



**BOARD OF COMMISSIONERS
PUBLIC HOSPITAL DISTRICT NO. 1 OF
KLICKITAT COUNTY
Special Meeting/Open Public Meeting
KVH Conference Rooms A&B
July 24, 2018**

SPECIAL MEETING MINUTES

A special meeting of the Klickitat Valley Health (KVH) Board of Commissioners was held on Tuesday, July 24, 2018 at 12:00 noon in the KVH Conference Rooms A&B for the purpose of a project finance update and steering committee meeting in which more than two board members were planning to attend, therefore constituting a quorum. President Mark Sigfrinius was the presiding officer. A quorum was present with the following additional commissioners present: Commissioners Dennis Carver (12:12 p.m. – 1:25 p.m.), John Quinn (1:55 p.m. – 3:32 p.m.), Jim Daniel and Connie Pond (12:00 – 3:32 p.m.).

Also present were: Jamie Eldred, Director of Finance; Leslie Hiebert, CEO; Jonathan Hatfield, IT Director; Kasey Schneider, CNO; Jonathan Lewis, Plant Manager; Jacinto Orozco, M.D. Chief of Staff; Charis Weis, Director of Human Resources and Community Outreach; Dick Bratton, Jeff Fivecoat (via telephone conference call regarding Project financing options 12:01 p.m. to 12:47 p.m.) Anne Schopf, Mahlum Architects; David Perzik, Mahlum Architects; Vanessa Robinson, Mahlum Architects (1:00 p.m. to 3:32 p.m.) and Barbara Bostick, Executive Administrative Assistant and Recorder.

CALL TO ORDER CONFLICT OF INTEREST DISCLOSURE

President Sigfrinius called the meeting to order at 12:01 p.m..

SPECIAL MEETING BUSINESS

The Board and Senior leaders participated in a telephone conference call with Jeff Fivecoat from PiperJaffray regarding potential options for project financing. Leslie provided a PowerPoint presentation developed by Jeff Fivecoat for the Board to follow along during the discussion. Leslie noted her preference to wait to move forward on the more expensive document development until voter approval is assured. Dick Bratton inquired of Jeff Fivecoat what PiperJaffray predicts the interest rate to be in 2020. Jeff replied that it is projected to be 25 basis points higher than today give or take 10 basis points either way. Dr. Carver noted that his primary concern is that the financing and planning is well thought out and defensible prior to

being pushed out to the public. Leslie noted that there is a cost to do interim financing instead of waiting to do the financing when the current bond is paid off. Jeff Fivecoat stated that the counter to that is that prolonging incurs additional cost for construction with a 3.5 – 5% increase in inflation rate predicted for 2020-2021 which will create an increase in construction costs. Leslie asked to have the numbers related to that to be able to show the public the savings that is created by doing interim financing. Jeff will create a 2nd appendix or additional consideration slide with the comparisons.

Leslie reviewed the RCW regarding requirements related to voter approval for bonds.

Leslie noted that 30% of the loan amount would be for soft costs including 10% for contingencies (3% construction contingencies and 7% design and owner contingencies) and the remaining 70% would be for construction. Estimated approximate total cost of the project \$15,728,000. Leslie noted that there is \$26,286,283 remaining in voted and non-voted debt capacity, but she does not feel comfortable asking for that amount as there will likely be additional needs for the District over the next 25 years.

Steering Committee meeting followed the agenda as provided by Mahlum Architects. (See copy of the agenda in Board book). Regarding the meeting goals, Dick Bratton noted expressed to Mahlum that there is some change regarding the previously established schedule. He explained that once the GCCM application is through in September there may be some wait time before moving on in the design process to give the hospital time to establish confidence in bond passage. He noted that we will remain on the fast track for GCCM selection and then will revisit the next six months schedule/plan. Mahlum expressed understanding of the desire to ensure bond passage prior to incurring additional debt related to the project. A copy of the PowerPoint presentation is included in the Board book as well. Following the PowerPoint presentation, the process progress was reviewed. There was discussion regarding FFE costs, which would Surgery Suite equipment, Patient care rooms, LV ISS, Nurse Call and assorted furniture. David Perzik inquired as to whether KVH would be hiring an Equipment Manager. It was noted that KVH will be doing that in-house. Leslie updated Mahlum and advised that KVH is not wanting to use the total available debt capacity, and that after discussion have landed at the 15 million mark, with 10.8 million of that being for hard construction costs. She noted that Jeff Fivecoat recommended private placement interim financing as the best option, want to wait for voter approval. Soonest the voter approval can be obtained is the April 23, 2019 Special Election.

Jonathan Lewis reported regarding central plant development that he has received a proposal from Apollo for an investment grade audit for existing structures. He noted it could be done by the first part of January and then could have Legislator take to the Legislature to apply for grant funding. Jonathan noted that Ameresco did a good job on previous projects, but they did not provide a proposal for this project. He also reported that Ameresco subcontracts, while Apollo provides the service directly. Dick Bratton asked if there is a grant available that would assist with the cost, Jonathan noted that some grants cover all of the expense, but most want the owner to have some skin in the game. David Perzik noted that this could be a great opportunity and could reduce estimated costs of the Bold Vision 20/20 project. He asked that when Jonathan's central plant development project/plan is established that the information is provided to Mahlum when they get the green light to start on the schematic design with the engineers.

Mahlum reviewed three scheme options, scheme one and four from last months meeting as well as scheme 1.5 (a variation of scheme one). After much discussion regarding pros and cons, a vote was done with the result of 7 to 4 in favor of Scheme 4. Leslie expressed concern that pharmacy is not addressed in any of the schemes provided and she also expressed agreement with Kasey Schneider regarding the estimated cost of remodel for the extended beds. Kasey stated that the unit had been remodeled a few years ago and is still in good condition.

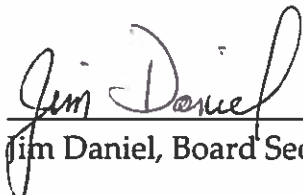
Dick Bratton reiterated that the selection of scheme 4 does not limit changes in the future, it is just a starting place to move forward with the application process.

Marjorie Eliason Brown of Mahlum noted that the architects can do schematics and develop concepts for outreach. The concepts could be used to share with the public to give them a general idea of what the project will accomplish for patients and the community.

After discussion, it was determined that there is no need currently to schedule another follow up meeting in August.

President Sigfrinius adjourned the meeting at 3:32 p.m.


Mark Sigfrinius, Board President


Jim Daniel, Board Secretary