



SVHCD FINANCE COMMITTEE MEETING

AGENDA

TUESDAY, JULY 29, 2025

5:00 p.m. Regular Session

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

sonomavalleyhospital-org.zoom.us/j/94662918236

Meeting ID: 946 6291 8236

Passcode: 052184

One tap mobile

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AGENDA ITEM

In compliance with the Americans with Disabilities Act, if you require special accommodations to attend a District meeting, please contact the Board Clerk, Whitney Reese, at wreese@sonomavalleyhospital.org or 707.935.5005 at least 48 hours prior to the meeting.

MISSION STATEMENT

The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.

1. CALL TO ORDER/ANNOUNCEMENTS	<i>Case</i>	
2. PUBLIC COMMENT SECTION <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration.</i>	<i>Case</i>	
3. CONSENT CALENDAR <ul style="list-style-type: none">Finance Committee Minutes 05.27.25	<i>Case</i>	Action Pages 2 - 3
4. GENERAL LIABILITY/PROFESSIONAL LIABILITY INSURANCE COVERAGE LINES 2025/2026	<i>Armfield</i>	Inform Pages 4- 15
5. FY26 CASH FLOW PROJECTIONS WITH ESTIMATED CAPITAL PLAN	<i>Armfield</i>	Inform Pages 16 - 21
6. FINANCIAL REPORTS FOR MONTH END JUNE 2025	<i>Armfield</i>	Inform Pages 22 - 34
7. ADJOURN	<i>Case</i>	



SVHCD FINANCE COMMITTEE MEETING
MINUTES
TUESDAY, MAY 27, 2025
In Person at Sonoma Valley Hospital
347 Andrieux Street
and Via Zoom Teleconference

Present	Not Present/Excused	Staff/Public
Ed Case, in person Dennis Bloch, in person Robert Crane, in person Alexis Alexandridis, MD MBA FACS, in person Graham Smith, via zoom Catherine Donahue, via zoom	Carl Gerlach	Ben Armfield, SVH Interim CEO & SVH CFO, in person Lois Fruzynski, SVH Accounting Manager, in person Whitney Reese – SVH Board Clerk, in person Dawn Kuwahara, RN BSN, SVH Chief Ancillary Officer, in person Jessica Winkler, DNP, RN, NEA-BC, CCRN, SVH CNO, in person Lynn McKissock, SVH Chief HR Officer, in person Leslie Petersen, ED SVH Foundation, in person Monique Jervan, SVH Executive Assistant, via zoom Wendy Lee Myatt, via zoom Dan Kittleson, DDS, in person

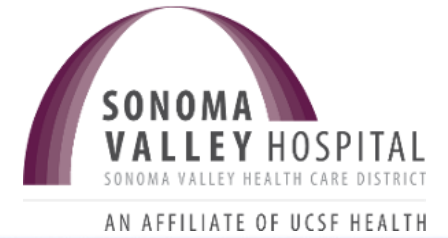
MISSION & VISION STATEMENT

The mission of SVHCD is to maintain, improve, and restore the health of everyone in our community.

AGENDA ITEM	DISCUSSION	ACTIONS
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Ed Case</i>	Meeting called to order 4:00pm
Case welcomed Dr. Alexandridis to the Finance Committee. There are still two available committee vacancies available to be filled. The Board of Directors will discuss whether to fill any.		
2. PUBLIC COMMENT SECTION	None	
3. CONSENT CALENDAR	<i>Ed Case</i>	Action
Finance Committee Minutes 3.25.25		MOTION: Motion to approve by Bloch, 2 nd by Crane. All in favor, Donahue abstained.
4. SVH FOUNDATION UPDATE	<i>Leslie Petersen, ED SVH Foundation</i>	Inform
<p>Peteresen outlined SVH Foundation's 2025 objectives, including collaborating with Sonoma Valley Hospital on capital projects, expanding donor outreach, and improving marketing alignment through the "My Hospital" campaign. The campaign aims to increase philanthropic contributions and patient engagement by strengthening community trust in SVH. It does so by fostering a sense of personal connection, encouraging residents to see it as <i>their</i> hospital, and by humanizing care through real stories of patients and staff. The campaign emphasizes transparency about how donations support improved care and actively involves the community through engagement opportunities. Peteresen emphasized the shift from highly restricted funding, specific to individual projects, to more flexible "bucket" categories: geriatrics, orthopedics/rehab, emergency care, cancer/prevention, and hospital revitalization. Discussion was had about if SVH Foundation should allow for future operational support if necessary, especially considering potential federal policy changes affecting hospital funding.</p>		

5. CONSULTING PROPOSAL – 3T MRI LOCATION	<i>Ben Armfield & Ed Case</i>	Action
Case presented a proposal for a feasibility study, led by a healthcare-experienced architectural firm, to evaluate options for finalizing the 3T MRI imaging project. Instead of proceeding with the costly relocation, the study will be commissioned to assess converting the existing temporary structure into a fully compliant permanent one. The study will explore multiple alternatives, not just the temporary upgrade, and is expected to deliver results by late summer. Committee members emphasized the need for comprehensive options, transparency on past missteps, and a financially viable path forward.		MOTION: Motion to approve by Bloch, 2 nd by Smith. All in favor.
6. FY26 BUDGET UPDATE	<i>Ben Armfield</i>	Action
Budget was presented at joint Board of Directors & Finance Committee meeting held immediately prior to this meeting. Case reiterated that while the budget had been previously discussed, further financial strategy discussions (especially regarding the \$10 million IGT due in October, \$4.5 million in capital projects, and other funding needs) will be handled by the Finance Committee in July. Various funding options, including vendor financing and interim solutions, are being explored but not finalized. Vote to approve to recommend to the Board of Directors with an added recommendation to include a cover note acknowledging uncertainties related to potential federal policy changes.		MOTION: Motion to approve by Bloch, 2 nd by Smith. All in favor.
7. FINANCIAL REPORTS FOR MONTH END APRIL 2025	<i>Ben Armfield</i>	Inform
Armfield reported that April was a strong month financially. Revenue was 15% above expectations, driven by IGT funding and high volumes. Despite a rise in expenses, the year-to-date figures remain on track. Overall, Armfield expressed optimism about the hospital's financial performance as the fiscal year nears its end.		
8. ADJOURN	<i>Ed Case</i>	Meeting adjourned at 6:07 pm
CLOSED SESSION: Calif. Government Code §37606 and 37624.3: TRADE SECRET; Discussion will concern proposed new service and/or program		

2025 Insurance Renewal Proposals



JAMES & GABLE
INSURANCE BROKERS

2025 Insurance Renewal Proposals

Executive Summary

Line of Coverage	Carrier	Policy Period	Limits	Deductible	7/1/24 – 7/1/25 Expiring	7/1/25 – 7/1/26 Renewal
Professional & General Liability (Hospital)	BETA	7/1/25 – 7/1/26	\$15M/\$25M	\$5K	\$400,591	\$412,612
Director & Officers Liability	BETA	7/1/25 – 7/1/26	\$3M	\$10K	\$112,009	\$136,723
Employment Practices Liability	BETA	7/1/25 – 7/1/26	Shared Limit	\$100K	Incl Above	Incl Above
Auto Liability	BETA	7/1/25 – 7/1/26	\$6M	\$250/\$500	\$2,071	\$2,071
Property	HARPP	7/1/25 – 7/1/26	\$125M	\$100K	\$334,965	\$314,125
Cyber Liability & Privacy Breach	HARPP	7/1/25 – 7/1/26	\$2M	\$50K	Incl Above	Incl Above
Crime	AIG	7/1/25 – 7/1/26	\$1M	\$25K	\$3,863	\$3,860
Fiduciary Liability	Hudson	7/1/25 – 7/1/26	\$1M	\$10K	\$5,470	\$5,638
Excess Workers' Compensation	Arch	7/1/25 – 7/1/26	Statutory	\$500K	\$112,543	\$110,883
Gross Premium					\$971,512	\$985,912
Annual Dividend					-\$9,142	-\$12,159
Net Premium					\$962,370	\$973,753

NOTES

- BETA PL/GL is billed monthly; all other insurance premiums are due within 30 days of policy inception
- BETA base rate and dividend updates (minimum change for all members):
 - PL/GL: 3% increase, D&O/EPL: 5% increase, Auto: flat
 - BETA rates continue to be more than 15% to 20% lower than the standard market
 - BETA Council approved a 26% reduction in dividends due to claims experience in the pool and rising reinsurance costs

2025 Insurance Renewal Proposals

Professional Liability & General Liability

Census Data

Category	7/1/23 – 7/1/24 Estimated	7/1/24 – 7/1/25 Fast Track	1/1/24 – 1/1/25 Actual	7/1/25 – 7/1/26 Fast Track
Acute Care Beds	3,290	3,290	2,691	3,290
Total High Acuity ER Visits	5,051	5,051	6,951	5,051
Total Low Acuity ER Visits	3,959	3,959	3,832	3,959
Outpatient Visits (excluding ER)	58,040	58,040	73,872	58,040
Counseling	1,342	1,342	3,293	1,342
Outpatient Surgeries	1,344	1,344	845	1,344
Inpatient Surgeries	188	188	117	188
Bariatric Surgeries	35	35	17	35
Total Occupied Bed Equivalents (OBEs)	73.0	73.0	83.9	73.0

NOTES

- Opted in to BETA's Fast Track option last year and participating in the program again this year with flat census exposures
- Actual OBEs for CY 2024 was 84, which is a 15% increase over the 73 OBEs used for renewal. This is approximately \$62K in exposure premium mitigation. BETA will require updated census for the 2026 renewal next year.

2025 Insurance Renewal Proposals

Hospital Professional Liability & General Liability

	7/1/24 – 7/1/25 Expiring	7/1/25 – 7/1/26 Renewal
Carrier	BETA	BETA
Limits	\$15M/\$25M	\$15M/\$25M
Deductible	\$5,000	\$5,000
Gross Premium	\$400,591	\$412,612
Annual Dividend	-\$9,142	-\$12,159
Net Hospital Premium	\$391,449	\$400,453

NOTES

- Professional Liability rates are increasing due to changes in the Medical Injury Compensation Reform Act (MICRA) as follows:
 - Previously, claim recovery of non-economic damages was limited to \$250K
 - The 2022 bill increased that limit to \$350K for non-death cases and \$500K for wrongful death cases effective 1/1/23 followed by incremental increases over 10 years to \$750K for non-death cases and \$1M for wrongful death cases. Currently \$430,000 non-death and \$600,000 wrongful death.
- Gross premium increasing 3% due to base rate increase applied to all BETA members
- Annual Dividend increasing from \$9,142 last year to \$12,159 this year (a 33% increase); will be paid in two installments in October 2025 and April 2026
- PL/GL renewal dividend pool is decreasing 13% this year, but Sonoma Valley Hospital's dividend is increasing 33% based on a new formula BETA is using this year that factors in years with BETA and loss ratio.
- SVH did not qualify for the ED Risk Management Initiative Credit this year
- 2024-2025 Risk Management Resource Funds: \$3,589 remaining as of 6/23/25
2025-2026 Risk Management Resource Funds: \$3,697

2025 Insurance Renewal Proposals

Professional Liability & General Liability

Loss Experience as of 6/1/25

Policy Period	<u>Hospital</u>		<u>Emergency Dept</u>		<u>TOTAL</u>	
	Claims	Total Incurred	Claims	Total Incurred	Claims	Total Incurred
2012-2013	1	\$15,154	5	\$1,041,335	6	\$1,056,489
2013-2014	3	\$39,828	1	\$0	4	\$39,828
2014-2015	4	\$437,009	4	\$187,519	8	\$624,529
2015-2016	0	\$0	1	\$291	1	\$291
2016-2017	1	\$43,575	2	\$15,438	3	\$59,013
2017-2018	0	\$0	3	\$1,653	3	\$1,653
2018-2019	2	\$18,936	1	\$400	3	\$19,336
2019-2020	3	\$338,751	0	\$0	3	\$338,751
2020-2021	1	\$60,000	6	\$179	7	\$60,179
2021-2022	2	\$253,900	0	\$0	2	\$253,900
2022-2023	4	\$40,026	0	\$0	4	\$40,026
2023-2024	1	\$0	0	\$0	1	\$0
2024-2025	3	\$0	0	\$0	3	\$0
	25	\$1,247,179	23	\$1,246,815	48	\$2,493,994

NOTES

- The poor 2012-2013 policy year with \$1,056,489 total incurred losses moved outside of the 10-year loss experience period (2014-2023) last year. This helps the hospital's 10-year loss ratio.

2025 Insurance Renewal Proposals

Directors & Officers Liability and Employment Practices Liability

	7/1/24 – 7/1/25 Expiring	7/1/25 – 7/1/26 Renewal Option 1	7/1/25 – 7/1/26 Renewal Option 2	7/1/25 – 7/1/26 Renewal Option 3
Carrier	BETA	BETA	BETA	BETA
D&O Limit	\$3M Shared	\$3M Shared	\$5M Shared	\$5M Separate
EPL Limit	\$3M Shared	\$3M Shared	\$3M Shared	\$3M Separate
D&O Deductible	\$10,000	\$10,000	\$10,000	\$10,000
EPL Deductible	\$100,000	\$100,000	\$100,000	\$100,000
Premium	\$112,009	\$136,723	\$147,529	\$165,975

NOTES

- BETA quoted the three options requested by the SVH board in our April 3rd meeting
- Premium is increasing 25% due to a 5% base rate increase and an additional 20% due to SVH's adverse loss experience (see Loss Experience table below); current 10-year loss ratio is 266%

Loss Experience

Policy Period	Premium	Claims	As of 5/31/24	As of 6/23/25
2013-2014	\$27,489	0	\$0	\$0
2014-2015	\$27,489	2	\$50,974	\$50,974
2015-2016	\$26,402	1	\$43,720	\$43,720
2016-2017	\$28,279	0	\$0	\$0
2017-2018	\$28,400	0	\$0	\$0
2018-2019	\$29,820	3	\$547,900	\$547,900
2019-2020	\$32,803	1	\$185,032	\$185,032
2020-2021	\$39,035	1	\$313,993	\$313,993
2021-2022	\$55,039	4	\$398,786	\$464,103
2022-2023	\$68,799	0	\$0	\$0
2023-2024	\$87,375	0	\$0	\$0
2024-2025	\$109,378	0	-	
	\$560,308	12	\$1,540,404	\$1,605,721

2025 Insurance Renewal Proposals

Auto Liability

	7/1/24 – 7/1/25 Expiring	7/1/25 – 7/1/26 Renewal
Carrier	BETA	BETA
Combined Single Limit	\$6M	\$6M
Comprehensive Deductible	\$250	\$250
Collision Deductible	\$500	\$500
Premium	\$2,071	\$2,071

NOTES

- BETA is keeping the base rate flat again this year
- Coverage for one vehicle (2012 Chevy Colorado) and Hired & Non-Owned Auto Liability

2025 Insurance Renewal Proposals

Property / Pollution / Cyber Liability

	7/1/24 - 7/1/25 Expiring	7/1/25 - 7/1/26 Renewal
Carrier	HARPP	HARPP
Total Insurable Value <i>Valuation Basis: Repair or Replacement Cost</i>	\$173,677,119	\$176,338,332
Annual Premium	\$334,965	\$314,125
All Risk Limit <i>All Perils & Coverages, subject to Sublimits listed below</i>	\$125,000,000	\$125,000,000
Deductible - All Other Perils	\$100,000	\$100,000
Deductible - Wildfire	\$250,000	\$250,000
Flood	Not Covered	Not Covered
Earthquake	Not Covered	Not Covered
Business Interruption	All Risk Limit	All Risk Limit
Extra Expense	\$50,000,000	\$50,000,000
Business Interruption/Extra Expense Waiting Period	24 Hours	24 Hours
Miscellaneous Unnamed Locations	\$5,000,000	\$5,000,000
Course of Construction	\$25,000,000	\$25,000,000
Increased Cost of Construction (Code/Ordinance)	\$50,000,000	\$50,000,000
Communicable Disease	Not Covered	Not Covered
Boiler Explosion & Machinery Breakdown Limit	\$100,000,000	\$100,000,000
Boiler Explosion & Machinery Breakdown Deductible	\$25,000	\$25,000
Pollution Liability Limit	\$2,000,000	\$2,000,000
Pollution Liability Retention	\$50,000	\$50,000
Cyber Liability Limit	\$2,000,000	\$2,000,000
Breach Response Sublimit*	\$1,000,000	\$1,000,000
Business Interruption Sublimit	\$750,000	\$750,000
Cyber Extortion (Ransomware) Sublimit	\$750,000	\$750,000
Cyber Crime (Phishing, Fraudulent Transfers) Sublimit	\$75,000	\$75,000
Cyber Liability Retention	\$50,000	\$50,000

**Breach Response sublimit drops to \$500K if Beazley service providers are not used*

2025 Insurance Renewal Proposals

Property / Pollution / Cyber Liability

NOTES

- Total Insurable Values increasing from \$173,677,119 to \$176,338,332: HARPP applied inflation trend factors of 2.01% to Building values and 1.51% to Business Personal Property values
- The property insurance market continued to stabilize over the past year
- Net Rate decreasing 7.6%

Statement of Values

Policy Loc No.	Address	City, ST ZIP	Description	Real Property	Business Personal Property	BI/Rents	Total Insurable Value
1	347 Andrieux St	Sonoma, CA 95476	Hospital	\$98,387,656	\$36,386,082	\$30,901,781	\$165,675,519
1B	347 Andrieux St	Sonoma, CA 95476	West Wing	Included Above	Included Above	Included Above	Included Above
1C	347 Andrieux St	Sonoma, CA 95476	East Wing	Included Above	Included Above	Included Above	Included Above
1D	347 Andrieux St	Sonoma, CA 95476	Central Wing	Included Above	Included Above	Included Above	Included Above
1E	347 Andrieux St	Sonoma, CA 95476	Mobile MRI (Modular Van)	\$1,264,547	\$0	\$0	\$1,264,547
1H	347 Andrieux St	Sonoma, CA 95476	New Wing	Included Above	Included Above	Included Above	Included Above
1I	347 Andrieux St	Sonoma, CA 95476	Outpatient Diagnostic Center	\$6,923,058	\$1,593,599	Included Above	\$8,516,657
16	19312 Sonoma Hwy	Sonoma, CA 95476	Physical Therapy/Finance	\$0	\$431,840	\$0	\$431,840
17	853 W 4th St	Sonoma, CA 95476	South Parking Lot	\$70,346	\$0	\$0	\$70,346
18	462 W Napa St	Sonoma, CA 95476	Medical Offices	\$0	\$131,662	\$0	\$131,662
20	270 Perkins St	Sonoma, CA 95476	Sonoma Valley Family Practice	\$0	\$247,761	\$0	\$247,761
				\$106,645,607	\$38,790,944	\$30,901,781	\$176,338,332

2025 Insurance Renewal Proposals

Crime Insurance

	7/1/24 – 7/1/25 Expiring	7/1/25 – 7/1/26 Renewal
Carrier	AIG	AIG
Limit	\$1M	\$1M
Deductible	\$25K	\$25K
Premium	\$3,863	\$3,860

Fiduciary Liability

	7/1/24 – 7/1/25 Expiring	7/1/25 – 7/1/26 Renewal
Carrier	Hudson Ins Co	Hudson Ins Co
Limit	\$1M	\$1M
Retention	\$10K	\$10K
Premium	\$5,470	\$5,638

NOTES

- Insured Plans:
 - Sonoma Valley Health Care District Retirement and Savings Plan
 - Sonoma Valley Health Care District 457 Deferred Compensation Plan
 - VALIC 403(b)
 - VALIC 457

2025 Insurance Renewal Proposals

Excess Workers' Compensation

	7/1/23 – 7/1/25 Expiring	7/1/25 – 7/1/26 Renewal Option 1	7/1/25 – 7/1/27 Renewal Option 2
Carrier	Arch	Arch	Arch
Limit	Statutory	Statutory	Statutory
Self-Insured Retention	\$500K	\$500K	\$500K
Estimated Annual Payroll	\$22,445,688	\$22,114,617	\$22,114,617
Net Rate	\$0.50	\$0.50	\$0.50
Deposit Premium	\$112,543*	\$110,883	\$110,883*
Minimum Premium	\$101,289*	\$99,795	\$99,795*

**Per Year; billed in two annual installments*

NOTES

- Flat rate renewal
- Arch has offered another two-year renewal option to lock in the \$0.50 rate until 7/1/27 regardless of losses, changes in market conditions, etc.

2025 Insurance Renewal Proposals

Excess Workers' Compensation

Loss Experience

Policy Period	Claims	As of 5/31/24	As of 3/31/25
2012-2013	4	\$113,404	\$113,404
2013-2014	7	\$240,398	\$240,398
2014-2015	6	\$15,533	\$15,533
2015-2016	6	\$231,891	\$231,891
2016-2017	13	\$427,945	\$427,945
2017-2018	10	\$168,034	\$168,034
2018-2019	17	\$223,228	\$223,228
2019-2020	12	\$290,544	\$290,544
2020-2021	15	\$194,781	\$204,260
2021-2022	11	\$145,081	\$134,654
2022-2023	8	\$73,530	\$85,233
2023-2024	9	\$147,187	\$263,538
2024-2025	3		\$1,857
Total	121	\$2,271,555	\$2,400,519
Average	9.8	\$189,296	\$184,655



To: SVHCD Finance Committee
From: Ben Armfield, Chief Financial Officer
Date: July 29, 2025
Subject: FY26 Cash Flow Projection and Critical Capital Plan

As part of our ongoing financial planning efforts, attached is a summary of our projected cash flow for Fiscal Year 2026, along with supporting commentary. The purpose of this memo is to provide insights and additional context behind the numbers – specifically, the financial constraints we’re navigating related to funding several high-priority capital projects and an increased Intergovernmental Transfer (IGT) matching fee. It also outlines our current recommendations for how we propose to fund these needs in a way that ensures our top priority can be met – funding 100% of our approved Rate Range IGT Matching Fee payment in November of 2025, which is \$10.4 million (a \$5 million increase from FY25).

Overview of Supporting Documents

This memo is supported by two key attachments:

1. FY26 Critical Capital Projects Summary

This schedule outlines a focused list of high-priority capital needs identified for the upcoming fiscal year. These projects represent essential infrastructure, clinical, and equipment investments that cannot be deferred without compromising care, compliance, or operational continuity. While not an inclusive list of all future capital needs, it highlights the most urgent items requiring action in FY26, including:

- Project descriptions and timing of funding needs
- Financing terms (e.g., 3-year vs. 5-year) and interest rates
- Recommended funding source (e.g., finance through third-party, finance through vendor, fund from SVH operations, fund from SVH Foundation)
- Estimated cash impact across FY26–FY29

This schedule serves as a planning tool to help evaluate not only how our needs will get funded, but also when, based on the timing need. These assumptions and funding sources impact the overall cash outlay, and this outlay is then brought into the cash flow forecast to present an accurate portrayal of our total cash based on funding recommendations of each respective capital item.

2. FY26 Projected Cash Flow Forecast (in thousands)

The second attachment provides a detailed month-by-month cash flow forecast for FY26. It includes both operating sources and uses - such as patient revenue, IGT program revenue, parcel tax proceeds, and operating expenses - and incorporates the timing and impact of capital expenditures.

The forecast is presented in two views:

- **Without Capital Expenditures:** To isolate the contribution from operations and assess baseline cash performance
- **With Capital Expenditures:** To reflect the total projected change in cash position, inclusive of the required outlay to fund identified critical capital based on current funding strategy

This schedule also factors in our current strategy to draw an additional \$5.1 million in working capital via Line of Credit to support IGT pay-in timing and preserve liquidity during the October–January window.

Cash Flow Overview

The FY26 forecast is structured to first show net sources and uses of cash from hospital operations, before any capital expenditures are considered. The following are included in the operating portion of the forecast:

- Patient Payments Collected – based on projected activity and payor mix.
- Other Revenues – includes both non-operating and operating other revenues such as café revenue, SNF revenue sharing, and investment income.
- IGT Revenue – based on the full, approved rate range allotment.
- Parcel Tax Revenue – scheduled consistent with historical timing.

What is encouraging is that total hospital sources and uses, before accounting for capital expenditures, are projected to yield a positive net cash contribution of approximately \$2.2 million in FY26 (line #12 on Cash Flow Forecast). This is a meaningful shift from prior years, especially when considering that FY25 is projected to be the first cash flow positive year in some time. This projection reflects continued progress in strengthening operational performance and sustaining a positive financial trajectory.

It's important to note that the IGT revenue included in this forecast reflects the entire approved FY26 funding amount. In order to realize that revenue, the hospital must first fund the matching fee pay-in, which will increase significantly from \$5.4 million in FY25 to \$10.4 million in FY26 (line #10 on Cash Flow Forecast). Securing funding for this increased pay-in is our #1 financial priority going into the new fiscal year.

We have been actively pursuing short-term financing options to cover this gap. We are confident that we have reached agreement in principle with a new banking partner located in California, and we are simultaneously working with our existing lender to navigate any issues related to collateral coverage and debt covenant compliance.

The forecast also includes a drawdown of \$5.1 million in additional Line of Credit (LOC) funds (line #14,#17 on Cash Flow Forecast), which is necessary to support working capital needs after the IGT outflow occurs.

Prior to accounting for capital expenditures, we projected to increase our cash position by \$2.24 million next fiscal year.

Cash Flow Projections and Critical Capital Needs

The second portion of the cash forecast incorporates estimated outlay based on current funding recommendations of identified critical capital expenditures. This reflects the actual outflow of cash based on the respective recommendation for each item (see "Recommendation" column on the FY26 Critical Capital Projects Summary) and estimated terms (interest, duration) of actual quotes received from 3rd parties and vendors.

Capital Expenditures – FY26 Plan

As outlined in the attached capital schedule, we have identified over \$6 million in critical capital needs for Fiscal Year 2026. These projects range from infrastructure upgrades (e.g., air handler replacement, HVAC replacement for OR & Emergency Room) to completion of the ODC build-out and replacement of aging OR and

telemonitoring equipment. The capital needs presented are not exhaustive, but represent the most immediate and pressing priorities from both a clinical and operational standpoint.

The \$6M in needs is greater than what was originally shared during the budget presentation back in May, and is attributable to:

- Final quantification of the ODC Completion – Phase II, which had been listed as TBD during the budgeting cycle.
- Addition of the AC-1 Replacement project, which was identified post-budget and involves two separate phases.

Given the magnitude of these needs, and the timing in which several must be funded, we have evaluated multiple financing and funding approaches with a clear goal in mind: preserve liquidity to ensure the hospital can meet its \$10.5 million IGT matching fee in November 2025 and maintain operational stability through the months that follow.

To that end, the capital plan includes the following funding strategies:

- **Third-Party Financing (3-5 Year Terms at 7.5%)**
Can be potentially used for large-scale infrastructure projects such as Air Handler #3, AC-1 Phase II, and ODC Completion. Financing allows us to spread the cost over time while preserving cash needed to meet the IGT obligation. These terms are based on actuals proposals received and are reflected in the attached schedule.
- **Vendor Financing (3-Year Term at 6%)**
Applied to the Telemetry Replacement project, where the equipment vendor has offered more favorable terms than a traditional lender. This route offers cost savings while aligning payment schedules with equipment deployment.
- **SVH-Funded from Operations**
Smaller projects, such as AC-1 Phase I, the ICU Upgrade, and Routine Capital, are proposed to be funded directly from hospital operations. These items are lower in dollar value and are more manageable within our current operating cash flow assumptions.
- **SVH Foundation Support**
The Foundation may potentially fully fund the \$800,000 OR Video Integration System, which significantly alleviates near-term pressure on internal cash.

Based on current recommendations, approximately \$1.36 million in capital outlay is projected for FY26. While this figure remains fluid and may evolve as financing terms and vehicles are finalized or project timing shifts, it provides a working estimate of the near-term capital impact. Please reference the attached Critical Capital Projects schedule for a detailed view of anticipated financial commitments, including estimated outlays in future years tied to each funding recommendation.

Liquidity Considerations & IGT Funding Strategy

While capital outflows narrow our year-end position, we are still projecting a positive cash trajectory across the fiscal year - even with the inclusion of \$1.36 million in capital-related disbursements. After accounting for capital expenditures, **net cash is projected to still be positive for FY26, +\$880K** (line #32 on Cash Flow Forecast).

Days Cash on Hand is estimated to bottom out at around 10/11 days in December/January, reflecting the tight cash window following the \$10.5 million IGT matching payment in November and ahead of the receipt of IGT funding in January. As a reminder, this forecast also assumes a \$5.1 million draw on a new Line of Credit, which is essential to sustaining operations through this critical period.

In closing, while this plan requires careful execution and will remain fluid as we finalize vendor quotes, financing terms, and project timing, we believe this reflects a workable, disciplined, and forward-looking approach. Importantly, the combination of improved operational performance, a higher IGT revenue allotment, and a strategic mix of funding vehicles provides us with the opportunity to address these capital needs while at the same time continuing to strengthen our cash position and stability for future years ahead.

ATTACHMENTS:

- Attachment A Critical Capital Projects – FY26
- Attachment B Cash Flow Projection – FY26

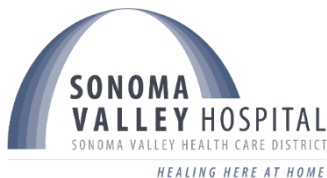
Monthly & Total Costs if Financed:										Required SVH Funding in:				
Project/Equipment	Project Description / Comments:	Projected Cost	Timing Need	3 Yr Term (Monthly)	3 Yr Term (Total)	5 Yr Term (Monthly)	5 Yr Term (Total)	Recommendation*	Term	Int Rate	FY26*	FY27*	FY28*	FY29*
Air Handler & Exhaust Fan - AH #3	AH 3 has failed. Need to replace and upsize to handle load from SNF.	\$ 1,700,000	3rd Qtr FY26	\$ 52,881	\$ 1,903,701	\$ 34,065	\$ 2,043,871	Finance - 3rd Party	36 mo.	7.5%	\$ 158,642	\$ 634,567	\$ 634,567	\$ 475,925
AC-1 Replacement Phase I	Replacement of a critical air handling unit that services the hospital's emergency room and operating room suites.	\$ 250,000	1st Qtr FY26	\$ 7,777	\$ 279,956	\$ 5,009	\$ 300,569	Fund From Operations	-	-	\$ 250,000	\$ -	\$ -	\$ -
AC-1 Replacement Phase II	Replacement of a critical air handling unit that services the hospital's emergency room and operating room suites.	\$ 500,000	TBD	\$ 15,553	\$ 559,912	\$ 10,019	\$ 601,138	Finance - 3rd Party	36 mo.	7.5%	\$ 77,766	\$ 186,637	\$ 186,637	\$ 108,872
ODC Completion Phase I	Additional costs to complete CT Phase II & Central Wing Demo (beyond SVHF raised funds).	\$ 750,000	1st / 2nd Qtr FY26	\$ 23,330	\$ 839,868	\$ 15,028	\$ 901,708	Finance - 3rd Party	36 mo.	7.5%	\$ 233,297	\$ 279,956	\$ 279,956	\$ 46,659
ODC Completion Phase II	Costs to fully complete ODC project. Costs currently are an estimate	\$ 1,500,000	2nd Qtr FY26	\$ 46,659	\$ 1,679,736	\$ 30,057	\$ 1,803,415	Finance - 3rd Party	36 mo.	7.5%	\$ 279,956	\$ 559,912	\$ 559,912	\$ 279,956
OR Video Integration Equipment	Integrated surgical video routing and control system that connects OR cameras, monitors, and imaging devices to streamline workflow and support advanced surgical procedures.. All components at end of life.	\$ 800,000	1st Qtr FY26	\$ 24,885	\$ 895,859	\$ 16,030	\$ 961,822	Fund Through SVH Foundation	-	-	\$ -	\$ -	\$ -	\$ -
Telemetry Replacement	Current telemetry monitoring system is at end of service. Vetting multiple options, will need to at least prioritize ICU in FY26, but whole system needs replacing.	\$ 700,000	TBD	\$ 21,295	\$ 766,633	\$ 13,533	\$ 811,978	Finance Through Vendor	36 mo.	6.0%	\$ 127,772	\$ 255,544	\$ 255,544	\$ 127,772
ICU Upgrade Project	Costs to fully complete ICU Upgrade Project	\$ 30,000	1st Qtr FY26	\$ 933	\$ 33,595	\$ 601	\$ 36,068	Fund From Operations	-	-	\$ 30,000	\$ -	\$ -	\$ -
Routine Capital	Allotment for estimated routine capital needs for "emergency" and/or replacement purposes.	\$ 200,000	TBD	\$ 6,221	\$ 223,965	\$ 4,008	\$ 240,455	Fund from Operations	-	-	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000
TOTAL SVH Critical Capital Projects		\$ 6,430,000									\$ 1,357,432	\$ 2,116,616	\$ 2,116,616	\$ 1,239,184

* Based on recommended funding plan. If financed via 3rd party, estimated 7.5% interest rate, 36-month term. Telemetry replacement carries an interest rate of 6%, which has been offered by equipment vendor.

Sonoma Valley Health Care District
2. Projected Cash Forecast (In 1000s)
FY 2026

ATTACHMENT B

#	Forecast July	Forecast Aug	Forecast Sept	Forecast Oct	Forecast Nov	Forecast Dec	Forecast Jan	Forecast Feb	Forecast Mar	Forecast Apr	Forecast May	Forecast Jun	TOTAL
Hospital Operating Sources													
1 Patient Payments Collected	\$ 4,370.0	\$ 4,325.0	\$ 4,430.0	\$ 4,440.0	\$ 4,254.0	\$ 4,200.0	\$ 4,373.0	\$ 4,100.0	\$ 4,400.0	\$ 4,300.0	\$ 4,300.0	\$ 4,357.0	\$ 51,849.0
2 Other Revenue - Operating & Non-Op	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	125.0	1,500.0
3 IGT Program Revenue	-	-	0.9	-	573.4	0.9	22,264.9	-	0.9	-	-	1,000.1	23,840.9
4 Parcel Tax Revenue	140.0	-	-	1,612.0	-	445.0	-	-	-	1,578.0	-	-	3,775.0
5 Unrestricted Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
6 Sub-Total Hospital Sources	\$ 4,635.0	\$ 4,450.0	\$ 4,555.9	\$ 6,177.0	\$ 4,952.4	\$ 4,770.9	\$ 26,762.9	\$ 4,225.0	\$ 4,525.9	\$ 6,003.0	\$ 4,425.0	\$ 5,482.1	\$ 80,964.9
Hospital Uses of Cash													
7 Operating Expenses / AP Payments	\$ 5,200.0	\$ 5,100.0	\$ 5,100.0	\$ 5,200.0	\$ 5,250.0	\$ 5,150.0	\$ 7,000.0	\$ 6,500.0	\$ 5,500.0	\$ 5,500.0	\$ 5,900.0	\$ 5,200.0	\$ 66,600.0
8 Term Loan Paydowns - Summit / CHFFA	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	882.9
9 IGT Financing Interest	-	-	-	-	75.0	75.0	75.0	-	-	-	-	-	225.0
10 IGT Matching Fee Payments	-	229	-	-	10,402	-	-	-	294	-	88	-	11,013
11 Total Hospital Uses	\$ 5,273.6	\$ 5,402.9	\$ 5,173.6	\$ 5,273.6	\$ 15,800.5	\$ 5,298.6	\$ 7,148.6	\$ 6,573.6	\$ 5,867.1	\$ 5,573.6	\$ 6,061.3	\$ 5,273.6	\$ 78,720.4
12 Net Hospital Sources/Uses of Cash	\$ (638.6)	\$ (952.9)	\$ (617.7)	\$ 903.4	\$ (10,848.1)	\$ (527.7)	\$ 19,614.3	\$ (2,348.6)	\$ (1,341.2)	\$ 429.4	\$ (1,636.3)	\$ 208.5	\$ 2,244.6
Non-Hospital Sources													
13 Line of Credit Draw - Summit Bank	-	-	-	-	5,400.0	-	-	-	-	-	-	-	5,400.0
14 Line of Credit Draw - New Bank	-	-	-	-	5,100.0	-	-	-	-	-	-	-	5,100.0
15 Sub-Total Non-Hospital Sources	\$ -	\$ -	\$ -	\$ -	\$ 10,500.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,500.0
Non-Hospital Uses of Cash													
16 Line of Credit Payoff - US Bank LOC	-	-	-	-	-	-	5,400.0	-	-	-	-	-	5,400.0
17 Line of Credit Repayment - New LOC	-	-	-	-	-	-	5,100.0	-	-	-	-	-	5,100.0
18 Sub-Total Non-Hospital Uses of Cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,500.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,500.0
19 Net Non-Hospital Sources/Uses of Cash	\$ -	\$ -	\$ -	\$ -	\$ 10,500.0	\$ -	\$ (10,500.0)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
20 Total Net Sources/Uses	\$ (638.6)	\$ (952.9)	\$ (617.7)	\$ 903.4	\$ (348.1)	\$ (527.7)	\$ 9,114.3	\$ (2,348.6)	\$ (1,341.2)	\$ 429.4	\$ (1,636.3)	\$ 208.5	\$ 2,244.6
21 Total Cash at beginning of period	\$ 4,386.3	\$ 3,747.8	\$ 2,794.8	\$ 2,177.1	\$ 3,080.5	\$ 2,732.4	\$ 2,204.7	\$ 11,319.0	\$ 8,970.4	\$ 7,629.2	\$ 8,058.6	\$ 6,422.3	
22 Total Cash at End of Period	\$ 3,747.8	\$ 2,794.8	\$ 2,177.1	\$ 3,080.5	\$ 2,732.4	\$ 2,204.7	\$ 11,319.0	\$ 8,970.4	\$ 7,629.2	\$ 8,058.6	\$ 6,422.3	\$ 6,630.9	
23 Days of Cash on Hand at End of Month (Excluding Capital Expenditures)	24.0	17.9	14.0	19.7	17.5	14.1	72.6	57.5	48.9	51.7	41.2	42.5	
Capital Expenditures													
24 SVH Capital - Financed by 3rd Party	-	-	23.3	23.3	23.3	23.3	70.0	85.5	85.5	138.4	138.4	138.4	749.7
25 SVH Capital - Financed by Vendor	-	-	-	-	-	-	21.3	21.3	21.3	21.3	21.3	21.3	127.8
26 SVH Capital - SVH Funded Purchases	-	30.0	100.0	150.0	50.0	-	50.0	50.0	50.0	-	-	-	480.0
27 SVH Capital - Foundation Funded	400.0	150.0	150.0	-	-	800.0	-	-	-	-	-	-	1,500.0
28 Restricted Donations (rec'd from Foundation)	(400.0)	(150.0)	(150.0)	-	-	(800.0)	-	-	-	-	-	-	(1,500.0)
29 Net Capital Expenditures	\$ -	\$ 30.0	\$ 123.3	\$ 173.3	\$ 73.3	\$ 23.3	\$ 141.3	\$ 156.8	\$ 156.8	\$ 159.7	\$ 159.7	\$ 159.7	\$ 1,357.4
30 Net Sources/Uses (With CapEx)	\$ (638.6)	\$ (982.9)	\$ (741.0)	\$ 730.1	\$ (421.5)	\$ (551.0)	\$ 8,973.0	\$ (2,505.4)	\$ (1,498.1)	\$ 269.7	\$ (1,796.0)	\$ 48.8	\$ 887.1
31 Total Cash at beginning of period	\$ 4,386.3	\$ 3,747.8	\$ 2,764.8	\$ 2,023.8	\$ 2,753.9	\$ 2,332.4	\$ 1,781.4	\$ 10,754.4	\$ 8,249.0	\$ 6,750.9	\$ 7,020.6	\$ 5,224.6	
32 Total Cash at End of Period	\$ 3,747.8	\$ 2,764.8	\$ 2,023.8	\$ 2,753.9	\$ 2,332.4	\$ 1,781.4	\$ 10,754.4	\$ 8,249.0	\$ 6,750.9	\$ 7,020.6	\$ 5,224.6	\$ 5,273.5	
33 Days of Cash on Hand at End of Month (Including Capital Expenditures)	24.0	17.7	13.0	17.7	15.0	11.4	68.9	52.9	43.3	45.0	33.5	33.8	



To: SVHCD Finance Committee
 From: Ben Armfield, Chief Financial Officer
 Date: July 29, 2025
 Subject: Financial Report for June 2025

OVERALL PERFORMANCE SUMMARY | MONTH OF JUNE 2025

- **Operating EBDA** (with Parcel Taxes) - The hospital beat budget in June, posting a positive Operating EBDA of **\$205,000** versus a budget of **\$153,000**.
- **Operating Revenues** - **\$5.9 million**, exceeding budget by **3%** or **\$170,000**. Net revenue is outperforming expectations due to additional IGT funds received beyond what was budgeted. However, net patient revenue (excluding IGT) fell short of budget by more than 10% in June, largely due to a decline in surgical volumes compared to prior months and a more conservative reserve applied to gross revenue and accounts receivable in June.
- **Operating Expenses** - **\$6.2 Million**. Exceeded budget by **2%**, or **\$122,000**. Operating expenses decreased compared to the past couple of months. Overall, expenses exceeded budget by 2%, but they ran under budget by 3% when excluding IGT matching fees.
- **Cash** - June's collections were strong, continuing a positive trend for most of calendar year 2025. We collected \$4.51 million during the month. The hospital ended the month and year with **\$4.39 million in Cash** and **29.2 Days Cash on Hand**.

OVERALL PERFORMANCE | FISCAL YEAR 2025 (Unaudited)

June caps what has been a successful financial year for the hospital. We knew this was going to be a critical year for SVH from a financial standpoint, and while there is further improvement needed in years ahead, this fiscal year reset our financial trajectory as we were able to regain some stability in. Some "high level" highlights of our fiscal year performance:

- **Operating EBDA** | Posted a positive Operating EBDA of **\$1.9 Million**, which exceeded budget by **\$670K** and FY24 by **\$2.1 Million**
- **Operating Margin** | Exceeded budget by **\$405K** and FY24 by **\$1.2 Million**
- **Operating Revenues** | Exceeded budget by **6% (\$3.7M)** and FY24 by **14% (\$8.7M)**
- **Cash** | Generated positive cash flow from operations, first time since COVID. **+\$3 Million turnaround compared to FY24**.

Overall Performance (In 1000s, Includes Parcel Taxes) | June 2025

	Current Month				Year-To- Date						
	Actual	Budget	Var	%	Actual	Budget	Var	%	PY Actual	Var	%
Operating Margin	\$ (291.4)	\$ (338.6)	\$ 47.3	14%	\$ (4,326.8)	\$ (4,731.8)	\$ 405.0	9%	\$ (5,487.0)	\$ 1,160.2	21%
Operating EBDA	\$ 205.0	\$ 153.1	\$ 51.9	34%	\$ 1,898.2	\$ 1,228.7	\$ 669.5	54%	\$ (219.8)	\$ 2,118.0	964%
Net Income (Loss)	\$ (73.5)	\$ (150.5)	\$ 77.1	51%	\$ (2,036.5)	\$ (2,474.5)	\$ 438.1	18%	\$ (2,961.3)	\$ 924.8	31%

DRIVERS IN MONTHLY PERFORMANCE

June volumes remained strong and largely consistent with recent trends, continuing to reflect the hospital's overall operational momentum. Outpatient activity stayed busy, even as the summer months brought the usual seasonal challenges - including well-earned PTO and time away for a couple of our higher-volume surgeons. Despite these temporary slowdowns, several key service lines worth noting:

- **Emergency Department** volumes continued to run high, maintaining the elevated activity we've seen over the past few months.
- **Outpatient Physical Therapy** remained very active, with volumes holding steady despite ongoing construction impacts.
- **Imaging Services** were exceptionally strong in June.
 - **MRI** volumes held at higher levels, compared to recent run-rate, with 198 exams performed - maintaining the ~200/month pace we've seen since March.
 - **CT volumes** set yet another all-time high, continuing their upward trajectory and establishing CT as one of our most consistently growing modalities.
- **Wound Care** set a new monthly record for visits, further demonstrating the growing demand for this service and the strong performance of the clinical team.

The strength in these areas helped offset minor unfavorable budget variances in other departments, including some modest shortfalls in MRI and PT revenue (compared to the monthly budget).

VOLUMES | YEAR OVER YEAR

As June represents the end of our fiscal year, some highlights to point out as they pertain to year over year changes in key volumes:

- Outpatient Visits | +11%
- Emergency Room Visits | +8%. Averaged 31 visits/day.
- Wound Care Volumes | +40%
- MRI Volumes | +40%
- OP Physical Therapy | +25%
- CT Volumes | 20%
- Surgical Volumes | -7%
- Inpatient Patient Days | 11%

OTHER FINANCE UPDATES

- **Rate Range Program Updates** – Fiscal year 2026 allotments have been negotiated and agreed to. Our focus continues to be on funding sources required to backfill the working capital needed to make the higher matching fee pay-in. We plan to bring a full recommendation to the committee in August.
- **Critical Capital Needs FY26** – We are preparing to bring a comprehensive funding recommendation to the Committee regarding several critical capital needs. During the budget process, we identified at least **\$4.5 million** in capital projects that will require funding in FY26, with several additional items on that list that were still being scoped and quantified (not included in the \$4.5M). We plan to present the full (and still fluid) capital plan to the Committee for discussion in August.

- We received our **Employee Engagement Survey** results this past month, and I am pleased to report they were positive. We scored a 4.29 (out of 5.0), and had an organizational participation rate of 61%. The 4.29 was an improvement upon the 4.25 that we received last year, and was also the highest score we have received in the last four years.
- As an additional attachment to this month's finance report, I am including a copy of the letter we distributed to all staff regarding the recently passed **Better Benefits and Budget Reconciliation Act**. The letter outlines the key provisions of the bill and provides context on what it may mean for Sonoma Valley Hospital. We felt it was important to address the issue proactively and offer reassurance to our team while monitoring potential long-term impacts. **Please see Attachment G** if you are interested in reading what went out to our team.

CAPITAL PROJECTS UPDATE

FOUNDATION FUNDED PROJECTS

The following section is intended to provide a detailed update on key capital projects currently underway - specifically those that have received full or partial funding support from the Sonoma Valley Hospital Foundation. While there are other capital initiatives in development, this update focuses on projects that are actively in motion. As additional projects progress and gain traction, we will incorporate them into future reports. For now, this overview is meant to offer a deeper dive into current project status, anticipated completion timelines, cost progress against budget, and any material barriers encountered.

Outpatient Diagnostic Center (ODC)

Active Phase(s)	MRI Permanent Location Prep (Central Wing Demolition)
Project Budget	\$24,000,000
Projected Total Cost of Project	TBD (\$22 million to complete Active & Completed Phases, + Cost to Finalize MRI Final Placement, which is TBD)

Projected Construction Completion TBD

The current phase of the project is nearing completion, which is the demolition portion of the Central Wing. The second phase of the CT portion (CT Phase II) was most recently completed, which is significant as that facilitated the move of our CT machine to emergency power. We have had to divert stroke patients in situations where the hospital experienced a power outage as the CT was not on emergency power due to required electrical remediation work. The remediation work has been completed and the CT scanner is now on emergency power provided by the hospital generator. This was the final project milestone of the CT phase, and it was a substantial milestone to achieve. **We anticipate the current phase of the overall project, the Central Wing Demolition, to be completed by the end of August.**

As work continues on the current Central Wing phase, we are also evaluating potential options related to the permanent location of the 3T MRI. These options include moving the 3T MRI into the originally planned space in the Central Wing that is currently being demolished, as well as exploring the option of transitioning the current location of the magnet from a temporary solution to a permanent one.

To assess the latter option, we engaged the architectural firm 19Six to complete a feasibility study. We received their report a couple of weeks ago and were impressed with the quality and thoroughness of their work. Most

importantly, their assessment concluded that the required modifications to make the current site permanent can most likely be accomplished without significant cost or disruption.

Their proposed approach includes a two-phase plan:

- 1. **Phase One** focuses on getting permanent occupancy for the MRI container in its current location which may require public improvements to the driveway and sidewalks as mandated by the City of Sonoma.
- 2. **Phase Two** centers on adding a canopy from the Hospital to the MRI entrance and generally “beautifying” the space - enhancing aesthetics to create a more polished and permanent appearance.

We are moving forward with engaging 19Six to begin Phase One work, which will be conducted on a time-and-materials basis with a current not-to-exceed amount of \$10,000. Should additional funds be required beyond this amount to complete Phase One, we will return to the Committee and Board for further approval.

As Phase One progresses, we will also begin identifying funding options for Phase Two. A formal recommendation, including a proposed project close-out strategy, will be brought forward to the Committee and Board at that time.

Physical Therapy Expansion Project

Project Budget	\$2,300,000
Projected Total Cost of Project	\$2,200,000
Projected Construction Completion	July 2025
Projected Go-Live	TBD

Construction on the PT Expansion project has been progressing nicely after working through several delays in the design and permitting process, as well as the long lead time for the HVAC equipment. These issues caused multiple month delays and significantly impacted the project timeline – pushing the estimated completion of construction from January 2025 to July 2025. **Construction is now complete and we are pursuing the Certificate of Occupancy with the County.**

Once building occupancy is obtained, the team will engage with CDPH to license the newly constructed space. Patient use of the space cannot begin until CDPH completes its review and issues formal approval and licensing. We are working and coordinating with CDPH to turn this piece around as fast as possible.

ICU Refresh Project

Project Budget	\$630,000
Projected Total Cost of Project	\$660,000
Projected Construction Completion	August 2025
Projected Go-Live	July 2025

The ICU Refresh/Upgrade project is nearing completion and is currently in the final phase of construction. During a recent field inspection, the HCAI Fire Life Safety Officer identified a deficiency not included in the approved construction documents-specifically, the nurse station requires an additional smoke detector. In response, our team is coordinating with the general contractor and local fire alarm vendor to address the issue.

Due to unforeseen field conditions encountered during construction, primarily related to plumbing and structural modifications - along with the added scope from the Fire Life Safety Officer, we now anticipate that

the total project cost will exceed the original \$630,000 budget. In the meantime, the ICU continues to operate with 5 of the 6 rooms available for patient care. The remaining room is expected to return to service by the end of July.

OTHER PROJECTS

AC-1 Replacement

Approved Project Budget	\$250,000
Projected Total Cost of Project	TBD
Projected Construction Completion	TBD
Projected Go-Live	TBD

In addition to the major initiatives currently underway, we are progressing several other capital efforts that are in earlier phases. One key project is the **AC-1 HVAC Replacement**. AC-1 is the hospital’s primary rooftop condensing unit, and supplies chilled air to the Emergency Department and Operating Room, working with air handling systems to regulate temperature, humidity, and air pressure for patient safety and regulatory compliance. One condenser recently failed, and while emergency repairs by Carrier were temporarily successful, they are not reliable or sustainable long-term; A failure is imminent.

The project scope includes a temporary solution to replace the failed component of the AC-1 system to provide immediate stabilization. This is a short-term solution to maintain critical operations while awaiting permanent replacement, as the final unit requires OSHPD OSP Certification and approval from the Office of Statewide Health Planning and Development (OSHPD).

After securing approval from OSHPD for the permanent installation plans, Sonoma Valley Hospital will initiate a formal public bidding process to select a contractor for the replacement project, ensuring compliance with state regulations and competitive procurement. The temporary unit that does not have OSP certification would be subsequently removed. The 2-phase temporary and permanent solution was required due the long lead time for final equipment which has the required OSP certification.

While the total project budget is still being vetted, the scope has expanded due to the likely requirement for HCAI approval, which introduces added complexity and anticipated cost increases (in excess of the approved \$250,000). We plan to return to this Committee with a full project plan - including cost estimates, scope, and timeline - once we have greater clarity on regulatory requirements and construction implications.

FINANCE REPORT ATTACHMENTS:

- | | |
|----------------|--|
| • Attachment A | Income Statement |
| • Attachment B | Balance Sheet |
| • Attachment C | Cash Flow Forecast |
| • Attachment D | Key Performance Indicators Volumes & Statistics |
| • Attachment E | Fiscal Year 2025 Business Plan Tracker |
| • Attachment F | Key Performance Indicators Overall Performance |
| • Attachment G | All Staff Letter – Better Benefits and Budget Reconciliation Act (BBBRA) |

Sonoma Valley Health Care District
Income Statement (in 1000s)
For the Period Ended June 30, 2025

ATTACHMENT A

		Month				Year-To- Date						
Revenues		CYM Actual	CYM Budget	Var	%	YTD Actual	YTD Budget	Var	%	PYTD Actual	Var	%
1	Net Patient Revenue	\$ 3,831.5	\$ 4,486.7	(655.2)	-15%	\$ 50,611.1	\$ 50,536.4	74.7	0%	\$ 48,148.3	2,462.8	5%
2	IGT Program Revenue	1,683.5	871.5	812.0	93%	13,912.6	10,458.6	3,454.0	33%	7,881.1	6,031.5	77%
3	Parcel Tax Revenue	316.7	312.5	4.2	1%	3,800.0	3,750.0	50.0	1%	3,702.1	97.9	3%
4	Other Operating Revenue	100.5	92.0	8.5	9%	1,214.8	1,103.9	110.9	10%	1,112.9	102.0	9%
5	Total Revenue	\$ 5,932.2	\$ 5,762.8	169.4	3%	\$ 69,538.6	\$ 65,848.9	3,689.6	6%	\$ 60,844.4	8,694.1	14%
Operating Expenses		CYM Actual	CYM Budget	Var	%	YTD Actual	YTD Budget	Var	%	PYTD Actual	Var	%
6	Labor / Total People Cost	\$ 2,884.2	\$ 2,974.2	(90.0)	-3%	\$ 35,638.1	\$ 35,180.8	457.3	1%	\$ 33,511.8	2,126.4	6%
7	Professional Fees	804.5	797.4	7.1	1%	8,364.0	8,336.5	27.5	0%	7,185.1	1,178.9	16%
8	Supplies	662.3	640.3	22.0	3%	7,825.9	7,386.3	439.6	6%	7,522.4	303.5	4%
9	Purchased Services	273.1	450.8	(177.7)	-39%	4,838.7	4,759.1	79.5	2%	4,963.0	(124.3)	-3%
10	Depreciation	496.4	491.7	4.7	1%	6,225.0	5,960.5	264.5	4%	5,267.2	957.8	18%
11	Interest	26.9	29.4	(2.6)	-9%	416.3	353.3	63.0	18%	712.1	(295.7)	-42%
15	Other	430.6	352.4	78.2	22%	4,497.1	4,221.9	275.1	7%	3,972.4	524.7	13%
16	IGT Program Expense	645.6	365.2	280.5	77%	6,060.3	4,382.3	1,678.0	38%	3,197.5	2,862.8	90%
17	Operating Expenses	\$ 6,223.6	\$ 6,101.4	122.2	2%	\$ 73,865.4	\$ 70,580.7	3,284.6	4.7%	\$ 66,331.4	7,533.9	11%
18	Operating Margin	\$ (291.4)	\$ (338.6)	\$ 47.3	14%	\$ (4,326.8)	\$ (4,731.8)	\$ 405.0	9%	\$ (5,487.0)	\$ 1,160.2	21%
Non Operating Income		CYM Actual	CYM Budget	Var	%	YTD Actual	YTD Budget	Var	%	PYTD Actual	Var	%
19	GO Bond Activity, Net	162.8	177.6	(14.8)	-8%	1,942.7	2,130.9	(188.2)	-9%	2,098.2	(155.5)	-7%
20	Misc Revenue/(Expenses)	55.1	10.5	44.6	423%	347.6	126.4	221.2	175%	427.6	(79.9)	-19%
21	Total Non-Op Income	\$ 217.9	\$ 188.1	29.8	16%	\$ 2,290.3	\$ 2,257.2	33.1	1%	\$ 2,525.7	(235.4)	-9%
22	Net Income (Loss)	\$ (73.5)	\$ (150.5)	77.1	-51%	\$ (2,036.5)	\$ (2,474.5)	438.1	18%	\$ (2,961.3)	924.8	31%
23	Restricted Foundation Contr.	436.5	157.4	279.1	177%	3,713.6	1,888.9	1,824.7	97%	5,390.4	(1,676.8)	-31%
24	Change in Net Position	\$ 363.0	\$ 6.9	356.1	5170%	\$ 1,677.1	\$ (585.6)	2,262.8	386%	\$ 2,429.1	(752.0)	31%
25	Operating EBDA	\$ 205.0	\$ 153.1	51.9	34%	\$ 1,898.2	\$ 1,228.7	669.5	-54%	\$ (219.8)	2,118.0	964%

Sonoma Valley Health Care District

ATTACHMENT B

Balance Sheet
As of June 30, 2025
Expressed in 1,000s

		<u>Current Month</u>	<u>Prior Month</u>	<u>FYE 2024 Prior Year</u>
Assets				
Current Assets:				
1	Cash	\$ 4,386.3	\$ 4,265.8	\$ 3,748.6
2	Net Patient Receivables	7,585.1	8,067.0	11,860.2
3	Allow Uncollect Accts	(1,256.1)	(1,221.8)	(4,323.2)
4	Net Accounts Receivable	\$ 6,329.0	\$ 6,845.1	\$ 7,537.0
5	Parcel Tax Receivable	-	175.2	-
6	GO Bond Tax Receivable	-	-	-
7	Other Receivables	423.3	394.7	1,647.5
8	Inventory	841.0	921.2	913.4
9	Prepaid Expenses	788.1	867.0	637.5
10	Total Current Assets	\$ 12,767.9	\$ 13,469.0	\$ 14,484.0
11	Property, Plant & Equip, Net	\$ 60,342.6	\$ 60,236.0	\$ 61,734.0
12	Trustee Funds - GO Bonds	5,986.7	5,947.9	5,957.3
13	Other Assets - Deferred IGT Expense	-	700.2	-
14	Total Assets	\$ 79,097.1	\$ 80,353.1	\$ 82,175.3
Liabilities & Fund Balances				
Current Liabilities:				
15	Accounts Payable	\$ 6,282.7	\$ 5,782.8	\$ 6,443.4
16	Accrued Compensation	4,059.9	3,946.1	3,648.8
17	Interest Payable - GO Bonds	154.4	376.7	189.4
18	Accrued Expenses	166.1	176.7	409.6
19	Deferred IGT Revenue	-	1,448.1	-
20	Deferred Parcel Tax Revenue	-	316.7	-
21	Deferred GO Bond Tax Revenue	-	200.6	-
22	Line of Credit - Summit Bank	-	-	4,973.7
23	Other Liabilities	-	-	57.5
24	Total Current Liabilities	\$ 11,403.1	\$ 12,987.7	\$ 15,939.9
25	Long Term Debt, net current portion	\$ 27,239.3	\$ 27,273.7	\$ 27,457.8
26	Total Fund Balance	\$ 40,454.7	\$ 40,091.7	\$ 38,777.6
27	Total Liabilities & Fund Balances	\$ 79,097.1	\$ 80,353.1	\$ 82,175.3

<u>Cash Indicators</u>	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year FYE</u>
Days Cash	29.2	27.3	22.7
A/R Days	45.8	48.5	60.1
A/P Days	67.2	61.9	68.9

Sonoma Valley Health Care District
Cash Forecast (In 1000s)
FY 2025

ATTACHMENT C

	Actual July	Actual Aug	Actual Sept	Actual Oct	Actual Nov	Actual Dec	Actual Jan	Actual Feb	Actual Mar	Actual Apr	Actual May	Actual Jun	TOTAL
Hospital Operating Sources													
1 Patient Payments Collected	\$ 4,211.7	\$ 4,169.5	\$ 4,265.7	\$ 4,281.0	\$ 4,115.5	\$ 3,960.7	\$ 4,215.3	\$ 3,754.9	\$ 5,221.2	\$ 4,970.6	\$ 4,142.0	\$ 4,512.1	\$ 51,820.2
2 Other Operating Revenue	316.7	106.8	46.0	192.7	75.3	88.8	115.0	107.7	90.1	90.8	102.8	102.0	1,434.8
3 Other Non-Operating Revenue	12.1	20.9	11.4	5.4	16.2	18.0	24.2	13.5	44.3	11.2	12.0	8.1	197.3
4 Unrestricted Contributions	-	8.2	9.5	9.1	6.0	7.6	-	-	-	-	-	-	40.4
5 Sub-Total Hospital Sources	\$ 4,540.5	\$ 4,305.4	\$ 4,332.6	\$ 4,488.2	\$ 4,212.9	\$ 4,075.1	\$ 4,354.5	\$ 3,876.2	\$ 5,355.6	\$ 5,072.6	\$ 4,256.9	\$ 4,622.2	\$ 53,492.6
Hospital Uses of Cash													
6 Operating Expenses / AP Payments	\$ 5,003.0	\$ 4,703.6	\$ 4,628.1	\$ 5,681.0	\$ 5,589.2	\$ 5,094.6	\$ 5,422.8	\$ 5,437.3	\$ 4,807.5	\$ 6,435.9	\$ 6,854.0	\$ 4,610.1	\$ 64,267.2
7 Term Loan Paydown	-	-	-	-	-	116.6	89.7	73.6	73.6	73.6	73.6	73.6	574.1
8 Bridge Loan Payback	-	-	-	-	-	-	758.2	-	-	-	-	-	758.2
9 Capital Expenditures	66.0	1,047.6	177.6	185.2	230.8	7.6	-	109.2	51.3	898.2	116.8	479.2	3,369.5
10 Total Hospital Uses	\$ 5,068.9	\$ 5,751.3	\$ 4,805.7	\$ 5,866.2	\$ 5,820.0	\$ 5,218.8	\$ 6,270.7	\$ 5,620.2	\$ 4,932.4	\$ 7,407.6	\$ 7,044.4	\$ 5,162.8	\$ 68,969.0
Net Hospital Sources/Uses of Cash	\$ (528.5)	\$ (1,445.8)	\$ (473.1)	\$ (1,378.0)	\$ (1,607.1)	\$ (1,143.7)	\$ (1,916.3)	\$ (1,743.9)	\$ 423.3	\$ (2,335.1)	\$ (2,787.6)	\$ (540.6)	\$ (15,476.5)
Non-Hospital Sources													
12 Restricted Cash/Money Market													-
11 Restricted Capital Donations	\$ 66.0	\$ 986.4	\$ 177.6	\$ 51.6	\$ 216.7	\$ -	\$ -	\$ 87.0	\$ -	\$ 870.1	\$ -	\$ 457.1	\$ 2,912.5
12 Parcel Tax Revenue	142.5	-	-	1,612.0	-	446.6	-	-	-	1,555.5	-	43.4	3,800.0
13 Other Payments	-	-	-	653.0	-	-	-	-	-	-	-	-	653.0
14 IGT Payments	-	-	0.9	-	27.0	-	12,553.3	-	-	553.0	1,334.8	160.6	14,629.6
15 Distressed Hospital Loan Program	3,100.0	-	-	-	-	-	-	-	-	-	-	-	3,100.0
16 Line of Credit Payoff Funding - New Bank	-	-	-	-	1,900.0	-	-	-	-	-	-	-	1,900.0
17 Line of Credit Draw - New Bank	-	-	-	-	5,400.0	-	-	-	-	-	-	-	5,400.0
18 Sub-Total Non-Hospital Sources	\$ 3,308.4	\$ 986.4	\$ 178.4	\$ 2,316.6	\$ 7,543.6	\$ 446.6	\$ 12,553.3	\$ 87.0	\$ -	\$ 2,978.6	\$ 1,334.8	\$ 661.1	\$ 32,395.1
Non-Hospital Uses of Cash													
19 IGT Matching Fee Payments	\$ -	\$ -	\$ -	\$ -	\$ 5,157.6	\$ -	\$ -	\$ -	\$ 230.2	\$ 409.9	\$ 87.7	\$ -	\$ 5,885.4
20 Line of Credit Payoff - US Bank LOC	3,100.0	-	-	-	1,895.5	-	-	-	-	-	-	-	4,995.5
21 Line of Credit Repayment - New LOC	-	-	-	-	-	-	5,400.0	-	-	-	-	-	5,400.0
22 Sub-Total Non-Hospital Uses of Cash	\$ 3,100.0	\$ -	\$ -	\$ -	\$ 7,053.1	\$ -	\$ 5,400.0	\$ -	\$ 230.2	\$ 409.9	\$ 87.7	\$ -	\$ 16,280.9
23 Net Non-Hospital Sources/Uses of Cash	\$ 208.4	\$ 986.4	\$ 178.4	\$ 2,316.6	\$ 490.5	\$ 446.6	\$ 7,153.3	\$ 87.0	\$ (230.2)	\$ 2,568.8	\$ 1,247.1	\$ 661.1	\$ 16,114.2
24 Net Sources/Uses	\$ (320.1)	\$ (459.4)	\$ (294.7)	\$ 938.6	\$ (1,116.5)	\$ (697.1)	\$ 5,237.1	\$ (1,656.9)	\$ 193.0	\$ 233.7	\$ (1,540.5)	\$ 120.5	\$ 637.7
25 Total Cash at beginning of period	\$ 3,748.6	\$ 3,428.5	\$ 2,969.1	\$ 2,674.5	\$ 3,613.0	\$ 2,496.5	\$ 1,799.4	\$ 7,036.5	\$ 5,379.6	\$ 5,572.6	\$ 5,806.3	\$ 4,265.8	
26 Total Cash at End of Period	\$ 3,428.5	\$ 2,969.1	\$ 2,674.5	\$ 3,613.0	\$ 2,496.5	\$ 1,799.4	\$ 7,036.5	\$ 5,379.6	\$ 5,572.6	\$ 5,806.3	\$ 4,265.8	\$ 4,386.3	
27 Days of Cash on Hand at End of Month	22.0	19.0	17.1	23.2	16.0	11.5	45.1	34.5	35.7	37.2	27.3	29.2	

Sonoma Valley Health Care District

ATTACHMENT D

Key Performance Indicators | Volumes & Statistics

For the Period Ended June 30, 2025

	Current Month				Year-To- Date						
	Actual	Budget	Var	%	YTD	YTD			PYTD		
					Actual	Budget	Var	%	Actual	Var	%
Inpatient Volume											
Acute Patient Days	310	264	46	17%	3,252	3,183	69	2%	2,942	310	11%
Acute Discharges	83	72	11	15%	851	867	(16)	-2%	820	31	4%
Average Length of Stay	3.7	3.7	0.1	2%	3.8	3.7	0.2	4%	3.6	0.2	6%
Average Daily Census	10.3	8.8	1.5	17%	8.9	8.7	0.2	2%	8.1	1	11%

Surgical Volume

IP Surgeries	11	10	1	11%	123	123	(0)	0%	151	(28)	-19%
OP Surgeries	127	147	(20)	-14%	1,630	1,644	(14)	-1%	1,732	(102)	-6%
Total Surgeries	138	157	(19)	-12%	1,753	1,767	(14)	-1%	1,883	(130)	-7%

Other Outpatient Activity

Total Outpatient Visits	6,064	5,450	614	11%	69,468	65,400	4,068	6%	62,342	7,126	11%
Emergency Room Visits	985	906	79	9%	11,283	10,428	855	8%	10,418	865	8%

Payor Mix

	Actual	Budget	%	Actual	Budget	%
Medicare	39.7%	37.7%	2.0%	37.4%	37.8%	-0.4%
Medicare Mgd Care	21.9%	18.2%	3.7%	20.8%	18.3%	2.6%
Medi-Cal	17.2%	16.2%	0.9%	18.1%	16.2%	1.9%
Commercial	18.1%	23.9%	-5.8%	20.4%	23.9%	-3.5%
Other	3.1%	3.9%	-0.8%	3.2%	3.9%	-0.7%
Total	100.0%	100.0%		100.0%	100.0%	

Payor Mix calculated based on gross revenues

Trended Outpatient Visits by Area

Department	Most Recent Six Months						Last 6 Months	YoY Monthly Averages			
	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25		FY25	FY24	Chg	% Chg
Lab	1,461	1,189	1,372	1,435	1,403	1,392		1,348	1,297	52	4%
Medical Imaging	1,122	980	983	1,082	1,095	1,051		982	927	56	6%
Physical Therapy	1,500	1,412	1,395	1,489	1,485	1,460		1,424	1,154	270	23%
CT Scanner	435	423	428	478	457	497		449	380	69	18%
Occ. Health	251	259	338	318	282	268		267	282	(15)	-5%
Mammography	287	260	266	300	213	237		245	240	4	2%
Occ. Therapy	190	159	205	172	210	211		203	205	(2)	-1%
Ultrasound	235	206	214	237	195	220		218	217	1	0%
Wound Care	280	264	267	234	258	295		251	177	74	42%
MRI	163	176	191	192	197	198		181	131	50	38%
ECHO	104	148	145	143	144	148		129	115	14	12%
Speech Therapy	80	65	57	83	72	70		68	49	19	38%
Other	28	24	33	27	19	17		23	20	3	16%
TOTAL	6,136	5,565	5,894	6,190	6,030	6,064		5,789	5,195	594	11%
Emergency Room	993	873	926	966	1,073	985		940	868	72	8%

	Current Month				Year-To- Date						
	Actual	Budget	Var	%	Actual	Budget	Var	%	PY Actual	Var	%
Operating Margin	\$ (291.4)	\$ (338.6)	\$ 47.3	14%	\$ (4,326.8)	\$ (4,731.8)	\$ 405.0	9%	\$ (5,487.0)	\$ 1,160.2	21%
Operating EBDA	\$ 205.0	\$ 153.1	\$ 51.9	34%	\$ 1,898.2	\$ 1,228.7	\$ 669.5	54%	\$ (219.8)	\$ 2,118.0	964%
Net Income (Loss)	\$ (73.5)	\$ (150.5)	\$ 77.1	51%	\$ (2,036.5)	\$ (2,474.5)	\$ 438.1	18%	\$ (2,961.3)	\$ 924.8	31%

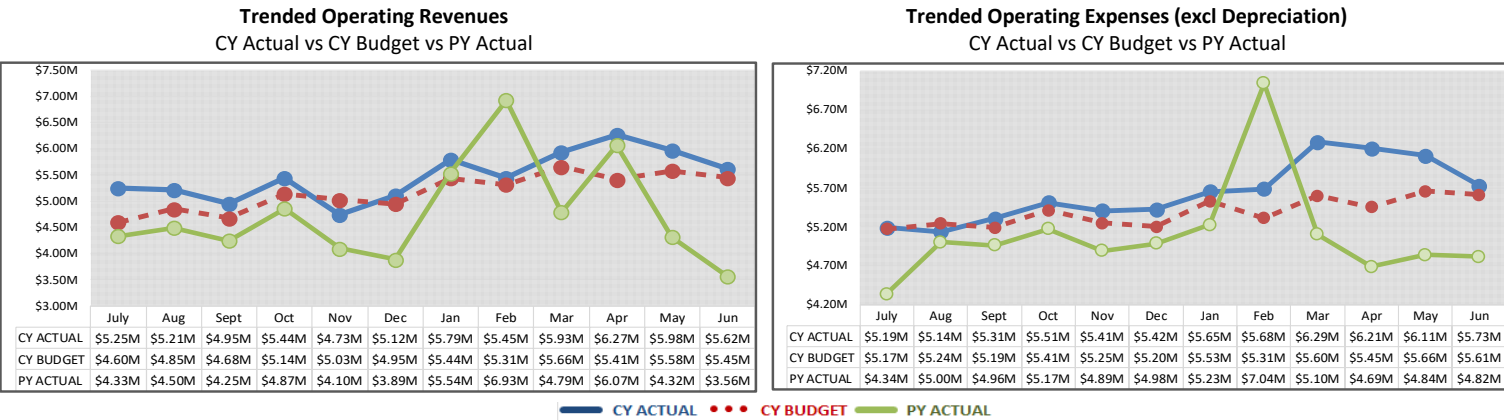
Operating Revenue Summary (All Numbers in 1000s)

Net Patient Revenue	\$ 5,515.0	\$ 5,358.3	\$ 156.8	3%	\$ 64,523.7	\$ 60,995.0	\$ 3,528.7	6%	\$ 56,029.4	\$ 8,494.3	15%
NPR as a % of Gross	17.4%	18.2%	-4.2%		17.6%	17.9%	-1.3%		16.9%	4.5%	
Operating Revenue	\$ 5,932.2	\$ 5,762.8	\$ 169.4	3%	\$ 69,538.6	\$ 65,848.9	\$ 3,689.6	6%	\$ 60,844.4	\$ 8,694.1	14%

Operating Expense Summary (All Numbers in 1000s)

Operating Expenses	\$ 6,223.6	\$ 6,101.4	\$ 122.2	2%	\$ 73,865.4	\$ 70,580.7	\$ 3,284.6	5%	\$ 66,331.4	\$ 7,533.9	11%
Op Exp. Excl. Depr.	\$ 5,727.2	\$ 5,609.7	\$ 117.5	2%	\$ 67,640.4	\$ 64,620.3	\$ 3,020.1	5%	\$ 61,064.3	\$ 6,576.1	11%
Worked FTEs	223.11	222.99	0.12	0%	218.09	219.52	\$ (1.43)	-1%	213.64	4.45	2%

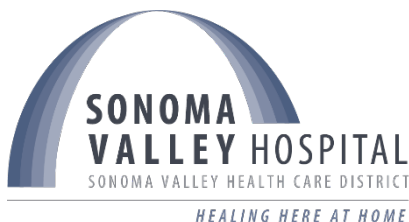
Trended Operating Revenue & Operating Expense Graphs



Cash Indicators

	Current Month	Prior Month	Var	% Var
Days Cash	29.2	27.3	1.9	7%
A/R Days	45.8	48.5	(2.7)	-6%
A/P Days	67.2	61.9	5.3	9%

				Through June 2025														
Initiative	Investment	Measurable Outcome *	Financial Impact	Volumes / Impact	July	August	September	October	November	December	January	February	March	April	May	June	YTD	
3T MRI	\$1 Million (Temp Trailer)	MRI Exams Incremental Growth over Baseline (>120 scans/month)	Incremental Revenue \$1,250,000	Baseline (FY24)	*3T went live August 2023													
				Baseline (FY24)	95	95	95	95	95	95	95	95	95	95	95	95	1,140	
				FY25 Budget	178	196	184	214	215	215	225	225	230	235	240	240	2,596	
				FY25 Actual	130	182	182	222	151	190	163	176	191	192	197	198	2,174	
				Actual vs. Budget	(48)	(14)	(2)	8	(64)	(25)	(62)	(49)	(39)	(43)	(43)	(42)	(422)	
					↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓	
				FINANCIAL IMPACT INCREMENTAL REVENUE														
				FY25 Budgeted	\$ 71,400	\$ 86,300	\$ 76,100	\$ 102,200	\$ 103,000	\$ 103,000	\$ 111,600	\$ 111,600	\$ 115,900	\$ 120,100	\$ 124,400	\$ 124,400	\$ 1,250,000	
				FY25 Actual	\$ 30,000	\$ 74,700	\$ 74,700	\$ 109,000	\$ 48,100	\$ 81,500	\$ 58,400	\$ 69,500	\$ 82,400	\$ 83,200	\$ 87,500	\$ 88,400	\$ 887,400	
				Actual vs. Budget	\$ (41,400)	\$ (11,600)	\$ (1,400)	\$ 6,800	\$ (54,900)	\$ (21,500)	\$ (53,200)	\$ (42,100)	\$ (33,500)	\$ (36,900)	\$ (36,900)	\$ (36,000)	\$ (362,600)	
		↓	↓	↓	↑	↓	↓	↓	↓	↓	↓	↓	↓	↓				
Physical Therapy Expansion	\$2.3 Million	Patient Visits 25% growth over FY24 baseline (50% starting in January)	Incremental Revenue \$475,000	VOLUMES														
				Baseline (FY24)				1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	9,900	
				FY25 Budgeted				1,100	1,100	1,100	1,590	1,590	1,590	1,590	1,590	1,590	12,840	
				FY25 Actual				1,481	1,278	1,337	1,500	1,412	1,395	1,489	1,485	1,460	12,837	
				Actual vs. Budget	-	-	-	381	178	237	(90)	(178)	(195)	(101)	(105)	(130)	(3)	
								↑	↑	↑	↓	↓	↓	↓	↓	↓	↓	
				FINANCIAL IMPACT INCREMENTAL REVENUE														
				FY25 Budgeted				\$ -	\$ -	\$ -	\$ 56,400	\$ 56,400	\$ 56,400	\$ 56,400	\$ 56,400	\$ 56,400	\$ 338,400	
				FY25 Actual				\$ 43,800	\$ 20,500	\$ 27,300	\$ 46,000	\$ 35,900	\$ 33,900	\$ 44,700	\$ 44,300	\$ 41,400	\$ 337,800	
				Actual vs. Budget				43,800	20,500	27,300	(10,400)	(20,500)	(22,500)	(11,700)	(12,100)	(15,000)	\$ (600)	
				↑	↑	↑	↓	↓	↓	↓	↓	↓	↓					
Orthopedist Recruit	TBD	Surgical Cases Exceed 190 surgeries (16/month)	Incremental Revenue \$1,615,000	VOLUMES	*Started performing surgeries late August24													
				Baseline (FY24)	-	-	-	-	-	-	-	-	-	-	-	-	-	
				FY25 Budgeted	5	5	10	10	15	15	15	20	20	25	25	25	190	
				FY25 Actual	-	11	15	18	15	11	22	15	21	20	16	17	181	
				Actual vs. Budget	(5)	6	5	8	-	(4)	7	(5)	1	(5)	(9)	(8)	(9)	
					↓	↑	↑	↑	-	↓	↑	↓	↑	↓	↓	↓	↓	
				FINANCIAL IMPACT INCREMENTAL REVENUE														
				FY25 Budgeted	\$ 35,000	\$ 35,000	\$ 70,000	\$ 70,000	\$ 105,000	\$ 105,000	\$ 105,000	\$ 140,000	\$ 140,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 1,330,000	
				FY25 Actual	\$ -	\$ 77,000	\$ 105,000	\$ 126,000	\$ 105,000	\$ 77,000	\$ 154,000	\$ 105,000	\$ 147,000	\$ 140,000	\$ 112,000	\$ 119,000	\$ 1,267,000	
				Actual vs. Budget	\$ (35,000)	\$ 42,000	\$ 35,000	\$ 56,000	\$ -	\$ (28,000)	\$ 49,000	\$ (35,000)	\$ 7,000	\$ (35,000)	\$ (63,000)	\$ (56,000)	\$ (63,000)	
		↑	↑	↑	-	↓	↑	↓	↑	↓	↓	↓	↓					
ROSA Robot Orthopedic Cases	TBD Incremental Operational Costs	ROSA Joint Replacement Volumes Exceed 124 surgeries over 12 month period (~10/month)	Operational Costs \$ -	VOLUMES														
				FY25 Target								6	6	6	6	6	30	
				FY25 Actual								4	7	3	4	6	24	
				Actual vs. Target								(2)	1	(3)	(2)	-	(6)	
												↓	↑	↓	↓	↑	↓	
				FINANCIAL IMPACT														
				ROSA Lease Cost								\$ (2,500)	\$ 1,250	\$ (3,750)	\$ (2,500)	\$ -	\$ (7,500)	
				Implant Supply Savings								\$ 8,060	\$ 10,400	\$ 8,300	\$ 9,540	\$ 9,145	\$ 45,445	
				Rebate Savings (savings will kick-in once total annual Zimmer spend exceeds \$500,000)								\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
				Actual vs. Target								\$ 5,560	\$ 11,650	\$ 4,550	\$ 7,040	\$ 9,145	\$ 37,945	
									↑	↑	↑	↑	↑	↑				
GRAND TOTAL Actual vs. Budget					\$ (76,400)	\$ 30,400	\$ 33,600	\$ 106,600	\$ (34,400)	\$ (22,200)	\$ (14,600)	\$ (92,040)	\$ (37,350)	\$ (79,050)	\$ (104,960)	\$ (97,855)	\$ (388,255)	
					↓	↑	↑	↑	↓	↓	↓	↓	↓	↓	↓	↓		



Dear Team,

As many of you may have heard, Congress recently passed the **Better Benefits and Budget Reconciliation Act (BBBRA)** - a sweeping federal bill that includes significant changes to healthcare funding, particularly related to Medicaid and other federally supported programs. I want to take a moment to share what we know and what this means for Sonoma Valley Hospital and our community.

First and foremost, I want to offer some reassurance. The structure and strength of our team will remain intact as we stay focused on our mission and the community we serve. We understand how important stability is, and our priority is to support each and every one of you while continuing to meet the needs of the Sonoma community. We've faced uncertainty before, and just like in the past, we'll work through this together - focused on stability, transparency, and keeping our mission at the center.

That said, the broader implications of this bill - both statewide and nationally - are significant and worth watching closely.

National and Statewide Impact

This legislation is specifically designed to dramatically reduce federal healthcare spending over time. While the stated intention may be to curb costs, the real-world impact will be felt most acutely by rural and community providers - those already operating under tight financial constraints, trickling down to impact communities like ours.

The bill includes an estimated \$1 trillion in federal Medicaid cuts over the next decade, with major changes set to begin in 2027. These include stricter eligibility requirements - such as new work mandates and more frequent redetermination checks - as well as new caps on supplemental payment programs that many states rely on to strengthen hospital reimbursement.

In California, this legislation puts one in every five dollars of expected federal Medi-Cal support at-risk. This kind of shortfall will most certainly destabilize critical parts of California's healthcare system - including Medi-Cal coverage for millions of beneficiaries, and the viability of community clinics, physician practices, and local hospitals.

What This Means for Sonoma Valley Hospital

Here's how it may affect us:

- **Medicaid eligibility redeterminations** may lead to coverage loss or disruption for many patients who rely on Medi-Cal. This will increase pressure on Federally Qualified Health Centers, such as our Community Health Center here in Sonoma, which are often the first point of care. *SVH will feel the downstream impact through a changing payor-mix and increased demand for uncompensated care, mostly coming through the hospital's emergency room.*
- **Supplemental funding programs** are likely to be capped or scaled back. These programs, which account for nearly 20% of our total revenues, are special funding streams that help hospitals like ours cover the gap between what it costs to provide care and what Medicaid actually pays. These programs are supported by both state and federal dollars and are especially important for hospitals that treat a large number of Medi-Cal and/or Managed Medi-Cal patients.

We are certainly not immune to the pressures this bill forces on healthcare providers. Specifically, reductions in federal funding levels to the supplemental programs we participate in can have drastic and severe consequences. *That being said, there are some important points of context that give us reassurance:*

- The vast majority of the Medicaid-related cuts in the bill **will not take effect immediately** – many, such as changes in supplemental funding programs, are phased in over several years, **not beginning until at least 2027**.
- While the funding levels for the supplemental programs we rely on may decrease, **the programs themselves are not being eliminated**. These programs remain intact and continue to be recognized as vital mechanisms for supporting hospitals like ours.
- **We've been very successful in expanding our supplemental funding pools over the past few fiscal years**, and we've secured another substantial increase for the upcoming Fiscal Year 2026. This is significant. While we do expect reductions to begin as early as 2027, the elevated levels of funding we've achieved will keep us well ahead of where we were just a few years ago - even after the caps and reductions outlined in this bill take effect. *This puts us in a much stronger financial position than in the past and gives us greater flexibility to absorb any future alterations to these programs.*

Moving Forward Together

I won't sugarcoat the challenge: this legislation will most likely stretch our ability to continue providing the high-quality care we commit to our community. But here's what gives me confidence – you. We are resilient. **We are not just strong – we are Sonoma Strong**. We have built strong relationships in our community, and those roots matter. We have been thoughtful in our strategic plan, made targeted investments in growth and stability, and surrounded ourselves with a team that shows up every day with purpose and heart. There is nothing in this bill that puts any of that at-risk.

Our focus now is on ensuring that patients across the Sonoma Valley Health Care District continue to have access to the care they deserve. That will take creativity, commitment, and collaboration - but I believe, without hesitation, that we will meet this moment.

We've weathered uncertainty before, and we'll do it again - not just to survive, but to continue strengthening this hospital's long-term future. And like we always do here, we will do it together.

Thank you for everything you do for this hospital and community.

With appreciation,



Ben Armfield
Chief Financial Officer & Interim Chief Executive Officer