

## COUNCIL PROCEEDINGS

### CITY OF VIRGINIA, MINNESOTA, AUGUST 31, 2010

Special meeting of the City Council of the City of Virginia, Minnesota, was called to order by Mayor Peterson at 12:00 Noon in the Council Chambers, City Hall.

#### Roll Call:

Present: Councillors Cuffe, Littlewolf, Ralston, Baribeau, Sipola, Russo, Mayor Peterson - 7

Absent: None

Mayor Peterson stated the special meeting was called by Councillors Littlewolf, Ralston and Cuffe to discuss the extension of the Interim CEO's contract for the Virginia Regional Medical Center at \$25,000 a month for the period September 1<sup>st</sup> to December 31, 2010, which was approved at the Hospital Commission meeting held on August 23, 2010.

Councillor Littlewolf stated she felt a public discussion by the full City Council was warranted to discuss the CEO contract and the direction of the hospital.

Councillor Cuffe stated he called the meeting for a variety of reasons and stated the first contract with Kyle Hopstad was for a four month period. Mr. Hopstad was hired to handle the emergency situation and to meet goals. During that time, a request for proposals for the position should have been prepared to allow others, including Mr. Hopstad, the opportunity to apply for the permanent position. Councillor Cuffe stated he is not here to criticize or review the performance by Mr. Hopstad, but to look at the current contract for the Interim CEO, as written.

Councillor Ralston reviewed the minutes from the Special Council meeting that was held on March 12, 2010, when Hospital Commissioner Joe Leoni stated the a permanent CEO candidate should be in place within the four month period. Councillor Ralston stated the cash flow issues have slowed down, but have not stopped, and questioned why nothing has been done to put a permanent management team in place at the hospital.

Councillors Littlewolf stated the following documents were placed on her desk for the meeting: 1) Comments from Don Sipola; 2) Letter from Nancy Barnes, VRMC Laboratory Manager, in support of Kyle Hopstad; and 3) Document named "VRMC CEO Contract Points of Concerns". Councillor Baribeau stated he prepared the document titled "VRMC CEO Contract Points of Concerns". Councillor Littlewolf stated Mr. Leigh Hantho made the statement that, if an Interim CEO was hired, the salary would be between \$17,000 and \$20,000 per month. Councillor Littlewolf stated she did not vote in favor of the contract with Kyle Hopstad in March and felt the hospital should have been looking seriously for the permanent CEO position. It was explicitly stated at the March meeting that the Hospital Commission was looking for turnaround specialist and the Interim CEO position was not going to be a permanent position.

Councillor Littlewolf expressed concern that the Chief Finance Officer and Human Resources administrative positions were advertised, but nothing was done with the resumes. Councillor Littlewolf felt the Hospital Commission should have a set plan for the future. Councillor Littlewolf hopes the City Council can provide direction to the Hospital Commission and be more diligent in reviewing issues at the Hospital. Councillor Littlewolf also expressed concern about vetoing the contract and leaving the hospital without any leadership.

Councillor Sipola stated he was hearing criticisms of the Hospital Commission from the City Councillors and not criticism of the contract for the CEO position, which was the reason the meeting was called. The Hospital Commission turned down a one year permanent contract with Kyle Hopstad, which included a lower base pay and a performance incentive. Councillor Sipola stated a performance based incentive was offered to the previous CEO, which was never received, as VRMC has had four years of red ink. Councillor Sipola stated the previous administrator was paid \$198,000 for salary and benefits, which amounted to \$17,000 per month.

Councillor Sipola stated a new business plan has been developed by Steve Feltman, CFO that shows a \$2 million profit by the end of 2011. The VRMC had a loss of \$2.4 million for the first six months of 2010. With the anticipated future profit, Councillor Sipola stated there would be no need to consider a partnership or sale of the hospital. In the original discussion, it was stated that a turnaround for the VRMC would take 18 months to two years.

Councillor Cuffe stated he was not criticizing the Hospital Commission and the purpose of the meeting was to discuss the salary levy for Kyle Hopstad. It is the Hospital Commission's duty to review the performance by Mr. Hopstad. Councillor Cuffe believes \$25,000 per month is too high and the contract needs to be renegotiated.

Councillor Ralston stated he did not criticize the Hospital Commission and felt part of the expectations of the turnaround person was to work with other health care providers to provide permanent management for the VRMC. Councillor Ralston expressed disappointment that those steps were not done and he is not in favor of continuing the contract with Kyle Hopstad on a monthly basis.

Councillor Baribeau stated he received the Minnesota Hospital Association's 2010 salary ranges, which is on Minnesota hospitals. The 2010 median salary for a CEO for a hospital the average size of the VRMC is \$336,000.

Councillor Baribeau requested that his comments be made a part of the permanent record.

*"VRMC CEO Contract Points of Concerns, by Charles Baribeau":*

1. *Risk Factors if contract is not renewed:*
  - a. *VRMC Physician Clinic at risk*
  - b. *VRMC Bonds to City at risk*
  - c. *Recruitment of top notch employees at risk*
  - d. *Potential loss of quality employees at risk*
2. *Physicians and ancillary services are the driving forces to generate hospital \$\$\$.*
  - a. *CEO Interim has increased doctor pool at VRMC Clinic by 6, which is added \$\$\$.*
  - b. *Number of physicians has decreased in both local clinics since 2005.*
3. *Interim CEO has complete medical staff support via letter to Hospital Commission.*
4. *Current Hospital management team is two months ahead on the Hantho Report.*
  - a. *Quote from Mr. Hantho – Do NOT change current direction for the next 6 months to a year. Continue to look at all other options during this time.*

5. *No taxpayers \$\$\$ have been used for CEO or administrative salaries*
  - a. *If hospital fails, taxpayers inherit 7.8 million in hospital bonds.*
6. *What is the City Council's expectation of the Hospital CEO's salary range per year or month – name a price.*
7. *Has anyone asked Mr. Hopstad if he would take less than \$25,000 if he were given a year contract?*
8. *Has anyone formulated a plan of action if the current CEO, CFO and HR persons were to resign?*
  - a. *If so, where is the plan in writing and, if there is one, why haven't fellow Councillors been privileged to see such a plan? Is it a secret?*
  - b. *Politics should be completely left out of the picture when it comes to the healthcare of our community. Our Hospital needs to be a viable business in Virginia, MN, since it provides a livelihood for hundreds of individuals and families.*
9. *The VRMC payroll is over \$25 million per year.*
10. *At the present time, VRMC is succeeding.*

Councillor Russo agreed that the City Council was only looking at a three to four month contract for an Interim CEO and questioned what happened to the resumes for the CFO and Human Resources Director. Councillor Russo stated the CFO was supposed to be hired on a part time basis and the Interim Human Resources Director was hired to only handle the contract negotiations, but Kyle Hopstad hired his own administrative team without regarding to the salary schedule that is in place for the VRMC. Councillor Russo also stated he was offended at the remark that was made regarding secret meeting being held by the City Council. Councillor Russo disagreed that six doctors were recruited by Kyle Hopstad and stated nothing in writing has been received from Orthopaedic Associates. Councillor Russo stated the hospital currently has an eighty bed status and should be changed to a twenty bed status, which would reduce the salary schedule for the positions. Councillor Russo felt interviews should be held for the CEO, CFO and Human Resources Director positions.

Councillor Littlewolf stated everyone has the hospital in mind and the Hospital Commission is appointed by the City Council, with the Council having veto power. Councillor Littlewolf stated she is not being critical of the Hospital Commission, but trying to perform her job as a City Councillor. Councillor Littlewolf questioned the salary for the Interim CEO and the status of the applications that were received for the other administrative positions and have been overlooked.

Councillor Ralston responded to Councillor Baribeau's comments, as follows: 1) Why do we want to have a VRMC clinic or a hospital that would compete with other independents, rather than negotiate with other entities to partner with the VRMC? 2) Why are the bonds at risk if the Mr. Hopstad's contract is not renewed? 3) Why is the recruitment of top notch employees at risk? 4) Some of doctors were recruited before Mr. Hopstad was retained. 5) VRMC has lost many quality employees, since Mr. Hopstad was hired. 6) He has spoken to quite a few VRMC employees, who have said they would continue to work and do what is best for the hospital, even the Interim CEO's contract is terminated. 7) What can we do to keep the doctors in the area? 8) Medical staff would support and work with any CEO. 8) Salary paid to previous CEO should not have been exceeded for the interim position. 9) Interims for other administration positions came with their salary demands in hand, even though there was a salary range in place for these positions. 10) In March, Gayle Dibley stated there is a written plan in place, as part of the organizational chart, if the CEO is not able to perform his duties. 11) He is disturbed that accusations were made by Councillor Baribeau that there have been behind the scenes actions by the City Council. 12) The VRMC is alive; not succeeding.

Councillor Baribeau reported that the Hospital's by-laws state the CEO has the responsibility to hire a management team, with the approval of the commission, and that was done. The Hospital Commission chose not to look at the resumes for the administrative positions. Councillor Baribeau stated there are not enough physicians in the area and salaries are driven by the physicians. Councillor Baribeau stated he is not opposed to looking at option, but now is not the time to change the direction at the hospital.

Mayor Peterson expressed his concern about the insinuation of secret meetings and stated nothing done secretly behind the scenes. Mayor Peterson stated Hospital Commissioners Lindberg and Leoni, along with Councillor Russo and himself, were appointed to a committee to seek management proposals with other entities, which was reported at a recent City Council meeting. The committee has met with St. Luke's and will be meeting with SMDC and the information will be brought to both the Hospital Commission and City Council to make a decision.

Councillor Sipola further discussed the salary and stated \$17,000 was paid to the previous CEO, who was an experienced CFO. Under that scenario, the hospital had 56 months of red ink, and Councillor Sipola felt it look this long to get to the critical state. Councillor Sipola stated the Interim CEO's contract will terminate at midnight and the architect of the turnaround plan would be gone if the contract was vetoed.

Councillor Cuffe stated it is the responsibility of the Hospital Commission to negotiate the contract and review the performance of the CEO and he cannot support the salary of \$25,000 per month.

Councillor Littlewolf questioned if the Hospital could get by with their organizational plan until a request for proposals has been completed and a salary range determined. Councillor Littlewolf also questioned what steps Kyle Hopstad has taken to help with the permanent CEO position for the hospital.

Councillor Baribeau questioned what would happen if the Council vetoed the current contract. City Attorney Butorac stated the issue would be referred back to the Hospital Commission.

Councillor Russo stated Kyle Hopstad was asked to prepare a written plan for the Virginia Regional Medical Center and this was never done.

Moved by Ralston and supported by Russo to veto the motion approved by the Hospital Commission on August 23, 2010, to extend the current interim CEO contract for the period September 1, 2010, to December 31, 2010, at \$25,000 per month.

Ayes: Councillors Cuffe, Littlewolf, Ralston, Russo, Mayor Peterson - 5

Nays: Councillors Baribeau, Sipola - 2

Motion carried.

Meeting adjourned at 12:56 P.M.

(CORPORATE SEAL)

STEVE PETERSON  
Mayor

LOIS ROSKOSKI  
City Clerk