



**JOINT SPECIAL MEETING
OF THE WESLACO CITY COMMISSION
AND THE WESLACO HEALTH FACILITIES
DEVELOPMENT CORPORATION
MONDAY, SEPTEMBER 22, 2014**

On this 22nd day of September 2014 at 5:34 p.m., the City Commission of the City of Weslaco, Texas and the Weslaco Health Facilities Development Corporation convened in a Joint Special Meeting at City Hall in the Legislative Chamber, located at 255 South Kansas Avenue with the following members present:

Mayor	David Suarez
Mayor Pro-Tem	J.F. “Johnny” Cuellar
Commissioner	David R. Fox
Commissioner	Gerardo “Jerry” Tafolla
Commissioner	Lupe Rivera
Commissioner	Fidel L. Pena, III
President	Roger Heredia, MD
Secretary	Robert Cantu
Member	Moses Castillo
Member	Amparo Cardenas
City Manager	Leonardo Olivares
City Secretary	Elizabeth M. Walker
Legal Counsel	George Farah

Also present: Juan Salas, IT Department; Bret Mann, Finance Director; Interim Chief Sergio Ramirez, Police Department; Veronica Ramirez, Human Resources Director; Oscar Garcia, Public Facilities Director; and other staff members and citizens.

I. CALL TO ORDER

A. Certification of Public Notice.

Mayor Suarez called the meeting to order and certified the public notice of the meeting as properly posted Friday, September 19, 2014.

B. Pledge of Allegiance.

Mayor Suarez recited the Pledge of Allegiance and Mayor-Pro Tem Cuellar recited the Texas flag.

C. Roll Call.

Elizabeth Walker, City Secretary, called the roll, noting the absence of Commissioner Noriega and Board Member Robert Lozano.

II. PUBLIC COMMENTS

Dinah Gonzalez, Chief Operating Officer of Knapp Medical Center, reported the current balances of the Series 2008A and 2008B bonds; per a letter received from the Bank of New York Mellon, all monthly payments have been timely paid and there

are no outstanding payments due.

Sandra Esquivel, a physician with Knapp Medical Center, commented on the decline of the hospital and recommended actions to keep the hospital.

James Moore, a resident of Weslaco, commented that the fiduciary duty to shareholders had not been kept in this transaction.

III. NEW BUSINESS

- A. Discussion and consideration regarding the “Weslaco Health Facilities Development Corporation Variable Rate Hospital Revenue Refunding and Improvement Bonds (Knapp Medical Center Project), Series 2008A” and the “Weslaco Health Facilities Development Corporation Variable Rate Hospital Revenue Refunding Bonds (Knapp Medical Center Project), Series 2008B” and the possible bond covenant violations regarding the Knapp Medical Center transaction with Prime Health Care Services and Prime Health Care Foundation on the Series 2008A and 2008B Bonds. Possible action.

Commissioner Pena, seconded by Mayor Pro-Tem Cuellar, moved to discuss the item as presented.

Mr. George Farah noted the presentation by Mary Ybarra on item III.A. may involve discussion identified as item III.B.

- B. Discussion and consideration to approve a Resolution regarding the sale of Knapp Medical Center to Prime Healthcare Systems, Inc. Possible action.

Commissioner Tafolla, seconded by Mayor Pro-Tem Cuellar, moved to address items III.A. and B. concurrently for discussion. The motion carried unanimously; Mayor Suarez was present and voting.

Ms. Mary Ybarra, special counsel to the City and to the Weslaco Health Facilities Development Corporation as successor agent, delivered a PowerPoint presentation to provide the public with an overview of the timeline of events and details of the transaction, which she noted had taken 20 months and 14 hearings to obtain. She explained that on January 2, 2013, Knapp Medical Center was acquired by Prime Healthcare Systems Foundation, and though all assets were transferred to Prime via a Membership Transfer Agreement, Knapp’s liabilities were not. Though it was publicized as a \$180 million transaction, she finds only \$24 million actually paid; the balance, she characterized saying, “we bought our own hospital with our own money.”

Additionally, according to the defendant’s own pleading in June 2014, the transaction identifies the debtor on the bonds as Knapp Medical Center’s alone and Prime does not intend to pay that debt; the assets transferred into Knapp Community Cares Foundation, however, Prime intends to keep, as the transfer document specifies those assets would be transferred to Prime Healthcare Foundation should the hospital sell again. Ms. Ybarra noted that since the transfer in January 2013, there has been a decline in patient care, with both emergency room wait times and the rate of deaths.

Mr. Lance Kirby, counsel for Knapp Medical Center, commented that this meeting was not the proper forum to litigate this case. He added that many points of Ms. Ybarra's presentation were erroneous and could not be supported. He advised the City not to continue with this lawsuit, as all aspects of the transaction were proper.

Ms. Ybarra retorted that she is reserving litigation for the courtroom, but considers the Legislative Chamber the proper venue to examine those documents as disclosed by the court.

Dr. Leticia Volpe expressed concern about the decline in medical care, recommending more specialists available at the hospital to help patients.

The City Manager explained the two governing bodies have legal, financial, and political roles in this transaction; the Commission and Board may release the restrictive covenants only after deliberative examination, which was not afforded until tonight when provided the substance of the transaction was explained.

IV. EXECUTIVE SESSION

At 7:08 p.m., the Mayor announced the regular meeting to convene in Executive Session. At 7:55 p.m., the Mayor announced the Commission and Corporation had completed Executive Session and reconvened the regular meeting as open to the public.

V. POSSIBLE ACTION ON WHAT IS DISCUSSED IN EXECUTIVE SESSION

- A. Pending Litigation - Discussion with City Attorney and Special Counsel regarding Cause No. C-081-13 B *Weslaco Health Facilities Development Corporation v. Knapp Medical Center, et.al.* as authorized by §571.074 of the Government Code.

The City Secretary read a Resolution as follows:

State of Texas	§ Resolution Regarding
County of Hidalgo	§ The Sale of Knapp Medical
	§ Center to Prime Healthcare System

WHEREAS, Knapp Medical Center, opened in Weslaco on January 2, 1962 as Knapp Memorial Methodist Hospital with 100 beds, and

WHEREAS, Knapp Memorial Methodist Hospital dissolved in 1986 and the hospital was renamed Knapp Medical Center; and

WHEREAS, Knapp Medical Center operated as a not for profit corporation which had authority to own, lease and operate hospital facilities acting by and through the Knapp Board of Directors; and

WHEREAS, Knapp Medical Center at various times asked the City of Weslaco by and through the Weslaco Hospital Authority and the Weslaco Health Facilities Development Corporation to issue bonds to expand the hospital; and

WHEREAS, the Knapp Medical Center Board of Directors voted to sell Knapp Medical Center to Prime Healthcare Systems Inc.; and

WHEREAS, The City of Weslaco requested from Knapp Medical Center details of the sale

to Prime Healthcare Systems Inc. because the Weslaco Health Facilities Development Corporation issued \$68,000,000.00 in Bonds to assist Knapp Medical Center; and

WHEREAS, Knapp Medical Center provided limited details of the sale to Prime Healthcare Systems Inc. only as compelled by Court Order.

NOW, THEREFORE, BE IT RESOLVED THAT

Upon examination of financial, management, legal and other relevant details produced in requisite documentation this entity is opposed to the sale of Knapp Medical Center to Prime Healthcare Systems Inc. and further find a circumvention of the necessary restrictive covenants.

PASSED AND APPROVED on this 22nd day of September 2014.

Robert Cantu, seconded by President Roger Heredia, moved to ratify the Resolution as read. The motion carried unanimously.

Mayor Pro-Tem Cuellar, seconded by Commissioner Rivera, moved to ratify the action of the Weslaco Health Facilities Development Corporation Board of Directors and approve the Resolution as presented. The motion carried unanimously; Mayor Suarez was present and voting.

VI. ADJOURNMENT

With no other business before the Commission, at 7:55 p.m. Commissioner Tafolla, seconded by Commissioner Fox, moved to adjourn the September 22, 2014 joint special meeting. The motion carried unanimously; Mayor Suarez was present and voting. The Weslaco Health Facilities Development Corporation stood adjourned.

CITY OF WESLACO

MAYOR, David Suarez

ATTEST:

CITY SECRETARY, Elizabeth M. Walker

MAYOR PRO-TEM, J.F. "Johnny" Cuellar

COMMISSIONER, David R. Fox

(absent)
COMMISSIONER, Olga M. Noriega

COMMISSIONER, Gerardo "Jerry" Tafolla

COMMISSIONER, Lupe Rivera

COMMISSIONER, Fidel L. Pena, III

WESLACO HEALTH FACILITIES
DEVELOPMENT CORPORATION

PRESIDENT, Roger Heredia, MD

MEMBER, Robert Lozano

MEMBER, Moses J. Castillo

MEMBER, Robert Cantu

MEMBER, Amparo Cardenas