



Agenda Item Details

Meeting	Oct 01, 2025 - Special City Commission Meeting & Summary
Category	1. AGENDA
Subject	1.01 FSU and TMH Memorandum of Understanding -- Reese Goad, City Manager
Access	Public
Type	Action, Presentation, Public Hearing
Fiscal Impact	No
Recommended Action	Option 1: Hold the first public hearing on the FSU and TMH Memorandum of Understanding and schedule the second Public Hearing for October 22, 2025.

Public Content

Special Meeting of the City Commission

October 1, 2025

Location:

City Commission Chambers
300 S Adams St. 2nd Floor
Tallahassee, FL 32301

Time: 9:00 A.M. to 12:00 P.M.

Agenda

Meeting Called to Order
Joint Presentation by Florida State University & Tallahassee Memorial HealthCare
Commission Discussion
Public Hearing
Adjourn

Statement of Issue

Tallahassee Memorial Hospital, established in 1949 by the City of Tallahassee, began as a municipally operated hospital. For the first three decades, the City directly managed the hospital, ensuring local access to essential inpatient and emergency services. In 1979, the City transitioned operations to Tallahassee Memorial HealthCare (TMH) to increase long-term financial sustainability, while retaining ownership of the hospital land and facilities. Under this structure, TMH has operated the hospital for more than 40 years, while the

City has supported its growth through long-term leases and conduit bond financing. This public-private partnership enabled TMH to expand into a nationally recognized, 772-bed regional medical center serving a 21-county area. The City's partnership has ensured that our residents have access to high-quality, locally led healthcare while supporting economic growth and regional development.

On September 15, 2025, the TMH Board of Directors voted unanimously to move forward with a new partnership with Florida State University (FSU) to approve a Memorandum of Understanding (MOU) (Attachment 2) with FSU that would transform TMH into a full academic health center, operating under the name and brand of FSU Health, a healthcare ecosystem that combines research, clinical care, and teaching to bring healthcare innovation and cutting edge medical advances directly to patients across North Florida.

This new partnership is poised to bring world-class medical training, cutting-edge clinical research, and expanded healthcare services to Tallahassee, positioning our community as a leader in health sciences and innovation. Under the MOU, TMH will continue operating the hospital, while FSU's partnership will enhance academic programs, physician training, and research initiatives that directly benefit local residents.

To advance this partnership, the City has been requested to transfer ownership of the hospital campus assets (land, buildings, and improvements) to FSU, with TMH leasing the property under a new long-term Lease and Operating Agreement from FSU. This partnership is contingent on the transfer of ownership. This step would mark the next chapter in a successful public-private partnership, safeguarding TMH's future, keeping healthcare locally led, and aligning our community with one of the State's premier universities.

This item provides information on the proposed TMH-FSU affiliation to create an academic medical center (AMC) and what that AMC intends to deliver locally. It also describes how the MOU proposes to organize the partnership to achieve those outcomes, outlining the shared mission and vision, the basic operating model, the governance framework, and each party's intended responsibilities, and explains the City's role in transferring the hospital campus to FSU to enable long-term academic and medical development.

Recommended Action

Option 1: Hold the first public hearing on the FSU and TMH Memorandum of Understanding and schedule the second Public Hearing for October 22, 2025.

Fiscal Impact

The fiscal impact is pending asset transfer details.

Supplemental Material/Issue Analysis

History/Facts & Issues

Tallahassee Memorial HealthCare (TMH) was founded in 1949 by the City of Tallahassee as a municipally operated hospital and, in 1979, transitioned to an independent nonprofit organization to provide greater flexibility and financial sustainability in a changing healthcare environment. Although TMH has served as the operator for more than four decades, the City has continued to play a critical role by owning the land and facilities and supporting major projects through conduit bond financing. This unique public-private relationship has ensured that TMH has remained locally led while providing accountability to the community.

Over the years, TMH has grown into a 772-bed regional medical center that now serves a 21-county area across North Florida and South Georgia. TMH provides advanced specialty services in cardiology, oncology, orthopedics, trauma, and mental health, operates physician residency programs, and collaborates with institutions such as Florida Agricultural and Mechanical University (FAMU) and Tallahassee State College (TSC) to train and retain the healthcare workforce. TMH has become an anchor institution not only for the City of Tallahassee but for the entire region, while continuing to uphold its nonprofit mission and its longstanding charity-care policy.

FSU has long recognized the importance of this anchor institution. Since establishing its College of Medicine in 2000, FSU has turned to TMH as its primary teaching hospital, integrating its medical education with the region's leading provider of care. Over the years, the relationship has expanded from student rotations into residencies, joint research, and shared clinical priorities. With Tallahassee as the hub, FSU and TMH have worked hand in hand to strengthen medical education and expand access to care.

In 2024, this vision grew beyond Leon County with the launch of the FSU Health–TMH Medical Campus in Panama City Beach (PCB). Together, TMH and FSU broke ground on an 87-acre medical campus that will bring together clinicians, researchers, and students to meet the growing needs of the Panhandle. The first phase, an 80,000-square-foot medical office building, opened in 2024 and is already serving patients with primary care, urgent care, cardiology, orthopedics, and surgical services, while also housing FSU research in aging and digital health.

Building on this success, FSU and TMH have advanced the development of a full-service hospital as part of the PCB medical campus. The facility is being financed through a \$413.9 million bond authorization that was unanimously approved by the FSU Board of Trustees on March 26, 2025, and unanimously approved by the Florida Board of Governors Facilities Committee and the Florida Board of Governors. The bond package covers construction, equipment, capitalized interest, issuance costs, and reserve requirements, with FSU also committing a \$50 million operating reserve to support long-term stability.

The hospital is scheduled to open in 2027 with 80 operational beds, a 20-bed emergency department, advanced imaging capabilities, and procedural areas for cardiology, gastroenterology, and pulmonary medicine. Designed for future expansion of up to 600 beds, the facility will serve as both a clinical and academic hub with residency, student training, and research space built into its design. TMH will be the licensed operator, managing day-to-day operations under the FSU Health brand. By advancing the PCB campus, FSU and TMH are demonstrating a clear, long-term commitment to serving communities beyond Leon County.

This steady progress in Bay County laid the groundwork for a broader affiliation between the two institutions. Over the course of several months, FSU and TMH worked closely to shape a governance structure, academic vision, and operational framework that would bring their partnership to full scale in Tallahassee. This process culminated on September 15, 2025, when the TMH Board of Directors voted unanimously to move forward with a new partnership with FSU and operate under the name and brand of FSU Health, a healthcare ecosystem that combines research, clinical care, and teaching to bring healthcare innovation and cutting-edge medical advances directly to patients across North Florida.

On September 16, 2025, FSU President Richard McCullough and TMH Chief Executive Officer Mark O'Bryant sent a joint letter to the Mayor and City Commission (Attachment 1) to share the news that the two parties had ratified a Memorandum of Understanding (Attachment 2) that outlines the structure of the new partnership and basis for subsequent development. The unanimous decision by the TMH Board reflects the importance of this affiliation for the future of healthcare in our community and across North Florida.

Academic health centers traditionally unite patient care with teaching and research, yielding clear, tangible benefits to patients in need. Patients in these systems gain access to a wide range of subspecialties, multidisciplinary teams, and advanced technologies that community hospitals may not routinely offer. Faculty physicians not only treat patients but also train the next generation of doctors, ensuring that expertise and innovation are built into every encounter. Academic health models drive rigorous quality and safety practices, alongside constant case review, to deliver innovative treatment and procedural options.

The future of healthcare is being shaped by academic health centers, and regions without them risk losing patients, providers, and investment. Across Florida, other cities are moving aggressively. The University of Florida's UF Health Shands has expanded far beyond Gainesville, acquiring hospitals in central Florida and St. Johns County while capturing state funding and research grants. The University of South Florida and Tampa General have transformed the City of Tampa into a major hub for academic medicine, competing directly for top faculty and clinical programs. Miami has UHealth and Jackson Memorial, already firmly

established as national leaders in specialized care and research. These institutions are capturing patients, funding, and talent that might otherwise flow to Tallahassee, while simultaneously raising the bar for specialized and innovative care.

By moving forward with FSU Health, Tallahassee can meet this competition head-on. The affiliation ensures that North Florida patients will no longer need to travel to Gainesville, Tampa, or Miami for advanced treatments, and it positions Tallahassee as a leader in academic medicine throughout the state. Without this step, our community risks falling behind while others consolidate resources, attract top physicians, and secure the bulk of research and state funding. With it, Tallahassee secures its future as the hub of healthcare innovation and excellence for the region.

The partnership outlined in the MOU is designed to create a regional medical hub combining TMH's long tradition of patient care with FSU's academic and research expertise. Together, TMH and FSU will expand medical education opportunities, increase the number of residency programs, and provide enhanced training for physicians, nurses, and allied health professionals. The affiliation will also accelerate clinical research, bringing new treatments and innovations to the region, while simultaneously positioning Tallahassee as a statewide leader in health sciences. For the community, the partnership promises expanded access to advanced healthcare, new opportunities for local students and professionals, and significant economic benefits from the jobs and investments associated with an academic medical center.

As part of this affiliation, the City has been asked to transfer ownership of the hospital campus, including the land, buildings, and improvements, to FSU. TMH would then lease the property from FSU under a new long-term Lease and Operating Agreement while remaining the licensed operator responsible for all operations, staffing, maintenance, insurance, and taxes. TMH finances would not be consolidated with FSU. The new lease would continue the existing structure of a nominal one-dollar annual rent, recognizing TMH's capital projects and maintenance obligations. TMH would continue as a nonprofit provider committed to its charitable mission, with neither party planning to change that, ensuring that healthcare remains locally led and community-focused.

FSU's request for ownership of the City's hospital campus assets would allow them to plan, finance, and build the academic components of an AMC with a long-term outlook. State and federal appropriations for academic medical centers must be directed to university-owned facilities, and without ownership, FSU cannot access the scale of investment needed to build out classrooms, simulation labs, and research facilities directly alongside TMH's clinical operations. Additionally, owning the land, buildings, and other assets allows FSU to strategically phase investment and development to support the timely delivery of specialized facilities, research-focused installations, and procedural training areas that would be challenging to execute otherwise.

Under the proposed structure, FSU Health would be able to draw additional research funding and federal reimbursements. Transferring ownership paves the way for future investment in TMH, maintains access to tax-exempt conduit financing, and allows FSU to unlock external funding streams, ensuring that tax dollars are invested in our community rather than diverted to other regions.

Memorandum of Understanding Provisions

The MOU outlines a proposed structure between FSU and TMH for the intended academic medical center and guides further discussion to define the relationship between both parties. The MOU will guide the creation of binding Definitive Agreements that will structure the expansion of access to advanced care, training, and research, while maintaining community-centered operations, quality, and accountability.

Affiliated Mission

As described in the MOU, TMH and FSU are aligning to build an academic medical center that serves the growing needs of the Tallahassee region. This agreement combines TMH's charitable mission to provide high-quality care and FSU's education and research mission, without changing either party's core values. The affiliation is meant to layer teaching and discovery onto TMH's foundation of clinical care so residents benefit from stronger clinical programs, workforce training, and innovation close to home.

To make this vision a reality, the agreement explains how the parties will expand graduate medical education, create shared academic and research programs, and develop specialty service lines known as “Centers of Excellence” with joint strategy, recruitment, and budgets. This creates a local pipeline to train and retain physicians and allied health professionals while accelerating clinical research that can bring new therapies to patients.

The MOU also frames a community-first health ecosystem in many ways. TMH’s Board keeps responsibility for the hospital’s strategic plan, informed by joint committees. The plan is expected to improve programmatic initiatives like Centers of Excellence. Both parties will participate in Community Health Needs Assessments at least every three years so services remain aligned to local priorities. Performance will be tracked against recognized quality measures (E.g., CMS Star, Joint Commission, Hospital Consumer Assessment of Healthcare Providers and Systems) with defined reporting and corrective-action processes.

Governance & Board Structure

Under the MOU, governance will be restructured to reflect FSU’s new role. In the first year, the TMH Board will consist of 17 voting members, with seven directors (41 percent control of the board) appointed by FSU and ten directors (59 percent control of the board) appointed by TMH. In the second year, FSU’s representation will increase to eight directors (47 percent control of the board) while TMH will appoint nine directors (53 percent control of the board). This structure provides FSU with less than half of the Board seats, while TMH maintains the majority.

At least seven directors must be licensed physicians, ensuring that medical expertise remains central to decision-making. Additionally, significant actions, such as the appointment or removal of the Chief Executive Officer, mergers, or amendments to governing documents, will require supermajority approval (13 to 15 out of 17 votes). This governance control ensures that neither FSU nor TMH can exercise unilateral control and that governance decisions reflect a broad consensus.

Strategic Planning: Roles, Steps, & Measures

The MOU assigns responsibility for the operational strategic plan to the TMH Board, with a structured role for joint committees. The Board must consider a plan proposed by the TMH Strategic Steering Committee and consult the graduate medical education committee and academic programs committee on academic initiatives. The plan is expected to include programmatic priorities such as Centers of Excellence and other initiatives to expand access to high-quality care offerings across the region.

To execute the plan, the TMH Board and/or Finance Committee, alongside the Strategic Steering Committee, will approve and implement annual operating and capital budgets that support strategic objectives. Through the affiliated partnership, both parties will utilize the tri-annual Community Health Needs Assessments to guide growth and priorities that align with local needs and TMH’s charitable mission.

The MOU also builds in guardrails to keep the strategy community-anchored as services expand. TMH retains authority to continue current programs and develop new ones to meet regional needs, with limits where activities would conflict with or dilute the affiliation. Entering into any relationships with other hospital systems requires a supermajority vote of the Board. In addition, TMH may not expend over five million dollars per year outside of Leon and Bay Counties without a supermajority vote, reinforcing disciplined, locally focused growth. Performance against the plan will be tracked through recognized operating metrics with defined measurement, reporting, and corrective action processes outlined in the forthcoming definitive agreements.

Operations and Workforce

TMH will remain the licensed operator of the hospital and all related healthcare facilities under the new affiliation. This means TMH will continue to be responsible for the full scope of hospital operations, including patient care, staffing, payroll, insurance, maintenance, and compliance with state and federal regulations. This nonprofit model has guided TMH for decades and will continue to be mirrored moving forward through the TMH and FSU partnership.

All current employees will remain employed by TMH, with no transfers or disruptions to their status. Staff will continue working under the same nonprofit model and management structure that has guided the hospital for decades. At the same time, employees will become part of FSU Health through branding and academic alignment, gaining access to the benefits of an academic health center while maintaining continuity of employment. For patients, this provides a strong reassurance: the doctors, nurses, and staff they know will remain their caregivers, while the affiliation enhances those services through new academic programs, expanded residency opportunities, and access to advanced research.

Academic and Clinical Collaboration

A cornerstone of the affiliation is the 40-year Academic and Clinical Collaboration Agreement (ACCA), which establishes the framework for education, training, and research at FSU Health. The ACCA is designed to expand graduate medical education (GME) programs, promote clinical research, and create shared services that strengthen both institutions. Every five years, the agreement will be reviewed and updated to reflect changes in the healthcare industry, service markets, and academic priorities.

Under this agreement, FSU will sponsor new residency and fellowship programs at TMH, ensuring that the hospital becomes the anchor training hub for future physicians in the region. TMH will provide a dedicated space within the hospital for students and residents. Except where programs are already in place or explicitly waived, GME programs at TMH will fall under FSU's academic oversight.

On the research side, FSU will serve as the prime applicant and awardee for federal and state research grants, contracts, and cooperative agreements associated with the hospital. This centralizes academic and research activity under the university while allowing private research groups and existing collaborations to continue independently. TMH's current partnerships with Florida Agricultural and Mechanical University and Tallahassee State College will remain in place, ensuring that the affiliation does not disrupt longstanding community and workforce training relationships.

To support governance of these activities, the ACCA established a series of joint committees, including an Academic Programs Committee, a Clinical Research Committee, and a Dispute Resolution Committee. These committees will oversee budgets, research development, and academic planning, and will include representatives from both TMH and FSU. Their role is to ensure that educational and research growth remains aligned with the hospital's operational priorities and the community's healthcare needs.

Financial Provisions

The MOU keeps day-to-day financial responsibility within TMH's purview. TMH remains responsible for the costs of operating the hospital campus, including facilities upkeep, licenses, and a full suite of insurance coverages, and for employing the workforce and funding compensation and benefits. It also makes TMH solely responsible for maintenance and repairs and requires facilities to be kept in a state of good repair. TMH pays any applicable taxes tied to the campus, and the existing nominal rent structure to reflect their capital and maintenance obligations.

On revenues and investment, the MOU affirms that TMH controls payer contracting while committing to remain in-network with Medicare, Medicaid, and Florida's workers' compensation, and to use its best efforts with major managed-care plans, balancing access, mission, and financial sustainability. Capital budgeting authority stays with the TMH Board, with a supermajority vote required for unbudgeted hospital projects over five million dollars; costs for approved improvements are TMH's unless otherwise set in the definitive agreements. To ensure accountability, the definitive agreements will include operating metrics along with measurement, reporting and corrective action terms.

TMH Retained Charity-Care and Tax-Exempt Status

The MOU reaffirms TMH's role by stating that TMH will maintain its existing charity-care policy. TMH's current charity-care includes financial assistance through free or discounted emergency and medically necessary care to eligible patients. The MOU keeps day-to-day operational and financial responsibility with TMH. The document does not propose a change to TMH's federal tax-exempt standing; rather, it preserves TMH's nonprofit, community-focused mission of transforming care, advancing health, and improving lives.

In addition, the MOU acknowledges that financing for major capital projects may continue to involve conduit tax-exempt bond issuances, a role that would transition to FSU as the public entity able to provide such financing under the new structure.

Branding and Identity

A central feature of the affiliation is the creation of a unified identity under the FSU Health brand. The Branding Agreement will run for forty years. For at least the first ten years of the agreement, the TMH name will remain part of a co-branded identity. FSU will license the FSU Health brand to TMH exclusively in Leon County, as well as Bay and Walton Counties. FSU will maintain oversight of the brand to ensure it reflects the highest standards of quality, stewardship, and financial integrity.

Definitive Agreements Forthcoming

The MOU lays out the general plan between FSU and TMH moving forward, but it is the Definitive Agreements listed within the MOU that will bind the affiliation. Several documents will be finalized in the near future; a new Lease and Operating Agreement under which TMH will lease the Hospital Campus from FSU and continue operating the hospital; a Branding Agreement that licenses and governs use of “FSU Health”; amendment of the TMH bylaws to align with the governance outline in the MOU and other Definitive Agreements; and an Academic & Clinical Collaboration Agreement that organizes education and research programs. The parties will also continue work on the related Panama City Beach Lease Operating Agreement and any other documents needed to implement the affiliation.

The MOU previews key Lease Operating Agreement features: an initial 40-year term with up to three 10-year automatic renewals unless either party provides three years’ notice; detailed termination and “effect of termination” provisions that pair performance metrics with corrective-action, cure, unwind, and transition processes; and clear assignment of operations, maintenance, and insurance responsibilities to TMH. It also notes that financial arrangements will be specified in the Definitive Agreements. The entire package of Definitive Agreements is subject to approval by each party’s governing boards, the Florida Board of Governors, relevant government agencies (including the City), and third parties such as bond issuers and lenders, along with satisfaction of closing conditions.

Conclusion

The creation of FSU Health marks a significant development in the history of Tallahassee’s hospital, with the potential establishment of an academic health center that integrates patient care, education, and research within a unified framework. The effects of this partnership would extend beyond Tallahassee. As TMH expands its regional footprint, including the new medical campus in PCB, the affiliation with FSU would connect the Big Bend and Panhandle regions to the resources of a university-affiliated health system centered around the Tallahassee campus.

This item is provided for the Commission’s information and discussion.

Options

1. Hold the first public hearing on the FSU and TMH Memorandum of Understanding and schedule the second Public Hearing for October 22, 2025.

Attachments/References

Attachment 1 – FSU-TMH Letter to City

Attachment 2 – FSU-TMH Memorandum of Understanding

[Attachment 1_FSU-TMH Letter to City.pdf \(222 KB\)](#)

[Attachment 2_FSU-TMH Memorandum of Understanding .pdf \(246 KB\)](#)