

SUBSTITUTE RESOLUTION NO. RS2018-1032

A resolution appropriating to a certain account for the benefit of the Hospital Authority an amount not to exceed ~~Thirteen Million Two Hundred Thirty-One Thousand Dollars (\$13,231,000)~~ Seventeen Million, One Hundred Forty-One Thousand Dollars (\$17,141,000), Four Million Four Hundred Nine Thousand Six Hundred Seventy-Six Dollars (\$4,409,676) of which will be paid directly by the Metropolitan Government to Meharry Medical College for services provided at Nashville General Hospital through June 30, 2017.

WHEREAS, the Metropolitan Council approved operating subsidies for the Metropolitan Hospital Authority (the "Hospital Authority") by adopting Supplemental Resolutions RS2017-538 in the amount of Sixteen Million Dollars (\$16,000,000) on February 7, 2017; RS2016-100 in the amount of Ten Million Dollars (\$10,000,000) on February 5, 2016; for an aggregate operating subsidy of Twenty-Six Million Dollars (\$26,000,000).

WHEREAS, the Hospital Authority has informed the Metropolitan Director of Finance that it cannot continue operations at Nashville General Hospital for the remainder of Fiscal Year 2017-2018 without a substantial supplemental appropriation from the Metropolitan Government; and

WHEREAS, in order to stabilize the financial situation at Nashville General Hospital for the remainder of the current fiscal year, the Metropolitan Council desires to appropriate to a certain account for the benefit of the Hospital Authority an amount not to exceed ~~\$13,231,000~~ \$17,141,000 from the General Fund of the General Services District contingent upon the satisfaction of the conditions set forth herein; and

WHEREAS, documentation provided to the Director of Finance by the Hospital Authority indicates that approximately \$4,000,000 of this supplemental appropriation is needed for anticipated shortfalls in cash collected for net patient revenue; and

WHEREAS, the Administration has determined that the following appropriations from the General Fund of the General Services district will be impounded in the below amounts from the indicated funds in order to offset the amount to be appropriated from the Undesignated Fund Balance of the General Fund of the General Services District (the "Impounded Funds"):

Primary Expenditure Account #	Account Description	Amount
01101138.502885	Employee Tuition Reimbursement	\$50,000
01101230.502111	Stormwater Contingency	\$350,000
01101650.505320	Small Business Incentive	\$150,000
01101691.502239	Nashville Construction Readiness	\$150,000
01101692.531001	Housing Incentive Pilot	\$1,550,000
01101694.505320	Historic Preservation Pilot	\$150,000
(not applicable)	Total	\$2,400,000

WHEREAS, the Metropolitan Council desires to appropriate the remaining amount of ~~\$10,831,000~~ \$14,741,000 for the benefit of Nashville General Hospital from the Undesignated Fund Balance of the General Fund of the General Services District; and

WHEREAS, pursuant to financial statements audited by Crosslin PLLC, the Hospital Authority owed Meharry Medical College ("Meharry") \$4,409,676 at June 30, 2017 for services provided at Nashville General Hospital through that date; and

WHEREAS, the Metropolitan Council acknowledges that Meharry is owed additional funds for services provided in addition to the \$4,409,676 appropriated hereinbelow, and the Hospital Authority will incur additional liabilities owed to Meharry throughout Fiscal Year 2017-2018 (the "Additional Funds"); and

WHEREAS, Meharry is to be paid the Additional Funds as soon as practicable out of the funds appropriated to the Hospital Authority herein upon approval by and in a form acceptable to the Director of Finance of a financial reconciliation determining the amount of the Additional Funds; and

WHEREAS, pursuant to Resolution No. R89-959, and Finance Department Policy No. 8 adopted July 1, 2006, it is the policy of the Metropolitan Government to maintain a minimum fund balance in the Undesignated Fund Balance of the General Fund of the General Services District of five percent; and,

WHEREAS, after the appropriation provided in this Resolution, the current fund balance in the Undesignated Fund Balance of the General Fund of the General Services District is estimated to be ~~3.85 percent~~ 3.4 percent; and

WHEREAS, the Director of Finance ~~will implement a hiring and promotion freeze and~~ will scrutinize all departmental appropriations from the General Services District of the General Fund with a goal of further impounding a minimum of an additional \$2,000,000 in order to mitigate the impact of this appropriation on the Fund Balance of the General Services District of the General Fund; and

WHEREAS, the Metropolitan Council recognizes and acknowledges that a priority of the Fiscal Year 2018-2019 Operating Budget for the Metropolitan Government of Nashville and Davidson County will be to replenish the Undesignated Fund Balance of the General Fund of the General Services District to comply with the Metropolitan Government's policy of a five percent fund balance.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1: That the following amount from the General Fund of the General Services District is hereby appropriated:

Primary Expenditure Account #	Account Description	Amount
01101138.502613	Hospital Authority – Operating Subsidy	\$13,231,000 <u>\$17,141,000</u>

Section 2: That \$2,400,000 of the appropriation in Section 1 will be offset with Impounded Funds, and the remainder of this appropriation is funded from the following source:

Revenue Account #	Account Description	Amount
10101.335000	General Fund - Undesignated Fund Balance	\$10,831,000 <u>\$14,741,000</u>

Section 3: That the appropriation set forth in Section 1 shall be subject to the following timeline and conditions for the Disbursement Requests:

1. Within ten business days of the adoption of this resolution, the Metropolitan Government will directly pay Meharry Medical College \$4,409,676 from the ~~\$13,231,000~~ \$17,141,000 appropriated to the Hospital Authority by this resolution in order to satisfy the amount owed by the Hospital Authority for services provided through June 30, 2017. The Additional Funds will also be paid directly to Meharry from the remaining funds upon approval by and in a form acceptable to the Director of Finance of a financial reconciliation determining the amount of the Additional Funds.
2. Of the remaining ~~\$8,821,324~~ \$12,731,324, \$4,000,000 will be available to cover shortfalls in cash collected for net patient revenue if, and only to the extent of, the June 30, 2018 net patient revenue as projected by the Hospital Authority and reviewed by the Director of Finance is below \$42,000,000. The timing of the disbursement will be determined by the Director of Finance based on collection trends in the coming months.
3. ~~Disbursements of the remaining \$4,821,324 to be used for operating expenses including ongoing monthly utility and other operating expense payments to Meharry will be made to the Hospital Authority based on monthly cash flow needs documented with Operating Disbursement Requests.~~
4. Each Operating Disbursement Request will be delivered to the Metropolitan Director of Finance at least ten business days prior to requested date of funding, and additionally, be certified by the chief executive and chief financial officers of the Nashville General Hospital management as well as the board chair and finance committee chair of the Hospital Authority.
5. Each Operating Disbursement Request will be accompanied by detailed supporting documentation and analysis to the satisfaction of the Metropolitan Director of Finance, including but not limited to (a) the most recent month end budget to actual income statement; (b) the most recent cash flow statement showing each actual month beginning July 1, 2017 and showing each projected month through June 30, 2018, (c) the most recent month's balance sheet, (d) the most recent bank statements or other documentation from all Hospital Authority banks showing detailed deposit and withdrawal transactions, and (e) aging reports with explanations for any amounts in dispute for accounts receivable, accounts payable and any recorded or unrecorded liabilities not included in accounts payable.
6. Within 15 days of the end of each month, the Hospital Authority shall provide the previous month's copies of the balance sheet, the budget to actual income statement and the monthly actual and projected cash flow to the Vice Mayor and Chairs of the Council Budget and Finance and Health, Hospitals and Social Services Committees, with an electronic copy sent to each member of the Metropolitan Council and to the Director of Finance.

Section 4: That the appropriation set forth in Section 1 for the benefit of the Hospital Authority shall be further subject to the following requirements:

1. Within ten (10) business days of the adoption of this resolution, the Vice Mayor shall appoint a strategic planning committee composed of:
 - a. the chair of the Budget & Finance committee of the metropolitan council;
 - b. the chair of the Health, Hospitals & Social Services Committee of the metropolitan council;
 - c. three (3) additional members of the metropolitan council, preferably with knowledge of medical and/or hospital business management or finance;
 - d. a representative from the Metropolitan Government Department of Finance; and
 - e. a representative from the Metropolitan Hospital Authority; and
 - f. a representative from Nashville General Hospital.
2. The strategic planning committee should consider and address (a) the scope of services to be provided by Nashville General Hospital; (b) the optimal location for hospital facilities and service

- delivery points; (c) the available pool of admitting physicians; (d) recommended interface between Nashville General Hospital and area teaching facilities and hospitals; (e) revenue cycle management; and (f) capital needs and funding
3. Within thirty (30) days of the appointment of all strategic planning committee members, the members shall convene and select an independent consultant familiar with hospital administration to mediate and facilitate committee action. The committee will be further encouraged to invite input and consultation from a diverse and broad cross-section of individuals and entities impacted by Nashville General Hospital operations and who can provide direct knowledge and/or expertise regarding hospital management and finance, including representatives from area hospitals and medical centers.
 4. As an express condition of the receipt of the appropriation set forth in Section 1, within 15 days of the end of each month, the Hospital Authority shall provide to the strategic planning committee (a) the most recent month end budget to actual income statement; (b) the most recent cash flow statement showing each actual month beginning July 1, 2017 and showing each projected month through June 30, 2018, (c) the most recent month's balance sheet, (d) the most recent bank statements or other documentation from all Hospital Authority banks showing detailed deposit and withdrawal transactions, (e) aging reports with explanations for any amounts in dispute for accounts receivable, accounts payable and any recorded or unrecorded liabilities not included in accounts payable, (f) the previous month's copies of the balance sheet, (g) the monthly actual and projected cash flow, (g) patient outcome documentation; (h) copays and deductibles collected at time of service upon intake; and (i) Nashville General Hospital department audits; with an electronic copy sent to each member of the Metropolitan Council and to the Director of Finance.

Section ~~4~~ 5: That this Resolution shall take effect from and after its adoption, the welfare of the Metropolitan Government of Nashville and Davidson County requiring it.

INTRODUCED BY:

Jim Shulman
Member of Council, At-Large

Sheri Weiner
Member of Council