



SVHCD FINANCE COMMITTEE MEETING

AGENDA

TUESDAY, OCTOBER 24, 2023

6:00 p.m. Regular Session

**To Be Held in Person at
Sonoma Valley Hospital, 347 Andrieux Street
Schantz Conference Room
Sonoma, CA 95476
and Via Zoom Videoconference**

To Participate via Zoom Videoconferencing,
use the link below:

<https://sonomavalleyhospital-org.zoom.us/j/98352087178>

Meeting ID: 983 5208 7178 Passcode: 384245

Dial by your location:

1 669 219 2599 or 1 669 900 9128

AGENDA ITEM	RECOMMENDATION	
MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>		
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Boerum</i>	
2. PUBLIC COMMENT SECTION <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration.</i>	<i>Boerum</i>	
3. CONSENT CALENDAR a. Finance Committee Minutes 09.26.23	<i>Boerum</i>	Action
4. STATUS OF FY 2023 AUDIT	<i>Armfield</i>	Inform
5. STATUS OF BANK CREDIT ARRANGEMENTS	<i>Armfield</i>	Inform
6. DISTRESSED HOSPITAL LOAN PROGRAM- LOAN AGREEMENT	<i>Armfield</i>	Action
7. 2024 FINANCE COMMITTEE WORKPLAN	<i>Boerum</i>	Inform
8. ODC UPDATE	<i>Hennelly</i>	Inform
9. EPIC UPDATE	<i>Hennelly</i>	Inform
10. UCSF AFFILIATION UPDATE	<i>Hennelly</i>	Inform
11. FINANCIAL REPORT FOR MONTH END SEPTEMBER 2023	<i>Armfield</i>	Inform

12. REVIEW 1st QUARTER FY 2024	<i>Armfield</i>	Inform
13. ADJOURN	<i>Boerum</i>	



SVHCD
FINANCE COMMITTEE MEETING
MINUTES
TUESDAY, SEPTEMBER 26, 2023
In Person at Sonoma Valley Hospital
347 Andrieux Street
and Via Zoom Teleconference

Present	Not Present/Excused	Staff	Public	
Bill Boerum in person Wendy Lee Myatt in person Bob Crane in person Ed Case via Zoom Graham Smith via Zoom Subhash Mishra, MD, via Zoom Catherine Donahue, via Zoom	Carl Gerlach Peter Hohorst	John Hennelly, CEO, in person Ben Armfield, CFO, in person Dawn Kuwahara, via Zoom Kimberly Drummond, via Zoom	Dennis Bloch	
AGENDA ITEM	DISCUSSION		ACTIONS	FOLLOW-UP
MISSION & VISION STATEMENT <i>The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.</i>				
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Boerum</i>			
	Called to order at 6:01 p.m.			
2. PUBLIC COMMENT SECTION	None			
3. CONSENT CALENDAR	<i>Boerum</i>		Action	
a. Finance Committee Minutes 08.26.23			MOTION: by Smith to approve, 2 nd by Lee-Myatt.	
4. FY 2023 AUDIT UPDATE	<i>Boerum</i>		Inform	
	Mr. Boerum stated that that due to quite a few moving pieces between the single audit and some complexities related to the transition to Epic this past year, the Audit Committee meeting originally scheduled to take place on October 11 th , will be rescheduled to October 25 th at 6:00pm. Mr. noted that the Audit Committee has been informed of the new meeting date and that he is hopeful that all can participate in-person.			

5. G.O. BOND BOARD RESOLUTION	<i>Armfield</i>	Action	
	<p>Mr. Armfield provided an overview of Resolution No. 376 - Setting the Tax Rate for the 2023-24 Fiscal Year GO Bonds. The Committee was asked to recommend that the resolution be brought forward to the SVH Board of Directors for approval. The board would approve the General Obligation Bonds tax rate of \$19.80 per \$100,000 of the assessed value of the secured property in the District. This is consistent with prior year resolutions. The total assessed value of the secured property in the District is \$12,838,636,396. The tax required to assure payment of the principle, interest, and reasonable reserve for the Bonds for Fiscal Year 2023-2024 is \$2,617,464. The rate, calculated per the Sonoma County’s approved formula is \$19.80 per \$100,000 of assessed valuation.</p>	<p>MOTION: to approve resolution for recommendation to Board of Directors. By Case to approve, 2nd by Lee-Myatt.</p>	
6. DISTRESSED HOSPITAL LOAN PROGRAM RESOLUTION	<i>Armfield</i>	Action	
	<p>Ms. Armfield provided an overview of Resolution No. 377- Distressed Hospital Loan Program. The Committee was asked to recommend that the resolution be brought forward to the SVH Board of Directors for approval. The resolution authorizes the execution and delivery of the Distressed Hospital Loan Program between Sonoma Valley Health Care District and California Health Facilities Financing Authority (CHFFA) and California Department of Health Care Access and Information (HCAI). Earlier this year, Governor Newsom signed Assembly Bill (AB) 112, which established the Distressed Hospital Loan Program (DHLP). The bill appropriated \$300 million in funding to provide interest-free loans to qualifying not-for-profit and public hospitals that are either in current financial distress or anticipated distress in the months ahead. The program was developed in collaboration with the Department of Health Care Access and Information (HCAI) and the California Health Facilities Financing Authority (CHFFA). HCAI and CHFFA established an application process and methodology for determining hospital’s eligibility and size of the loan. In order to qualify and be selected, hospitals had to demonstrate their financial position as well as outline a viable plan for how the funds will be repaid.</p> <p>Mr. Boerum went on to discuss the initiation of this loan process which started with a meeting with long time politician and</p>	<p>MOTION: to approve resolution for recommendation to Board of Directors. By Crane to approve, 2nd by Lee-Myatt.</p>	

	current State Treasurer, Fiona Ma.		
7. ODC UPDATE	<i>Hennelly</i>	Inform	
	Ms. Hennelly mentioned that the project is still on time although the hospital is still awaiting a city permit.		
8. EPIC UPDATE	<i>Hennelly</i>	Inform	
	Mr. Hennelly reported that the EPIC data is flowing freely particularly Lab and Radiology. The last interface with UCSF was the week of September 18 th .		
9. UCSF AFFILIATION UPDATE	<i>Hennelly</i>	Inform	
	Mr. Hennelly stated that while there continues to be some integration issues, it is anticipated that Dr. Peter Carroll's virtual clinic will start in the next four weeks. The Committee then asked about other clinical integration opportunities. Mr. Hennelly said that there was a recent meeting with an Oncologist, and Orthopedist. Additionally, there is continued efforts to recruit a Gastroenterologist.		
10. FINANCIAL REPORT FOR MONTH END AUGUST 2023	<i>Armfield</i>	Inform	
	Mr. Armfield said that although not as robust as July's performance, August delivered another positive month from operations as the hospital's operating margin exceeded budget for a second straight month to start the new fiscal year. Gross and net patient revenues continue to uptick and outpace targets as volumes continue to be on the rise, particularly on the outpatient side. Patient Days was lighter than budget, but discharges were right in-line with budget. Length of stay has been significantly reduced the first couple months of the fiscal year. Some of this is due to seasonality and higher acuity volumes are anticipated as we get into the fall months. Overall, the trend is a positive one for the hospital. Mr. Armfield went on to announce that renegotiation of some payor contracts has begun. Discussions with Meritage Medical Network have been moving forward. There is hope to gain traction on renegotiation talks with Anthem. Mr. Armfield then notified the committee that per their request, he is working on providing an additional schedule detailing revenue variance at the October meeting.		

	Lastly, the committee discussed the recent increase to the marketing budget, and how the additional funds will be used to promote the hospital's marketing efforts.		
11. ADJOURN	<i>Boerum</i>		
	Meeting adjourned at 6:46 p.m.		



To: Sonoma Valley Health Care District Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: October 24, 2023
Subject: **Hospital Distressed Loan Program – Loan and Security Agreement**

Recommendation:

Recommend to the SVHCD Finance Committee that they recommend to the SVHCD Board of Directors that they approve the Distressed Hospital Loan Program executable loan agreement that would formalize a \$3,100,000 loan between the Sonoma Valley Health Care District and California Health Facilities Financing Authority (CHFFA).

Background:

The Distressed Hospital Loan Program board resolution was recommended for approval by the Finance Committee last month, and was formally approved by the SVHCD Board of Directors during the October board meeting. That resolution authorized Sonoma Valley Hospital and CHFFA to move forward with the finalization and execution of the actual loan document. We are including the formal loan documents for your review and action.

Loan Details:

- Loan Amount - \$3,100,000
- Interest Rate – 0%
- Repayment – Loans are repayable over 72 months with an initial 18-month grace period at the beginning of the loan term

Attachments:

- CHFFA / Sonoma Valley Health Care District Loan and Security Agreement
- CHFFA / Sonoma Valley Health Care District Promissory Note

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

DISTRESSED HOSPITAL LOAN PROGRAM

LOAN AND SECURITY AGREEMENT

This Loan and Security Agreement (“Agreement”) is entered into between the CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY, a public instrumentality of the State of California, having its principal place of business at 901 P Street, Suite 313, Sacramento, California 95814 (together with its successors and assigns, the “Authority” or the “Lender”) and **Sonoma Valley Health Care District DBA Sonoma Valley Hospital, a California public hospital**, having its principal place of business at **347 Andrieux Street, Sonoma, California 95476** (“Borrower”) under the Distressed Hospital Loan Program pursuant to Health and Safety Code section 129380 et seq. This Agreement is effective and dated as of the date of the execution of this Agreement by the Authority (the “Effective Date”).

RECITALS

A. Borrower is a public hospital, as defined under Health and Safety Code section 129381.

B. Borrower has applied to the Authority and the Department (as defined below) for an interest-free loan (the “Facility”) from the Distressed Hospital Loan Program Fund (the “Fund”) for the purpose of preventing the closure, or facilitating the reopening, of Borrower’s hospital.

C. The Department of Health Care Access and Information (the “Department” or “HCAI”) has determined that Borrower’s application (Form No. CHFFA 13 DHLP-01 (05/2023)) (the “Application”) meets the eligibility requirements of the Distressed Hospital Loan Program and has determined that the Turnaround Plan, which is within the Application and attached hereto as **Exhibit E** and incorporated herein by reference (the “Turnaround Plan”), is viable and there is reasonable likelihood that Borrower will be able to regain financial viability and continue to operate its hospital.

D. The Department authorized and directed the Authority to make Loans (as defined herein) to Borrower in an amount not to exceed **\$3,100,000.00** from the Fund.

E. The Lender is willing to lend Borrower the Loans subject to the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing, the parties agree as follows:

1. Certain Defined Terms. Unless otherwise defined in this Agreement, as used in this Agreement (including in the Recitals of this Agreement), the following terms have the meanings specified below:

“Application” shall have the meaning assigned to such term in the Recitals to this Agreement.

“Borrower” shall have the meaning assigned to such term in the preamble to this Agreement.

“Business Day” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed in, the State of California.

“Current Ratio” as of any date of determination shall be calculated using the following formula:

$$\text{Current Ratio} = (\text{Current Assets as of such date} \div \text{Current Liabilities as of such date})$$

“Collateral” shall have the meaning assigned to such term in Section 3(a).

“Days Cash on Hand” as of any date of determination shall be calculated using the following formula:

$$\text{Days Cash on Hand} = \text{unrestricted cash and cash equivalents as of such date} \div [(\text{operating expenses as of the twelve-month period ending on such date} - \text{non-cash charges as of the twelve-month period ending on such date}) \div 365 \text{ days}]$$

“Debt Service Coverage Ratio” as of any date of determination shall be calculated using the following formula:

$$\text{Debt Service Coverage Ratio} = \text{Net Income Available for Debt Service as of the twelve-month period ending on such date} \div \text{Actual Annual Debt Service as of the twelve-month period ending on such date}$$

“Department” shall have the meaning assigned to such term in the Recitals of this Agreement.

“Disbursement Request” means a Request for Disbursement of Loan Funds under the Distressed Hospital Loan Program in accordance with Section 2(b) of this Agreement and substantially in the form of **Exhibit C**.

“Effective Date” shall have the meaning assigned to such term in the preamble to this Agreement.

“EFT Cancellation Form” means the form described in Section 3(b) of this Agreement and substantially in the form of **Exhibit B**, together with all amendments, modifications, replacements, extensions, and rearrangements thereof.

“Event of Default” shall have the meaning assigned to such term in Section 7(a) of this Agreement.

“Facility” shall have the meaning assigned to such term in the Recitals of this Agreement.

“Fund” means the Distressed Hospital Loan Program Fund established pursuant to Health and Safety Code section 129385.

“HCAI” shall have the meaning assigned to such term in the Recitals of this Agreement.

“Lender” shall have the meaning assigned to such term in the preamble to this Agreement.

“Loan” shall have the meaning assigned to such term in Section 2(a) of this Agreement.

“Loan Documents” means this Agreement, the Note, the Medi-Cal Intercept Form, the EFT Cancellation Form, each Disbursement Request, the Application, and any other agreements,

instruments or documents previously or hereafter executed by Borrower which evidence or secure Borrower's obligations under this Agreement.

“Maturity Date” shall have the meaning assigned to such term in Section 2(d) of this Agreement.

“Medi-Cal Intercept Form” means the form described in Section 3(b) and substantially in the form of **Exhibit A**, together with all amendments, modifications, replacements, extensions, and rearrangements thereof.

“Net Cash Runway” as of any date of determination shall be calculated using the following formula:

Net Cash Runway = Cash Balance as of such date ÷ Monthly Average Operating Loss (excluding depreciation and non-cash expenses) for the twelve-month period ending on such date

“Net Income Available for Debt Service” for any period shall be calculated using the following formula:

Net Income Available for Debt Service = Excess of Revenue Over Expenses + Depreciation Expense + Amortization Expense + Interest Expense + Non-Cash Charges – Restricted Donations – Extraordinary/Non-Recurring Charge – Non-Cash Revenues – Unrealized Gain (Loss) on Investments

“Note” means the Promissory Note of Borrower described in Section 2(f) of this Agreement and being substantially in the form of **Exhibit E**, together with all amendments, modifications, replacements, extensions, and rearrangements thereof.

“Operating Margin” for any period shall be calculated using the following formula:

Operating Margin = (Net Income for such period ÷ Total Revenue for such period)

“Turnaround Plan” shall have the meaning assigned to such term in the Recitals of this Agreement.

2. The Loan Disbursement and Repayment.

(a) Loan Availability. Subject to the terms and conditions of this Agreement and as of the Effective Date, the Lender agrees to make interest-free loans (each a “Loan” and together, the Loans”) in the aggregate principal amount not to exceed **Three Million One Hundred Thousand Dollars and No Cents (\$3,100,000.00)** to Borrower, and Borrower agrees to repay the Loans in accordance with the terms hereof. The proceeds of each Loan shall be disbursed to Borrower upon the satisfaction of all the conditions precedent set forth in Section 4 of this Agreement.

(b) Borrowing Procedure. For each Loan, Borrower shall submit a signed and completed Request for Disbursement of Loan Funds under the Distressed Hospital Loan Program (a “Disbursement Request”), in the form attached hereto as **Exhibit C** and incorporated herein by reference, submitted to the Lender, who shall forward a copy of the request to HCAI. The Lender

may disburse Loan proceeds incrementally upon receipt of an approved Disbursement Request from HCAI for each incremental disbursement.

(c) The Note. Borrower's obligation to repay the Loans shall be evidenced by a Promissory Note ("Note"), dated as of the Effective Date, in the form attached hereto as **Exhibit D** and incorporated herein by reference, payable to the Lender and its successors or assigns. The Lender may attach a schedule to its Note and endorse the date, amount and maturity of the Loans and payments made with respect thereto. Any failure to so record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower hereunder to pay any amount owing with respect to the Loans. The Lender's books and records shall be conclusive absent manifest error of the amount of the Loans made by the Lender and the interest and principal payments thereon.

(d) Repayment; Maturity. Borrower agrees to repay the Loans in equal monthly installments, commencing on the first day of the nineteenth (19th) month from the Effective Date until the principal sum of the Loans is paid in full, which shall occur no later than seventy-two (72) months from the date of this Agreement (the "Maturity Date"). If Borrower commences a restructuring under chapter 11 of the Bankruptcy Code before the Maturity Date and seeks debtor-in-possession financing from the Lender, the Lender agrees to "roll up" the Loans under this Facility into a debtor-in-possession financing facility on a dollar-for-dollar basis and on such other terms and conditions acceptable to the Lender.

(e) Prepayment. Borrower shall have the right at any time to prepay the Loans in whole or in part without premium or penalty. The Lender shall apply any prepayments to the last monthly installments of the Loans.

(f) Method of Payment. Borrower shall make payments on the Loans by check or through the Authority's Electronic Payment System ("EPS").

3. Security Interest

(a) Grant of Security. To induce the Lender to make the Loans and to secure Borrower's performance under this Agreement, including, without limitation, the punctual payment of the Loans under this Agreement and the Note, Borrower hereby grants a security interest to the Lender and to its successors and assigns, in all of its right, title and interest, whether now owned or hereafter acquired, in and to all Medi-Cal checkwrite payments with respect to Medi-Cal reimbursements due to Borrower from the Department of Health Care Services ("DHCS") and the accounts and payment intangibles relating to same and the proceeds thereof (all those rights being the "Collateral").

(b) Security Documents. Borrower hereby agrees to execute a written authorization in the form attached hereto as **Exhibit A** and incorporated herein by reference (the "Medi-Cal Intercept Form"), and an electronic fund transfer cancellation form in the form attached hereto as **Exhibit B** and incorporated herein by reference (the "EFT Cancellation Form"), authorizing DHCS to intercept and redirect twenty percent (20%) of the Medi-Cal checkwrite payments to the Lender as further set forth in such forms and in Section 7(f).

4. Representations and Warranties.

To induce the Lender to make the Loans under this Agreement, Borrower hereby represents and warrants to the Lender that as of the Effective Date and, until the Note is paid in full and all obligations under this Agreement are performed in full, that:

(a) Borrower is a public hospital, as defined under Health and Safety Code section 129381, and undertakes the Loans to prevent the closure of, or facilitate the reopening of, Borrower's hospital pursuant to Health and Safety Code section 129380 et seq., and Borrower does not belong to integrated health care systems with more than two separately licensed hospital facilities;

(b) Borrower has the requisite [corporate] right, power and authority to execute and deliver all documents authorizing this Facility and the Loans thereunder, including this Agreement, the Medi-Cal Intercept Form, the EFT Cancellation Form, the Disbursement Request, the Note, and Borrower's Application (all such documents are sometimes hereafter collectively referred to as the "Loan Documents"), and to carry out and consummate all transactions contemplated by these Loan Documents;

(c) the officers of Borrower executing this Agreement, the Note and all of the other Loan Documents are duly and properly in office and fully authorized to execute same;

(d) Borrower has duly authorized, executed and delivered this Agreement, the Note and all of the other Loan Documents;

(e) the execution, delivery and performance of this Agreement, the Note and all of the other Loan Documents, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof will not: conflict with or constitute a breach of, violation or default (with due notice or the passage of time or both) under the articles of incorporation or bylaws of Borrower, any applicable law or administrative rule or regulation or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, loan agreement, lease, contract or other agreement, evidence of indebtedness or instrument to which Borrower is a party or to which or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Borrower, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Loan Documents;

(f) this Agreement, the Note, and all of the other Loan Documents constitute the legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting the enforcement of creditors' rights, to the application of equitable principles, regardless of whether enforcement is sought in a proceeding at law or in equity, to public policy and to the exercise of judicial discretion in appropriate cases;

(g) no consent or approval of any trustee or holder of any indebtedness (including, without limitation, guaranty and credit or liquidity enhancement reimbursement obligations) of Borrower, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except with respect to any state securities or “blue sky” laws) is necessary in connection with the execution and delivery of this Agreement, the Note and all of the other Loan Documents or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof;

(h) this Agreement creates a valid and binding security interest in the Collateral in favor of the Lender as security for payment of the Loans, enforceable by the Lender in accordance with the terms hereof;

(i) Borrower has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Collateral that ranks on a parity with or prior to the pledge and assignment and security interest granted hereby;

(j) no representation made, nor any information, exhibit or report furnished to the Lender by Borrower in connection with the negotiation of the Loan Documents contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) except as previously disclosed to the Lender in writing, there is no action, suit or proceeding, pending or threatened against Borrower or the assets, properties or operations of Borrower (1) in any way contesting or affecting the validity of this Agreement, the Note or the other Loan Documents or (2) which might adversely affect Borrower in any material respect; and

(l) all proceeds of this Facility will be used by Borrower solely for the purpose approved by the Lender, as described in the Recitals of this Agreement, the Disbursement Request, and in Borrower’s Application, including the Turnaround Plan.

5. Conditions Precedent.

(a) The Lender shall have no obligation to make any Loans under this Agreement until the Lender is satisfied that all of the following conditions have been met for each Loan:

(i) Borrower shall have delivered to Lender a duly executed Agreement, Medi-Cal Intercept Form, EFT Cancellation Form, Note, and all other requested Loan Documents;

(ii) Borrower shall have delivered to the Lender a resolution of Borrower’s Board of Directors or governing body duly authorizing the execution, delivery, and performance by it of each of the Loan Documents;

(iii) Borrower shall have delivered to the Lender the Disbursement Request including the required representations therein for each Loan; and

(iv) Borrower shall have delivered to the Lender any other documents reasonably required by the Lender in connection with carrying out the purposes of this Agreement.

6. Covenants.

From the Effective Date until the Note is paid in full and all obligations under this Agreement are performed, Borrower covenants that:

(a) Borrower shall provide periodic reports and financial information to the Lender in the manner set forth below:

(i) as soon as available, but in any event no later than one hundred fifty (150) days after the end of each fiscal year of Borrower, a copy of Borrower's audited consolidated financial statements prepared by a Certified Public Accountant and consisting of, at a minimum, a balance sheet, statement of income and expenses, and a cash flow statement;

(ii) as soon as available, but in any event no later than forty-five (45) days after the end of each fiscal quarter of Borrower, a copy of Borrower's unaudited quarterly financial statements and consisting of, at a minimum, a balance sheet, statement of income and expenses, and a cash flow statement;

(iii) as soon as available, but in any event no later than thirty (30) days after the end of each fiscal year of Borrower, a copy of Borrower's board-approved annual budget;

(iv) as soon as available, but in any event no later than forty-five (45) days after the end of each fiscal quarter of Borrower, a report from Borrower of the status of progress made in relation to the Turnaround Plan that was submitted as part of the Loan application process. The Turnaround Plan Progress Report shall consist of, at a minimum, (1) an updated narrative describing actions taken pursuant to the Turnaround Plan and remaining actions to be taken by leadership; (2) an updated 24-month cashflow projection of Borrower's future financial situation, which projection shall incorporate all remaining actions to be taken by Borrower and also identify how Loan proceeds were utilized and will be repaid after the 18-month grace period; and (3) an updated description of how the actions taken will affect various revenue and expense line items in the future. After the 18-month grace period, if Borrower is in compliance with all terms and conditions of this Agreement and the Note, the Turnaround Plan Progress Report requirement may be waived by the Department;

(v) as soon as available, but in any event no later than one hundred twenty (120) days after the end of each fiscal year of Borrower, a report detailing Borrower's utilization statistics;

(vi) as soon as available, but in any event no later than one hundred twenty (120) days after the end of each fiscal year of Borrower, a calculation of financial ratios, including Days Cash on Hand, Current Ratio, Operating Margin, Net Cash Runway, and Debt Service Coverage Ratio, in each case, as of the last day of such fiscal year, based on Borrower's audited consolidated financial statements for such fiscal year; and

(vii) as soon as available, but in any event no later than forty-five (45) days after the end of each fiscal quarter of Borrower, a calculation of financial ratios, including Days Cash on Hand, Current Ratio, Operating Margin, Net Cash Runway, and Debt Service Coverage Ratio, in each case, as of the last day of such fiscal quarter, based on Borrower's unaudited financial statements for such fiscal quarter and the immediately preceding three fiscal quarters;

(b) upon reasonable notice from the Lender, Borrower shall allow visits by representatives or agents of the Lender or the Department to observe Borrower's operations, to review Borrower's financial records and corporate records, and to discuss Borrower's financial position, results of operations, business or prospects with Borrower's staff and governing board and upon notice to Borrower, communicate with Borrower's independent certified public accountants;

(c) Borrower shall accurately maintain books of account, records and documents of every kind of or relating to all income, expenditures, assets, and liabilities of Borrower, including information related to the Collateral;

(d) Borrower shall at all times (i) maintain its corporate existence, if applicable, and shall (ii) do or cause to be done all things necessary to preserve and keep in full force and effect its rights, licenses, or franchises;

(e) (i) Borrower shall not, without the prior written notification to the Lender, change its name or place of business and (ii) Borrower shall not, without prior written consent of the Lender, dissolve, sell or otherwise dispose of all or substantially all of its assets or affiliate with, consolidate with or merge into another entity or permit one or more other entities to affiliate with, consolidate with or merge into it or otherwise substantially change its organization or corporate structure or the general character of its business as it is conducted as of the date hereof;

(f) Borrower shall not, without the prior written consent of the Lender, sell, assign, transfer, lease, sublease, pledge, or otherwise encumber or dispose of any of the properties or assets of Borrower, except for the lien on the Collateral in favor of the Lender created by this Agreement;

(g) Borrower shall not use or permit any required Collateral to be used unlawfully or in violation of any provision of this Agreement, or any applicable statute, regulation, or ordinance covering the Collateral;

(h) Borrower acknowledges that the Lender shall file in the applicable UCC filing office of Borrower's jurisdiction of formation a UCC-1 financing statement describing the Collateral. Borrower agrees to execute and deliver such assignments or other documents deemed necessary or appropriate by the Lender to perfect, maintain and protect the Lender's first priority security interest in the Collateral;

(i) Borrower shall pay all taxes, assessments, and related obligations when such taxes, assessments and obligations are due and payable;

(j) Borrower shall not create, incur, assume or suffer to exist any assignment, encumbrance, or lien upon the Collateral (other than the lien on the Collateral in favor of the Lender created by this Agreement) without the prior written consent of the Lender;

(k) Borrower shall not create, incur, assume or suffer to exist any additional debt other than (i) the debt in existence as of the Effective Date that has been disclosed in writing to the Lender prior to the Effective Date and (ii) debt incurred after the Effective Date with prior written consent of the Lender;

(l) Borrower shall not assign its rights under this Agreement or the Note to any person or entity, and none of Borrower's obligations under this Agreement or the Note may be assumed by any person or entity without the prior written consent of the Lender;

(m) Borrower shall promptly notify the Lender in writing of the occurrence of any event which might materially adversely affect Borrower, or which constitutes, or upon notice or passage of time or both, would constitute an Event of Default;

(n) Borrower shall comply with any service provision requirements during the term of this Agreement as determined by the Department under Health and Safety Code section 129383;

(o) Borrower shall implement or otherwise adhere to the Turnaround Plan as approved by the Department;

(p) Borrower shall use the proceeds of any Loan for purpose approved by the Lender, as described in the Recitals of this Agreement, the Disbursement Request, and in Borrower's Application, including the Turnaround Plan; and

(q) if Borrower commences a restructuring under chapter 11 of the Bankruptcy Code prior to the Maturity Date and seeks debtor-in-possession financing from the Lender, Borrower covenants and agrees to "roll up" the Loans under this Facility into post-petition loans under such post-petition financing facility on a dollar-for-dollar basis and on such other terms and conditions acceptable to the Lender.

7. Events of Default.

(a) The occurrence of any of the following events shall constitute an "Event of Default":

(i) failure by Borrower to pay any principal or any other amount payable hereunder or under the Note when due in accordance with the terms of this Agreement or the Note, and the failure remains uncured for a period of ten (10) days;

(ii) failure by Borrower to fully and completely perform any covenant set forth in subsection (a), (d)(i), (e), (f), (g), (j), (k), (l), (m), (n) or (p) of this Agreement;

(iii) any representation or warranty made by Borrower in this Agreement or in any other Loan Document or financial or other statement furnished at any time under or in connection herewith or therewith is incorrect, false or misleading in any material respect on or as of the date when made or deemed to have been made or prior to the date when all obligations of this Agreement have been fully satisfied;

(iv) failure of Borrower to fully and completely perform any obligation, covenant, or agreement set forth in this Agreement or in any other Loan Document (except for the obligations and covenants set forth in clauses (i) and (ii) of this Section 7(a)) and the failure remains uncured for a period of thirty (30) days; provided, however, if the Lender, in its sole discretion, determines that the default is incapable of cure within the thirty (30) day period, then, in the sole discretion of the Lender, such failure shall not constitute an Event of Default if (A)

Borrower commences steps to cure the failure within the thirty (30) day period and (B) Borrower cures the failure within ninety (90) days after the date of the failure;

(v) Borrower (A) makes an assignment for the benefit of creditors, (B) is the subject of any voluntary or involuntary case commenced under the federal bankruptcy laws, as now constituted or hereafter amended, or any other proceeding under other applicable laws regarding bankruptcy, insolvency, reorganization, adjustment of debt or other forms of relief for debtors in any jurisdiction, (C) consents to the appointment of a receiver, trustee, custodian or similar official for substantially all of its property or permits a decree ordering such appointment to remain in effect and unstayed for 60 days, (D) is the subject of any dissolution or liquidation proceeding, (E) has issued against it or its property any writ of attachment, execution, or other legal process involving an amount or risk deemed material by the Lender, or (F) has filed or recorded against it or its property any notice of levy, notice to withhold, or other claim for taxes other than real property taxes not yet delinquent involving an amount deemed material by the Lender; or

(vi) Borrower suspends the transaction of its usual business, Borrower ceases to be authorized by the laws of this State to operate its hospital, or Borrower's hospital otherwise ceases to operate as a hospital.

(b) Borrower agrees that, as soon as is practicable and in any event within ten (10) days of knowledge of an Event of Default, Borrower shall provide written notice to the Lender of any event which is an Event of Default, which notice shall set forth the nature of such event and the action which Borrower proposed to take with respect thereto.

(c) If any Event of Default occurs, then, at the option and upon the declaration of the Lender, all amounts owed to the Lender under this Agreement and the Note, without presentment, demand, protest, or notice of any kind, all of which are hereby expressly waived, shall become immediately due and payable, and the Lender may immediately, and without expiration of any period of grace, enforce payment of all amounts owed to the Lender under this Agreement and the Note and exercise any and all other remedies granted to it at law, in equity or otherwise, for the enforcement of realization of the security interests provided in this Agreement; provided, that upon the occurrence of any Event of Default specified in subclauses (A) through (D) of Section 7(a)(v), the all amounts owed to the Lender under this Agreement and the Note shall automatically become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived. In addition, the Lender shall be entitled to recover from Borrower all costs and expenses, including reasonable attorneys' fees, incurred by the Lender in exercising any remedies under this Agreement.

(d) No delay in accelerating the maturity of any obligation contained in this Agreement or in taking any other action with respect to any Event of Default shall affect the rights of the Lender later to take such action with respect thereto, and no waiver as to a prior occasion shall affect the Lender's rights as to any other Event of Default. A waiver or release with reference to any one event shall not be construed as continuing, as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to a subsequent event.

(e) Borrower waives presentment and demand for payment, notice of intent to accelerate maturity, notice of acceleration and maturity, protest or notice of protest and

nonpayment, bringing of suit and diligence in taking any action to collect any sums owing under this Agreement, and agrees that its liability on this Agreement shall not be affected by any release of or change in any security for the payment of sums due under this Agreement.

(f) Without limitation of any of the Lender's other rights and remedies provided by this Agreement, the Note, at law or in equity, if an Event of Default has occurred and is continuing, the Lender may deliver to DHCS the Medi-Cal Intercept Form and the EFT Cancellation Form and instruct DHCS to pay directly to the Lender twenty percent (20%) of Medi-Cal checkwrite payments with respect to Medi-Cal reimbursements due to Borrower from DHCS, which amounts shall be applied by the Lender to amounts owed to the Lender under this Agreement and the Note until all such amounts paid in full.

(g) Acceptance by the Lender or holder of the Note of any installment after any Event of Default has occurred under this Agreement shall not operate to extend the time of payment of any amount then remaining unpaid or constitute a waiver of any of the other rights of the Lender or holder under the Note or this Agreement.

8. Miscellaneous.

(a) (i) Borrower hereby irrevocably and unconditionally agrees, to the fullest extent permitted by law, to defend, indemnify and hold harmless the Lender, the Department, the State Treasurer and their members, officers, directors, trustees, employees and agents (each, an "Indemnified Party"), from and against any and all Indemnifiable Losses arising out of, resulting from or in any way connected with any act or omission of Borrower, its members, officers, directors, trustees, employees or agents, in applying for or accepting the Loan, carrying out of any of the transactions or undertakings contemplated by the Loan Documents, expending or applying the funds furnished pursuant to this Agreement or any breach by Borrower of any covenant or undertaking under this Agreement or the Note. This section shall survive the termination of this Agreement.

(ii) The Lender agrees to notify Borrower promptly, but in no event later than twenty (20) business days, after written notice to the Lender that any third party has brought any action, suit or proceeding against an Indemnified Party that may result in an Indemnifiable Loss (a "Third Party Action"). Upon such notice or other notice from an Indemnified Party of a Third Party Action, Borrower shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party and reasonably acceptable to Borrower (which may be the Attorney General of the State of California), and shall assume the payment of all Litigation Expenses related thereto, with full power to litigate, compromise or settle the same in its discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove (in its sole and absolute discretion) any such compromise or settlement and the Indemnified Party has no liability with respect to any compromise or settlement of any Third Party Action effected without its written approval. Each Indemnified Party shall have the right to employ separate counsel in any Third Party Action and participate in the investigation and defense thereof, and Borrower shall pay the reasonable fees and disbursements of such separate counsel. If the Indemnified Party fails to provide such notice to Borrower, Borrower is still obligated to indemnify the Indemnified Party for Indemnifiable Losses, except that Borrower is not liable for any Litigation Expense the Indemnified Party incurs during the period in which the Indemnified Party failed to give such notice.

(iii) For purposes of this Section 8(a): “Indemnifiable Losses” means the aggregate of Losses and Litigation Expenses; “Losses” means any liability, loss, claim, settlement payment, cost and expense, interest, award, judgment, damages (other than punitive damages to the extent they may not, under law, be indemnified), diminution in value, fine, fee and penalty, and other charge, of every conceivable kind, character and nature whatsoever, contingent or otherwise, known or unknown, except Litigation Expenses and “Litigation Expenses” means any court filing fee, court cost, witness fee, and each other fee and cost of investigating and defending or asserting a claim, including, without limitation, in each case, attorneys’ fees, other professionals’ fees and disbursements.

(b) The terms of this Agreement may be revised or modified only with the written consent of both parties, and if necessary, with the approval of the Department and the Department of Finance under Health and Safety Code section 129384.

(c) The descriptive headings in this Agreement are inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions of this Agreement.

(d) Any provision of this Agreement that is illegal, invalid or unenforceable, shall be ineffective to the extent of such illegality, invalidity or unenforceability without rendering illegal, invalid or unenforceable the remaining provisions of this Agreement.

(e) This Agreement is intended by the parties to be the final expression of their agreement with respect to the terms included in this Agreement and may not be contradicted by evidence of any prior or contemporaneous agreement.

(f) This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all counterparts shall together constitute one and the same instrument.

(g) All notices given under this Agreement shall be in writing and shall be hand-delivered or mailed by registered or certified mail, postage prepaid and shall be sent to the parties' respective addresses first written above or any other address as a party may have specified in writing.

(h) Borrower waives the right to interpose any defense, set-off, or counterclaim of any nature or description to any action by the Lender in enforcing this Agreement or Note.

(i) The Lender and Borrower hereby agree that the laws of the State of California apply to this Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement. Any party bringing a legal action or proceeding against any other party arising out of or relating to this Agreement shall bring the legal action or proceeding in the Sacramento County Superior Court, Sacramento, California, unless the Lender waives this requirement in writing. Each party agrees that the exclusive (subject to waiver as set forth herein) choice of forum set forth in this section does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party waives, to the fullest extent permitted by law, (a) any objection which it may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to this Agreement brought in the

Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be executed and delivered as of the date of the execution of this Agreement by the Authority.

LENDER: **CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**, a public instrumentality of the State of California

By: _____
Name: Carolyn Aboubechara
Title: Executive Director
Date: _____

BORROWER: **Sonoma Valley Health Care District
DBA Sonoma Valley Hospital,**
a California Public Hospital

By: _____
(Authorized Officer)
Name: John Hennelly
Title: President and Chief Executive Officer

EXHIBIT A - MEDI-CAL INTERCEPT FORM

**AUTHORIZATION TO CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
REDIRECTION OF MEDI-CAL WARRANTS TO
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**

1. NAME OF BORROWER (MEDI-CAL PROVIDER)		2. MEDI-CAL PROVIDER NUMBER	
Sonoma Valley Health Care District DBA Sonoma Valley Hospital			
3. MAIN CONTACT PERSON NAME		4. TELEPHONE NUMBER	
5. ADDRESS CITY STATE ZIP			
347 Andrieux Street, Sonoma, California 95476			
6. LOAN AMOUNT NOT TO EXCEED			
Three Million One Hundred Thousand Dollars and No Cents (\$3,100,000.00)			

Pursuant to Health and Safety Code section 129384, subdivision (b), and the terms and conditions of that certain Loan and Security Agreement by and between Sonoma Valley Health Care District DBA Sonoma Valley Hospital, as Borrower, and the California Health Facilities Financing Authority (“CHFFA”), as Lender (the “Loan Agreement”), Borrower has authorized the intercept of twenty percent (20%) of the Medi-Cal checkwrite payments with respect to reimbursements due to Borrower from the Department of Health Care Services (“DHCS”), by CHFFA in an Event of Default, as defined in the Loan Agreement, until the loan has been paid in full.

This assignment shall be effective until CHFFA, in its sole discretion, has notified DHCS that the loan has been paid in full, whereupon the right to full future reimbursements shall revert to Borrower.

Borrower receives Medi-Cal reimbursement via (check appropriate box):

- Paper warrants
- Electronic funds transfer (EFT)

If an EFT recipient, Borrower acknowledges and agrees to the following requirements:

Borrower shall complete an EFT Cancellation Form (attached as **Exhibit B** to the Loan Agreement), which shall be submitted to CHFFA along with the Medi-Cal Intercept Form. Please note that the EFT Cancellation Form must be notarized.

Borrower acknowledges that after DHCS receives notice from CHFFA that Borrower’s loan is paid in full, the Medi-Cal reimbursement to Borrower will be by paper warrants until such time as Borrower reapplies for EFT and that application is effective.

Borrower assumes the responsibility of updating its address on file with DHCS and CHFFA, submitting to DHCS any necessary address correction using the Medi-Cal Supplemental Changes form (Form 6209) and submitting to CHFFA an updated Medi-Cal Intercept Form and an updated and notarized EFT Cancellation Form.

**BORROWER: Sonoma Valley Health Care District
DBA Sonoma Valley Hospital, a Public Hospital**

By: _____
(Authorized Officer)

Name: John Hennelly

Title: President and Chief Executive Officer

EXHIBIT B – EFT CANCELLATION FORM

EFT	Electronic Fund Transfer Authorization	<u>Department of Health Care Services – Medi-Cal:</u> This authorization remains in full force and effect until the California Medicaid Program/Title XIX receives written notification from the provider of its termination, or until the California Medicaid Program/Title XIX or appointing authority deems it necessary to terminate the agreement.
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Directions: An original pre-imprinted voided check for checking accounts, or an original bank letter for savings accounts, must be submitted with this form. The provider name, routing number and account number on either of those documents must match what is entered on this form. Photocopied documents will not be accepted. Use blue ink for signatures, including notary.

Section A

Please Print or Type

1. Name of Provider (must match name on bank account and name registered with Medi-Cal)	2. NPI OR Legacy Number (one EFT form per number)
3. Name of Main Contact Person	4. Telephone Number
5. Provider Address	City State Zip
6. Last 4 Digits of Provider Social Security Number or Complete Federal Tax ID Number (must match number registered with Medi-Cal)	

EXHIBIT C - LOAN FUNDS DISBURSEMENT REQUEST

**REQUEST FOR DISBURSEMENT OF LOAN FUNDS UNDER THE DISTRESSED
HOSPITAL LOAN PROGRAM**

Borrower, Sonoma Valley Health Care District DBA Sonoma Valley Hospital, requests from CHFFA the disbursement of Loan funds in the amount of \$ _____ (the “Requested Advance”) pursuant to the Loan and Security Agreement between CHFFA and Borrower (the “Loan Agreement”), and confirms and certifies the following:

1. Date of Advance: _____

2. Intended Use of Proceeds:

3. The representations and warranties contained in Section 4 of the Loan Agreement are true and correct in all respects as of the date of this request and will be true and correct as of the Date of Advance as though made on such date, except to the extent any such representation or warranty relates to a specific date, in which case, such representation or warranty will be true and correct in all respects as of such date as though made on such date;

4. No Event of Default or event that, if it continues uncured, will, with passage of time or notice or both, be an Event of Default, has occurred and is continuing or will result from the making of the Requested Advance; and

5. The Requested Advance will be used only for the purposes set forth above. Under no circumstances shall any proceeds of any Loan be used for any purpose other than the above-described purposes.

Borrower requests Loan funds to be disbursed via:

Bank wire Paper warrant

For bank wire: Loan funds shall be directed to the following account:

Bank Routing No.: _____
Bank Account No.: _____
Bank Name: _____
Beneficiary Name: _____
Type of Bank Account: Checking/Savings/Other

For paper warrant: Loan funds shall be mailed or delivered to the following address:

Attention: _____

IN WITNESS WHEREOF, Borrower has caused this Loan Funds Disbursement Request to be executed and delivered by its duly authorized officer, as of the date listed below.

BORROWER:

Sonoma Valley Health Care District DBA Sonoma Valley Hospital

By: _____

Date: _____

John Hennelly
President and Chief Executive Officer

EXHIBIT D – NOTE

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

DISTRESSED HOSPITAL LOAN PROGRAM

PROMISSORY NOTE

This Promissory Note is dated as of the Effective Date of the Hereinafter Defined Loan Agreement

Sonoma Valley Health Care District DBA Sonoma Valley Hospital, a California **public hospital**, as defined under Government Code section 129381, having its principal place of business at **347 Andrieux Street, Sonoma, California 95476** (the “Borrower”), for value received, hereby promises to pay to CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY, a public instrumentality of the State of California (the “Lender”) and its successors and assigns (the Lender and its successors and assigns, the “Holder”), at its office located at 901 P Street, Suite 313, Sacramento, California 95814, or at such other place as the Holder may from time to time designate in writing, in lawful money of the United States of America, the principal sum of **Three Million One Hundred Thousand Dollars and No Cents (\$3,100,000.00)** (or such lesser amount as shall equal the aggregate unpaid principal amount of the Loans made by the Lender to Borrower under and as described in the Loan Agreement described below).

This Note is the Note referred to in, is executed and delivered under, and is subject to the terms of, the Loan and Security Agreement of even date herewith (as amended, restated, amended and restated, joined, supplemented or otherwise modified from time to time, the “Loan Agreement”) by and between the Borrower and the Lender. Capitalized terms used, but not defined, in this Note have the meanings given them in the Loan Agreement.

The Borrower agrees to repay the outstanding Loans in equal monthly installments commencing the first day of the nineteenth month from the Effective Date of the Loan and Security Agreement until payment of such principal sum shall be discharged and in no event later than the Maturity Date, as more particularly provided for in the Loan Agreement.

The Borrower shall be in default of this Note on the occurrence of any Event of Default. Upon default of this Note, the Holder may exercise all of its rights and remedies provided for under the Loan Agreement. The Holder may also use all remedies in law and in equity to enforce and collect the amount owed under this Note. The remedies of the Holder, as provided in the Loan Agreement, shall be cumulative and concurrent and may be pursued singularly, successively or together, at the sole discretion of the Holder, and may be exercised as often as occasion therefor shall arise. No act of omission or commission of the Holder, including specifically any failure to exercise any right, remedy or recourse shall be deemed to be a waiver or release of the same, such waiver or release to be effected only through a written document executed by the Holder and then only to the extent specifically recited therein. A waiver or release with reference to any one event shall not be construed as continuing, as a bar to, or as a waiver or release of, any subsequent right, remedy or recourse as to a subsequent event.

Borrower hereby waives presentment and demand for payment, notice of intent to accelerate maturity, notice of acceleration and maturity, protest or notice of protest and non-payment, bringing of suit and diligence in taking any action to collect any sums owing hereunder, and agrees that its liability on this Note shall not be affected by any release of or change in any security for the payment of this Note.

Borrower shall have the right to prepay this Note in whole or in part at any time without penalty or premium.

Any provision of this Note or corresponding Loan Agreement that is illegal, invalid, or unenforceable shall be ineffective only to the extent of that illegality, invalidity, or unenforceability without rendering illegal, invalid, or unenforceable the remaining provisions of this Note.

Borrower agrees that the laws of the State of California apply to this Note. Any legal action or proceedings brought to enforce or interpret the terms of this Note shall be initiated and maintained in the courts of the State of California in Sacramento County, provided that the Holder may waive venue in Sacramento County in its sole discretion.

**Sonoma Valley Health Care District
DBA Sonoma Valley Hospital
a California public hospital**

By: _____
(Authorized Officer)

Name: **John Hennelly**

Title: **President and Chief Executive Officer**

EXHIBIT E – APPLICATION

2023 Finance Committee Work Plan

January	February	March	April
<ul style="list-style-type: none"> December Financials Fiscal YTD Budget review Participate in Board Strategic Plan Development 	<ul style="list-style-type: none"> January Financials Review 2nd Quarter FY 2023 capital spending December Net AR Review \$1 Million Restricted Board Funds re: ODC Project CHFFA Help II Loan (Action) Parcel Tax Advance (Action) 	<ul style="list-style-type: none"> February Financials FY 2024 Budget Update & Review FY 2024 Budget Assumptions Revenue Analysis/Profitability Engage Auditors mid-year review 3-Year Income Stmt. & Cash Projection 	<ul style="list-style-type: none"> March Financials FY 2024 Budget Update Review 3rd Quarter FY 2023 capital spending Review Financial statement format - revise for FY 2024
May	June	July	August
<ul style="list-style-type: none"> April Financials Review and recommend FY 2024 budget proposal 	<ul style="list-style-type: none"> May Financials Review capital spending plan for FY 2024 	<ul style="list-style-type: none"> June Financials Review pre audited FY 2023 Financials Review 4th Quarter FY 2023 capital spending & plan Update and review of Board Strategic Plan <p>initial discussion of the revolving credit agreement and its extension from its expiry from next January</p>	<ul style="list-style-type: none"> July Financials FY 2023 audit update Risk Management Review (postponed from May)?
September	October	November	December
<ul style="list-style-type: none"> August Financials FY 2023 audit update Review current insurance policies Risk Management Review (postponed until further notice). 	<ul style="list-style-type: none"> September Financials Review preliminary audit results Review 1st Quarter FY 2024 capital spending Review current insurance policies 	<ul style="list-style-type: none"> October Financials 2024 Finance Committee work plan 	<ul style="list-style-type: none"> November Financials

*** UCSF AFFILIATION UPDATE EVERY OTHER MONTH**

- Risk Management Review (postponed until further notice).

Revision Date: 08/25/22

Tactic Completed	Tactics under way now	Tactics to begin in the next 12 months	Tactics in conceptual form
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UCSF/SVH Joint Operating Dashboard

Strategic Objective	Initiative	Description/Tactic	Benefits/Impact	Start Date	Target Completion Date	Update	Updated
1 Increase Access to San Francisco based UCSF Care - ability for Sonomans to access care at UCSF in the city has been difficult. This objective seeks to improve pathways to access care.	1.1 Expansion of Telemedicine Services with UCSF Affiliate Network	Neurology coverage for stroke and inpatient care	24/7 availability of neuro consult for stroke cases in ED	2019	2019	complete	7/19
		Infectious Disease coverage for hospital	Specialty coverage for ED and inpatient units			complete	7/19
		Intensivist Coverage of ICU	Expanded medical team would increase the types of cases that could be treated at SVH.	2022	2023	Engaging UCSF and third party vendors on contracting. Dr Sankaran has lead. Conversations progressing most promising with UCSF. Potential trial later this Fall.	8/23
	1.2 Beta Site for Capacity Management (transfer) Center	Integration of SVH into the UCSF capacity management system	The integration will improve both site's ability to place patients in the right setting for their needs. Impact to SVH increased transfers both in and out as needed.	Summer 2023	2023-2024	System live. UCSF continues working on processes. SVH participation pending.	8/23
2 Increase Access to Locally Provided Specialists/Primary Care - establishment of care sites in Sonoma will aid in access to UCSF care.	2.1 Physician Employment	Joint recruitment of GI specialists based in Sonoma	Provision of service currently unavailable in Sonoma and highly in demand.	2021	in process	Interviewing candidates	8/23
		Joint recruitment of orthopedic surgeon based in Sonoma	Orthopedics is in strong demand in Sonoma. Planning to insure availability over coming years.		2023-25	Interviewing candidates	8/23
		Engagement of UCSF faculty in growth or under represented service lines	Engagement can increase the types of care available in Sonoma and increase connectivity with programs at UCSF.	2022	2023	Issuance of RFP to faculty to identify programs which could be cited in Sonoma. Proposals must address market need. RFP to be issued. finalizing funding	8/23
	2.2 Expansion of Clinically Integrated Network	Opportunity to contractually link Sonoma providers to UCSF network improving network access, quality oversight, and financial stability for practices	Helps insure stability of practices in Sonoma and improved access to broader network.		2023	UCSF revising program	12/22
2.3 UCSF Cancer Care	Explore opportunity to introduce UCSF cancer care in Sonoma	Provision of service currently unavailable in Sonoma and highly in demand.					
3 Increase Facility Utilization - objective is to use available space and resources at SVH to alleviate capacity issues at UCSF where needs align. The result will be more availability of services in Sonoma.	3.1 Grow UCSF surgical presence in Sonoma	Objective is to engage UCSF surgeons to practice in Sonoma and at SVH.	Increase availability of surgical services in Sonoma/increase utilization of SVH operating rooms			EPIC installation has removed key barrier. Improvement to interfaces underway. Dr Carroll (urologist) to provide services in Sonoma in Fall23	9/23
	3.2 Explore collaborative opportunities in orthopedics	Details listed in section 2. Listed here to note it serves this objective.					
	3.3 Increase utilization of ODC by UCSF	Online scheduling	UCSF is moving to self scheduling which enables the patient to select the best location for their service based upon availability or location. This could optimize utilization of SVH assets.	2022	2023	On going conversations with UCSF Affiliates team on build requirements. Work on going.	8/23
	3.4 Development of Post Acute program	Objective is to insure adequate postacute care is available in Sonoma	Meeting market demand and insuring Sonoma has the right setting for care. Activation of dormant space at SVH.		2024	This is in concept stage at this point.	8/22
	3.5 Develop relationship with VA for the provision of care to veterans at SVH	Working to coordinate provision of care by VA providers at SVH.	Improve access for veterans and increase utilization of SVH services	2023	2024	Working with specialty area leaders to find opportunities to practice at SVH	8/23
4 Enhance IT Integration - maximize connectivity between two organizations to improve integration of data available to community and patients	4.1 Maximize data availability between sites	EPIC implementation	Installation of EPIC will improve connectivity between UCSF and SVH.	January 2022	12/3/2022	Complete	12/22
		Optimize EPIC data transfer between instances	Maximizing data integration between SVH Epic and UCSF Epic will optimize utilization by clinicians and patients	Summer 2023	2025	Interfaces continue to be built. UCSF - SVH interface scheduled to go live late September.	9/23
	4.2 Integration of IT management	Contract executed between UCSF and SVH for the provision of management services to SVH		2022	2022	Complete	1/22
5 Share Resources/Reduce Costs - by collaborating, can the two organizations save money?	Integration of coordination of care w UCSF and/or Marin Health						
	Explore JV opportunities around ODC	Develop a business case for a joint venture between SVH and UCSF around the ODC and surgical services	A joint venture would provide both capital and focus from UCSF on Sonoma.	CY2023	2024	Investment models under review. On going.	12/22
Parking Lot	Exploration of ways to integrate purchase of goods and services		Cooperating with UCSF on purchasing could yield significant savings			Management continually on the look out for such opportunities. Supplies were reviewed in 2022 - no opportunity. Reimbursement rates - not allowed unless UCSF has a controlling interest.	9/22



To: Sonoma Valley Health Care District Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: October 24, 2023
Subject: Financial Report for September 2023

1. OVERALL PERFORMANCE | MONTH

Financial performance from operations in September was a step back from our recent trend where we had a string of consecutive months where we had exceeded our budget targets. September’s operating margin of (\$1,117,735) was unfavorable to our budget of (\$841,931), missing the target by \$275,804. We did see some reduction in elective volumes which caused our net revenue to miss budget by 2%, but most of the variance to budget relates to operating expenses, particularly depreciation expense, which will get described in detail below.

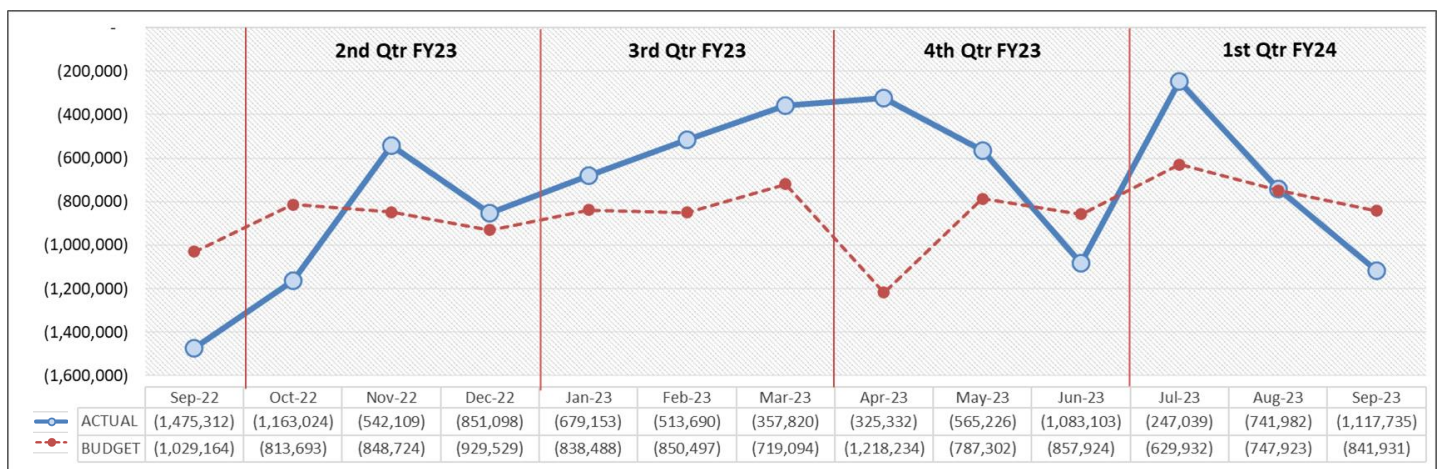
It is important to note that September and October were the two weakest months of last fiscal year. In September of 2022 we posted an operating margin loss of \$ (1.4M) and an operating EBDA loss of \$ (1.2M).

Despite the unfavorable results for the month itself, our operating margin and operating EBDA are still positive to budget through the first quarter of fiscal year 2024, and both exceed prior year 1st quarter performance by over \$1 million.

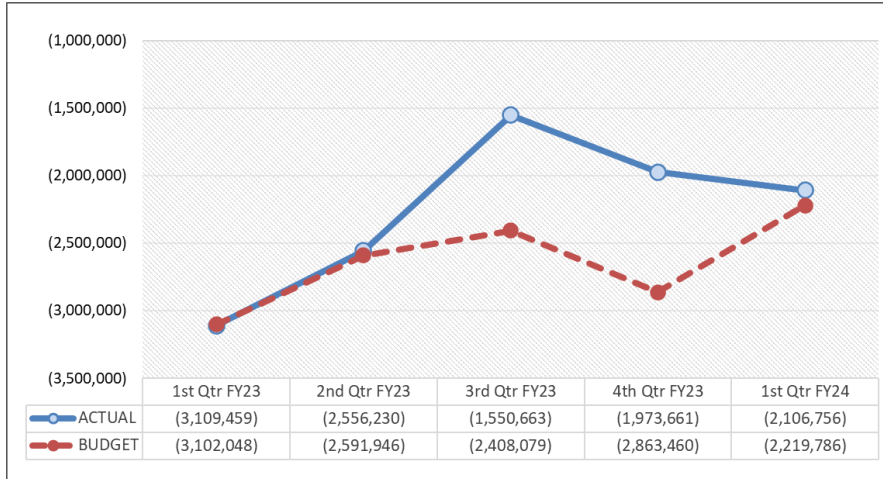
Table 1 | Overall Performance - September 2023 (There has been no IGT activity so far in FY24)

	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD		Variance	
	Actual	Budget	\$	%	Actual	Budget	\$	%	Actual	\$	%	
Operating Margin	\$ (1,117,735)	\$ (841,931)	\$ (275,804)	-33%	\$ (2,106,756)	\$ (2,219,786)	\$ 113,031	5%	\$ (3,109,459)	\$ 1,002,703	32%	
Operating EBDA	\$ (616,102)	\$ (468,964)	\$ (147,138)	-31%	\$ (1,125,915)	\$ (1,320,885)	\$ 194,970	15%	\$ (2,419,013)	\$ 1,293,097	53%	
Net Income (Loss)	\$ (399,538)	\$ (123,189)	\$ (276,349)	-224%	\$ (261,944)	\$ (63,532)	\$ (198,412)	-312%	\$ (1,007,073)	\$ 745,129	74%	

Graph 1.1 | SVH Trended Operating Margin (excluding IGT funding) - Last 13 Months



Graph 1.2 | SVH Operating Margin by Quarter (excluding IGT funding) – FY23 & FY24



2. NET REVENUE SUMMARY:

Table 2 | Net Patient Revenue – Actual vs. Budget - September 2023 (Excluding IGT)

	Month of September 2023				Year To Date September 2023							
	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD		Variance	
	Actual	Budget	Var	%	Actual	Budget	\$	%	Actual	\$	%	
Gross Revenue	\$ 28,019,216	\$ 28,069,180	\$ (49,964)	0%	\$84,904,073	\$82,794,755	\$2,109,318	3%	\$77,364,653	\$7,539,420	10%	
Net Patient Revenue	\$ 4,162,914	\$ 4,261,324	\$ (98,410)	-2%	\$12,817,583	\$12,599,075	\$ 218,508	2%	\$11,357,785	\$1,459,798	13%	
NPR as a % of Gross	14.9%	15.2%	-2.1%		15.1%	15.2%	-0.8%		14.7%	2.8%		
Tot Operating Revenue	\$ 4,246,942	\$ 4,354,130	\$ (107,188)	-2%	\$13,074,600	\$12,877,493	\$ 197,107	2%	\$11,614,683	\$1,459,917	13%	

September was one of the first months since our Epic go-live in which our gross and net revenues came in under budget. The driver in this decrease were our volumes, which softened in September, giving back some of the gains delivered by the summer months. Two of our bigger volume surgeons took some time off in September which resulted in a step back in outpatient surgery and reductions in orthopedic surgeries and GI volumes. We ran under budget in outpatient surgery by over 20% in September – all of this variance can be attributed to our key physicians taking some (needed) time away. We may see dampened volumes next month as well as some of the time off extended into October, but we anticipate regaining our recent trend now that they have returned.

Emergency room volumes continue to trail budget, although we are up compared to the prior year. Marketing efforts for the new medical group will ramp up in January once they have completed their recruitment and get fully staffed.

Our trend of lower patient days continues as well. While we do expect to see this start to turn around in the months ahead, our discharges remain above budget and the prior year. As mentioned before, we are seeing and treating the same number of inpatients so the drop in patient days is actually a positive.

3. OPERATING EXPENSE SUMMARY:

Table 3 | Operating Expenses – Actual vs. Budget – September 2023 (Excluding IGT)

	Month of September 2023				Year To Date September 2023							
	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD		Variance	
	Actual	Budget	Var	%	Actual	Budget	\$	%	Actual	\$	%	
Operating Expenses	\$ 5,364,677	\$ 5,196,061	\$ (168,616)	-3%	\$15,181,355	\$15,097,279	\$ (84,077)	-1%	\$14,724,142	\$ (457,214)	-3%	
Worked FTEs	216.3	213.9	(2.4)	-1%	214.8	212.7	(2.1)	-1%	202.3	(12.5)	-6%	

Operating expenses rose in September and account for over 60% of the overall budget variance for the month. Operating expenses were \$170K, or 3% over budget in September. The overage is really in two areas – depreciation expense and supplies.

OPERATING EXPENSE DRIVERS:

- **Depreciation Expense** – There was an additional \$260,000 of depreciation expense that hit in September, driven by placing additional parts of the Epic project into service as well as the implementation of a new accounting standard, GASB 96. This new standard requires new treatment for subscription-based information technology agreements (SBITs) that are more than one year in length. Prior to the new standard, these types of contracts and/or leases flowed through our income statement as operating expenses. Now, these SBITs are recognized on the balance sheet by way of a subscription asset and related subscription liability. The asset is then amortized over life of the contract, reducing the liability by payments made during the term.

We have been working with our auditors on recognizing this new standard appropriately. As we recognized the new treatment in September, we did make an adjustment to also include the first two months of the fiscal year, so some of the additional depreciation in September does include catch-up.

It is important to note that going forward the GASB adjustment will mostly impact individual expense accounts. The ‘net’ impact of this adjustment on the income statement will be mitigated by the fact we had budgeted to expense most of these fees out of other operating expense accounts, so as depreciation expense increases, other areas such as purchased services and other expenses will decrease.

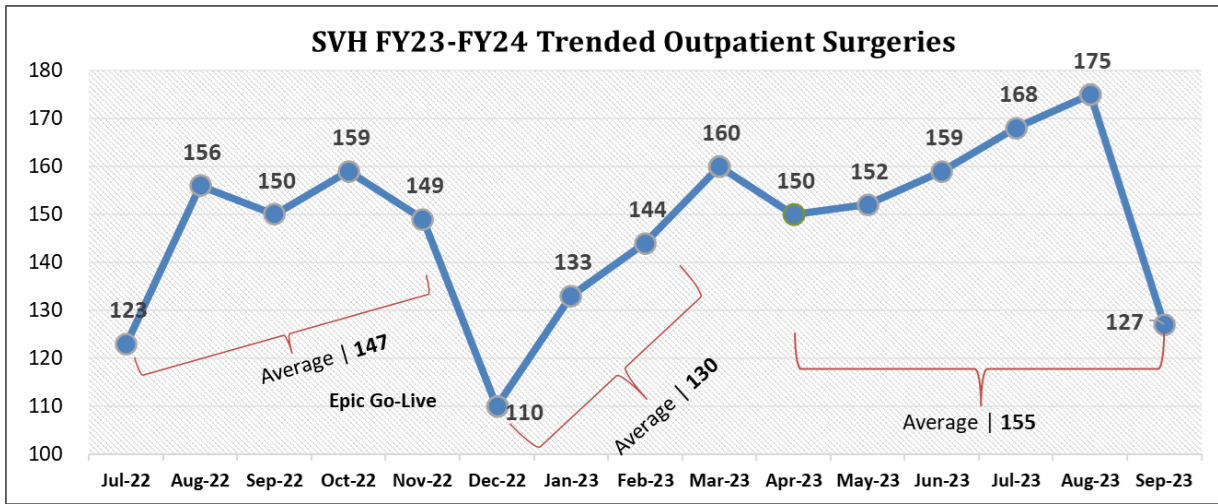
GASB 96 has no impact on cash.

- **Supplies** –The other area where we saw an increase was in supplies. While we did see a decrease from prior month, supplies were nearly \$120,000 over budget. The overage in September is due a some specific catch-up of invoices in one department. Supplies and implant costs are indeed fluid and fluctuate based on a variety of factors, but the overage in September was a one-time adjustment that will not be recurring going forward.
- **Salaries** – We continue to be challenged with staffing vacancies and the need to fill needed gaps with registry and traveler resources. Our traveler spend through the first quarter was \$600,000. We continue to prioritize solutions to limit our dependency on travelers as much as possible, but it will continue to be a challenge for us. We are seeing some positives though, as our spend did decrease in September compared to the first two months of the year, and the \$600,000 of expense year-to-date is 10% less than the 1st quarter of last fiscal year.

4. VOLUME SUMMARY:

Table 4 | Patient Volumes – September 2023

	Month of September 2023				Year To Date September 2023							
	Current Year		Variance		Current Year		Variance		Prior Year		Variance	
	Actual	Budget	Var	%	Actual	Budget	Var	%	Actual	Var	%	
Acute Patient Days	252	262	(10)	-4%	773	829	(56)	-7%	774	(1)	0%	
Average Daily Census	8.4	8.7	(0.3)	-4%	8.4	9.0	(0.6)	-7%	8.4	(0.0)	0%	
Acute Discharges	69	56	13	23%	194	179	15	8%	188	6	3%	
IP Surgeries	13	13	-	0%	43	43	-	0%	51	(8)	-16%	
OP Surgeries/Spec Proc	127	169	(42)	-25%	470	478	(8)	-2%	429	41	10%	
Total Surgeries / Procedure	140	182	(42)	-23%	513	521	(8)	-2%	480	33	7%	
Total Outpatient Visits	4,725	3,997	728	18%	14,694	13,195	1,499	11%	13,387	1,307	10%	
Total ER Visits	884	906	(22)	-2%	2,614	2,744	(130)	-5%	2,495	119	5%	



5. CASH ACTIVITY SUMMARY:

Table 5 | Cash / Revenue Cycle Indicators - September 2023

	Sep-23	Aug-23	Var	%
Days Cash on Hand	25.6	33.3	(7.7)	-23%
A/R Days	65.1	65.1	(0.0)	0%
A/P Days	37.4	38.9	(1.5)	-4%

Table 6 | Cash Collections Trended vs. Target - September 2023

	Jul-23	Aug-23	Sep-23	YTD
Cash Collections	\$ 3,663,429	\$ 4,320,626	\$ 3,355,968	\$ 11,340,023
Cash Collections Target	\$ 3,637,072	\$ 4,175,875	\$ 4,242,329	\$ 12,055,276
Cash Collections as a % of Target	101%	103%	79%	94%

Cash collections softened in September as well, as we collected \$3.35 million vs. a goal of \$4.1 million, which is a low point for us this fiscal year. As was mentioned last month, we did experience some delays in August and September in getting encounters coded due to some temporary staffing shortages in medical records and our billing office. This created a bit of a backlog in getting some claims out the door and September was the month where this was felt the most. We collected ~80% of our goal for the month, dropping our cash collections as a % of our target to 94% through the first quarter.

The dip in September should be temporary and we have already seen increased cash levels so far in the month of October. We also still remain on track to end the year with days cash in excess of 40.0 days.

ATTACHMENTS:

- Attachment A is the Payer Mix Analysis
- Attachment B is the Operating Indicators Report
- Attachment C is the Balance Sheet
- Attachment D (two pages) is the Statement of Revenue and Expense. The first page breaks out the hospital operations and page two includes all other activity.
- Attachment E is the Variance Analysis
- Attachment F is the Cash Projection



Sonoma Valley Hospital
Payer Mix for the Period Ended September 30, 2023

ATTACHMENT A

	MONTH			
Gross Revenue	Actual	Budget	Variance	% Variance
Medicare	10,510,011	9,702,050	1,529,626	5.8%
Medicare Managed Care	4,023,458	4,605,506	140,869	0.5%
Medi-Cal	4,719,175	5,117,619	(701,668)	-2.7%
Self Pay	359,341	141,686	341,916	1.3%
Commercial & Other Government	7,637,455	6,161,366	343,425	1.3%
Worker's Comp.	752,724	971,188	(141,472)	-0.5%
Total	28,002,164	26,699,417	1,512,696	5.7%

	YEAR TO DATE			
	Actual	Budget	Variance	% Variance
Medicare	31,588,397	29,377,609	1,402,827	2.6%
Medicare Managed Care	14,281,726	13,945,781	917,993	1.7%
Medi-Cal	13,402,707	15,504,218	(1,703,067)	-3.1%
Self Pay	1,241,454	430,366	593,433	1.1%
Commercial & Other Government	22,108,787	18,672,415	1,960,283	3.6%
Worker's Comp.	2,233,058	2,945,075	(493,553)	-0.9%
Total	84,856,129	80,875,466	2,677,916	3.3%

	MONTH		
Payor Mix	Actual	Budget	Variance
Medicare	37.5%	36.3%	1.2%
Medicare Managed Care	14.4%	17.2%	-2.9%
Medi-Cal	16.9%	19.2%	-2.3%
Self Pay	1.3%	0.5%	0.8%
Commercial & Other Government	27.3%	23.1%	4.2%
Worker's Comp.	2.7%	3.6%	-0.9%
Total	100.0%	100.0%	

	YEAR TO DATE		
	Actual	Budget	Variance
Medicare	37.2%	36.3%	0.9%
Medicare Managed Care	16.8%	17.2%	-0.4%
Medi-Cal	15.8%	19.2%	-3.4%
Self Pay	1.5%	0.5%	0.9%
Commercial & Other Government	26.1%	23.1%	3.0%
Worker's Comp.	2.6%	3.6%	-1.0%
Total	100.0%	100.0%	

**SONOMA VALLEY HOSPITAL
OPERATING INDICATORS
For the Period Ended September 30, 2023**

ATTACHMENT B

CURRENT MONTH				YEAR-TO-DATE				YTD
Actual	Budget	Favorable (Unfavorable) Variance		Actual	Budget	Favorable (Unfavorable) Variance	Prior Year 09/30/22	
09/30/23	09/30/23	09/30/23		09/30/23	09/30/23	09/30/23	09/30/22	
Inpatient Utilization								
Discharges								
1	54	45	9	Med/Surg	146	145	1	135
2	15	11	4	ICU	48	34	14	53
3	69	56	13	Total Discharges	194	179	15	188
Patient Days:								
4	172	168	4	Med/Surg	528	546	(18)	477
5	80	94	(14)	ICU	245	283	(38)	297
6	252	262	(10)	Total Patient Days	773	829	(56)	774
7	20	-	20	Observation days	54	-	54	44
Average Length of Stay:								
8	3.2	3.8	(0.6)	Med/Surg	3.62	3.77	(0.15)	3.5
9	5.3	8.2	(2.9)	ICU	5.10	8.23	(3.13)	5.6
10	3.7	4.7	(1.0)	Avg. Length of Stay	3.98	4.63	(0.64)	4.1
Average Daily Census:								
11	5.7	5.6	0.1	Med/Surg	5.7	5.9	(0.2)	5.2
12	2.7	3.1	(0.5)	ICU	2.7	3.1	(0.4)	3.2
13	8.4	8.7	(0.3)	Avg. Daily Census	8.4	9.0	(0.6)	8.4
Other Utilization Statistics								
Emergency Room Statistics								
14	884	906	(22)	Total ER Visits	2,614	2,744	(130)	2,495
Outpatient Statistics:								
15	5,025	3,997	1,028	Total Outpatients Visits	14,994	13,195	1,799	13,387
16	13	13	-	IP Surgeries	43	43	-	51
17	127	154	(27)	OP Surgeries / Special Procedures	470	463	7	429
18	274	237	37	Adjusted Discharges	895	745	150	811
19	1,002	1,111	(109)	Adjusted Patient Days	3,585	3,446	139	3,354
20	33.4	37.0	(3.6)	Adj. Avg. Daily Census	39.0	37.5	1.5	36.5
21	1.4009	1.4000	0.001	Case Mix Index - Medicare	1.4406	1.4000	0.041	1.5630
22	1.3591	1.4000	(0.041)	Case Mix Index - All payers	1.3801	1.4000	(0.020)	1.4990
Labor Statistics								
23	216	214	(2)	FTE's - Worked	215	213	(2.1)	202
24	242	235	(7)	FTE's - Paid	237	234	(2.7)	228
25	47.00	49.07	2.07	Average Hourly Rate	48.32	49.00	0.68	48.93
26	7.25	6.36	(0.89)	FTE / Adj. Pat Day	6.08	6.25	0.17	6.26
27	41.3	36.2	(5.1)	Manhours / Adj. Pat Day	34.6	35.6	1.0	35.7
28	150.9	169.6	18.7	Manhours / Adj. Discharge	138.8	164.7	26.0	147.7
29	25.0%	25.4%	0.4%	Benefits % of Salaries	25.0%	25.0%	0.0%	24.6%
Non-Labor Statistics								
30	18.1%	15.0%	-3.1%	Supply Expense % Net Revenue	15.4%	14.5%	-0.9%	16.7%
31	2,743	2,693	(50)	Supply Exp. / Adj. Discharge	2,208	2,449	242	2,346
32	19,711	22,092	2,381	Total Expense / Adj. Discharge	17,113	20,453	3,340	18,346
Other Indicators								
33	25.6			Days Cash - Operating Funds				
34	63.5	50.0	13.5	Days in Net AR	64.2	50.0	14.2	38.0
35	79%			Collections % of Cash Goal	94%			101.9%
36	37.4	55.0	(17.6)	Days in Accounts Payable	37.4	55.0	(17.6)	41.1
37	14.9%	15.2%	-0.3%	% Net revenue to Gross revenue	15.1%	15.2%	-0.1%	14.7%
38	34.8%			% Net AR to Gross AR	34.8%			13.3%

Sonoma Valley Health Care District

ATTACHMENT C

Balance Sheet

As of September 30, 2023

UNAUDITED

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Assets			
Current Assets:			
1 Cash	\$ 365,964	\$ 610,896	\$ 1,847,571
2 Cash - Money Market	3,356,852	4,105,982	3,346,052
3 Net Patient Receivables	10,825,277	10,770,858	5,959,156
4 Allow Uncollect Accts	(2,109,722)	(1,998,431)	(1,546,025)
5 Net A/R	8,715,555	8,772,427	4,413,131
6 Other Accts/Notes Rec	2,003,276	1,642,800	1,554,099
7 Parcel Tax Receivable	3,800,000	3,800,000	3,800,000
8 GO Bond Tax Receivable	2,617,464	2,617,464	2,601,816
9 3rd Party Receivables, Net	150,975	(29,823)	97,905
10 Inventory	1,005,748	1,004,725	1,037,568
11 Prepaid Expenses	1,091,455	1,697,135	718,638
12 Total Current Assets	\$ 23,107,290	\$ 24,221,606	\$ 19,416,781
13 Property, Plant & Equip, Net	\$ 58,284,481	\$ 56,310,679	\$ 54,520,066
14 Trustee Funds - GO Bonds	3,259,368	5,797,833	3,512,793
15 Designated Funds - Board Approved	-	-	1,000,000
16 Total Assets	<u>\$ 84,651,139</u>	<u>\$ 86,330,118</u>	<u>\$ 78,449,640</u>
Liabilities & Fund Balances			
Current Liabilities:			
17 Accounts Payable	\$ 6,590,545	\$ 4,538,292	\$ 4,914,964
18 Accrued Compensation	4,000,416	3,820,154	3,650,892
19 Interest Payable - GO Bonds	61,148	285,504	51,758
20 Accrued Expenses	565,355	1,854,360	537,844
21 Advances From 3rd Parties	-	-	-
22 Deferred Parcel Tax Revenue	2,849,999	3,166,666	3,483,333
23 Deferred GO Bond Tax Revenue	1,963,099	2,181,221	1,230,484
24 Current Maturities-LTD	217,475	217,475	217,475
25 Line of Credit - Union Bank	4,973,734	4,973,734	5,473,734
26 Other Liabilities	57,511	57,511	106,158
27 Total Current Liabilities	\$ 21,279,283	\$ 21,094,917	\$ 19,666,642
28 Long Term Debt, net current portion	\$ 27,043,939	\$ 26,892,269	\$ 24,809,821
Fund Balances:			
30 Unrestricted	\$ 21,187,374	\$ 22,802,851	\$ 18,505,034
31 Restricted	15,140,542	15,540,080	15,468,143
32 Total Fund Balances	\$ 36,327,917	\$ 38,342,932	\$ 33,973,177
33 Total Liabilities & Fund Balances	<u>\$ 84,651,139</u>	<u>\$ 86,330,118</u>	<u>\$ 78,449,640</u>

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
For the Period Ended September 30, 2023**

ATTACHMENT D

	Month				Volume Information	Year-To-Date				YTD
	This Year		Variance			This Year		Variance		
	Actual	Budget	\$	%		Actual	Budget	\$	%	
1	69	56	13	23%	Acute Discharges	194	179	15	8%	188
2	252	262	(10)	-4%	Patient Days	773	829	(56)	-7%	774
3	20	-	20	0%	Observation Days	54	-	54	*	44
4	\$ 20,977	\$ 21,455	\$ (478)	-2%	Gross O/P Revenue (000's)	\$ 66,405	\$ 62,879	\$ 3,526	6%	\$ 59,219
					Financial Results					
					Gross Patient Revenue					
5	\$ 7,042,659	\$ 6,613,832	\$ 428,827	6%	Inpatient	\$ 18,498,880	\$ 19,915,407	(1,416,527)	-7%	\$ 18,067,944
6	12,732,428	13,307,098	(574,670)	-4%	Outpatient	40,575,389	38,148,607	2,426,783	6%	33,288,321
7	8,244,129	8,148,250	95,879	1%	Emergency	25,829,803	24,730,741	1,099,062	4%	26,008,388
8	\$ 28,019,216	\$ 28,069,180	(49,964)	0%	Total Gross Patient Revenue	\$ 84,904,073	\$ 82,794,755	2,109,318	3%	\$ 77,364,653
					Deductions from Revenue					
9	(23,700,704)	(23,639,957)	(60,747)	0%	Contractual Discounts	\$ (71,406,247)	\$ (69,748,723)	(1,657,524)	-2%	\$ (65,544,032)
10	(150,000)	(140,670)	(9,330)	-7%	Bad Debt	(400,286)	(380,457)	(19,829)	-5%	(400,665)
11	(5,598)	(27,229)	21,631	79%	Charity Care Provision	(279,956)	(66,500)	(213,456)	*	(62,171)
12	-	-	-	*	Prior Period Adj/Government Program Revenue	-	-	-	*	-
13	\$ (23,856,302)	\$ (23,807,856)	(48,446)	0%	Total Deductions from Revenue	\$ (72,086,489)	\$ (70,195,680)	(1,890,809)	3%	\$ (66,006,868)
14	\$ 4,162,914	\$ 4,261,324	(98,410)	-2%	Net Patient Service Revenue	\$ 12,817,583	\$ 12,599,075	218,508	2%	\$ 11,357,785
15	\$ 84,028	\$ 92,806	(8,778)	-9%	Other Op Rev & Electronic Health Records	\$ 257,017	\$ 278,418	(21,401)	-8%	\$ 256,898
16	\$ 4,246,942	\$ 4,354,130	(107,188)	-2%	Total Operating Revenue	\$ 13,074,600	\$ 12,877,493	\$ 197,107	2%	\$ 11,614,683
					Operating Expenses					
17	\$ 1,945,277	\$ 1,975,355	30,078	2%	Salary and Wages and Agency Fees	\$ 6,000,982	\$ 6,015,803	14,822	0%	\$ 5,857,093
18	744,685	718,265	(26,420)	-4%	Employee Benefits	2,188,625	2,163,351	(25,274)	-1%	2,087,964
19	\$ 2,689,962	\$ 2,693,620	3,658	0%	Total People Cost	\$ 8,189,607	\$ 8,179,154	(10,453)	0%	\$ 7,945,057
20	\$ 541,334	\$ 609,649	68,315	11%	Med and Prof Fees (excl'd Agency)	\$ 1,697,710	\$ 1,836,932	139,223	8%	\$ 1,702,526
21	752,597	639,378	(113,219)	-18%	Supplies	1,975,769	1,825,408	(150,362)	-8%	1,902,013
22	431,618	476,396	44,778	9%	Purchased Services	1,147,853	1,199,207	51,354	4%	1,334,043
23	501,633	372,967	(128,666)	-34%	Depreciation	980,840	898,901	(81,939)	-9%	690,446
24	197,864	184,119	(13,745)	-7%	Utilities	515,760	522,357	6,597	1%	527,836
25	66,697	71,758	5,061	7%	Insurance	214,440	205,274	(9,167)	-4%	162,113
26	71,611	47,094	(24,517)	-52%	Interest	157,411	126,282	(31,129)	-25%	84,244
27	111,361	101,080	(10,281)	-10%	Other	301,964	303,763	1,799	1%	375,864
28	-	-	-	*	Matching Fees (Government Programs)	-	-	-	*	0
29	\$ 5,364,677	\$ 5,196,061	(168,616)	-3%	Operating expenses	\$ 15,181,355	\$ 15,097,279	(84,076)	-0.6%	\$ 14,724,142
30	\$ (1,117,735)	\$ (841,931)	(275,804)	-33%	Operating Margin	\$ (2,106,756)	\$ (2,219,786)	113,031	5%	\$ (3,109,459)

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
For the Period Ended September 30, 2023**

	Month					Year-To-Date				YTD
	This Year		Variance			This Year		Variance		
	Actual	Budget	\$	%		Actual	Budget	\$	%	
31	\$ 12,459	\$ 4,716	7,743	*						
32	-	-	-	0%						
33	-	-	-	*						
34	316,667	316,667	-	0%						
35	-	-	-	0%						
36	\$ 329,126	\$ 321,383	7,743	2%						
37	\$ (788,609)	\$ (520,548)	(268,061)	-51%						
38	\$ -	\$ -	-	0%						
39	\$ 213,884	\$ 238,530	(24,646)	0%						
40	\$ (574,725)	\$ (282,018)	(292,707)	-104%						
41	175,187	158,829	16,358	10%						
42	\$ (399,538)	\$ (123,189)	(276,349)	-224%						
	\$ (286,976)	\$ (147,581)	(139,395)							
	\$ (616,102)	\$ (468,964)	(147,138)	-31%						
					Non Operating Rev and Expense					
					Miscellaneous Revenue/(Expenses)	\$ 55,420	\$ 14,176	41,244	*	\$ (19,181)
					Donations	-	-	-	0%	-
					Physician Practice Support-Prima	-	-	-	*	-
					Parcel Tax Assessment Rev	950,001	950,001	-	0%	950,001
					Extraordinary Items	-	-	-	0%	-
					Total Non-Operating Rev/Exp	\$ 1,005,421	\$ 964,177	41,244	4%	\$ 930,820
					Net Income / (Loss) prior to Restricted Contributions	\$ (1,101,335)	\$ (1,255,609)	154,274	12%	\$ (2,178,639)
					Capital Campaign Contribution	\$ -	\$ -	-	0%	\$ -
					Restricted Foundation Contributions	\$ 318,598	\$ 715,590	(396,992)	100%	\$ 697,594
					Net Income / (Loss) w/ Restricted Contributions	\$ (782,737)	\$ (540,019)	(242,718)	-45%	\$ (1,481,045)
					GO Bond Activity, Net	520,793	476,487	44,306	9%	473,972
					Net Income/(Loss) w GO Bond Activity	\$ (261,944)	\$ (63,532)	(198,412)	-312%	\$ (1,007,073)
					EBDA - Not including Restricted Contributions	\$ (120,495)	\$ (356,708)	236,213		\$ (1,488,193)
					Operating EBDA - Not including Restricted Contributions	\$ (1,125,915)	\$ (1,320,885)	194,970	15%	\$ (2,419,013)

Sonoma Valley Health Care District
Variance Analysis
For the Period Ended September 30, 2023

ATTACHMENT E

Operating Expenses	YTD		MONTH		Variance %
	Variance	Variance %	Variance	Variance %	
Supplies	(150,362)	-8%	(113,219)	-18%	The overage in supply costs is due to a catch-up in one particular department. \$110,000 worth of laboratory supplies hit in September that related to invoices from July and August. This is a one-time adjustment that will not be recurring moving forward.
Purchased Services	51,354	4%	44,778	9%	Purchased services are under budget in September due to the GASB 86 adjustment. Some IT contract expenses that had been accrued in purchased services are now recognized in a different manner and will be expensed through depreciation.
Depreciation	(81,939)	-9%	(128,666)	-34%	GASB 86 - New accounting standard caused a reclassification in how we account for our IT subscription-based contracts. We booked this reclassification in September, which also includes a catch-up to reclass July and August activity as well. This resulted in \$130,000 of incremental interest expense in September. There will be a corresponding offset moving forward as these costs were budgeted to be expensed out of purchased services.
Utilities	6,597	1%	(13,745)	-7%	Increase in utility costs specific to PG&E as usage increased over last 2 months. Utilities still are under budget through the 1st quarter of the fiscal year.
Interest	(31,129)	-25%	(24,517)	-52%	GASB 86 - New accounting standard caused a reclassification in how we account for our IT subscription-based contracts. We booked this reclassification in September, which also includes a catch-up to reclass July and August activity as well. This resulted in \$27,000 of incremental interest expense in September. There will be a corresponding offset moving forward as these costs were budgeted to be expensed out of purchased services.
Other	1,799	1%	(10,281)	-10%	The overage in other expenses in September is timing related. We expensed some recruitment fees in the month that have budgeted amounts spread equally over the 12 months of the fiscal year. We are 1% under budget in other expenses through the 1st quarter of the fiscal year.
Operating expenses	(84,076)	-1%	(168,616)	-3%	

Sonoma Valley Hospital
Cash Forecast
FY 2024

ATTACHMENT F

	Actual July	Actual Aug	Actual Sept	Forecast Oct	Forecast Nov	Forecast Dec	Forecast Jan	Forecast Feb	Forecast Mar	Forecast Apr	Forecast May	Forecast Jun	TOTAL
Hospital Operating Sources													
1 Patient Payments Collected	3,964,672	4,421,352	3,469,614	4,130,643	4,447,326	4,485,423	4,575,840	4,575,840	4,575,840	4,575,840	4,575,840	4,575,840	52,374,071
2 Other Operating Revenue	26,197	172,302	37,453	200,452	23,522	40,390	43,299	100,254	65,455	150,750	228,646	115,291	1,204,011
3 Other Non-Operating Revenue	42,960	4,386	10,108	7,800	7,800	7,800	7,800	7,800	7,800	7,800	7,800	7,800	127,654
4 Unrestricted Contributions		1,250	861										2,111
5 Line of Credit													-
Sub-Total Hospital Sources	4,033,829	4,599,290	3,518,037	4,338,895	4,478,648	4,533,613	4,626,939	4,683,894	4,649,095	4,734,390	4,812,286	4,698,931	53,707,847
Hospital Uses of Cash													
6 Operating Expenses	5,152,114	5,121,241	4,128,841	4,912,485	4,823,838	4,881,548	4,984,096	4,828,418	5,073,479	4,946,353	5,034,948	4,814,191	58,701,551
7 Add Capital Lease Payments	64,932	65,051	389,160										519,142
8 Add: Bridge Loan Paybacks									608,487				608,487
9 Add: CHFFA Help II Loan Repayments	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	30,833	369,996
10 Line of Credit Paydown							3,100,000						3,100,000
11 Capital Expenditures	157,689	152,213	177,157	-	520,430	-	1,795,430	425,000	1,370,430	-	1,370,430	452,527	6,421,306
Total Hospital Uses	5,405,567	5,369,338	4,725,991	4,943,318	5,375,101	4,912,381	9,910,359	5,284,251	7,083,229	4,977,186	6,436,211	5,297,551	69,720,482
Net Hospital Sources/Uses of Cash	(1,371,738)	(770,048)	(1,207,954)	(604,422)	(896,452)	(378,768)	(5,283,420)	(600,357)	(2,434,135)	(242,796)	(1,623,926)	(598,620)	(16,012,635)
Non-Hospital Sources													
12 Restricted Cash/Money Market	500,000	500,000	750,000	2,000,000			(3,000,000)						750,000
13 Restricted Capital Donations	1,638	101,826	213,023		520,430		520,430		520,430		520,430	258,577	2,656,784
14 Parcel Tax Revenue	179,984					2,134,000				1,486,016			3,800,000
15 Other Payments					1,100,000		400,000						1,500,000
16 Other:													-
17 IGT					684,000		4,716,000	820,933					6,262,501
18 IGT - AB915										227,253			227,253
19 QIP													-
20 Distressed Hospital Loan Program						3,100,000							-
Sub-Total Non-Hospital Sources	681,622	601,826	963,023	2,000,000	2,304,430	5,234,000	2,636,430	820,933	520,430	1,713,269	520,430	300,145	15,196,538
Non-Hospital Uses of Cash													
21 Matching Fees				211,693	1,958,178	240,898	-	-	-	-	20,784		2,431,553
Sub-Total Non-Hospital Uses of Cash	-	-	-	211,693	1,958,178	240,898	-	-	-	-	20,784	-	2,431,553
Net Non-Hospital Sources/Uses of Cash	681,622	601,826	963,023	1,788,307	346,252	4,993,102	2,636,430	820,933	520,430	1,713,269	499,646	300,145	12,764,985
Net Sources/Uses	(690,116)	(168,222)	(244,931)	1,183,885	(550,200)	4,614,334	(2,646,990)	220,576	(1,913,705)	1,470,473	(1,124,280)	(298,475)	
Operating Cash at beginning of period	1,469,233	779,117	610,895	365,964	1,549,849	999,649	5,613,983	2,966,993	3,187,570	1,273,865	2,744,338	1,620,058	
Operating Cash at End of Period	779,117	610,895	365,964	1,549,849	999,649	5,613,983	2,966,993	3,187,570	1,273,865	2,744,338	1,620,058	1,321,583	
Money Market Account - Undesignated	4,604,866	4,105,982	3,356,852	1,356,852	1,356,852	1,356,852	4,356,852	4,356,852	4,356,852	4,356,852	4,356,852	4,356,852	
Total Cash at End of Period	5,383,983	4,716,877	3,722,817	2,906,701	2,356,501	6,970,835	7,323,846	7,544,422	5,630,718	7,101,191	5,976,911	5,678,436	
Average Days of Cash on Hand	40.1	35.8	26.3										
Days of Cash on Hand at End of Month	39.7	33.3	25.6	20.5	16.7	49.3	51.8	53.3	39.8	50.2	42.2	40.1	

Sonoma Valley Hospital

Capital Spending

Historical Capital Spend For Fiscal Years Ending June 30, 2019, 2020, 2021, 2022, 2023 & 2024 YTD

Fiscal Year 2024 - 1st Quarter

Foundation Support:				Historical Capital Spend					Current
Dept #	Department	DESCRIPTION	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FYTD 2024	
1	8340	Dietary	Walk in Freezer	8,498					
2	7500	Laboratory	ABL Flex Plus Analyzer	16,049					
3	8450	Engineering/Plant Ops	Infrared Thermal Imager		10,336				
4	6010	ICU	Patient Lift for ICU		8,605				
5	8450	Engineering/Plant Ops	A Women's Place - Building Improvements (Closed CIP in FY 2020)	22,601					
6	8450	Engineering/Plant Ops	A Women's Place - Equipment and Furniture (Closed CIP in FY 2020)	33,280					
7	6170	Med-Surg	MDM Patient Journey System		71,155				
8	8440	Environmental Services	Xenex - Lightstrike Germ Zapping Robot			87,960			
9	7420	Surgery	Olympus America - Refurbished Bronchoscope			13,088			
10	6010/6170	ICU/Med-Surg	Third floor move (Closed CIP in FY 2021)	233,942					
11	6010/6170	ICU/Med-Surg	Gentherm Medical - Hypothermia unit blanketrol				7,652		
12	7771	OP Physical Therapy	Rehab V2 Max Reformer Bundle				5,320		
13	7630	Medical Imaging	Bone Densitometer				87,166		
14	7775	Occ Health	Audiometer & Sound Room				12,916		
15	7420	Surgery	Xprezzon Monitor Anesthesia				38,726		
16	7010	Emergency Room	Fujifilm Sonosite Ultrasound System					74,240	
17	7420	Surgery	Life Saving Equipment- various					417,982	
18	7420	Surgery	Faxitron					99,326	
19	7630	Medical Imaging	3 EKG machines					70,251	
Foundation Support Sub-total				\$ 314,371	\$ 90,096	\$ 101,048	\$ 151,780	\$ 492,222	\$ 169,577

Equipment:				Historical Capital Spend					Current
Dept #	Department	DESCRIPTION	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FYTD 2024	
17	8340	Dietary	Mobile shelving - Uline	6,909					
18	8480	Information Systems	GHA Technologies UCSF Telemedicine Cart	8,265					
19	7420	Surgery	Stryker Medical - Refurbished PI drive/attachments	15,415					
20	7420	Surgery	Olympus - EVIS EXERA III	29,716					
21	8450	Engineering/Plant Ops	UCSF signage - multiple sites	8,182					
22	7420	Surgery	Stryker Medical - System 8 Drill/saws	107,487					
23	Various		Celtic Lease payoff - various equipment		421,904				
24	7420	Surgery	Zimmer Biomet Intellicart System w/Evac Station		22,034				
25	7420	Surgery	Alcon Centurian Phaco Machine		65,250				
26	7420	Surgery	Olympus America - Urology equipment		62,118				
27	8340	Dietary	Commercial Blenders - 2		4,838				
28	6010	ICU	Smart IV Pumps - 27		56,994				
29	8450	Engineering/Plant Ops	Security Camera system - South Lot			11,660			
30	7500	Laboratory	Bactec FX40 Blood Culture Unit			36,759			

Dept #	Department	DESCRIPTION	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FYTD 2024
31	8610 Administration	History Wall Panels - Hallway			18,819			
32	6010 ICU	Series 980S Ventilator			36,921			
33	6010 ICU	CAPR Hood Ventilator (PPE)			14,777			
34	7420 Surgery	Stryker Medical - Eye Surgery Stretcher			13,140			
35	8340 Dietary	Alladin Temp Rite - Activator/base/dome/heating unit			5,475			
36	7630 Medical Imaging	Stryker Medical - Transport Gurney			4,569			
37	7630 Medical Imaging	Stryker Medical - OB Gyn Stretcher			7,250			
38	7500 Laboratory	Fisher Healthcare - Logic Purifier Bio-safety cab			11,397			
39	7420 Surgery	Steris Corp - Surgical table				42,724		
40	7420 Surgery	Depuy - Monobloc flexible reamers				14,997		
41	7630 Medical Imaging	Barco Niodsply 21.3 monitor				8,713		
42	7740 Wound Care	Carts/exam table Wound Care (Closed CIP in FY 2021)				6,824		
43	7740 Wound Care	IPADS/IS Costs for Wound Care (Closed CIP in FY 2021)				35,555		
44	8390 Pharmacy	Compounding aseptic isolater system (used)				5,000		
45	7680 Central Service/Durable med eqt	Somotom Xray Tube Replacement				172,651		
46	7420 Surgery	Mizuho OSI Surgical Table				105,151		
47	7420 Surgery	Endoscopy Cabinet/Scopes					13,090	
48	8450 Engineering/Plant Ops	Facilio software						5,000
49	7010 ER	Defibrilator w/Expansion Pack						143,839
Equipment Sub-total			\$ 175,974	\$ 633,138	\$ 160,767	\$ 391,615	\$ 13,090	\$ 148,839

Information Systems/Electronic Health Records:

Historical Capital Spend

Current

Dept #	Department	DESCRIPTION	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FYTD 2024
48	8480 Information Systems	Dell Computers - 20		17,252				
49	8480 Information Systems	Dragon One Speech Recognition - Physician dictation		11,300				
50	8480 Information Systems	Lenovo Thinkpads - Laptops			8,760			
51	8480 Information Systems	Dell computers with monitors			25,311			
52	8480 Information Systems	Vx Rail Server Upgrades			24,981			
53	8480 Information Systems	Dell computers with monitors			21,450			
54	8480 Information Systems	Vx Rail Server Upgrades			10,376			
55	8480 Information Systems	Dell computers (Optiplex 7080)			37,261			
56	8480 Information Systems	Cisco catalyst network switch upgrade				40,820		
57	8480 Information Systems	TrueNAS Network Storage Server				32,474		
58	8480 Information Systems	E.H.R. Close CIP in FY 2021				44,955		
59	8480 Information Systems	Dell Technologies - 12 Opti plex computeres/monitors					10,980	
60	8480 Information Systems	IDEA Upgrade					5,750	
61	8480 Information Systems	Zebra Digital scanners						6,641
Equipment Sub-total			\$ -	\$ 28,552	\$ 128,139	\$ 118,249	\$ 16,730	\$ 6,641

Building/Leasehold Improvements

Historical

Current

Dept #	Department	DESCRIPTION	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FYTD 2024
59	7073 SFP Clinic - Perkins	Conklin Bros Flooring	16,859					

Dept #	Department	DESCRIPTION	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FYTD 2024
60	8450	Engineering/Plant Ops	Conversion of Rooms - 215-217 - Closed CIP	87,317				
61	8450	Engineering/Plant Ops	SNF Courtyard walkway (1/2)		5,240			
62	8610	Administration	Garden Murals			9,336		
63	8450	Engineering/Plant Ops	Energy mgt system BAS upgrade			30,214		
64	7740	Wound Care	Painting & wiring for Wound care (Closed CIP in FY 2021)				2,940	
65	8450	Engineering/Plant Ops	Roof Restoration - Advanced Foam Roofing				134,956	
66	8450	Engineering/Plant Ops	Automatic Transfer Switch Replacement (Closed CIP)				55,159	
67	8450	Engineering/Plant Ops	Roof Restoration - Advanced Foam Roofing addtl invoice GMH					42,083
Infrastructure Sub-total			104,176	5,240	39,550	193,055	42,083	-
Total Capital Assets			\$ 594,521	\$ 757,026	\$ 429,504	\$ 854,699	\$ 564,124	\$ 325,057
Recap:								
Capital Spend - Hospital			280,150	666,930	328,456	702,919	71,903	155,479
Capital Spend - Foundation			314,371	90,096	101,048	151,780	492,222	169,577
Total Capital Assets			\$ 594,521	\$ 757,026	\$ 429,504	\$ 854,699	\$ 564,124	\$ 325,057