

**WORTHINGTON CITY COUNCIL
SPECIAL MEETING, JANUARY 7, 2008**

The meeting was called to order at 7:00 p.m. in the Minnesota West Community and Technical College Fine Arts Theater by Mayor Alan E. Oberloh with the following Aldermen present: Lyle Ten Haken, Mike Woll, Ron Wood, Mike Kuhle, Bob Petrich.

Staff present: Joseph Parker, City Administrator; Janice Oberloh, City Clerk; Mark Shepherd, City Attorney.

Others present: Darrell Stitt, KWOA; Ryen McGaughey and Beth Nammany, Daily Globe; and approximately 250 audience members.

RESOLUTION NO. 3317 ADOPTED AUTHORIZING THE MAYOR AND CLERK TO EXECUTE THE ASSET PURCHASE AGREEMENT AS BETWEEN SANFORD HEALTH NETWORK AND THE CITY OF WORTHINGTON TO SELL THE ASSETS OF WORTHINGTON REGIONAL HOSPITAL

Mayor Oberloh addressed the audience and stated the purpose of the meeting was to consider the asset purchase agreement as proposed by Sanford Health Network to the City of Worthington for the purpose of the sale of real and personal property assets known as the Worthington Regional Hospital. Mayor Oberloh stated the order of the meeting would be to have City Attorney Mark Shepherd present a review of the process and how we got to this point, then each of the Councilmen, beginning with the most senior, would be asked to comment on the proposal and the process, and if they wished, how they would be voting. After the comments, Mayor Oberloh said he would call for a motion, and if a motion was made he would call for a second, and the vote. Should the resolution accepting the agreement be adopted, there would be two additional resolutions presented to Council for adoption regarding Minnesota Statute 462.356 and PERA. legislation.

Mark Shepherd, City Attorney, noted he would presenting the review for the benefit of people watching on local Cable 3, beginning with the time line and what has happened since November 19, 2007, which is the date Sanford submitted their proposal to the Hospital Board of Trustees. The following week, on November 26th, the Hospital Board voted unanimously to recommend to City Council that the purchase agreement be approved. On December 3rd, the City Council held a public forum in the Farmers Room of the Nobles County Government Center, and subsequently held two closed sessions to discuss the proposal, the first on December 7th for approximately three and a half hours, and the second on December 17th which lasted approximately two and a half hours. Following that meeting, the Council scheduled the meeting here tonight.

Mr. Shepherd noted the proposed asset purchase agreement was presented by Sanford Health Network, a not for profit corporation, a 501-C3. There is both real property (real estate) and personal property being proposed to be purchase by Sanford Health Network. The hospital campus consists of the hospital itself and other lots in the blocks adjacent to the hospital campus. The proposal was to purchase all of the real estate the hospital currently utilizes, as well as all of the equipment and the new radiation center erected on that campus. The purchase price would be \$21 million dollars

for everything except the radiation center, which would be purchased separately at \$3,415,197. The actual total payment to be made under this agreement would be about \$24.4 million dollars. In addition, some assets are not being sold. Those assets are any cash on hand which will be retained by the City, and the accounts receivables. The proposal states Sanford would attempt to collect any outstanding accounts receivable as of the date of the closing for a six and a half percent fee. That effort would be maintained for about six months after which the City would need to decide what to do with them. The agreement provides that all employees working for Worthington Regional Hospital at the time of closing would be rehired as employees of Sanford at their then current positions and wage levels. The pensions for the current hospital employees are with the Public Employees Retirement Association (PERA), but because Sanford is a private not for profit they cannot continue to contribute to that type of a pension. They have their own 401K and the employees would be transferred into that program. The PERA benefits, depending on how long an employee had been working for Worthington Regional Hospital, would still be available to that employee. For some of the newer employees that would not be the case, they would have options on taking their money out. Sanford has proposed to credit all employee years of service with Worthington Regional Hospital for eligibility and vestment in any of their benefit structures. If this proposal passes, Sanford, together with the City of Worthington, would seek to have special legislation passed which would enhance the PERA benefit for those employees who are being privatized. This is something that has happened in several communities over the past 30 years and there have been no problems with that legislation passing.

The \$21 million and the \$3.4 million would be payable as follows: \$12 million out of the \$21 million would be paid up front, as would the \$3.4 million for the radiation center. The balance of \$9 million would be payable in the form of a promissory note in five equal annual installments of \$1.8 million each. Those payments would commence on the first year anniversary after the closing. The interest rate would be determined at the time of closing, based on the rate that Sanford could otherwise be borrowing money. Mr. Shepherd reviewed terms of the agreement, some of which have been discussed at length, reading from his notes from the two closed Council meetings. A complete copy of the proposed asset purchase agreement is on file with the City Clerk's office. Mr. Shepherd also noted that the recordings of the closed Council meetings regarding the proposal to purchase the hospital would be available if the proposal were accepted.

Mayor Oberloh asked Council for their comments, beginning with Alderman Ten Haken.

Alderman Ten Haken - Well, I have prepared some comments that I wish to share at this time. First of all, I need to acknowledge that my son, Paul Ten Haken, works for Sanford Health in Sioux Falls, however, because this proposal does not provide any personal gain for either of us, legal council confirms that no conflict exists, therefore, I intend to carry on my elected duty. I wish to thank the Hospital Board, as well as the physicians, administration, and nursing staff of Worthington Regional Hospital, Sanford Clinic, Sanford Health System, Worthington Specialty Clinic Avera-McKenan. I also thank the citizens of Worthington that have contacted me with letters, emails, phone calls and

visits. Your participation in this process has been most helpful. I previously indicated that I believe my elected responsibility is to use all the input that I have received voluntarily and combine it with my own research and efforts to arrive at a decision for tonight's meeting. The past four weeks have led me to conclude that selling our hospital to a larger capable health care system is certainly in the best interest of health care in Worthington and its surrounding area. The hospital board has established 12 criteria for the consideration of the hospital sale. It appears to me that the Sanford proposal meets all of those criteria. However, two areas of concern cause me to question the process. Number 1, the lack of dialogue with Worthington Specialty Clinics in the process. That is a concern of mine, and I wish it was different. Item number 2, the restricted time frame with which the City Council needs to respond in order to facilitate the need for legislation to protect PERA for its employees. The offer by Sanford is well thought out and it appears to be a good offer. My concern is that the current process does not address either of the two mentioned items that have caused me concern. Because of the encumbered time frame, we do not have the ability to alter the process at this stage of the game. This leads me to vote no on this proposal that's before us. Please understand that this no vote is more to allow an altered process than it is a dissatisfaction with the current Sanford proposal. While I understand that voting this proposal down at this time may pose some difficulties and unforeseen risks, I believe that, as your elected official and thus the citizens that I represent, a higher level of comfort would be achieved with this monumental decision for Worthington. Having said that, I have met with a lot of people of the professional medical community, and the good news is that no matter what happens tonight on this vote, we have a very dedicated staff of medical professionals here that are concerned with delivering health care to the citizens of Worthington. And whether this vote goes up or it goes down, I am confident that the citizens of Worthington will be well served with the very good, quality, professional medical staff that's here, and I thank each and every one of them for that.

Alderman Petrich - I'm going to be kind of shooting from the hip here tonight because I'm having some eye problems, I'm having surgery on Thursday, and I went through all the work of preparing notes at home and found out later that I had great difficulty in reading my own notes. So I'm just going to give you some highlights and tell you why I'm going to vote the way I'm going to vote. First of all I want to thank all the people who sent me emails and letters. I had upward of 200 emails and phone calls and letters. A stack about this thick. I did take the time when I could see better, did read every one, even with the help of a magnifying glass I've got. I think health care to me has been a very personal thing because I've had family members, I've lived in town here since 1958, and been involved in health care one way or another either in my fire department days when I was on the Rescue Squad, and my family members that were treated, and all four of our children were born here. I had hernia surgery back in the 70's, we had a five year old daughter that was struck by a car and ultimately died here in 1967. The circumstances of that were tough because at that time the hospital was not flush with money either. The resuscitator that was available that day wasn't working. My daughter lived approximately two and a half hours and passed away. So I have great feeling for adequate health care, especially in the emergency end of things and I think that's one area where the hospital really has to improve, and I think that we're shipping far too many people off to Sioux Falls

by helicopter or ambulance. When my daughter was struck by a car that day, she went to the hospital in a hearse that belonged to a local funeral home. So we've come a long ways but we still have a long ways to go. I think the possible merger of the Worthington hospital the people of Sioux Valley/Sanford, is a very workable situation. It isn't something that came overnight. We've been working at this for years. The sharing of computer services and software and other programs and management and so forth. Coming from an Iowa farm, my dad taught me some quaint sayings. He was a great, kind of a philosopher, my dad was my hero in life. He was born, lived five years with his parents and then was an orphan, raised by relatives and lived on his own, became a successful farmer and a great father. He was always giving me advice as far as telling me stories and things that related to real life. Whenever I was impatient, which this situation kind of makes you a little tense, where you get bombarded from both sides and it's difficult to know truth from bad truth or whatever, there's a lot of misinformation that was spreading around. And we have to sort through that, we have to look through that pail of misinformation and try to get at the truth. I'm going to give my decision with my heart and my head, use common sense. But anyway, the tale that my dad told me to teach patience, living on a farm, having 15 cows that we had to milk by hand, I was the youngest of four boys, no sisters, one had died at a very young age of mumps, measles and chickenpox all at the same time, died of pneumonia, but he told me this little quip. When my mother asked me to go out and get some cream for her cooking ability, making cookies and whatnot, I grabbed a pitcher and a ladle, and going out to the milk cooler and attempting to skim some cream off the milk and found that there was none. And I'm fuming and fussing and my dad heard me and came walking in a stuck his head in the door and says "Robert", he usually don't call me Robert unless he's really serious about something, he said "Robert, you know if you wait a little while the cream will come to the top of the can." And you know that saying has stuck with me through the years. Be patient, if you wait long enough the good things will happen. The cream will come to the top of the can. And that's the approach that I'm going to take with this merger. I'm going to vote for it simply because I think we need change, we need to make improvements in our health care for the public and as a senior citizen, just like many of you out here, it's very important to us to be assured of good care when we get older. Affordable care. I hate to see everything going down the highway. All we need to do is improve our critical care so that we can keep our patients here, not send them on. Improve the staff, get the doctors. It's like that old saying of the ball game down in Iowa, this film that says, Field of Dreams, if you build it they will come. If we provide it they will come. That's what we need to do. Thank you.

Alderman Woll - It's tough to follow Garrison Keillor. Great story telling ability, especially with no notes. I'm going to use my notes so I can try to get my point across of what I'm trying to say. Much discussion has taken place since the November 19th Sanford offer. As a Council, we met independently, spending three to four hours a day with this issue. We met with Doctors of both systems, administrators of both systems, met with nurses, retired nurses, independent medical providers and folks in general who are simply interested in the community's health care. When a concern was raised by someone who was opposed to the sale I can assure you that there was someone supporting the sale on the other side. A lot of times even on the same issue, and that's what made

this a really complicated discussion. So I want to thank, as the other Councilmen have, everyone for their sincere input, and I stress sincere. Many concerns have been raised, many of these concerns have been on going issues the hospital trustees have been facing for years. How do we assure on going health care in our community? How do we better compete with the three large systems around us? How do we minimize the self referrals by patients away from Worthington? If we further our relationship with Sanford what happens to our Doctors at the Specialty Clinic? Are we utilizing the right health care system? How will we possibly afford any ongoing modernization in this community? I believe in the long term we need to sell to remain relevant and to grow health care in our community. I believe it is better to sell from a point of strength and use leverage where we can still gain commitments rather than to wait until we're less relevant. Then the big question that's been discussed often is who do you sell to? Well the experience of serving with quality community members as a trustee on the Hospital Board has been valuable and watching their sincere effort in to do the right thing helps me gain resolve and comfort in my decision. These trustees, your and my neighbors, asked the questions repeatedly over the years, "Is this the correct relationship?" It was asked when neither system had a presence in town. It was asked again when the Specialty Clinic was sold to Avera, it was asked in the debate over Avera's MRI unit, it was asked when Sanford approached the hospital about the radiation oncology unit, it was asked when Sanford made an offer to lease the hospital two years ago, it was asked when Sanford received an enormous endowment gift. And at the end of the day the existing relationship was consistently supported by the Board. I believe a sale to Sanford is a natural expansion of what's been a positive relationship. And I believe we've taken steps to provide security for employees and physicians practicing in the community. So, Mr. Mayor and public, I'm stating that I'm voting in support of the sale.

Alderman Kuhle - I'd like to also commend the employees and the management and the various Board members over the years. They together have built an asset that we can be proud of. It's a very valuable asset, and it's important to a lot of members in our community. So I thank them and I think our community does too. This has been a tough decision for me. I tried to spend a lot of time talking to individuals in seeking input. We've all talked to the doctors on both sides of the aisle, the representatives of both Sanford and Avera, City staff and mail and email, and voice mail, and all kinds of mail. In all those discussions I tried to put myself on all sides of this issue, tried to look objectively. This topic is a very emotional topic in this community, and that's understandable to a point. Emotions are good, but I think after a point emotions tend to breed destruction, inaccurate information, and character assassination. So I need to try and separate the emotions from the facts. In the end, this is what I believe in. Number one - I think we absolutely need to sell the hospital for the various reasons the other Council members have said. If anybody has followed this industry over the years you know there is problems with reimbursement rates and things like that, and maybe it's time. When we're in a position of strength we can drive the nail instead of somebody else trying to drive us. Number two, I think this is a good proposal. I think it meets the criteria set by the Board. They spent a lot of time on it I think. The criteria is good, expand health care services, a regional health care center, and I think in our position down here with the Sanford facilities that are around us I think we have a chance to do that and I believe, and I'll be the first one that will push them to

do that. After the criteria, I think it's a fair price. I think the total price in excess of thirty million dollars is fair. I don't think that I want to turn this into an auction, it should be more about health care and the health care choices in Worthington. The things I have a hard time arguing with is Sanford has had a ten year relationship with our hospital, and services and education, and hearing from some of the employees who are involved in those areas of the hospital, I have a hard time saying no to them. I think it preserves competition. Concerning the other large clinic in town, they also have a large investment in this community. They have a very fine clinic. I believe we've made some changes, this is always going to be an open door, open doctor hospital. If the physicians choose to send their patients that's going to be the thing to me. If they choose not to, then I think that's a problem on the other side. I'm saying they may have to work a little harder. Their business side may have to be a little more aggressive, but that's competition. And competition improves health care and health care choices, and it improves (inaudible) over all. So I will be voting for this proposal.

Alderman Wood - Well I'm last in line of this discussion. I'm sorry, you're last Al. You know, this is a tough decision, and nobody told me when I ran that we were going to face this in our first year. I knew this was stressful because when I went to the doctor today for something else he said "where have you been, your blood pressure is 40 points higher than it was three weeks ago." And I kid you not, he scared me. But I too want to thank everybody who spent a great deal of time, I too read a multitude of emails, a multitude of letters, phone calls. I knew I was a little agitated so if the person yesterday who called me, if they're in the audience, and I said "it's Sunday", I apologize if I was not as good as I had been in all the others. Mostly because my Redskins had lost the day before. But, not making light of it, it has been a long process, and we've all been very stressed in this process and it is time I think to bring this to closure in this point in time. We are asked tonight to make, and I'm going to apologize because I'm a teacher at heart, I'm an economist by trade, and I've got to talk. So you're going to have to put up with me, I asked Al if I could have my eight minutes and he said yes and it looks like that's about what everybody else did. But we're asked tonight to make a watershed decision concerning health care. And you know as we do this, just understand that the five of us that will vote, and the Mayor, that we are six community members with the same fears, the same concerns about what health care will look like tomorrow. I'm going to go to the doctor in this town, you all go to the doctor in this town, so whatever we do we've got the same fears and concerns that everybody in this town has. We want to make sure also that tomorrow that we also have good health care. We want to make sure that our friends and our neighbors have good health care. So that's paramount in our mind as we go through this. We must also realize that it is a defining time for health care not only in our city but in our region. One of the major things that I've talked about of the last ten years of my life in Minnesota, and what has been preached to by almost everybody, is we have to look beyond ourselves and look at ourselves as a region. We have to look as a health care region, not as just the city of Worthington. This process has been exacerbated by emotions. And I think, I thought that to be normal. Anytime there is change, anytime, whichever direction the vote would have gone, there would have been emotional trauma from it. And so what has happened has not bothered me. It's stressed me, but it has not bothered me. For me, I tried to

step back. I tried to review the information on several levels because I always, it's just my way of thinking. First I needed to answer the question as to, or should we sell the hospital. That was the first question before I even looked at anything else. While many may disagree, this actually turned out to be my easiest part. Interestingly, I couldn't figure out how to pose this but, Dan McElroy, the Commissioner of DEED, was in town about two weeks, I guess it's been three weeks ago, and he was talking about the problems in rural Minnesota in terms of economics. I'm going to give the analogy that he gave. I think it's an analogy that applies to rural health care not just in our area but in the whole southwest region. And he asked the question "How do you boil a frog?" He says you certainly don't dump it into boiling water because it jumps out. You drop the frog in cool creek water and turn the temperature up slowly until you have boiled frog. The frog is completely unaware of the changing environment, adapting to the slow changes, and eventually being cooked. And that's what is happening to rural health at this moment in time. We're not slowly being cooked, it's just slowly being eroded. During the last decade, did you know, we have over 20 rural hospitals that have closed in Minnesota? Of varying sizes. We've had a large number sold just like we are discussing tonight, to various health systems. In our area we've seen in recent years two such changes. We begin the process from a very distinct disadvantage, Jackson with Sanford, and Marshall with Avera. What indicates to us today that we have an issue? I've spent time pouring over information. There are a couple of things to indicate that we have some issues. One is the census - has been in a transition, not in the right direction. That isn't the problem of the hospital, it isn't the problem of Avera, and it isn't the problem of Sanford. It's a problem of our general world economy that we could find in any other region of the state. So we need to accept that is something that we have to deal with. There is also another major problem, and I'm only going to go into the two because I think they're probably the two crucial. The other is the federal and state payments that are made for those that are in need, that is the charity issue that we talked about a little bit, has been declining dramatically. We dropped to this point in time where we're 44% of what we'd be paid, that's what the feds will pay as compared to a critical access, critical care hospital. That's an important thing to measure. Our hospital has done a great job in making sure the bottom line has stayed relatively good looking. But there has been a cost. The question is, what's happened with deferred maintenance. I guess since I have to worry about our buildings here, I've got a building over there that hasn't been maintained properly since 1966. At some point in time they stop functioning the way it should. So deferred maintenance is given up. New equipment cannot be purchased at the same level. There are some pieces that are analogue instead of digital. We need to see those kinds of things changed at the hospital. It's not a nurse's fault, it's not a doctor's fault, it's not an administrator's fault. It's the level of funds that are available. And what this does then, it creates for all our doctors, it doesn't matter which system, it doesn't matter whether they're independent, it creates a disadvantage for them to operate in Worthington. It then becomes a negative recruiting tool. And so we have to be concerned about that in terms of our hospital. This process has not occurred over night, it occurred in very small steps. It's probably occurred over the last 20 years and we don't even notice. It's the frog sitting in that cool creek water with the temperature getting turned up ever so slowly. Then all of a sudden it jumps up and bites you. I don't see closure of this hospital ever, but I would see it possibly chosen possibly changing to a critical

access hospital if not sold. That means dropping to about 25 beds from 49. What that also means is downsizing in terms of employment. That would be a logical thing. It also means less opportunity for our doctors. But that might be the only way to continue. I also could see if it was not sold, we would see very significant taxpayer increases in terms of property tax. That's the truth of the matter. Go ask a couple of other communities in terms of what has happened. This is nobody's fault, and I keep saying this because I think people like to, at times, they like to look at different things and say who's to blame. It's not the hospital's fault, it's not Avera's fault, it's not Sanford's fault. Unlike three other hospitals, Ivanhoe, very recent ones, Ivanhoe closed. Jackson, under operation by Sanford. And Marshall, under management by Avera. We still maintain a positive position of strength, and I think it's been mentioned to be able to leverage this buy today, to leverage this buy today, but I think it's a declining position. I promise you that. If you want to go look at the numbers and you can be an accountant, go do it. I did. It's my professional opinion that we need to sell the hospital to a health care system that has the advantage of economies of scale. And if anything, it should have been done sooner. Again this is not the fault of doctors, administration or health system. Change occurs and sometimes it's painful. Second, and by far the most difficult question because of emotional attachments and history, it's the question of the process. And maybe it's because I'm an economist, I'm a businessman, and quite frankly, the process is one that I would typically have seen or understood in the public and private sector in terms of acquisition. This process has not occurred in two days, two weeks, or two months, or the seven weeks since I've seen a purchase agreement. Its occurred starting in 1991. And I'm going to give you this because I think everybody needs to remember this. In 1991, when the decision was made to enter into a purchase and management agreement with then Sioux Valley, at that time Worthington Specialty Clinic, now owned by Avera, participated in support of that agreement. In 1999, as we approached that favored word "Y2K", I think most of us in this room remember that statement and that word, the hospital had a major decision to make. Is it going to throw out all of its information system or is it going to save millions of dollars and to into a system with then still Sioux Valley. They made a good choice. They use an information system that is updated on a daily basis. It's just like here at the college. I would hate to think if we had to run our own information system and we couldn't use one of the 32 information systems, crunch our data and move forward. Over the years this has meant huge savings to the hospital. It's helped keep it, quite frankly, the bottom line, a little better. In between the period between 1999 and today, both Avera and Sioux Valley made presentations to the Hospital Board with respect to the management agreements. Again the Board made a decision based on the strength of presentations to continue the relationship with Sioux Valley. The next decision in the process was whether to accept the lease concept from Sioux Valley to run the hospital. That was turned down, and I think very smartly, by the Board. And the reason I say that is a lease allows you to keep it for a period of time and if it's not working well you can walk away from it when the lease ends, and then, you are stuck with that process. I would be nervous in a couple of communities that have taken that approach. The Board reviewed this and determined that it was just not in the best interest. During the same period Sioux Valley and Sanford presented to a number of hospitals and clinics, including Worthington, the concept of a venture with Worthington Regional as the principal owner to develop a regional radiation center. With this vision, we now have the first step in

becoming an oncology hub in the southwest regions. Since July we have seen census numbers declines reduced because of increased uses of this unit. I think what was important that the Board did that took it outside of our own community was the day they made the decision to hire Stroudwater, well, whatever consultant firm, but they made a decision to hire Stroudwater Capital. Because that was an independent health care consultant to review options under guidelines set by the Hospital Board. As time progressed Sanford presented the Board with a purchase offer. Much of the work until the offer is accepted or rejected by the City Council should have been proprietary information. Quite honestly that would have been my view is that until it becomes an accepted document it is proprietary information. At least that's the way I feel. After reviewing the history it is my judgement that the process has been one that has taken over a decade to transpire, with ample warning that this offer would be the logical conclusion. Whether a private or public purchase, such a close relationship over an extended period generally leads to either a sale or to a severance of ties because they couldn't get along. So one of the two, we were getting close. Especially when you looked at the fact that the oncology center, or the radiation center, excuse me, was put in. I've never been involved in a perfect process in my entire career and I venture to guess that anybody who has gone through a process such as this before would also, I could find flaws in the process. The biggest flaw in any process is always communication. And quite frankly, I've been accused of not communicating. I've tried to figure out how, not in this issue but in others, how to communicate simultaneously to all parties what has transpired. It is one of the most difficult things to do. And I apologize that we probable didn't get to everybody at the perfect time, and probably we could have done it better. Were there other flaws in the process? Probably. But no matter how this would have been handled the process would have been called into question by some group of individuals. It is human nature, it is not a criticism, it is the way things work. Any time there is change the process will always be called into question. From my perspective, the Hospital Board did a good job working through this very difficult task. A third question is, I'm sorry for the length, Mayor am I okay? A third question is should we accept the offer from Sanford to purchase the Worthington Regional Hospital? First, I had two questions. One was more on the qualitative and the other was pragmatic - money. And of course as an economist money somehow always creeps into my head. First I asked myself was Sioux Valley/Sanford, we're now kind of getting into this transition title now, been a visionary in providing health care in southwest Minnesota. I look at their information system and its updates and I'm terribly impressed. And I'm not very often impressed by anything that is, that can match our stuff that we have here at the college because I think we have some state of the art stuff. I looked at the radiation center. That's a visionary move, it's a bold move and it was a gamble. I look at the relationship with other hospitals and clinics from Canby to Jackson. One of the disadvantages of my job is I travel all over the place and when I talk to people in Canby, it has nothing to do with what we're doing here, they're very satisfied with the relationships that they have and how it works there. And I thought if I got out of our area and out of the words, they don't even know what's going on down here, I might catch some little bits of nuances here and there. They have developed a health network, that's what Sanford has done. Sioux Valley has done most of the leg work and now Sanford's name is on it. While I believe that both Sanford and Avera are fine health systems, at this time from the perspective of meeting the 21st century needs of the city of

Worthington and the immediate communities around us, I determined from my perspective that the Sanford offer is the greatest opportunity of success. From a more pragmatic approach, which system has the greatest opportunity to increase the census of the hospital, our community? And more specifically, move us from a weak level 2 hospital, I'm sorry to those members of the hospital but in terms of looking at census numbers and everything we are a weak level 2 hospital, to a very strong level 2 hospital. Looking at the membership of the Minnesota Hospital Association, you all can go out on line, you can do it, all that information, I got a lot of information from various places out on the internet, the following members are either owned or managed by Sanford: Jackson, Luverne, Murray County, Tracy, Westbrook and Windom. There are no hospitals or medical centers listed for Avera in the Minnesota circle around Worthington. The only Avera related hospital in the circle around Worthington is Sibley, Iowa. Right below that, Sheldon, is a Sanford hospital. The only Avera related hospitals in Minnesota but outside reasonable, what I call transport range, when compared to Sioux Falls, are Pipestone and Marshall. Mayo has none, and I've been informed that we would be too great an outlier to be of interest. That is, four hours, five hours of transport time. If we become a strong level 2 hospital then the health care in Worthington will grow. Opportunities for specialities by all doctors, whether affiliated with the system or not will increase. Our best opportunity to become a regional health care center lies only with Sanford if looked at from a health business model. There is more, I could go on, but that's enough of this for now. So now I'll go to my fourth question, which relates to money. I had to look at it, is this a fair price, because I heard that, many people say "we're gonna get robbed!" And so I had to answer that question in my mind from what I heard the members from the community say. When I buy a house, or when you buy a house, you get an appraisal. An appraiser looks at a lot of things when reaching the value of the property. There are very strict guidelines that give us comfort level when determining what is a fair value, and what is not if you buy or sell a house. And there's an appraiser that is out there. In the case of the sale of the hospital, or any business, there are similar standards used to determine the value of the entity, in this case, Worthington Regional Hospital. Stroudwater Capital used three established methods, I'll say that again, Stroudwater Capital used three established methods to evaluate the value of the hospital. Each method gave a low, medium and high level. The low average of the three methods was \$16,538,241. The medium average of the three methods was \$19,836,355. And the high average of the three methods was \$23,249,771. The average, or what I would consider to be the appraised value, was \$19,000,874 and s., excuse me, 874 thousand dollars, 789, oops, there's too many numbers in there. But it's 19.8, that's close enough for now. In the initial conversation, in the initial offer, and I don't know whether I supposed to know this, was about \$16 million dollars. But through negotiations, the value increased to the current offer of \$21 million, or 6.5% above appraised value. It is my judgement that this offer is extremely good given all that I've said above. Part of the valuation of the hospital is cash flow, and should that weaken at any point, now understand, when you're looking at a hospital or when you're looking at a business, it isn't just about this building, it's about cash flow. That's part of a business model, it doesn't matter which health system looks at it. So if that should weaken at any point, such has happened in our neighboring communities, then this \$21 million dollar value would plummet like a stock market in recession. That's what would take place. I almost promise you that, because you

see it in other businesses and it happens. I could find no logic in which any other system would match this offer give the strength of the Sanford system in the surrounding communities. Sanford wants to make this a strong level 2 hospital, given their investments in the past, radiation, data system, and their proposed \$21 million dollar offer at this time. The only way they can get a return on their investment is they have to make this work, or they've thrown \$21 million dollars out the window. It isn't a small sum of money. The final question I had to answer was from the human perspective. How would this influence the employees of the hospital in other medical facilities, such as the Avera clinic? First, one recognizes that each day brings change. I'm going to retire on June 30th, some you know that and some of you say "yea" and some of you say "oh my", but so I'm going to retire, and I'm looking at my retirement and looking at all of these things that we're talking about here, and suddenly the State of Minnesota DOER, Department of Employee Relations, makes a little change in the sick leave health package in terms of what's a health savings plan. They drop it from 40 (48?) to 35 and say everybody has a lot more stuff. Well, you know what, I haven't been here long enough to have 700 different days because I was here 30 years, I was only here 10, I've missed two days of sick leave in 10 years, or 9 and a half at this point. But I'm going to get hurt by that change, but that's part of change, am I happy? No, but that's part of change and I'm going to move on. I'm going to live on with that. With respect to the current hospital employees, the hospital purchase agreement to buy the hospital is one of the best buyout protection contracts for current employees that I have ever seen, in looking at various labor contracts when you have buyouts. And looking at how many layoffs take place in the traditional move in and buyout. Go across, all you have to do, is if you read the paper in the business section and you see a buyout you always see 800, a thousand, 15 hundred people being laid off. And that's not what's happening in this buyout. Very protective. The only place that we can't really do everything, and that's with respect to PERA. If this were to pass tonight, we will make sure that augmentation language goes to the legislature. In that case, for many people, it will be a plus side on retirement rather than a negative side. Surprisingly enough, because of the augmentation and the ability to jump into the 401K, there are a huge amount of pluses on it. Will some people be like me and get caught between this little percent or that percent? Yes, that probably will happen to a small minority of individuals. But that happens in change, and it's been minimized. With respect to the doctors in the community, for not Sanford employees, I think the purchase agreement is, as the City Attorney Mark Shepherd has said, we've tried to strengthen that. It is not in the best interest of Sanford not to have an open hospital. We need every doctor that can serve in that hospital. The medical staff needs to be as large as it can because that then draws from everyplace to this community. That then draws to a regional hub of economic growth. This is an engine. If this change takes place and we hold Sanford's feet to the fire, this could be one of many economic engines that will help us prosper in the future. We as Council members have spent considerable time regarding and adjusting the purchase agreement to insure health care in Worthington, to make sure that it's maintained and expanded. We have worked diligently to insure that the impact on individuals is minimized. In closing, I understand that this is a defining point for health care and for the region. Opinions on both sides are strong. It is important that, regardless of the outcome, we support each other and continue to work towards maintaining a quality health care system both in Worthington and surrounding communities. I am convinced after

talking to the doctors in both clinics, and independent of the clinics, that this will take place from at least the physicians standpoint. Whether we agree or disagree, I want to thank the citizens of Worthington for taking the time to express their views on the sale. I can tell from my conversations that this has weighed heavily on the community, and it needs closure. Thank you very much.

Mayor Oberloh - I'll just be very brief because I think that Ron has handled about everything that I thought I was going to say. And I'm not an economist or a teacher. A couple of comments I'd like to make and one of them is particularly about the Hospital Board of Trustees. In case the people out here don't know, they are appointed by this body, the City Council appoints those members and they serve their terms and during their process they go through a very tedious orientation process so they're up to speed on hospital functions and the ins and outs. There is one community member, one person lives outside the community, that's allowed for by the Charter, that happens to be John Widboom, but all of the people that are on it are residents of the community with the exception of him and he's in the trade area. The City Council here, all of us live within this community. And I for one cannot believe that our Hospital Board of Trustees would vote unanimously to recommend to us to adopt this if they had not done their homework. I want to assure you that this body, the City Council, Mike said three to four hours, I think that would probably be conservative on most days, have worked diligently to research this. We've taken phone calls for both sides of the argument, we've listened, and now we've come to this point where we need to make this decision. I have to agree, too, I think that with very few exceptions, there were a few people that said to hang on but for the most part, it's a matter of who do you sell to is probably the biggest conversations that we've had through this process. I also want to thank the staff of the Worthington Regional Hospital. We've talked about the two systems but we have a, Worthington Regional Hospital is one of Worthington's largest employers and I think sometimes people forget that. There's right close to 300 people that work for the system. Those employees have made the hospital what it is today. The management staff has brought this thing from in the hole and wondering how they're going to make payroll to a position of strength, but we question how long that will last and I think that's based on the recommendation of the Board of Trustees also. The only thing that I think that we're sure of here, is that the goal here, if anything, is to enhance, increase quality health care in the city of Worthington and the surrounding area. We can accomplish that with this proposal moving forward, that is the ultimate goal. Again, I want to thank everybody for all their comments, I really appreciate it. I know this is the most gut wrenching decision that we've had to mull over since I've been on this Council and I'm sure that if you look back in the history of the City of Worthington I can't imagine anything that was more controversial and impact more peoples lives and impact the whole area so at this point, I would ask for a motion if somebody wishes.

The motion was made by Alderman Woll and seconded by Alderman Kuhle to adopt Resolution No. 3317 authorizing the Mayor and Clerk to execute the Asset Purchase Agreement as between Sanford Health Network and the City of Worthington to sell the assets of Worthington Regional Hospital. The following Aldermen voted in favor of the motion: Woll, Wood, Kuhle, Petrich; with the following Alderman voting against the same: Ten Haken. Whereby, the Mayor declared the motion

carried.

RESOLUTION NO. 3318 ADOPTED DISPENSING WITH THE REQUIREMENTS OF MINNESOTA STATUTE 462.356

Mark Shepherd, City Attorney, presented and read a proposed resolution dispensing with the requirements of Minnesota Statute 462.356, Subd. 2, which requires that if a municipality has enacted a comprehensive municipal plan, any disposal of publicly owned real property may not be disposed of until after the appropriate planning agency has reviewed same and issued a report as to its compliance with the municipal plan. Under the statute, if the municipality determines that the disposal of any particular real property does not have any relationship to the comprehensive municipal plan, upon a 2/3 vote they may adopt a resolution so finding.

The motion was made by Alderman Wood, seconded by Alderman Petrich, and, with Alderman Ten Haken stating that although he voted against the Hospital Asset Purchase Agreement, he intends to fully work in concert with the decision made tonight, the motion was unanimously carried to adopt the following resolution dispensing with the requirements of Minnesota Statute 462.356.

RESOLUTION NO. 3318

A RESOLUTION DISPENSING WITH THE REQUIREMENTS OF MINNESOTA STATUTE 462.356

(Refer to Resolution file for complete copy of resolution)

RESOLUTION NO. 3319 ADOPTED SUPPORTING THE ENACTMENT OF DRAFT PROPOSED LEGISLATION LCPR07-068 TO ASSIST PRIVATIZED WORTHINGTON REGIONAL HOSPITAL EMPLOYEES

Mark Shepherd, City Attorney, presented and read a proposed resolution supporting the enactment of draft proposed legislation LCPR07-068 to assist privatized Worthington Regional Hospital Employees regarding PERA (Public Employees Retirement Association).

The motion was made by Alderman Wood, seconded by Alderman Petrich and unanimously carried to adopt the following resolution:

RESOLUTION NO. 3319

SUPPORTING THE ENACTMENT OF DRAFT PROPOSED LEGISLATION LCPR07-068 TO ASSIST PRIVATIZED WORTHINGTON REGIONAL HOSPITAL EMPLOYEES

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(Refer to Resolution file for complete copy of resolution)

ADJOURNMENT

The motion was made by Alderman Petrich, seconded by Alderman Kuhle and unanimously carried to adjourn the meeting at 8:20 p.m.

Janice Oberloh
City Clerk