

Arkansas City Public Building Commission – Special Meeting Minutes

The Arkansas City Public Building Commission met in special session at **12:02 p.m. Friday, April 13, 2018**, in the Classroom at the Water Treatment Facility, located at 400 W. Madison Ave. in Arkansas City, for a joint meeting with the South Central Kansas Medical Center Board of Trustees.

Mayor **Dan Jurkovich** called the meeting to order. Other commissioners present at roll call were **Angela Bruce, Kanyon Gingher, Duane L. Oestmann, Jay Warren** and **Karen Welch**.

Chairman **Mike Munson** and Commissioners **David Billings** and **Shandon Weston** were absent.

Members of the SCKMC Board of Trustees in attendance were Chair **Carol Hearne**, Vice Chair **Hap McLeod**, Treasurer **JoLynn Foster, Mark Paton** and Dr. **Robert Yoachim**. Dr. **Nick Rogers** arrived late. Dr. **Perry Lin**, Dr. **Jerry Old** and Secretary **Karen Zeller** did not attend the meeting.

City of Arkansas City employees present at the meeting were City Manager **Nick Hernandez**, City Attorney **Tamara Niles**, Public Information Officer **Andrew Lawson**, Finance Director **Kathy Cornwell** and City Treasurer **Jennifer Waggoner**.

South Central Kansas Medical Center employees present at roll call included Chief Executive Officer **Virgil Watson**, Chief Financial Officer **Holly Harper**, Director of Risk Management **Shayla McDonald** and legal counsel **Otis Morrow**. Revere Healthcare Solutions, Inc. was represented by Chairman and Chief Executive Officer **Carmine Di Palo**.

Citizens in attendance included **John Farrar, Vicki Jackson, Jeff Judd, Mell Kuhn, Bob Mathews, Gareth McGee, E.W. Shelton**, Ark City Daily Bytes reporter **Jeni McGee** and Cowley CourierTraveler reporter **John Shelman**.

Business

Discuss Hospital Finances and Operations

Mayor Jurkovich presented for discussion hospital finances and operations. He gave an overview of the reasons why he requested this joint meeting and what he hoped to achieve at the meeting.

City Attorney Niles gave an overview of the legal relationships among the three entities – the City Commission, the Public Building Commission (PBC), and SCKMC and its Board of Trustees.

City commissioners appoint the four citizen members of the PBC and eight of the nine members of the Board of Trustees, and also serve as five members of the PBC, which technically owns the medical center. It, in turn, leases the building, through the City, to the Board to operate SCKMC.

Mayor Jurkovich said he sometimes feels there are “too many people in the room” during Board of Trustees meetings and wonders if the board wouldn’t benefit from being smaller in size. He said the Board is the only thing the City Commission has any sway over regarding SCKMC operations.

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E.W. Shelton asked what Mayor Jurkovich meant by “too many people in the room.” He replied that audience questions would be addressed later, but promised to explain his meaning at that time.

He said he’s observed that there seems to be some tension between the Board and City Commission.

Mayor Jurkovich also questioned why the hospital’s chief of staff (currently Dr. Lin) is a voting member of the Board of Trustees and why the board has to have the term limits that it has in place.

Niles pointed out that there are three additional ex officio members of the Board of Trustees who do not vote — the city manager, the chief executive officer of SCKMC and a city commissioner.

Mayor Jurkovich suggested reducing the Board to five members, with one possibly being a voting city commissioner, or alternatively, an ex officio commissioner could be a nonvoting sixth member.

Chairwoman Hearne said this system was set up in 1981 when the hospital was separated from the City and she suggested the City could take SCKMC back under its direct control to address issues.

Prior to 1981, she said, hospital payroll checks were signed by the city treasurer and the chief executive officer was a direct report City employee who was hired by the City Commission. She pointed out an additional layer in that the Board only hires and fires the CEO, not other employees.

Dr. Yoachim said the reduction in the late 2000s from nine to seven Board members damaged the Board’s subcommittee structure. Chairwoman Hearne said it has hurt Board member continuity.

She said there used to be a separate strategic planning and finance committee, but now it just comprises the four executive members of the Board (chair, vice chair, secretary and treasurer).

Vice Chair McLeod said it is hard for the Board to discuss some issues in public due to its size. He said the issue isn’t board size, but rather financial problems at SCKMC and poor communication.

Vice Chair McLeod said he thinks the Board is making progress on those issues. Mr. Paton said he usually favors smaller boards, but he thinks this Board functions well and has good discussions.

Commissioner Oestmann said he’s observed that SCKMC staff sometimes “dominates” Board discussions. Dr. Yoachim countered there are technical issues that require expert input to discuss.

Vice Chair McLeod said the Board terms need to be longer because they are very complex decision-making positions that have a learning curve of one to two years to understand hospital finances.

City Manager Hernandez said William Newton Hospital and many other rural hospitals throughout the state of Kansas have governing boards with just five members.

Commissioner Oestmann said he thinks the Board is working well, but Mayor Jurkovich said he doesn’t agree with that assessment and that is why he wanted to have this open discussion forum.

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Treasurer Foster said no changes to the Board can alter the financial restrictions under which SCKMC has to operate, which are the result of policy decisions at the state and federal levels.

Dr. Rogers joined the meeting in progress. He said he agreed with Mr. Paton's comments. He explained that the 1981 split was made as a result of a lawsuit that targeted the City and SCKMC.

Dr. Rogers rhetorically asked what the vision of SCKMC is and said he doesn't feel like it truly has one currently. He thinks communication is not a problem internally, but it might be with the City.

He characterized the Board's recent actions as more of a "shotgun" approach than a strategic one.

Commissioner Welch said there was a big paradigm shift in hospital design right around the time the new medical center was constructed and that is a large part of the problems the City is facing.

Dr. Rogers said the change in federal reimbursements as part of "Obamacare" is a big part of it, too.

Commissioner Warren said he thinks smaller boards are usually better. Commissioner Gingher said she doesn't care about hurting feelings — only about what it will take to solve hospital issues.

She said communication and accurate information are a big problem. She asked if the hospital currently has an Intensive Care Unit. CEO Watson said yes and Dr. Rogers said no. Commissioner Gingher said that was a perfect example of what she was talking about, and it needs to be corrected.

Commissioner Gingher and Vice Chair McLeod had a debate about the current state of communication. He said is he concerned about SCKMC's cash flow and wants better information.

Vice Chair McLeod said it is not the Board's role to do hospital management's job or know every last detail. Commissioner Oestmann said he doesn't think anyone is asking the Board to do that.

Mayor Jurkovich asked the Board how communication issues could be addressed. Chairwoman Hearne said she doesn't like to see hospital employees "belittled" at City Commission meetings.

She said that without a hospital, there won't be a town, but Mayor Jurkovich countered by stating that he thinks the city only needs "health care" in some form in order to be able to survive. He said an "all or nothing" perspective when it comes to dealing with SCKMC can affect decision making.

Mayor Jurkovich said the City Commission is frustrated because it is told things that do not seem to work out. He said that when the initial request for another half-cent sales tax was made and he pushed for it to be a one-cent tax, the commissioners felt attacked for insisting on that increase.

He added that requests for emergency funding have been last-minute. That is why monthly reports from SCKMC were instituted as a regular practice to improve communication. Commissioner Oestmann raised the issues of declining financial performance and supply chain management.

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Vice Chair McLeod praised Commissioner Gingher for always being positive about the hospital.

Mayor Jurkovich asked the Board how well members thought initiatives had been implemented in the last year and a half that were recommended in the Quorum Health Resources report that was commissioned in late 2016 by the Public Building Commission after technical default.

Treasurer Foster said she never saw the report and it never was presented to the Board. Mayor Jurkovich said it was presented to the PBC and a copy also was provided to SCKMC personnel.

Hernandez said those personnel could have provided the document to the Board and that the City was asked by SCKMC management not to provide a copy directly. Vice Chair McLeod asked why the commissioners didn't just give the Board the Quorum report directly.

Niles said a portion of the report had to be kept as a closed record for reasons of personnel privacy, but the Board could have been provided access to view that section in executive session.

Commissioner Gingher said Watson had a copy of the report, but chose not to disclose it to them.

Vice Chair McLeod asked if the Board can get copies of the report. Commissioner Warren said issues like these were the reason for the meeting. Mayor Jurkovich said he didn't realize the Board never received a copy of the Quorum report. Watson said it was because the PBC owned the report.

Both groups agreed this lack of a common operating picture is to blame for the miscommunication.

Ark City Daily Bytes reporter Jeni McGee asked Watson how the Board members can possibly hold him accountable for the items listed in the report if they never have been provided with access to it.

Mayor Jurkovich asked if Carmine Di Palo's work will overlap with what Quorum reported. Watson said the Quorum report was a snapshot of 2016 and some of the information isn't relevant anymore.

He said he didn't resent any of the questions raised and views them as constructive criticism. He pointed out that SCKMC has had 16 CEOs in the last 30 years. William Newton only has had three.

Chairwoman Hearne left the meeting in progress around 1 p.m.

Watson said that after three years, he finally feels like he has the right management team in place.

He gave a long report about the current state of SCKMC and said a long-term plan is now in effect.

Mayor Jurkovich said the commissioners still need to find new members to replace Hearne and Dr. Rogers, who he praised for raising the issue of rising accounts payable and thanked for his service.

Commissioner Gingher said people need to remember that Chief Financial Officer Harper doesn't make the bad numbers — she just reports them, but sometimes she is "besieged by negativity."

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Mayor Jurkovich asked Niles if there is any way SCKMC can become truly independent of the City.

She said it could be legally possible, but perhaps not realistic or feasible. SCKMC attorney Otis Morrow said they looked at that heavily in 1981, but decided not to pursue that for many reasons.

Mayor Jurkovich said he thinks the charter ordinance is a little heavy-handed in terms of dictating specific duties to the Board, but appointing a good Board should lead to it doing those naturally.

The prospects of renewing the half-cent sales tax were raised by Commissioner Oestmann, who said there is no way to take care of bond debt payments without some kind of long-term sales tax.

Hernandez said the time to start talking about renewing the tax and refinancing the debt is now.

Vice Chair McLeod said the Board will receive audited financial statements in the next week, which will give the members a much clearer financial picture of where things stand right now.

Mayor Jurkovich opened the floor to questions from the public. E.W. Shelton again asked what he meant by “too many people in the room.” Mayor Jurkovich said he does not think the Board’s discussions are as robust as they could or should be and he thinks it has something to do with size.

Vice Chair McLeod urged everyone in the room to go out and be “ambassadors” for positivity.

Hernandez pointed out the annual debt payment is about the same as the amount of bad debt.

Bob Mathews also emphasized the need for officials to promote positivity when discussing SCKMC. He thinks the Board of Trustees should stay at nine voting members for the time being.

Commissioner Gingher said society has come to view asking questions as something negative or untrustworthy, but for her, it just means she doesn’t know or understand something and needs an answer or clarification. She said people need to stop being offended by someone asking questions.

Gareth McGee addressed damaging impacts of negativity about the hospital on social media. He asked if SCKMC can do any “damage control” in those situations without violating privacy.

Jeni McGee said the media don’t always receive all of the information, so they can’t report it accurately and thus the citizens aren’t as well informed. She said the media don’t try to be negative.

Mayor Jurkovich summarized by saying that reducing the size of the Board might not be the answer, but at least this meeting consisted of constructive dialogue that opened the lines of communication and will serve as guidance for the commissioners when appointing new members.

Commissioner Warren said he was the one who requested this special joint meeting because he could see confusion on both sides. He thanked everyone for their constructive, honest comments.

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Adjournment

Commissioner Oestmann made a motion to adjourn the meeting. Treasurer Foster seconded the motion. A voice vote was unanimous in favor of the motion.

Mayor Jurkovich declared the meeting adjourned at **2:06 p.m.**

THE ARKANSAS CITY PUBLIC BUILDING COMMISSION

Angela Bruce, Vice Chair

Dan Jurkovich, Mayor

ATTEST:

Lesley Shook, Secretary

Prepared by:

Andrew Lawson, Public Information Officer