

White City Council Special Meeting Minutes July 9, 2015

The special meeting of the White City Council was called to order on Thursday, July 9th, 2015 in the McKnight Community Center at 5:04 p.m. by Mayor Terry Wright. Roll call was taken: present—Wayne Kelm, Tammy Byers, Deborah Hopfinger, Chris Wilmott; Absent – Chris Wilts.

The agenda was presented for approval. Motion made by Kelm, seconded by Hopfinger to approve the agenda; roll call vote taken with all present voting aye; motion carried.

The Council first welcomed Tealwood Chief Financial Officer, Molly Toulouse, via conference call. The following questions were asked:

1. **Reason for shut down?** Molly explained that Tealwood financially could not make the business work any longer. Another major issue involved staffing as well.
2. **Why wasn't the City notified sooner of the purchase opportunity?** Molly stated that Tealwood has been working with a broker for the last 2 years, but was unsure as to why the City was never contacted.
3. **Confirmed asking price on building and business?** Tealwood is open to any offers but they are currently asking \$15,000 for the real estate or \$50,000 for the real estate and the license.
4. **Is there a breakeven point?** According to Molly, it takes 30 residents including 1 premium payer to break even based on their costs.
5. **Budget suggestions when operating under a City?** From her perspective, she sees the business as a huge asset for the local community and keeping you budget with as little flexibility as possible is her suggestion.
6. **Is there an assisted living opportunity for the business?** Tealwood tried operating part of the facility as an assisted living back in 2007 until 2010 Molly believed. She stated that there is less income expected in these types of facilities, but also less staffing required. She didn't think it would be out of the question if the City wanted to operate the business as such.
7. **Is there any possibility of extending the closing date?** Unfortunately, Molly stated that Tealwood wants to keep the August 16th deadline. They have already notified the state of this date and cannot adjust.
8. **Number of employees?** According to Molly, there is 42 full and part time staff currently operating the facility.
9. **How would you suggest managing the facility?** She clearly stated that management is of highest importance. Whether hiring an internal administrator or a management company, the business will not succeed unless managed properly.
10. **How much does Tealwood pay for mal practice insurance?** According to Molly, Tealwood currently pays around \$75,000 annually for mal practice insurance.
11. **How much of a Medicaid reimbursement is the business currently receiving?** \$115.00 per day

12. **What will happen if the business and/or the building does not get sold?** Tealwood will still continue to maintain the building until it is sold.
13. **How much does the Brookings Health Systems pay in rent for their clinic?** According to Tammy Hillestad, they pay \$750 per month for rent.
14. **What is the current condition of the building?** The structure seems to be maintained properly and no major updates should be necessary.

The Council then welcomed Mike Ward, Administrator for the Estelline Care Center, to offer his advice and suggestions. The City of Estelline currently owns and operates this facility, similar to what the City of White is looking to do. Mr. Ward addressed the following:

1. When Estelline took over this facility, their main purpose was to create jobs in the community. The second purpose was to take care of residents. They understood that in order for the business to be successful, they needed the right people in the right places.
2. They currently operate under a \$3.5 million budget annually and continue to make money every year.
3. Their facility is capable of licensing up to 60 beds and currently operates around 58 beds.
4. The City of Estelline currently pays their 82 Care Center employees more than anyone in the state and their turnover rate is much lower.
5. Mike reports directly to the City Council each month and every bill and check goes through the City Finance Officer.
6. The Estelline Care Center found a niche market of residents who want to feel like they live on a farm so they have incorporated an outdoor barn complete with a horse, donkey, rabbits, chickens, etc.
7. The City does not have a hospital, but does have a Sanford operated clinic.
8. They buy all their groceries locally and have boosted their community's economy vastly.
9. The Estelline Care Center does not have a Veterans contract like White does.
10. They are able to keep bed costs low averaging \$187 per day cost.
11. They currently pay \$17,000 in mal practice insurance annually.
12. The employees are all considered city employees therefore they receive all benefits including South Dakota Retirement and other fringe benefits.

Next, the Council welcomed Dave Rusten with the White Economic Development Corporation. Dave commented on the following:

1. **Is the WEDC interested in taking over the facility?** At this time, they are not interested.
2. **Are you interested in helping operate and/or manage the facility?** Unfortunately, when the corporation decided to sell the facility back in 1997,

they were not keeping up financially therefore they would not be willing to take the risk again. The corporation has other plans in mind with their funds and if they decided to take on this task, all the other plans would have to go away.

Other community members addressed their concerns such as:

- Keeping jobs in the community is important
- A suggestion of starting from ground zero and developing it
- Retaining those residents who have already left may be an issue
- Finding an administrator may be a challenging task
- The facility is currently the second largest payroll and business in town
- There may be options to work with a management company
- With time not being on the City's side, there are other issues that may need to be looked into before deciding to purchase the business
- Some of the equipment may be leaving the building already so Tealwood needs to be contacted
- The condition of the building is poor and updates are necessary

The City Council then addressed their next steps. The major consensus was that they don't want to see the

facility close and understand that the business is a huge asset to the community. However, more research is necessary before making a final decision. There will be some major updates that should be repaired to the structure itself and marketing will need to be in place as well. Some councilmembers discussed the possibility that there won't be any residents in the building by the time of the decision which could create a lot of hardship. The Council plans to work on this matter, talk with some more representatives, and schedule another special meeting to make a final decision.

With no further business to come before the Council, motion made by Kelm, seconded by Hopfinger to adjourn; all present voting aye; motion carried. Meeting adjourned at 7:01pm.

Terry Wright, Mayor

Melanie Haber, Finance Officer