

**Perham Memorial Hospital and Home
Perham, MN
Board of Trustees
Minutes**

Date: 10-28-09

Time: 5:30pm

Place: Board Room

Present: Kathy Hemmelgarn
Cal Dockter
Jane Aschnewitz
Alfred Fresonke
Bernice Genoch
Eugene Jahnke
Cyndy Rastedt
Terry Marthaler
Gail Quittschreiber
Rich Richter
Alisyn Keil
Jerry Kunza

Chuck Hofius
Brad Wurgler
Dan Peterson
Darla Medeck-Johnson
Sue Von Ruden
Dennis Happel
Marilyn Oelfke
Karla Kupfer
Bonnie Johnson
Jim Rieber
Doug Vang, MeritCare
Les Wiestock, MeritCare
Paulette Amundson, MeritCare
Becky Nelson, Sanford
Greg Hart, LAWCO
Shannon Lorbiecki, LAWCO
Tom Mayfield, Nat'l Healthcare Capital
Tucker Plumstead, Nat'l Healthcare Capital
Tony Stoll, BHH Partners
Chad Bormann, BHH Partners
Richard Bell, Nor-Son
Bob Koering, Nor-Son
Kevin Keil
Steve Peloquin, Peloquin & Minge Law Firm
Craig Peterson, JC Electric
Bob Kalina, JC Electric
Mike Kern, Frazee Electric
Don Swenson
Ron Tobkin
Mike Holper

Excused: Gilbert Ebner and Karen Field

A. Call to Order

Chair Hemmelgarn called the meeting to order at 5:45 p.m. due to the Executive Committee meeting running a little late.

B. Additions or Deletions to the Agenda

There were no additions or deletions to the agenda.

C. Consent Agenda

A motion was made by Dockter, seconded by Fresonke, to approve the consent agenda as corrected. Motion passed.

D. Reports

1. *Operating Reports*

Due to the length of the agenda, Brad didn't review the statistics but asked if there were any questions about the enclosures. There were no questions from the Board. Final reconciliation work is being done for year-end; therefore, no financials were available for the board meeting.

(a) *Patient Services Report*

There were no additions to the report.

(b) *Long Term Care Report*

Marilyn reported that the exit interview with the State Department of Health surveyors was just completed. The survey went very well and we should have a final report in the next couple weeks. Kathy Hemmelgarn asked Marilyn to convey a special thank you to the staff from the Board.

(c) *Community Services Report*

Dan encouraged the Board to consider donating to the annual Political Action Committee fundraiser going on now in the Town Center.

2. *CEO Report*

Chuck asked Sue Von Ruden to make a couple announcements. She reminded the Board about the groundbreaking ceremony on Monday, November 2, starting at 4:00 p.m. She also recognized the Capital Campaign Committee members present Dennis Happel, Don Swenson, Ron Tobkin and Mike Holper for their diligent work running a very successful capital campaign. The campaign has resulted in approximately \$2,300,000 in donations. The group was applauded for their efforts. Sue encouraged the Board to attend the Foundation Blue on Blue event to be held at Mulligan's on November 21.

3. *Medical Staff Report*

No medical staff were present at the meeting. Chuck reported that the physicians expressed appreciation to the Board for adding weeknight ER call coverage issues.

Paulette noted that Dr. Illene (Porath) Reed will start working here on March 1, along with her husband Robb Reed who will be taking a chiropractor position with PMHH.

4. *MeritCare Report*

The Sanford-MeritCare merger has been approved by the Sanford Board of Trustees and will be voted on by the MeritCare Board on Monday, November 2.

Doug Vang introduced Becky Nelson, the COO from Sanford Health System. Becky thanked the Board for inviting her and expanded some on the positive impact the merger will have on both health systems. If the merger happens, Dr. Gilbertson will be retiring but working under a consulting basis to Kelby Krabbenhoft throughout the year. The new board would consist of 8 members – four from Sanford and four from MeritCare. Dr. Mark Paulson from Perham will serve on the newly formed Board. She also noted that due to the potential merger of the two organizations, the complexity of the timing puts them in "suspended animation" which means they cannot legally sign a letter of intent until that merger has taken place.

Doug reiterated that he realizes the timing for the letter of intent signing is awkward, but it is MeritCare's intent to have the letter of intent come to fruition soon. Doug opened the floor up for any discussions.

5. *2009 Strategic Goals Year-end Report*

A motion was made by Kunza, seconded by Marthaler, to accept the 2009 Strategic Goals Report as presented. Motion passed.

F. Old/Other Business

1. *Hospital Financing Update*

Tom Mayfield from National Healthcare Capital gave a recap on the financing process. Unfortunately until a letter of intent is signed the examined forecast is not totally complete, and they cannot go out and sell it to banks. Favorable bids, a successful capital campaign and the appraisal all are positively affecting the financing options. From the point of the hand shake to closing it will take approximately 6-8 weeks.

Tucker Plumstead, also from National Healthcare Capital, will be the one who actually goes out and sells the financing package to banks. He said that a couple of local banks are very interested in taking part in the financing, as well as some larger banks from the Fargo and Winona area. Farm Credit is also interested. Once the examined forecast is available, they will be prepared to go out and sell the package.

2. *Public comments*

Ron Tobkin asked what part of Farm Credit is interested. Tucker said Ag. Star. Ron also asked when a letter of intent would be coming.

Chuck reviewed the motions before the Board tonight.

Don Swenson questioned why MeritCare can't sign the letter of intent if it truly is a 'non-binding' agreement at this point.

Steve Peloquin, from Peloquin and Minge Law Firm representing JC Electric, made a plea to the Board to award the bid to his client even though they were the second lowest bidder, based on them being the 'most responsible' bidder. He shared a memo with Dennis Happel, the hospital district's attorney, which supported the rationale that JC Electric should be awarded the bid based on work quality, geographics, service availability, and local interest. Steve claims the law supports municipalities awarding the bid based on 'the most responsible' bidding qualifications.

The Board recessed at 6:35 p.m. The meeting resumed at 6:45 p.m. MeritCare staff left the meeting.

Greg Hart reviewed briefly the draft of the examined forecast put together by LAWCO auditors. The draft stills needs some clean-up and cannot be completed until the letter of intent is signed. Reasonable assumptions are that PMHH can sustain financing and meet their debt service obligations. Greg wanted to make the Board aware that there are always risks involved.

F. New Business

1. *Credentialing*

Upon the recommendation of the Medical Staff Executive Committee, a motion was made by Dockter, seconded by Aschnewitz, to approve medical staff privileges for Dr.

Jaimie Deraney, OB-GYN, reappointment until 10-31-11; Dr. Steven Sampson, ER Locum, appointment until 10-31-11; and Dr. Paul Vollmer, ER Locum, appointment until 10-31-11. Motion passed.

2. *2010 Capital Budget*

Brad reviewed the 2010 Capital Budget. Upon the recommendation of the Finance Committee, a motion was made by Quittschreiber, seconded by Genoch, to approve the 2010 Capital Budget as presented. Motion passed.

3. *Healthland Server Purchase*

Jim Rieber explained the need to replace the server. Upon the recommendation of the Finance Committee, a motion was made by Quittschreiber, seconded by Dockter, to purchase the Healthland server at a cost not to exceed \$24,723. A roll call vote was taken with all voting in favor.

Chuck explained all the motions that will be voted upon following this item.

4. *Letter of Intent – MeritCare Relationship*

Greg Hart and Shannon Lorbiecki reviewed the draft of the letter of intent and what has taken place since discussions began the past several months. Although a lot hasn't changed since the initial discussions, some of the details still need to be tweaked before both parties will agree on the term sheet.

A motion was made by Kunza, however, later withdrew his motion because he is a member of the Executive Committee.

A motion was made by Rastedt, seconded by Aschnewitz, to adopt the MeritCare-Perham Hospital District letter of intent in its current form. Further, it grants the Executive Committee the authority to make changes pertinent to final negotiations, so long as it does not result in a material change to the intent of this agreement. Motion passed.

5. *Award Bids for New Hospital*

A motion was made by Keil, seconded by Fresonke, to reject bid packages #67 and #72 in their entirety and rebid them as one package with modified specifications by Nor-Son. All voting in favor with Marthaler and Richter abstaining. Motion passed.

Upon the recommendation of the Buildings and Grounds Committee, a second motion was made by Dockter, seconded by Fresonke, to award contracts for bid packages #1, 7 and 11 to the low bidders identified in the amount of \$1,641,488, plus the use of the general conditions and winter conditions budget, not to exceed \$100,000, contingent upon the Sanford-MeritCare merger approval. A roll call vote was taken with all voting in favor. (Complete contracts for these three bids will be attached to the original minutes.)

Upon the recommendation of the Buildings and Grounds Committee, a third motion was made by Dockter, seconded by Kunza, to table the discussion on bid package #33 until more information can be obtained. No vote was needed.

Dennis Happel reviewed the statutes for municipalities and how the law dictates the bidding process. Steve Peloquin reiterated what he views to be legal regarding bidding

qualifications and again strongly encouraged the Board to consider JC Electric and Frazee Electric's bid for the electrical work on the building project.

Richard Bell verified that Willmar Electric met all the bidding qualifications, according to contract requirements.

Craig Peterson from JC Electric explained how they came up with their bid. Mike Kern from Frazee Electric explained how they interpreted how to bid the nurse call system, which was different from Willmar Electric.

A motion was made by Richter, seconded by Marthaler, to table bid package #64 and have the Buildings and Grounds Committee look at those bids and come back to the Board with a recommendation. No vote was needed.

Being there is a 60-day window to accept the bids, and that would expire on November 15, JC Electric was asked if they would honor their bid after that date. They concurred that they would honor their bid. Richard Bell will contact Willmar Electric to see if they would also honor their bid.

A second motion was made by Richter, seconded by Keil, to remove bid package #64 and authorize the construction manager to send a letter of intent to the remaining qualified bidders. The letter of intent will state that the PMHH Board has awarded three initial bid packages, and it is their good faith intent to complete the entire project. Final contracts will be issued once financing is finalized, estimated to be completed no later than 90 days.

Richard Bell noted that we have recommended the second lowest bidder on bid package #17 because of issues regarding work quality and financial stability of the lowest bidder.

Richard also noted to the Board that they have been notified from the carpenters' union that there is a labor dispute with the lowest bidder on bid package #27 and the union will likely picket the site if this contractor is awarded the bid. Richard still recommends awarding the bid to the lowest bidder because they did meet all the bidding qualifications.

A roll call vote was taken, with all voting in favor of the above mentioned motion.

Richard Bell reviewed the alternate list in its entirety. Because of the previous motion, all electrical alternate bids will have to be tabled.

A motion was made by Richter, seconded by Genoch, to table the electrical alternates and clinic alternates until a letter of intent is signed by MeritCare. No vote was needed.

A motion was made by Marthaler, seconded by Rastedt, to approve the remaining alternates as recommended. A roll call vote was taken, with all voting in favor.

4. *Board Comments*

Because of the Thanksgiving holiday, a motion was made by Genoch, seconded by Fresonke, to change the November board meeting from November 25 to Wednesday, December 2. Motion passed.

Cal Dockter – Expressed concern about Buildings and Grounds Committee being the appropriate place to address the electrical bids.

Bob Koering – encouraged the Board to seek legal counsel before making a final decision.

Kevin Keil – empathized with the Board about the position they are in being a municipality and how the law dictates the bidding process. Encouraged the Board to use due diligence and realize the selection of bidders can affect the whole community's economy, and to be careful with the low total bids in that sometimes the change orders of the low bidders result in a higher costs in the end.

Cyndy Rastedt – Kudos to the *Just for Women* planning committee – it was excellent!

Richard Bell will talk with Willmar Electric. Copies of the electrical contracts will be distributed to the Buildings and Grounds Committee and they should respond to Karla if they have any questions.

A motion was made by Kunza, seconded by Keil, to adjourn the meeting. Motion passed.

There being no further business, the meeting was declared adjourned at 9:35 p.m.

Katherine A. Hemmelgarn, Chair

Jerry Kunza, Clerk

Karla Kupfer, Recorder