

Palm Drive Hospital exits bankruptcy

Private Sebastopol facility sells \$11M bonds

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Palm Drive Hospital exited bankruptcy on Wednesday with the sale of \$11 million in bonds to pay off loans and creditors and underwrite future improvements, officials said.

Board members said the bond sale, authorized a month ago, was a milestone event for the 37-bed Sebastopol hospital, which is operated by an independent health care district.

Nancy Dobbs, the board president, said the sale puts Palm Drive "on the path for a strong and stable future."

Neil Todhunter, the interim chief executive officer, said the bankruptcy precluded Palm Drive from various business options during the last three years, such as acquiring clinical equipment, applying for grants and working with vendors "on normal business terms."

"This should give everybody confidence that Palm Drive is making progress," Todhunter said. "We can now move forward on a solid footing, looking to the future instead of living under the cloud of bankruptcy."

Three years ago, the hospital incurred a \$6 million operating loss and filed for bankruptcy in April, 2007.

Under a court-approved bankruptcy settlement, Palm Drive will pay 55 cents on the dollar to creditors owed more than \$10,000 and 75 cents on the dollar to creditors owed less than \$10,000.

Funds from the bond sale will allow the hospital to pay about \$2.2 million it owes pre-bankruptcy creditors, about \$2.9 million to Sonoma County to repay a bridge loan and \$500,000 to the Sonoma County Community Foundation.

About \$3 million will be available for capital improvements. The remainder will be used to pay legal costs associated with the bond sale.

Debt service on the bonds will cost Palm Drive about \$1 million a year.

The hospital's financial condition is improving, officials said, citing a projected operating loss of about \$427,000 in the 2010 fiscal year and an anticipated operating profit in fiscal year 2011.

Revenues of \$30.3 million and expenditures of \$30.2 million from operations are expected in 2011.

The hospital is funded primarily by patient services, augmented by a parcel tax on Sebastopol property owners. It is the only 24-hour acute care facility in western Sonoma County.

Todhunter is leaving for another assignment with Brim Healthcare Inc., the Tennessee-based management and consulting company that runs Palm Drive under a contract with the hospital board.

A new interim chief executive, Michael Lieb of Dallas, Tex., arrives on Monday. Brim will continue to search for a permanent CEO, a hospital spokeswoman said.

