part of the USDA financing program. Mrs. Griffith pointed out they need to keep in mind there will also be an additional insurance expense on a new facility. Commissioner Parrish stated the hospital must have the revenues to support some of this and the HCTF cannot support everything and still have money if they do come back to the county. Mrs. Griffith reported the HCTF is the only place they can look. Chairman Lockley asked how much they received last year. Mrs. Griffith stated in 2017-18 they collected \$2,140,504.38. Chairman Lockley asked how the money was split. Mrs. Griffith said \$1,070,252.21 was transferred to the Weems Operating Account, \$120,000 for Clinical Operations and \$192,205 in capital reimbursements. Chairman Lockley asked how much the hospital is obligated for on their side of the money. Mrs. Griffith stated this is a question for Mr. Cannington and asked how much their payables are. Mr. Cannington estimated their payables are \$300,000-\$350,000 but they do not have any long term debt. Chairman Lockley discussed the amount of payables and the amount of money received. Mrs. Griffith said the amount available for capital expenditures is \$1,052,172,000 and if they make a debt service payment of \$675,000 it will leave them with approximately \$200,000 annually if they look at the average they pay for capital expenses. Mrs. Griffith said they will still have the operational side and it will not change. She explained the bank balances for Weems are there and the unpaid payables of \$350,000 are there. Mr. Cannington said the payables are being paid every month. He explained the subsidy they get from the county is used to pay whatever bills they have. Mr. Cannington said once they proceed and they are in the new building then they will add the price of the hospital to what has already been spent which is listed on the balance sheet as Construction in Progress which will be depreciable. He explained depreciation costs and interest costs per year are reimbursed by Medicare so that is about 40% of their business which will increase what they are getting paid for now for the same work. Chairman Lockley said he wants to know how much is left after paying the note on that half of the money. Mrs. Griffith explained if they pay the \$675,000 and continue with what

they are doing now which is about \$200,000 per year for capital expenditures such as small equipment the Board agrees to purchase and repairs to the old facility which they will still have it will leave about \$200,000. She stated if the payment is less then there will be more left on the capital side. Mrs. Griffith said there is a large balance but \$2 million must stay there. Commissioner Jones stated the loan is for 40 years and by the time they pay it off they will need another hospital. He explained there is a lot going on and the Board has to know they can afford the hospital. He stated the county is in but not in. Commissioner Jones said he would like to see the accounts receivables and accounts payables and he would like to know where they have money and where they do not have money. Mr. Cannington stated he will be glad to share those numbers with him. He explained he is a CEO but he was a CFO for 20 years and would be happy to spend time with the Commissioners because they do need to understand. Chairman Lockley said if they do not build it this year they can forget about building it because when the new AHCA rules come down they will not build it and they will make them tear down the current one. Mrs. Griffith stated in July, 2014 as part of the application process for USDA a feasibility study was completed by BDK Auditing Group. She read the requirements and said USDA will likely need an updated feasibility study to confirm Weems Memorial Hospital can meet the debt service requirements. Mr. Cannington reported the last time he met with USDA they talked about this and said it needs to be updated. He stated his understanding is they do not have to get a third party to do it because it had been done before. He explained the last one showed 2014-2018 and they have audited 2018 so his understanding is they can just update it themselves and hopefully that is true. Chairman Lockley said they have been doing this for 11 years and have not built anything. He reported the same people that did not want the project are still here today. He explained the people voted for a new hospital. He stated it is time to build a new hospital. Chairman Lockley said if they are not going to build a hospital then they need to give the penny back. Commissioner Boldt explained it has been 12 years since the people said they wanted a new hospital and times have changed. He stated they need to recalibrate and there are multiple concepts and ideas that have not been vetted. He said the county does not have a direction and he is not in favor of spending more money for another consultant. Commissioner Boldt reported the county needs a direction of where they are going with health care delivery. He stated he did some research and there is a company called Erdman from Wisconsin that has been building hospitals for 40 years. He explained they have even used a model called a micro hospital. Commissioner Boldt stated they need to look at a new pattern and direction and know where the money is and what they are planning. He reported AHCA has new regulations coming but they are always going to have to hurry and something will be bothering them but they need a clear target, direction and concept. He advised the Board he has seen good buildings built by Erdman in Tallahassee. Commissioner Boldt stated they will look at the community and decide what they recommend for the county. He said it will not cost anything for them to come here and discuss it with the Board. Mr. Moron reported staff does need direction of where to go from here. He stated it seems the Board has a problem with the financial status of the hospital. He questioned if each Commissioner needs to meet with Mr. Cannington so he can explain where they are financially or do they ask Mr. Bynum is they can just build a new emergency room but not a standalone emergency room and let the rest of the hospital stay open. He inquired if they could then add services years from

now when they need them. Mr. Moron said the Board should not leave today without some direction. Commissioner Massey stated they should get the price and see what they can afford to build and if they can afford it then build the hospital. Mr. Moron said they need to tell Mr. Bynum what the county is willing to spend. Commissioner Jones reported they do not have enough information to tell him that. Commissioner Boldt agreed. Mr. Moron questioned if they need more confidence in the hospital. The Board responded no. Commissioner Massey said they need to know what money they are receiving. Commissioner Boldt stated they need a picture of a model. Mr. Moron referenced the spreadsheet and said it tells what the county is receiving from the HCTF, what has been given to the hospital from that amount and that they are left with approximately \$3.8 million. Commissioner Massey stated if they had never touched this money than they could have paid cash for a hospital. He inquired where the money went. Mr. Moron said it went to Weems for other reasons beyond their 50%. He explained it sounds like the Board has a confidence problem with the financial position of the hospital but they need to tell him if he is wrong. Commissioner Jones agreed that is it. Mr. Moron reported this must be resolved first before they can move on with a new building. He stated until the Board feels more confident about where the hospital is financially they do not want to get a loan. Chairman Lockley reported the hospital has been in the same situation for the whole 11 years. He said the money went to the hospital and was used for operations. Chairman Lockley stated Mr. Cannington is the best CEO as far as numbers because he never came to the Board and asked for money. He explained they are not going to make money on a hospital this size. Commissioner Jones said based on the information that was provided on the spreadsheet, if the ambulance services were not coming out of ad valorem taxes it would be a negative \$2 million. He explained \$6 million has been going to EMS from ad valorem taxes so there is no plus \$3.8 if everything that is health related is coming out the HCTF for operation of the hospital. Mr. Moron agreed that is correct. Commissioner Jones said if they go forward with building anything they are leaving EMS on the tax rolls. Mr. Moron agreed. Chairman Lockley reported they are required to do that. Commissioner Jones stated they are not required to have it come out of ad valorem taxes. Chairman Lockley explained they are not required to have a hospital but they are required to have an ambulance service. Mr. Moron clarified Commissioner Jones is saying it is a requirement but since they have a health care tax the cost should come out of the HCTF rather than coming out of ad valorem taxes. Mr. Doug Creamer, Chairman of the Hospital Board, questioned if he wants to fund the ambulance service out of the HCTF. Commissioner Jones answered no, but since they have a tax for health care in the county there should not be anything that is not health care coming from the tax and it should not be on the ad valorem tax. Mr. Creamer stated that is not what the people voted for. Commissioner Jones explained they are looking at building a hospital and what they can afford and he wants to make sure they understand in further discussions if they build a hospital they will never take the ambulance service off ad valorem taxes. He went on to say there will not be a cushion to do that. Commissioner Jones reported it is not the proper place to be. He said fire departments are necessary services and they are not handled that way. Commissioner Jones said he is making the statement so the Board knows the decision they are looking at. Mr. Creamer stated he does not agree. He said they are talking about spending \$13.5 million and he understands the dollars are right. He reported they can make the debt service payment for

\$13.5 million. Mr. Moron stated the payment would be \$650,000-\$660,000 a year for 40 years. Mr. Creamer stated they need to decide if the Board wants to spend \$660,000 a year to fund a \$13.8 million project. He reported if they don't then they need to do what Chairman Lockley said and give the people the penny back. Mr. Moron stated it is not as simple as giving the penny back because if they sunset that tax it will close the hospital. Mr. Moron asked Mr. Cannington if the hospital can survive without the subsidy the county provides. Mr. Cannington answered no. Chairman Lockley said they are not sunsetting the tax the arguments are doing that and they are not doing what they are supposed to do. He stated the price is steadily going up. Chairman Lockley said they cannot keep putting it off and it is time to build the hospital. He inquired what they can get for \$13 million. Mr. Bynum said they tried to develop a hybrid budget that selects various options from the budgets and referenced the items on his handout. He stated the previously excluded work that is required is still there. He explained they can go through the value engineering work and the additional work that is being suggested and pick which items make the most sense. He reported this budget is \$12.9 million. He reported Mr. Cannington went through the same process and his list is probably different and his budget is \$13.5. Mr. Cannington responded yes, and that is the maximum. Mr. Bynum said the number could come down. He explained from this hybrid budget option there are items from each of the categories and the only one that remains unchanged is the \$887,000 for the work that was excluded that needed to be included. He felt this number may be a little high since Culpepper Construction was just provided a general idea. Chairman Lockley asked Mrs. Griffith if the Board can be comfortable with \$13 or \$12.5 million. Mrs. Griffith explained \$1,052,172,000 is what is going to the capital side this year and they have already spent \$175,000 and the county has an ambulance that was recently totaled so they will need to contribute some additional funds for capital outlay in the current year on top of that amount. She said they need to think if they are making a payment of \$650,000 then there is \$400,000 sitting there and they spend on average \$200,000 on capital expenditures each year so the cushion is about \$200,000. Mrs. Griffith stated she understands the Board is concerned the hospital may need additional support at some time and if they do not then it is fine but if operations do not go in a positive route the hospital payroll is about \$150,000-\$160,000 so there is not a lot of leeway one way or another. She reported the Board has to make a decision on how much they are comfortable with and how much they want to spend. She said it will probably be \$450,000-\$650,000 or in that range but it is up to the Board. Chairman Lockley stated he is comfortable with \$13 million. He explained the county went through a Category 5 storm and the CEO did not ask for any money and the other people wanted money often. He stated they have to start somewhere and it is time to start. Commissioner Boldt said there is a margin of \$200,000 and that is one crisis away from collapse and he is not comfortable with running a hospital with a margin that slim. He reported the county does not have direction or a strategic plan. Chairman Lockley stated that is one half of the money. Mrs. Griffith pointed out 45% of the sales tax balance is available for capital expenditures each year. Mr. Moron explained if they make a payment and they use \$200,000 in addition to the operating funds then they will have \$200,000 left. Clerk Johnson pointed out plus the balance they have in the account. Mr. Moron agreed \$1.8 after the \$2 million that must be set aside in escrow. Mr. Moron said they have to decide if they are going to move forward with the project and what they are going to spend on the

annual debt payment and then they move forward with narrowing the scope to what they want to spend. Mr. Moron stated he needs information from the Board to talk to Mr. Bynum. Commissioner Boldt reported they have no direction and they need a good hospital model. He stated he is comfortable with wanting to have the facility and he wants an economical price but he needs a road map to know where they are going. He said he is uncomfortable with the chaos. Chairman Lockley asked when AHCA will send out the letter. Mr. Bynum stated they will know by the end of the year. Mr. Moron asked if they will have to review the scope of the project again. Mr. Bynum stated they need to resubmit and have the project approved by the end of the year and if they are approved it will be based on the current codes and regulations. He said if they get beyond that point then the plan would need to be upgraded and no one knows what the new codes and regulations will be but it could drive the costs up. Mr. Moron reported the Board cannot take action today but asked if they would like him to bring this up next week at the regular meeting for discussion. He said they may make a decision on the budget and go from there. Chairman Lockley directed Mr. Moron to add this item to his report for the next meeting. Commissioner Massey agreed and said they can vote and if they decide not to do it then give the money back. Commissioner Boldt stated the public needs to know they are interested in the delivery of health care in the county. Mr. Moron agreed it will be on his report at the July 16, 2019 regular meeting. He explained whatever direction is given that day will be passed on to Mr. Bynum and Mr. Cannington. Commissioner Boldt presented some resources of people that may be able to advise them in the meantime. Mr. Moron stated the Board can direct him at the next regular meeting on Tuesday.

Adjourn

There being no further business to come before the Board, the meeting was adjourned at 4:09 p.m.

Noah Lockley - Chairman

Attest:

Marcia M. Johnson - Clerk of Courts