

Tuesday, January 26, 2016

Pursuant to adjournment comes now the Starke County Board of Commissioners and meet in Special Session at 4:30PM in the Annex meeting room, Knox, Indiana, with Kathy Norem and Don Binkley present and the following proceedings were held to wit:

The meeting was called to order by Vice-President Don Binkley. President Kent Danford was absent. Commissioner Binkley advised the purpose of the meeting was to address the request of the assignment of the hospital lease. In attendance for the meeting were Craig Felty, CEO IU Health-Starke, James Kaminski, Attorney for IU Health-La Porte, Ben Bennett of the IU Health Starke Hospital Board and Tony Williams. Also in attendance were Keith Emigh, Travis Clary, Brian Pinson, John Thorstad, and Kristi Nolcheff.

Attorney Kaminski advised they were asking for assignment of the lease the County has with the hospital and pointed out he was referring to the 1996 lease. He noted the lease dated from 1991 ended with the 1996 lease even though the 1991 lease is still on record. He also pointed out in the listing of property that a small part of the parking lot is showing ownership by the Hospital Board. Attorney Kaminski clarified that they are recognizing Starke County/Board of Commissioners as the owners of all of the hospital campus. He stated IU Health-La Porte is formally requesting consent of assignment of the 1996 lease to CHS (Community Health Systems) and the new partnership between IU Health-La Porte and IU Health-Starke. He specified at this time they are not asking for a new lease; nor are they asking for any new terms for this lease; they are only asking for an assignment of the current lease. Attorney Kaminski stated CHS is obligated to begin construction of a new hospital within two years to be completed within five years.

Commissioner Norem summarized the issues associated with the lease that are expected to occur with CHS and they were:

1. Assignment of current lease with no changes.
2. CHS will possibly ask for a six month extension of the current lease.
3. CHS will possibly negotiate new terms of the present lease.

Commissioner Norem noted only item number one is being addressed at this meeting. Attorney Lucas pointed out that the clarification regarding the termination of the 1991 lease and the assignment removes any cloud of which lease is applicable the 1991 lease or the 1996 lease. He pointed out the organizational chart from Community Health Systems (CHS) who is guaranteeing the obligations of Frankfort Health Partner (an 80% owner of La Porte Health with the other 20% ownership of La Porte Health being IU Health). La Porte Health LLC would then own Knox Hospital Company LLC (which is the Starke Hospital).

Attorney Lucas read the following January 21, 2016 letter from CHS Senior Vice President, Kenneth Hawkins, into the record, noting the six points addressed in the letter:

1. CHS/Community Health Systems, Inc. has guaranteed the obligations of Frankfort Health Partner, Inc. under a Contribution and Sale Agreement dated December 24, 2015.
2. CHS/Community Health Systems, Inc. is an indirect, parent corporation of Frankfort Health Partner, Inc.
3. Under the proposed transaction, Frankfort Health Partner, Inc. would acquire an 80% ownership interest in La Porte Health System, LLC. Indiana University Health Inc. would have a 20% ownership interest in La Porte Health System, LLC.
4. Under the proposed transaction, La Porte Health System, LLC will operate Starke Hospital through a new company, Knox Hospital Company, LLC, which would be a wholly-owned subsidiary of La Porte Health System, LLC.
5. CHS/Community Health Systems, Inc. has operational expertise and a reputation similar to the current Lessee of IU Health Starke Hospital, and Knox Hospital Company, LLC will have sufficient cash flow to perform its obligations under the Lease Agreement.
6. After the closing, CHS/Community Health Systems, Inc. will file a report with the Auditor of Starke County, as Landlord, showing that Knox Hospital Company, LLC is a responsible party to be an assignee of the Lease Agreement.

Commissioner Norem stated it was a lot of moving stuff around from CHS but that the key item is that CHS is responsible for the financial obligations. Attorney Lucas agreed that it was a complicated corporate structure.

Attorney Lucas reviewed the presented documents:

The “Landlord Consent”: Verifies the County is the Landlord and there have been no sale of the assets.

The “Resolution of the Board of Commissioners of the County of Starke”: The resolution incorporates the following:

1. The Commissioners consent to the execution and recording of the Ownership Affidavit to terminate the 1991 Lease.
2. The Commissioners consent to the transfer of the Lease from Indiana University Health Starke Hospital, LLC (f/k/a a CNI Starke, LLC) to Knox Hospital Company, LLC, an affiliate of the LaPorte Health System, LLC.
3. Any member of the Commissioners, and each of them hereby is authorized, empowered, and directed to do all such acts, including, without limitation, to execute, acknowledge and deliver all such documents, and to carry out and comply with the intent of these Resolutions.

The third document is the “Affidavit as to Successor Owner”.

At this time in the meeting Commissioner Binkley inquired if there were any public comments. Attorney Marty Bedrock stated, contrary to the news being reported, he wanted to make it clear the hospital was not being sold. The County will still own the property. Attorney Lucas noted the only change is the party who is the tenant of the lease and a lease is a contract. He stated they were only changing the contract rights but not the real estate. Tony Williams expressed his concern with anyone losing their jobs during this time of ownership change. Commissioner Norem advised the Board of Commissioners and the County Council have discussed this issue and they are intent on keeping and employing Starke County residents. She noted this meeting was only to assign the lease.

Attorney Lucas stated CHS has met their obligations in regard to their right to the lease assignment. Commissioner Norem made a motion to agree to the assignment of the lease as requested. Commissioner Binkley seconded the motion and it passed with all ayes.

The three documents were signed. Attorney Lucas noted the Affidavit as to Successor Owner will be recorded.

Commissioner Norem stated CHS can now continue with their request for a six month lease extension, but would prefer not to have an extension of the lease. She also noted the County would like to hear more in regard to their request for tax incentives.

Attorney Kaminski commented on the cooperation of the Hospital Board in these negotiations and noted they are “good people who cared about the hospital”.

Probation Officer John Thorstad and Juvenile Probation Officer Kristi Nolcheff appeared before the Board with a request for approval of the Indiana JDAI Replication Site Application. They advised they are applying for a grant from the JDAI, Indiana Juvenile Detention Alternative Initiative in regard to finding alternatives for dealing with Juvenile Delinquency rather than detention. Officer Thorstad advised of the decreasing cost of juvenile detention the County has been experiencing over the last six years with \$30,000.00 spent in 2009 and only \$2,000.00 spent in 2015. Commissioner Norem made a motion to approve the JDAI Replication Site Application. The motion was seconded by Commissioner Binkley and passed with all ayes. The document was signed by Commissioner Binkley.

There being no further business, Commissioner Norem made a motion to adjourn the meeting. Commissioner Binkley seconded the motion and it passed with all ayes. The meeting adjourned at 5:07PM.

January 26, 2016

ABSENT _____
Kent Danford, President

Kathryn Norem

Donald Binkley

Katherine Chaffins, County Auditor
& Secretary to the Board of County Commissioners