



# CITY AND BOROUGH OF SITKA

ASSEMBLY CHAMBERS  
330 Harbor Drive  
Sitka, AK  
(907)747-1811

## Minutes - Final

### City and Borough Assembly

*Mayor Matthew Hunter*  
*Deputy Mayor Bob Potrzuski*  
*Vice-Deputy Mayor Steven Eisenbeisz*  
*Tristan Guevin, Kevin Knox*  
*Aaron Bean, and Aaron Swanson*

*Municipal Administrator: Mark Gorman*  
*Municipal Attorney: Brian Hanson*  
*Municipal Clerk: Sara Peterson*

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Tuesday, May 2, 2017

6:00 PM

Assembly Chambers

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#### SPECIAL MEETING

#### I. CALL TO ORDER

#### II. FLAG SALUTE

#### III. ROLL CALL

**Present:** 6 - Swanson, Eisenbeisz, Guevin, Potrzuski, Hunter, and Knox

**Absent:** 1 - Bean

#### IV. PERSONS TO BE HEARD

None.

#### V. NEW BUSINESS:

##### A [17-084](#) Discussion/Direction/Decision of the FY2018 Sitka Community Hospital budget (*Assembly action may be taken*)

Sitka Community Hospital (SCH) CEO, Rob Allen, provided an overview of presentation talking points: operating budget, capital budget, update on the Electronic Health Records (EHR) project - put on hold, and update of the SEARHC collaboration project. With regards to the collaboration project, Allen noted the report the Assembly had asked for would not be complete until the first part of May. Allen explained SCH had hired a consultant to offer suggestions for greater efficiencies (financial and organizational).

Cynthia Brandt, CFO of SCH, explained the FY18 budget process, reviewed the operating budget at a glance, noted anticipated cash flow (minimum 20 days cash on hand) and uses of cash. Brandt outlined budget assumptions used in developing the FY18 budget: operational changes (labor and delivery budgeted through the end of September 2017 and surgical services reduced to half time after September 30), an

overall price increase of 10%, inpatient revenue numbers, outpatient revenue projections (a clinic volume increase of 16%), and increased census number for long-term care (assumption of 14 resident in FY18). Regarding outpatient revenue, Brandt noted FY18 volumes were developed specific to physician staffing and productivity measures of visits per day in addition to an assumed increase in efficiencies gained through the addition of the clinic modular unit requested as an amendment to the FY17 capital budget. Next, Brandt reviewed the deductions from revenue (contractual adjustments, bad debt, and charity care) and the expense side of the budget: salaries and benefits, supplies, depreciation and amortization, utilities, business insurance, purchased services, and professional fees.

Of concern to some Assembly members was the projected 16% increase in outpatient clinic volumes and the estimated 14 long-term care residents year round. Members suggested the figures might be overly optimistic. Also of concern, was the decrease in the projected number of days of cash on hand. Allen clarified 20 days was not a goal, rather a number of days to not drop below. Allen and Brandt spoke to the "on hold" status of the EHR. While important to the success of SCH, Allen explained issues related to the mid year cost report and Medicare had been discovered. He reported SCH had been overpaid in Medicare and an amount between \$800,000 and \$1.2 million would need to be repaid. In addition, a limited capital plan was of concern. Allen offered assurances to the Assembly that SCH was working on a detailed capital plan. He also stated SCH felt the patient demand existed and reminded of a three week waiting period at Mountainside Clinic.

Concerning the add-on modular unit, Administrator Gorman clarified that the \$400,000 purchase was split over two fiscal years - \$200,000 in FY17 and \$200,000 in FY18. Staff recommended \$400,000 be appropriated in FY17 as a capital appropriation; funds would not expire until the project was complete and allow for SCH to spread the project over two years. Staff reminded SCH had requested a deferral of line of credit repayment to fund the acquisition of the clinic modular.

Connie Sipe, SCH Board member, clarified the Board had not made a decision on eliminating OB or reducing surgical services to half time. Instead, the Board had asked staff to look into other viable options - e.g. labor and delivery at SEARHC, midwife birthing center.

Nancy Blatchley Davis urged the Assembly to support SCH and spoke to the community need.

Leisha Witherspoon, an obstetrical patient at SCH, spoke in support of SCH staff and the labor and delivery program.

Dr. Richard Wein stated SCH needed to survive, however, expressed apprehension in the budget presented.

Karen Lucas expressed an urgency for action and noted the community was witnessing the slow death of SCH. She urged the Assembly to consider offers from other providers (e.g. Providence) who may wish to explore a buy out. Lucas stated the native community had formed a group in opposition to the merger of SEARHC and SCH.

Cass Pook offered while there was much history between SEARHC and SCH there was also a need for collaboration in order to survive.

Sharon Sullivan, a nurse, wished for the Assembly to send the budget back to SCH requesting obstetrical services be reinstated through the end of 2017. Sullivan spoke in support of a midwife attended birthcenter.

Irish Nash, an obstetrical patient, wished to remain in Sitka, however, was uncomfortable with the options available. She encouraged the Assembly to restore the obstetrical program to the SCH budget.

Cynthia Dennis expressed concern of the budget assumptions and support for the obstetrics program and surgical services.

Guevin stated while he felt decisions around SCH were going to be driven by crisis, he was comfortable in taking a leap of faith on SCH. Eisenbeisz said he could not support the budget and felt some of the proposed FY18 budget decisions were premature. Knox, while understanding of the difficult position SCH was in, was uncomfortable with the budget assumptions (e.g. programs) presented. Hunter reminded Assembly approval of the SCH budget didn't give the Hospital authorization to implement the budget now. The SCH budget would come before the Assembly as part of the FY18 City budget ordinance on May 23. In addition, Hunter clarified that approving the budget did not approve programmatic changes at SCH. The SCH Board was the body making program changes. Hunter was hesitant of the modular purchase but understands the demand and need for growth. Potrzuski suggested Sitka may be reaching the point where it couldn't offer a multitude of services and choices. He wished to see more work done on the SCH capital plan.

**A motion was made by Potrzuski to approve the Sitka Community Hospital FY18 budget as presented. The motion PASSED by the following vote.**

**Yes:** 4 - Guevin, Potrzuski, Hunter, and Knox

**No:** 2 - Swanson, and Eisenbeisz

**Absent:** 1 - Bean

**B**     [17-088](#)

Discussion/Direction/Decision on Sitka Community Hospital's request to purchase the clinic office modular in FY2017 (*Assembly action may be taken*)

Administrator Gorman clarified the motion made for Item A stating the clinic modular had not been fully funded in the motion approved by the Assembly. \$200,000 had been set aside in FY18. The Hospital would need to come forward with a request for the remainder of the funds.

No discussion or action was taken specific to Item B.

**C**     [17-085](#)

Discussion/Direction/Decision of the FY2018 General Fund and as it relates to other Funds, the School District, and the Sitka Community Hospital (*Assembly action may be taken*)

Hunter stated the Port and Harbors Commission wished to see a 5% moorage rate increase rather than the proposed 6%. While the Commission recognized an increase to 6% didn't keep up with the Harbor Master Plan they felt it was an extension of help to harbor users. Gorman noted the Harbor Master Plan would need to be adjusted. Knox offered there had been discussion on prioritizing or eliminating non revenue generating items out of the Harbor Master Plan (e.g. the grid, parking lots). Chief Finance and Administrative Officer, Jay Sweeney, reiterated the rate decrease would affect the fiscal plan and the plan would need to be revised. Eisenbeisz suggested the Harbor Master Plan was not sustainable at the current rates and supported readjustment of the plan. Guevin thanked the Port and Harbors Commission for their input and agreed with their recommendation. Potrzuski agreed the Harbor Master Plan was unsustainable, however, was reluctant to deviate from the

plan.

**A motion was made by Guevin to direct the Administrator to adjust the harbor rate for FY18 to 5%. The motion PASSED by the following vote.**

**Yes:** 5 - Swanson, Eisenbeisz, Guevin, Hunter, and Knox

**No:** 1 - Potrzuski

**Absent:** 1 - Bean

Jay Sweeney, Chief Finance and Administrative Officer, stated the City was in receipt of the School District's budget at which time commences a 30-day period of time, specified in State law, in which the Assembly must act on the District's request and determine the amount of local support. If the Assembly did not take action, then the amount contained in the District's submitted budget for local support was automatically approved. Sweeney noted the City had decreased the level of support to the District by \$239,229; however, the School Board had voted to restore that funding.

School District Superintendent, Mary Wegner, and Cassee Olin, School District Business Manager explained the need for restoration of the \$239,229 citing unanticipated costs - e.g. an increase in health insurance. Without restoration of the funds, teacher positions would need to be eliminated.

School Board President, Cass Pook, and Board Member Tom Conley spoke in support of restoring the funds.

**A motion was made by Potrzuski to increase the School District's funding by \$200,000 for FY18. The motion PASSED by the following vote.**

**Yes:** 4 - Guevin, Potrzuski, Hunter, and Knox

**No:** 2 - Swanson, and Eisenbeisz

**Absent:** 1 - Bean

#### **VI. PERSONS TO BE HEARD:**

None.

#### **VII. EXECUTIVE SESSION**

None.

#### **VIII. ADJOURNMENT**

**A motion was made by Swanson to ADJOURN. Hearing no objections, the meeting ADJOURNED at 10:07pm.**

**ATTEST:** \_\_\_\_\_

**Sara Peterson, CMC  
Municipal Clerk**