

**JOINT FINANCE, GENERAL SERVICES AND HEALTH SERVICES
COMMITTEE MEETING**

April 15, 2011

COMMITTEE MEMBERS PRESENT:

Finance Committee: Supervisors Mawhinney, Kraft, Beaver, Diestler, Podzilni
General Services: Supervisors Owens, Brill, Combs, Mawhinney
Health Services Committee: Supervisors Bussie, Beaver, Fizzell

COMMITTEE MEMBERS ABSENT: Supervisors Heidenreich, Fox, Johnson

OTHER COUNTY STAFF MEMBERS PRESENT: Craig Knutson, County Administrator; Randy Terronez, Assistant to County Administrator; Sherry Gunderson, Rock Haven Administrator; David Sudmeier, Rock Haven Controller; Jeff Smith, Finance Director; Rob Leu, General Services Director

OTHERS PRESENT: Jim Haseman, Ombudsman

CALL TO ORDER/APPROVAL OF AGENDA - Chair Owens called the joint meeting of the Finance, General Services and Health Services Committees to order at 10:00 a.m. in the Rock County Courthouse N1 Conference Room. Supervisors Kraft and Podzilni moved to approve the agenda. ADOPTED.

Chair Owens explained that the meeting was called by request of General Services Committee members who wanted County Board supervisors to have a chance to ask questions about the Rock Haven project in order to better understand financing options, time lines and changes that have been made in design development.

The meeting included presentations by Craig Knutson, County Administrator; Randy Terronez, Assistant to the County Administrator; and Sherry Gunderson, Rock Haven Nursing Home Administrator.

Knutson reviewed the financial impact analysis of borrowing for the new facility. He briefly reviewed the Rock Haven Study completed in 2009. That study reviewed four options for the county: 1-Renovate the exiting facility with construction costs of \$14.5-18.5 million. 2-Renovate and expand with construction costs of \$22.7 - 27.9 million. 3- Build a new 92 bed facility. 4- Build a new 128-bed facility. At the completion of the study, the Board voted to move forward to build a new 128-bed facility.

Knutson described the effect of the State Budget on the county's ability to raise property taxes to cover operating costs and capital projects. The Governor's budget does not limit the county's ability to raise property taxes to fund capital projects.

Knutson distributed a spreadsheet giving debt service estimates prepared by the County's financial advisor, Carol Wirth. He walked the group through the spreadsheet explaining that Wirth is recommending that the county borrow one half of the cost in 2011 and the remainder in 2012 for a total cost of approximately \$36 million. Knutson also explained that interest rate estimates are conservative and the county may get better rates at the time of borrowing.

Knutson explained that the Wisconsin MA reimbursement formula capital component would provide increased funding of approximately \$600,000 annually until the new facility is fully depreciated. This increase could be used to reduce the tax levy for debt service.

Supervisor Combs questioned whether there was any chance that funding would be taken from the Medicaid program. Knutson explained that the capital portion of the Medicaid formula has been in place for decades, but that there are never guarantees that funding won't change.

Knutson also explained that Gunderson is projecting a decrease in operational costs in the new facility related to staffing efficiencies and energy savings. Conservative estimates project a \$815,397 in tax levy savings annually.

Supervisor Mawhinney questioned the cost of borrowing the money. Jeff Smith, Finance Director, responded that the cost would be approximately \$180,000. Mawhinney questioned why the county doesn't combine both notes. Smith replied that there was more flexibility in issuing promissory notes vs. bonds, but that they would discuss both options at the time of borrowing.

Mawhinney also expressed concern should the county need to borrow money for other projects in a few years. Knutson explained that it has been the county's practice to borrow \$4 to 6 million every two to three years to fund capital projects. He also explained that there were no other large projects planned for the county over the next five years.

Supervisor Brill questioned whether the county could increase the sales tax to fund the Rock Haven project rather than raising property taxes. Knutson explained that raising the sales tax would require a change in State Law and the Governor's approval. Smith reported that sales tax revenue is slightly higher than last year and has been holding fairly steady. Owens stated that he talked to the area legislators at a recent Wisconsin Counties Association event in Madison and none were interested in raising taxes.

Supervisor Dietsler asked how the State Budget was going to impact the county's ability to fund services. Knutson explained the State Budget Bill reduces Shared Revenue and funding for transportation, human services programs and possibly Medicaid-funded programs. The county will not know the full effect of the State Budget until the budget is approved.

Randy Terronez, Assistant to the County Administrator, reviewed projected costs to Human Services and the Developmental Disabilities Board should Rock Haven be closed and the county held responsible to fund placements at the State Institutes or types of facilities that provide specialized services for residents with chronic mental illness or developmental disabilities. Based upon current residents, that cost could be as much as \$3.4 million annually.

Supervisor Bussie thanked Terronez for the information and shared that she was often asked that question and was glad to have the document to share.

Supervisor Kraft inquired as to the current operating budget for Rock Haven. Knutson replied that the budget is approximately \$16 million annually with a tax levy of \$5.8 million.

Supervisor Brill asked if the county had considered remodeling the Health Care Center building. Gunderson explained that the HCC building is not sprinkled, has less living space and is more institutional than the Rock Haven building so that option was ruled out in 2005.

Brill inquired whether the county considered buying and renovating an existing building such as the current Dean Riverview Clinic. Knutson replied that such an option had not been looked at.

Brill questioned whether residents who lose their funding are asked to leave Rock Haven. Gunderson explained that residents and families are assisted to apply for funding, such as Medicaid once their other sources of income are used up. Further, they are not asked to leave.

Supervisor Combs questioned whether the county had explored selling the nursing home or selling the license. Knutson explained that the direction of the Board has been to continue operating a nursing home.

Combs questioned whether the county could subsidize a provider interested in buying the license. Knutson explained that Medicaid regulations require that the provider accept the Medicaid payment as full payment; therefore, making it illegal for Rock County do so.

Supervisor Owens reminded the committees that Rock Haven provides specialized services and wondered if nursing home was the best description of

the facility. Knutson responded that Rock Haven is licensed as a skilled nursing facility.

Sherry Gunderson, Nursing Home Administrator provided a handout that reviewed: the economic impact of Rock Haven, employment numbers, tax levy history, nursing home bed availability in the county and saving projections for the new facility.

Gunderson reviewed the design changes that have been made during design development. The changes have reduced the size of the facility by about 4.5% and will result in cost savings. Gunderson is currently working with the Samuels Group to estimate soft costs for the project.

Supervisor Kraft questioned whether geothermal remained in the plans. Gunderson responded that it was.

County Board Chair, Russ Podzilni, questioned whether the therapy department was changed. Gunderson explained that no changes were made to the therapy plan and that the design allows Rock Haven to offer outpatient services.

Supervisor Brill inquired as to the new location. Gunderson explained that the new building would be on 25 acres to the south and east of the current building.

Gunderson distributed a time line for completion of the project. At the recommendation of the architects, the time line included early bidding for footings and foundation.

Combs expressed concern about two bids, worrying that the county would not get the best bid with this plan. He also questioned the need to move the project forward with a completion date in 2012 since the sprinkler mandate is not effective until August 2013. Gunderson explained that the Federal Government will not give nursing homes waivers if they are not in compliance with the mandate in 2013.

Supervisors Combs, Brill, Diester and Owens expressed agreement that a one-bid plan would offer the best bids. Knutson replied that we would work with Eppstein Uhen Architects to update the time line. Brill reminded the group that additional meetings could be held to keep the project on track. Supervisor Owens requested that the county work to move the time line up,

Supervisor Combs commented that he did not see a need to have the Samuels Group revisit the cost estimate at the completion of design development as the bids will give us the real cost of the project. Owens agreed. Gunderson distributed information from EUA and State Engineers about the prospect of sprinkling the current building. The project would involve replacing all of the ceilings and both elevators.

Supervisor Mawhinney questioned the effect of the new St. Mary's Hospital on Rock Haven referrals. Gunderson explained that St. Mary's will not offer inpatient rehabilitation services and it should be a good referral source to Rock Haven.

Supervisor Owens thanked all for participating in this discussion. The meeting adjourned 12:07 p.m. by acclamation.

Respectfully submitted, Sherry Gunderson