

MINUTES OF
THE PUBLIC HEARING REGARDING THE FINAL MILLAGE RATE & FINAL BUDGET
FOR FISCAL YEAR BEGINNING OCTOBER 01, 2010 AND ENDING SEPTEMBER 30, 2011
CITRUS COUNTY HOSPITAL BOARD

SEPTEMBER 29, 2010 5:01 P.M.

(1) CALL TO ORDER

The public hearing of the Citrus County Hospital Board of Trustees [HB or Hospital Board] was held Monday, **September 29, 2010**, at the Citrus County Commission Chamber, 110 N. Apopka Avenue, Inverness, Florida, for the purpose of reviewing and approving a Final Millage Rate and Final Budget for the fiscal year beginning October 01, 2010 and ending September 30, 2011. The Chairman called the meeting to order at 5:01 P.M.

(2) PUBLISHED MEETING LEGAL NOTICE

(Agenda & Published Legal Notices, Millage & Budget Summaries, Copies On File)

(3) ATTENDANCE

Board Members: V. Upender Rao, MD (Chairperson); Deborah L. Ressler, (Vice Chairperson); Deborah O. Frankel, Esquire (Secretary) and Michael Smallridge (Trustee).

Also in attendance:

William J. Grant, Esquire, HB General Counsel

Vickie LaMarche, HB Chief Operating Officer

Harry Kilgore, HB Director of Finance

Karla Dozier (HB Administrative Assistant)

Prestige Court Reporter Services

Joy Hayes Court Reporter Services

Members of the Public

(4) WELCOME BY CHAIRMAN V. UPENDER RAO, M.D.

THE HONORABLE CHAIRMAN, V. UPENDER RAO, M.D., welcomed all to the public hearing and announced the public hearing to review and approve a Final Millage Rate and Final Budget for the Fiscal Year Beginning October 01, 2010 and Ending September 30, 2011. Dr. Rao advised the Tentative Budget Hearing was held September 15th and noted the 2010 Carry Forward Balance of approximately \$8 million dollars with additional Florida & Federal available funding of approximately \$3.5 million dollars. Dr. Rao noted the Board should not be in a position of assessing significant additional taxes due to the carry forward amount and the alternative available funding provided by the State of Florida. Dr. Rao, addressed the directors of CMHF, Incorporated (Mr. Dave Langer & Mr. Robert Collins, present) and expressed his sincere invitation to the Foundation to return to mediation. Dr. Rao additionally noted the expected costs of litigation are estimated at approximately \$2 million per Board and the savings could be utilized to avoid any layoffs, increase salaries and for the betterment of the hospital.

(5) STATEMENT OF PROCEDURES BY CHIEF OPERATING OFFICER LAMARCHE

(6) STATEMENTS BY MEMBERS OF THE CITRUS COUNTY HOSPITAL BOARD OF TRUSTEES

Mrs. Deborah L. Ressler, Vice Chairperson: Mrs. Ressler noted all share the goal of ensuring CMHS continues to provide quality health care and noted all must work together toward the common goal. Mrs. Ressler noted the repeated efforts of the Hospital Board of Trustees to meet with the Foundation without any pre-conditions or pre-conceived positions; however the Foundation had withdrawn from all discussions. Mrs. Ressler advised all should work together to ensure the health care delivery team quality jobs, ensure there is a positive community attitude regarding CMHS and that indigent care is fully funded. Mrs. Ressler noted, that while there has been misinformation regarding the Board's indigent care policy — the cost of indigent & sponsorship care is fully funded by the Hospital Board & available Florida funding. Mrs. Ressler further noted that CMHF had made recent improvements to their 2011 Budget. Mrs. Ressler stated that budgetary expense improvements should be made only in non-patient care areas, as staffing ratios - currently perhaps of concern - must not be reduced. Mrs. Ressler advised the Board is striving for quality health care to be provided in a transparent and cost-effective manner.

Mrs. Osmond Frankel, Secretary: Mrs. Frankel addressed the Hospital Board Brought Forward amounts from 2009 and 2010 and admitted the statement into the record: *(Fund Balance Brought Forward, Copy Attached):*

2009 Hospital Board Budgeted Funding Exceeding 2009 Corporate Tax Appropriation Representations:

The 2011 *Hospital Board Fund Balance Brought Forward* reflects 2009 corporate funding of \$1.2 million dollars originally budgeted; however, not utilized. The 2009 budgeted amount was carried forward due to the material variance (Foundation non-performance) between the 2009 capital expenditures initially represented by the Foundation to secure the 2009 tax appropriation and the actual 2009 Foundation capital improvements. Although the Foundation represented \$8.3 million dollars of itemized 2009 non-bond financed capital improvements were preliminarily budgeted, only \$2.4 million dollars of capital improvements were actually undertaken by the Foundation in 2009 (\$773,000 of budgeted improvements and an additional \$1.7 million dollars of non-budgeted capital improvements). In 2009 the HB transferred \$10.9 million dollars of funding to the Foundation with an additional \$1.2 million dollars of originally budgeted 2009 funding carried forward. The 2009 HB budgeted funding amount of \$1.2 million dollars was carried forward due to Foundation significant non-completion of capital improvements represented to secure the 2009 tax appropriation.

2010 Hospital Board Budgeted Funding Exceeding 2010 Corporate Tax Appropriation Representations:

The 2011 *Hospital Board Fund Balance Brought Forward* includes 2010 CMHF, Inc. indigent care funding budgeted but not utilized. FYE 2010, the Hospital Board - based upon corporate representations made to secure the 2010 tax appropriation - budgeted \$4.5M funding to support CMHS documented and qualified indigent care service costs; however due to unilateral internal changes in the corporate sponsorship policy, only \$1.589 million dollars of represented corporate sponsorship services were determined eligible for Hospital Board tax supported funding. The variance between corporate representations and actual eligible services resulted in the Hospital Board budgeted funding amount exceeding eligible Foundation service costs; the 2010 funding amount not utilized was brought forward to 2011.

Although some provisions of the amended CMHF corporate charity and sponsorship policy exceeded the financial eligibility criteria and did not meet the documentation provisions in the Florida HCRA Act/Citrus Hospital Board Indigent Care Policy, ALL corporate sponsorship costs were fully funded by available Florida low-income programs. In addition to the 2010 Hospital Board indigent care funding of \$1.589M, FYE 2010 CMHF, Inc. received approximately \$3.5M in Florida funding and enhanced reimbursements to assist with the provision of charity, low-income uninsured, underinsured, and Medicaid services. 2010 Hospital Board and Florida AHCA support to the Foundation totaled over \$5.0M, exceeding projected service costs for all Foundation unilaterally defined sponsorship services by approximately \$1.2M.

100% of reasonably estimated costs of all 2010 CMHF corporate sponsorship services - as defined by the amended & expanded CMHF corporate sponsorship policy - were absolutely fully funded – if not overfunded - by combined resources of available State low-income funding programs and local Hospital Board tax-supported funding, as well as by corporate Not-For-Profit community benefit obligations.

2010 Hospital Board Budgeted Capital Expenditure Funding Brought Forward Due to Corporate Non-compliance With Represented Capital Expenditures & Non-compliance with Capital Expenditure Funding Threshold

The 2011 Hospital Board *Fund Balance Brought Forward* additionally includes 2010 CMHF, Inc. capital improvement expenditure funding of \$1.5M, budgeted but not utilized. The 2010 Hospital Board capital expenditures budgeted funding contribution was based upon Foundation representations of \$12 million dollars of projected 2010 (non-bond financed) capital improvements and established a contribution-funding threshold of \$7 million dollars.

Although CMHF, Inc. published financial reports (August 31, 2010) indicated FYE 2010 corporate capital expenditures of \$5.5M, the capital expenditures are significantly less than the \$12.0M of capital expenditures the corporation represented to secure the 2010 tax appropriation; additionally the corporate reports did not specify or detail bond financed & non-bond financed capital improvements. Due to the significant variance between Foundation *projected* 2010 capital expenditures of \$12M - upon which the HB budget was based - and *actual* Foundation 2010 capital expenditures, as well as Foundation non-compliance with the established capital funding threshold, the HB budgeted 2010 capital expenditure funding amount of \$1.5M was carried forward in the Hospital Board 2011 *Fund Balance Brought Forward*. As the Foundation in previous years had represented significant capital improvements to secure tax funding and ultimately not performed the capital service or improvements represented - to ensure the Foundation invested a reasonable percentage of improvements represented - the Hospital Board 2010 Budget placed a threshold on the amount of capital investments that the corporation would need to invest prior to Hospital Board funding contribution.

In conclusion, the 2010 funding had not been transferred to the Foundation as originally budgeted due to the fact the represented services/capital improvements had not been reasonably performed by the Foundation. The funding had not been "misappropriated" but rather, as significant services/capital improvements represented by the Foundation to secure the tax appropriation had not been performed or reasonably completed, the Board's fiduciary duty to the community was to carry the amounts forward to 2011.

(7) APPROVAL OF SEPTEMBER 15, 2010 TENTATIVE MILLAGE RATE & TENTATIVE BUDGET HEARING

Mrs. Frankel offered a correction to the September 15, 2010 Minutes to attach a copy of the September 04, 2010 Citrus County Hospital Board Letter (Indigent Care) which had been read into the record September 15, 2010. (*Copy Attached*)

MOTION by Mrs. Ressler, seconded by Mr. Smallridge, to approve the September 15, 2010 Tentative Millage Rate & Tentative Budget Hearing Minutes & Exhibits, as corrected. The Motion passed unanimously, 4-0.

(8) CONSIDERATION OF RESOLUTION 2010-04 REGARDING THE FINAL 2010 -2011 MILLAGE RATE

Mr. Grant advised an appropriate budget summary was published in a newspaper of general circulation & was available for review.

(8)(a.) READING OF RESOLUTION 2010 - 04

Mr. Kilgore, Citrus County Hospital Board, Director of Finance, read Resolution 2010-04 in its entirety adopting a final millage rate of 0.4500 mills, which is less than the rollback rate of 1.0520 mills by 57.2243%. (*Copy On File*)

(8)(b) PUBLIC COMMENT

Multiple comments were received from CMHF Executive Management, Directors, and employees. Multiple comments were also received from representatives of the Citrus County Tea Party, the Citrus County Medical Society, the Florida Well-Care Alliance and concerned citizens of Citrus County. *(Sign-In, Copy On File)*

Mr. Ryan Beaty, CEO, Citrus Memorial Health Foundation, Inc.:

Mr. Beaty commented federal legislation proposed 2012 – 2022 reduction in hospital Medicare payments of approximately \$818 billion dollars with increases in self-pay reimbursements. Mr. Beaty advised that as CMHS is significantly Medicare, the upcoming legislation would have an overall negative effect and it is essential the Boards work together. The Board agreed and reminded Mr. Beaty of the Hospital Board's repeated attempts to negotiate with the Foundation, however the Foundation had withdrawn from discussions.

Mr. Beaty advised the Board of the CMHF most recent budget and advised the Foundation Budget is very close to a balanced budget (without any Citrus County tax revenues) with a small reduction in personnel, defined pension plan changes and no executive bonuses in 2010 nor budgeted in 2011. Mr. Beaty advised the Foundation was requesting the Hospital Board subsidize the Foundation with additional funding in the amount of \$6.1 million dollars (\$4.0 million dollars to fund charity services & 2.1 million capital expenditures).

The Board noted the recently revised Foundation budget actually provided for a total Foundation profit of approximately \$3.7 million dollars with zero local tax support and it was unclear why the Foundation needed the requested \$6.1 million dollars in additional local tax subsidies. Mr. Beaty noted \$4.0 million dollars was an accounting transfer from the defined benefit plan changes and \$1.3 million dollars of revenue resulted from an estate bequest. The Foundation profit/loss without such revenue items and without additional tax support would be approximately a \$1.4 million dollar loss. *(September 28, 2010 CMHF, Inc. 2011 Revised Budget Documents Attached) (CMHF prior 2011 Budgetary Documents, Copies On File)*

RECESS 7:45 - 8:03 P.M.

(8)(c) CITRUS COUNTY HOSPITAL BOARD STAFF PRESENTATION

(8)(d) CONSIDERATION OF RESOLUTION 2010-04

Mr. Kilgore noted Resolution 2010-04 included the tentative millage rate of 0.4500 tentatively adopted during the September 15, 2010 initial public hearing. Mr. Kilgore advised while speakers requested the millage rate be reduced to 0.0000, he did not recommend doing so – although the rate could be reduced. Mr. Kilgore discussed various millage rates & the budgetary effects & recommended a reduced rate of 0.2500 mills. Mr. Kilgore advised that the 2012 rate was not dependent on the actual 2011 millage adopted but rather the maximum 2012 millage rate by majority vote would be 1.4100 mills. Mr. Kilgore noted with the 2011 millage set to 0.2500, funding anticipated appropriations, the 2011 fund balance carry forward would be approximately \$6.2 million dollars.

Mrs. Ressler inquired whether such reserve would be sufficient to fund all indigent care with the ever-increasing unemployment rates. Mr. Kilgore advised, in his viewpoint, the reserve was adequate to cover all reasonable contingencies.

Discussion ensued regarding the 2011 CMHF proposed funding of \$1.0 million dollars to fund CMHF indigent care services and \$1.0 million dollars to contribute to CMHF capital expenditures. Mr. Smallridge noted the Foundation had removed the \$2.0 million dollar community physician services indigent care funding.

Mr. Kilgore noted that although the Foundation preliminary budget (September 28, 29 2010) reflected a tax appropriation of \$6.1 million dollars, the most recent Foundation budget with a zero tax appropriation reflected a total profit of \$3.7 million dollars. Mr. Kilgore advised Mr. Beaty had indicated approximately \$4.0 million of budgeted 2011 revenue was non-reoccurring due to savings from the defined benefit plan, with an additional \$1.3 million dollars in revenue expected from an estate. Mr. Kilgore advised that with zero local tax revenues, the final Foundation budget demonstrated an approximate loss of \$243,000 exclusive of the defined benefit plan revenue (approximately a \$1.5 million dollar loss exclusive of the 2011 revenue from both the defined benefit plan and the estate bequest).

Mr. Smallridge noted the final Foundation budget provided for a total profit (operative and other revenues) of \$3.7 million dollars with zero taxes and the Hospital Board 2011 budget funded an *additional* \$2.0 million dollars to CMHF. Mr. Smallridge inquired why the Foundation was requesting another \$4.1M over the HB currently budgeted Foundation funding of \$2.0M. (\$6.1M total 2011 Foundation tax appropriation budget request) and additionally inquired what services would be provided with the proposed additional local tax funding.

Mr. Smallridge noted the final Foundation budget represented 2011 Foundation non-bond financed itemized capital investments of \$10.69M with Foundation requested tax funding to support capital in the amount of \$2.1 million dollars. Mr. Kilgore noted previous Hospital Board budget workshop discussions included capital funding based upon Foundation independent completion of projects equivalent to a reasonable percentage (75%) of the annual Foundation depreciation amount of \$8.9 million dollars to establish a HB funding threshold of \$6.7 million dollars with Hospital Board capital funding contribution of \$1.0 million dollars towards the projects exceeding the depreciation threshold investment.

The Board noted the threshold and funding percentage contribution would help insure that the Foundation would in fact complete the projects represented to the taxpayers and avoid the circumstances of previous years wherein the Foundation represented significant capital improvements, received the requested tax appropriation and subsequently completed only a small fraction of the capital improvements originally represented to receive the tax appropriation.

It was additionally noted best practice standards recognized that the Foundation annual reinvestment in capital improvements should be at least equivalent to the organization's annual depreciation expense deduction and that the agreements between the parties required the Foundation to maintain effective operations to assure adequate reserves for capital improvements.

MOTION by Mrs. Ressler for a time certain of 8:45 P.M. to vote on the millage rate, Second by Mrs. Frankel. Upon being called, the Motion passed 3 – 1, with Mr. Smallridge voting Nay.

Discussion ensued regarding the final millage rate.

Mr. Smallridge noted adequate reserves should be maintained to provide additional capital funding of \$1.0 million, if needed. Mr. Kilgore advised the 0.2500 millage rate would generate sufficient reserves for such occurrence.

Mr. Kilgore re-read, in its entirety, proposed Resolution 2010 -04 providing a final 2010 - 2011 millage rate of 0.4500 mills.

MOTION by Mr. Smallridge, Second by Mrs. Ressler, to reduce the final 2010 - 2011 millage rate to 0.2500 mills. Mr. Kilgore re-read Resolution 2010 - 04 to adopt a final millage rate for Fiscal Year 2010 -2011 of 0.2500 mills, which is less than the roll back rate of 1.0520 mills by 76.2357%. (Copy Attached) Upon being called, the Motion passed 4 -0.

(9) CONSIDERATION OF RESOLUTION 2010-05 REGARDING THE FINAL 2010 -2011 BUDGET

Mr. Grant commented regarding the Foundation executive bonus payments, attorneys' and consultants' fees and various areas where Foundation operational and fiscal improvements could be made. Mr. Grant noted the Foundation has spent over \$1.0 million dollars in attorneys' fees and has budgeted approximately \$1.4 million dollars in fiscal year 2010 – 2011 to fund the ensuing conflict with the Hospital Board. Mr. Grant noted that even with such budgeted expenses the most recent Foundation budget without any tax revenues whatsoever is in the black with a significant total profit. Mr. Grant noted the Foundation unilateral changes to the Sponsorship policy and additionally noted that under the proposed Hospital Board budget, the cost of all Foundation sponsorship care is fully and funded by Hospital Board funding and additional State funding. Mr. Grant additionally noted the Hospital Board responsibly carried forward prior year (2009, 2010) funding due to the Foundation failure to make capital investments as represented to secure the tax appropriations.

As controversy has ensued regarding the Hospital Board COO salary, Mr. Grant noted Ms. LaMarche's salary & bonus while recently employed at CMHS exceeded \$100,000. Mrs. Ressler noted, contrary to some incorrect reports, absolutely no 2011 Hospital Board staff salary increases were planned, nor would be implemented.

*** RECESS 9:10 – 9:17 P.M. ***

(9)(a) READING OF RESOLUTION 2010 – 05

Mr. Kilgore, Citrus County Hospital Board, Director of Finance, read Resolution 2010 - 05, in its entirety, adopting the Fiscal Year 2010 – 2011 Final Budget. *(Copy Attached)*

(9)(b) REVIEW OF THE CITRUS COUNTY HOSPITAL BOARD PROPOSED BUDGET 2010 - 2011

(9)(c) PUBLIC COMMENT *** None ***

(9)(d) CITRUS COUNTY HOSPITAL BOARD STAFF PRESENTATION

(9)(e) CONSIDERATION OF THE FINAL BUDGET PURSUANT TO RESOLUTION 2010-05

An analysis of the budget for fiscal year 2010 - 2011 was presented. A thorough discussion concerning the budget and budgetary footnotes ensued. Mr. Smallridge noted in his viewpoint the appropriate budgetary control should be line item as opposed to Administrative category. Via Consensus, Footnote 6 (providing Administrative Category Budgetary Control) was stricken.

MOTION by Mrs. Frankel, Second by Mrs. Ressler that Resolution 2010 – 05 Adopting the Final Budget for Fiscal year 2010 - 2011 be passed together with applicable detail as relevant to the 0.2500 adopted millage rate and footnotes, as marked 1 – 5.

Upon being called, the Motion passed 4 – 0. *(Copy Attached)*

Resolution 2010-04 adopting a 2010 -2011 Final Millage Rate of 0.2500 and 2010 -05 adopting a 2010 – 2011 Final Budget were duly executed by Chairman V. Upender Rao and Secretary D. Osmond Frankel.

(10) Adjournment

MOTION by Mrs. Ressler, Second by Mrs. Frankel to adjourn; upon being called, the Motion was approved unanimously, 4-0. The meeting adjourned at 10:10P.M.

Respectfully Submitted,



Deborah Osmond Frankel, Esquire
Secretary



dfo.draft

09.29.2010 Minutes "Copy Attached"

1. September 29, 2010, 2010 Fund Balance Brought Forward
2. September 04, 2010, Citrus County Hospital Board Indigent Care Letter
3. CMHF 09.28.2010 Final Budgetary Documents
4. Resolution 2010 – 04 Adopting 2010 -2011 Final Millage Rate of 0.2500 Mills
5. Resolution 2010 – 05 Adopting 2010 – 2011 Final Budget
6. 2010 -2011 Final Budget, Detail and Applicable Footnotes

09.29.2010 Minutes "Copy on File"

1. Agenda & Published Legal Notice
2. Resolution 2010 – 04 Proposed 2011 (Tentative) Millage Rate of 0.4500 Mills
Resolution 2010 – 04 Adopting 2011 Final Millage Rate of 0.02500 Mills
Resolution 2010 – 05 Adopting 2011 Final Budget
3. 09.29.2010 Public Comment Sign In
4. CMHF 2011 Budgetary Documents Submitted to Citrus County Hospital Board (w/ HB notes):

09/27/2010

09/21/2010

08/23/2010

06/30/2010