

**BOARD of COUNTY COMMISSIONERS – TETON COUNTY IDAHO**  
**Notes for Hospital Lease and LATA**  
**September 13, 2012**

INTRODUCTION

- The past and current Board of County Commissioners (BOCC) has been consistent with their guidance to Teton Valley Healthcare (TVHC) Board of Trustees (BOT) that we want a Conversion to a Non Profit Entity for some of the following reasons:
  - Idaho election laws have changed so that supplemental tax levies can only be placed on the May or November ballots. [For example, what the County did in 2008 (August Election) would not be possible and TVHC would have to survive for 18 months without County assistance.]
  - A Hospital Tax District with a permanent tax base would have a difficult time to pass because it requires a super majority. [Last levy 1164 Yes - 1,040 No 52.8%]
  - Selling the Hospital would mean loss of local control.
  - Idaho Statute 31-3515A provides a methodology to make a nonprofit Hospital but requires Local member board.
  - TVHC [the current hospital] is a larger operation than the County and provides essential services to the public but the County does not have the tax base or reserves to finance TVHC.
  - Health Care is very complex and is undergoing many complex changes which the County does not have the resources to dedicate to manage on day to day basis.
  - Hospitals across the country are undergoing many changes in governance and management structures. We are not the only people looking at new management structures.
  - We would like to formally expand our service area so Alta residents can participate in the new organization.
  - The County needs to minimize their financial liability because we provide many other essential services that are required by law.
  - We believe with the hard work of the TVHC staff and BOT over the past 4 years plus the \$4.8 million tax payer infusion TVHC is in a financial position to operate as an independent entity.
- The Conversion to a Nonprofit has many timing issues and has required great effort.
- The Lease Agreement and Liquid Asset Transfer Agreement (LATA) detail the legal agreement between TVHC, Inc. and Teton County. I will try to point out the important points for the public before we start our detailed discussion. This is a draft document that the other two commissioners are going to discuss and raise questions with our Prosecutor and myself who were the County's negotiating team.

### **99 Year Lease:**

- The county shall retain ownership of all assets (real, personal and original working capital), including future leaseholder improvements and acquired assets (Article 2.3 defines);
- Teton Valley Healthcare (TVHC, Inc.) (nonprofit entity formed in January 2012) will manage and operate these assets in such a manner to protect the interests of the county and carryout the original mission of the hospital (Lease Article 2.4, & most of Article 3);
- TVHC, Inc. must comply with numerous protective covenants of its 99 year lease with Teton County or face default of the agreement (Lease Article 7.1);
- The lease agreement provides adequate protections for Inc. to reasonably carry out its business without fear of future political changes to the Teton County governing (Article 4).
- TVHC, Inc is required to reinvest into the Hospital capital assets equal to its depreciation rate.
- TVHC, Inc is required to provide Quarterly Financial reports and Audited Annual Financial report. (Article 4.1)
- The base rent of the lease is \$1 per year (Article 2.6).
- Should Inc. default on provisions of the lease, the lease will be terminated, Inc. will dissolve and Teton County will take back possession of the assets (Article 7).

### **Liquid Asset Transfer Agreement:**

- The hospital currently has, and thereby Teton County owns, a net positive working capital position in the operation – replacing this position would inflict an undue hardship on Inc. so essentially Teton County is allowing Inc. to ‘use’ this working capital from day one of its new operation. In non-legal simplistic terms, consider this ‘use’ by Inc. to be a loan from Teton County.
- Although the hospital serves the ‘greater good’ principle, both parties recognize and accept that its operation is a business. As such and in lieu of a stated rate of return, the lessee will compensate the lessor for the use of its liquid assets to operate this business. The annual base payment is minimal (i.e. \$70K for each year of operation under the lease). But the county can/will participate in the financial success of Inc. by receiving annual ‘bonus’ payments if/as Inc. produces net operating profits. The bonus payment is capped at 5% of net operating profit. In essence, these payment provisions transitions the hospital from a ‘public agency’ like status that has asked for and received public tax payer support to one of a private status that will pay something back to its owners (essentially the public) for its investment in the operation. Donations from TVH Foundation and grant money are not included in this provision.
- The BOCC has decided to establish a special reserve fund to hold payments received under this agreement. The concept is essentially one known as a ‘rainy day fund’ to ensure the best Health Care for the County. Future BOCC’s can/may change this mandate but it is important that present Commissioners think that this money should be used to improve medical services to our constituents.