A special meeting of the Executive Committee and Hospital Committees of the Board of Visitors was held on Thursday, March 24, 1977, at 7:30 a.m. in the Sanger Hall Board Room.

Present were Drs. Blanton, Gayle and Gwathmey and Messrs. Dabney, McGehee, Obenshain, Scott and Seaborn. Also present were Drs. Beller, Neal, Vasile and Willett; Messrs. Holmes, Kidd, Rice, Ross and Wink; Miss Cosby and Mesdames Holder and Price.

Dr. Blanton called the meeting to order and announced that the purpose of the meeting was to inform the Board of the current operating and financial status of the Virginia Hospital Laundry.

Mr. Kidd reported that, at the January 18 meeting of the full Board of Virginia Hospital Laundry (VHL), the General Manager of the VHL informally presented the December operating figures and financial information from Price, Waterhouse and Company. The General Manager likewise indicated certain trouble with the Laundry and requested an increase in rates. Subsequently, a meeting was held on January 25 in the law offices of Hunton, Williams, with Mr. John Ashton and members of the Executive Committee of the VHL, to review the "difficulties" and to respond to the General Manager's request for an increase in rates and/or refinancing. Mr. Kidd, who was not at the Board meeting on January 18 but was present at the Executive Committee meeting on January 25, stated that when he became aware of the problems at
the Laundry he requested Mrs. Lucy Holder and additional personnel from Hospital Management Services and Mr. Christian (Pat) Rice from Hospital Fiscal Services to look into the situation, identify the nature of the problem and make appropriate recommendations.

Mrs. Holder reported on the study made by the MCVH Management Services Department. The analysis resulted in numerous recommendations and identification of additional areas that need more detailed study. The areas in which additional effort would have the greatest impact on reducing costs and increasing plant capacity are:

- Control of linen purchases and inventory losses
- Production payroll costs
- Plant capacity as it relates to the ironing and tumble-fold sections

Mrs. Holder continued that the Management Services Department recommended to the VHL Board further analysis and system design efforts in the following areas immediately:

- Design and implement a weigh-in procedure for soiled linen with the intent to charge member hospitals a per pound penalty for lost linen. Further effort should be directed at examining the feasibility of a piece count-in system for establishing penalty costs.
- Examine in much more detail the possibility of modifying current operating procedures (e.g., soil sorting) in order to maintain a staff similar to Victor Kramer's recommendations.
- Examine in much more detail the apparent plant capacity bottleneck with the ironing and tumble-fold areas in order to gain a higher output from the plant.
Mr. Rice reported that the Controller's Office at MCVH, in conjunction with the Management Services Office, was able to pinpoint some of the problems and make an assessment of the present financial situation of the Laundry. Mr. Rice stated that there is a $100,000 per month drain on the cash flow of the Laundry at the present time. The following recommendations were made to the Virginia Hospital Laundry Board of Directors:

- The hospitals contribute $220,000 in capital to be used as good faith payments to creditors and for bond payments.
- The per pound charge to member hospitals be temporarily increased to $0.40 per pound.
- Monthly financial statements be prepared and reviewed by the Board of Directors of the Virginia Hospital Laundry.
- The hospitals periodically review the financial practices of VHL.
- Audit the past year's financial records, including an inventory, to be completed as soon as possible.

Mr. Kidd reported that the Executive Committee of the Virginia Hospital Laundry had taken the following steps:

1. Fired the Laundry Manager
2. Agreed to bring in a consulting firm
3. Appointed Mr. Pat Rice Treasurer of VHL
4. Increased the price per pound for cleaning linen to $0.40
5. Agreed that the Board of Directors meet monthly
6. Working on correcting the inefficiencies as outlined in the two preceding reports
Mr. Kidd also reported that contact has been made with Connecticut General, which has a large investment in the Laundry. They seem willing to refinance the original bond issue to include the additional financing presently required or to extend a loan for the additional amount.

A discussion followed on how this should be handled with the press. Mr. Van Pelt indicated the VHL Board had decided not to give the information to the press at this time since all the information that was needed was not available. Mr. Van Pelt continued that he hoped that the story would hold for two to three weeks until the VHL Board had a better handle on the situation. Mr. Rice stated that, as an inventory had not been completed, any information would be based upon assumption rather than fact.

Dr. Blanton stated that he was disturbed that, although this information had come to the attention of the MCVH staff in December, the Board of Visitors was not being told until the end of March. Mr. Kidd stated that regular reports would be presented to the Board of Visitors.

The meeting was adjourned at 9:50 a.m.

Richard D. Obenshain, Secretary

Approved:

Wyndham B. Blanton, Jr., Rector