

PERTH AND SMITHS FALLS DISTRICT HOSPITAL

Board of Directors' Meeting
Tuesday, January 29, 2013
Via Conference Call
7:30 a.m.

PRESENT: D. Adshead, C. Beckett, L. Bisonette, Dr. P. Cunniffe, L. Evans,
L. Hendriks, Chair, D. Howard, W. Johnson, M. Ross, L. Sparks, D.
Staples

REGRETS: J. Brown, Dr. M. Joannou, Dr. P. Roney, R. Schooley, B. Strachan

IN ATTENDANCE: B. Allen, Vice President, Finance & Support Services, K. Kelly,
Recording Secretary

1. CALL TO ORDER – L. Hendriks

The meeting was called to order by L. Hendriks, Chair at 7:31 a.m. K. Kelly, Recording Secretary conducted roll call to confirm the participants on the conference call.

2. AGENDA ITEM

RESOLUTION No. 13/13

MOVED by D. Adshead
SECONDED by L. Evans

THAT the Perth and Smiths Falls District Hospital Board of Directors approve the single agenda matter to discuss the hospital's lines of credit increases and changes.

CARRIED.

3. OPERATING LINE OF CREDIT, REDEVELOPMENT LOAN, ENERGY PROJECT LOAN – L. Bisonette

L. Hendriks asked B. Allen, Vice President, Finance & Support Services to provide the details regarding the proposed changes and increases to the existing lines of credit. He referred the members to the briefing note circulated prior to the meeting.

He indicated that the process with BMO has not been as easy as in other applications for line of credit increase. BMO have agreed to increase the redevelopment loan by \$2 million (from \$6 million to \$8 million) but require the hospital to meet specific terms and conditions (included in the briefing note).

He confirmed that BMO requested, received and reviewed the PSFDH cash flow statements for both Operations and Redevelopment (also included in the materials).

BMO was interested in the PSFDH Performance Improvement Plan (PIP) and the plans to generate a surplus. BMO also requested information on the working capital deficit and our hospital's potential for receiving working capital relief from the Ministry of Health and Long-Term Care. He noted that while PSFDH does not have an official letter from the provincial working capital group, there has been indication (email) from the provincial group that PSFDH will be in a position to qualify once the budget is balanced. BMO were also supplied with a letter from the SE LHIN confirming that PSFDH was being included in the 2012/13 Hospital group being considered for working capital funding. BMO has accepted this correspondence in a positive manner.

B. Allen commented that it is more likely that PSFDH will receive working capital relief in the 4th quarter of fiscal 2013/14. He added that he referenced the "community share" on the capital project schedule with the projection that the hospital will start receiving this next year. Linda Bisonette has had preliminary discussions with The Smiths Falls Community Hospital Foundation.

He stated that based on the information provided to BMO, they will approve the changes to the increase to the redevelopment line of credit with the terms and conditions provided.

B. Allen outlined the status of each line of credit (operations, energy project and redevelopment/capital.) He referenced the BMO's proposed terms and conditions (included in materials) and highlighted the following:

- operating line of credit interest rate will continue at prime less 1%;
- both redevelopment and energy lines of credit will be at the prime rate;
- BMO to reduce operating line of credit to \$8.5 million from \$9.5 million;
- further the operating line of credit to be reduced to \$7 million (from \$8.5 million) by October 31, 2013;
- provision of the Hospital's budget for 2013/14 fiscal year within 120 days following the hospital's year end;
- copy of LHIN approval to the hospital's budget for 2013/14 fiscal year within 150 days following the hospital's year end.

B. Allen expressed his concern to BMO over the reduction of the operating line of credit. He was advised by B. Russell (BMO) that should this become an issue, the matter will be reviewed at that point.

It was noted that the interest (full year interest = \$240,000) on the line of credit was not included on the cash flow schedule.

Discussion ensued regarding the possibility of conducting an RFP for banking services in the coming months. L. Bisonette concurred that this process be undertaken with some regularity and noted that it has been approximately five years since last completed.

B. Allen advised that the terms and conditions do not set out any consequences or penalties for not meeting the conditions. He added that the matter will be monitored and reviewed with BMO as necessary.

D. Staples put forward the suggestion to have the Hospital auditors review the conditions. B. Allen commented that while this was not considered, it can be shared with the Hospital auditors.

D. Staples also asked if B. Allen and the hospital is confident that we can meet the conditions set out. B. Allen reiterated his concern for Item No. 3 (regarding the operating line of credit reduction in October), but overall he felt comfortable with the terms and conditions.

The members discussed what other options exist for the hospital in mitigating the redevelopment line of credit issue. They questioned if there was time to make other arrangements in an effort to avoid refinancing the lines of credit. B. Allen advised that as of close of business on Friday, the hospital was slightly over its operating line of credit at \$9.5 million; the redevelopment line of credit has been maximized at \$6 million. Redevelopment costs of \$1.5 million were being funding from the operating line of credit.

B. Allen confirmed that requests have been made to the Ministry regarding funding and to date there has been no positive response. He added that the hospital has submitted its change orders (with back up/supporting information) to the Ministry for review. He has received indication from the Ministry that they will take the change orders under consideration. This could potentially result in funding by March 31,2013 but there are no guarantees from the MOHLTC.

M. Ross stated that we can refinance, but it does not change our direction. B. Allen confirmed that the redevelopment project is essentially complete with some final payments to be made. He added that the PIP has been submitted which outlined surpluses and BMO has accepted our position as presented.

L. Bisonette added that we are reaching the point that we need to pay out the PIP related exit costs and there is a possibility that we will bump against the operating line of credit limit.

C. Beckett suggested that the hospital consider going to a RFP process as it may be good timing. Further, if the hospital receives additional funding at the end of March, we may be in a better position to solicit a better banking solution.

B. Allen stated that the banking RFP process is conducted (typically) every five years and the process may take several months when considered with other hospital priorities (HSAA, year end and auditing.)

D. Howard asked if it was possible to arrange for bridge financing for the short term as opposed to complete refinancing. B. Allen advised that this was not possible with BMO and that no other bank has been approached regarding short term lending. The Hospital had gone to RFP for financing (operating, redevelopment and energy) in 2011.

B. Allen reported to the members that while there has been no formal confirmation from the working capital group regarding funding for PSFDH the current process would see PSFDH receive funding when we balance our budget in 2013/14. W. Johnson commented that \$1 million was factored into the capital statement in December 2013. B. Allen reported that PSFDH has been recently involved in the 2012/13 group and the

group has reviewed the formula. He stated that as PSFDH is projecting surpluses and will be balanced in day to day operations by the end of this year (the exit costs place us in a deficit position), we may now qualify sooner for working capital deficit relief. This position has been submitted to the working capital deficit group for their consideration. L. Hendriks asked the members to consider the proposed motion contained in the briefing note.

M. Ross expressed his concern that PSFDH does not have any other option and asked how PSFDH plans to service the debt.

B. Allen noted that PSFDH considered a cash advance a few years ago through the SE LHIN, however, the Ministry is moving away from this program. He confirmed that the LHIN and Ministry are aware of the hospital's position as they regularly receive our organization's financial statements and balance sheets. L. Bisonette added that the SE LHIN is regularly and consistently informed of our financial position.

D. Staples brought forward comments from earlier (general) discussion regarding PSFDH approaching the foundations. With respect to Item No. 6, "quarterly payments from foundation", L. Bisonette advised that she has spoken with L. Smith, Executive Director, SFCH Foundation regarding the finances. Another meeting is being scheduled with S. Pankow, Acting Chair, SFCH Foundation. However, GWM Foundation is not yet aware.

L. Bisonette added that meeting has been planned with M. Hallam and Dr. Chaplin, GWM Foundation and S. Pankow, SFCH Foundation to discuss grateful patient letters and staff donations. It is L. Bisonette's understanding that the initial payments from the SFCH Foundation should not be an issue.

The members agreed that consideration needs to be given to other possibilities.

B. Allen stated that there is limited time to consider other options and to delay signing the BMO agreement may compromise payroll next week. This would be the result should the LHIN funding not be received as planned.

L. Hendriks suggested that due to the timing of LHIN funding and hospital payroll, there is no time to look at other options and delay the board's decision.

D. Staples suggested that PSFDH contact the Ontario Financing Authority (OFA) regarding possible financing arrangements. He noted that the OFA has offered attractive packages to the MUSH sector, however, he was not certain the program still existed. B. Allen indicated that PSFDH considered the OFA development fund for the renovation of the Perth Medical Clinic. D. Staples offered to contact the OFA in his capacity to see if the policy was in place for the MUSH sector financing. L. Bisonette suggested that should PSFDH qualify for a loan through OFA, the board proceed with approving the recommendation proposed today (changes to BMO lines of credit) today and then apply the MUSH loan, if received, to the line of credit.

L. Hendriks commented that moving forward with the BMO arrangement will provide us with time to research other options. B. Allen added that signing with BMO would not preclude the hospital from starting the RFP process. M. Ross added that from a legal

point of view, PSFDH could pay off the entire loan as there are no repayment restrictions.

RESOLUTION No. 14/13

MOVED by M. Ross

SECONDED by L. Sparks

THE Perth and Smiths Falls District Hospital Board of Directors authorizes L. Hendriks, Chair, Board of Directors and L. Bisonette, President & CEO to:

- a) Request the Bank of Montreal to reduce the Hospital's Operating Line of Credit from \$9.5 million to \$8.5 million, and*
- b) Sign the Bank of Montreal's "Terms and Conditions relative to loan authorization", and*
- c) Sign the revised Loan/Credit Facilities as follows:*
 - 1) Operating Line of Credit - \$8.5 million*
 - 2) Redevelopment Loan - \$8.0 million*
 - 3) Energy Loan - \$2.0 million*

CARRIED.

B. Allen and L. Bisonette will look at other financing options such as Ontario Financing Authority.

L. Hendriks summarized that the paperwork will be completed with BMO and the hospital will consider other options concurrently.

4. OTHER BUSINESS – L. Hendriks

Nil.

5. ADJOURNMENT – L. Hendriks

MOVED by D. Adshead

SECONDED by C. Beckett

As there was no further business, the Perth and Smiths Falls District Hospital Board of Directors' special meeting adjourned at 8:20 a.m.

CARRIED.

"L. Hendriks"

"L. Bisonette"

Lynda Hendriks, Chair

Linda Bisonette, President & CEO