

FEBRUARY 28th, 2023 Bartlett Hospital Board of Directors Meeting

CFO Report – Mr. Muse provided a high-level overview of the phase three financial sustainability plan. Strategic initiatives currently underway, funding, and debt identified. ED remodel and deferred maintenance funds discussed. ED remodel currently has \$12 million in bond funding and represents the only strategic initiative we could potentially delay that could be of some benefit to the hospital going forward. The overall financial position of both the debt and cash side provided. BRH currently has \$38 million in debt. \$21 million in bonds were issued last March, \$12 million went to the ED project, \$8 million went to the crisis stabilization project. We have \$3 million of debt service that we have to pay yearly for principal and interest. There are rate covenants on our debt obligations for revenue bonds that we are not going to meet this year. Violating rate covenants will make it difficult for BRH to get bonds and debt funding in the future. BRH currently has about \$40 million in unrestricted cash. Moving ahead with the ED project would require us to use \$3 – 5 million more of that unrestricted cash for the project, leaving us with \$35 – 37 million in unrestricted cash and \$38 million in bonds outstanding. If we delay the ED project, we have an opportunity to use the bond funding currently sitting in that project and replace some of the unrestricted funds already contributed to the crisis stabilization project. Pulling back unrestricted funding would bolster the unrestricted cash balance increasing it to \$47 million and would still leave \$5 million in bond funds available without a designated purpose. In discussions with Bond Counsel regarding these bonds, management believes the remaining funding could be used in a wide variety of ways, including potential capital software implementations or virtually any phase of a future capital need that may arise, including ones associated with the ED. As part of the phased approach to the financial sustainability it is necessary to review all current and potential projects moving forward to ensure they align with the strategic vision and promotes the long-term sustainability of the hospital. Given the changing landscape with strategic initiatives and the financial state of the hospital, it is imperative that the board ensure pressing projects receive the first infusion of capital and are nurtured first. Senior Leadership recommends that the ED addition project be put on hold indefinitely, pending further deliberation regarding strategic initiatives and best allocation of immediate resources given the current environment. Discussion held about time limits to make this decision and for spending the \$5 million bond. Time is of the essence in making a decision to delay the project or not. There is no time limit for spending the bond, but we must make sure we aren't earning interest on it. Dr. Jones stated this ED project is about serious patient and staff safety issues. He identified no place to hold violent psychiatric patients, lack of negative pressure rooms for patients with respiratory illness and not being able to see patient rooms from the nurse's station as examples of very serious safety concerns. He expressed frustration that projects not related to patient and staff safety are moving forward. In response to Ms. Knapp, Mr. Keith reported we can not afford the project as currently planned but these safety concerns need to be addressed. Any remaining funds need to be earmarked to address these issues. Mr. Rumsey stated if we substantially change the current project, we would be required to cancel the current contracts and start over by identifying a different scope of work that addresses safety concerns including the ones Dr. Jones identified. Actual anticipated construction costs for the current plan continue to go up as we near 65% of this current design. Mr. Mertz initiated discussion about current plans for negative pressure rooms included the whole wing of the hospital, not just the ED, and how much time it would take to develop and begin construction on a new design. Ms. Johnston initiated conversation about funding sources if the ED expansion project is delayed and the consequence of

moving ahead. She stated we need to come up with a compromise as soon as possible that allows BRH to maintain some integrity of its cash balance and still addresses these safety concerns. Mr. Solomon-Gross noted the city architects are frustrated with BRH due to the changes for this project. Dr. Jones stated his passion is for having a safe environment for patients and for people to work in. Mr. Mertz expressed support for management's suggestion to postpone the project. Mr. Keith initiated discussion about use of crisis stabilization funds and possible alternate funding sources. He stated staff needs to get creative and develop plans to address these issues. Discussion held about whether a decision to move forward or not needs to be made tonight.

MOTION by Mr. Mertz that the Bartlett Regional Hospital Board of Directors approve postponing the currently envisioned ED addition indefinitely and request staff to, with all due haste, re-evaluate and come back with a redesigned, skinnier plan that focuses on these safety issues for us to consider going forward. Ms. Knapp seconded. Dr. Jones requested a roll call vote. Mr. Mertz stated this is not a placation, Dr. Jones has identified very serious issues that need to be addressed but this project is just not feasible right now. Ms. Layne asked if the board has talked about Dr. Jones' potential conflict of interest. Mr. Solomon-Gross stated that Dr. Jones has declared a vested interest and is very passionate about this project. He asked the board if anyone had any objection to Dr. Jones participating in the conversations about this project. No objections made. Dr. Raster is new to the board and feels that he has limited information. Ms. Petersen asked if the decision can be postponed. Discussion held about appropriate motion needed to postpone discussions until a later date.

Privileged MOTION made by Mr. Geiger that the Bartlett Regional Hospital Board of Directors postpone discussions and making a decision about delaying the ED addition project until March 17th. Dr. Raster and Ms. Deering support postponing this decision. Mr. Mertz reported BRH had much more flexibility to make this decision a month ago but is very limited at this point. By not making a decision, the board is making a decision. Mr. Keith stated he does not expect to see significant improvements in the financials in the next 4 months without dramatic structural change. A meeting in two weeks will bring the same conclusion, BRH cannot afford this project. Mr. Solomon-Gross agrees that not much is going to change in the next two and a half weeks. Mr. Muse would not recommend moving forward with this project even absent the other strategic initiatives. Ms. McDowell appreciates the staff and patient safety concerns of the ED and acknowledges these issues need to be addressed but she does have concerns about moving ahead with the project. The potential risk of moving ahead could have a much bigger, negative effect on staff. Mr. Solomon-Gross called for a vote. Roll call vote taken, MOTION failed 9-1. (Dr. Jones the only vote for postponing discussions and making a decision.)

Mr. Solomon-Gross requested a roll call vote for the original **MOTION by Mr. Mertz that the Bartlett Regional Hospital Board of Directors approve postponing the currently envisioned ED addition indefinitely and request staff to, with all due haste, re-evaluate and come back with a redesigned, skinnier plan that focuses on these safety issues for us to consider going forward.** Roll call vote taken, **Motion passed 8 – 1. (No vote by Dr. Jones.)** Mr. Solomon-Gross requests Mr. Muse provide the board with the dollar amount already spent on this project.