



Exclusive: Government shutdown nearly ended Winters Healthcare project

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When city officials and other dignitaries gathered near a dirt patch off East Grant Avenue in the middle of a rainstorm last November, they did so with eager anticipation at the groundbreaking of a world-class healthcare facility that sought to bring together many of the region's non-profit healthcare services under one roof.

Mixed in with the accolades from city and state politicians, many of whom were ready to capitalize on the success of securing financial funding to make the new blockbuster Winters Healthcare campus a reality, came the cautionary tale from

Winters Healthcare Executive Director Christopher Kelsch of the challenges the non-profit organization has encountered over the last 20 years in bringing quality, affordable healthcare to residents of Winters and rural Yolo County regardless of their ability to pay.

Some of those challenges were eased when Winters Healthcare secured a multi-million dollar loan from the federal government to build the facility. But as the rain fell on the crowd that day, a political storm was brewing 3,000 miles away in the nation's

capital that threatened to bring the construction project to a halt.

While the government struggled through what eventually became the longest-ever suspension of federal agencies and services in American history, most of the attention focused on the 800,000 government workers who were forced to work without pay or ordered to stay home. Little was made of the sub-contractors who felt their paychecks were all but guaranteed through construction projects that were backed by loans earmarked from federal agencies for the promotion of community improvement projects.

The Winters Healthcare facility is one of those projects: About \$6.75 million of the venture's \$9 million cost is funded through a U.S. Department of Agriculture (USDA) loan intended to promote rural community development. But that loan came with several conditions, including one that required Winters Healthcare to spend \$850,000 of its own reserve money before it could start drawing on the USDA loan.

Winters Healthcare depleted the reserve money in December. One day after it filed the necessary paperwork to begin drawing on the USDA loan, the agency closed its offices as part of the go

"They didn't notify us," Kelsch said in a phone interview with the Express last week. "I don't know if they knew [about the shutdown]...we got an email bounce back saying, we've been furloughed, we're out of the office, we don't have access to our emails, we can't work on this stuff at home."

That was a huge problem: Winters Healthcare needed access to the loan money in order to pay the construction company who hired sub-contractors to build the facility. Without the loan money, Winters Healthcare couldn't pay the construction company, which meant sub-contractors were facing the likelihood of not receiving paychecks.

"Things automatically happen if they don't get paid," Kelsch said. "Liens go into effect, things like that."

RCP Construction, the company overseeing the Winters Healthcare construction project, offered to pay the sub-contractors out of their own pocket for the time being — something Kelsch said they didn't have to do, but did anyway because they were good partners who wanted to see the project go forward.

No one knew how long the shutdown was going to last. Turns out, it dragged on for weeks as politicians dickered over an appropriations bill and funding for a border wall. In early January, RCP Construction told Winters Healthcare they couldn't afford to keep paying the sub-contractors with their own money. To make matters worse, other construction-related bills were starting to pile up at the non-profit; Kelsch estimated those bills added up to around \$1 million.

"Because we burned through our reserve...we didn't have the money to pay them the amount," Kelsch said. "They had been paying out of their own pocket, but they couldn't do that anymore."

That left Winters Healthcare with few options, and none of them were good. They could release the sub-contractors and hire them back once the shutdown ended and the USDA money started flowing. The problem with that, Kelsch said, is those contracts would have to be renegotiated, and they could potentially come with a higher price, driving up the cost of the whole project. Winters Healthcare could also seek outside funding, but Kelsch said that option was also not attractive because it could potentially put the organization in violation of their loan covenants — as part of their contract, USDA required Winters Healthcare to notify the agency if they attempted to raise outside funding, and with no one at the agency to answer the phones or respond to emails, there was no one to approve such a request.

Ultimately, Winters Healthcare settled on a third option: RCP Construction generously offered to dip into a \$1.5 million line of credit to pay the sub-contractors on the project, contingent upon Winters Healthcare paying both the principal balance and the interest on that credit.

Kelsch said that last option was not a great solution, but it was better than nothing: Winters Healthcare would be on the hook for about \$80 a day in interest payments plus whatever was owed to the sub-contractors. But it was an awful long-term solution because that debt would quickly balloon over time to about \$20,000 a month in interest payments alone.

“We agreed, saying basically, let’s do this, we’ll go for the next three to four weeks, and then we’ll revisit [the issue] again with them,” Kelsch said.

Kelsch said the services offered by Winters Healthcare — including primary care, prenatal, behavioral health and dental services — were not impacted by the shutdown because those amenities were funded through Sept. 30. But that money isn’t allocated to the campus construction project, and if the shutdown continued beyond January, it wasn’t clear if the organization was going to be able to go forward with the project on Grant Avenue.

Just fifteen minutes before our phone interview with Kelsch last Friday, Pres. Donald Trump announced he and Congressional lawmakers had reached a deal to end the government shutdown. Employees who were told to work without pay would be receiving checks with pay dating back all the way to the start of the shutdown. Better yet, agencies like the USDA could reopen and start processing applications for grants, loans and other assistance programs almost immediately.

When the Express told Kelsch that the president was on television discussing the reopening of government, he responded, “you’re kidding me!” He had been in meetings most of the morning and said he wasn’t aware of the news. That information about the reopening of government was good to hear because it meant someone at the regional USDA office might finally start processing his non-profit’s request for loan money.

But, much like RCP Construction’s offer to extend Winters Healthcare a lifeline, the deal to reopen the federal government is only a temporary solution: Lawmakers and the president approved funding government agencies only until Feb. 15. Last week, Pres. Trump told the Wall Street Journal that another government shutdown was “certainly an option” for him if lawmakers did not approve funding for his border wall project.

It may be an option for the president, but it isn't one for community projects like Winters Healthcare that depend on a functional federal government. Kelsch said RCP Construction's goodwill offer to allow Winters Healthcare to tap into their line of credit was generous, even if it did come with some strings attached; it's an offer that might not be repeated if the government shuts down again.

"They didn't have to do that," Kelsch said. "They were being generous. They could have pulled the plug on it altogether."

Photograph by Taylor Buley, Winters Express