



United States Department of Agriculture

Rural Development

September 26, 2018

Wyoming State Office

100 East B Street,
Room 1005
PO Box 11005
Casper, WY
82602-5006

Sublette Rural Health District

Attn: Scott Scherbel
P.O. Box 787
Big Piney, WY 83113

RE: Application for the Sublette County Rural Health Care District

Voice 307.233.6700
Fax 307.233.6727
TDD 307.233.6733

Dear Mr. Scherbel:

Thank you for your Community Facilities application for a Critical Assess Hospital (CAH) in the Town of Pinedale, Wyoming. We appreciate the time and effort you took in preparing and submitting it. After careful review and consideration of your project we have determined that your application is ineligible based on the following reasons:

The fees associated with this project appear to be excessive in comparison to other fees of similar projects. RD Instruction 1942-A 1942-17 (4) Fees. Fees provided for in contracts or agreements shall be reasonable. Based on other Wyoming project fees, lender's counsel runs about \$20,000 and hospital Counsel \$10,000. Fees listed for your project are \$100,000 combined. Bond Counsel of \$100,000 is also high based on historical costs in Wyoming. The most expensive fees could be the UCC search and title work, but \$50,000 is excessive. Contingency is 10% of construction costs which is reasonable but there should not be a contingency fee on the contractor fee.

Under 1942-A Guide 7 B Cost Estimate requires an itemized estimate of the project costs including development. The application is for construction on the undeveloped Bloomfield site in Pinedale. The Town of Pinedale's Attorney stated a road must be built when the site is developed. It is the District's opinion that the road could be built at a later date, and not during site development. Our office of General Counsel has concurred with the Town's Attorney. Based on the estimate from the City Engineer, this could cost upward of \$2,000,000 which was not included in the cost estimates.

1942-A 1942.17 (d) (2) (v) USDA Rural Development will not fund facilities which are not modest in size, design, and cost. This has been an issue from the beginning of the process. Our engineer and National Office Architect determined that the project was not modest in size, cost and design when first presented to us. We requested value engineering to bring the project to be modest in size, cost and design. The project went from \$28,300,000 to \$27,461,000. The price of the land has been reduced by \$550,000 and the overall construction, funding costs have been reduced at \$289,000. Our engineer contends that the footprint of the project was reduced approximately 5% from original submittal. Your information states approximately 10%. We believe the original submission did not have the correct square footage and the reduction is the lesser amount. The proposed site is not

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modest in size for the proposed project and would not be utilized in the foreseeable future.

We reviewed the Wyoming Critical Access Hospital Data information submitted to our office last week by your staff. Comparing other hospitals with the proposed Sublette CAH there were several inconsistencies. Square footage of 40,000 and 85 employees is not accurate for the Sublette CAH based on plans and feasibility study. It should be approximately 47,000 sq. ft with 73.4 FTES. This brings up the issue of staffing. According to the information you sent us, the staffing levels of the other hospitals apart from Niobrara are at least 25% higher than your feasibility study projections of 73.4. It is our contention that the hospital is not modest in size, scope, or design. If we were to consider the size acceptable, there appears to be a shortage of staff based on your comparisons. If additional staff is necessary, costs would rise which would affect cash flow. Projected wages are also very high compared to National or Wyoming medium. It was never made clear in the study why wages were so high for the staff compared to other CAHs in Wyoming.

1942.17 (h) Economic feasibility requirements. All projects financed under the provisions of this section must be based on taxes, assessments, revenues, fees or other satisfactory sources of revenues in an amount sufficient to provide for facility operation and maintenance, reasonable reserve, and debt payment. Based on the information provided, an applicant contribution of two million dollars will be put into the project, but the current financials do not reflect the funds available at the time of construction. There is no evidence of other funding sources, including pledge or commitment letters from other entities. The feasibility study estimates an increase of revenue during construction, but revenue has been declining historically for the last 5 years as well as the population. There is no evidence revenue will increase during construction.

The proposed uses and sources state that \$396,000 of the District's funds will be put in a reserve account at closing. This is not an eligible cost for construction funds. We would also require a capital asset replacement reserve in an amount adequate to replace short term assets as recommended by the Applicant's architect and concurred with by the State Architect or Engineer which was not included in the feasibility study.

The proposed project does not indicate or demonstrate exceptional community support. Under 1942-A-17(g) (2) (ii) states community support such as substantial financial contributions, and aggressive leadership in the formation of the organization and proposed project which indicates a commitment of the entire community. Our office has received numerous letters from private individuals supporting or not supporting the proposed project. We have not received any letters from other government entities in support of the project but have received letters from government entities not supporting the proposed project. There is no evidence of a public request for sales/use tax to pay for the project which if passed would show exceptional community support. There is no evidence of financial support from any formal entity in the county.

If you have any questions concerning the decision or the facts used to make our decision or desire further explanation you may call or write the USDA Rural Development State Office at 307-233-6710 to request a meeting within 15 calendar days of the date of this letter. As we discussed on the phone, I can come to Pinedale for a meeting October 2nd at 6:00 pm. You should present any new information or evidence along with possible alternatives for our consideration. You may also bring a representative or legal counsel with you. You also have the right to appeal this decision to a hearing officer in lieu of, or in addition to a meeting with this office. See attachment for your appeal rights.

If you do not wish a meeting as outlined above, or wish to appeal, a request for a hearing must be sent to the Area Supervisor, National Appeals Staff, Western Regional Office, postmarked no later than October 25, 2018.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, handicap, or age (provided that the applicant has the capacity to enter into a binding contract), because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal Agency that administers compliance with the law concerning this creditor is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

Sincerely,

**LORRAINE
WERNER**

Digitally signed by LORRAINE WERNER
Date: 2018.09.26 12:27:06 -06'00'

LORRAINE WERNER
Community Programs Director

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Chad Rupe State Director, Wyoming Rural Development

Attachment; Appeal Rights