SONOMA VALLEY HEALTH CARE DISTRICT

BOARD OF DIRECTORS

AGENDA

THURSDAY, DECEMBER 7, 2023

REGULAR SESSION 6:00 P.M.

Held in Person at
Council Chambers
177 First Street West, Sonoma
and via Zoom Videoconferencing

To participate via Zoom videoconferencing, use the link below:
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Meeting ID: 983 9438 2856

In compliance with the Americans Disabilities Act, if you require special accommodations to participate in a District meeting, please contact Stacey Finn, Interim Board Clerk at sfinn@sonomavalleyhospital.org at least 48 hours prior to the meeting.	**RECOMMENDATION**		
AGENDA ITEM			
MISSION STATEMENT *The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.*			
1. CALL TO ORDER	*Bjorndal*		
2. PUBLIC COMMENT *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.*			
4. BOARD CHAIR COMMENTS	*Bjorndal*		
5. CONSENT CALENDAR a. Board Minutes – 11.2.23 b. Finance Committee Minutes – 10.24.23 c. Quality Committee Minutes – 08.23.23 d. Medical Staff Credentialing	*Bjorndal*	Action	Pages 3-14

e. Policies and Procedures			
6. VALLEY OF THE MOON ANNUAL REPORT	*Goldbarg*	Inform	Pages 5-25
7. ELECT DISTRICT OFFICERS	*Bjorndal*	Action	
8. FISCAL YEAR 2023 AUDIT	*Armfield*	Action	Pages 26 -83
9. BOARD 2024 WORK PLAN	*Bjorndal*	Action	Pages 84- 85
10. PT EXPANSION FUNDING	*Hennelly*	Action	Pages 86- 87
11. SEISMIC HED PROPOSAL	*Hennelly*	Action	Pages 89-109
12. CEO REPORT	*Hennelly*	Inform	Pages 110-114
13. UCSF AFFILIATION UPDATE	*Hennelly*	Inform	Page 115
14. CMO UPDATE	*Sankaran*	Inform	Pages 116 - 121
15. FINANCIALS FOR MONTH END NOVEMBER 2023	*Armfield*	Inform	Pages 122-131
16. COMMITTEE REPORTS • Quality Committee 2024 work plan	*Bjorndal* *Kornblatt Idell*	Action	Pages 132
17. BOARD COMMENTS	*Board Members*	Inform	
18. ADJOURN	*Bjorndal*		

Note: To view this meeting, you may visit http://sonomatv.org/ or YouTube.com.

SONOMA VALLEY HEALTH CARE DISTRICT
BOARD OF DIRECTORS' REGULAR MEETING

MINUTES

THURSDAY, NOVEMBER 2, 2023

HELD IN PERSON AT 177 FIRST STREET WEST, SONOMA, AND VIA ZOOM TELECONFERENCE

	RECOMMENDATION	
SONOMA VALLEY HOSPITAL BOARD MEMBERS 1. Judith Bjorndal, MD, Chair, Present via Zoom 2. Susan Kornblatt Idell, First Vice Chair, Absent 3. Denise M. Kalos, Second Vice Chair, Present 4. Bill Boerum, Treasurer, Absent 5. Wendy Lee Myatt, Secretary, Present		
MISSION STATEMENT *The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.*		
1. CALL TO ORDER	*Bjorndal*	
Meeting called to order at 6:00 p.m.		
2. PUBLIC COMMENT		
None		
3. BOARD CHAIR COMMENTS	*Bjorndal*	
Dr. Bjordal spoke about accessibility of all of the Board of Directors meetings and the importance of pausing during the public comment section. Dr. Bjordal also reported that the 2024 Board work plan is currently being worked on.		
4. CONSENT CALENDAR	*Bjorndal*	Action
a. Board Minutes 10.05.23 b. Finance Committee Minutes 09.26.23 c. Quality Committee Minutes No September Meeting d. Medical Staff Credentialing e. Policy and Procedures		**MOTION:** by Boerum to approve, 2nd by Kalos. All in favor.
5. BOARD SELF ASSESSMENT	*Bjorndal*	Inform
Dr. Bjordal reported the need to compose a Board self-assessment. Ms. Kalos agreed to work with Dr. Bjorndal on developing this.		
6. PRESENTATION: LEONARDO LOBATO, EXECUTIVE DIRECTOR, LA LUZ CENTER	*Lobato*	Inform
Mr. Lobato presented the La Luz strategic positioning framework. This included the key Latino demographics and the key elements of the strategic framework. These elements are intended impact, community need and role in eco system, and comparative strength. The mission of La Luz is to support the individuals and families of the Latino communities in the greater Sonoma Valley attain their dreams ad aspirations by providing opportunities and access to knowledge, skill building and resources.		

7. DISTRESSED HOSPITAL LOAN PROGRAM- LOAN AGREEMENT	*Armfield*	Action
Mr. Armfield presented the request to approve the Distressed Hospital Loan Program executable loan agreement that would formalize a $3,100,000 loan between the SVHCD and California Health Facilities Financing Authority (CHFFA)		MOTION by Boerum to approved, 2nd by Kornblatt. Roll call vote all in favor.
8. FY 2023 AUDIT UPDATE	*Armfield*	Inform
Mr. Armfield gave an update on the FY 2023 audit. Due to several new complexities that happened in the last year the audit took longer to finalize than in previous years. The final report will be brought to the December meeting.		
11. CEO REPORT	*Hennelly*	Inform
Mr. Hennelly spoke about the current on-site construction. The construction includes the temporary and permanent location for the MRI, CT phase II, CoGen project, ICU renovation planning, HVAC renovation and the PT project scope. He reported that the MRI temporary location project has a four week delay due to shielding issues. Mr. Hennelly spoke about the recent bomb threat that occurred in the hospital. He thanked SPD for their timely response and mitigation of the situation.		
12. CMO REPORT	*Sankaran*	Inform
Dr. Sankaran reported on the new Sonoma County masking guidelines. This will require all staff and visitors to wear masks within the hospital. She also spoke about the virtual launch of Dr. Peter Carroll's clinic, and the implementation of the new Psychiatric Telehealth service. Dr. Sankaran reported that she and Becky Spear, Geriatric NP visited two PACE programs. She said that a collaboration with the two programs might be great for our Age Friendly Health System. She presented the CMO one year check that reviewed the projects that she spearheaded and implemented. Her goals for the year to come are to direct volume to the new MRI, expanding Orthopedics clinical enterprise, GI recruitment, expansion of the age friendly health system, and launch of ICU teleconsultation with UCSF.		
13. FINANCIALS FOR MONTH END AUGUST 2023	*Armfield*	Inform
Mr. Armfield stated that the financial performance from operations in September was a step back from the recent trend where there was a string of consecutive months that exceeded budget targets. September's operating margin of ($1,117,735) was unfavorable to the budget of ($841,931), missing the target by $275,804. There was some reduction in elective volumes which caused net revenue to miss budget by 2%, but most of the variance to budget relates to operating expenses, particularly depreciation expenses. Mr. Armfield noted that September and October were the two weakest months of the last fiscal year but despite the unfavorable results for the month itself, the 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. Mr. Armfield said that in totality, the first quarter was very positive and one that the hospital can build upon.		

14. REVIEW 1st QUARTER FY 2024	*Armfield*	Inform
Mr. Armfield reviewed the first quarter capital spending. There were no major items purchased or to note.		
15. BOARD COMMENTS	*Board Members*	Inform
After Mr. Lobato's presentation Ms. Kalos recommended that the hospital have a presence at La Luz to promote health care careers.		
16. ADJOURN	*Chair*	
Adjourned at 7:00 p.m.		

SVHCD
FINANCE COMMITTEE MEETING
MINUTES
TUESDAY, OCTOBER 24, 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 Subhash Mishra, MD, via Zoom Catherine Donahue, via Zoom	Carl Gerlach Peter Hohorst Graham Smith	John Hennelly, CEO, in person Ben Armfield, CFO, in person Dawn Kuwahara, via Zoom Kimberly Drummond, via Zoom	Dennis Bloch Judy Bjordal, MD Board Chair

AGENDA ITEM	DISCUSSION	ACTIONS	FOLLOW-UP
MISSION & VISION STATEMENT *The mission of SVHCD is to maintain, improve and restore the health of everyone in our community.*			
1. CALL TO ORDER/ANNOUNCEMENTS	*Boerum*		
	Called to order at 6:05 p.m.		
2. PUBLIC COMMENT SECTION	None		
3. CONSENT CALENDAR	*Boerum*	Action	
a. Finance Committee Minutes 09.26.23		**MOTION:** by Mr. Crane to approve, 2nd by Ms. Lee Myatt. All in favor	
4. FY 2023 AUDIT UPDATE	*Armfield*	Inform	
	Mr. Armfield reported that there are still outstanding items being worked through with the auditors. This is due to the complexities with the Epic transition as well as the significant changes year over year. In addition to that there are new audit standards in place the changed the way we treat our contracts. He said that he expects the details to be wrapped up by week-end with the goal of presenting them		

	to the Audit Committee in early November and the Board in December. The date agreed upon for the Audit Committee meeting was November 8th at six p.m.		
5. BANK CREDIT ARRANGEMENTS	*Armfield*	Inform	
	Mr. Armfield reported that in light of the status of our credit line that is expiring in January he has engaged with multiple banks. This included engaging our current banking partner, US Bank. US Bank is interested in continuing the relationship. They are working on what it would look like to renew our current agreement at the current loan amount. The goal is that this will be presented at the December meeting. Mr. Armfield said that if US Bank terms are amenable to both parties it is likely best to continue the relationship. Other options will be explored until they come back with their terms.		
6. DISTRESSED HOSPITAL LOAN PROGRAM AGREEMENT	*Armfield*	Action	
	Mr. Boerum requested that in the future there is a cover memo that gives a summary of the key and salient points. Mr. Armfield noted that agreement has been betted by the attorneys with nothing to apply to it. He stated that this was a boiler plate template agreement that other district hospitals use the same template. He said that moving forward we will need to be prepared on how to operationalize this. Discussion regarding the appropriate signature should be on the agreement, the CEO or the Board Chair on behalf of the Health Care District. Request that Mr. Armfield review this with the attorneys. A request for the turnaround plan overview be presented as an inform item at the next meeting.	**MOTION:** to recommend the loan agreement as submitted to the Board by Case, 2nd by Lee Myatt. All if favor.	.
7. 2024 FINANCE COMMITTEE WORK PLAN	Boerum	Inform	
	Mr. Boerum presented the need for the 2024 work plan completion. He recommended that two committee members take this responsibility and have a draft for vote at the November meeting. He appointed Ms. Lee Myatt and Mr. Case for the subcommittee. Additionally, the committee discussed committee meeting frequency.		

8. ODC UPDATE	*Hennelly*	Inform	
	Mr. Hennelly reported that ground has been broken on the temporary MRI site and the project is currently running on schedule. He said that phase two in the old building is also underway. He reported that budgetarily we are still within the parameters.		
9. EPIC UPDATE	*Hennelly*	Inform	
	Mr. Hennelly proposed removing the EPIC update from the agenda. The Committee agreed with the removal.		
10. UCSF AFFILIATION UPDATE	*Hennelly*	Inform	
	Mr. Hennelly reported that Dr. Peter Carroll has begun the availability for Friday virtual clinics on site. The current focus is local awareness of his presence.		
11. FINANCIAL REPORT FOR MONTH END SEPTEMBER 2023	*Armfield*	Inform	
	Mr. Armfield stated that the financial performance from operations in September was a step back from the recent trend where there was a string of consecutive months that exceeded budget targets. September's operating margin of ($1,117,735) was unfavorable to the budget of ($841,931), missing the target by $275,804. There was some reduction in elective volumes which caused net revenue to miss budget by 2%, but most of the variance to budget relates to operating expenses, particularly depreciation expenses. Mr. Armfield noted that September and October were the two weakest months of the last fiscal year but despite the unfavorable results for the month itself, the 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. Mr. Armfield said that in totality, the first quarter was very positive and one that the hospital can build upon.		
12. FUTURE MEETING DATES	*Boerum*		
	Mr. Boerum noted that he will be out of town for the November 28th meeting. Ms. Lee Myatt will chair the committee in his absence. The December meeting falls on December 26th so Mr. Boerum proposed moving it to Dec. 19th. The Committee agreed of the		

	schedule change.		
13. ADJOURN	*Boerum*		
	Meeting adjourned at 7:00 p.m.		

SONOMA VALLEY HEALTH CARE DISTRICT
QUALITY COMMITTEE
August 23, 2023, 5:00 PM
MINUTES
Via Zoom Teleconference

Members Present – Via Zoom	Members Present cont.	Excused	Public/Staff – Via Zoom
Susan Kornblatt Idell Carl Speizer, MD Carol Snyder Kathy Beebe, RN PhD Judith Bjorndal, MD Michael Mainardi, MD		Howard Eisenstark, MD Ingrid Sheets, EdD, MS, RN	Jessica Winkler, DNP, RN, NEA-BC, CCRN-K, CNO Kylie Cooper, RN, BSN, CPHQ, MBA, Quality and Risk Mgmt. Chris Kutza, Pharmacy Director John Hennelly, CEO Paul Amara, MD Sujatha Sankaran, MD

AGENDA ITEM	DISCUSSION	ACTION
1. CALL TO ORDER/ANNOUNCEMENTS	*Kornblatt Idell*	
	Meeting called to order at 5:02 p.m. Ms. Kornblatt Idell announced that the Lown Institute had recently recognized SVH as one of the most socially responsible hospitals in America, receiving "A" grades in Health Equity, Value, and Outcomes on	

	the 2023-24 Lown Institute Hospital Index. Ms. Kornblatt Idell thanked all the hard-working staff and volunteers for this incredible achievement.	
2. PUBLIC COMMENT	*Kornblatt Idell*	
	None	
3. CONSENT CALENDAR	*Kornblatt Idell*	ACTION
• QC Minutes 07.26.23	Minutes of the 07.26.23 meeting were approved as presented.	**MOTION:** by Mainardi to approve, 2nd by Snyder. All in favor.
4. PHARMACY QA/PI	*Kutza*	INFORM
	Mr. Kutza presented the Pharmacy QA/PI Report. He noted that the Epic transition is currently 8 months in, and that staff have become comfortable with how to use the EPIC system. There is also work to move on to mining the large amount of data available for QA. High Risk Drug Events and High-Risk Med Errors numbers are low. He then highlighted Antimicrobial Stewardship, Controlled Substances, Pyxis Utilization, IV Room and Pharmacy Services metrics, all of which have met or exceeded their target areas.	
5. QUALITY INDICATOR PERFORMANCE PLAN	*Cooper*	INFORM
	Ms. Cooper shared the quality indicator performance for the month of July 2023. Mortality deteriorated, although one patient passed away on comfort measures. No Patient Safety Indicator Events. No Adverse Events. Lab Transfusion Effectiveness was 100%. There was one transfusion reaction on a weekly patient. That patient will be pre-medicated going forward. No significant medication errors or adverse drug events. There have been no patient falls in eight months. There was an improvement in re-admission rates at 4.5 %, which is well below the CMH 15% benchmark. Blood Culture contamination met target. A hospital ED nurse will be completing a master's degree program with a particular project focused on blood contamination. We	

	are hopeful that this well further add to the education that is being provided in ED. Stroke Certification measures improved on all metrics in July. Most codes were EMS related, and we were pre-warned that the patient would be brought in. Utilization Management improved on length of stay at 2.89, a little dip in case mix index. Core Measures were 100% with colonoscopy follow-up within 10 years. ED met goal of less then 132 minutes of ED turnaround time. This will be the last metrics of the old ED group. Next month the metrics of the new ED group will be reported. Left without being seen metrics were met and Head CT/MRI results within 45 min met goal. Sepsis, one-fall out of 4 patients due to lack of physician documentation. Infection prevention met goal. Hand hygiene took a little dip. Will be re-educating staff. Condition leveling findings are at 100%. Still struggling with continuous observation of high-risk patients. New ED group are open to educating staff members to improve the metrics. Lastly, Rate My Hospital scores for the quarter was presented by Ms. Winkler.	
6. POLICIES AND PROCEDURES	*Cooper*	INFORM
	Summaries of changes were reviewed for the following policies: Access to Patient Information for Medication Management Adverse Drug Events-Quality Assurance Approved Panel List 7500-04 Clozapine REMS Procedure 8390-08 Controlled Substance Distribution for Anesthesia Fentanyl Patch Floorstock Medications Herbal and Natural Product Use High Alert Medications Intravenous Contrast Admin Monitoring Medication Storage Temperature	

	Pharmacy and Therapeutics Committee Placenta Disposition Remote Pharmacist Services Sterile Compounding Procedures Surge Planning- Pharmacy Vaccine Screening-Pneumococcal and Influenza Vancomycin Protocol Warming Fluids for IV and Irrigation Purposes, Storage and Handling	
7. CLOSED SESSION/REPORT ON CLOSED SESSION	*Kornblatt Idell*	ACTION
a. Calif. Health & Safety Code §32155: Medical Staff Credentialing & Peer Review Report	Dr. Amara presented the Medical Staff Credentialing for review and approval.	**MOTION:** by Speizer to approve, 2nd by Snyder. All in favor.
9. ADJOURN.	*Kornblatt Idell*	
	Meeting adjourned at 5:48 p.m. Next meeting will take place on October 25th at 5:00 pm. No September meeting.	

Document Tasks By Committee

Listing of currently pending and/or upcoming document tasks grouped by committee.

Sonoma Valley Hospital

Run by: Finn, Stacey (sfinn)
Run date: 11/29/2023 1:14 PM

Report Parameters

Filtered by: Document Set: - All Available Document Sets -
Committee: 09 BOD-Board of Directors
Include Current Tasks: Yes
Include Upcoming Tasks: No

Grouped by: Committee

Sorted by: Document Title

Report Statistics

Total Documents: 2

Committee: **09 BOD-Board of Directors**

Committee Members: **Crayton, Monique (mcrayton), Finn, Stacey (sfinn), Newman, Cindi (cnewman)**

Current Approval Tasks (due now)

Document	Task/Status	Pending Since	Days Pending
Downtime Scheduling Procedures *Rehabilitation Services Dept*	**Pending Approval**	11/7/2023	22

Summary Of Changes: **Policy modified to reflect SVH change to the EPIC EMR.**

Moderators: **Newman, Cindi (cnewman)**

Lead Authors: **Gallo, Christopher (cgallo)**

Approvers: **Kuwahara, Dawn (dkuwahara) -> Hennelly, John (jhennelly) -> 01 P&P Committee - (Committee) -> 09 BOD-Board of Directors - (Committee)**

Document	Task/Status	Pending Since	Days Pending
Leaves - Personal & Non-FMLA/CFRA Medical *Human Resources Policies (HR)*	**Pending Approval**	11/7/2023	22

Summary Of Changes: **Updated language for the purpose of the policy, and throughout, to provide clarity.**
Added references to the California Fair Employment and Housing Act (FEHA) and Americans with Disabilities Act (ADA) in the body of the policy to improve the explanation of a non-FMLA/CFRA medical leave that still have requirements that are the same under FMLA/CFRA.
Added language to clarify the duration of a non-FMLA/CFRA leave, which will not extend past the date upon which an employee become capable of performing the essential function of their job, with or without reasonable accommodation.
In reference to reasonable accommodations, added "unless doing so would create an undue hardship"
Added language regarding the interactive process, as it relates to return from leave.
Updated references.

Moderators: **Newman, Cindi (cnewman)**

Lead Authors: **McKissock, Lynn (lmckissock)**

Approvers: **Hennelly, John (jhennelly) -> 01 P&P Committee - (Committee) -> 09 BOD-Board of Directors - (Committee)**

Valley of the Moon Post Acute

CMS STAR RATING

STAFFING

Total Nursing Hours per Pt Day:

- VOTM: 4 hrs & 59 min
- CA Avg: 4 hrs & 20 min

RN Hours per Pt Day:

- VOTM: 54 min
- CA Avg: 34 min

OVERALL

Valley of the Moon is the

TOP RATED SNF in Sonoma

QUALITY MEASURES

30-Day Rehospitalization Rate:

- VOTM: 16.9%
- CA Avg: 22.1%

ED Utilization Rate:

- VOTM: 8.9%
- CA Avg: 11.4%

VALLEY OF THE MOON
POST ACUTE

Health Inspections

63% Better Than CA Avg

Valley of the Moon received just six, minor deficiencies on its most recent annual survey, scoring significantly better than the CA average of 16.4 deficiencies.

While we are extremely proud of our annual health inspection result, we are even prouder that Valley of the Moon has had 0 complaint inspections in the last 12 months, and that no complaints have resulted in a citation for > 3 years as this speaks to the overall satisfaction of our residents and their families.

VALLEY OF THE MOON
POST ACUTE

100% Staffed

In defiance of industry trends, we are 100% staffed, in-house, for all departments, including nursing and therapy, and it shows in the quality of our care.

VALLEY OF THE MOON
POST ACUTE

Clinical Capabilities

Wound Care
Designated wound care nurse with expertise treating & healing complex wounds

IV Therapies
RNs staffed daily to accommodate high frequency IV therapies

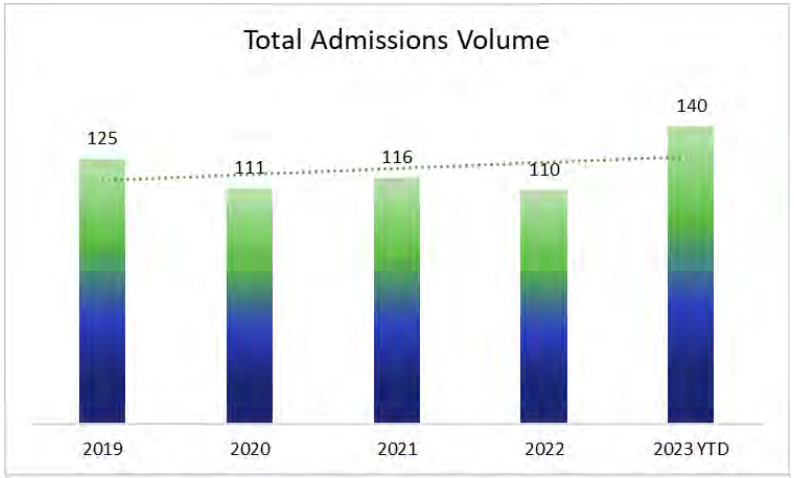
In-house Rehab
100% in-house therapy offering PT/OT/ST/RT to our short and long-term care residents

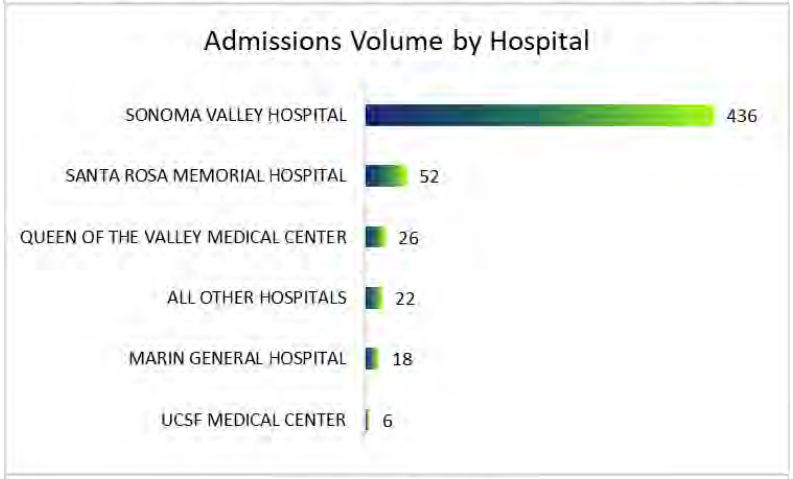
Thanks to our higher RN staffing ratio and a therapy team that specializes in geriatric care, VOTM is pleased to offer our community a wide range of clinical services including but not limited to the above.

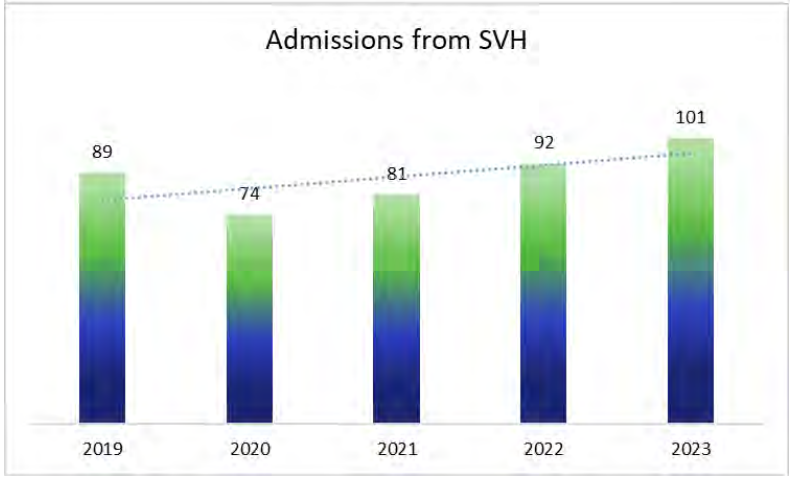
VALLEY OF THE MOON
POST ACUTE

Admissions Statistics

- VOTM has had 603 admissions since 2019.
- 72% of patients have admitted from Sonoma Valley Hospital
- VOTM has had its highest volume of admissions in 2023 YTD.
- SVH has utilized VOTM 20% more in 2023 compared to 2022.
- Even so, in the last 18 months, VOTM has captured just 55% of SVH's total SNF discharges

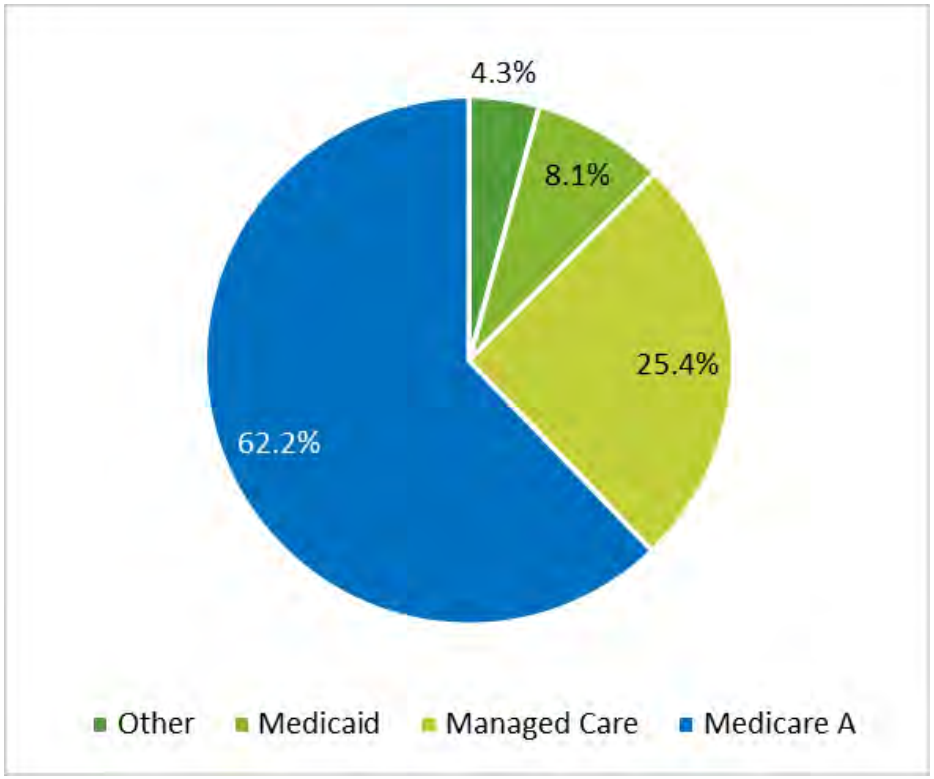




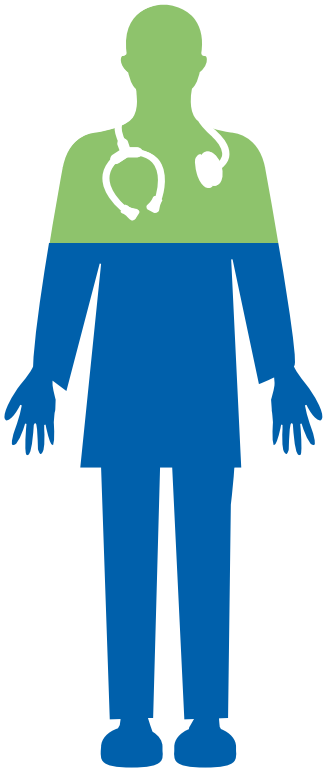


Payor Mix

Valley of the Moon is committed to serving all members of the Sonoma community, as reflected by its admissions volume by payor.

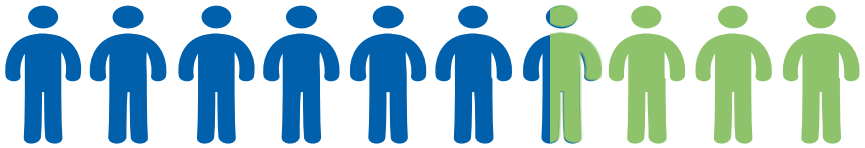


VALLEY OF THE MOON
POST ACUTE



68% Community Discharge Rate

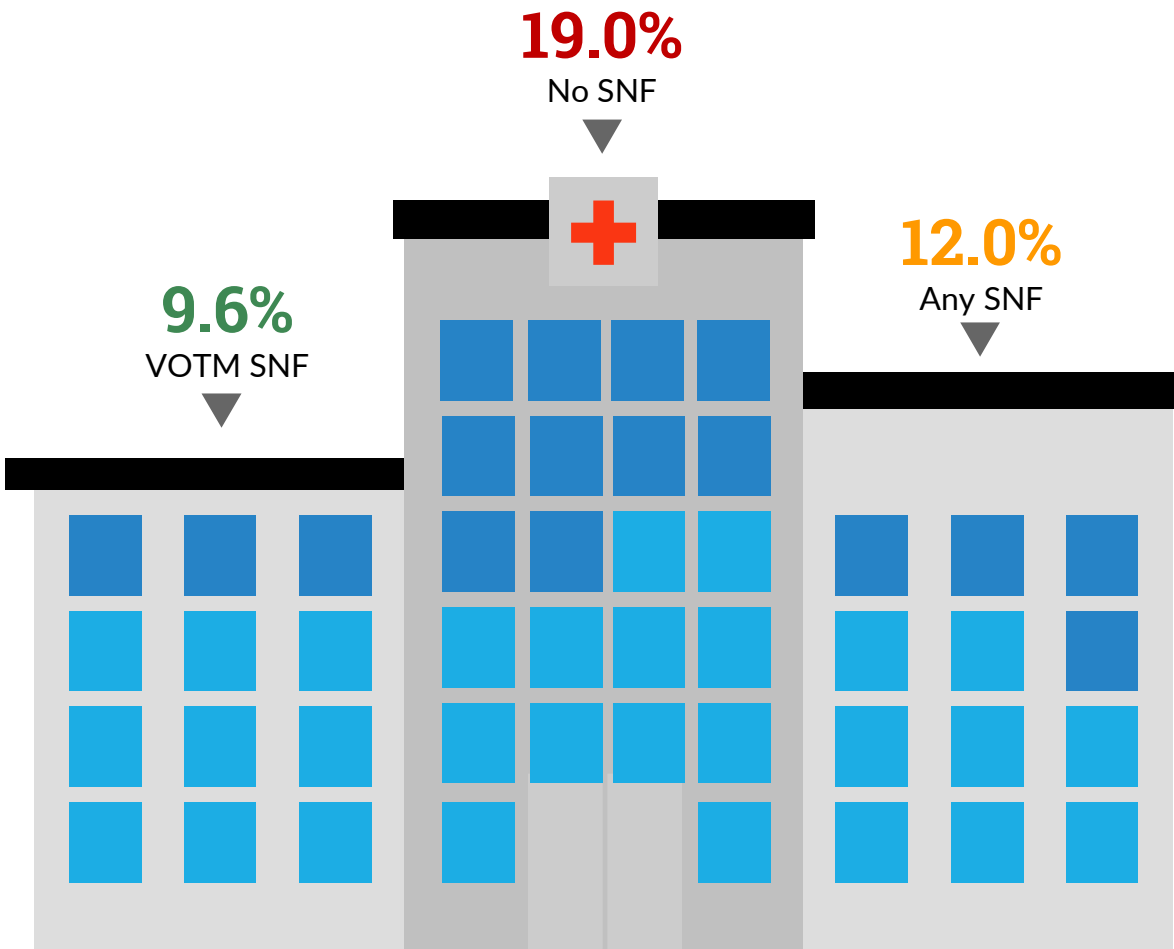
VOTM's high discharge to community rate is critical to ensuring VOTM has sufficient bed capacity to accommodate SVH's SNF discharges on a continual basis. Overall, VOTM DC's 93% of its patients, but is still consistently running at an occupancy > 85% of operational beds



VALLEY OF THE MOON
POST ACUTE

SNF Utilization & Impact on SVH's Rehospitalization Rate

- **19.0%** of patients **NOT** admitted to a SNF readmitted w/in 30 days,
- **12.0%** of patients admitted to **any SNF** readmitted w/in 30 days
- **9.6%** of patients admitted to **Valley of the Moon** readmitted w/in 30 days,



VALLEY OF THE MOON
POST ACUTE

Financial Health

YTD Revenue for Sonoma Valley Hospital

- Gain share: **$105,572**
- Shared Services: **$719,866**
- Leased Spaces: **$40,020**
- Total Revenue 2023: **$865,458**

Valley of the Moon Earnings

- Exceeded 2023 financial commitment

VALLEY OF THE MOON
POST ACUTE

Thank You For Your Time and Partnership

Sonoma Valley Health Care District

Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

June 30, 2023 and 2022

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DRAFT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sonoma Valley Health Care District
Sonoma, California

Opinion

We have audited the accompanying financial statements of Sonoma Valley Health Care District (the "District"), which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses and change in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sonoma Valley Health Care District as of June 30, 2023 and 2022, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sonoma Valley Health Care District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma Valley Health Care District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Sonoma Valley Health Care District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sonoma Valley Health Care District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 44 - 45, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DRAFT

Armanino LLP
San Ramon, California

November 7, 2023

Sonoma Valley Health Care District
Management's Discussion and Analysis (Unaudited)
As of, and for the Years Ended, June 30, 2023, 2022 and 2021

Introduction

This management's discussion and analysis of the financial performance of Sonoma Valley Health Care District (the "District") provides an overview of the District's financial activities for the years ended June 30, 2023 and 2022 . The District operates Sonoma Valley Hospital (the "hospital") located in Sonoma, California. Management's discussion and analysis should be read in conjunction with the accompanying financial statements and notes to financial statements of the District.

Financial highlights

- The District's net position increased in 2023 by approximately $1,068,000 or 3% and increased in 2022 by approximately $586,000 or 2%.
- Cash and cash equivalents decreased in 2023 by approximately $3,016,000 or 32% and decreased in 2022 by approximately $1,344,000 or 13%. The decrease in 2023 was primarily driven by an increase in operating expenses and incremental cash outlays to fund the implementation of the hospital's new electronic medical record software. The District made a separate paydown on its existing line of credit in the amount of $500,000 during 2023 as well. The decrease in 2022 was due to a reduction in Inter-Governmental Transfer ("IGT") payments received during the year as well as an increase in payments for operating expenses.
- Net patient accounts receivable increased in 2023 by approximately $2,547,000 or 48% and increased in 2022 by approximately $415,000 or 9%. The increase in 2023 is attributable primarily to the District's conversion to a new Electronic Medical Record system. The increase in 2022 is attributable to the increase in net revenue from increased volumes, particularly in the 4th quarter of 2022.
- The District reported operating losses in both 2023 ($8,599,000) and 2022 ($8,022,000). The operating loss in 2023 increased by approximately $578,000 or 7% from the operating loss reported in 2022. The increase in the operating loss in 2023 is due to an increase in operating expenses, particularly depreciation and amortization. Depreciation and amortization expense increased by approximately $1,529,000, or 51%, from 2022 to 2023. The increase in depreciation expense relates to placing parts of the Outpatient Diagnostic Center ("ODC") project in service, as well as the implementation of the hospital’s new electronic medical record system.

Operational Changes and Future Plans

Fiscal year 2023 was a significant year for the hospital. While the operational impact of the COVID-19 pandemic waned during this past year, the hospital still continued to deal with the financial challenges that the pandemic brought to the forefront. Despite these challenges, fiscal year 2023 was a successful one for the District. The hospital continued to see volume growth, both on the inpatient and outpatient side as volumes in many key areas now exceed pre-pandemic levels. Outpatient surgical and ancillary volumes headlined the growth in 2023.

As the hospital continued to try and regain the volumes that were lost due to COVID-19, it also continued to work through operational challenges due to the external fallout of the pandemic. The hospital continued to battle inflationary pressures and a volatile interest rate environment which resulted in higher per item operational costs and interest expenses. An ongoing national staffing shortage, amplified by the COVID-19 pandemic, added additional pressures for the hospital in the recruitment and retention of hospital staff. Operational strategies and initiatives were implemented to mitigate these pressures, which helped contain rising operational costs as much as possible.

In December of 2022 the hospital achieved a significant milestone as it completed a seven-month implementation of its new electronic medical record, Epic. This transition will significantly improve the coordination of care for patients in the community as Epic will allow for a much more efficient and streamlined way to share clinical information with other facilities and providers. Epic will also enhance and simplify multiple front and back-end processes that will generate additional efficiencies. Post-implementation, the hospital did face a number of complexities with the transition to a new system that included a complete overhaul of the revenue cycle process. Early on there were disruptions caused by the change as the hospital had to work through some revenue cycle challenges on the back-end, but the system is now running as expected.

The hospital continued to focus efforts on growing their affiliation with UCSF to enhance quality and overall services. The Joint Operating Committee, which includes senior leadership from both Sonoma Valley Hospital and UCSF, continued their work in identifying partnership opportunities to expand and strengthen service lines in Sonoma Valley. Over the past year this partnership has created a pathway for the recruitment of physicians into the Sonoma Valley market, and the District plans to successfully recruit additional specialists into the area using this vehicle in fiscal year 2024. The affiliation with UCSF has also strengthened the operational capacity of the hospital, leveraging UCSF to strengthen IT security and decision-making ability through shared resources. The District, along with UCSF, was successful in the recruitment of a Chief Medical Officer as well as a new Director of Information Systems Technology in 2023. Both are UCSF employees dedicated to serving Sonoma Valley Health Care District. UCSF is also helping spearhead an initiative for all Sonoma Valley Hospital leadership to receive Diversity, Equity, and Inclusion (DEI) training, starting late calendar year 2023.

The transition to Epic will further promote an opportunity for Sonoma Valley residents to receive care from UCSF specialists and physicians as UCSF also utilizes the same electronic medical record. A needed interface between UCSF and Sonoma Valley Hospital was completed earlier this fall. This interface will further link UCSF with Sonoma Valley and promote further expansion of programs and UCSF specialist care into the District.

The 1st phase of the CT project, which is the 1st phase of the overall Outpatient Diagnostic Center, was completed and operationalized during fiscal year 2023. The 2nd phase of the CT project is in the construction phase. This phase is focused on the repurposing of the vacated space in the Radiology Department along with a few remaining required improvements. This work is anticipated to be completed during the 2024 fiscal year. Work has begun on the MRI project, which is the 2nd phase of the Outpatient Diagnostic Center project. The scope for fiscal year 2024 includes construction of the permanent MRI module slated to house the new MRI in its final destination. The project is estimated to be completed during fiscal year 2025. In the meantime, work has also commenced on a temporary MRI structure that would allow the hospital to gain occupancy of the new 3-Tesla MRI by the end of calendar year 2023.

The District invested significant time and resources into developing a multi-year strategic plan, which is focused on expanding access to care for patients residing in the District. Hospital leadership held multiple public sessions as well as conducted community-focused surveys to gain a deeper understanding of the needs and concerns of the community. This feedback was incorporated directly into the strategic plan that was published earlier this spring. The plan focused around four pillars – Campus Realignment, Community Care, Financial Sustainability, and Seismic Compliance. All of these pillars include specific initiatives targeted at improving and expanding needed medical services to residents of the Sonoma Valley, and further incorporating the UCSF affiliation to improve the delivery of medical services to our community.

Using this annual report

The District's financial statements consist of three statements—statement of net position, a statement of revenues, expenses and change in net position, and a statement of cash flows. These statements provide information about the activities of the District, including resources held by the District but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The District is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The statement of net position and statement of revenues, expenses and change in net position

The statements of net position and the statement of revenues, expenses and change in net position report information about the District's resources and its activities. One of the most important questions asked about the District's finances is, "Is the District as a whole, better or worse off as a result of the year's activities?" The statements of net position and the statement of revenues, expenses and change in net position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes thereto. The District's net position - the difference between assets and liabilities - is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, such as changes in the District's patient base and measures of the quality of service it provides to the community, should be considered, as well as local economic factors.

The statement of cash flows

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to questions such as where did cash come from, what was cash used for and what was the change in cash and cash equivalents during the reporting period.

The District's net position

The District's net position is the difference between its assets and liabilities reported in the statement of net position. The District's net position increased by approximately $1,068,000, or 5% in 2023 from 2022 and increased by approximately $586,000, or 2% in 2022 from 2021, as shown in Table 2.

Table 1: Statements of Net Position

	2023	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	$ 6,322,741	$ 9,338,887	$ 10,682,617
Patient accounts receivable, net of allowance for doubtful accounts of $1,806,659, $1,426,077 and $1,440,049 in 2023, 2022 and 2021, respectively	7,842,950	5,295,597	4,880,570
Estimated third-party payor settlements	61,347	168,520	191,797
Property tax receivable	6,597,448	6,477,689	6,745,740
Other receivables	1,663,396	1,533,590	1,517,831
Inventories	978,625	1,037,597	934,048
Prepaid expenses and other current assets	1,160,940	828,300	871,738
Total current assets	24,627,447	24,680,180	25,824,341
Noncurrent assets			
Capital assets, net	51,970,117	52,121,397	52,581,236
Right-of-use lease assets, net	1,033,640	1,429,057	-
Right-to-use subscription assets, net	4,827,627	-	-
Investment restricted for debt service	5,774,189	5,754,812	5,935,165
Total noncurrent assets	63,605,573	59,305,266	58,516,401
Total assets	$ 88,233,020	$ 83,985,446	$ 84,340,742
LIABILITIES AND NET POSITION			
Current liabilities			
Accounts payable and accrued expenses	$ 7,249,685	$ 6,511,304	$ 6,065,424
Accrued payroll and related liabilities	2,406,779	2,560,559	3,482,666
Deferred tax revenue	6,417,465	6,285,090	6,581,749
Line of credit	4,973,734	5,473,734	5,473,734
Bonds payable, current portion	2,277,000	2,159,000	1,862,000
Notes payable, current portion	992,688	45,648	186,787
Capital lease obligations, current portion	85,976	174,908	263,030
Lease obligations, current portion	372,131	393,336	-
Subscription liability - current portion	1,536,345	-	-
Total current liabilities	26,311,803	23,603,579	23,915,390
Long-term liabilities			
Accrued workers' compensation liability	1,079,260	945,000	973,000
Bonds payable, net of current portion	20,453,000	22,730,000	24,664,000
Notes payable, net of current portion	2,366,484	608,487	39,383
Capital lease obligations, net of current portion	-	71,314	354,392
Lease obligations, net of current portion	692,446	1,046,818	-
Subscription liability, net of current portion	1,282,029	-	-
Total long-term liabilities	25,873,219	25,401,619	26,030,775
Total liabilities	52,185,022	49,005,198	49,946,165
Net position			
Net investment in capital assets	20,821,235	20,858,306	19,737,910
Restricted			
For debt service	5,774,189	5,754,812	5,935,165
Total restricted	5,774,189	5,754,812	5,935,165
Unrestricted	9,452,574	8,367,130	8,721,502
Total net position	36,047,998	34,980,248	34,394,577
Total liabilities and net position	$ 88,233,020	$ 83,985,446	$ 84,340,742

Receivables

As discussed previoulsy, net patient accounts receivable increased in 2023 by approximately $2,547,000 or 48% which is attributable primarily to the District's conversion to a new Electronic Medical Record system and resulting delays in the processing and collection of receivables. In 2023, estimated third party cost report settlement receivables decreased by approximately $107,000 or 64% compared to 2022. The decrease in 2023 is due to the fact the District did not book a receivable for the ongoing Medicare cost report audit since the estimated settlement amount is currently unknown. Property tax receivable increased by approximately $120,000 or 2% from 2022. Other receivables increased by $130,000 or 8% from 2022. The majority of the balance sitting in other receivables relates to the hospital's insurance claim resulting from the cyberattack in November 2020.

Capital assets

At the end of 2023 and 2022, the District had approximately $51,970,000 and $52,121,000, respectively, invested in capital assets, net of accumulated depreciation, as detailed in Note 10 to the financial statements.

Right-of-use Lease Assets and Obligations

Effective July 1, 2021, the District implemented Governmental Accounting Standards Board ("GASB") 87 which required the recognition of certain lease assets and liabilities. As of June 30, 2023 and 2022, the District had $1,033,640 and $1,429,057, respectively, recognized as right-of-use lease assets, net of accumulated amortization. Amortization expense related to the right-of-use assets was $429,802 for the year ended June 30, 2023.

Right-to-use Subscription Assets and Liabilities

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements ("GASB 96") that provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs). A SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding liability. The District recorded $6,040,356 of right-to-use subscription assets, along with $3,023,565 in related subscription liabilities, during the year ending June 30, 2023. The right-to-use subscription asset balance was $4,828,627 at June 30, 2023 after recognizing asset amortization expense of $1,212,729. The subscription liability balance was $2,818,374 at June 30, 2023.

Debt

At June 30, 2023 and 2022, the District had approximately $26,175,000 and $25,789,000, respectively, in bonds, equipment notes payable and notes payable outstanding as detailed in Notes 14 and 15 to the financial statements. The District has a line of credit agreement with a bank for an amount not to exceed $5,500,000, maturing on January 31, 2024. The District had unused credit on the line of $526,000 and $26,000 as of June 30, 2023 and 2022, respectively.

Table 2: Statements of Revenues, Expenses and Changes in Net Position

In 2023 the District's operating loss increased by $577,600 or 7% from 2022. In 2022 the operating loss increased by $403,000 or 5% from 2021, as shown in Table 2 below:

	2023	2022	2021
Operating revenues			
Net patient service revenue	$ 54,185,879	$ 49,882,545	$ 48,979,099
Capitation revenue	202,502	218,140	245,100
	54,388,381	50,100,685	49,224,199
Operating expenses			
Salaries and wages	24,777,605	23,150,818	23,740,884
Employee benefits	5,859,077	5,488,972	5,575,741
Purchased services	5,222,623	5,464,343	5,227,906
Professional fees, medical	6,938,546	6,426,196	5,802,960
Professional fees, non-medical	1,960,260	2,042,947	770,008
Supplies	7,882,605	7,569,438	6,665,341
Facilities and equipment	358,744	398,062	644,186
Utilities	1,813,069	1,589,238	1,353,824
Insurance	658,491	614,358	540,199
Depreciation and amortization	4,550,776	3,006,014	3,056,269
Other expenses	2,965,788	2,371,883	3,465,064
Total operating expenses	62,987,584	58,122,269	56,842,382
Loss from operations	(8,599,203)	(8,021,584)	(7,618,183)
Nonoperating income (expenses)			
General obligation bond tax assessment revenues	2,628,829	2,521,572	3,259,264
Parcel tax assessment revenues	3,776,123	3,784,676	3,777,872
General obligation bond interest	(578,627)	(838,430)	(1,083,722)
Interest expense	(519,385)	(275,108)	(207,077)
Gain on sale of assets	-	-	4,600
Provider relief funds	-	1,377,724	-
Contributions to Prima Medical Foundation	-	121,360	-
Investment income	171,954	19,312	24,912
Other income, net	1,250,587	1,011,410	996,855
Total nonoperating income (expenses), net	6,729,481	7,722,516	6,772,704
Capital contributions	2,937,472	884,739	5,923,121
Changes in net position	1,067,750	585,671	5,077,642
Net position, beginning of year	34,980,248	34,394,577	29,316,935
Net position, end of year	$ 36,047,998	$ 34,980,248	$ 34,394,577

*The District's net patient revenue is comprised of comprehensive services that span the continuum of healthcare services: inpatient and outpatient hospital patient care services and emergency room services. Net patient service revenue represents payments made by government programs, insurance companies and patients and is not the gross billed charges.

The following chart shows the percentage of government programs (Medicare, Medicare HMO, Medi-Cal and Medi-Cal Managed Care), commercial insurance and other net patient revenue. Government programs generally do not cover the cost of providing patient care services and therefore are augmented by commercial insurance payments. The District's payor mix is the reason that the parcel tax is so critical to the ongoing operations of the District.

Payor mix - Percentage of total cash collections;

	FY 2023	FY 2022	FY 2021
Medicare	22.5 %	24.8 %	25.6 %
Medicare HMO	10.4 %	10.9 %	9.0 %
Medi-Cal	1.4 %	1.0 %	1.6 %
Medi-Cal Managed Care	19.6 %	17.5 %	21.8 %
Commercial insurance	33.6 %	34.5 %	30.6 %
Workers compensation	3.0 %	3.3 %	3.1 %
Capitated	0.4 %	0.1 %	0.1 %
Other government	3.6 %	3.4 %	1.8 %
Self pay - other	5.5 %	4.5 %	6.4 %
	100.0 %	100.0 %	100.0 %

Over the period, the District has continued to experience the shift from inpatient to outpatient care. The District's experience with this shift in patient care services is consistent across all hospitals in the United States. Insurance companies, including Medicare, the District's largest payor, are more frequently requiring services to be provided in the outpatient setting.

Operating losses

The first component of the overall change in the District's net position is its operating income or loss; generally, the difference between net patient services and other operating revenues and the expenses incurred to perform those services. In each of the past three years, the District has reported an operating loss. This is consistent with the District's operating history as the District was formed and operates primarily to serve residents of Sonoma Valley, regardless of their ability to pay. The District levies property taxes to provide sufficient resources to enable the facility to serve lower income and other residents.

The operating loss for 2023 increased by approximately $577,600 or 7% as compared to 2022. In 2022 the operating loss increased by $403,000 or 5% as compared to 2021. The major components of those changes in operating loss are:

- Total operating revenues increased by $4,288,000 or 9% in 2023. Total operating revenues increased by $876,000 or 2% in 2022 compared to 2021. The increase in 2023 is due to continued growth in patient volumes, particularly surgical and procedural volumes.

Salaries and wages and benefits increased in 2023 by $1,997,000 or 7% compared to 2022 and decreased by $677,000 or 2% in 2022 compared to 2021. Salaries, wages, and benefits increased during 2023 in clinical departments related to a continued increase in patient volumes, particularly in outpatient departments, including surgery, and emergency services. There were also incremental training and educational costs incurred due to the conversion to Epic, the hospital's new electronic medical record. The decrease in 2022 relates to a decrease in administrative salaries from the CEO, CFO, and CMO being employed by UCSF as of January 2021. These costs were reclassified to non-medical professional services starting in January of 2021 .

Purchased services decreased in 2023 by $242,000 or 4% compared to 2022 and increased in 2022 by $236,000 or 5% compared to 2021. The decrease in 2023 is due to decreased costs related to COVID-19, including a reduction in the outsourcing of test processing and COVID screening resources.

Medical Professional fees increased in 2023 by $512,000 or 8% from 2022 due to continued increases in usage of nursing and clinical registry staff to fill critical vacancies, and incremental costs related to the renegotiation of various physician service agreements during the year. Medical professional fees increased in 2022 by $623,000 or 11% due to the increase in usage of nursing and clinical registry

Non-medical professional fees decreased in 2023 by $83,000, or 4% from 2022. The primary driver of this decrease is due to specific short-term vacancies in the District's senior management positions. Both the CMO and IT Director roles were vacant for portions of 2023, resulting in a reduction in spend compared to 2022. Nonmedical professional fees increased in 2022 by $1,273,000, or 62% from 2021. This increase was due to the District's senior management being employed by UCSF, which resulted in these costs being classified as non-medical professional services, effective January 2021. This increase in cost was offset by a savings in salaries, wages, and benefits, as these costs were included in administrative salaries up until January of 2021 .

Supplies increased in 2023 by $313,000 or 4% from 2022. The primary driver in this increase is continued growth in patient volumes year over year, specifically with outpatient, emergency, and procedural volumes. High inflation during the year also increased overall supply spend. Helping suppress these increases was a reduction in supply expenses specific to testing and treating COVID-19. Laboratory supply costs in 2023 decreased by over $150,000 compared to 2022.

Facilities and equipment decreased in 2023 by $39,000 or 10% from 2022 due to the reduction in the GASB 97 right-of-use lease assets liability. Facilities and equipment increased in 2022 by $246,000 or 38% from 2021 due to GASB 97, which was the first year the new audit standard required the District to restate their equipment leases.

Other expenses increased in 2023 by $594,000 or 25% compared to 2022. The primary driver of this increase is due to an increase in the IGT matching fee that was paid during the year. Other expenses decreased in 2022 by $1,093,000 or 32% compared to 2021 due to a reduction in the IGT matching fee, compared to 2021.

Nonoperating revenues and expenses

Nonoperating revenues and expenses consist primarily of parcel taxes levied by the District, investment income, interest expense and noncapital grants and gifts.

Parcel taxes in 2023 of $3,776,123 remained consistent compared to 2022. In 2023, interest expense increased by $244,000 or 89% due to a significant change in interest rates, which started during the 4th quarter of fiscal year 2022. This primarily impacted interest expense on the hospital's line of credit. In 2022, interest expense increased by $68,000 or 33% due to a new audit standard that required the recognition of interest expense of the lease obligation of specific operating leases held by the hospital.

Capital grants and gifts

The District received gifts from Sonoma Valley Hospital Foundation and various individuals for the construction costs related to the outpatient diagnostic center and to purchase capital assets in the amount of $2,937,000 in 2023 and $885,000 in 2022; a decrease of $2,052,000 in 2023 compared to 2022. Capital grants and gifts decreased by $5,038,000 in 2022 over 2021.

The District's cash flows

Changes in the District's cash flows are consistent with changes in operating losses and nonoperating revenues and expenses, as discussed earlier.

Contacting the District's financial management

This financial report is designed to provide our patients, suppliers, taxpayers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions about this report and requests for additional financial information should be directed to the Chief Financial Officer by telephoning (707) 935-5003.

Sonoma Valley Health Care District
Statements of Net Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 6,322,741	$ 9,338,887
Patient accounts receivable, net of allowance for uncollectible accounts of $1,806,659 and $1,426,077 in 2023 and 2022, respectively	7,842,950	5,295,597
Estimated third-party payor settlements	61,347	168,520
Property tax receivable	6,597,448	6,477,689
Other receivables	1,663,396	1,533,590
Inventories	978,625	1,037,597
Prepaid expenses and other current assets	1,160,940	828,300
Total current assets	24,627,447	24,680,180
Noncurrent assets		
Capital assets, net	51,970,117	52,121,397
Right-of-use lease assets, net	1,033,640	1,429,057
Right-to-use subscription assets, net	4,827,627	-
Investment restricted for debt service	5,774,189	5,754,812
Total noncurrent assets	63,605,573	59,305,266
Total assets	$ 88,233,020	$ 83,985,446
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	$ 7,249,685	$ 6,511,304
Accrued payroll and related liabilities	2,406,779	2,560,559
Deferred tax revenue	6,417,465	6,285,090
Line of of credit	4,973,734	5,473,734
Bonds payable, current portion	2,277,000	2,159,000
Notes payable, current portion	992,688	45,648
Capital lease obligations, current portion	85,976	174,908
Lease obligations, current portion	372,131	393,336
Subscription liability - current portion	1,536,345	-
Total current liabilities	26,311,803	23,603,579
Long-term liabilities		
Accrued workers' compensation liability	1,079,260	945,000
Bonds payable, net of current portion	20,453,000	22,730,000
Capital lease obligations, net of current portion	-	71,314
Notes payable, net of current portion	2,366,484	608,487
Lease obligations, net of current portion	692,446	1,046,818
Subscription liability, net of current portion	1,282,029	-
Total long-term liabilities	25,873,219	25,401,619
Total liabilities	52,185,022	49,005,198
Net position		
Net investment in capital assets	20,821,235	20,858,306
Restricted		
Investment restricted for debt service	5,774,189	5,754,812
Total restricted	5,774,189	5,754,812
Unrestricted	9,452,574	8,367,130
Total net position	36,047,998	34,980,248
Total liabilities and net position	$ 88,233,020	$ 83,985,446

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
Statements of Revenues, Expenses and Change in Net Position
For the Years Ended June 30, 2023 and 2022

	2023	2022
Operating revenues		
Net patient service revenue	$ 54,185,879	$ 49,882,545
Capitation revenue	202,502	218,140
Total operating revenues	54,388,381	50,100,685
Operating expenses		
Salaries and wages	24,777,605	23,150,818
Employee benefits	5,859,077	5,488,972
Purchased services	5,222,623	5,464,343
Professional fees, medical	6,938,546	6,426,196
Professional fees, non-medical	1,960,260	2,042,947
Supplies	7,882,605	7,569,438
Facilities and equipment	358,744	398,062
Utilities	1,813,069	1,589,238
Insurance	658,491	614,358
Depreciation and amortization	4,550,776	3,006,014
Other expenses	2,965,788	2,371,883
Total operating expenses	62,987,584	58,122,269
Loss from operations	(8,599,203)	(8,021,584)
Nonoperating income (expenses)		
General obligation bond tax assessment revenues	2,628,829	2,521,572
Parcel tax assessment revenues	3,776,123	3,784,676
General obligation bond interest	(578,627)	(838,430)
Interest expense	(519,385)	(275,108)
Contributions to Prima Medical Foundation	-	121,360
Investment income	171,954	19,312
Provider relief funds	-	1,377,724
Other income, net	1,250,587	1,011,410
Total nonoperating income, net	6,729,481	7,722,516
Capital contributions	2,937,472	884,739
Change in net position	1,067,750	585,671
Net position, beginning of year	34,980,248	34,394,577
Net position, end of year	$ 36,047,998	$ 34,980,248

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Cash received from patients and third-parties	$ 51,954,197	$ 49,798,059
Cash payments to contractors, vendors and suppliers	(27,342,107)	(25,945,720)
Cash payments to employees and benefit programs	(30,656,202)	(29,503,632)
Net cash used in operating activities	(6,044,112)	(5,651,293)
Cash flows from noncapital financing activities		
Noncapital grants, contributions and other	1,114,785	2,284,251
Contribution from Prima Medical Foundation	-	121,360
District tax revenues	3,788,739	3,756,072
Net cash provided by noncapital financing activities	4,903,524	6,161,683
Cash flows from capital and related financing activities		
Purchase of capital assets	(2,791,349)	(1,714,632)
Principal payments on note payable	(45,623)	(180,522)
Principal payments on capital lease obligations	(160,246)	(371,200)
Principal payments on lease obligations	(3,597,559)	(211,959)
Principal payments on bond payable	(2,159,000)	(1,637,000)
Interest paid on long-term debt	(1,091,318)	(1,344,779)
Proceeds on note payable	2,750,660	-
Paydown of line of credit	(500,000)	-
Tax revenue related to general obligation bonds	2,628,829	2,521,568
Capital grants and gifts	2,937,472	884,739
Net cash used in capital financing activities	(2,028,134)	(2,053,785)
Cash flows from investing activities		
Purchases of investments	(19,377)	180,353
Interest received from investments	171,953	19,312
Net cash provided by investing activities	152,576	199,665
Net decrease in cash and cash equivalents	(3,016,146)	(1,343,730)
Cash and cash equivalents, beginning of year	9,338,887	10,682,617
Cash and cash equivalents, end of year	$ 6,322,741	$ 9,338,887

The accompanying notes are an integral part of these financial statements.

Sonoma Valley Health Care District
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Reconciliation of loss from operations to net cash and cash equivalents used in operating activities		
Loss from operations	$ (8,599,203)	$ (8,021,584)
Adjustments to reconcile loss from operations to net cash and cash equivalents used in operating activities		
Depreciation and amortization	4,550,776	3,006,014
Provision for doubtful accounts	1,850,000	2,000,000
Changes in operating assets and liabilities		
Patient accounts receivable, net	(4,391,357)	(2,325,903)
Inventories	58,972	-
Prepaid expenses and deposits	(332,640)	-
Estimated third-party payor settlements	107,173	23,277
Accounts payable and accrued expenses	731,687	(186,721)
Other operating assets and liabilities	(19,520)	(146,376)
Net cash used in operating activities	$ (6,044,112)	$ (5,651,293)

Supplemental schedule of noncash investing and financing activities

Right-of-use lease assets	$ -	$ 1,889,816
Lease obligation liability	$ -	$ (1,652,113)
Right-to-use subscription assets	$ 6,040,356	$ -
Right-to-use subscription liabilities	$ (3,023,565)	$ -

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Sonoma Valley Health Care District (the "District") is a political subdivision of the State of California organized under the State of California Local Health Care District Law as set forth in the Health and Safety Code of the State of California. The Health Care District is governed by an elected Board of Directors and is considered the primary government for financial reporting purposes.

The Health Care District owns and operates Sonoma Valley Hospital (the "Hospital"). The Hospital is located in Sonoma, California, and is licensed for 24 general acute care beds and 27 skilled nursing beds. It also provides 24-hour basic emergency care, outpatient diagnostic and therapeutic services, and it operated a home health agency through September 2018. The Hospital derives a significant portion of its revenues from third-party payors, including Medicare, Medi-Cal and commercial insurance organizations.

The District Board has approved the planning phase and construction of a new outpatient diagnostic center (the "Center"). The construction of the center commenced during fiscal year 2020, and is funded entirely by donor contributions raised by the Sonoma Valley Hospital Foundation. See Note 21, Transactions with Sonoma Valley Hospital Foundation, for further discussion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The District's financial statements are presented in accordance with the pronouncements of the Governmental Accounting Standards Board (GASB). The financial statement presentation, required by GASB Statements No. 34, 37 and 38 provides a full accrual basis, comprehensive, entity-wide perspective of the District's assets, results of operations and cash flows. The District follows the "business-type activities" reporting requirements of GASB Statement No. 34. For purposes of presentation, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses.

In June 2015, the GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments ("GASB No. 76"), which is effective for financial statements for periods beginning after June 15, 2015. The objective of GASB No. 76 is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles ("GAAP"). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. Statement no. 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Board (GASB) 87

In June 2017, the GASB issued Statement No. 87, Leases. GASB 87 increases the usefulness of governmental financial statements by requiring recognition of certain lease assets and liabilities for all leases, including those that previously were classified as operating leases and recognized as income by lessors and expenditures by lessees. GASB 87 replaces the previous lease accounting methodology and establishes a single model for lease accounting based on the foundational principle that leases are a financing of the right to use an underlying asset.

GASB 87 defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 87 applies to all contracts meeting this definition of a lease, unless specifically excluded. GASB 87 requires a lessee to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset at the commencement of the lease. GASB 87 requires the lessee to measure its lease liability as the present value of all payments expected to be made during the lease term.

The lessee will generally report amortization expense for the lease assets over the shorter of the term of the lease or the useful life of the underlying asset. Amortization expense for the years ending June 30, 2023 and 2022 of $429,802 and $223,056, respectively, is reported within depreciation and amortization expense. As of July 1, 2021, the Foundation recorded right-of-use lease assets and associated liabilities of $1,652,113; see Notes 11 and 12.

GASB 87 was effective as of July 1, 2021, with restatement of financial statements for all prior periods presented, unless such restatement is not practicable. The District has chosen not to restate the June 30, 2021 financial statements, as it is not practicable to do so, noting that the impact of the implementation of GASB 87 right-of-use assets and corresponding lease obligation balances was approximately $378,000.

Governmental Accounting Standards Board (GASB) 96

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements ("GASB 96") that is effective for fiscal years beginning after June 15, 2022. GASB 96 provides guidance on the accounting and reporting for subscription-based information technology arrangements (SBITAs). A SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding liability. A SBITA is defined as a contract that conveys control of the right to use another party's information technology ("IT") software as specified in a contract for a period of time in an exchange or exchange-like transaction. The subscription term includes the period during which the organization has the noncancellable right to use the underlying IT assets. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SIBTA vendor charges in the contract, or the organization's incremental borrowing rate if the interest rate is not readily determinable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Accounting Standards Board (GASB) 96 (continued)

The District recorded $6,040,356 of right-to-use subscription assets, along with $3,023,565 in related subscription liabilities, during the year ending June 30, 2023. The right-to-use subscription asset balance was $4,828,627 at June 30, 2023 after recognizing asset amortization expense of $1,212,729. The subscription liability balance was $2,818,374 at June 30, 2023. See Notes 13 and 14.

Proprietary fund accounting and financial statement presentation

The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis and the financial statements are prepared using the economic resources measurement focus.

Net position of the District is comprised of the following three components:

Net investment in capital assets - consists of capital assets (both restricted and unrestricted), net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those capital assets.

Restricted net position - consists of net position with limits on their use that are externally imposed by creditors (such as through debt covenants), grantors, contributors or by laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - consists of the remaining net position that does not meet the definition of invested in capital assets, net of related debt or restricted net position.

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include deposits with financial institutions and investments in highly liquid debt instruments with an original maturity of three months or less. Cash and cash equivalents exclude amounts whose use is limited by Board designation or by legal restriction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Patient accounts receivable and concentration of credit risk

Patient accounts receivable consist of amounts owed by various governmental agencies, insurance companies and private patients. The District manages its receivables by regularly reviewing the accounts, providing appropriate reserves for contractual allowances and uncollectible accounts based upon historical net collections, the aging of individual accounts, as well as current economic and regulatory conditions. Patient accounts receivable from government agencies represent the only concentrated group of credit risk for the District and management does not believe there are any material credit risks associated with these governmental agencies. Contracted and other private patient accounts receivable consist of various payors including individuals involved in diverse activities, subject to differing economic conditions. While the overall concentration of these other payor receivables is significant, they do not represent any individual concentrated credit risk to the District. Estimated net receivables from all Medicare and Medi-Cal programs combined account for approximately 33% and 37% of net patient accounts receivable at both June 30, 2023 and 2022, respectively.

Allowance for uncollectible patient accounts receivable

The District provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible given historical collection trends. At June 30, 2023 and 2022, the District recorded an allowance for uncollectible accounts receivable for amounts due directly from patients totaling $1,806,659 and $1,426,077, respectively.

Investments

The District maintains a portion of its cash and cash equivalents in the State of California Local Agency Investment Fund ("LAIF") pooled investment. The funds deposited in LAIF are invested in accordance with Government Code Sections 16340 and 16480, the stated investment authority for the Pooled Money Investment Account. Balances are stated at their estimated fair value.

Noncurrent investments consist of Board-designated and restricted funds set aside by the Board for future capital improvements and other operational reserves, over which the Board retains control and may at its discretion, use for other purposes; assets set aside for qualified capital outlay projects in compliance with state law and assets restricted by donors or grantors.

Investment income, realized gains and losses and unrealized gains and losses on investments are reflected as nonoperating income or expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

GASB iStatement No. 72, Fair Value Measurement and Application ("GASB No. 72"), addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The District reports the fair value of its investments in accordance with GASB 72. This standard requires an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or other valuation techniques) to determine fair value. In addition, the District reports certain investments using the net asset value per share as determined by investment managers under the so called "practical expedient". The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value measurement standards also require the District to classify these financial instruments into a three-level hierarchy based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 reporting depending on lock-up and notice periods associated with the underlying funds.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Level 2 also includes practical expedient investments with notice periods for redemption of 90 days or less.

Level 3 - Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 also includes principal expedient investments with notice periods for redemption of more than 90 days.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such instances, an instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument, as well as the effects of market, interest and credit risk. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in the District's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pledges receivable

Pledges are recorded at their present value net of applicable discounts. There are no discounts recorded as of June 30, 2023 and 2022, as all pledge balances are expected to be collected within one year. An allowance for uncollectible pledges receivable is established based upon management's judgment including such factors as prior collection history and aging statistics of pledge balances. At June 30, 2023 and 2022, management determined that no allowance for uncollectible pledges was required, as all balances are considered to be fully collectible.

Inventories

Inventories consist primarily of hospital operating supplies and pharmaceuticals and are stated at cost, determined by the first-in, first-out method, not in excess of fair value.

Investment restricted for debt service

According to the terms of the General Obligation Bond indenture agreements, certain amounts are held by the bond trustee and paying agent and are maintained and managed by the trustee and are invested in noncurrent investments. These assets are available for the settlement of future current bond obligations.

Capital assets

Capital asset acquisitions over $5,000 are capitalized and recorded at cost. Donated property is recorded at its fair value on the date of donation. Equipment under capital lease is amortized on the straight-line basis over the shorter of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the related assets.

Depreciation and amortization of property and equipment is computed using the straight-line method over the following estimated useful lives:

Land improvements	10 - 20 years
Buildings and improvements	20 - 40 years
Equipment	2 - 10 years

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recovered, the District, using its best estimates and projections, reviews for impairment the carrying value of long-lived identifiable assets to be held and used in the future. Any impairment losses identified are recognized when determined. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the assets, the asset's carrying value is adjusted to fair value. As of June 30, 2023 and 2022, the District has determined that no capital assets are significantly impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs of borrowing

Except for capital assets acquired through gifts, contributions or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Risk management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental and accidents; and medical malpractice. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District maintains professional liability insurance on a claims-made basis, with liability limits of $15,000,000 per claim and $25,000,000 in aggregate, which is subject to a $5,000 per claim deductible. Additionally, the District is self-insured for workers' compensation benefits. The District purchases a workers' compensation excess policy that insures claims with no limits in the amounts and a $500,000 deductible. An actuarial estimate of uninsured losses from workers' compensation claims has been accrued as a liability in the accompanying financial statements.

Statements of revenues, expenses and change in net position

The District's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, which is the District's principal activity. Operating expenses are all expenses incurred to provide health care services, other than financing costs. Other transactions such as property tax revenue, interest expense, investment income, gain on sale of capital assets, gifts and contributions, and government grants and bequests are reported as nonoperating income.

Net patient service revenue

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered, and adjusted in future periods as final settlements are determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net patient service revenue (continued)

The distribution of net patient revenue, which represents both cash collected and expected to be collected, by payor is as follows:

	2023	2022
Medicare	22.5 %	24.8 %
Medicare HMO	10.4 %	10.9 %
Medi-Cal	1.4 %	1.0 %
Medi-Cal Managed Care	19.6 %	17.5 %
Commercial Insurance	33.6 %	34.5 %
Workers Compensation	3.0 %	3.3 %
Capitated	0.4 %	0.1 %
Self-pay-other	3.6 %	4.5 %
Other government	5.5 %	3.4 %

Charity care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Capitation revenues

The District, in association with Meritage Medical Network (formerly Marin Independent Practice Association) ("Meritage") has an agreement with a health maintenance organization ("HMO") to provide medical services to subscribing participants. Under this agreement, the District receives monthly capitation payments based on the number of each HMO's participants, regardless of the services actually performed by the District. The District is not responsible for the cost of services provided to subscribing participants by other hospitals. The District reassesses the profitability of the agreements for exposure risks in the event future medical costs to provide medical services exceed the related future capitation payments.

Property tax revenues

Taxes for District operations and for debt service payments related to District General Obligation Bonds are levied annually on the taxable property within the District.

In March 2002, the District voters adopted a special tax on each taxable parcel of land within the District at an annual rate of up to $130 per parcel for five years. In March 2007, the District voters extended the special tax at an annual rate of up to $195 per parcel. In June 2017, the District voters approved an extension of the special tax at an annual rate of up to $250 per parcel for a five-year period through 2022. In November 2021, District residents voted to renew the parcel tax at the same yearly amount of $250, but extended the term from five to ten years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property tax revenues (continued)

The purpose of the special parcel tax is to ensure continued local access to emergency room and acute hospital care and other medical services for residents of the District and for visitors to the area.

Property tax revenue funds were designated as follows:

	2023	2022
Designated for hospital operations	$ 3,776,123	$ 3,784,676
Levied for hospital operations and debt service payments	2,628,829	2,521,572
	$ 6,404,952	$ 6,306,248

The District recognizes property taxes receivable when the enforceable legal claim arises (January 1) and recognizes revenues over the period for which the taxes are levied (July 1 to June 30). Property taxes are considered delinquent on the day following each payment due date. Property tax revenues are nonexchange transactions that are reported as nonoperating income.

Grants and contributions

The District receives grants as well as contributions from individuals and private organizations. Revenues from grants and contributions are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating income.

The District received U.S. Department of Health and Human Services ("HHS") Provider Relief Fund ("PRF") payments during the year ending June 30, 2022, and those payments were recognized in that year based upon lost revenues reported to HHS in the initial filing for period 1. PRF payments from HHS are assigned to 'Payment Received Periods' (each, a Period) based upon the date each payment from the PRF Program was received. Each Period has a specified Period of Availability and timing of reporting requirements. PRF recipients report into the HRSA PRF Reporting Portal after each Period's deadline to use the funds (i.e., after the end of the Period of Availability). The requirement of when to report PRF funds received on the Schedule of Expenditure of Federal Awards is determined by the assigned Period. The PRF funds received during the year ending June 30 2022 are for Period 4 and are required to be reported on the June 30, 2023 SEFA. See Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated absences

District policies permit most employees to accumulate paid time-off benefits that may be realized as paid time-off or as a cash payment upon termination. The expense and the related liability are recognized as paid time-off benefits when earned. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the statement of financial position date plus an additional amount for compensation-related payments, such as social security and Medicare taxes computed using rates in effect at the date of computation.

Income taxes

The District operates under the purview of the Internal Revenue Code, Section 115, and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to state or federal taxes on income. However, income from the unrelated business activities of the District may be subject to income taxes.

Subsequent events

Subsequent events have been evaluated through November 7, 2023, which is the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the District's financial statements.

3. AFFILIATION AGREEMENT WITH UCSF HEALTH

The District has entered into an affiliation agreement with UCSF Health dated August 20, 2018 to share best practices, increase patient, family and community satisfaction with patient care and create over time a comprehensive, sustainable and integrated health care network to serve the needs of the Sonoma Community.

The District and UCSF Health have formed a Joint Operations Committee ("JOC") that is responsible for coordinating activities and discussing and negotiating any agreements necessary to support the affiliation agreement. Effective January 1, 2021, the District and UCSF Health entered into a first amendment of the affiliation agreement which extended the initial term of the agreement to commence on the effective date of the first amendment and to end on the 5th anniversary of such date. The first amendment also redefines the structure and authority of the JOC and adds a management services section whereby certain executive leadership roles are directly employed by UCSF Health and shall manage the District in accordance with the term of the affiliation agreement.

4. CASH DEPOSITS

At June 30, 2023 and 2022, the District's cash deposits had carrying amounts of $6,322,741 and $9,338,887, respectively, and bank balances of $7,582,909 and $9,696,423, respectively.

5. NET PATIENT SERVICE REVENUES

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. The difference between the Hospital's established rates and the amounts paid under third-party contracts are reflected as contractual adjustments. Medicare and Medi-Cal settlements are estimated and recorded in the financial statements in the year services are provided, or when amounts are estimable. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. The District believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquires have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medi-Cal programs. Changes in Medicare, Medi-Cal, or other programs or the reduction of program funding could have an adverse impact on future net patient service revenues.

A summary of the payment arrangements with major third-party payors is as follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The District's classification of inpatients under the Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization under contract with the District. Most outpatient services at the District provided to Medicare beneficiaries are paid at prospectively determined rates per encounter that vary according to procedures performed. At June 30, 2023, the District's Medicare cost reports have been audited and final settled by the fiscal intermediary through June 30, 2020.

Medi-Cal - Payments for inpatient acute care services rendered to Medi-Cal program beneficiaries are reimbursed under a diagnostic related group (DRG) methodology. Under this methodology, similar to Medicare, services are paid at prospectively determined rates per discharge according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient skilled nursing care services rendered to Medi-Cal program beneficiaries are reimbursed at prospectively determined per diem rates. Outpatient services rendered to Medi-Cal program beneficiaries are reimbursed based on prospectively determined fee schedules. At June 30, 2023 the District's Medi-Cal cost reports have been audited and final settled through June 30, 2020.

Others - Payments for services rendered to other than Medicare and Medi-Cal patients are based on established rates or agreements with certain commercial insurance companies, health maintenance organizations, Napa State, and preferred provider organizations which provide for various discounts from established rates.

5. NET PATIENT SERVICE REVENUES (continued)

Net patient service revenues consisted of the following:

	2023	2022
Services provided to Medicare patients	$ 172,702,928	$ 160,050,901
Services provided to Medi-Cal patients	60,968,241	50,502,466
Services provided to other patients	90,292,533	84,181,019
Gross patient service revenues	323,963,702	294,734,386
Contractual allowances and allowance for doubtful accounts	(269,777,823)	(244,851,841)
Total net patient service revenue	$ 54,185,879	$ 49,882,545

The District receives funds under Assembly Bill No. 915 legislation for MediCal services provided through an Inter-Governmental Transfer (IGT) whereby funds are advanced by the District to be matched by the federal government. As a result of participation in the Hospital Provider Fee and the Rate Range IGT programs, the District recognized gross revenues of $6,075,168 and IGT expense of $2,271,852 for the year ended June 30, 2023. The District recognized gross revenues of $4,314,418 and IGT expense of $1,652,003 for the year ended June 30, 2022 under these two programs. Revenue and expense under these programs are recorded upon notification by the Department of Health Care Services of final earned amounts for MediCal services in the specific service year of calculation. The revenues recognized under these programs are recorded within net patient service revenues, and the IGT expense paid into the programs is reflected within other expenses.

6. FEDERAL GRANTS - PROVIDER RELIEF FUNDS

As part of the CARES Act, the U.S. Department of Public Health and Human Services ("HHS") is authorized to distribute $178 billion in grants through the Provider Relief Fund, including to hospitals and other healthcare providers on the front lines of the coronavirus response. The Provider Relief Fund ("PRF") is to support healthcare-related expenses or lost revenue attributable to COVID-19 and ensures uninsured individuals can get treatment for COVID-19.

The District recognized revenues of $1,377,724 related to PRF payments received from HHS during the year ended June 30, 2022. The recognition of revenue for PRF amounts received in the prior year was based on the District's calculation of lost revenues as reported in the initial filing with HHS for Period 1. The PRF funds recognized during the year ending June 30, 2022 are required to be reported on the June 30, 2023 SEFA.

7. INVESTMENTS RESTRICTED FOR DEBT SERVICE

District investment balances and average maturities were as follows at June 30, 2023:

	Fair Value	Less than 1	1 to 5
Money market mutual fund	$ 5,774,189	$ 5,774,189	$ -

7. INVESTMENTS RESTRICTED FOR DEBT SERVICE (continued)

District investment balances and average maturities were as follows at June 30, 2022:

	Fair Value	Less than 1	1 to 5
Money market mutual fund	$ 5,754,812	$ 5,754,812	$ -

Except for the investment of unexpended funds borrowed for construction, the District's investment policy limits the first $5,000,000 of investments to the LAIF. Once investments exceed $5,000,000, the policy (California Government Code) limits investments to bonds and other obligations of the US Treasury, US agencies or instrumentalities, or the state of California; bonds of any city, county, school district, or special road district of the state of California; bonds of banks for cooperatives, federal land banks, federal intermediate credit banks, Federal Home Loan Bank, Tennessee Valley Authority and the National Mortgage Association or certificates of deposit.

The investment policy does not specifically address interest rate risk, credit risk, custodial credit risk, concentration of credit risk or foreign currency risk.

Inherent rate risk

Inherent rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest. The money market mutual fund has a maturity of less than one year and is redeemable in full immediately.

Credit risk

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2023 and 2022, the District's investment in a money market mutual fund was rated AAA by both Moody's Investors Service and Standard and Poor's.

Concentration of credit risk

This risk relates to the risk of loss attributed to the magnitude of the District's investment in a single issuer. For the years ended June 30, 2023 and 2022, the District had a single money market mutual fund investment.

8. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Fair Value
Money market mutual funds	$ 5,774,189	$ -	$ -	$ 5,774,189

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Fair Value
Money market mutual funds	$ 5,754,812	$ -	$ -	$ 5,754,812

9. PROPERTY TAX RECEIVABLE

Property tax receivable consisted of the following:

	2023	2022
Special parcel tax	$ 3,979,984	$ 3,992,600
Tax for general obligation bond debt service payments	2,617,464	2,485,089
	$ 6,597,448	$ 6,477,689

10. CAPITAL ASSETS

Capital assets activity as of June 30, 2023, consisted of the following:

	Balance, June 30, 2022	Purchases and Transfers	Sales, Transfers, and Retirements	Balance, June 30, 2023
Non-depreciable capital assets				
Land	$ 646,687	$ -	$ -	$ 646,687
Construction in progress	11,716,336	5,291,998	(9,087,157)	7,921,177
Total non-depreciable capital assets	12,363,023	5,291,998	(9,087,157)	8,567,864
Depreciable capital assets				
Land improvements	794,811	-	-	794,811
Buildings and improvements	64,934,887	4,059,989	-	68,994,876
Equipment	31,512,734	504,970	1,753,080	33,770,784
	97,242,432	4,564,959	1,753,080	103,560,471
Less accumulated depreciation	(57,484,058)	(2,908,243)	234,083	(60,158,218)
Total depreciable capital assets	39,758,374	1,656,716	1,987,163	43,402,253
Total capital assets, net	$ 52,121,397	$ 6,948,714	$ (7,099,994)	$ 51,970,117

Capital assets activity as of June 30, 2022, consisted of the following:

	Balance, June 30, 2021	Purchases and Transfers	Sales, Transfers, and Retirements	Balance, June 30, 2022
Non-depreciable capital assets				
Land	$ 646,687	$ -	$ -	$ 646,687
Construction in progress	10,133,726	1,728,043	(145,433)	11,716,336
Total non-depreciable capital assets	10,780,413	1,728,043	(145,433)	12,363,023
Depreciable capital assets				
Land improvements	794,811	-	-	794,811
Buildings and improvements	64,743,099	134,956	56,832	64,934,887
Equipment	31,053,754	460,120	(1,140)	31,512,734
	96,591,664	595,076	55,692	97,242,432
Less accumulated depreciation	(54,790,841)	(2,782,958)	89,741	(57,484,058)
Total depreciable capital assets	41,800,823	(2,187,882)	145,433	39,758,374
Total capital assets, net	$ 52,581,236	$ (459,839)	$ -	$ 52,121,397

11. RIGHT-OF-USE LEASE ASSETS

Changes in right-of-use asset activity during the year ending June 30, 2023, consisted of the following:

	Balance at July 1, 2022	Additions	Balance at June 30, 2023
Lease obligation assets			
Building	$ 1,194,167	$ -	$ 1,194,167
Equipment	695,649	34,387	730,036
	1,889,816	34,387	1,924,203
Less accumulated amortization	(460,759)	(429,804)	(890,563)
	$ 1,429,057	$ (395,417)	$ 1,033,640

Changes in right-of-use asset activity during hte year ending June 30, 2022, consisted of the following:

	Balance at July 1, 2021	Additions	Balance at June 30, 2022
Lease obligation assets			
Building	$ -	$ 1,194,167	$ 1,194,167
Equipment	422,905	272,744	695,649
	422,905	1,466,911	1,889,816
Less accumulated amortization	(237,702)	(223,057)	(460,759)
	$ 185,203	$ 1,243,854	$ 1,429,057

12. LEASE OBLIGATION LIABILITIES

The District has entered into non-cancellable lease agreements that expire at various dates through February 2027. Rent under the agreements is expensed as incurred over the terms of the underlying leases.

Changes in lease obligation liability activity during the year ending June 30, 2023 consisted of the following:

	Balance at July 1, 2022	Additions	Payments	Balance at June 30, 2023
Buildings	$ 1,107,304	$ -	$ (248,829)	$ 858,475
Equipment	332,850	18,216	(144,964)	206,102
	$ 1,440,154	$ 18,216	$ (393,793)	$ 1,064,577

12. LEASE OBLIGATION LIABILITIES (continued)

Changes in lease obligation liability activity during the year ending June 30, 2022 consisted of the following:

	Balance at July 1, 2021	Additions	Payments	Balance at June 30, 2022
Buildings	$ -	$ 1,194,167	$ (86,863)	$ 1,107,304
Equipment	195,347	262,599	(125,096)	332,850
	$ 195,347	$ 1,456,766	$ (211,959)	$ 1,440,154

Future maturities of capital lease obligations are as follows:

Year ending June 30,	
2024	$ 372,131
2025	311,590
2026	231,069
2027	148,033
2028	1,754
	1,064,577
Current portion	(372,131)
	$ 692,446

13. RIGHT-TO-USE SUBSCRIPTION ASSETS

Right-to-use subscription asset activity during the year ending June 30, 2023, consisted of the following:

	Balance at July 1, 2022	Additions	Balance at June 30, 2023
Subscription assets	$ -	$ 6,040,356	$ 6,040,356
	-	6,040,356	6,040,356
Less accumulated amortization	-	(1,212,729)	(1,212,729)
	$ -	$ 4,827,627	$ 4,827,627

14. RIGHT-TO-USE SUBSCRIPTION LIABILITIES

Right-to-use subscription liability activity during the year ending June 30, 2023 consisted of the following:

	Balance at July 1, 2022	Additions	Payments	Balance at June 30, 2023
Subscription liabilities	$ -	$ 3,023,565	$ (205,190)	$ 2,818,375
	$ -	$ 3,023,565	$ (205,190)	$ 2,818,375

Future maturities of subscription lease obligations are as follows:

Year ending June 30,	
2024	$ 1,536,345
2025	981,652
2026	300,377
	2,818,374
Current portion	(1,536,345)
	$ 1,282,029

15. LINE OF CREDIT

The District had a line of credit agreement with a bank for an amount not to exceed $6,750,000 that matured on January 31, 2022. On this date, the line of credit was extended for an amount not to exceed $5,500,000, with an interest rate of 2.5% plus Term SOFR, maturing on January 31, 2024. The line of credit is collateralized with the District's cash, cash equivalents and receivables. At any time prior to the maturity date, subject to the terms of the loan, the District may borrow, repay and reborrow so long as the maximum principal balance outstanding does not exceed $5,500,000 on or before January 31, 2024.

The District is required to comply with certain restrictive covenants, including maintaining a total liabilities to tangible net worth ratio of not greater than 2.0 to 1.0, at all times tangible net worth to be no less than $9 million and the loan outstanding balance shall be limited to 70% of the sum of net accounts receivable, contributions receivable, special parcel tax and cash. The District was in compliance with these covenants at June 30, 2023 and 2022.

The District had unused credit remaining on the line of credit of $526,266 and $26,266 at June 30, 2023 and 2022, respectively.

16. LONG-TERM DEBT

The District's long-term debt transactions as of June 30, 2023, consisted of the following:

	Balance, June 30, 2022	Additions	Decreases / Amortization	Balance, June 30, 2023
GO Bond principal	$ 24,889,000	$ -	$ (2,159,000)	$ 22,730,000
Notes payable	654,135	2,750,660	(45,623)	3,359,172
	$ 25,543,135	$ 2,750,660	$ (2,204,623)	$ 26,089,172

The District's long-term debt transactions as of June 30, 2022, consisted of the following:

	Balance, June 30, 2021	Additions	Decreases / Amortization	Balance, June 30, 2022
GO Bond Principal	$ 26,526,000	$ 15,825,000	$ (17,462,000)	$ 24,889,000
Notes payable	226,170	608,487	(180,522)	654,135
	$ 26,752,170	$ 16,433,487	$ (17,642,522)	$ 25,543,135

General obligation bonds payable

On November 4, 2008, the District electorate approved the authorization to issue a total of $35,000,000 in general obligation bonds. On April 1, 2009, the District issued $12,000,000 principal amount of general obligation bonds (Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A 2009). Bond proceeds were to be used to pay for a portion of the costs of renovating and retrofitting the District's existing hospital facility, to purchase equipment, to refund outstanding indebtedness, to pay costs of issuance and to pay bond interest due August 1, 2009. $4,000,000 of the proceeds were used to refund all of the then outstanding Revenue Bonds. $8,000,000 of the proceeds and the proceeds from all future bonds authorized by the election will be used to construct a new central utility plant, improve utility infrastructure, make all necessary seismic upgrades to existing facilities, and purchase additional medical equipment and install information systems wiring (the "Project").

The Bonds are general obligations of the District payable from ad valorem taxes. In the event the District fails to provide sufficient funds for payment of principal and interest when due, a commercial insurance company has guaranteed to pay that portion of principal and interest for which funds are not available.

In August 2010, the District issued $23,000,000 of additional general obligation bonds (Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series B (2010) in order to finance the second and final phase of the Project. During this phase, which was completed in February 2014, the District completed all construction and improvement aspects of the Project and finished purchasing the equipment budgeted in the Project.

16. LONG-TERM DEBT (continued)

General obligation bonds payable (continued)

In February 2014, the District issued $12,437,000 of additional general obligation bonds (2014 General Obligation Refunding Bonds), bearing interest at 3.78%, to refund all of the outstanding Sonoma Valley Health Care District General Obligation Bonds, Election of 2008, Series A 2009. The 2009 General Obligations Bonds were refunded in February 2014 and the funds were transferred to an escrow account held by a trustee until the bonds were fully called in August 2014. The balance of the 2014 General Obligation Refunding Bonds is $8,320,000 and $9,064,000 as of June 30, 2023 and 2022, respectively.

On August 10, 2021, the District issued $15,825,000 in par value 2021 General Obligation Refunding Bonds ("2021 Bonds") to refund in full the outstanding District General Obligations Bonds, Election of 2008, Series B (2010). Interest on the 2021 Bonds is payable semi-annually at a fixed rate of 1.79% with principal payments due annually beginning August 1, 2022 through August 1, 2031. The balance of the 2021 Bonds is $14,410,000 and $15,825,000 as of June 30, 2023 and 2022, respectively. The balance of the 2008 Series B (2010) bonds at June 30, 2021 was $16,790,000.

Notes payable

Notes payable are detailed as follows:

	2023	2022
California Health Facilities Financing Authority NDPH Bridge Loans, 3 loan agreements, 0% interest, due in FY 2024 and 2025. Secured by Medi-Cal payments.	$ 1,359,147	$ 608,487
California Health Facilities Financing Authority loan dated April 1, 2023; bearing interest at 2% with a maturity date of June 15, 2028. Secured by Medi-Cal payments.	2,000,000	-
CEC Loan Phase 1	25	45,648
	3,359,172	654,135
Current portion	(992,688)	(45,648)
	$ 2,366,484	$ 608,487

16. LONG-TERM DEBT (continued)

Debt service requirements

The future maturities of the long-term debt are as follows:

Year ending June 30,	General Obligation Bonds Principal	General Obligation Bonds Interest	Note Payable Principal	Note Payable Interest
2024	$ 2,277,000	$ 543,827	$ 992,688	$ 36,491
2025	2,406,000	484,472	1,142,589	28,737
2026	2,561,000	420,446	399,840	20,826
2027	2,728,000	351,130	407,911	12,755
2028	2,901,000	276,184	416,144	4,522
2029 - 2033	9,857,000	365,504	-	-
	$ 22,730,000	$ 2,441,563	$ 3,359,172	$ 103,331

Interest costs

Interest costs incurred on all outstanding debt during the year is summarized as follows:

	2023	2022
Interest cost:		
Paid	$ 903,145	$ 896,139
Accrued	194,867	217,399
Total interest expense	$ 1,098,012	$ 1,113,538

17. CAPITAL LEASE OBLIGATIONS

Capital lease obligations outstanding are as follows:

Description	Maturity	Interest Rates	Original Issue	June 30, 2023
Capital leases - equipment net of interest	February 2024	0%	$ 522,032	$ 85,976
Less current portion				(85,976)
				$ -

17. CAPITAL LEASE OBLIGATIONS (continued)

Description	June 30, 2022	Increases	Decreases	Outstanding June 30, 2023
Capital leases - equipment	$ 246,222	$ -	$ (160,246)	$ 85,976

Description	June 30, 2021	Increases	Decreases	Outstanding June 30, 2022
Capital leases - equipment	$ 617,422	$ -	$ (371,200)	$ 246,222

Future minimum lease payments of capital lease obligations are as follows:

Year ending June 30,	
2024	$ 85,976
	$ 85,976

18. EMPLOYEE BENEFITS PLAN

Defined contribution plan

The District contributes to a defined contribution pension plan (the "Plan") covering substantially all employees. Pension expense is recorded for the amount of the District's required contributions, determined in accordance with the terms of the Plan. The Plan is administered by the District's Board of Directors. The Plan provides retirement benefits to Plan members and death benefits to beneficiaries of Plan members. Benefit provisions are contained in the Plan document and are established and can be amended by action of the District's governing body. The Plan contribution by the District, expressed as a percentage of covered payroll, was 3.01% and 3.24% for 2023 and 2022, respectively.

Deferred compensation plans

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is available to all employees and permits them to defer a portion of their salary. An employer match is also provided and is vested at the rate of 16.7% per year.

The District's contributions to both the defined contribution and the deferred compensation Plans totaled $470,653 and $504,805 for 2023 and 2022, respectively.

19. MEDICAL MALPRACTICE COVERAGE AND CLAIMS

The District has joined together with other providers of health care services to form Beta Healthcare Group ("Beta"), a public entity risk pool (the "Pool") currently operating as a common risk management and insurance program for its members. The District purchases medical malpractice insurance from the Pool under a claims-made policy. The District pays an annual premium to the Pool for its tort insurance coverage. The District purchases excess liability insurance through a commercial insurer for amounts in excess of the coverage provided under Beta. The Pool's governing agreements specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of stop-loss amounts. The District will accrue any malpractice losses in excess of all policy limits, if they are determined to be estimable and probable of occurrence. As of June 30, 2023 and 2022 , the District has determined that no accrual is required for such losses under the various medical malpractice policies in place.

20. WORKERS' COMPENSATION CLAIMS

The District is self-insured for workers' compensation claims of its employees up to $500,000, with commercial stop-loss insurance coverage purchased for claims in excess of these amounts through June 30, 2023. A liability is accrued for self-insured workers' compensation claims, including both claims reported and claims incurred but not yet reported of $1,079,260 and $945,000 as of June 30, 2023 and 2022, respectively. The District utilizes an actuary to estimate the ultimate costs to settle such claims. Estimated future payments related to workers' compensation claims have been discounted at a rate of 1% at June 30, 2023 and 2022 . It is reasonably possible that the District's estimate could change by a material amount in the near term.

21. TRANSACTIONS WITH SONOMA VALLEY HOSPITAL FOUNDATION

Sonoma Valley Hospital Foundation, Inc. (the "Foundation") is authorized by the District to solicit contributions on behalf of the Hospital. In the absence of donor restrictions, the Foundation has discretionary control over the amounts, timing and use of their distributions. The District recorded contributions from the Foundation of $2,937,472 in 2023 and $884,739 in 2022. As of June 30, 2023 the Foundation has donor restricted funds totaling $7,868,268 related to the outpatient diagnostic center capital campaign. At June 30, 2023 and 2022 , the Foundation's unaudited cash basis financial statements reported total net assets of $9,139,633 and $11,002,333, respectively. The Foundation is not considered a component unit of the District because the Foundation is not controlled by the District.

22. RELATED PARTY TRANSACTIONS

During 2010, the District contributed $100,000 to Meritage for the development of Prima Medical Foundation ("PMF"), a joint venture with Meritage, Marin Healthcare District ("MHD") and Marin Medical Practice Concepts, Inc. ("MMPC"). The PMF's purpose is establishing, operating and maintaining multi-specialty medical clinics. The successful establishment and operation of PMF in Marin and Sonoma Counties is expected to be a cornerstone in the District's plans to ensure adequate health care services to the greater Sonoma Area. The District's contribution from PMF totaled $121,360 for the year ended June 30, 2022. The District did not receive a contribution for the year ended June 30, 2023.

23. COMMITMENTS AND CONTINGENCIES

Litigation

The District is a defendant in various legal proceedings arising out of the normal conduct of its business. In the opinion of management and its legal representatives, the District has valid and substantial defenses, and settlements or awards arising from legal proceedings, if any, will not exceed existing insurance coverage, nor will they have a material adverse effect on the financial position, results of operations, or liquidity of the District.

Regulatory environment

The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. The District is subject to routine surveys and reviews by federal, state and local regulatory authorities. The District has also received inquiries at times from health care regulatory authorities regarding its compliance with laws and regulations. Although the District's management is not aware of any violations of laws and regulations, it has periodically received corrective action requests as a result of completed and ongoing surveys from applicable regulatory authorities. Management continually works in a timely manner to implement operational changes and procedures to address all corrective action requests from regulatory authorities. Breaches of these laws and regulations and non-compliance with survey corrective action requests could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

24. CHARITY CARE

During the years ended June 30, 2023 and 2022, the District incurred estimated costs of $113,240 and $249,737, respectively, in free or discounted services for underserved. This includes services provided to persons who have health care needs and are uninsured, under-insured and ineligible for a government program and are otherwise unable to pay for medically necessary care based on their individual financial situation. Costs are computed based on a relationship of costs to charges similar to a Medicare cost to charge ratio. During the years ended June 30, 2023 and 2022 there were 77 and 72 patient cases under this policy, respectively.

SUPPLEMENTARY INFORMATION

Sonoma Valley Health Care District
Supplementary Information Related to Community Support
For The Years Ended June 30, 2023 and 2022

Uncompensated care

In September 2004, the District adopted a formal community benefits policy, developed under guidelines provided by the California Hospital Association and began to identify those patients who are medically indigent. The District's policy is to provide service to all who require it, regardless of their ability to pay. As such, it provides substantial amounts of uncompensated care. When this care is provided to patients who lack financial resources (and therefore are deemed medically indigent), it is classified as community benefits. When it is provided to patients who have the means to pay but decline to do so, it is classified as a provision for uncollectible accounts. Neither community benefits nor the provision for uncollectible accounts is reflected in net patient service revenues.

In addition, the District provides services to other medically indigent patients under certain government-reimbursed public aid programs. Such programs pay providers amounts that are less than established charges for the services provided to the recipients and frequently the payments are less than the cost of rendering the services. Finally, some undetermined portion of the provision for uncollectible accounts represents care to indigent patients whom the District has been unable to identify.

Uncompensated charges relating to these services are as follows:

	2023	2022
Community benefits (charity care) allowances	$ 113,240	$ 249,737
State Medi-Cal and other public aid programs	60,919,568	50,313,730
Provision for uncollectible accounts	1,850,000	2,000,000
	$ 62,882,808	$ 52,563,467

The District's estimated costs of providing uncompensated care and community benefits to the poor and the broader community are as follows:

	2023	2022
Uncompensated costs of community benefits and uncollectible accounts	$ 20,703	$ 23,777
Medi-Cal and other public aid programs	5,976,754	5,239,498
	$ 5,997,457	$ 5,263,275

Benefits for the broader community include the unpaid costs of providing service to the elderly, providing health screenings and other health-related services, training health professionals, educating the community with various seminars and classes and the costs associated with providing free clinics and other community service programs.

Sonoma Valley Health Care District
Supplementary Information Related to Community Support
For The Years Ended June 30, 2023 and 2022

Community support

The District recorded the following amounts related to community support as follows:

	2023	2022
Noncapital gifts and grants included in nonoperating income	$ 15,345	$ 86,784
Capital grants and contributions from Sonoma Valley Hospital Foundation	2,922,127	797,955
	$ 2,937,472	$ 884,739

SINGLE AUDIT REPORTS AND SCHEDULES

DRAFT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Sonoma Valley Health Care District
Sonoma, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sonoma Valley Health Care District (the "District"), which comprise the statements of net position as of June 30, 2023, and the related statements of revenues, expenses and change in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated November 7, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DRAFT

Armanino LLP
San Ramon, California

November 7, 2023

DRAFT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Sonoma Valley Health Care District
Sonoma, California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sonoma Valley Health Care District (the "District")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weakness or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DRAFT

Armanino LLP
San Ramon, California

November 7, 2023

Sonoma Valley Health Care District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Provided to Subrecipients
Expenditures of Federal Awards				
U.S. Department of Health and Human Services				
Direct awards				
Provider Relief Fund General Distribution - Period 4	93.498		$ 173,982	$ -
American Rescue Plan (ARP) Rural Payments - Period 4	93.498		1,203,742	-
Total Expenditures of Federal Awards			$ 1,377,724	$ -

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Sonoma Valley Health Care District
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Sonoma Valley Health Care District (the "District") under programs of the federal government for the year ended June 30, 2023. In accordance with the reporting requirements established by the U.S. Department of Health and Human Services ("HHS"), the Provider Relief Funds reported in the Schedule for the year ended June 30, 2023 represent the funds received during the period July 1, 2021 to December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements*, *Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

2. BASIS OF ACCOUNTING

Expenditures reported on the Schedule are reported on the accrual basis of accounting inaccordance with accounting principles generally accepted in the United States of America (U.S.GAAP). Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable..

3. INDIRECT COST RATE

The District does not charge indirect costs to the HHS Awards and thus the 10% de minimis indirect cost rate is not applicable.

Sonoma Valley Health Care District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	No

Sonoma Valley Health Care District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings to be reported.

Sonoma Valley Health Care District
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

There were no prior year findings.

SVHCD BOARD CALENDAR – 2024 DRAFT

January	February	March	April	May	June
• Board Member Committee Assignments • Board Work Plan Approval • Governance Committee Work Plan • Quality Committee Quarterly Report • Board Self Assessment Offsite	• Finance Committee Quarterly Report • Patient Care Services Annual Report • UCSF Affiliation Update w Shelby DeCosta	• Review FY 2025 Budget Assumptions • Review Updates to Five Year Rolling Strategic Plan	• Chief of Staff Report • Annual Hospital Quality Report • 1206(B) Clinic Report	• Finance Committee Quarterly Report • Human Resources Annual Report • Joint Board/Finance Committee Budget Meeting • UCSF Affiliation Update	• Approve FY 2025 Budget • Approve Capital Spending Plan • Appointment of CEO Compensation Committee • SVHF Annual Update
July	**August**	**September**	**October**	**November**	**December**
• Valley of the Moon • Quality Committee Quarterly Report	• SVHCD Annual Report to the Community • Ancillary Services Annual Report • Finance Committee Quarterly Report • CEO Assessment and compensation • UCSF Affiliation Update	• Chief of Staff Report • IS Annual Report • Setting the tax rate for FY 25 Resolution	• Quality Committee Quarterly Report • Marketing/PR Update • Board Offsite	• Audit Review and Approval • Finance Committee Quarterly Report • UCSF Affiliation Update	• Elect District Officers

Speakers, Education Opportunities, Briefings

Possible 2024 Guest Speakers

- Seismic Requirements – HCA – Brian Bucklew
- City Manager- David Guhin
- Sonoma Community Health Center CEO – TBD August or September
- Sonoma Valley Fire & Rescue – Steve Akre ***October***
- Mark Finucane - Hospital and healthcare institution transformation
- By They Bay Health–
- Vintage House – Stacie Morales ***September***
- La Luz Executive Director – Leonardo Lobato ***November***
- UCSF Affiliation – Shelby Decosta
- *(Note: Strategic Reports and ODC Updates need to be at the beginning of the meetings.)*

Note: Guest speakers will be slotted in over the course of the year

- Items with arrows are separate meetings to be scheduled

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
Healing Here at Home

To: SVHCD Board of Directors
From: John Hennelly
Date: 12.07.23
Subject: Physical Therapy Expansion Funding

This Project is an expansion of the current Outpatient Physical Therapy Department, constructed in 2011. The Physical Therapy Department is expanding from Suite B into Suite C. The expansion includes: a large gym space, 5 new exam rooms by converting existing rooms, and a code required patient-accessible, all-gender restroom and OSHPD 3 compliant HVAC.

Construction will include: the installation of walls, ceiling work, patching, painting and flooring. Plumbing work will consist of the installation of sinks in 3 of the 5 new exam rooms, a new restroom, new ADA compliant restroom accessories in all restrooms in Suite B & C, an additional hot water heater to support the restroom and exam room sinks and venting where required. Resilient flooring and base will be installed in the gym area. Mechanical work includes installation of upgraded HVAC system to meet OSHPD 3 Standards and ducting to new rooms. Electrical work includes upgrading electrical cable to meet code. Additional receptacles and data cabling will also be installed.

Schedule per Architect - Schedules are impacted by many factors and are often revised. For a project of this size, an estimated high-level project schedule:

- Design/Construction Documents – 8 weeks
- City Permit – 10 weeks
- Public Bidding – 6 weeks
- Construction – 12 or more weeks
    - Mechanical unit procurement timeframe unknown
- Move in – 1 week

If design started in mid-December 2023, occupancy could occur in late September 2024.

Expense Budget

PT Expansion 3,415 SF	
Initial Study	$26,410
Design	$79,540
Construction	$1,527,000
Construction contingency 15%	$229,050
Permit, testing, inspections	$45,000
IT Infrastructure	$200,000
Furniture & Equipment (new)	$125,000
Moves/Furniture Reconfiguration/Signage	$62,857.

TOTAL	**$2,294,767**

Funding Plan

The Sonoma Valley Hospital Foundation has generously committed to raising up to $2m to support the project. Additional funding will be provided through tenant improvement allowances from a new lease extension being negotiated at this time.

Philanthropic funding activities are underway, and commitments have already been received.

MEMO

To: Sonoma Valley Hospital Board of Directors

From: John Hennelly

Meeting Date: December 7, 2023

Re: Seismic HED Design

As reported at the September Board of Director meeting, HED Design ("HED") is the firm selected by the Hospital to complete the analysis for the seismic compliance to meet the reporting deadline of 1/1/2024 and review for 2030 deadlines.

The Board approved the funding request of $110K with the understanding that a further proposal would be presented to complete the work for calendar year 2023.

Attached is the proposal from HED that outlines their scope to complete NPC (Non-Structural Category) reports utilizing the analysis from Interface Engineering for the Mechanical, Plumbing and Electrical ("MEP"). The reports and analysis provided by HED/Interface Engineering will be submitted to HCAI and CDPH to satisfy the NPC deadlines.

These reports are required for the Hospital to evaluate and document our compliance/deficiency status for NPC 3 & 4D facility wide. The Hospital must also evaluate and document our plan for meeting NPC5 which requires the Hospital to provide 72 hrs operational capacity for potable water, sewage/waste storage and emergency power and be independent of Community Services. The Hospital must meet the NPC standards outlined in our plans by 2030. This documentation of information will be the basis of completing the construction documents that are due to HCAI 1/1/2026.

The deliverables for this work are to meet code deadlines for HCAI and CDPH – 1/1/24

FIRM	**SCOPE**	**PURPOSE**
HED DESIGN	PROJECT MANAGEMENT/REPORTING	$97,000
INTERFACE ENGINEERING	FULL CAMPUS EVALUATION & COMPLIANCE SUBMITTAL – TO MEET NPC 3 & 4D NPC 5 COMPLIANT WATER RATIONING	$147,045
MIYAMOTO STRUCTURAL	REDUCED STRUCTURAL SCOPE	($50,000)
TOTAL ADD SERVICE		**$186,845**

Given the aforementioned information, we ask that the Board approve the HED Design add service proposal totaling $187K to meet the reporting deadline.

HED

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Boston
Chicago
Dallas
Detroit
Los Angeles
Sacramento
San Diego
San Francisco

550 South Hope St.
Suite 2500
Los Angeles, CA 90071

T 213.542.4500
F 213.542.4515

November 30, 2023

Mrs. Kimberly Drummond
Chief Support Services
Sonoma Valley Hospital
347 Andrieux Street
Sonoma, CA 95476

RE: Proposal for Sonoma Valley Hospital NPC SPC Evaluation
HED Project Number 2023-SV013-001 - Additional Service Request #2 REVISED

Dear Kimberly Drummond:

Thank you for this opportunity to provide design services at Sonoma Valley Hospital (SVH). We appreciate your trust to serve you in your commitment to the health and wellbeing of your community.
Please note that this request supplants entirely the previously submitted ASR 2 and ASR 3. We have reduced our fee as well as Miymoto engineers previously approved fee to bring our total costs in at under $300k while achieving the goals of this project to submit documentation for NPC 3, 4, & 5 compliance.

Sincerely,

Timothy Hurvitz, AIA, LEED AP BD+C
Principal in Charge
CA Architect License No. C-34381

PROPOSAL ACCEPTANCE

We suggest that if this proposal-agreement meets with your approval and you choose to award this project to HED, this proposal-agreement letter will serve as the contract between HED and SVH. By signing below, I approve and agree to be bound by the terms and conditions of this Proposal Letter Agreement ("Agreement"), attest that I have the authority to execute this Agreement on behalf of SVH and authorize HED ("Architect") to commence services.

Accepted for SVH by:

Signature _____

Printed Name and Title _____

Date _____

This Proposal Letter will be valid for a period of sixty (60) days from date first noted above. Upon acceptance, please forward a signed copy to HED and retain a complete signed copy of the Agreement for your records.
Architects are licensed and regulated by the California Architects Board located at 2420 Del Paso Road, Suite 105, Sacramento, CA 95834

PROJECT INTRODUCTION

SVH is seeking an A/E partner to conduct a Feasibility Study for the development of the Nonstructural Performance Category 3 (NPC 3), 4D (NPC 4D) & 5 (NPC 5) nonstructural evaluation required for the facility. Project is also to include an SPC Report with recommendations for SPC Compliance.

PROJECT SCOPE

Feasibility study of facility building systems for the development of the NPC 3, NPC 4D & NPC 5 nonstructural evaluation report for submittal to the California Department of Health Care Access and Information (HCAI) prior to January 1, 2024; in compliance with the California Administrative Code. The NPC 3, NPC 4D & NPC 5 nonstructural evaluation report will address buildings under HCAI jurisdiction located at Sonoma Valley Hospital (Facility No. 11064), 347 Andrieux Street, Sonoma, CA 95476. The evaluation report will cover OSHPD building numbers BLD-01544-West Wing, BLD-01546-East Wing North, BLD-05409-East Wing Loading Dock Canopy, BLD-03079-East Wing Center, BLDG-03080-East Wing South, BLDG-03873-Chiller Building, BLD-02991-West Wing Canopy, BLD-05411-ED/OR Canopy, and BLD-05410-ED/OR.

Feasibility Study of systems for Evaluation Report to include:

<u>NPC3</u>

1. Compilation and Review
    a. Record documents of critical care areas,
    b. Clinical laboratory,
    c. Pharmaceutical services,
    d. Radiological services,
    e. And central and sterile supply
2. Anchorage and Bracing
    a. Services and utilities within NPC 3 areas
    b. Partitions and ceilings bracing
    c. Wall or floor-mounted cabinets, shelves, shelving units, file cabinets, and/or storage racks and rolling carts; in locations these components could fall, collapse, or fail in the patient care vicinity, or could block a required means of egress.
    d. Equipment in the physical plan that services NPC 3 areas
    e. Fire sprinkler systems; if not in compliance with 1994-NFPA 13 edition, or subsequent applicable standards.

NPC4D – Level 1

1. Compilation and Review
    a. Facility's procedures and plans after a catastrophic event
        i. Level 1 areas (NPC 3 Critical Care areas)
        ii. Central and Sterile Supplies
        iii. Dietary
        iv. Pharmaceutical Services
        v. Emergency Power
        vi. Water Supply
        vii. Medical Gases
        viii. Ventilation
        ix. Waste Disposal
2. Operational Plan
    a. To repair and bring all other systems and services back online,
    b. Or to provide them in an alternative manner

NPC5

1. On-site water supply (72 hrs. capacity)
    a. Domestic water
    b. Industrial water
    c. Fire water
2. Sewage holding (72 hrs. capacity)
    a. Sewage
    b. Liquid waste
3. Electrical emergency service to critical care area and radiological service
4. Fuel supply capacity (72 hrs. capacity)
    a. Generators

HED

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PROPOSED FEE

For greater detail please see Exhibits A, B, C & D of this proposal. HED'S fee for providing the above outlined services will be hourly not to exceed amount detailed as follows:

- Plus 1.15 times reimbursable expenses are estimated at $5,000 and are not included in the fee.

Complete Contract – Summary of Modifications

Original Contract Amount:	$20,000
Previous Change Orders (Miyamoto original amount):	$90,000
Contract Amount prior to this Add Service Request	$110,000
Amount for this Add Service request:	**$186,845**
Revised Total Contract Amount	**$294,925.00**

Fee Breakdown

Miyamoto Engineers (Structural) **fee reduced amount**		$50,000
HED Architects		$97,880
- Pre-Report (Original Contract)	$20,000	
- NPC-3 Site Visits	$27,600	
- NPC-3 Report	$18,480	
- NPC-4D Level 1 Report	$9,600	
- NPC-5 Study and Report	$22,200	
Interface Engineers		$147,045
Total		**$294,925**

Not Included in the Fee:

1. 3D scanning services above the ceiling areas; by others - $25,000 allowance (If determined necessary due to lack of record documents information)
2. Cost estimating services at end of feasibility study; by others - $20,000 allowance.
3. Self-declaration for buildings under HCAI jurisdiction not housing NPC 3 services/areas - Time & Materials

EXHIBIT A | Project Scope

DEFINITION OF SCOPE OF SERVICES

Based upon our understanding of the project, HED proposes to provide the following professional architecture and engineering services to meet the project requirements:

Feasibility Study

1. Architect and Engineers (Miyamoto Structural and Interface MEP) shall conduct up to two (2) site visit to survey existing conditions of the areas of work and shall participate in a meeting with the Client.
2. Review of NPC rating for each facility building under HCAI jurisdiction.
3. Review of existing department boundaries, services, building systems and facility's current Emergency Water Conservation/Water Rationing Plan.
4. Update architectural floor plans (backgrounds) only to reflect current conditions if different from record drawings.
5. HCAI inquiry on proposed alternate of the on-site use of transportable source of potable water for minimum onsite water supply of potable and industrial water sufficient for 24 hrs. operation, without replenishment based on the facility's current Water Conservation/Water Rationing Plan.
6. Feasibility study report
7. Architect and Engineers shall participate in up to four (4) conference calls with the Client to discuss and review the feasibility study.
8. Development of NPC 3, NPC 4D and NPC 5 Nonstructural Evaluation Reports
9. Architect shall submit Client's approved NPC 3, NPC 4D and NPC 5 Evaluation Reports for each building to HCAI-SAC, and estimates conducting up to two (2) back checks for approval.

CLIENT RESPONSIBILITIES

1. Client shall provide information in a timely manner regarding requirements for and limitations on the Project. Within 5 days after receipt of a written request from the Architect, the Client shall furnish the requested information as necessary and relevant for the Architect to evaluate, give notice of or enforce lien rights.
2. The Client shall identify a representative authorized to act on the Client's behalf with respect to the Project. The Client shall render decisions and approve the Architect's submittals in a timely manner in order to avoid unreasonable delay in the orderly and sequential progress of the Architect's services.
3. The Client shall provide prompt written notice to the Architect if the Client becomes aware of any fault or defect in the Project, including errors, omissions or inconsistencies in the Architect's Instruments of Service.

HOURLY RATES

See Exhibit D for rate schedules.

Rates are subject to change annually and are effective through December 31, 2023.

ASSUMPTIONS

1. All identified meetings as part of the Services between Client/Architect/Engineers shall take place onsite.
2. All Client/Architect/Engineers calls shall take place via Teams or similar host site.
3. Study and Report shall be based on Record Documents and/or As-Built Documents, and other information to be provided by the Client prior to the start of Services. Should actual conditions differ, additional services and fee may be necessary.
4. Facility shall provide current Water Rationing Plan, other emergency operation plans, and confirm total number of licensed patient beds.
5. The Architect and/or Engineers shall coordinate its services with those services provided by the Client and the Client's consultants/vendors. The Architect and/or Engineers shall be entitled to rely on, and shall not be responsible for, the accuracy, completeness, and timeliness of, services and information furnished by the Client and the Client/Contractor's consultants. The Architect and/or Engineers shall provide prompt written notice to the Client if the Architect and/or Engineers become aware of any error, omission, or inconsistency in such services or information.
6. Client's staff will be required to provide access throughout the facility to Architect's survey team during regular business hours. Client's staff will need to be knowledgeable of the facility's systems, and when requested should be able to provide related facility information to the Architect's survey team.
7. The initial field investigation will be limited to site observations of conditions that are readily visible and do not require extensive or destructive investigation.
8. At the request of the Architect, Client will be required to open-up wall/ceiling to provide access for necessary visual investigation of building non-structural system(s).
9. At the request of the Mechanical Engineer, Client will be required to provide existing mechanical systems capacity reports.
10. At the request of the Electrical Engineer, Client will be required to provide 3 day/30-day load test, panel and circuit verification for new and/or replacement equipment/fixtures; to include electrical panel ground verification.
11. The services and fee identified are based on the assumption that the existing structural, plumbing, mechanical, and electrical systems have been permitted and have adequate capacity to support the program and scope of services as described above; unless noted otherwise.
12. Client approval and signoff of Evaluation Report is required prior to submittal to HCAI.
13. Site visits and/or in-person meetings in addition to what is identified in above section(s) will be provided at an Additional Fee.
14. If the project is put on hold for ninety (90) days or longer, HED is entitled to renegotiate fees to complete the balance of the work if and when the project resumes.

EXCLUSIONS

1. Items not specifically included in the Services section.
2. Payment of Agency Having Jurisdiction (AHJ) fees on behalf of the Client.
3. Services to revise documents required by the enactment or revisions of codes, laws, or regulations subsequent to the preparation of such documents, or due to other causes outside the control of the design team are excluded.
4. Services to respond to or comply with unprecedented or heretofore undocumented or unpublished Code interpretations.
5. Services seeking Program flexibility or Code variances, or efforts to appeal decisions made by the AHJ.
6. Programming services
7. Accessibility (handicap) path of travel study
8. Services to provide As-Built drawings of existing conditions and/or building systems, other than what is
9. NPC 4D Level 2 or 3 Evaluation
10. SPC related studies/evaluations
11. Geotechnical & Soils report
12. Surveying and Civil engineering services

13. Architectural, Structural and MEP Engineer's Basic Design services (Schematic Design, Design Development, Construction Documents, Procurement, Construction Administration)
14. Structural calculations
15. Project Manual/Spec. Book
16. Services related to the testing, discovery, mitigation, or removal of hazardous materials, including, but not limited to; asbestos, lead, polychlorinated biphenyls, mold, mildew, fungus, etc.
17. Structural investigation, development of material testing program to evaluate strength of existing materials is not included.
18. 3D Laser Scanning
19. Physical models, 3D modeling, and/or presentation renderings.
20. PIN 70 electrical study; to be conducted during Design phase.
21. Radius map and address label services
22. Commissioning, testing and/or measurements.
23. Services to provide cost estimates and/or life cycle cost analyses.
24. Requests for special cost accounting tallies/backup data and customized invoicing formats outside of normal billing.

HED

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EXHIBIT B | Project Schedule

Existing Conditions Analysis:	6 weeks
Evaluation Report:	8 weeks
HCAI-SAC Review and Approval	14-16 weeks*

*Dependent on HCAI backlog

HED

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EXHIBIT C | Terms & Conditions

The following Terms and Conditions are hereby incorporated by reference in the letter, proposal, or agreement (collectively, the "Agreement") to which they are attached. As used herein, the term "Client" refers to Owner/Client, and the term "Consultant" refers to HED. The basic services and compensation of the Consultant are set forth in the Agreement.

1. **BILLING/PAYMENTS** | Invoices for our services are submitted every month for the portion of services completed. Invoices shall be payable within 30 days of the invoice date. A service charge of 1.5% (or the legal rate) per month will be applied to the unpaid balance after 30 days. Retainers shall be credited on the final invoice. The Client agrees to pay all costs of collection, including reasonable attorneys' fees.

2. **ADDITIONAL SERVICES AND CONTRACT CHANGES** | Contract changes, including but not limited to, changes in Project Scope, changes in Services, changes in compensation or method of payment ("Changes") shall be agreed to in writing by Client and Consultant prior to implementation. "Additional Services" shall be compensated at the hourly rates and/or unit prices set forth in Exhibit A, or otherwise at the price agreed upon by the Client and Consultant. No Changes or Additional Services shall be implemented or commenced by Consultant unless authorized by Client in a writing. Subconsultant services shall be invoiced at 1.10 times amount billed.

3. **REIMBURSABLE EXPENSES** | The Client shall reimburse the Consultant at a multiple of 1.15 times its actual cost for (i) printing and duplication; (ii) delivery charges and long-distance telephone calls; (iii) travel in connection with the project; (iv) the fees of subconsultants engaged by the Consultant at the Client's request other than those included in the Agreement as a basic service; and (v) presentation models, renderings, and computer simulations. Faxes and in-house copies and plots shall be billed at Consultant's customary per page rate.

4. **CLIENT'S RESPONSIBILITIES** | The Client shall furnish in a timely manner such legal, accounting, and insurance counseling services as may be required for the project and such information relating to existing conditions at the project site (including survey and geotechnical engineering) as Consultant may reasonably request. The Consultant shall be entitled to rely upon the completeness and accuracy of all services and information provided by Client and Client's consultants. If the Client becomes aware of any fault or default in the project, the Client shall issue prompt written notice to Consultant. The Client shall identify a representative authorized to act on the Client's behalf with respect to the project. The Client shall render decisions and approve the Consultant's submittals in a timely manner in order to avoid unreasonable delay in the orderly and sequential progress of the Consultant's services.

5. **DOCUMENTS** | Drawings, specifications, and other documents produced by the Consultant are instruments of service, and the originals thereof and all intellectual property rights therein, including the copyright, shall remain the property of the Consultant. The Consultant shall furnish copies of such documents to the Client as a reimbursable expense, which the Client may use for completion of the Project (or for future renovations and additions) with the involvement of the Consultant as provided in the Agreement, subject to compliance by the Client with its payment obligations as provided in the Agreement and these Terms and Conditions. The Client may not otherwise copy or use such documents, or permit such copying or use by others, except with the Consultant's written permission.

6. **UNAUTHORIZED CHANGES AND USE** | In the event the Client, or anyone for whom the Client is legally liable, makes or permits to be made any changes to any reports, plans, specifications or other documents prepared by the Consultant, or uses such documents without Consultant's involvement, and does not obtain the Consultant's prior written consent, the Client shall assume full responsibility for the results of such authorized changes or use. Therefore, the Client agrees to waive any claim against the Consultant, and, to the fullest extent permitted by law, to indemnify, release, and hold harmless the Consultant from any damages, liabilities or costs, including reasonable attorneys' fees and costs of defense, arising directly or indirectly from such unauthorized changes or use.

7. **ESTIMATES** | As you are aware, neither the Architect nor the Client has control over the cost of labor, materials or equipment, over the Contractor's methods of determining bid prices, or over competitive bidding, market or negotiating conditions. As such, the Architect/Engineer cannot and does not warrant or represent that bids or negotiated prices will not vary from any estimate of construction cost or evaluation prepared or agreed to by HED.

8. **INSURANCE** | HED carries both general business and architect's and engineer's professional liability insurance coverage for the protection of both our firm and our clients. Details of our insurance coverage will be provided upon request.

9. **ACCESS TO SITE** | Unless otherwise stated, the Consultant will have access to the site for activities necessary for the performance of the services. The Consultant will take reasonable precautions to minimize damage due to these activities, but it shall not be responsible for the cost of restoration of any resulting damage.

10. **HIDDEN CONDITIONS** | A condition is hidden if concealed by existing finishes or is not capable of investigation by reasonable visual observation. If the Consultant has reason to believe that such a condition may exist, the Consultant shall issue written notice and request that the Client authorize and pay for all costs associated with the investigation of such a condition. If (1) the Client fails to authorize such an investigation after due notification, or (2) the Consultant has no reason to believe that such a condition exists, the Consultant shall not be responsible for the existing condition or any resulting damages to persons or property.

11. **HAZARDOUS MATERIALS** | HED does not have the specialized training or expertise in the specification, treatment and/or handling of new and/or existing asbestos-containing, asbestos-contaminated, or other toxic and hazardous materials, above or below surface, and our professional liability insurance policy does not include coverage of these services. Therefore, HED cannot provide these services. It is our understanding that the Client will retain, if necessary, a qualified industrial hygienist and/or contractor to provide these services.

12. **CONSTRUCTION OBSERVATION** | If so provided in the Agreement, the Consultant shall visit the site at intervals appropriate to the stage of construction in order to become generally familiar with the progress and quality of the Work completed by the Contractor. Such visits and observation are not intended to be an exhaustive check or a detailed inspection of the Contractor's work but rather are to allow the Consultant to become generally familiar with the Work in progress and to determine, in general, if the Work is proceeding in accordance with the Contract Documents. Based on this general observation, the Consultant shall keep the Client informed about the progress of the Work and shall endeavor to guard the Client against deficiencies in the Work. The Consultant shall not supervise, direct or have control over the Contractor's work nor have any responsibility for the construction means, methods, techniques, sequences or procedures selected by the Contractor nor for the Contractor's safety precautions or programs in connection with the Work. These rights and responsibilities are solely those of the Contractor in accordance with the Contract Documents. The Consultant shall not be responsible for any acts or omissions of the Contractor, subcontractor, any entity performing any portions of the Work, or any agents or employees of any of them. The Consultant does not guarantee the performance of the Contractor and shall not be responsible for the Contractor's failure to perform its Work in accordance with the Contract Documents or any applicable laws, codes, rules or regulations.

HED

WWW.HED.DESIGN

13. **JOBSITE SAFETY** | Neither the professional activities of the Consultant, nor the presence of the Consultant or its employees and subconsultants at a construction/project site, shall relieve the Contractor of its obligations, duties and responsibilities including, but not limited to, construction means, methods, sequence, superintending and coordinating the Work in accordance with the contract documents and any health or safety precautions required by any regulatory agencies. The Consultant and its personnel have no authority to exercise any control over any construction contractor or its employees in connection with their work or any health or safety programs or procedures. The Client agrees that the Contractor shall be solely responsible for jobsite safety and warrants that this intent shall be carried out in the Client's contract with the Contractor. The Client also agrees that the Client, the Consultant and the Consultant's subconsultants shall be indemnified by the Contractor and shall be made additional insureds under the Contractor's policies of general liability insurance.

14. **SHOP DRAWING REVIEW** | The Consultant shall review and approve or take other appropriate action on the Contractor submittals, such as shop drawings, product data, samples and other data, which the Contractor is required to submit, but only for the limited purpose of checking for conformance with the design concept and the information shown in the Construction Documents. This review shall not include review for accuracy or completeness of details, such as quantities, dimensions, weights or gauges, fabrication processes, construction means or methods, coordination of the work with other trades or construction safety precautions, all of which are the sole responsibility of the Contractor. The Consultant's review shall be conducted with reasonable promptness while allowing sufficient time in the Consultant's judgment to permit adequate review. Review of a specific item shall not indicate that the Consultant has reviewed the entire assembly of which the item is a component. The Consultant shall not be responsible for any deviations from the Construction Documents not brought to the attention of the Consultant in writing by the Contractor. The Consultant shall not be required to review partial submissions or those submissions for which correlated items have not been received. Shop drawings and other submittals related to the Work that are designed or certified by a design professional retained by the Contractor shall bear such professional's written approval, and the Consultant shall be entitled to rely upon the adequacy, accuracy, and completeness of such services, certifications, or approvals.

15. **PHOTOGRAPHS AND WRITTEN PUBLICITY MATERIALS** | The Consultant reserves the right to take and produce professional photographs of the job site upon completion of the work for the purpose of its marketing efforts through the media and Consultant promotional materials including but not limited to the company website, brochure and qualification package. Additionally, the Consultant reserves the right to produce written descriptions of the scope of work and the Consultant's staff efforts pertaining to the work proposed both during and upon completion of the project in the form of press releases and additional Consultant promotional materials including but not limited to the company website, brochure and qualification package.

16. **COMPLETION OF SERVICES** | HED's responsibility to provide the proposed services will terminate at the earlier of the issuance to the Client of the final Certificate for Payment or sixty (60) days after date of substantial completion of the project work.

17. **SUSPENSION OF SERVICES** | If the Client fails to make payments when due or otherwise is in breach of this Agreement, the Consultant may suspend performance of services upon seven (7) calendar days' notice to the Client. The Consultant shall have no liability whatsoever to the Client for any costs or damages as a result of such suspension caused by any breach of this Agreement by the Client. Upon payment in full by the Client, the Consultant shall resume services under this Agreement. The Consultant's time schedule and compensation shall be equitably adjusted if its services are suspended, delayed, extended, or otherwise materially changed due to causes outside of its control.

18. **TERMINATION OF SERVICES** | This agreement may be terminated upon 10 days written notice by either party should the other fail to perform their obligations hereunder. In the event of termination, the Client shall pay the Consultant for all services rendered to the date of termination, all reimbursable expenses, and reasonable termination expenses.

19. **RISK ALLOCATION** | In recognition of the relative risks and benefits of the Project to both the Client and the Consultant, the risks have been allocated such that the Client agrees, to the fullest extent permitted by law, to limit the liability of the Consultant to the Client for any and all claims, losses, costs, and damages of any nature, including attorneys' fees and costs and expert-witness fees and costs, caused by or related to Consultant's negligence or breach of the Agreement and not subject to the waiver under paragraph 17, so that the total aggregate liability of the Consultant to the Client shall not exceed the Consultant's total fee for services rendered on this Project or the aggregate amount of all indemnity payments made under any applicable insurance policy, whichever is less. It is intended that this limitation apply to any and all liability or cause of action, however alleged or arising, unless otherwise prohibited by law. If, due to the Consultant's negligence or breach, a required item or component of the Project is omitted from the Consultant's construction documents, the Consultant shall not be responsible for any cost or expense that provides betterment or upgrades or enhances the value of the Project beyond the item or component that would have been required and included in the original construction documents.

20. **CONSEQUENTIAL DAMAGES** | Notwithstanding any other provision of this Agreement, and to the fullest extent permitted by law, neither the Client nor the Consultant, their respective officers, directors, partners, employees, contractors or subconsultants shall be liable to the other or shall make any claim for any, incidental, indirect or consequential damages arising out of or connected in any way to the Project or to this Agreement. This mutual waiver of consequential damages shall include, but is not limited to, loss of use, loss of profit, loss of business, loss of income, loss of reputation or any other consequential damages that either party may have incurred from any cause of action including but not limited to negligence, strict liability, breach of contract and breach of strict or implied warranty. Both the Client and the Consultant shall require similar waivers of consequential damages protecting all the entities or persons named herein in all contracts and subcontracts with others involved in this project.

21. **INDEMNIFICATION** | In addition, and notwithstanding any other provisions of this Agreement, the Client agrees, to the fullest extent permitted by law, to indemnify and hold harmless the Consultant, its officers, directors, employees and subconsultants (collectively, Consultant) against all damages, liabilities or costs including reasonable attorneys' fees and defense costs, rising out of or in any way connected with this Project or the performance by Client or any of its employees and subconsultants under this Agreement, excepting only those damages, liabilities or costs attributable to the negligent acts or negligent failure to act by the Consultant or its breach of the Agreement.

22. **DISPUTE RESOLUTION** | Claims, disputes or other matters in question between the parties to this Agreement arising out of or relating to this Agreement or the breach thereof shall be subject to and decided by informal negotiations between authorized representatives of the parties, followed by mediation if the informal negotiations are not successful. Mediation shall be conducted in accordance with the Construction Industry Mediation Rules of the American Arbitration Association in effect at the time the request for mediation is made by either party. In the event that the parties are not successful in resolving the dispute by mediation, then such disputes shall be subject to and decided by arbitration conducted in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association in effect at the time the demand for arbitration is made by either party. The place of the arbitration hearings shall be at the offices of the American Arbitration Association in San Fransisco, CA unless otherwise mutually agreed by the parties. The award rendered by the arbitrator(s) shall be final and binding and enforceable in any court of competent jurisdiction.

23. **MISCELLANEOUS PROVISIONS** | The Agreement, including these Terms and Conditions, represents the complete and integrated agreement between the parties; supersedes all prior agreements between the parties relating to the project; may be amended only in writing; is binding upon the parties, their successors, assigns, and legal representatives; and shall be interpreted and governed in accordance with the laws of the California.

Interface Engineering
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San Francisco, CA 94105
TEL 415.489.7240
www.interfaceengineering.com

September 8, 2023 ***(Revised September 19, 2023)***

Timothy Hurvitz
Harley Ellis Devereaux
417 Montgomery Street, Suite 400
San Francisco, CA 94104

Re: Sonoma Valley Hospital NPC Evaluation
Professional Services Proposal

Dear Tim:

Thank you for the opportunity to provide you with our proposal for the Healthcare project.

This proposal is based on our Standard Provisions of Agreement for Professional Services, which is attached and incorporated by this reference.

PROJECT DESCRIPTION

Project Owner
Sonoma Valley Hospital

Project Location
347 Andrieux Street, Sonoma, California 95476

Project Description
The scope of the project is to provide consultation services for the disciplines listed within this proposal to accommodate the MEP Systems NPC 5 evaluation of the hospital. It is our understanding that the facility has not undergone an NPC 3 evaluation. Accordingly, that will be the starting point of our evaluation. The following further defines the scope:

1. The nonstructural performance evaluation for MEP systems shall examine the respective critical nonstructural systems and elements for the planned NPC as specified in Table 11.1, "Nonstructural Performance Categories." The nonstructural evaluation process shall include the following steps:
    a. **Interface Engineering Scope**
        1) Site visit and data collection of MEP systems only
        2) Identification of critical nonstructural MEP systems for the planned NPC
        3) Final evaluation for the critical nonstructural MEP elements and systems for the planned NPC
        4) Preparation of the MEP portion of the evaluation report
    b. **Scope by others**
        1) Identification of building SPC
        2) Identification of critical care services housed in the building
        3) Submittal of evaluation report to OSHPD.
        4) Engineering reports that may be submitted to the Office in lieu of the NPC evaluation report

2. Site Visits
    a. **Interface Engineering Scope**
        1) Visit the building to observe and record the type, nature and physical condition of the nonstructural MEP elements and systems for the planned NPC.
        2) Verify existing MEP data using spot checking methodology.
        3) Verify the critical nonstructural MEP systems of the planned NPC.
        4) Identify special conditions which may impact the nonstructural MEP systems or endanger the function of the critical care areas/services.
    b. **Scope by others**
        1) Note the SPC of the buildings.
        2) Assemble building design data including:
            a) Construction drawings, specifications and calculations, and all drawings, specifications and calculations for remodeling work.
        3) Develop other needed data (e.g., measure and sketch building if necessary)
        4) Verify the critical care areas/services.
3. This will be done for NPC MEP systems for NPC 3, NPC 4 or 4D.
4. The following will be done for the NPC 5 evaluation:
    a. Develop calculations for the 72 hour domestic water supply tank as well as explore the 24 hour tank with replenishment strategies for winter and summer extremes.
    b. Develop calculations to size the 72 hour process water supply tank for winter and summer extremes.
    c. Demonstrate 72 hours of fuel storage.
    d. Demonstrate utilities and systems will remain functional.
    e. Provide a plumbing fixtures list for facility.
    f. Develop calculation to size 24 hour minimum waste water storage
    g. Develop preliminary plan for installation of waste water storage tank.

The following items will be included in the water rationing plan. The bolded items are the items that IEI will take the primary role in developing. The non-bolded items will be the main responsibility of others:

1. General Requirements
    a. **Plan indicates how the services are provided in the event of an emergency. GACHs must provide basic services such as medical, nursing, surgical, anesthesia, laboratory, radiology, pharmacy, and dietary services. The plan will describe how services that rely on water will be provided.**
    b. Identification of licensed bed.
    c. **Identification that a single water storage tank shall not be less than 5,000 gallons.**
    d. Plan addresses how the GACH will continue to follow hospital infection prevention program during an emergency. The infection prevention program must include the following infection control requirements.
2. **Facility Equipment**
    a. **Air conditioning, heating/boilers, and ventilation.**
    b. **Water heating equipment**
    c. **Automatic fire suppression system assumes that a fire watch will be in place.**
    d. **Toilets, handwashing, and bathing facilities.**
    e. **Medical gasses.**

3. Infection Prevention Measures
    a. Routine sanitization of the facility.
    b. Facility water supply is tested at least every three months by having an estimate from a testing agency.
    c. Plan addresses how the GACH's facilities, supplies, and equipment ensure water quality is acceptable for the intended use (e.g., drinking water, lab water, etc.) during an emergency. This may include the facility's water supply and distribution system, water quality monitoring, and treatment system (as appropriate).
    d. Autoclaves and sterilizers shall be maintained in operating condition at all times.
    e. Patient hygiene options are available, including laundry services.
    f. Plan ensures staff are conducting hand hygiene.
4. Medical Services
    a. **Suction machines/compressors.**
    b. Visitator hygiene and hydration needs are adequately planned.
    c. **Medical and surgical equipment are sterilized as needed.**
    d. Planning for the prompt transfer of casualties, when necessary and after preliminary medical or surgical services have been rendered, to another facility most appropriate to administer care and a plan to cancel elective, non-emergency surgical, and interventional procedures. These procedures may be rescheduled until after a disaster, as necessary.
5. Nutrition Services
    a. Patient and staff nutrition needs are met.
    b. **Water is available for meal preparation.**
    c. Dietary staff are conducting handwashing.
    d. The dietary service area is being sanitized.
    e. **Ware washing is being conducted** or disposables are being used.
    f. **Patient and staff hydration needs are met.**
    g. **Ice is provided from a sanitary source.**
6. Pharmaceutical Services
    a. Pharmacy staff are conducting hand hygiene.
    b. Pharmacy including the compounding room is being cleaned.
    c. **Pharmacy clean room scrub/sinks are being maintained to meet current standards.**
    d. Medications are available 24-hours a day, including IV bags and oral suspension medications.
    e. **Water is available for medications requiring reconstitution and compounding.**
7. Laboratory Services (While not required per Appendix D of the August 2023 Water Rationing Plan Advisory Guide, this will be reviewed)
    a. **Laboratory equipment and systems required for them to remain functional.**

The deliverable will be an 8.5 x 11 report with drawings to identify locations of MEP equipment and routing of piping, conduits and ductwork.

Please note that the central wing will be removed from the evaluation as it is not anticipated to have acute care services beyond 2030.

Sustainable Design Requirements

Project is not anticipated to pursue LEED® certification or any other third-party green building certifications/incentive programs. We will include energy efficiency designs where feasible and cost effective.

INFORMATION SOURCE

Based on conversation with Tim Hurvitz on August 25, 2023 and email from Scott Callaway on September 12, 2023.

ASSUMPTIONS

Based on information received, we understand that this project:

- Project will not be a LEED® project.
- Project Funding: We have assumed and understand that funding for this project has been secured or will be in place when project design starts. We have not assumed that payment for services will be held or delayed due to any funding delays or issues.

PROJECT SCHEDULE

Submission of plan by January 1, 2024.

Note: Dates listed above are approximate based on information provided. However, substantial changes to the schedule above, and start/stops to project progress may result in additional services and fees.

MEETINGS AND DESIGN SITE VISITS

- Up to sixteen (16) Virtual meetings and conference calls.
- Up to six (6) site visits during design.

DESIGN SUBMITTALS

8.5x11 NPC Evaluation report with sketches for clarifications.

ENGINEERING SERVICES DESCRIPTION

Mechanical Engineering Services

Heating, Ventilating, and Air Conditioning Systems

NPC Evaluation report development.

Plumbing Systems

NPC Evaluation report development.

Electrical Engineering Services

NPC Evaluation report development.

EXCLUSIONS AND CLARIFICATIONS

1. Construction cost estimates will be by construction cost estimator. We will review cost estimator's pricing and provide comments.
2. Life cycle cost analysis for mechanical/electrical systems are not included.
3. Metering is by others.
4. Water meter bill procurement by others.
5. Water Replenishment/Tanker Trucks contract negotiations and contact by others.
6. Development of list of services is by others. i.e. Medical & Nursing, Surgical & Anesthesia, Clinical Laboratory, Radiological. Pharmaceutical etc.
7. Development of site plan and building backgrounds is by others.
8. Assembly of report for submission to HCAI is by others. IEI will coordinate its template with the architect.
9. Architect is the prime designer.
10. The proposal assumes that the NPC-2 evaluation was done correctly and does not require re-evaluation.
11. Structural calculations to justify the MEP anchorage is to be by others.
12. Pull testing of MEP equipment anchorage to be done by others.
13. Tenting for above ceiling inspection will be provided by others.
14. Facility engineering will be available for equipment location support.
15. The facility will assist IEI by providing IEI with access to all of its drawings, including PDF and hard copies.
16. HED will be responsible for developing the format of the entire report for the team to submit to HCAI.
17. NPC 4D documentation will be used where NPC 4 bracing is not feasible.
18. HED will lead meetings for the design team, coordinate site visits and will maintain project meeting minutes.
19. Design drawings for the work is excluded.
20. Central wing evaluation beyond MEP service relocation strategy is excluded.

FEE

Fixed Fee

Project Phase	Principal	Mechanical	Plumbing	Electrical	Admin
NPC Evaluation	$11,250	$42,600	$48,800	$42,400	$1,995

Total Fee: $147,045

PAYMENT TERMS

Standard reimbursable expenses include, but are not limited to: final plots, project mileage to jobsite or meeting locations, parking, shipping, and messenger services.

Fixed Fee: $500

Travel Expenses: Airfare, car rental, lodging, meals, and other travel expenses will be billed at our cost plus 10 percent.

We will bill fees and reimbursable expenses monthly as services are performed. Payment is due within 60 days of receipt of invoice. Finance charges may be added after that time at a rate of 1.5 percent per month (annual rate of 18 percent). Finance charges will be applied to delayed payments resulting from lack of project funding. Upon aging of fees and reimbursable expenses beyond 90 days, Interface reserves the right to meet with Architect and holder of Prime Contract to determine resolution prior to continuation of services.

This proposal is valid for 90 days from the date first written above. Interface Engineering, Inc. (Interface) reserves the right to modify or update this proposal after that date.

ADDITIONAL SERVICES

Services requested beyond those included in this proposal will be considered extra services and will be billed either at hourly rates listed below or will be estimated on a lump sum basis. Interface may decline to perform additional work until authorization is received in writing.

Additional services will be billed at our standard hourly rates at the time the work is performed*. Our current standard hourly rates (2023) are:

Senior Principal:	$375/Hour
Principal:	$325/Hour
Associate Principal:	$265/Hour
Associate/Project Manager:	$245/Hour
Sr. Engineer-Designer:	$210/Hour
Engineer-Designer:	$165/Hour
Project Designer-Drafter:	$145/Hour
Administrative:	$115/Hour

*Annual rate changes are expected to be 4% per year.

DESIGN-BUILD SERVICES

If design-build services are provided, Client acknowledges that Interface will provide performance specifications. In the event that drawings are provided, they will be conceptual drawings only. Conceptual drawings and performance specifications are intended as guidelines for the design of system(s) by the design-build contractor. Conceptual drawings and performance specifications are not intended for use to obtain a building permit or as bid documents. The design-build contractor is responsible for complete design, engineering, permit documents, construction documents, and coordination with architectural, all trades and utilities, and governing jurisdictions and licensing agencies. The design-build contractor is responsible for system quantities, capacities, routing, and installation adequate for its intended use. All detailing by design builder. Client agrees that Interface is not responsible for the design and will indemnify and hold harmless Interface for any and all claims, damages, allegations, and costs, including attorneys' fees at trial, arbitration and on appeal, arising out of the design and installation of design-build systems.

Client acknowledges that Interface's review of submittals by design-build contractor is for the limited purpose of checking for conformance with the performance concept expressed in the contract documents. Interface's review does not constitute approval of safety precautions, means and methods, approval of an assembly, or approval of a component.

Attached is our Standard Provisions of Agreement for Professional Services. If this Proposal and the Standard Provisions of Agreement meet with your approval, please sign below, initial the Standard Provisions, and return to us. By your signature, you acknowledge that you have read the Standard Provisions of Agreement and that you read and agree to the Limitation of Liability paragraph. We will not proceed with the work until this signed Agreement is returned to us. In addition, you represent that you have authority to bind Harley Ellis Devereaux. If you have modified this proposal, we will review your modifications. This Agreement shall not be in effect until we sign, accepting your modifications.

If you have any questions, please contact this office.

Sincerely,

Rick Russell, PE, LEED AP, CxA
Principal

RHR:ka/ah

Enclosures: Standard Provisions

COMPANY: Harley Ellis Devereaux

CONTACT: _____ _____
Timothy Hurvitz, Associate, Studio Leader Date

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INTERFACE ENGINEERING

Interface Engineering
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San Francisco, CA 94105
TEL 415.489.7240
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STANDARD PROVISIONS OF AGREEMENT FOR PROFESSIONAL SERVICES

1. Standard of Care: The services provided by Interface Engineering, Inc. (Interface) under this Agreement will be performed in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing under similar circumstances. Interface makes no other representations or warranties, whether express or implied, with respect to the services rendered hereunder.
2. Indemnity: Client shall, to the fullest extent permitted by law, indemnify and hold harmless Interface, its officers, directors, employees, agents and subconsultants from and against all damages, liability and costs, including reasonable attorneys' fees and costs, at trial, arbitration and on appeal, arising out of or in any way connected with the performance of Client and Interface pursuant to this Agreement, excepting only those damages, liabilities, or costs attributable to the sole negligence or willful misconduct of Interface.
3. Non-Responsibility: Interface shall not be responsible for damages and shall not be held in default by reason of events or circumstances beyond Interface's reasonable control; or for delays caused by failure of Client or Client's agents to furnish information or to approve or disapprove Interface's work promptly, or due to late or slow or faulty performance by Client, Client's consultants, contractors, or governmental agencies, in the performance of acts which are precedent to or concurrent with the performance of Interface's services.
4. Client Information: Client shall provide all criteria and full information as to Client's requirements for the Project; designate a person to act with authority on Client's behalf in respect of all aspects of the Project; examine Interface's submissions; and respond promptly to Interface; and give prompt written notice to Interface whenever Client observes or otherwise becomes aware of any defect in the work. Interface has a right to rely on the accuracy and completeness of information provided by Client.
5. Payment: Fees and reimbursable expenses will be billed monthly as services are performed. Invoices shall be due upon receipt and shall be delinquent if not paid within 60 days of receipt of invoice. Delinquent invoices shall bear interest at the rate of 1.5 percent per month (but not exceeding the maximum amount allowable by law) until paid. Finance charges will be applied to delayed payments resulting from lack of project funding. Upon aging of reimbursable expenses beyond 90 days, Interface reserves the right to meet with Architect and holder of Prime Contract to determine resolution prior to continuation of services. Payments received shall be first applied to interest and then to the unpaid principal balance. Client shall pay Interface's reasonable costs, including staff time, attorneys' fees and costs, incurred in collecting any delinquent amount regardless of whether litigation or arbitration has been filed.
6. Fees: Client shall pay the cost of checking and inspection fees, zoning and annexation application fees, assessment fees, soils and engineering fees, soils testing fees, aerial topography fees and all other fees, permits, bond premiums, title company charges, document reproduction costs, and other charges not specifically covered by the terms of this Agreement. Any such fees paid by Interface on behalf of Client shall be reimbursed, along with other reimbursable expenses, as invoiced.
7. Site Control: Interface and its personnel shall have no authority or responsibility to exercise any control over any construction contractor or other entity in connection with their work or any health or safety precautions associated with the Project. Client agrees that its contractor shall be solely responsible for job site safety, means and methods, and warrants that this intent shall be made

evident in Client's agreement with its contractor. Client also agrees that Client, Interface, and Interface's consultants shall be indemnified and shall be made additional insureds under the Contractor's General Liability Insurance Policy and Builder's Risk Policy.

8. Document Ownership: All reports, plans, specifications, field data and notes, and other documents including all documents on electronic media, prepared by Interface as instruments of service shall remain the property of Interface. Client may make and retain copies for information and reference in connection with the use and occupancy of the Project; however, such documents are not intended or represented to be suitable for reuse by any person for extension of the Project or for any other project. Any reuse or modification to the documents, without the prior written authorization of Interface shall be at Client's sole risk and without liability to Interface, its independent professional associates or consultants. Client agrees, to the fullest extent permitted by law, to indemnify, defend, and hold Interface harmless from any claim, cause of action, liability, or cost (including reasonable attorneys' fees and defense costs at trial, arbitration and on appeal) arising out or allegedly arising out of any unauthorized reuse or modification of the documents by Client or any person or entity that acquires or obtains the documents from or through Client without Interface's written authorization.
9. Cost Estimates: In providing opinions of probable construction costs, Client understands that Interface has no control over cost or the price of labor, equipment, or materials or over any contractor's method of pricing, and the opinions of probable construction costs provided by Interface are to be made on the basis of Interface's qualifications and experience. Interface makes no warranty, express or implied, as to the accuracy of such opinions as compared to bids or actual costs of the work estimated.
10. Hazardous Materials: Client acknowledges that Interface's scope of services does not include any services related to asbestos, hazardous or toxic materials. In the event Interface, or any other party, encounters these materials at a job site, or it should become known that any such materials may be present at a job site or in adjacent areas which may affect Interface's performance of services, Interface may, at its option and without liability for consequential or any other damages, suspend performance of services on the project until Client retains appropriate specialist(s), consultant(s) or contractor(s) to identify, abate and/or remove the asbestos, hazardous or toxic materials, and warrant that the job site is in full compliance with applicable laws and regulations. Client agrees, to the fullest extent permitted by law, to indemnify and hold harmless Interface, its officers, directors, employees, agents, and subconsultants, from and against any and all claims, allegations, suits, liabilities, damages, and costs, including reasonable attorneys' fees and costs, at trial, arbitration or appeal, arising out of, or in any way connected with the detection, presence or handling, removing, abatement, or disposal of any asbestos, hazardous or toxic substances, products and materials that exist on, about, or adjacent to the job site.
11. Termination - Suspension: Failure by Client to pay any invoice before it becomes delinquent shall constitute a material breach of this Agreement and shall entitle Interface to suspend performance of services until such delinquency is cured or, so long as such delinquency persists, Interface may terminate this Agreement upon five days' written notice without liability. This Agreement may otherwise be terminated by either party upon 30 days' written notice to the other in the event of a material breach by the other. In the event that Client becomes bankrupt or insolvent, Interface may terminate this contract without liability for direct, consequential or any other type of damages. In the event of termination of this Agreement, Client shall promptly pay Interface for all services rendered and all costs incurred up to the date of termination, in accordance with the compensation provision of this agreement.

12. Third-Party Beneficiary: Nothing in this Agreement shall create a contractual relationship with, nor a cause of action in favor of any third party against, either Client or Interface. Interface's services under this Agreement are performed solely for Client's benefit, and no other entity shall have any claim against Interface because of this Agreement or the performance or non-performance of services hereunder.
13. Mediation: Should any dispute arise between Client and Interface under this Agreement, it is agreed that such dispute will be submitted to a mediator, agreed to and compensated equally by the parties, prior to commencement of litigation. Mediation will be conducted in San Francisco, CA. Both parties agree to exercise their best efforts and good faith to resolve all disputes in mediation.
14. California Law: This Agreement is to be governed by and interpreted under the law of the state of California. Should any provision of this Agreement be found or deemed to be invalid, this Agreement shall be construed as not containing such provision, and all other provisions which are otherwise lawful shall remain in full force and effect.
15. Assignment: Neither Client nor Interface shall assign its interest in this Agreement without the prior written consent of the other.
16. Warranties: Interface has made no warranties or guaranties except as expressly written within the Agreement.
17. ADA and Regulatory Compliance: The American with Disabilities Act ("ADA") requires the removal of architectural barriers. Client acknowledges that requirements of the ADA will be subject to various, and possibly contradictory, interpretations. Client also acknowledges that other laws, codes, rules, ordinances, and regulations may also be subject to contradictory interpretation. Interface will use reasonable professional efforts and judgment to interpret typical ADA requirements, and other federal, state and local laws, rules, codes, ordinances, and regulations, as they apply to the project. Interface cannot and does not warrant or guarantee that Client's project will comply with all interpretations of the ADA requirements, and/or the requirements of other federal, state and local laws, rules, codes, ordinances, and regulations, as they apply to the project. Client agrees that Interface is not obligated for additional costs incurred due to changed interpretations, providing Interface used reasonable professional effort and judgment.
18. Integration: This Agreement contains the entire Agreement between Client and Interface, and no other oral or written inducement or promise has been made to or extended from either party as a part of this Agreement.
19. Waiver: The failure of either Party to enforce any provision of this Agreement shall not constitute a waiver of that or any other provision.
20. LIMITATION OF LIABILITY. Professional and Nonprofessional Liability: To the maximum extent permitted by law, and in recognition of the risks and rewards to Client and Interface, Client agrees to limit Interface's liability for Client's damages arising from Interface's errors and omissions associated with work performed under this Agreement to Interface's fee. As to all non-professional liability claims, Client Agrees to limit Interface's liability to Interface's available insurance. These limitations shall apply regardless of the cause of action or legal theory pleaded or asserted, including, but not limited to negligence, breach of contract, negligent misrepresentation, and strict liability. Client may negotiate higher limitations of liability for an additional fee.
21. Limitation of Liability - Consequential Damages: Neither Interface nor Interface's directors, agents, employees, representatives, or subconsultants, shall be liable to Client for any indirect, special, incidental, consequential, or exemplary damages arising out of, or in connection with, the performance of services under this Agreement, whether in an action based upon contract, delay, negligence, strict liability, negligent misrepresentation, reckless misrepresentation, or otherwise.

22. Statutes of Limitation: Causes of action between the parties to this Agreement pertaining to acts or failures to act shall be deemed to have accrued and the applicable statutes of limitations shall commence to run not later than either the date of substantial completion or the date of issuance of the final certificate for payment for acts or failures to act occurring after substantial completion. In no event shall such statutes of limitations commence to run any later than the date when Interface's services are substantially completed.

_____
Client Initials

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
Healing Here at Home

To: SVHCD Board of Directors
From: John Hennelly
Date: 12.07.23
Subject: CEO Report

Strategic Plan

As related to our new **strategic plan**, our efforts in FY24 will focus on:

- *Campus Realignment*: discussions with UCSF regarding how they might participate, business plan development on SNF, Sub Acute, Memory Care service lines; working to engage a firm to assist with the development of a master facility plan.
- *Community Care*: market sizing for various community opportunities, urgent care, diagnostic center, specialty clinics, PT/OT
- *Sustainability*: business plan development on GI, cardiology, orthopedics, and UCSF clinical services
- *Seismic*: continued research on possible options. The hospital has engaged HED to assist in the assessment.

Operations

Operations are running smoothly as the year continues. The use of Epic has normalized, our new ED group has integrated, and staffing has largely settled now that the pandemic has subsided.

We continue to invest in **Physical Therapy**. Over the past 12 months we have added a therapist and two assistants. Total clinic visits have risen accordingly. Wait times have come down marginally. We will continue to invest as we work on the expansion.

October yielded mixed results. Inpatient volumes were strong while ER visits missed budget. Like September, October operating margin missed budget. Several surgeons traveled during this time impacting OR volumes. YTD operating margin remains $1m better than 2023 and operating EBIDA is almost $2m better than 2023. The primary negative influence remains depreciation. Depreciation will continue to grow as we invest in capital projects; MRI, ICU, and PT will all come online in 2024. Regardless, we expect revenues and expenses to outperform forecasts as FY24 continues.

The hospital continues to recruit heavily for practitioners. We are currently in negotiations with providers in several subspecialties to locate their practices in Sonoma. Surgical subspecialties remain a particular focus.

Capital

The temporary MRI project is underway. Site prep is complete, and the foundation has been poured. Plumbing and electrical work are ongoing. The structure should be on site 1/15/24 delay of approximately 6 weeks due to difficulty obtaining the steel for the enclosure. The MRI will be delivered in the subsequent weeks. Once the magnet (MRI) is secured we will need to finish the build out and file with the state for occupancy. We are now working toward a February occupancy.

Phase 2 of the CT project is underway. The old CT has been removed and the space is being remodeled to house other services.

The ICU renovation scoping is complete. Architectural work is beginning. Once complete the plan will go to the state for review. We expect to have the project completed by the end of this fiscal year.

The scoping of the expansion of PT at Highway 12 is complete. The revised budget is being submitted to the Board for review. We continue to expect that the project will be completed by the end of CY24.

Seismic planning work is underway. The team has reviewed the non-structural facility drawings and walked the site. This initial phase will provide us with the information needed to meet state requirements that we submit a road map for non-structural compliance in early 2024. Once we have this completed, we will begin the structural review.

Other

We have begun to review and renegotiate our insurance contracts. This is our first significant renegotiation since 2018. Many of our contracts have been framed to capture certain revenues based upon business strategies at the hospital. A contract is not a standard rate but rather an adjustable *group* of rates. After Medicare, MediCal and Kaiser, the hospital's largest contract is Anthem Blue Sheild. It represents roughly 10% of the hospital's volume. The contract has not had a complete overhaul in over 10 years. Our contract was set to expire 12/1/23 but has been extended to 2/1/24. If we are unable to come to an agreement by 2/1/24 we will no longer be in-network for Anthem Blue Cross.

Patient Feedback:

From the time I entered the reception room until I left the emergency room every single person who took care of me was kind, receptive, attentive, professional. Those who greeted me and signed me in, my nurse, my doctor, the radiologist, the staff busy at the desks in the center of the area, EVERY SINGLE PERSON looked after my needs, answered questions and at the end of my visit at my request called a security guard, since it was dark, and asked him to walk me to my car. My doctor came into my room to introduce himself and actually pulled his chair next to my bed and listened to every single concern. He looked at my physical problem in a whole new way and gave me relief from pain and the first sound sleep I have had in many weeks. He answered every question in detail, gave me the time I needed, cared about why I was suffering and did all he could to relieve it. Our decisions were well thought out, thoroughly explained, and he showed, as all did, his concern for me. I have never had a better experience in any medical facility or hospital. The staff was the essence of caring and professionalism. I will always remember it. Thank you for having such wonderful people available to help me. I am very grateful.

I have been so well taken care of by most everyone I've dealt with there. The sign in staff, the lab techs & the MRI. 👍

The technician who did my mammogram today also did my DEXA scans. My doctor from Santa Rosa was very pleased with the DEXA scan imaging and made a comment that my Dexa scan was done by a really good technician.

I found everyone to be very receiving, prepared, and professional. Dr Brown and his staff have been very attentive pre-and post op. Highly recommend their staff and Dr Brown.

SVH Performance Score Card

1. Quality and Safety

Objective	Target	SEP.23	OCT.23	Trend	Supporting detail
Infection Prevention					
Central Line Blood Stream Infection CLABSI per 10k pt days	<1	0.00	0.00	⇆	
Catheter Associated Urinary Tract Infection- CAUTI per 10k pt days	<1	0.00	0.00	⇆	
CDIFF Infection per 10k pt days	<0.9	0.00	0.00	⇆	
Safety					
Patient Fall per 1000 pt days	<3.75	3.97	0.00	↑	
Patient fall with injury per 1000 pt days	<3.75	0.00	0.00	⇆	
Surgical Site Infections per 1000 Acute Care Admissions	0.00	0.00	0.00	⇆	
Core Measures					
Sepsis Early Management Bundle % compliant	>81%	100 (n=6)	87.5 (n=7)	↓	Sepsis task force formed to address
Severe Sepsis 3 hour Bundle % compliant	>94%	100 (n=3)	87.5 (n=7)	↓	
Severe Sepsis 6 hr Bundle % compliant	100.00	100 (n=5)	100 (n=5)	⇆	Sepsis task force formed to address
Core OP 23- Head CT within 45 mins % compliant	70.00	50 (n=2)	66.7 (n=3)	↑	
Mortality					
Acute Care Mortality Rate %	<15.3	0.00	1.30	↓	
ED					
Core OP 18b Median Time ED arrival to ED Departure mins	<132	187 (n=33)	149 (n=30)	↑	
Core Op 22 ED Left without being seen LWBS	<2%	0.70	0.30	↑	
PSI 90					
PSI 90 Composite Acute Care Admissions	0.00	15.25	0.00	↑	
Preventable Harm					
Preventable Harm Events Rate % of risk events graded Minor-Major	0.00	0.33	0.33	⇆	
Readmissions					
Readmissions to Acute Care within 30 days %	<15.3	1.72 (n=1)	1.35 (n=1)	↑	Lower is better

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
Healing Here at Home

2. Employees

Objective	Target	SEP.23	OCT.23	Trend	Supporting Detail
Turnover	<3%	0.9	0.0	↑	
Workplace Injuries	<20 Per Year	4 (QTR 3)	2 (QTR 4)	↑	13 YTD

3.Patient Experience

Objective	Target	AUG.23	SEP.23	Trend	Supporting Detail
Outpatient Ambulatory Services					
Recommend Facility	>90%	73 (n=38)	68 (n=31)	↓	Top Box Scores. % of patients that ranked us 5/5
Communication	>90%	93 (n=38)	96 (n=31)	↑	
Discharge Instructions	>95%	96 (n=38)	96 (n=31)	⇆	
HCAHPS					
Recommend the hospital	>90%	50 (n=16)	81 (n=16_	↑	Top Box Scores. % of patients that ranked us 5/5
Communication with Nurse	>90%	83 (n=17)	85 (n=16)	↑	
Communication with Doctor	>90%	84 (n=17)	85 (n=16)	↑	
Cleanliness of Hospital	>90%	70 (n=17)	69 (n=16)	↓	
Communicaiton about medicines	>90%	46 (n=13)	55 (n=10)	↑	
Discharge Information	>90%	90 (n=15)	100 (n=14)	↑	

4. Volume

Objective	Target	SEP.23	OCT.23`	Trend	Supporting Detail
Patient Visits					
Emergency Visits	>750	884.0	818.0	↓	
Surgical Volume Outpatient	>140	143.0	168.0	↑	
Surgical Volume Inpatient	>13	13.0	18.0	↑	
Inpatient Discharges	>50	69.0	82.0	↑	

5. Financial

Objective	Target	SEP.23	OCT.23	Trend	Supporting Detail
Operating EBDA in %	>-4.0%	-6.8%	-6.3%	⇆	
Days Cash on Hand month end	>42	25.6	24.3	⇆	still on track to exceed target by end of year
Net Revenue ($M) (annualized)	>$46	$ 51.3	$ 52.8	⇆	

Scorecard Definitions for Quality Metrics

Central Line Associated Blood Stream Infection (CLABSI)
Blood stream infection found in a patient with a central line in place and has been >48 hours since admission.

Catheter Associated Urinary Tract Infection (CAUTI)
Urinary tract infection found in a patient who has a catheter in place and has been >48hrs since admission.

CDIFF (Clostridium Difficile)
Clostridium Difficile found from a stool sample in a patient that has been admitted >48hrs

Sepsis Early Management
Obtain Blood Cultures BEFORE antibiotics
Administer Antibiotics
Obtain Lactate Level
Lactate Level repeated (if elevated)

Severe Sepsis 3 hour bundle
All above included plus-
Administer 30ml/kg of crystalloid for hypotension or Lactate >4
Focused MD exam

Severe Sepsis 6 hour bundle (septic shock only)
Lactate greater than 4 or
If persistent hypotension with 1 hour of fluid administration add Vasopressor
Shock reassessment by physician

Mortality
Acute care mortality benchmark is derived from CMS 5-star rating benchmark which is 15.3%.
Our average mortality rate each month is around 2-6%, most of our deaths are expected and are related to palliative care/hospice patients.

PSI 90
Summarizes patient safety across multiple indicators including-
Pressure Ulcers
Falls with Hip Fracture
Perioperative (while in surgery) complications
Postoperative complications

Preventable Harm
Unintended physical injury resulting from or contributed to by medical care (including the absence of indicated medical treatment), that requires additional monitoring, treatment or hospitization, or that results in death.This is a percentage of risk events that have a significance level of minor-major harm.
Derived from the risk events entered into our risk reporting platform.
Examples of risk events are- patient falls, surgical complications, mis-diagnosis, repeat visits, code blue, AMA, transfers to other facilities, documentaiton issues.
Goal is 0. Alarm is set at 5.0 which is the benchmark set by UCSF and chosen by Dr Kidd

Readmissions
Percentage of patients that get readmitted to the hospital within 30 days of discharge.

Revision Date: 12.04.23

Tactic Completed	Tactics under way now	Tactics to begin in the next 12 months	Tactics in conceptual form

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	2024	Engaging UCSF and third party vendors on contracting. Dr Sankaran has lead. Conversations progressing most promising with UCSF.	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	Ongoing vetting of candidates	12/23
			Joint recruitment of orthopedic surgeon based in Sonoma	Orthopedics is in strong demand in Sonoma. Planning to insure availablity over coming years.		2023	Interviewing finalists	12/23
			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 surgicians 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) clinic has launched	12/23
	3.2	Explore collaborative opportunites 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 abvailable in Sonoma	Meeting market demand and insuring Sonoma has the right setting for care. Activation of dormant space at SVH.		2024	Reviewing possible partnership with Ensign to expand SNF capacity	12/23
	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 VA specialty area leaders to find opprotunities 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 complete. Exploring how to further data integration between UCSF and SVH instances of Epic	12/23
	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 signicant 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

CMO Report to the Board

December 2023

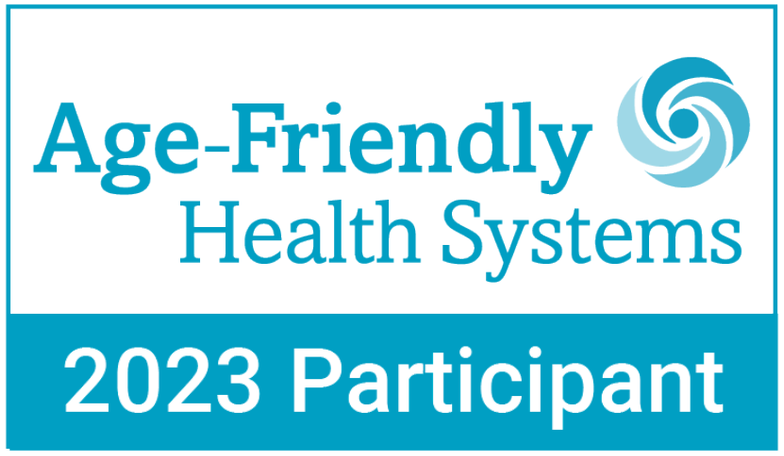
SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
Healing Here at Home

Updates

- Geriatric Program
- DEI Training
- Orthopedics

Age-Friendly Health System Program

- Sonoma Valley Hospital has been recognized as an ***Age-Friendly Health System - Participant***.
- We are now a part of a rapidly growing movement of Age-Friendly Health Systems committed to improving the health and health care of older adults.



- As an Age-Friendly Health System we are providing care to every older adult that is guided by an essential set of evidence-based practices, causes no harm, and is consistent with what matters to the older adult and their family.
- Current focuses of our program: inpatient and ED geriatric consultation, pre-op optimization, and systems building for age-friendly health care

Diversity, Equity, and Inclusion

- Our commitment is to advance diversity, equity, inclusion, and belonging at Sonoma Valley Hospital by educating, advocating, and acting on principles of health equity and humble inquiry to provide the highest-quality and safest care possible to all of our patients/family members/visitors/etc. at Sonoma Valley Hospital and to nurture a clinical and professional culture that is welcoming, supportive, and culturally sensitive.

- On December 7, we are holding DEI training for leadership and frontline staff. This training will focus on communication across differences.

Orthopedics

- Dr. Michael Brown, a longstanding, incredibly valuable member of the SVH community is leaving on March 10, 2023 to be closer to family in Oregon.

- We are in the midst of recruiting a new orthopedist with a focus on geriatrics and joint replacement

Questions?

SONOMA VALLEY HOSPITAL
SONOMA VALLEY HEALTH CARE DISTRICT
Healing Here at Home

To: Sonoma Valley Health Care District Board of Directors
From: Ben Armfield, Chief Financial Officer
Date: December 7, 2023
Subject: **Financial Report for October 2023**

1. OVERALL PERFORMANCE | MONTH

October's performance delivered mixed results and followed a similar pattern of the past couple of months. October's operating margin of ($1,001,536) was unfavorable to our budget of ($516,178), missing the target by $485,358. We will get into more detail below but much of the results of the month were driven by lower surgical volumes, primarily due to some PTO taken by key surgeons that continued into October. On the expense side, our overall operating costs did end up over budget for the month, which was driven by continued increases in depreciation expense due to placing additional costs of projects in-service.

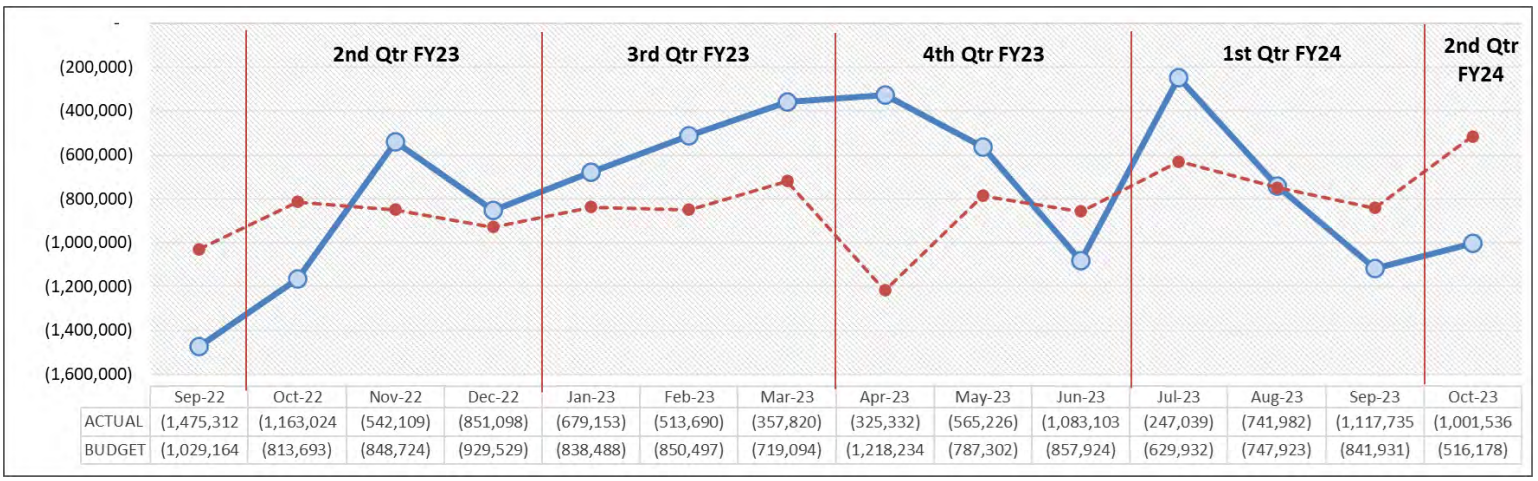
As mentioned and highlighted last month, September and October were two of the weakest months during last fiscal year. Last October we a posted an operating margin loss of $ (1.2M) and an operating EBDA loss of $ (860K).

October's performance did flip our year-to-date vs budget to unfavorable, but we still exceed prior year performance by a pretty significant margin.

Table 1 | Overall Performance - October 2023

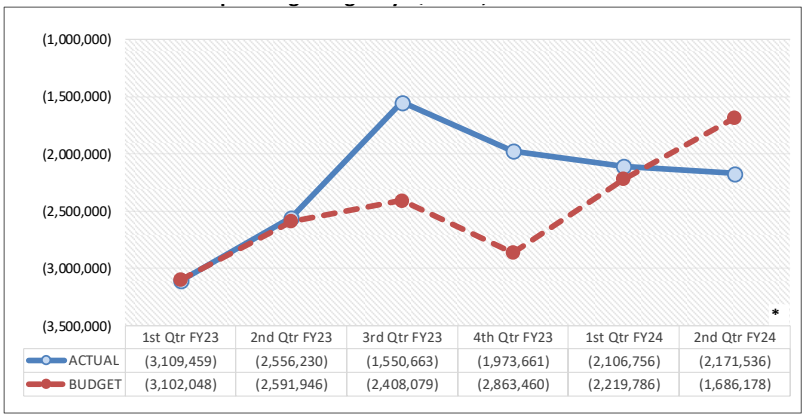
.	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD	Variance	
	Actual	Budget	$	%	Actual	Budget	$	%	Actual	$	%
Operating Margin	$ (1,001,536)	$ (516,178)	$ (485,358)	-94%	$ (3,108,292)	$ (2,155,079)	$ (953,212)	-44%	$ (4,272,483)	$ 1,164,191	27%
Operating EBDA	$ (305,149)	$ (143,211)	$ (161,938)	-113%	$ (1,431,064)	$ (883,211)	$ (547,853)	-62%	$ (3,237,136)	$ 1,806,072	56%
Net Income (Loss)	$ (467,189)	$ 202,592	$ (669,781)	-331%	$ (729,133)	$ 719,945	$ (1,449,078)	-201%	$ (1,403,880)	$ 674,747	48%

Graph 1.1 | SVH Trended Operating Margin – September 2022 – October 2023



	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
ACTUAL	(1,475,312	(1,163,024	(542,109)	(851,098)	(679,153)	(513,690)	(357,820)	(325,332)	(565,226)	(1,083,103	(247,039)	(741,982)	(1,117,735	(1,001,536
BUDGET	(1,029,164	(813,693)	(848,724)	(929,529)	(838,488)	(850,497)	(719,094)	(1,218,234	(787,302)	(857,924)	(629,932)	(747,923)	(841,931)	(516,178)

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



	1st Qtr FY23	2nd Qtr FY23	3rd Qtr FY23	4th Qtr FY23	1st Qtr FY24	2nd Qtr FY24
ACTUAL	(3,109,459)	(2,556,230)	(1,550,663)	(1,973,661)	(2,106,756)	(2,171,536)
BUDGET	(3,102,048)	(2,591,946)	(2,408,079)	(2,863,460)	(2,219,786)	(1,686,178)

* Projected based on October23 Performance

2. NET REVENUE SUMMARY:

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

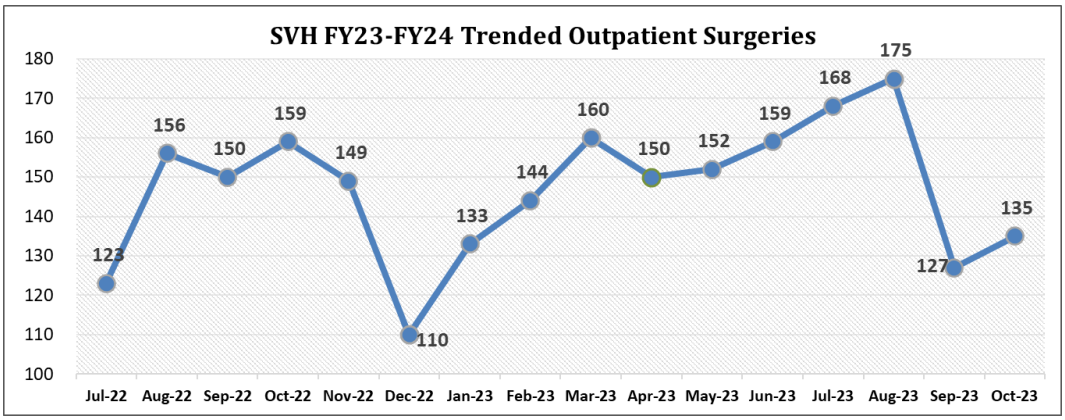
	Month of October 2023				Year To Date October 2023						
	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD	Variance	
	Actual	Budget	Var	%	Actual	Budget	$	%	Actual	$	%
Gross Revenue	$29,746,780	$ 30,223,060	$ (476,280)	-2%	$ 114,650,853	$ 113,017,815	$ 1,633,038	1%	$ 104,536,567	$10,114,285	10%
Net Patient Revenue	$ 4,057,198	$ 4,553,985	$ (496,787)	-11%	$ 16,874,781	$ 17,733,945	$ (859,164)	-5%	$ 15,449,962	$ 1,424,819	9%
NPR as a % of Gross	13.6%	15.1%	-9.5%		14.7%	15.7%	-6.2%		14.8%	-0.4%	
Tot Operating Revenue	$ 4,142,155	$ 4,646,791	$ (504,636)	-11%	$ 17,216,755	$ 18,105,169	$ (888,414)	-5%	$ 15,818,481	$ 1,398,273	9%

Both gross and net revenue missed budget in October, although both were also improvements from September. As noted last month and above, some key surgeons had scheduled time off that impacted surgical volumes these last two months. Outpatient surgeries did begin to rebound from September's low, but volumes still were more than 15% under budget. We anticipate volumes regaining their historical levels starting in November as we have already surpassed the totals from the previous two months.

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

We did see an increase in our inpatient volumes as both medical and surgical admits ticked up in October. Our average daily census of 9.4 was a fiscal year high.

We did book some IGT activity in October. This IGT fund relates to our HQAF (Hospital Quality Assurance Fee Program) program and will deliver a net benefit of $511,849 to the hospital ($211,693 of expense and $723,542 of revenue). We made the matching fee payment at the end of October and both the revenue and expense was recognized during the month. This negatively impacted our cash in October as we didn't receive the funding until mid-November.

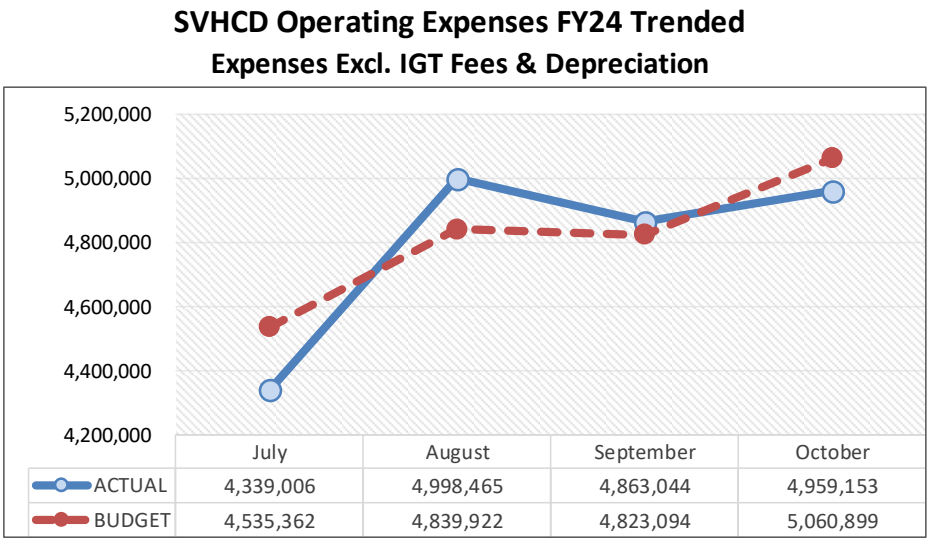


3. OPERATING EXPENSE SUMMARY:

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

	Month of October 2023				Year To Date October 2023						
	Current Year - Month		Variance		Current Year - YTD		Variance		Prior YTD	Variance	
	Actual	Budget	Var	%	Actual	Budget	$	%	Actual	$	%
Operating Expenses	$ 5,655,540	$ 5,433,866	$ (221,674)	-4%	$ 20,836,895	$ 20,531,145	$ (305,750)	-1%	$ 20,090,964	$ (745,931)	-4%
Worked FTEs	224.3	219.7	(4.6)	-2%	217.2	214.4	(2.7)	-1%	208.8	(8.4)	-4%

We did run over budget in operating expenses for the month, coming in 4% over budget. Just like September the overage is directly attributed to two specific areas, depreciation and supplies. In fact, operating expenses were under budget if you exclude IGT and depreciation.



OPERATING EXPENSE DRIVERS:

- **Depreciation Expense** – October had additional increases to depreciation expense due to the GASB96 adjustment (that now includes the Epic project now being depreciated), as well as portions of the ODC project now being placed into service. We will continue to see incremental increases in depreciation as additional parts of the ODC project relating to the CT will be placed into service.

  The FY23 audit and the GASB96 adjustment will create different treatment than initially planned as it relates to the Epic project. The entire cost of the Epic implementation will be depreciated over a 3-year period, which is not how the project was budgeted to be expensed in FY24. As such, we do anticipate running a variance to budget in depreciation expense throughout the remainder of the fiscal year.

  As stated previously GASB96 has no impact on cash.

- **Supplies / Implant Costs** – We saw another month of increased supply and implant costs. Some of this is due to an increase in some volumes, particularly in some areas such as laboratory and pharmacy. We also had incremental expenses related to COVID-19, both for testing and treatment. COVID-19 treatments and flu testing also contributed to higher pharmaceutical costs in October, and we saw higher than normal spend in some high-cost drugs.

  We've also seen increases in our implant costs. We've reviewed some benchmarking data that supports an opportunity to reduce some expense in this area and we plan to perform our due diligence to validate over the coming months.

4. VOLUME SUMMARY:

Table 4 | Patient Volumes – October 2023

	Month of October 2023				Year To Date October 2023						
	Current Year		Variance		Current Year		Variance		Prior Year	Variance	
	Actual	Budget	Var	%	Actual	Budget	Var	%	Actual	Var	%
Acute Patient Days	291	268	23	9%	1,064	1,097	(33)	-3%	1,032	32	3%
Average Daily Census	9.4	8.6	0.7	9%	8.7	8.9	(0.3)	-3%	8.4	0.3	3%
Acute Discharges	72	57	15	26%	266	237	29	12%	243	23	9%
IP Surgeries	18	13	5	38%	61	56	5	9%	67	(6)	-9%
OP Surgeries/Spec Proc	135	177	(42)	-24%	605	640	(35)	-5%	588	17	3%
Total Surgeries / Procedures	**153**	**190**	**(37)**	**-19%**	**666**	**696**	**(30)**	**-4%**	**655**	**11**	**2%**
Total Outpatient Visits	5,203	4,647	556	12%	20,197	17,842	2,355	13%	18,385	1,812	10%
Total ER Visits	818	1,030	(212)	-21%	3,432	3,774	(342)	-9%	3,319	113	3%

5. CASH ACTIVITY SUMMARY:

Table 5 | Cash / Revenue Cycle Indicators - October 2023

	Oct-23	Sep-23	Var	%
Days Cash on Hand	24.3	25.6	(1.3)	-5%
A/R Days	61.0	65.1	(4.1)	-6%
A/P Days	42.9	37.4	5.5	15%

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

	Jul-23	Aug-23	Sep-23	Oct-23	YTD
Cash Collections	$ 3,663,429	$ 4,320,626	$ 3,355,968	$ 4,229,175	**$ 15,569,198**
Cash Collections Target	$ 3,637,072	$ 4,175,875	$ 4,242,329	$ 3,857,556	**$ 15,912,832**
Cash Collections as a % of Target	101%	103%	79%	110%	**98%**

Cash collections rebounded after a sub-par September. The $4.2 million that was collected was 110% of the goal for the month and helped bring the YTD percentage closer to 100% after dropping from over 100% to 94% in September.

October's activity included both a $200,000 IGT matching fee payment as well as a $450,000 payment to close out the Epic implementation project.

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 Cash Projection

Sonoma Valley Hospital
Payer Mix for the month of October, 2023

ATTACHMENT A

	MONTH				YEAR TO DATE			
Gross Revenue	**Actual**	**Budget**	**Variance**	**% Variance**	**Actual**	**Budget**	**Variance**	**% Variance**
Medicare	10,849,918	10,908,014	(58,096)	-0.2%	42,438,316	40,285,623	2,152,692	1.9%
Medicare Managed Care	5,583,990	5,180,304	403,685	1.3%	19,865,715	19,126,086	739,630	0.7%
Medi-Cal	4,500,251	5,801,634	(1,301,383)	-4.3%	17,902,958	21,305,852	(3,402,895)	-3.1%
Self Pay	481,829	167,154	314,675	1.0%	1,723,284	597,521	1,125,763	1.0%
Commercial & Other Government	7,317,926	7,023,837	294,089	1.0%	29,426,713	25,696,252	3,730,460	3.4%
Worker's Comp.	997,029	1,117,352	(120,324)	-0.4%	3,230,087	4,062,428	(832,341)	-0.7%
Total	**29,730,943**	**30,198,296**	**-467,354**	**-1.5%**	**114,587,072**	**111,073,762**	**3,513,310**	**3.2%**

	MONTH			YEAR TO DATE		
Payor Mix	**Actual**	**Budget**	**Variance**	**Actual**	**Budget**	**Variance**
Medicare	36.5%	36.1%	0.4%	37.0%	36.3%	0.8%
Medicare Managed Care	18.8%	17.2%	1.6%	17.3%	17.2%	0.1%
Medi-Cal	15.1%	19.2%	-4.1%	15.6%	19.2%	-3.6%
Self Pay	1.6%	0.6%	1.1%	1.5%	0.5%	1.0%
Commercial & Other Government	24.6%	23.3%	1.4%	25.7%	23.1%	2.5%
Worker's Comp.	3.4%	3.7%	-0.3%	2.8%	3.7%	-0.8%
Total	**100.0%**	**100.0%**		**100.0%**	**100.0%**	

SONOMA VALLEY HOSPITAL **ATTACHMENT B**

OPERATING INDICATORS

For the Period Ended October 31, 2023

	CURRENT MONTH				YEAR-TO-DATE			YTD
	Actual 10/31/23	Budget 10/31/23	Favorable (Unfavorable) Variance		Actual 10/31/23	Budget 10/31/23	Favorable (Unfavorable) Variance	Prior Year 10/31/22
				Inpatient Utilization				
				Discharges				
1	54	46	8	Med/Surg	200	190	10	173
2	18	12	6	ICU	66	46	20	70
3	72	57	15	Total Discharges	266	237	29	243
				Patient Days:				
4	197	172	25	Med/Surg	725	718	7	632
5	94	96	(2)	ICU	339	379	(40)	400
6	291	268	23	Total Patient Days	1,064	1,097	(33)	1,032
7	20	-	20	**Observation days**	74	-	74	54
				Average Length of Stay:				
8	3.6	3.8	(0.1)	Med/Surg	3.63	3.77	(0.15)	3.7
9	5.2	8.2	(3.0)	ICU	5.14	8.23	(3.09)	5.7
10	4.0	4.7	(0.6)	Avg. Length of Stay	4.00	4.64	(0.64)	4.2
				Average Daily Census:				
11	6.4	5.5	0.8	Med/Surg	5.9	5.8	0.1	5.1
12	3.0	3.1	(0.1)	ICU	2.8	3.1	(0.3)	3.3
13	9.4	8.6	0.7	Avg. Daily Census	8.7	8.9	(0.3)	8.4
				Other Utilization Statistics				
				Emergency Room Statistics				
14	818	1,030	(212)	Total ER Visits	3,432	3,774	(342)	3,319
				Outpatient Statistics:				
15	5,503	4,647	856	Total Outpatients Visits	20,497	17,842	2,655	18,385
16	18	13	5	IP Surgeries	61	56	5	67
17	135	162	(27)	OP Surgeries / Special Procedures	605	625	(20)	588
18	308	254	54	Adjusted Discharges	1,203	999	204	1,054
19	1,247	1,189	58	Adjusted Patient Days	4,832	4,635	196	4,516
20	40.2	38.3	1.9	Adj. Avg. Daily Census	39.3	37.7	1.6	36.7
21	1.3358	1.4000	(0.064)	Case Mix Index -Medicare	1.4144	1.4000	0.014	1.5640
22	1.3336	1.4000	(0.066)	Case Mix Index - All payers	1.3685	1.4000	(0.032)	1.4834
				Labor Statistics				
23	224	220	(5)	FTE's - Worked	217	214	(2.7)	209
24	242	242	(0)	FTE's - Paid	238	236	(2.1)	232
25	49.93	63.06	13.13	Average Hourly Rate	48.74	52.63	3.90	49.59
26	6.02	6.31	0.28	FTE / Adj. Pat Day	6.06	6.27	0.20	6.31
27	34.3	35.9	1.6	Manhours / Adj. Pat Day	34.6	35.7	1.1	36.0
28	138.7	168.2	29.4	Manhours / Adj. Discharge	138.7	165.6	26.9	154.1
29	23.6%	23.6%	0.0%	Benefits % of Salaries	24.6%	24.6%	0.0%	23.8%
				Non-Labor Statistics				
30	16.7%	13.3%	-3.3%	Supply Expense % Net Revenue	15.8%	14.2%	-1.6%	17.6%
31	2,584	2,644	60	Supply Exp. / Adj. Discharge	2,304	2,499	195	2,584
32	19,162	22,402	3,239	Total Expense / Adj. Discharge	17,638	20,948	3,311	19,239
				Other Indicators				
33	24.3			Days Cash - Operating Funds				
34	60.7	50.0	10.7	Days in Net AR	63.4	50.0	13.4	38.2
35	110%			Collections % of Cash Goal	98%			99.4%
36	46.9	55.0	(8.1)	Days in Accounts Payable	46.9	55.0	(8.1)	45.5
37	16.1%	16.7%	-0.6%	% Net revenue to Gross revenue	15.4%	15.6%	-0.3%	14.8%
38	39.3%			% Net AR to Gross AR	39.3%			13.7%

Sonoma Valley Health Care District **ATTACHMENT C**

Balance Sheet

As of October 31, 2023

UNAUDITED

		Current Month	Prior Month	Prior Year
	Assets			
	Current Assets:			
1	Cash	$ 996,299	$ 365,964	$ 1,759,104
2	Cash - Money Market	2,607,527	3,356,852	2,846,229
3	Net Patient Receivables	10,664,349	10,825,277	6,334,821
4	Allow Uncollect Accts	(2,381,401)	(2,109,722)	(1,508,251)
5	Net A/R	8,282,948	8,715,555	4,826,570
6	Other Accts/Notes Rec	2,148,958	2,003,276	1,365,016
7	Parcel Tax Receivable	3,800,000	3,800,000	3,800,000
8	GO Bond Tax Receivable	2,401,190	2,617,464	2,601,816
9	3rd Party Receivables, Net	701,470	150,975	119,841
10	Inventory	1,006,348	1,005,748	1,048,916
11	Prepaid Expenses	1,085,074	1,091,455	969,056
12	Total Current Assets	$ 23,029,813	$ 23,107,290	$ 19,336,547
13	Property,Plant & Equip, Net	$ 56,867,997	$ 58,284,481	$ 54,364,995
14	Trustee Funds - GO Bonds	3,490,070	3,259,368	3,519,210
15	Designated Funds - Board Approved	-	-	1,000,000
16	**Total Assets**	**$ 83,387,880**	**$ 84,651,139**	**$ 78,220,752**
	Liabilities & Fund Balances			
	Current Liabilities:			
17	Accounts Payable	$ 6,778,660	$ 6,590,545	$ 5,253,335
18	Accrued Compensation	4,203,162	4,000,416	4,025,321
19	Interest Payable - GO Bonds	103,539	61,148	99,460
20	Accrued Expenses	213,569	565,355	658,637
21	Advances From 3rd Parties	-	-	-
22	Deferred Parcel Tax Revenue	2,533,332	2,849,999	2,533,336
23	Deferred GO Bond Tax Revenue	1,744,977	1,963,099	1,656,723
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	60,591
27	Total Current Liabilities	$ 20,825,960	$ 21,279,283	$ 19,978,613
28	Long Term Debt, net current portion	$ 26,849,924	$ 27,043,939	$ 24,665,826
29	Fund Balances:			
30	Unrestricted	$ 21,038,642	$ 21,187,374	$ 16,828,539
31	Restricted	14,673,353	15,140,542	16,747,773
32	Total Fund Balances	$ 35,711,995	$ 36,327,917	$ 33,576,312
33	**Total Liabilities & Fund Balances**	**$ 83,387,880**	**$ 84,651,139**	**$ 78,220,752**

ATTACHMENT D

Sonoma Valley Health Care District
Statement of Revenue and Expenses
For the Period Ended October 31, 2023

	Month					Year-To- Date				YTD
	This Year		Variance			This Year		Variance		
	Actual	Budget	$	%		Actual	Budget	$	%	Prior Year
					Volume Information					
1	72	57	15	26%	Acute Discharges	266	237	29	12%	243
2	291	268	23	9%	Patient Days	1,064	1,097	(33)	-3%	1,032
3	20	-	20	0%	Observation Days	74	-	74	*	54
4	$ 22,806	$ 23,337	$ (530)	-2%	Gross O/P Revenue (000's)	$ 89,211	$ 86,216	$ 2,995	3%	$ 80,243
					Financial Results					
					Gross Patient Revenue					
5	$ 6,940,541	$ 6,785,977	$ 154,564	2%	Inpatient	$ 25,439,421	$ 26,701,384	(1,261,963)	-5%	$ 24,192,342
6	14,061,243	13,836,475	224,768	2%	Outpatient	54,636,632	51,985,082	2,651,551	5%	46,202,638
7	8,744,996	9,500,608	(755,612)	-8%	Emergency	34,574,799	34,231,349	343,450	1%	34,141,587
8	**$ 29,746,780**	**$ 30,123,060**	**(376,280)**	**-1%**	**Total Gross Patient Revenue**	**$ 114,650,853**	**$ 112,917,815**	**1,733,038**	**2%**	**$ 104,536,567**
					Deductions from Revenue					
9	(25,666,646)	(25,487,571)	(179,075)	-1%	Contractual Discounts	$ (97,796,435)	$ (95,236,294)	(2,560,141)	-3%	$ (88,371,077)
10	(150,000)	(150,714)	714	0%	Bad Debt	173,256	49,714	123,542	-249%	(506,647)
11	127,064	(30,790)	157,854	513%	Charity Care Provision	(152,892)	(97,290)	(55,602)	-57%	(208,881)
12	723,542	580,885	142,657	25%	Prior Period Adj/Government Program Revenue	723,542	580,885	142,657	25%	-
13	**$ (24,966,040)**	**$ (25,088,190)**	**122,150**	**0%**	**Total Deductions from Revenue**	**$ (97,052,529)**	**$ (94,702,985)**	**(2,349,544)**	**2%**	**$ (89,086,605)**
14	**$ 4,780,740**	**$ 5,034,870**	**(254,130)**	**-5%**	**Net Patient Service Revenue**	**$ 17,598,323**	**$ 18,214,830**	**(616,507)**	**-3%**	**$ 15,449,962**
15	$ 84,957	$ 92,806	(7,849)	**-8%**	Other Op Rev & Electronic Health Records	$ 341,974	$ 371,224	(29,250)	-8%	$ 368,519
16	**$ 4,865,697**	**$ 5,127,676**	**(261,979)**	**-5%**	**Total Operating Revenue**	**$ 17,940,297**	**$ 18,586,054**	**$ (645,757)**	**-3%**	**$ 15,818,481**
					Operating Expenses					
17	$ 2,136,304	$ 2,123,123	(13,181)	-1%	Salary and Wages and Agency Fees	$ 8,137,286	$ 8,138,926	1,641	0%	$ 8,054,879
18	738,614	732,211	(6,403)	-1%	Employee Benefits	2,927,239	2,895,562	(31,677)	-1%	2,792,638
19	$ 2,874,918	$ 2,855,334	(19,584)	-1%	Total People Cost	$ 11,064,525	$ 11,034,488	(30,037)	0%	$ 10,847,517
20	$ 571,881	$ 646,003	74,122	11%	Med and Prof Fees (excld Agency)	$ 2,269,591	$ 2,482,936	213,345	9%	$ 2,294,650
21	797,037	671,790	(125,247)	-19%	Supplies	2,772,806	2,497,197	(275,609)	-11%	2,724,247
22	372,986	426,478	53,492	13%	Purchased Services	1,520,839	1,625,685	104,846	6%	1,756,820
23	696,387	372,967	(323,420)	-87%	Depreciation	1,677,227	1,271,868	(405,359)	-32%	1,035,346
24	101,670	199,119	97,449	49%	Utilities	617,430	721,477	104,047	14%	705,459
25	68,488	76,758	8,270	11%	Insurance	282,928	282,031	(897)	0%	215,497
26	56,224	32,094	(24,130)	-75%	Interest	213,635	158,376	(55,259)	-35%	136,420
27	115,949	153,323	37,374	24%	Other	417,913	457,086	39,173	9%	375,007
28	211,693	209,988	(1,705)	1%	Matching Fees (Government Programs)	211,693	209,988	(1,705)	1%	0
29	**$ 5,867,233**	**$ 5,643,854**	**(223,379)**	**-4%**	**Operating expenses**	**$ 21,048,588**	**$ 20,741,133**	**(307,455)**	**-1.5%**	**$ 20,090,964**

ATTACHMENT D

Sonoma Valley Health Care District
Statement of Revenue and Expenses
For the Period Ended October 31, 2023

	Month					Year-To- Date				YTD
	This Year		Variance			This Year		Variance		
	Actual	Budget	$	%		Actual	Budget	$	%	Prior Year
30	$ (1,001,536)	$ (516,178)	$ (485,358)	-94%	**Operating Margin**	$ (3,108,292)	$ (2,155,079)	(953,212)	-44%	$ (4,272,483)
					Non Operating Rev and Expense					
31	$ 42,493	$ 4,744	37,749	*	Miscellaneous Revenue/(Expenses)	$ 97,913	$ 18,920	78,993	*	$ 8,257
32	-	-	-	0%	Donations	-	-	-	0%	-
33	-	-	-	*	Physician Practice Support-Prima	-	-	-	*	-
34	316,667	316,667	-	0%	Parcel Tax Assessment Rev	1,266,668	1,266,668	-	0%	1,266,668
35	-	-	-	0%	Extraordinary Items	-	-	-	0%	-
36	$ 359,160	$ 321,411	37,749	12%	**Total Non-Operating Rev/Exp**	$ 1,364,581	$ 1,285,588	78,993	6%	$ 1,274,925
37	$ (642,376)	$ (194,767)	(447,609)	-230%	**Net Income / (Loss) prior to Restricted Contributions**	$ (1,743,711)	$ (869,491)	(874,220)	-101%	$ (2,997,557)
38	$ -	$ -	-	0%	Capital Campaign Contribution	$ -	$ -	-	0%	$ -
39	$ -	$ 238,530	(238,530)	0%	Restricted Foundation Contributions	$ 318,598	$ 954,120	(635,522)	100%	$ 960,318
40	$ (642,376)	$ 43,763	(686,139)	*	**Net Income / (Loss) w/ Restricted Contributions**	$ (1,425,113)	$ 84,629	(1,509,742)	*	$ (2,037,239)
41	175,187	158,829	16,358	10%	GO Bond Activity, Net	695,980	635,316	60,664	10%	633,360
42	$ (467,189)	$ 202,592	(669,781)	331%	**Net Income/(Loss) w GO Bond Activity**	$ (729,133)	$ 719,945	(1,449,078)	*	$ (1,403,880)
	$ 54,011	$ 178,200	(124,189)		**EBDA - Not including Restricted Contributions**	$ (66,484)	$ 402,377	(468,861)		$ (1,962,211)
	$ (305,149)	$ (143,211)	(161,938)	-113%	**Operating EBDA - Not including Restricted Contributions**	$ (1,431,064)	$ (883,211)	(547,853)	-62%	$ (3,237,136)

Sonoma Valley Hospital
Cash Forecast
FY 2024

ATTACHMENT E

		Actual July	Actual Aug	Actual Sept	Actual 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	4,656,688	4,447,326	4,485,423	4,575,840	4,575,840	4,575,840	4,575,840	4,575,840	4,575,840	52,900,116
2	Other Operating Revenue	26,197	172,302	37,453	95,192	23,522	40,390	43,299	100,254	65,455	150,750	228,646	115,291	1,098,751
3	Other Non-Operating Revenue	42,960	4,386	10,108	43,877	7,800	7,800	7,800	7,800	7,800	7,800	7,800	7,800	163,731
4	Unrestricted Contributions		1,250	861	2,651									4,762
5	Line of Credit													-
	Sub-Total Hospital Sources	**4,033,829**	**4,599,290**	**3,518,037**	**4,798,408**	**4,478,648**	**4,533,613**	**4,626,939**	**4,683,894**	**4,649,095**	**4,734,390**	**4,812,286**	**4,698,931**	**54,167,360**
	Hospital Uses of Cash													
6	Operating Expenses	5,152,114	5,121,241	4,128,841	4,998,884	4,823,838	4,881,548	4,984,096	4,828,418	5,073,479	4,946,353	5,034,948	4,814,191	58,787,950
7	Add Capital Lease Payments	64,932	65,051	389,160	194,558									713,701
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	27,616	520,430	-	1,795,430	425,000	1,370,430	-	1,370,430	452,527	6,448,922
	Total Hospital Uses	**5,405,567**	**5,369,338**	**4,725,991**	**5,251,892**	**5,375,101**	**4,912,381**	**9,910,359**	**5,284,251**	**7,083,229**	**4,977,186**	**6,436,211**	**5,297,551**	**70,029,056**
	Net Hospital Sources/Uses of Cash	**(1,371,738)**	**(770,048)**	**(1,207,954)**	**(453,483)**	**(896,452)**	**(378,768)**	**(5,283,420)**	**(600,357)**	**(2,434,135)**	**(242,796)**	**(1,623,926)**	**(598,620)**	**(15,861,695)**
	Non-Hospital Sources													
12	Restricted Cash/Money Market	500,000	500,000	750,000	1,250,000			(3,000,000)						-
13	Restricted Capital Donations	1,638	101,826	213,023	6,249	520,430		520,430		520,430		520,430	258,577	2,663,033
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					684,280		4,716,000	820,933				41,568	6,262,781
18	IGT - AB915										227,253			227,253
19	QIP				39,262							-		39,262
20	Distressed Hospital Loan Program						3,100,000							
	Sub-Total Non-Hospital Sources	**681,622**	**601,826**	**963,023**	**1,295,511**	**2,304,710**	**5,234,000**	**2,636,430**	**820,933**	**520,430**	**1,713,269**	**520,430**	**300,145**	**14,492,328**
	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**	**1,083,818**	**346,532**	**4,993,102**	**2,636,430**	**820,933**	**520,430**	**1,713,269**	**499,646**	**300,145**	**12,060,775**
	Net Sources/Uses	**(690,116)**	**(168,222)**	**(244,931)**	**630,334**	**(549,920)**	**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	865,964	1,496,299	946,378	5,560,713	2,913,723	3,134,299	1,220,595	2,691,068	1,566,788	
	Operating Cash at End of Period	**779,117**	**610,895**	**365,964**	**1,496,299**	**946,378**	**5,560,713**	**2,913,723**	**3,134,299**	**1,220,595**	**2,691,068**	**1,566,788**	**1,268,313**	
	Money Market Account - Undesignated	4,604,866	4,105,982	3,356,852	2,106,852	2,106,852	2,106,852	5,106,852	5,106,852	5,106,852	5,106,852	5,106,852	5,106,852	
	Total Cash at End of Period	**5,383,983**	**4,716,877**	**3,722,817**	**3,603,151**	**3,053,231**	**7,667,565**	**8,020,576**	**8,241,152**	**6,327,447**	**7,797,920**	**6,673,641**	**6,375,165**	
	Average Days of Cash on Hand	**40.1**	**35.8**	**26.3**	**25.5**									
	Days of Cash on Hand at End of Month	**39.7**	**33.3**	**25.6**	**24.3**	***21.6***	***54.2***	***56.7***	***58.2***	***44.7***	***55.1***	***47.2***	***45.1***	

2024 Quality Committee Work Plan

January 1/24	February 2/28	March 3/27	April 4/24
▪ ED QA/PI ▪ Quality Indicator Performance and Plan ▪ Patient Care Services Dashboard 4th Qtr ▪ Policies and Procedures ▪ Credentialing	▪ Surgical Servies QA/PI ▪ Quality Indicator Performance and Plan ▪ Policies and Procedures ▪ Credentialing	▪ Annual Quality Department Review ▪ Quality Indicator Performance and Plan ▪ Policies and Procedures ▪ Credentialing	▪ Infection Prevention Annual Risk Assessment / Plan ▪ Quality Indicator Performance and Plan ▪ Patient Care Services Dashboard 1st Qtr ▪ Policies and Procedures ▪ Credentialing
May 5/22	**June 6/26**	**July 7/24**	**August 8/28**
▪ Pharmacy QA/PI ▪ Quality Indicator Performance and Plan ▪ Policies and Procedures ▪ Credentialing	▪ ED QA/PI ▪ Quality Indicator Performance and Plan ▪ Policies and Procedures Credentialing	▪ Lab QA/P ▪ Quality Indicator Performance and Plan ▪ Patient Care Services Dashboard 2nd Qtr ▪ Policies and Procedures ▪ Credentialing	▪ Imaging QA/PI ▪ Quality Indicator Performance and Plan ▪ Policies and Procedures ▪ Credentialing
September 9/25	**October 10/23**	**November No Meeting**	**December 12/11**
▪ PT/OT QA/PI ▪ Quality Indicator Performance and Plan ▪ Policies and Procedures ▪ Credentialing	▪ Inpatient Services QA/PI ▪ Quality Indicator Performance and Plan ▪ Patient Care Services Dashboard 3rd Qtr ▪ Policies and Procedures ▪ Credentialing		▪ Pharmacy QA/PI ▪ Quality Indicator Performance and Plan ▪ Policies and Procedures ▪ Credentialing

Updated 08.30.21