

Board of County Commissioners of Lincoln County
Agenda for October 17, 2018

- 9:00 Call to order and Pledge of Allegiance
- 9:00 Troy McCue, Lincoln County Economic Development Corporation Executive Director, to present the LCEDC monthly report
- 9:30 Fred Lundy, Land Use Administrator, to discuss land use matters
- 10:00 Ronny Farmer LLC, to review the 2017 Lincoln County Audited Financial Statements
- 10:30 Kevin Stansbury, Lincoln Community Hospital CEO, to discuss 2019 budgeting matters
- 1:00 Commissioners to meet at the Lincoln County Landfill with Ron Blackford from Blackford Weighting Systems LCC., to discuss the potential purchase of weighting scales
1. Approve the minutes from the October 5, 2018 meeting
 2. Review the September, 2018, reports from the County Assessor, County Clerk & Recorder, County Sheriff, and County Treasurer
 3. Review the September, 2018 reports from the Colorado Counties Casualty and Property Pool and the County Workers Compensation Pool
 4. Review and act upon an Intergovernmental Agreement for use of Lincoln County's solid waste facility by the Town of Hugo and the Town of Limon
 5. Review and act upon a Proclamation declaring November 12, 2018 through November 18, 2018 as "Apprenticeship Week"
 6. County Commissioner reports
 7. County Attorney's report
 8. County Administrator's report
 9. Old Business
 10. New Business

The Board of Lincoln County Commissioners met at 9:00 a.m. on October 17, 2018. The following attended: Chairman Doug Stone, Commissioners Ed Schifferns (until 2:00 p.m.) and Steve Burgess, County Administrator Jacob Piper, County Attorney Stan Kimble, and Clerk to the Board Corinne M. Lengel. Juliet Lundy with the Eastern Colorado Plainsman and Limon Leader attended until noon.

Chairman Stone called the meeting to order and asked Troy McCue to lead the Pledge of Allegiance.

Mr. McCue then gave the October Lincoln County Economic Development Corporation report and provided a proposed budget for 2019. Vista Volunteer James Dingwall attended the discussion as well. Mr. McCue submitted the grant application to the Colorado Health Foundation for a Community Food Participation grant for the Karval Community Building. The funding would cover a 24' x 24' addition to the building including a commercial refrigerator and freezer, a pantry, two ADA restrooms, and a common hallway for food distribution. The plan is to move the TFAP and Care & Share programs to the community building instead of the bus barn, which is not heated or cooled and has minimal storage capacity. The total project, including an estimated \$40,000 in-kind contribution, is around \$120,000. Mr. McCue felt that this particular grant would be perfect but thought the application could get disqualified because Karval Community Alliance doesn't have audited financial statements, which is a requirement. If CHF falls through, they will try the Gates Foundation.

Mr. McCue reported that the old Transwest building in Limon is under contract for a warehouse/distribution center to ship Native American gift and craft items via UPS. There would be no sales done in the building; they would use it strictly for distribution. Also, the owner of Denny's restaurant in Limon permanently closed it and is trying to sell the building.

James Dingwall informed the group that the Strategic Planning meetings are going well, and he has gotten some excellent feedback. Mr. Burgess said he thought the survey that the commissioners were asked to complete was cumbersome, but he did finish it. The other commissioners said they submitted theirs as well.

At 9:30 a.m., Land Use Administrator Fred Lundy met with the Board to provide an update on the department and his activities. Mr. Stone asked him if the county has any leases with Nighthawk Production as the commissioners received a notice of bankruptcy for the company. Mr. Lundy didn't know but said he'd check.

Former Land Use Administrator John DeWitt came in a couple of days this week to help Mr. Lundy with several questions he had. At one time, Mr. DeWitt put together a regulation limiting the length of time a person could live in an RV in Lincoln County. He thought perhaps the Board passed a resolution, but neither Mr. Lundy nor Mrs. Lengel could find anything. The commissioners agreed they must have decided not to adopt the resolution.

Mr. DeWitt also thought there might be a resolution exempting cell towers from all fees and regulations, but again, Mr. Lundy couldn't find any paperwork to support that theory. The original premise was that the exemption was offered as an incentive when cell companies were first moving into the area. Now that they are mainly a necessity and the companies have an established customer base, such an exemption is pointless. Since he hadn't found any documentation stating otherwise, Mr. Lundy asked if he should continue to treat them according to the book. The commissioners agreed but also felt that there is a need for clarification in the zoning regulations. Mr. Lundy said he would work on proposed rules and present them to the Land Use Board.

One of Mr. Lundy's long-term goals is to work on the lots in the Lower L, such as the 35-acre plots in the Foxx Mesa and LDS subdivisions. He'd discovered that there are numerous land-locked properties among the lots and asked if the county were obligated to provide access in the way of roads. Mr. Stone told him it was the developer's responsibility, and Mr. Kimble explained that the commissioners adopted a road policy in 2014 that will take care of future developments. Mr. Burgess commented that the landowners could build roads and petition the Board to make them county roads, but Mr. Kimble interjected that those residents would have to understand that the roads would then become public roads, meaning anyone could use them. The Board, if petitioned, would look at whether or not the roads would serve a public interest.

Due to the turnover in land use administrators, Mr. Burgess said there seemed to be some confusion regarding building a home in the county and the type of permits needed. He felt anything under forty acres required a special review by the Land Use Board, but Mr. Lundy said he thought it was thirty-five acres, which is the requirement for a new well permit. He added he would check in the zoning regs to make sure. Regarding a resident building a home in an existing location, Mr. Lundy said the development permit transfers with the title, so if there is a non-conformity, it would already exist.

Mr. Kimble commented that the county has been working on subdivision regulations for a long time, and he and Mr. Lundy should get together and see if they could find something useful to incorporate into the county's code.

At 10:00 a.m., county auditor Ronny Farmer met with the Board to review the 2017 Lincoln County Audited Financial Statements. He reported that there were no problems, and the county is in excellent financial shape. He explained that he is still making more journal entries than he feels are healthy since it means he is auditing his own work, which makes an auditor lose their independence. Mrs. Lengel said she thought they had hired someone to review the audit in order to avoid that problem, and Mr. Farmer said that Paul Miller did review it as suggested. As for the GASB 68 report, which relates to the county's pension plan, Mr. Farmer informed the Board that the plan is underfunded by \$3.4 million as of 2017 and will show up as a net liability or deficit. While the county has a legal obligation to its current employees, Mr. Farmer said the commissioners should highly consider looking into CCOERA or a 401a (the

government equivalent to a 401k) as a retirement plan instead of the existing defined benefit plan. He added that the audit needs to include the GASB 68 report every year.

Mr. Farmer went on to say that the county made \$3.4 million in 2017 while the hospital lost \$2.2 million. He explained that the fund balances should be no less than thirty percent of the county's expenditures and again stated that the county is in a stable financial position with all funds. He suggested providing a lower mill levy to the Public Health fund because it is the only fund that the county cannot transfer money from according to statute. The Board could transfer money into the Public Health fund, but money cannot come out unless it is an item of expenditure. According to Mr. Farmer, a \$50,000 or \$75,000 fund balance is adequate for Public Health. The Landfill fund balance seems a little high as well, but since there are several unknowns regarding cell closure costs, it should be okay. Mr. Farmer told the commissioners that they could transfer money at any time during the year through motion rather than a resolution; they are managing the money for the benefit of the county, which is their job.

Mr. Farmer discussed the single audit, stating that it wouldn't be necessary if the county could stay below the \$750,000 limit for federal revenues. The majority goes to DHS, and he recommended that Mr. Piper keep a file of all federal funds received throughout the year. An entity that gives the county federal funding usually sends a letter with it, so if departments aren't reporting it as federal money, it could cause a problem with the audit. Mr. Piper should keep the letters and forward them to Mr. Farmer before he puts the single audit together.

Lastly, Mr. Farmer suggested the county seek legal counsel regarding the pension plan. There are several options available, so the commissioners need to determine the best fit for the county. In his opinion, he would dissolve the plan, but if the Board decides to keep it, they can freeze current employees and provide a 401a for new employees as an alternative option.

Mr. Farmer stayed for the discussion with Lincoln Community Hospital CEO Kevin Stansbury and members of the hospital board at 10:30 a.m. Attending board members were Keith James, Lorie Coonts, and Jack Cross. David Usher and Erica Saffer attended the meeting as well.

Mr. Stone thanked the group for coming, stating that although the commissioners understand the significance and importance of the hospital, the accounts receivable and constant monthly losses of accounts payable are concerning to them.

Mr. Usher provided paper copies of a PowerPoint presentation he'd put together outlining the cause of the issues and their impact, progress so far, and some background on the challenges they face in the marketplace. Over the past five years, revenues have steadily increased by 36%, which means they are getting better at what they do. However, the rising cost of healthcare delivery, around 45%, is what offsets it and determines the deficit. They've experienced a decrease in property tax income, had continuous problems with Medicare and Medicaid payments, coding and billing got slower and more complex, and they do not have enough cash flow to meet day-to-day expenses. Mr. Usher went on to say that the shortfall in Medicare and Medicaid payments was \$1.7 million, property taxes are \$300,000 lower, and

they've experienced poor revenue cycle processes and incurred an additional cost of "hired resources" to help fix the underlying issues. All of the above lead to insufficient cash to meet daily expenses and emptied cash reserves.

They've made progress so far in that they've seen an average monthly revenue increase of \$250,000, cash collections average at least \$300,000 more a month than they did in 2017, and accounts receivables are down more than \$500,000. They're also converting their clinics to the Rural Health Clinic model, talking to the state about global payments, and looking for ways to share expenses, resources, and opportunities with EPHC partners. The Rural Health Clinic model will allow them to change from a fee-based to a cost-based structure, which means they will be able to charge based on actual costs.

Mr. Stansbury put in that the hospital would like to add more orthopedic and OBGYN to hopefully draw in more patients who have to go to the city for those services. In addition, there is activity at both the state and federal level to address the issues faced by small critical access hospitals and how to provide funding. They are also trying to set up shared resources through the Eastern Plains Health Consortium, which may include a provider personnel pool and supply expenses. He said they pledged to cut expenditures five percent between the remainder of this year and 2019.

Mr. Usher went on to say that the hospital had two extremely bad years; 2016 and 2017, but 2018 is trending to be much better. They implemented a better billing process that is leading to fewer issues, and although they are identifying the problems and working to make them better, it is not a quick fix. Mr. Stansbury added that over the years, billing and coding staff didn't keep up with the times, but they are aware that they have to make sure the hospital gets paid for the services they provide. He also felt that insurance companies do not help matters when they tell patients that going to the city for their procedures will be cheaper and faster.

Mr. Usher stated that the bottom line is that healthcare has changed; what was successful in the past no longer works, and the hospital has to become much more flexible and bend to meet the demands of their patients. Seeking more tax money from the county is only a short-term solution, and they realize the need to partner with people and organizations who can help them serve their patients and keep costs down.

Mr. Stone asked about the money they write off as bad debt each year, and Mr. Stansbury responded that bad debt is not a liable cost that they have control over. He added that the Affordable Care Act also hurt the hospital because so many more patients are on Medicare.

Mr. Stone asked about the request for the county to provide a higher mill levy for their 2019 budget, and Mr. Burgess stated that \$158,000 wouldn't do them much good when it wouldn't even cover a single month's losses. Mr. Stansbury answered that he appreciates the county's support and any help the commissioners could give would take some of the pressure off. Perhaps the additional funding would save someone's job, help them invest in new equipment, or find a way to bring in more money.

Mr. Farmer commented that moving to the Rural Health Clinic model will help, but they need to decide at what point they will run out of cash. He stated they would have to look at every service the hospital provides and start making harder decisions regarding the return of investment. He didn't believe that adding orthopedics was as good of an idea as sharing costs, and suggested that the hospital consider a line of credit or loan to get them through the hard times. Mr. Stansbury told him that they had actually had the discussion with a couple of banks and wanted to speak with the commissioners about it once they made a little more progress. Mr. Farmer suggested USDA, and Mr. Stansbury said it might be time to refinance their debt and find a cheaper interest rate. They are also reaching the useful life of their building, which is something else they need to take into consideration.

Mr. Stone asked if the county is liable for the hospital's debt in the worst case scenario, but Mr. Stansbury said that he didn't believe so. He felt the county's debt is limited to the property on which the hospital sits. Mr. Farmer disagreed, stating that although the county might not be legally responsible for the hospital's debt, it would be morally and ethically responsible since it is a county hospital. Mr. Kimble agreed, saying that of the other county attorneys he contacted, most agreed that the county would be responsible. He also provided an excerpt from state statute: "...except that no indebtedness shall be created, except as otherwise provided by statute, in excess of the revenue which may reasonably be expected to be available to the hospital for repayment thereof in the fiscal year in which such indebtedness is to be created, and except that no such indebtedness shall be incurred without the approval of the board of county commissioners..." Mr. Kimble added that the statute appears to demand that the hospital honor a budget and that the commissioners watch over it, even when dealing with accounts payable. He felt Mr. Stansbury and the hospital board should discuss it in more detail with the hospital's attorneys, and Mr. Stansbury said they would do that. Mr. Kimble also noted that although the county hospital statute gives the hospital board a lot of independence, the commissioners would like to be more involved. Mr. Farmer put in that there is not one solution, and even if they feel that there is a need for adding orthopedic or OBGYN services, it won't matter in the long run if there is no hospital.

Mr. Schifferns spoke up to say that they all have to work together because the county needs its hospital. Mr. Burgess agreed but added they are talking a lot of dollars, and there will be no easy solution. Mr. Kimble suggested that the next step would be for Mr. Stansbury to ask the hospital's attorney about the accounts payable and if their other debt would roll to the county if something happens. If the attorney says that the debt would not be the county's responsibility, he asked that they show him why it isn't. Mr. Farmer's final comment was that the county is in a position to help, but the commissioners would have to consider all the criteria and decide what's best for the county.

The group left, and Mr. Stone asked Mr. Kimble if he had anything to report before the commissioners went to the meeting at the landfill. Mr. Kimble said he'd received the results of the Limon Ambulance investigation and suggested that Mr. Piper send a letter to the town and the fire department along with the report.

Mr. Burgess made a motion to approve the minutes from the meeting held on October 5, 2018, as submitted. Mr. Schiffers seconded the motion, which carried unanimously.

At 1:00 p.m., the commissioners, Mr. Piper, and Landfill Manager Mick Jaques met with Ron Blackford from Blackford Weighing Systems, LLC, at the county landfill to discuss the potential purchase of truck weighing scales. Mr. Blackford provided two bids for a 72' x 11' Steel Deck Motor truck scale; one for \$66,203.92, which is all digital, and the other for \$63,745.44, which is mechanical.

Upon returning to the board room at 2:00 p.m., the commissioners reviewed the September 2018 reports from the Assessor, Clerk and Recorder, Sheriff, and Treasurer, as well as from the Colorado Counties Casualty and Property and Workers' Compensation pools.

Mr. Burgess made a motion to sign the Intergovernmental Agreements with the town of Hugo and the town of Limon for the use of Lincoln County's solid waste facility with rates remaining the same as they were in 2018. Mr. Stone seconded the motion, which carried.

After reviewing a Proclamation declaring November 12, 2018, through November 18, 2018, as "Apprenticeship Week," Mr. Burgess made a motion to approve the Proclamation. Mr. Stone seconded the motion, which carried.

Mr. Burgess reported talking with road foreman Bruce Walters about road conditions in District 2 on October 9. On October 11, Mr. Burgess took a report that County Road 109 was muddy, but there wasn't much the road crew could do until it dried out a little. Mr. Burgess attended the CCI legislative committee meeting on October 12 where they adopted the policy statement for 2019 and discussed proposed bills for the new legislative session and the schedule of upcoming meetings. He also received a complaint about ruts in County Road 109 and checked on it. He and Mr. Stone attended the Eastern TPR meeting in Akron on October 15. Discussions included Propositions 109 and 110 and a \$54 million highway project on I-70 around Arriba. He also talked to Bruce Walters and Chris Monks about a John Deere tractor that District 2 is thinking of buying. Cheyenne County Commissioner Nancy Bogenhagen called requesting information, so he asked Mr. Piper to send her the county's pay scales. On October 16, Mr. Burgess attended the Resources Unlimited meeting and checked roads with his foreman. He stopped by the Economic Development meeting earlier this morning.

Mr. Stone reported that District 3 got between five and six inches of snow on October 9, so he checked roads on the Tenth. He talked with road foreman Rick Ashcraft on October 11 about renting a scraper for about forty hours so they could work on the Brewer Pit. He attended the Eastern TPR meeting with Mr. Burgess on October 15, after which they spoke with Mr. Kimble about the hospital liability. Mr. Stone checked roads with Mr. Ashcraft on October 16, and they also stopped by the Brewer Pit.

Mr. Piper reported that the county's new retirement company, Compusys, is willing to come out and meet with the Board, along with the company that supplied the GASB 68 information

for the audit. The county currently has a \$3.39 million liability, and if the commissioners don't do something about funding it, it will be out of money by 2038. One option is to redo the plan document to increase the county's contribution, but Mr. Piper said they would need legal advice regarding the long-term employees. There is an attorney, Steven Rickels, who might be able to offer assistance. Mr. Burgess said the Board needs to decide whether to continue with the current plan or go with a 401a. He summarized several of the other options he'd put together and then told Mr. Piper to ask the Compusys reps to come out and discuss it. Mr. Stone agreed.

There was no old business to discuss, but as far as new business, Mr. Burgess repeated that he'd like to purchase a John Deere tractor. They have a Case IHC now with around 5,000 hours on it, but they're having problems with it and want to trade it in. They can get \$10,500 for it, which would make the payment on the John Deere about \$55,000. They would pay for it next year. Mr. Stone said that Rick mentioned buying a mower also.

Mr. Burgess made a motion to accept the \$66,203.92 bid from Blackford Weighing Systems, LLC, with the addition of red and green lights, and to purchase the truck weighing scales from the 2018 budget. Mr. Stone seconded the motion, which carried. The Board called Mr. Blackford to let him know they'd approved the proposal.

Mr. Burgess said they should think about adjusting the landfill rates at the first of the year to help offset the cost of the purchase, and Mr. Stone agreed.

With no further business to come before the Board, Mr. Stone adjourned the meeting until 9:00 a.m. on October 30, 2018.

Corinne M. Lengel, Clerk to the Board

Douglas D. Stone, Chairman