

The McMinn County Board of Commissioners met in Special Called Session on Tuesday, February 6, 2007, at 12:00 noon, in the Blue Room of the McMinn County Courthouse.

1. CALL TO ORDER

The meeting was called to order by Chairman Crews.

2. INVOCATION

The Invocation was given by Commissioner Bob Powers.

3. PLEDGE TO THE FLAG

The Pledge to the Flag was led by Commissioner Gary Mason.

4. ROLL CALL

Roll Call was taken by Clerk Evonne Hoback, as recorded:

Scott Curtis – Present  
Dale Holbrook – Present  
Jeannie King – Present  
Roger Masingale – Present  
Gary Mason – Present  
Jerry Millsaps – Present  
Bob Powers – Present  
Jack Powers – Present  
Tad Simpson – Present  
Chairman David Crews – Present

5. CONSIDERATION OF WOODS HOSPITAL LOAN REQUEST

Mr. Don Downey, CEO of the Woods Memorial Hospital District, said they have requested assistance from the County Commission to secure a line of credit to help them through the term of the planning for the issuance of the Request for Proposal (RFP) and the operation of the hospital until the negotiations are complete. Mr. Downey reviewed the past history as well as the past financials, which have resulted in the present negative cash flow situation. Mr. Downey said that they have made enough corrective expense reductions to cut the negative cash flow in half and added that the Board of Trustees met on Saturday and they are asking for a line of credit which does three things. The first is to help them through negative cash flow for three months, the second is a backup situation of negative cash flow for two months, but he added that he believes that they can bring the hospital to positive cash flow in 90 days. He also said that they have approximately \$600,000 that vendors are demanding payment and added that past action of using vendors as bankers is unfair to the vendors. Mr. Downey said that third component of that loan is money that Medicare is owed. This needs to be paid or request a financing agreement to spread it over 12 months. Mr. Downey said they have requested a financing agreement, but they have not answered. In the event that they do allow us to spread it over 12 months, Mr. Downey said they will not borrow the money (\$641,000) on the line of credit.

Mr. Downey answered several questions of Commissioners concerning debt reduction, possible employee reduction, including the possible closure of two clinics, but in response to a question from Commissioner Bob Powers concerning how close they are to the sale of the hospital, Mr. Downey deferred to Mr. Ken Connors from the Joseph Decosimo & Company, the consultant firm hired by the Strategic Partnership Committee. Mr. Connors said that they have six clear expressions of interest in receiving the RFP and they have initiated contact with another 8-10 potential players. He said it was his guess is that they'll end up sending ten RFP's, but he thinks that there are three or four out there that are very interested.

Regarding the RFP process, Mr. Connors said that they are going to provide to the perspective buyers a summary of the hospital operations, the nursing home, the renal dialysis unit, home health, and the two clinics

as well as what's going on in McMinn County in terms of economic development and job opportunities so that they can see that there is a viable patient base here. Mr. Connors said that they would talk about the hospitals past history with Medicare and under the Baptist Management contract and provide them information on current staffing and employee benefits. The perspective buyers will have enough information to begin to formulate a response and added that their goal is to have the RFP out the first week of March if Decosimo can become comfortable with the level of financial information in the RFP because the better the information, the better response we get. Perspective buyers will be given approximately 30 days to respond. Mr. Connors said that these responses will be evaluated based principally on the financial viability of the offer and the continuation of acute care in Etowah, although other things will be considered.

In response to a comment Mr. Conner made, there was a lengthy discussion between Mr. Connors, Mr. Don Higdon, Chairman of the Board of Trustees, and the Commission concerning who the Decosimo company is responsible to in coming up with the RFP. Mr. Conner said it would be his intention to share the draft RFP with the Strategic Planning Committee first because that group has representatives of all the parties, although he is open to direction. In response to a question from Commissioner Masingale, Mr. Connors said that he expected a perspective buyer would look at books and records for about 60 days with the latter half of that 60 days working on legal documents. Mr. Connors said in a perfect world, we are looking at June 30<sup>th</sup>, but added that this is not a perfect world, and he gave an example of not giving due diligence to a perspective buyer.

Discussion continued between Commissioners, the County Mayor, Mr. Don Higdon and Mr. Downey concerning which group is responsible for making decisions (the Strategic Partnership Committee including involvement of physicians, the County Commission or the Hospital Board), the question concerning possible need for more money in the future and the possible bogging down of the process. There was also a discussion of guarantees from perspective buyers concerning keeping the hospital as an acute care facility. In response to a question from Commissioner King, Mr. Connors said that no one they have spoken with is interested in just the nursing home. Mr. Gentry discussed some specific cash flow figures and Mr. Downey reviewed the negative cash flow they are experiencing but he believes this line of credit will get them through. Mr. Downey said that they will not be back to borrow more money and added that the hospital has already begun to stabilize. He praised the County Commission and the Board of Trustees but said that he feels we should set August/September as a timeline.

Mr. Tim Poteet with First Volunteer Bank addressed the Commission and said that he has talked with Mr. Downey and that he is very pleased they have a man of his caliber in the hospital. He believes that Mr. Downey has a good handle on what needs to be done.

Chairman Crews presented the following resolution for comments or questions:

**Resolution No. 07-009**

**A RESOLUTION APPROVING AN AGREEMENT BETWEEN McMINN COUNTY AND THE WOODS MEMORIAL HOSPITAL DISTRICT (WMHD) INCREASING McMINN COUNTY'S GUARANTEE FOR FINANCIAL ASSISTANCE FOR WMHD TO 3.1 MILLION DOLLARS**

WHEREAS, the Woods Memorial Hospital District (hereinafter "WMHD") was established by Private Act of the State of Tennessee on the 16<sup>th</sup> day of February, 1965; and

WHEREAS, said Private Act authorizes McMinn County to appropriate to the Hospital District from the General Fund such sums as may be necessary to pay any deficits arising from the operation and maintenance of the Hospital District; and

WHEREAS, the WMHD continues to experience deficits with the operation and maintenance of the Hospital District as to require the assistance of McMinn County; and

WHEREAS, McMinn County desires to retain a viable hospital presence at the current location of the WMHD, with the hope of eventually improving the level of health services presently available; and

WHEREAS, McMinn County agrees to allow WMHD to use this resolution with the limitations stated herein to procure a line of credit in the amount not to exceed one and one half million dollars (\$1,500,000), the proceeds of which shall be used to pay existing and potential future deficits which have arisen from the operation and maintenance of the Hospital District; and

WHEREAS, this line of credit, in addition to the guarantee of \$1.7 million granted in July 2006 (currently paid down to \$1.57 million), will increase McMinn County's guarantee to \$3.1 million; and

WHEREAS, the limitations are as follows:

1. WMHD must use a competitive procedure to solicit the loan agreement.
2. All debts of the district owed either directly to McMinn County or a financial institution, whose loan is secured by the full, faith and credit of McMinn County, shall be satisfied per legal authorization with the proceeds of the sale of the WMHD.
3. WMHD shall pursue a loan solely collateralized by the real property of the District. If no financial institution is willing to participate without McMinn County co-signing the line of credit, the WMHD shall issue Deeds of Trust to McMinn County as collateral for property valued by appraisal one and one-half times the amount of the loan.
4. Any monies obtained by WMHD pursuant to the loan agreement shall be restricted to payment of the existing, outstanding accounts payable shown in Exhibit "A" attached hereto, Medicare reimbursement, the consolidation of specified existing loan agreements and meet payroll obligations.
5. If WMHD is unable to pay on any due date the payment then due, then WMHD shall immediately notify the County of its inability to pay and at the same time provide proof of such notification to lender. The County shall pay from the General Fund the amount of the payment then due by remitting the same to Lender within 15 days of County's receipt of WMHD inability to pay such amount.
6. Until such time as any loan or line of credit under this agreement is paid in full, WMHD shall not sell, mortgage, transfer or dispose of any of its real property assets without the written consent of the county.
7. The same shall hold true until any and all debts currently owed to McMinn County by WMHD are paid in full, including but not limited to past bond issues and ambulance payments.
8. It shall be the sole intent of the WMHD to utilize the funds made available by this loan agreement to financially stabilize the Hospital District during its transition to a new owner.

WHEREAS, the McMinn County Commission will not authorize the transfer of the WMHD unless the proceeds resulting from the transaction extinguish all the debts of the WMHD which are directly owed to McMinn County or secured by the full, faith and credit of McMinn County; and

WHEREAS, the McMinn County Commission and the Woods Memorial Board of Trustees together agree that the McMinn County Commission possesses the authority to withhold approval of any recommendation the Strategic Planning Committee or Woods Memorial Board of Trustees may recommend if not determined to be in the best interest of the citizens of McMinn County; and

WHEREAS, the Board of Trustees must implement a corrective action plan to decrease monthly expenditures and increase cash flows as presented by the WMHD administration or some other equivalent plan, which corrects monthly operational deficits.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF McMINN COUNTY, TENNESSEE, MEETING IN CALLED SESSION THIS THE 6<sup>TH</sup> DAY OF FEBRUARY 2007, THAT THIS COMMISSION does hereby approve to increase its guarantee to \$3.1 million for the WMHD to secure financial assistance, subject to the stated limitations, to meet the financial obligations arising from the operation and maintenance of the Hospital District, and authorizes the County Mayor to execute the necessary documents to meet the intended purposes of this agreement.

(Orig. signed by John M. Gentry)

John M. Gentry  
McMinn County Mayor

ATTEST:

(Orig. signed by Evonne Hoback)  
Evonne Hoback, County Clerk

MOTION made by Commissioner Holbrook, and seconded by Commissioner Jack Powers, to approve this resolution.

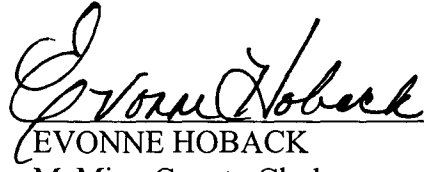
Motion carried by voice vote.

6. ANY OTHER BUSINESS THAT MAY LEGALLY COME BEFORE THIS COMMISSION

None.

7. ADJOURNMENT

There being no other business, Chairman Crews declared the meeting adjourned at 12:45 pm.

  
EVONNE HOBACK  
McMinn County Clerk

Attest:

aj                      2-15-07  
Deputy Clerk                      (date)