

June 16, 2022

TO: Legal Counsel

News Media

Salinas Californian

El Sol

Monterey County Herald

Monterey County Weekly

KION-TV

KSBW-TV/ABC Central Coast

KSMS/Entravision-TV

The next regular meeting of the **FINANCE COMMITTEE – COMMITTEE OF THE WHOLE** of the Salinas Valley Memorial Healthcare System will be held **MONDAY, JUNE 20, 2022, AT 12:00 P.M., IN THE DOWNING RESOURCE CENTER, ROOMS A, B & C AT SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, OR VIA TELECONFERENCE (Visit svmh.com/virtualboardmeeting for Access Information).**

Pursuant to SVMHS Board Resolution No. 2022-08, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.



Pete Delgado
President/Chief Executive Officer

Committee Members: Richard Turner – Chair; Juan Cabrera – Vice Chair; Pete Delgado – President/Chief Executive Officer; Augustine Lopez – Chief Financial Officer; Clement Miller – Chief Operating Officer; Harry Wardwell – Community Member; Michael Wilson – Community Member; and Tarun Bajaj, M.D. – Medical Staff Member

**FINANCE COMMITTEE MEETING – JUNE 2022
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, JUNE 20, 2022
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO
(Visit svmh.com/virtualboardmeeting for Access Information)**

Pursuant to SVMHS Board Resolution No. 2022-08, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

AGENDA

1. Approval of Minutes from the Finance Committee Meeting of April 25, 2022 (DELGADO)
 - Motion/Second
 - Action by Committee/Roll Call Vote
2. Consider Recommendation for Board Approval of Project Funding for the SVMHS Starbucks Renovation Project (MILLER/STROTMAN/GILES/SULLIVAN)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote
3. Consider Recommendation for Board Approval of Lease Agreement for 1260 South Main Street, Suite 101, Salinas, CA Between SVMHS and JS & MR Properties LLC (RAY)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote
4. Consider Recommendation for Board Approval to Continue Monthly Transfers from Operating General Account to Board Designated Restricted Account (LOPEZ)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote

5. Review Balanced Scorecard – April 2022 (LOPEZ)

6. Financial and Statistical Review (LOPEZ)

7. Public Input

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board which are not otherwise covered under an item on this agenda.

8. Closed Session

9. Reconvene Open Session/Report on Closed Session

10. Review and Consider Recommendation for Board Approval of Fiscal Year 2023 Operating and Capital Budget (LOPEZ)

- Staff Report
- Committee Questions to Staff
- Motion/Second
- Public Comment
- Committee Discussion/Deliberation
- Action by Committee/Roll Call Vote

11. Adjournment - The July 2022 Finance Committee Meeting is scheduled for **Monday, July 25, 2022 at 12:00 p.m.**

This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

The Committee packet is available at the Committee Meeting, at www.svmh.com, and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Executive Assistant during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

**FINANCE COMMITTEE MEETING OF THE
BOARD OF DIRECTORS – COMMITTEE OF THE WHOLE**

AGENDA FOR CLOSED SESSION

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

CLOSED SESSION AGENDA ITEM

REPORT INVOLVING TRADE SECRET

(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility): Trade Secrets, Strategic Planning, Proposed New Programs and Services

Estimated date of public disclosure: (Specify month and year): Unknown

ADJOURN TO OPEN SESSION

**MINUTES OF THE APRIL 2022
FINANCE COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, APRIL 25, 2022
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA OR VIA TELECONFERENCE**

Pursuant to SVMHS Board Resolution No. 2022-05, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

Committee Members Present: In person: Richard Turner, Chair, Pete Delgado, Tarun Bajaj, MD, Harry Wardwell. Via teleconference: Juan Cabrera, Vice Chair, Michael Wilson.

Committee Members Absent: Augustine Lopez, Clement Miller,

Other Board Members Present, Constituting Committee of the Whole: In person: Joel Hernandez Laguna. Via teleconference: Regina Gage

A quorum was present and the meeting was called to order at 12:00 p.m. by Richard Turner, Chair.

APPROVAL OF MINUTES FROM THE FINANCE COMMITTEE MEETING OF MARCH 21, 2022

Pete Delgado, President/Chief Executive Officer, recommended the Finance Committee approve the minutes of the Finance Committee Meeting of March 21, 2022. This information was included in the Committee packet.

No Public Comment.

MOTION: The Finance Committee approves the minutes of the Finance Committee Meeting of March 21, 2022, as presented.

Moved/Seconded/Roll Call Vote: Ayes: Cabrera, Delgado, Wardwell, Wilson, Turner; Noes: None; Abstentions: None; Absent: Miller, Bajaj, Lopez; Motion Carried.

Tarun Bajaj, MD, joined the meeting in person at 12:07 p.m.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF CONTRACT AMENDMENT FOR HOK TO PREPARE BRIDGING DOCUMENTS FOR SVMHS MASTER PLAN'S SURGERY SUITE ADDITION/RELOCATION

Earl Strotman, Director Facilities Management & Construction and Dave Sullivan, Project Management reported SVMHS is pursuing a Master Plan that accomplishes compliance with seismic safety regulations and leverages existing hospital campus buildings and parking infrastructure to optimize the hospital's property footprint. The Master Plan includes three major components: a parking infrastructure expansion currently slated for a July 2022 construction start; on-going seismic retrofitting of existing buildings to a new category (Seismic Performance Category-4d) that is moving forward as a separate project; and a project to replace and expand surgery and sterile processing areas. The next stage associated with the surgery addition project is preparation of bridging documents which will include Schematic Design and Design Development Phases to define project parameters for the

expansion/addition as needed to facilitate the solicitation of proposals from qualified design-builders during the implementation phase. Facilities is recommending the pursuit of the Design/Build project delivery method instead of a Design/Bid/Build method for this project in an effort to complete the project in the shortest timeframe possible while at the same time maintaining the greatest transparency with, and strictest control over, project costs.

The background/situation/rationale and financial implications of the Contract Amendment were included in the packet.

No Public Comment.

MOTION: The Finance Committee recommends Board of Directors approval of Contract Amendment for HOK to Prepare Bridging Documents for SVMHS Master Plan's Surgery Suite Addition/Relocation in the amount of \$3,450,455.

Moved/Seconded/Roll Call Vote: Ayes: Cabrera, Delgado, Wardwell, Wilson, Turner, Bajaj; Noes: None; Abstentions: None; Absent: Miller, Lopez; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE PURCHASE AGREEMENT FOR PURE STORAGE FROM CDW-G AS A GPO PURCHASE

Audrey Parks, Chief Information Officer, and Aaron Burnside, IT Manager, reported SVMHS has a mirrored pair of large, long-term archives for data. This data is comprised mostly of radiology and cardiology studies, scanned documents and patient charts. The current archives are six (6) years old. These archives will reach end life in the upcoming months and need to be replaced. The vendor is providing significant discounts if purchase made by the end of April.

The background/situation/rationale and financial implications of the Purchase Agreement for Pure Storage from CDW-G as a CPO Purchase were included in the packet.

No Public Comment.

MOTION: The Finance Committee recommends Board of Directors approval of the purchase agreement for Pure Storage from CDW-G as a GPO purchase for the amount of \$500,031.46.

Moved/Seconded/Roll Call Vote: Ayes: Cabrera, Delgado, Bajaj, Wardwell, Wilson, Turner; Noes: None; Abstentions: None; Absent: Miller, Lopez; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE CONTRACT WITH BRANDACTIVE FOR SVMHS REBRANDING IMPLEMENTATION

Adrienne Laurent, Chief Strategic Communication Officer, reported the Salinas Valley Memorial Healthcare System most recent Strategic Plan prioritizes a strong, consumer-appealing brand to support the future direction of the organization. In 2019, the SVMHS Board of Directors approved proceeding with rebrand exploration and development. Due to the demands presented by the worldwide pandemic, the work of rebranding was delayed so that staff could attend to the crisis of COVID-19. Now, the work of rebranding has resumed, and we are finalizing the creative work of naming and logos, and are now planning the implementation strategy. BrandActive is our chosen vendor for optimizing brand implementation.

BrandActive's singular focus as a company is rebrand implementation. Through their work we will establish the structure, processes, systems and vendor engagements that help manage our brand launch, conversion, and completion. When we first started the journey toward a new brand, BrandActive conducted brand audit. Based on the information collected and analyzed through this robust data-

gathering exercise, BrandActive developed transition scenarios to successfully implement the new brand, with asset-specific transition strategies. This contract covers the implementation phase of this work.

The background/situation/rationale, financial implications and sole source justification of the contract with BrandActive for SVMHS rebranding implementation were included in the packet.

No Public Comment.

MOTION: The Finance Committee recommends Board of Directors approval of the Contract with BrandActive for SVMHS Rebranding Implementation for the amount of \$594,915.

Moved/Seconded/Roll Call Vote: Ayes: Cabrera, Delgado, Bajaj, Wardwell, Wilson, Turner; Noes: None; Abstentions: None; Absent: Miller, Lopez; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE CONTRACT WITH SHARECARE FOR THE SVMHS DIGITAL EMPLOYEE WELLNESS PLATFORM

Adrienne Laurent, Chief Strategic Communication Officer, and Michelle Childs, Chief Human Resource Officer, reported Salinas Valley Memorial Healthcare System prioritizes employee wellness. The worldwide pandemic has impacted our employees in a significant way, and we are working to equip them with solutions that will build resiliency and overall wellbeing.

Sharecare is an established vendor with SVMHS, our partner in implementing Blue Zones Project, Monterey County. The Sharecare Digital Platform will serve as our employees' health hub – an application where they can keep their health challenges, targeted health marketing campaigns, links to various employee benefits, incentive programs and activities. This mobile and web-based application provides information, tools and programs designed to support and improve the health and wellbeing of our staff, report insights and analytics, promote engagement and enhance access to available benefits, resources, and programs.

The background/situation/rationale, financial implications and sole source justification of the contract with Sharecare for the SVMHS digital employee wellness platform were included in the packet.

No Public Comment.

MOTION: The Finance Committee recommends Board of Directors approval of the Contract with Sharecare for the SVMHS Digital Employee Wellness Platform for the amount of \$367,690 over the three-year life of the agreement.

Moved/Seconded/Roll Call Vote: Ayes: Cabrera, Delgado, Bajaj, Wardwell, Wilson, Turner; Noes: None; Abstentions: None; Absent: Miller, Lopez; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE EDUCATIONAL SERVICES AGREEMENT WITH COPE HEALTH SOLUTIONS

Adrienne Laurent, Chief Strategic Communication Officer, reported Salinas Valley Memorial Healthcare System has developed a Health Careers Pathway Program that involves students ranging from elementary school age to college level. One element of our program not yet implemented is an ongoing mechanism for hosted, year-round internships in a structured program of advancement, culminating in an opportunity for employment at SVMHS. The Health Scholars Program from Cope Health Solutions provides such a program and will complete the full continuum of our Health Careers Pathway Program. This will provide greater opportunity for both local students to enter the healthcare field, and for SVMHS to create a pipeline of trained talent that doesn't exist today.

The background/situation/rationale, financial implications and sole source justification of the educational services agreement for the Cope Health Solutions Health Scholars Program were included in the packet.

No Public Comment.

MOTION: The Finance Committee recommends Board of Directors approval of the Educational Services Agreement with Cope Health Solutions for the Health Scholars Program for the amount of \$702,360 over the three-year life of the agreement.

Moved/Seconded/Roll Call Vote: Ayes: Cabrera, Delgado, Bajaj, Wardwell, Wilson, Turner; Noes: None; Abstentions: None; Absent: Miller, Lopez; Motion Carried.

REVIEW BALANCED SCORECARD – FEBRUARY 2022

Scott Cleveland, Controller, reviewed the Balanced Scorecard Summary for fiscal year 2022, year-to-date February 2022, which provided an overview of the metrics and performance of the SVMHS organizational goals for Service, People, Quality, Finance, Growth, and Community. This information was included in the Committee packet.

FINANCIAL AND STATISTICAL REVIEW

Scott Cleveland, Controller, provided a financial and statistical performance review for the month ending March 2022. This information was included in the Committee packet

Key highlights of the financial summary for March 2022 were: (1) Income from operations was \$4.7M with an operating margin of 8%, (2) Net income was \$0.6M with a net operating margin of 1.1%; (3) Inpatient gross revenues were favorable to the budget; (4) Emergency Department gross revenues were above budget; outpatient gross revenues were favorable to the budget; (5) Payor mix was unfavorable to the budget; (6) Total net patient revenues were favorable to the budget; outpatient surgeries were below budget and inpatient surgeries were above budget; (7) Average daily census and total admissions were above budget; (8) Total acute average length of stay (ALOS) Medicare traditional ALOS CMI adjusted was unfavorable; (9) Operating revenues were above expenses; (10) Days cash on hand was 350; days of net accounts receivable is 51.

NO PUBLIC INPUT

ADJOURNMENT

There being no other business, the meeting was adjourned at 12:44 p.m. The May 2022 Finance Committee Meeting is scheduled for **Monday, May 23, 2022 at 12:00 p.m.**

Richard Turner
Chair, Finance Committee
/KmH

**RECOMMENDATIONS OF THE APRIL 2022
FINANCE COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**April Committee Meeting
of April 25, 2022
to the Board of Directors**

1. **RECOMMEND BOARD OF DIRECTORS APPROVAL OF CONTRACT AMENDMENT FOR HOK TO PREPARE BRIDGING DOCUMENTS FOR SVMHS MASTER PLAN'S SURGERY SUITE ADDITION/RELOCATION**

RECOMMENDATION: The Finance Committee recommends Board of Directors approval of Contract Amendment for HOK to Prepare Bridging Documents for SVMHS Master Plan's Surgery Suite Addition/Relocation in the amount of \$3,450,455.

2. **RECOMMEND BOARD OF DIRECTORS APPROVAL OF THE PURCHASE AGREEMENT FOR PURE STORAGE FROM CDW-G AS A GPO PURCHASE**

RECOMMENDATION: The Finance Committee recommends Board of Directors approval of the purchase agreement for Pure Storage from CDW-G as a GPO purchase for the amount of \$500,031.46.

3. **RECOMMEND BOARD APPROVAL OF THE CONTRACT WITH BRANDACTIVE FOR SVMHS REBRANDING IMPLEMENTATION**

RECOMMENDATION: The Finance Committee recommends Board of Directors approval of the contract with BrandActive for SVMHS Rebranding Implementation for the amount of \$594,915.

4. **RECOMMEND BOARD APPROVAL OF THE CONTRACT WITH SHARECARE FOR THE SVMHS DIGITAL EMPLOYEE WELLNESS PLATFORM**

RECOMMENDATION: The Finance Committee recommends Board of Directors approval of the contract with Sharecare for the SVMHS Digital Employee Wellness Platform for the amount of \$367,690 over the three-year life of the agreement.

5. **CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE EDUCATIONAL SERVICES AGREEMENT WITH COPE HEALTH SOLUTIONS**

RECOMMENDATION: The Finance Committee recommends Board of Directors approval of the Educational Services Agreement with Cope Health Solutions for the Health Scholars Program for the amount of \$702,360 over the three-year life of the agreement.

Board Paper: Finance Committee

Agenda Item: Consider Recommendation to Board of Directors to Approve Project Budget for the Starbucks Renovation Project and Equipment Purchase from Starbucks

Executive Sponsor: Clement Miller, Chief Operating Officer
Earl Strotman, Director Facilities Management & Construction
Jason Giles, Director of Nutrition Services
Dave Sullivan, Project Management

Date: May 18, 2022

Executive Summary

SVMHS is pursuing Starbucks-required tenant improvements to the first level portion of the parking structure located at 446 E Romie, Suite C, Salinas, CA. The planned renovations include architectural finish replacements (flooring, paint, tile, drywall finishes), low voltage cabling, furniture, technology equipment, casework, countertops, kitchen equipment, wall art, light fixtures, electrical, mechanical, plumbing revisions and furnishings necessary to facilitate the licensee requirements for use of the Starbucks brand. Facilities Management is approaching the Board to request approval of capital funding to complete renovations and procure furnishings, furniture, and equipment from Starbucks and their specialty vendors. The total estimated cost for the project planning, design, permitting, construction, and equipment is \$644,000.

Background/Situation/Rationale

The current lease with Starbucks requires SVMHS periodically update to Starbucks retail space to facilitate new equipment, technology, and corporate branding standards. As the licensee, SVMHS is required to hire design team, permit the improvements with the City and coordinate the improvements with the Starbucks Store Development team to complete the required updates in accordance with Starbucks corporate requirements.

Key components/enhancements taken into consideration in renovations include the following:

- Adjacencies of workstations for barista efficiencies
- Enlarge bar for increased operator efficiency and throughput
- Expanded hand off plane for walk up café customers
- Expanded Mobile Order and Pay (MOP) hand off plane for in store pick up
- Renovation to include implementation of Starbucks Connect POS and MOP system
- Addition of nitro/cold brew station
- Increase BOH space to incorporate better workspace and additional storage
- Maintain small seating/gathering place
- Limit movement of existing infrastructure to reduce need for structural alterations and reduce construction costs

During the estimated three months of construction, a temporary kiosk will be located on campus to serve hospital staff, volunteers, patients and visitors.

Timeline/Review Process to Date:

January 2022: Review proposed updates with Starbucks Store Development Team and SVMHS Design Team
May 2022: Secure city of Salinas Building Department approvals
July 2022: Anticipated construction start and installation of temporary Starbucks kiosk
October 2022: Operations recommence with Starbucks and SVMHS

Finance

The essential terms of the proposed Contract with the main vendor are as follows:

Key Contract Terms	Vendor: Starbucks
1. Proposed effective date	4/26/2022
2. Term of agreement	Single Payment for Furniture, Fixtures and Equipment Installation
3. Renewal terms	Not Applicable
4. Termination provision(s)	Not Applicable
5. Payment Terms	Lump Sum
6. Annual cost	Not Applicable
7. Cost over life of agreement	Lump Sum Payment of \$172,517.90
8. Budgeted (indicate y/n)	Yes

Fiscal Year 2022 Estimated Spend	\$ 40,000
Fiscal Year 2023 Estimated Spend	\$ <u>604,000</u>
Total Project Spend	\$ 644,000

Meeting our Mission, Vision, Goals

Pillar/Goal Alignment:

- Service
 People
 Quality
 Finance
 Growth
 Community

Recommendation

Consider recommendation to Board of Directors (i) to approve the project budget for the SVMHS Starbucks Renovation Project in the total amount of \$644,000 and (ii) award the capital equipment purchase for furnishings, furniture and equipment purchase of \$172,517.90 to Starbucks for the SVMHS Starbucks Renovation Project.

Attachments

Project Cost Model prepared May 17, 2022

Salinas Valley Memorial Healthcare System (10348)

Project Cost Summary: DRC Starbucks Renovations

Architect/Engineering: WRD Architects

Budget Generated at CD Phase

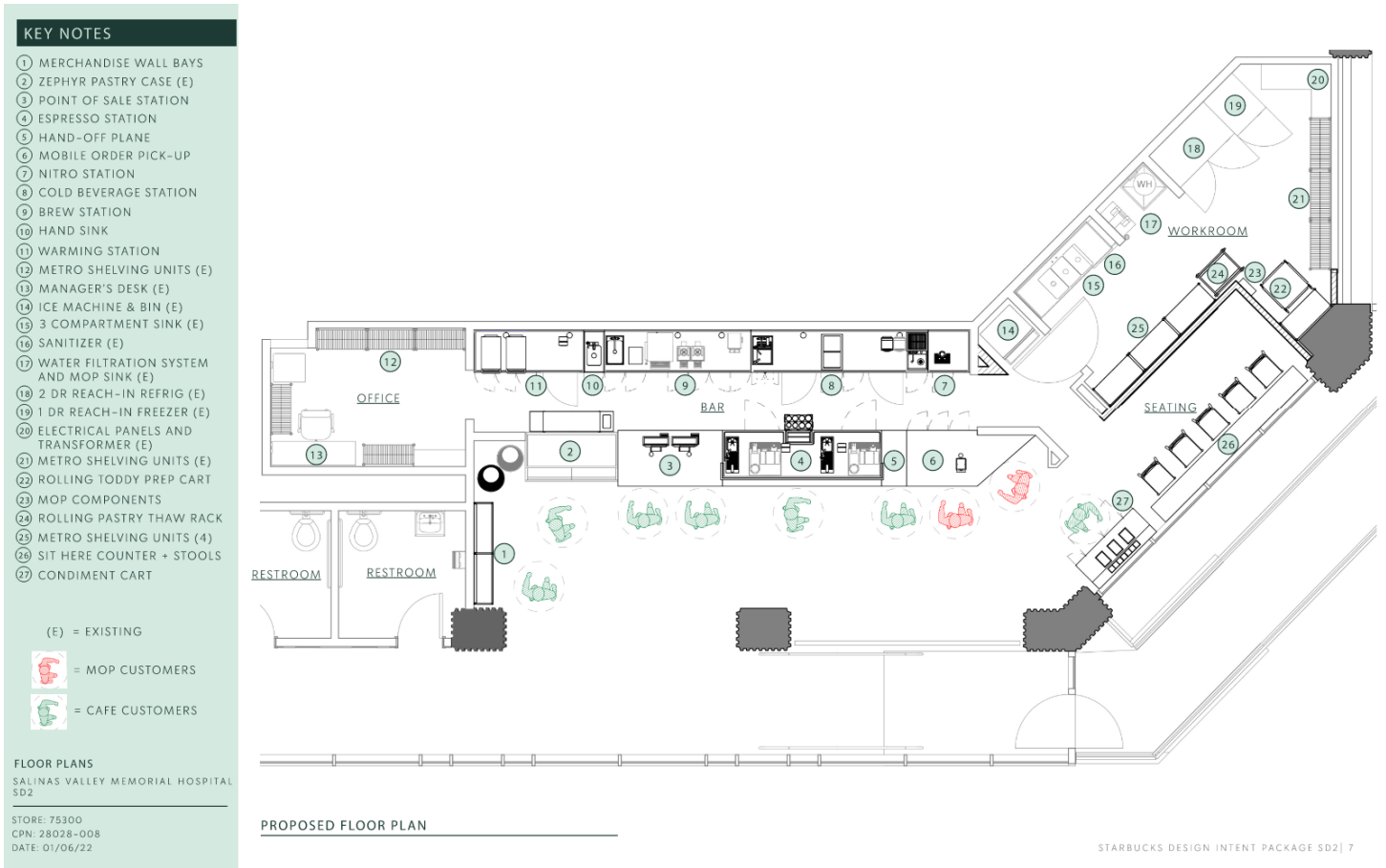
Budget Date: 5/17/2022

E-Builder Budget Control Summary		
		A
Line Item	Description	Original Budget
	1 Construction	
100	Construction	\$200,000
	2 Design	
200	Professional Fees - Fixed	\$60,000
	3 Inspections and Consultation	
301	Special Inspections	\$5,000
303	Testing	\$0
	4 AHJ Fees	
400	City	\$9,000
	<i>Salinas Building</i>	
	5 Soft Costs	
502	Construction Management	\$120,000
	7 FF&E includes Tech	
701	FFE	\$198,000
	<i>Starbucks</i>	
702	Non-Medical Equipment	\$2,000
703	Data and Phone Equipment	\$20,000
9900	Project Contingency	\$30,000
Totals		\$644,000

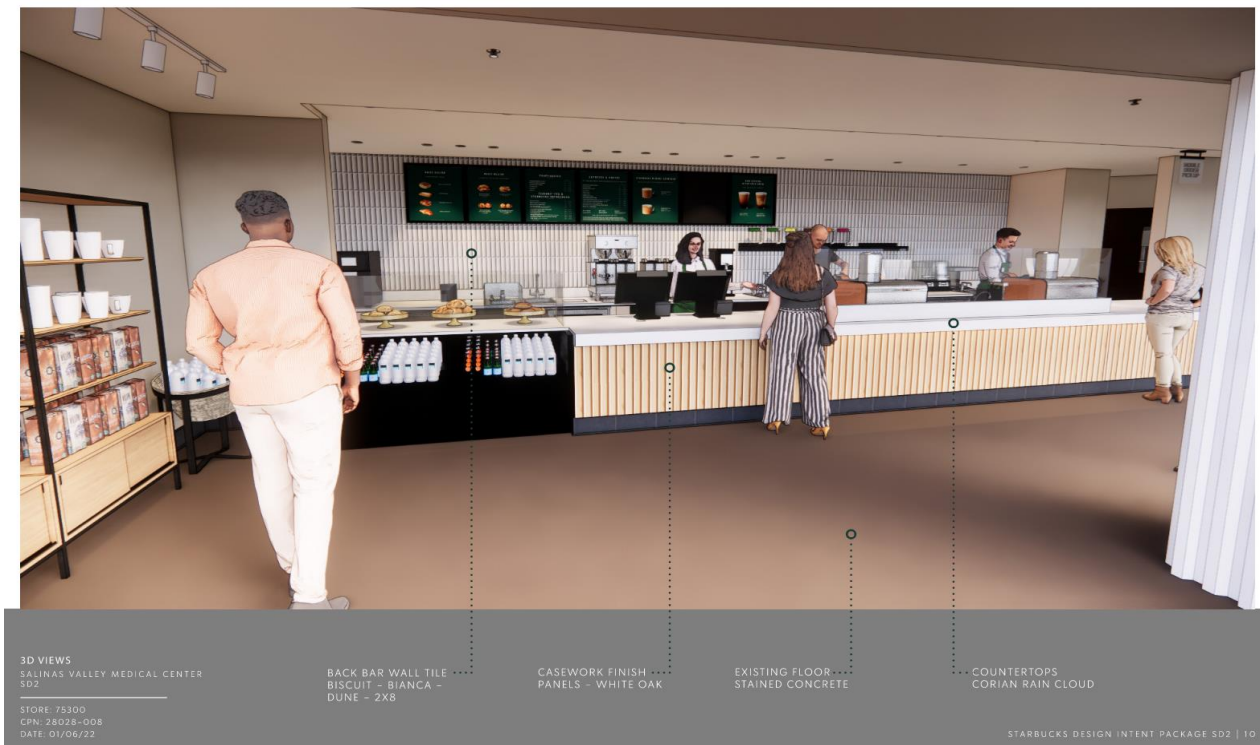
Existing Conditions of Starbucks Retail Store June 2022



Proposed Plans prepared by Starbucks



Rendering View prepared by Starbucks



Finance Committee Board Paper

Agenda Item: **Consider Recommendation for Board Approval of Lease Agreement for 1260 South Main Street, Suites 101 & 105, Salinas, CA Between SVMHS and JS & MR Properties LLC**

Executive Sponsor: Allen Radner, MD, Chief Executive Officer, SVMC
 Gary Ray, Chief Administrative Officer, SVMC

Date: June 10, 2022

Executive Summary

Allen King, MD has been operating the Diabetes Care Center in Salinas since 1998, providing comprehensive care for patients living with diabetes and the complications associated with the disease. Dr. King is retiring and closing his practice effective July 15, 2022. SVMHS is assisting with the winding down of the Diabetes Care center—assisting with patient transition, taking custody of and managing patient records, acquiring certain assets, and leasing the DCC space for other SVMC programs. SVMC would like to enter into a three (3) year lease for the DCC space for its Lifestyle And Metabolic Program (LAMP).

Timeline

June 20, 2022 – Request SVMHS Finance Committee Recommendation for Board Approval
 June 22, 2022 – SVMHS Board of Directors Meeting/Consider Recommendation for Approval
 August 1, 2022 – Commencement date of Lease Agreement

Meeting our Mission, Vision, Goals

Strategic Plan Alignment

This transaction is aligned with the strategic initiatives outlined in our most recent strategic planning work for growth, in developing healthcare clinics and programs that drive value for our patients.

Pillar/Goal Alignment: Service People Quality Finance Growth Community

Financial/Quality/Safety/Regulatory Implications

Lease Terms for Lease Agreement for 1260 South Main Street, Suites 101 & 105, Salinas, CA:

1. Lease Commencement Date	August 1, 2022
2. Term of Lease	Three (3) years
3. Option to Extend	One option to extend for 3 years
4. Payment Terms	Rent due the 1 st of each month
5. Initial Rent (per sq. ft.)	\$2.25 per square foot (FMV \$2.20-\$2.40 per square foot)
6. Rentable square feet	2,384 square feet
7. Initial Rent	\$5,364/month \$64,368/first year
8. Annual Increases	Two and one-half percent (2.5 %)
9. Rent Over Three (3) Year Term	\$198,252
10. Budgeted (Y/N)	Not budgeted--new location for LAMP/Gastric Sleeve

Recommendation

Administration requests that the Board Finance Committee make a recommendation to the Board of Directors for approval (pending final review by District legal counsel) of the following agreement:

- Lease Agreement with JS & MR Properties LLC for 1260 South Main Street, Suites 101 & 105, Salinas, CA

Attachments

- Lease Agreement with JS & MR Properties LLC for 1260 South Main Street, Suites 101 & 105, Salinas, CA

OFFICE LEASE

**1260 South Main Street, Suites 101 & 105
Salinas, California**

**JS & MR Properties, LLC
A California Limited Liability Company**

And

**Salinas Valley Memorial Healthcare System,
A California Local Health Care District**

Dated: July 1, 2022

BASIC LEASE INFORMATION

Reference Date: June 1, 2022

Landlord: JS & MR Properties, LLC
A California Limited Liability Company

Landlord’s Address:

For Notice:

JS & MR Properties, LLC
c/o Lisa K. Loftus
LPM Commercial Real Estate, Inc.
1172 South Main Street, PMB 363
Salinas, CA 93901

For Rental Payments:

JS & MR Properties, LLC
c/o Thomas Financial Services
P.O. Box EC
Pacific Grove, CA 93950

Tenant: Salinas Valley Memorial Healthcare System, a local health care district

Tenant’s Address:

For Notice:

Salinas Valley Memorial Healthcare System
Attn: Office of President/CEO
450 East Romie Lane
Salinas, CA 93901

Premises: Approximately **two thousand three hundred eighty-four (2,384)** rentable feet of space (2,167 useable square feet of space), the location of which is indicated on Exhibit A attached hereto, on the land located in the City of Salinas, County of Monterey, State of California, more particularly described as 1260 South. Main Street, Suites 101 & 105, which is part of the Commercial Development consisting of one building that totals 14,200 square feet located on parcel number 016-161-060. Landlord hereby reserves the right at any time, and from time to time, to make alterations or additions to the Premises and to install, maintain, use, repair, and replace pipes, ducts, conduits, and wires, leading through, under or over the Premises, in locations serving other parts of the Commercial Development, which will not materially interfere with Tenant’s use of the Premises. Landlord also reserves the right to enlarge the area of the Commercial Development by acquisition or leasehold, to construct other buildings or improvements in the Commercial Development, from time to time to make alterations thereof or additions thereto, to build additional stores on any building(s) pad(s) and kiosks, to build adjoining to the same, and to construct parking facilities. In such instance, Tenant’s Pro Rata Share, as described below, shall be altered to reflect the new square footage of the office complex.

Term: Three (3) years.

Commencement Date: The term of this lease shall be for a period of three (3) years commencing August 1, 2022. Subject to the terms and conditions of the Lease except Base Rent, Tenant shall be provided early access fourteen (14) days prior to the Commencement Date for the purpose of IT/phone installations and installing its furnishings, fixtures and equipment.

Termination Date: **Thirty Six (36)** calendar months after the Commencement Date

Base Rent: Five thousand three hundred sixty-four dollars (\$5,364.00)

Extension Option: One (1) Three (3) year option

Prepaid Rent: The First Month's rent of \$5,364.00 shall be due at Lease signing.

Security Deposit: None

Base Year: 2022

Tenant's Prorata Share: Sixteen and seventy-nine one hundredths percent (16.79%) percent (2,384 square feet/14,200 square feet) for property taxes, insurance, and CAM.

Base Year Expenses: Landlord to pay base year expenses including real estate taxes (including the reassessment for new construction), fire and extended coverage insurance, common area maintenance, and a property management fee of 15% of the common area maintenance charges (not including taxes and insurance). Said annual expenses per leasable square foot are currently estimated by Landlord for the first full lease year to be approximately:

Real Estate Taxes	\$2.40 psf
Insurance	\$0.20 psf
CAM	<u>\$7.21</u> psf
Total:	\$9.82 psf

After the first Stabilized year, Tenant shall pay any increase to the Base Year Expenses.

Additional Expenses: Tenant, at Tenant's expense, to provide fire insurance on the contents and public liability insurance, with reasonable limits as required by Landlord. Landlord to be named as additional insured.

Combined Single Liability Limit: One Million Dollars (\$1,000,000.00).

Insuring Party: Landlord is the "Insuring Party" unless otherwise stated in this Lease.

Agreed Use: General Office and Medical Use.

Broker: Cushman & Wakefield

The definitions and basic provisions set forth above (collectively, the "Basic Lease Information") are incorporated into and made a part of this Lease. Each reference in this Lease to any of the Basic Lease Information shall mean the respective information set forth above and shall be construed to incorporate all of the terms provided under the particular Lease paragraph pertaining to such information. In the event of any conflict between the Basic Provisions and the provisions of the Lease, the former shall control.

Exhibits: **EXHIBIT A** SITE PLAN
EXHIBIT B TENANT IMPROVEMENT
EXHIBIT C SHOPPING CENTER/COMMON AREA

OFFICE LEASE

This Office Lease ("Lease") dated as of July 1, 2022, is entered into between **JS & MR Properties, LLC** ("Landlord") and **Salinas Valley Memorial Healthcare System** ("Tenant").

Recitals

- A. Landlord is the owner of real property ("Real Property") located at 1260 South Main Street, Salinas, CA 93901, described in Office Complex/Common Area Exhibit C, attached to this Lease and incorporated by reference, and the Building, described in Exhibit A (as later defined) located on it. The Real Property and the Building are collectively the "Property".
- B. Landlord desires to lease to Tenant, and Tenant desires to lease from Landlord the Premises (as later defined) for the term and subject to the terms, covenants, agreements, and conditions in this Lease.

For good and valuable consideration the receipt and adequacy of which are acknowledged, the parties agree as follows:

Section 1. Definitions

As used in this Lease, the following terms are defined in Section 1.

"Base Rent" means the Base Rent as set forth in the Basic Lease Information.

"Base Year" means the calendar year specified in the Basic Lease Information as the Base Year.

"Basic Lease Information" is attached to and incorporated in this Lease.

"Building" means the building constructed on the portion of the Real Property known as 1260 S. Main Street, Salinas, California. The Building includes, but is not limited to, office space and corridor located on the first floor and office space and corridor located on the second floor and an adjacent parking area.

"Commencement Date" means the Commencement Date as set forth in the Basic Lease Information.

"Common Area" means the total area of the office complex known as 1260 S. Main Street, which includes, but is not limited to the following, parking lots, sidewalks, driveways, roof, foundation, telephone and electrical closets, mechanical areas, public corridors providing access to tenant space, public stairs, building structure and other areas used in common by the tenants of the office complex.

"Deposit" is defined in Section 32.

"Escalation Rent" is defined in Section 5.

"Event of Default" is defined in Section 19.

"Impositions" is defined in Section 9.

"Insurance Premiums" means (a) insurance premiums on all of Landlord's insurance policies providing coverage for liability, real property damage, all-risk insurance including earthquake damage, fire, public liability, personal property damage, and other insurable losses and (b) the deductible portion of any insured loss under Landlord's insurance.

"Legal Requirements" is defined in Section 15.

"Lease" is defined in the preamble.

"Tenant" is defined in the preamble.

"Landlord" is defined in the preamble.

“Operating Expenses” means (a) all costs of management, operation, and maintenance of the Building, including without limitation: Building interior maintenance; Building exterior maintenance and HVAC system (except for Building foundations, exterior walls, roof, and roofing); outside area maintenance, including landscaping; wages, salaries, and payroll burden of employees; property management fees and other related compensation; janitorial (restrooms & corridors), maintenance, security, and other services; building office rent or rental value; power, water, waste disposal, gas and electricity, and other utilities; materials and supplies; maintenance and repairs; license costs; and depreciation on personal property; and (b) the cost of any capital improvements made to the Building by Landlord after the Base Year that (i) are made in the reasonable expectation of reducing other Operating Expenses during the term of this Lease, (ii) are required for the health and safety of tenants, or (iii) are required under any governmental law or regulation that was not applicable to the Building at the time it was constructed, this cost to be amortized over a reasonable period determined by Landlord, together with interest on the unamortized balance at the rate of ten percent (10%) per annum, or a higher rate equal to that paid by Landlord on funds borrowed for the purpose of constructing or installing those capital improvements. Operating Expenses shall not include: Property Taxes; Insurance Premiums and the deductible portion of any insured loss under Landlord's insurance; depreciation on the Building other than depreciation on exterior window draperies, if any, provided by Landlord, and carpeting in multi-tenant floor public corridors and common areas; costs of tenants' improvements; real estate brokers' commissions; interest; costs incurred in connection with the repair of damage to the Building, to the extent Landlord is reimbursed by insurance proceeds; and capital items other than those referred to in clause (b). Actual Operating Expenses for both the Base Year and each subsequent calendar year will be adjusted to equal Landlord's reasonable estimate of Operating Expenses had the total rentable area of the Building been occupied. Operating expenses shall not include the costs of maintenance of Building foundations, exterior walls, roof and roofing.

“Premises” means the portion of the Building located on the floor or floors specified in the Basic Lease Information, which is indicated on the floor plan or plans attached to this Lease as Exhibit B.

“Property” is defined in Recital A of this Lease.

“Property Taxes” means all real property taxes (and any tax levied wholly or partly in lieu of real property taxes) levied against the Building, and all real estate tax consultant expenses and attorney fees incurred for the purpose of maintaining an equitable assessed valuation of the Building.

“Real Property” is defined in Recital A of this Lease.

“Rentable Area” means the rentable area of the Premises specified on the Basic Lease Information. If any office space is added to or deleted from the Premises, the rentable area of the space added or deleted shall mean: (a) as to an entire floor added to or deleted from the Premises, all areas within outside permanent Building walls, measured to the inside glass surface of outside permanent Building walls, including rest rooms; janitor, telephone, and electrical closets; allocated mechanical areas and columns and projections necessary to the Building, but excluding public stairs, elevator shafts, and pipe shafts, together with their enclosing walls; (b) as to a portion of a floor added to or deleted from the Premises, the aggregate of the usable area of the portion of the floor added to or deleted from the Premises, plus the result obtained by multiplying the area of the Common Area on this floor by a fraction, whose numerator is the usable area of added or deleted portion of the floor and whose denominator is the usable area of all tenant space on the floor.

“Term” is defined in Section 3 of this Lease.

“Termination Date” means the Termination Date in the Basic Lease Information.

“Usable Area” means all floor area in a tenant space, measured to the inside glass surface of outer Building walls, to the office side of corridors and other permanent partitions, and to the center of partitions that separate the tenant space from adjoining tenant spaces, without deduction for columns and projections necessary to the Building.

Section 2. Premises

Landlord leases to Tenant, and Tenant leases from Landlord, the Premises for the term and subject to the terms, covenants, agreements, and conditions later set forth, to each of which Landlord and Tenant mutually agree.

Section 3. Term; Condition of Premises

The term ("Term") of this Lease shall commence on the Commencement Date and, unless sooner terminated as later provided, shall end on the Termination Date. Unless otherwise agreed by Landlord and Tenant in this Lease, Landlord shall deliver the Premises to Tenant on the Commencement Date in their then existing condition with no alterations being made by Landlord. If Landlord has undertaken in this Lease to make any alterations to the Premises before the Commencement Date and the alterations are completed before that date, and if Tenant desires to take occupancy in advance of that date, Landlord shall deliver the Premises to Tenant at that time in advance of a date that will be mutually approved by Landlord and Tenant and, notwithstanding anything to the contrary contained in this Lease, the Term of the Lease shall commence on delivery. If Landlord, for any reason, cannot deliver the Premises to Tenant on the Commencement Date, this Lease shall not be void or voidable, nor shall Landlord be liable to Tenant for any loss or damage resulting from non-delivery, but in that event rental shall be waived for the period between the Commencement Date and the time when Landlord delivers the Premises to Tenant. No delay in delivery of the Premises shall extend the Term of this Lease.

Section 4. Rental

Tenant shall pay to Landlord throughout the Term as rental for the Premises the Base Rent for the applicable calendar month plus the Escalation Rent, i.e., the increase in the Operating Expenses, the Property Taxes, and Insurance Premiums which is in excess of the Base Year. **The Base Rent shall increase on each lease anniversary by two and 1/2 percent (2.5%) per year.** Tenant is responsible for one hundred percent (100%) of their pro rata share of the increase in janitorial services. **Base monthly rent for year one (1) shall be Five Thousand Three Hundred Sixty Four and 00/100 Dollars (\$ 5,364.00).**

In addition to Base Rent and Operating Expenses, Tenant shall reimburse Landlord for Tenant's proportionate share of gas and electric charges for the occupied areas of the first floor of the building, which is not separately metered by tenant for these services. Landlord shall bill Tenant monthly for these charges based on Tenant's square footage share of the occupied areas of the first floor. Tenant shall remit reimbursement along with the next monthly rent payment, but not later than thirty (30) days following receipt of Landlord's billing. Tenant's share of these charges may change if occupancy of the first floor changes.

(a) Rental shall be paid to Landlord, in advance, on or before the first day of the Term of this Lease and on or before the first day of each successive calendar month during the Term of this Lease. In the event the Term of this Lease commences on a day other than the first day of a calendar month or ends on a day other than the last day of a calendar month, the monthly rental for the first and last fractional months of the Term of this Lease shall be appropriately prorated.

(b) All sums of money due to Landlord under this Lease, not specifically characterized as rental, shall constitute additional rent and shall be due within thirty (30) days after receipt by Tenant of a billing. If any sum is not paid when due, it shall be collectible as additional rent with the next installment of rental falling due. Nothing contained in this Lease shall be deemed to suspend or delay the payment of any sum of money at the time it becomes due and payable under this Lease, or to limit any other remedy of Landlord.

(c) Tenant acknowledges that late payment of rent and other sums due under this Lease after the expiration of any applicable cure period under Section 19(a) will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be difficult to ascertain. These costs include, but are not limited to, processing and accounting charges and late charges, which may be imposed on Landlord by the terms of any trust deed covering the Premises. Accordingly, if any installment of rent or any other sums due from Tenant are not received when due, or if a cure period is applicable under Section 19(a), prior to the expiration of the cure period, Tenant shall pay to Landlord a late charge equal to ten percent (10%) of the overdue amount. The parties agree that the late charge represents a fair and reasonable estimate of the costs Landlord will incur because of late payment. Acceptance of the late charge by Landlord shall not constitute a waiver of Tenant's default for the overdue amount, nor prevent Landlord from exercising the other rights and remedies granted under this Lease.

(d) Any amount due to Landlord, if not paid within five (5) days following the due date, will bear interest from the due date until paid at the rate of ten percent (10%) per year or, if a higher rate is legally permissible, at the highest rate legally permitted. However, interest shall not be payable on late charges incurred by Tenant nor on any amounts on which late charges are paid by Tenant to the extent this interest would cause the

total interest to be in excess of that legally permitted. Payment of interest shall not excuse or cure any default by Tenant.

(e) All payments due shall be paid to Landlord, without deduction or offset, in lawful money of the United States of America at Landlord's address for notices under this Lease or to another person or at another place as Landlord may designate by notice to Tenant.

Section 5. Escalation Rent

Escalation Rent shall be paid monthly on an estimated basis, with subsequent annual reconciliation, in accordance with the following procedures:

(a) As soon as practicable, Landlord shall give Tenant notice of Landlord's estimate of the Escalation Rent due under Section 4(a) for the ensuing calendar year. On or before the first day of each month during the ensuing calendar year, Tenant shall pay to Landlord one-twelfth (1/12th) of the estimated Escalation Rent. If Landlord fails to give notice as required in this Section, Tenant shall continue to pay on the basis of the prior year's estimate until the month after that notice is given. If at any time it appears to Landlord that the Escalation Rent for the current calendar year will vary from the estimate by more than five percent (5%), Landlord shall, by notice to Tenant, revise the estimate for that year, and subsequent payments by Tenant for that year shall be based on the revised estimate.

(b) Within ninety (90) days after the close of each calendar year, or as soon after the ninety (90) day period as practicable, Landlord shall deliver to Tenant a statement of the actual Escalation Rent for that calendar year, accompanied by a statement from certified public accountants for the Building showing Operating Expenses, Property Taxes, and Insurance Premiums on the basis of which the actual Escalation Rent was determined. At Tenant's request, Landlord shall provide Tenant reasonable supporting detail underlying the calculations of Operating Expenses, Property Taxes, and Insurance Premiums. If Landlord's statement discloses that Tenant owes an amount that is less than the estimated payments for the calendar year previously made by Tenant, Landlord shall credit the excess first against any sums then owed by Tenant, and then against the next payments of rental due. If Landlord's statement discloses that Tenant owes an amount that is more than the estimated payments for the calendar year previously made by Tenant, Tenant shall pay the deficiency to Landlord within thirty (30) days after delivery of the statement.

(c) The amount of Escalation Rent for any fractional year in the Term shall be appropriately prorated. The pro-ration of Operating Expenses and Insurance Premiums for the calendar year in which termination occurs shall be calculated on the basis of a fraction of the Operating Expenses for that entire calendar year; the pro-ration of Property Taxes for the calendar year in which termination occurs shall be calculated on the basis of a fraction of the Property Taxes for that entire calendar year, but shall exclude any Property Taxes attributable to any increase in the assessed valuation of the Building occurring after termination. The termination of this Lease shall not affect the obligations of the parties pursuant to Section 5(b) to be performed after the termination.

(d) Notwithstanding the foregoing, Tenant will pay directly, and will continue to pay directly the following Operating Expenses: fire insurance on the contents and public liability insurance and light bulb replacement.

Section 6. Use

The Premises shall be used for general and medical office. Tenant shall not do or permit to be done on the Premises, nor bring or keep or permit to be brought or kept in the Premises, anything (a) which is prohibited by or in conflict with any law, ordinance, or governmental rule, or (b) which is prohibited by the standard form of fire insurance policy or, (c) which will increase the existing rate of or affect fire or other insurance on the Building or its contents or cause a cancellation of any insurance policy covering the Building or any part of it or its contents. Tenant shall not use or store in the Premises any hazardous or toxic substances, with the sole exception of reasonably necessary substances that are kept in reasonably necessary quantities for normal office operations, provided that their use and storage are in accordance with applicable laws. Tenant shall not do or permit anything to be done on the Premises that will obstruct or interfere with the rights of other tenants of the Building, or injure or annoy them, or use or allow the Premises to be used for any unlawful purposes, nor shall Tenant cause, maintain, or permit any nuisance or waste on or about the Premises.

Section 7. Landlord's Obligations

(a) Landlord shall maintain, and pay for the cost of maintaining, the Building foundations, exterior walls, roof, and roofing, and shall be responsible to provide connection of services to the premises (i.e. water, power, gas, and sewer), and shall provide as part of Operating Expenses, maintenance of parking lots, all exterior landscaping, cleaning of exterior windows, exterior painting, exterior lights, slab floors, elevators, and capital HVAC repairs and maintenance. Landlord shall be responsible, and shall pay for the cost of, the following: Building interior maintenance, water, and utilities. Landlord shall maintain the interior public areas of the Building, including interior windows, lobbies, corridors, stairs and restrooms, in reasonably good order and condition, excluding normal wear and tear.

(b) Landlord shall pay base year real estate taxes and assessments including the reassessment for new construction, fire and extended coverage insurance, common area maintenance charges, and a property management fee of ten percent (10%). After the first stabilization year, any increase to the base year expenses shall be paid by Tenant as Escalation Rent.

(c) In the event that Landlord, at Tenant's request, provides services to Tenant that are not otherwise provided for in this Lease, Tenant shall pay Landlord's reasonable charges for these services on billing of Landlord.

Section 8. Tenant's Obligations

(a) Tenant shall be responsible, and shall directly pay for the cost of, the following: public liability and personal property damage insurance; telephone services, interior janitorial; security system costs; and lighting replacement in the interior of the premises. Tenant shall repair any damage by Tenant at Tenant's expense.

(b) Landlord shall not be in default under this Lease, nor be liable for any damages resulting from, nor shall the required rental be abated because of (i) the installation, use, or interruption of use of any equipment in connection with the previously listed services, or (ii) the limitation, curtailment, rationing, or restrictions on use of water, electricity, gas, or any other form of energy serving the Premises or the Building.

(d) If heat-generating equipment or lighting, other than building standard lights, are installed or used in the Premises, and this equipment or lighting affects the temperature otherwise maintained by the air conditioning system, or if equipment is installed in the Premises that requires a separate temperature controlled room, Tenant shall install supplementary air conditioning facilities in the Premises or shall modify the ventilating and air conditioning system serving the Premises. The capital and maintenance costs of these facilities and modifications shall be borne by Tenant.

(e) In the event that Tenant fails to perform its obligations as set forth in this Section 8 or elsewhere in this Lease, Landlord may, at its option, fulfill Tenant's obligations, and Tenant shall pay Landlord's reasonable charges for doing so on billing of Landlord.

Section 9. Impositions

In addition to the monthly rental and other charges to be paid by Tenant under this Lease, Tenant shall pay Landlord for all of the following items (collectively, "Impositions"): (i) taxes, other than local, state and federal personal or corporate income taxes measured by the net income of Landlord; (ii) assessments, including without limitation, all assessments for public improvements, services, or benefits, irrespective of when commenced or completed; (iii) excises; (iv) levies; (v) business taxes; (vi) license, permit, inspection, and other authorization fees; (vii) transit development fees; (viii) assessments or charges for housing funds; (ix) service payments in lieu of taxes and; (x) any other fees or charges that are levied, assessed, confirmed, or imposed by a public authority; provided, however, that Impositions shall not include amounts otherwise included in Operating Expenses or Property Taxes. Tenant is obligated to pay only to the extent that the Impositions are (a) on, measured by, or reasonably attributable to, the cost or value of Tenant's equipment, furniture, fixtures, and other personal property located in the Premises, or the cost or value of any leasehold improvements made to the Premises by or for Tenant, regardless of whether title to the improvements shall be in Tenant or Landlord; (b) based on or measured by the monthly rental or other charges payable under this Lease, including without limitation, any gross receipts tax levied by a municipality, the State of California, the Federal Government, or any other governmental body with respect to the receipt of the rental; (c) based on the development, possession, leasing, operation, management,

maintenance, alteration, repair, use, or occupancy by Tenant of the Premises or any portion of the Premises; or (d) on this transaction or any document to which Tenant is a party creating or transferring an interest or an estate in the Premises. If it is unlawful for Tenant to reimburse Landlord for the Impositions, but lawful to increase the monthly rental to take into account Landlord's payment of the Impositions, the monthly rental payable to Landlord shall be revised to net Landlord the same net return without reimbursement of the Impositions as would have been received by Landlord with reimbursement of the Impositions.

Section 10. Liens

Tenant shall keep the Premises and the Building free from any liens arising out of any work performed, materials furnished, or obligations incurred by Tenant. Landlord may have posted on the Premises any notices that may be provided by law or that Landlord may deem proper for the protection of Landlord, the Premises, and the Building from those liens. Tenant may contest any lien for which Tenant is responsible under this Section, provided that Tenant shall have caused the lien to be bonded against.

Section 11. Repairs

Tenant accepts the Premises 'AS IS' subject to all mechanical, electrical & plumbing services being delivered in good working condition. At all times during the term of this Lease and at Tenant's sole cost, Tenant shall keep the Premises in good condition and repair; ordinary wear and tear and damage to the Premises by fire, earthquake, or act of God or the elements are excepted. Tenant waives all rights to make repairs at the expense of Landlord or instead to vacate the Premises, and Tenant further waives the provisions of Civil Code Sections 1941 and 1942 with respect to Landlord's obligations under this Lease. At the end of the term of this Lease, Tenant shall surrender to Landlord the Premises and all Alterations that are to remain in the Premises in the same condition as when received; ordinary wear and tear and damage by fire, earthquake, or act of God or the elements are excepted. Landlord has no obligation and has made no promise to alter, remodel, improve, repair, decorate, or paint the Premises or any part of them, except as specifically set forth in this Lease. Landlord has made no representations respecting the condition of the Premises or the Building, except as specifically set forth in this Lease.

Section 12. Damage or Destruction

(a) In the event the Premise or any portion of the Building necessary for Tenant's occupancy are damaged by fire, earthquake, act of God, the elements, or other casualty, within thirty (30) days after that event, Landlord shall notify Tenant of the estimated time, in Landlord's reasonable judgment, required for repair or restoration. If the estimated time is one hundred and eighty (180) days or less after the commencement of the physical work and one (1) year or less after the casualty event, Landlord shall proceed promptly and diligently to adjust the loss with applicable insurers, to secure all required governmental permits and approvals, and to repair or restore the Premises or the portion of the Building necessary for Tenant's occupancy. This Lease shall remain in full force, except that for the time unusable, Tenant shall receive a rental abatement for that part of the Premises rendered unusable in the conduct of Tenant's business.

(b) If the estimated time for repair or restoration is in excess of one hundred eighty (180) days after the commencement of the physical work or one (1) year after the casualty event, Tenant may elect to terminate this Lease as of the date of the casualty event by giving notice to Landlord within fifteen (15) days following receipt of Landlord's notice of the estimated time for repair. If the estimated time is more than one hundred eighty (180) days after commencement of the physical work or one (1) year after the casualty event, but Tenant has not elected to terminate this Lease, Landlord may elect, on notice to Tenant within twenty (20) days after the period for Tenant's election to terminate has expired, to repair or restore the Premises or the portion of the Building necessary for Tenant's occupancy. In that event, this Lease shall continue in full force, but the rent shall be abated. If Landlord does not elect to repair or restore, this Lease shall terminate as of the date of the casualty event. However, if Landlord has not commenced the physical repair or restoration of the Premises or the portion of the Building necessary for Tenant's occupancy within one (1) year from the casualty event, Tenant may elect to terminate this Lease by notice to Landlord given at any time following the expiration of one (1) year from the casualty event, but prior to the commencement of the physical repair or restoration work.

(c) If the Premises or the Building are to be repaired or restored under this Section, Landlord shall repair or restore at Landlord's cost the Building itself and all improvements in the Premises, including but not limited to, any tenant improvements constructed pursuant to this Lease, but excluding Alterations made by or for

Tenant subsequent to completion of those tenant improvements. Tenant shall pay the cost of repairing or restoring any Alterations made by or for Tenant subsequent to completion of the tenant improvements made pursuant to this Lease and shall be responsible for carrying casualty insurance as Tenant deems appropriate for those Alterations.

(d) In the event of any damage to or destruction of the Premises or the Building, Landlord and Tenant acknowledge that their respective rights and obligations are to be governed exclusively by this Lease.

(e) In the event the Premises are to be repaired or restored and Tenant requires temporary offices as a result of a casualty event affecting the Premises, Landlord shall use best efforts to locate offices for Tenant within the Building. Tenant acknowledges that Landlord makes no commitment as to the availability of any offices or as to their cost.

Section 13. Subrogation

Landlord and Tenant shall each obtain from their respective insurers under all policies of fire, theft, public liability, worker's compensation, and other insurance maintained during the term of this Lease covering the Building, or any portion of it, or operations in it, a waiver of all rights of subrogation that the insurer of one party might have against the other party. Landlord and Tenant shall each indemnify the other against any loss or expense, including reasonable attorney fees, resulting from the failure to obtain this waiver.

Section 14. Indemnification

Tenant waives all claims against Landlord for damage to any property or injury or death of any person on the Premises arising at any time and from any cause other than the gross negligence or willful misconduct of Landlord or Landlord's employees, agents, or contractors. Tenant shall hold Landlord harmless from and defend Landlord against all claims, liability, damage, or loss arising out of any injury or death of any person or damage to or destruction of property attributable to the use of the Premises by Tenant, except that caused by the gross negligence or willful misconduct of Landlord or Landlord's agents, contractors, or employees. Tenant shall also hold Landlord harmless from any liability, cost, or expense arising from Tenant's use or storage in the Premises of any hazardous or toxic substance. These indemnity obligations shall include reasonable attorney fees, investigation costs, and all other reasonable costs incurred by Landlord from the first notice that any claim or demand is to be made or may be made. Landlord shall promptly give notice to Tenant of any claim or demand. The provisions of this Section shall survive the termination of this Lease for any event occurring prior to the termination. The provisions of this Section to indemnify and hold Landlord harmless are limited to the amount of loss that is not paid to Landlord out of insurance proceeds, if any.

Section 15. Compliance with Legal Requirements

At Tenant's sole cost, Tenant shall promptly comply with all laws and governmental rules now or later in force; with the requirements of any board of fire underwriters or other similar body now or in the future constituted; with any direction or occupancy certificate issued by public officers ("Legal Requirements"), insofar as they relate to the condition, use, or occupancy of the Premises. Excluded are (a) structural changes or changes to the electrical, mechanical, or plumbing systems of the Building, all to the extent not necessitated by Tenant's acts or by improvements made for Tenant, other than the tenant improvements to be made pursuant to this Lease by Landlord, if any; (b) alterations or improvements to the Building as a whole or the Premises of tenants generally that are not by law the tenants' responsibility with which to comply; and (c) work necessitated by defects in the construction of the Building. Landlord shall comply in a timely manner with all Legal Requirements that are not Tenant's responsibility under this Section to the extent noncompliance would adversely affect Tenant's use or occupancy of the Premises.

Section 16. Assignment and Subletting

(a) Tenant shall not, without the prior written consent of Landlord, which shall not be unreasonably withheld or delayed, assign or hypothecate this Lease or any interest in this Lease, sublet the Premises or any part of them, or license the use of the Premises by any party other than Tenant. Neither this Lease nor any interest in this Lease shall be assignable without the consent of Landlord, which shall not be unreasonably withheld or delayed. Any of the previous acts without consent shall be void and shall, at the option of Landlord, constitute a non-curable default under this Lease. In connection with each consent requested by Tenant, Tenant shall submit

to Landlord the terms of the proposed transaction, the identity of the parties to the transaction, the proposed documentation for the transaction, and all other information reasonably requested by Landlord concerning the proposed transaction and the parties involved.

(b) Without limiting other instances in which Landlord may reasonably withhold consent to an assignment or subletting, Landlord and Tenant acknowledge that it shall be reasonable for Landlord to withhold consent in the following instances:

(i) if at the time consent is requested or at any time prior to the granting of consent, an Event of Default has occurred under this Lease or if Tenant is in monetary default under this Lease or would be in monetary default under this Lease but for the pendency of any grace or cure period under Section 19;

(ii) if the proposed assignee or sub-tenant is a governmental agency;

(iii) if, in Landlord's reasonable judgment, use of the Premises by the proposed assignee or sub-tenant would not be comparable to the office use by other tenants in the Building, would entail alterations that would materially lessen the value of the leasehold improvements in the Premises (unless Tenant provides adequate security to ensure that the Premises will be restored to their prior condition), would result in more than a reasonable number of occupants per floor, or would require substantially increased services by Landlord;

(iv) if Landlord reasonably determines that circumstances warrant a consideration of the financial worth of a proposed assignee or sub-tenant, and the financial worth, in Landlord's reasonable judgment, does not meet the credit standards applied by Landlord for other tenants under leases with comparable terms; and

(v) if, in Landlord's reasonable judgment, the character, reputation, or business of the proposed assignee or sub-tenant is not consistent with the quality of the other tenancies in the Building.

(c) If at any time during the Term, Tenant desires to sublet all or any part of the Premises, Tenant shall notify Landlord of the terms of the proposed subletting and the space proposed to be sublet. Landlord shall have the option, exercisable by notice given to Tenant within thirty (30) days after Tenant's notice is given, to sublet from Tenant this space at the rental and other terms in Tenant's notice or to terminate this Lease. If Landlord does not exercise this option, Tenant shall be free to sublet the space to the specific proposed sub-tenant, at the same rental and on the same terms in the notice given to Landlord, subject to obtaining Landlord's prior consent as provided previously.

(d) No sub-tenant shall have a right to further sublet without Landlord's prior consent, which Tenant acknowledges may be withheld in Landlord's absolute discretion, and any assignment by a sub-tenant of the sublease shall be subject to Landlord's prior consent in the same manner as if Tenant were entering into a new sublease. No sublease, once consented to by Landlord, shall be modified or terminated by Tenant without Landlord's prior consent, which shall not be unreasonably withheld.

(e) In the case of an assignment, one hundred percent (100%) of any sums or other economic consideration received by Tenant as a result of the assignment (excluding any consideration reasonably attributed to assets other than this Lease) shall be paid to Landlord.

(f) In the case of a subletting, one hundred percent (100%) of any sums or economic consideration received by Tenant as a result of the subletting shall be paid to Landlord.

(g) Regardless of Landlord's consent, no subletting or assignment shall release or alter Tenant's obligation or primary liability to pay the rental and perform all other obligations under this Lease. The acceptance of rental by Landlord from any other person shall not be deemed a waiver by Landlord of any provision of this Lease. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting. In the event of default by any assignee or successor of Tenant in the performance of any of the terms of this Lease, after notice of default to Tenant pursuant to Section 19 and the expiration of any applicable cure period, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against the assignee or successor. Landlord may consent to subsequent assignments or subletting of this Lease or amendments or modifications to this Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining consent. This action shall not relieve Tenant of liability under this Lease provided, however, that Tenant shall not be liable for any increase in Tenant's obligations under this Lease because of any amendment

or modification to this Lease, unless Tenant has consented to it in writing.

(h) If Tenant assigns this Lease, sublets the Premises, or requests the consent of Landlord to any assignment, subletting, hypothecation, or other action requiring Landlord's consent under this Lease, Tenant shall pay Landlord's reasonable attorney fees incurred in connection with the action.

Section 17. Rules

Tenant shall comply with Landlord's rules from time to time promulgated in writing by Landlord. Landlord shall not be responsible to Tenant for the nonperformance of any of these rules by any other tenant or occupant of the Building, but Landlord shall take reasonable steps to enforce any rules, the nonperformance of which by other tenants materially and adversely affects Tenant in the use of the Premises. However, if any rule conflicts with any term, covenant, or condition of this Lease, this Lease shall prevail. In addition, no rule, or any subsequent amendment to it adopted by Landlord shall alter, reduce, or adversely affect any of Tenant's rights or enlarge Tenant's obligations under this Lease.

Section 18. Entry by Landlord

Landlord may enter the Premises at reasonable hours and, except in the event of an emergency, on reasonable prior notice, to (a) inspect the Premises; (b) exhibit the Premises to prospective purchasers, lenders, or tenants; (c) determine whether Tenant is complying with all obligations under this Lease; (d) supply janitorial service and any other services to be provided by Landlord under this Lease; (e) post notices of non-responsibility; and (f) make repairs or perform maintenance required of Landlord by this Lease, make repairs to any adjoining space or utility services, or make repairs, alterations, or improvements to any other portion of the Building. However, all this work shall be done as promptly as reasonably possible and cause as little interference to Tenant as reasonably possible. Subject to Landlord's undertakings in the previous sentence, Tenant waives any damage claims for inconvenience to or interference with Tenant's business or loss of occupancy or quiet enjoyment of the Premises caused by Landlord's entry. At all times, Landlord shall have a key with which to unlock the doors on Premises, excluding Tenant's vaults, safes, and similar areas designated as secure areas in writing by Tenant in advance. In an emergency, Landlord shall have the right to use any means that Landlord deems proper to open Tenant's doors and enter the Premises. Entry to the Premises by Landlord in an emergency shall not be construed as a forcible or unlawful entry, a detainer, or an actual or constructive eviction of Tenant.

Section 19. Events of Default

The following events shall constitute events of default under this Lease (each an "Event of Default"):

(a) a default by Tenant in the payment when due of any rent or other sum payable under this Lease and the continuation of this default for ten (10) or more days after notice of the default from Landlord, provided that if Tenant has failed two (2) or more times in any twelve (12) months to pay any rent or other sum when due and notice of this default has been given by Landlord in each instance, no notice shall be required after this until the expiration of twelve (12) months in which all rental and other sums payable under this Lease have been paid on or before the date due;

(b) a default by Tenant in the performance of any of the terms, covenants, agreements, or conditions in this Lease, other than a default by Tenant in the payment when due of any rent or other sum payable under this Lease, and the continuation of the default beyond thirty (30) days after notice by Landlord or, if the default is curable and would require more than thirty (30) days to remedy, beyond the time reasonably necessary for cure; provided, however, that if Tenant has defaulted in the performance of the same obligation two (2) or more times in twelve (12) months and notice of the default has been given by Landlord in each instance, no notice shall be required after this until the expiration of twelve (12) months without any default by Tenant;

(c) the bankruptcy of insolvency of Tenant, a transfer by Tenant in fraud of creditors, an assignment by Tenant for the benefit of creditors, or the commencement of proceedings of any kind by or against Tenant under the Federal Bankruptcy Act or under any other insolvency, bankruptcy, or reorganization act, unless Tenant is discharged from voluntary proceedings within ninety (90) days;

(d) the appointment of a receiver for a substantial part of Tenant's assets;

(e) the abandonment of the Premises; and

(f) the levy upon this Lease or any estate of Tenant under this Lease by attachment or execution and the failure to have the attachment or execution vacated within thirty (30) days.

Section 20. Termination upon Default

On occurrence of any Event of Default by Tenant, Landlord may, in addition to any other rights and remedies given here or by law, terminate this Lease and exercise remedies relating to it without further notice or demand in accordance with the following provisions:

(a) So long as the Event of Default remains uncured, Landlord shall have the right to give notice of termination to Tenant, and on the date specified in this notice, the Lease shall terminate.

(b) If this Lease is terminated, Landlord may, by judicial process, reenter the Premises, remove all persons and property, and repossess and enjoy the Premises, all without prejudice to other remedies that Landlord may have because of Tenant's default or the termination.

(c) If this Lease is terminated, Landlord shall have all of the rights and remedies of a landlord provided by Civil Code § 1951.2, in addition to any other rights and remedies Landlord may have. The damages which Landlord may recover shall include, without limitation, (i) the worth at the time of award of the unpaid rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of the award exceeds the amount of the rental loss that Tenant proves could have been reasonably avoided; (iii) the worth at the time of award computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%) of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of rental loss that Tenant proves could be reasonably avoided; (iv) all reasonable legal expenses and other related costs incurred by Landlord following Tenant's default; (v) all reasonable costs incurred by Landlord in restoring the Premises to good order and condition to re-let the Premises; and (vi) all reasonable costs, including without limitation, any brokerage commissions incurred by Landlord in re-letting the Premises.

Section 21. Continuation after Default

Even though Tenant has breached this Lease and abandoned the Premises, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession, and Landlord may enforce all rights and remedies under this Lease, including the right to recover the rental as it becomes due under this Lease. Acts of maintenance or preservation, efforts to re-let the Premises, or the appointment of a receiver upon initiative of Landlord to protect Landlord's interest under this Lease shall not constitute a termination of Tenant's right to possession.

Section 22. Other Relief

The remedies provided in this Lease are in addition to any other remedies available to Landlord at law, in equity, by statute, or otherwise.

Section 23. Right of Landlord to Cure Defaults

Agreements and provisions to be performed by Tenant under this Lease shall be at Tenant's sole cost and without abatement of rental, except as specifically provided in this Lease. If Tenant (a) fails to pay any sum of money, other than rental, required under this Lease, or (b) fails to perform any other act under this Lease, and this failure continues for thirty (30) days after notice of the failure by Landlord, or a longer period as may be allowed under this Lease, Landlord may, without waiving or releasing Tenant from any obligations of Tenant, make payment or perform other acts required by this Lease on Tenant's behalf. All sums paid by Landlord and all necessary incidental costs shall be payable to Landlord on demand and shall constitute additional rental under this Lease.

Section 24. Attorney Fees

If, as a result of a breach or default under this Lease, Landlord uses an attorney to secure compliance with Lease provisions, to recover damages, to terminate this Lease, or to evict Tenant, Tenant shall reimburse Landlord, on demand, for all reasonable attorney fees and expenses incurred by Landlord; provided that, if Tenant becomes the

prevailing party in any legal action brought by Landlord, Tenant shall be entitled to recover reasonable attorney fees and expenses incurred by Tenant and need not reimburse Landlord for any attorney fees and expenses incurred by Landlord.

Section 25. Eminent Domain

If all or any part of the Premises are taken through eminent domain, this Lease shall terminate for the part taken as of the date of taking. For a partial taking, either Landlord or Tenant shall have the right to terminate this Lease for the balance of the Premises by notice to the other within thirty (30) days after the taking. However, Tenant's right to terminate arises only if the portion of the Premises taken substantially handicaps, impedes, or impairs Tenant's use of the balance of the Premises. In the event of any taking, Landlord shall be entitled to all compensation, damages, income, rent, awards, or any interest that may be paid in connection with the taking, except for any portion specifically awarded to Tenant for moving expenses, trade fixtures, equipment, and any leasehold improvements in the Premises to the extent of the then unamortized value of these improvements for the remaining term of the Lease as determined in the award. However, Tenant shall have no claim against Landlord for the value of any unexpired term of this Lease or otherwise, other than for prepaid rent. In the event of a partial taking of the Premises that does not result in a termination of this Lease, the subsequent monthly rental shall be equitably reduced.

Section 26. Subordination

(a) This Lease shall be subordinate to any ground lease, mortgage, deed of trust, or any other hypothecation for security now or later placed upon the Building and to any advances made on the security of it or Landlord's interest in it, and to all renewals, modifications, consolidations, replacements, and extensions of it. However, if any mortgagee, trustee, or ground Landlord elects to have this Lease prior to the lien of its mortgage or deed of trust or prior to its ground lease, and gives notice of that to Tenant, this Lease shall be deemed prior to the mortgage, deed of trust, or ground lease, whether this Lease is dated prior or subsequent to the date of the mortgage, deed of trust, or ground lease, or the date of recording of it. In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, Tenant shall attorn to the purchaser at the foreclosure sale or to the grantee under the deed in lieu of foreclosure. In the event of termination of any ground lease to which this Lease is subordinate, Tenant shall attorn to the ground Landlord. Tenant agrees to execute any documents, in form and substance reasonably acceptable to Tenant, required to effectuate the subordination, to make this Lease prior to the lien of any mortgage or deed of trust or ground lease, or to evidence the attornment.

(b) In the event any mortgage or deed of trust to which this Lease is subordinate is foreclosed or a deed in lieu of foreclosure is given to the mortgagee or beneficiary, or in the event any ground lease to which this Lease is subordinate is terminated, this Lease shall not be barred, terminated, cut off, or foreclosed. Neither shall the rights and possession of Tenant under this Lease be disturbed, if Tenant is not then in default in the payment of rental and other sums due under this Lease or otherwise in default under the terms of this Lease, and if Tenant attorns to the purchaser, grantee, or ground Landlord as provided in Section 26(a) or, if requested, enters into a new lease for the balance of the term of this Lease on the same terms and provisions contained in this Lease. Tenant's covenant under Section 26(a) to subordinate this Lease to any ground lease, mortgage, deed of trust, or other hypothecation later executed is conditioned on each senior instrument containing the commitments specified in this subsection.

(c) Tenant agrees that Tenant shall not discriminate against or segregate any person or group of persons on account of race, sex, creed, color, marital status, sexual preference, national origin, or ancestry, in the occupancy, use, sublease, tenure, or enjoyment of the Premises.

Section 27. No Merger

The surrender of this Lease by Tenant, or a mutual cancellation of it, shall not work a merger and shall, at the option of Landlord, terminate all of any existing subleases or sub-tenancies, or operate as an assignment to Landlord of all subleases or sub-tenancies.

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Section 28. Sale

In the event that Landlord or any successor owner of the Building sells or conveys the Building, all liabilities and obligations of Landlord or the successor owner under this Lease accruing after the sale or conveyance terminates, shall be binding on the new owner, and Tenant shall release Landlord from all liability under this Lease. Tenant agrees to attorn to the new owner.

Section 29. Estoppel Certificate

At any time with at least fifteen (15) days' prior notice by Landlord, Tenant shall execute, acknowledge, and deliver to Landlord a certificate certifying: (a) that this Lease is unmodified and in full force or, if there have been modifications, that this Lease is in full force, as modified, together with the date and nature of each modification, (b) the amount of the Base Rent, most recent Escalation Rent, if any, and the date to which the rent has been paid, (c) that no notice has been received by Tenant of any default that has not been cured, except defaults specified in the certificate, (d) that no default of Landlord is claimed by Tenant, except defaults specified in the certificate, and (e) other matters as may be reasonably requested by Landlord. Any certificate may be relied on by prospective purchasers, mortgagees, or beneficiaries under any deed of trust on the Building or any part of it.

Section 30. Light, Air, or View Rights

Any diminution or shutting off of light, air, or view by any structure that may be erected on lands adjacent to the Building shall not affect this Lease or impose any liability on Landlord.

Section 31. Holding Over

(a) If, without objection by Landlord, Tenant holds possession of the Premises after expiration of the term of this Lease, Tenant shall become a tenant from month-to-month on the terms specified in this Lease, except those pertaining to term, option to extend, and option to acquire the Building, but at a monthly rental equivalent to one hundred fifty percent (150%) of the then prevailing monthly rental paid by Tenant at the expiration of the term of this Lease, payable in advance on or before the first day of each month. Each party shall give the other notice of intention to terminate the tenancy at least one (1) month prior to the date of termination of a monthly tenancy.

(a) If, over Landlord's objection, Tenant holds possession of the Premises after expiration of the term of this Lease or expiration of the holdover tenancy, Tenant shall be deemed to be a tenant-at-sufferance and, without limiting the liability of Tenant for unauthorized occupancy of the Premises, Tenant shall indemnify Landlord and any replacement tenant for the Premises for any damages or loss suffered by either Landlord or the replacement tenant resulting from Tenant's failure to vacate the Premises in a timely manner.

Section 32. Security Deposit

(a) No security deposit shall be required of Tenant.

Section 33. Waiver

The waiver by Landlord of any agreement, condition, or provision contained in this Lease shall not be deemed to be a waiver of any subsequent breach of the agreement, condition, or provision or any other agreement, condition, or provision contained in the Lease, nor shall any custom or practice that may arise between the parties in the administration of the terms of this Lease be construed to waive or lessen the right of Landlord to the performance by Tenant in strict accordance with these terms. The subsequent acceptance of rental under this Lease by Landlord shall not be deemed to be a waiver of any preceding breach by the other party of any agreement, condition, or provision of this Lease, other than the failure of Tenant to pay the particular accepted rental, regardless of knowledge of the preceding breach at the time of the rental acceptance.

Section 34. Notices and Consents

All notices, consents, demands, and other communications from one party to the other that are given pursuant to the terms of this Lease shall be in writing and shall be deemed to have been fully given when delivered, including delivery by commercial delivery services or facsimile transmission, or if deposited in the United States mail, certified or registered, postage prepaid, when received or refused. All notices, consents, demands, and other

communications shall be addressed as follows: to Tenant at the address specified in the Basic Lease Information, or to another place or person as Tenant may designate in a notice to Landlord, or delivered to Tenant at the Premises; to Landlord at the address specified in the Basic Lease Information, or to another place as Landlord may designate in a notice to Tenant.

Section 35. Entire Agreement

There are no oral agreements between Landlord and Tenant affecting this Lease, and this Lease supersedes and cancels all previous negotiations, arrangements, brochures, agreements, and understandings between Landlord and Tenant or displayed by Landlord to Tenant with respect to the subject matter of this Lease. There are no representations between Landlord and Tenant other than those contained in this Lease. All implied warranties, including implied warranties of merchantability and fitness, are excluded.

Section 36. Authority

If either of the parties signs this Lease as a corporation, each person executing this Lease on behalf of the party warrants that the party is an authorized and existing corporation, that it is qualified to do business in California, that it has the right and authority to enter into this Lease, and that each person signing on behalf of the corporation is authorized to do so. If either of the parties signs this Lease as a partnership, each person executing this Lease on behalf of the party warrants that the party is a partnership, that the partnership has the right and authority to enter into this Lease, and that each person signing on behalf of the partnership is authorized to sign.

Section 37. Plural and Singular

The words "Landlord" and "Tenant" as used in this Lease shall include the plural as well as the singular.

Section 38. Joint and Several Obligations

If there is more than one Tenant, the obligations imposed on Tenant shall be joint and several.

Section 39. Time of the Essence

Time is of the essence in this Lease and all of its provisions.

Section 40. Examination of Lease

Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

Section 41. Heirs, Successors, and Assigns

The agreements, conditions, and provisions contained in this Lease shall, subject to the provisions for assignment, apply to and bind the heirs, executors, administrators, successors, and assigns of the parties to it.

Section 42. Name of Building

Tenant shall not, without the consent of Landlord, use the name of the Building for any purpose other than as the address of the business to be conducted by Tenant in the Premises.

Section 43. Illegality or Unenforceability of Portion of Lease

If any provision of this Lease is determined to be illegal or unenforceable, this determination shall not affect any other provision of this Lease, and all other provisions shall remain in full force and effect.

Section 44. Governing Laws

This Lease shall be governed by and construed pursuant to law of the State of California.

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Section 45. Exhibits

The exhibits and addendum, if any, specified in the Basic Lease Information are attached to this Lease and by this reference made a part of it.

Section 46. Parking

Tenant shall be entitled to the use of vehicle parking spaces unreserved and unassigned, on those portions of the Common Areas designated by Landlord for parking (“Parking Facility”). Said parking spaces shall be used only for parking by vehicles no larger than full size passenger automobiles or pick-up trucks, herein called “Permitted Size Vehicles”. Vehicles other than Permitted Size Vehicles are herein referred to as “Oversized Vehicles”. Tenant shall not permit or allow any vehicles that belong to or are controlled by Tenant or Tenant’s employees, suppliers, shippers, customers, or invitees to be loaded, unloaded, or parked in areas other than those designated by Landlord for such activities. If Tenant permits or allows any of the prohibited activities as described in this Paragraph 46 above, then Landlord shall have the right, without notice, in addition to other such rights and remedies that it may have, to remove or tow away the vehicle involved and charge the cost to Tenant, which cost shall be immediately payable upon demand by Tenant. Landlord shall maintain and operate, or cause to be maintained and operated, the Parking Facility. Facility either by allocating different parking spaces to Tenant, re-striping the parking areas within the Parking Facility or by any other reasonable means.

Section 47. Option to Extend

Subject to the provisions of this Paragraph 47, the originally named Tenant herein (“Original Tenant”) shall have the option to extend the term of this Lease for **one (1) three (3) year period**, upon the same terms and conditions as contained in this Lease. The rent for the Extension Term shall be as set forth in below. To exercise the extension option, Tenant shall give Landlord written notice at not more than three hundred sixty (360) days and not less than one hundred eighty (180) days prior to the then-current Expiration Date (“Tenant’s Extension Notice”). Tenant’s Extension Notice shall be effective to extend the Term of the Lease without further documentation except as expressly provided below.

At any time after Tenant has exercised its option to extend this Lease and the rent for the Extension Term has been finally determined, Landlord and Tenant upon the request of either, will sign and acknowledge a written memorandum evidencing Tenant’s exercise of the option and stating the date to which such Extension Term will extend and the rental rates that will be applicable during such Extension Term.

Base rent for the option term shall be increased annually two and one half percent (2.5%) from the previous years’ rent.

Section 48. Landlord Improvements

Tenant to accept the Premises in their “as-is” condition subject to all mechanical, electrical and plumbing being delivered in good working order.

Section 49. Tenant Improvements

See Section 48.

Section 50. Broker

Tenant and Landlord each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than Greg Findley of Cushman & Wakefield, the Broker) in connection with this Lease, and that no one other than said named Broker is entitled to any commission or finder’s fee in connection herewith. Tenant and Landlord do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying party, including any costs, expenses, attorneys’ fees reasonably incurred with respect thereto.

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Section 51. CASp Disclosure

For purposes of Section 1938 of the California Civil Code, Landlord hereby discloses to Tenant, and Tenant hereby acknowledges, that the Premises has not undergone inspection by a Certified Access Specialist (CASp).

A CASp can inspect the Premises and determine whether the Premises complies with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of a premises, a commercial property owner/lessor may not prohibit a lessee/tenant from obtaining a CASp inspection of a premises for its occupancy/potential occupancy of a premises, if requested by the lessee/tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection if required by Tenant, which would be paid for by Tenant. Any related repairs necessary to correct violations of construction-related accessibility standards within the Premises would be at Tenant’s sole expense.

Section 52. Lease Condition

This Lease shall be contingent upon Landlord finalizing a termination agreement with its current tenant, Diabetes Care Center. Should the Landlord not secure a termination agreement by July 15, 2022, this Lease shall terminate and the parties shall be released of their obligations hereunder.

The parties have executed this Lease as of the date first set forth above.

LANDLORD

TENANT

JS& MR PROPERTIES, LLC

SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEMS, a Local Health Care District

By: _____
Matthew Romans, MD

By: _____
Pete Delgado, President/CEO

Date: _____

Date: _____

By: _____
Jeremy Silk, MD

Date: _____

Memorandum

Date: June 13, 2022

To: Finance Committee

From: Augustine Lopez, CFO

Re: **Cash Transfers to Board Designated Fund**

As you know, the hospital has a Board Designated Fund. The purpose of a Board Designated Fund is to set aside funds that are restricted for hospital and related capital expenditures as approved by the SVMHS Board of Directors.

The District has been making monthly transfers from the General Fund to the Board Designated Fund in the amount of \$1,000,000 from the operating account to Board-restricted investments in United States Treasury and various other investments since July, 2012.

SVMHS Administration requests the Finance Committee recommend Board approval to continue making monthly transfers of \$1,000,000, as indicated above, starting July 1, 2022 through June 30, 2023.

Thank you for your consideration.

SVMH
Balanced Scorecard



FY 2022 YTD April

Monthly Scorecard

Service (30%)



Organizational Goals by Pillar	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
I. Service														
Average of Inpatient HCAHPS Scores	72.4	78.8	75.6	77.4	77.1	72.1	74.4	72.0	74.4	75.8	75.0	75.1	-0.1%	74.6
Emergency Room Press Ganey Score (*)	60.6	58.2	60.0	61.7	63.4	66.5	58.6	66.1	61.9	62.0	62.0	64.8	-4.4%	61.4
Average of Ambulatory HCAHPS Scores	88.0	91.3	87.6	94.7	89.4	91.1	91.9	93.6	93.1	94.6	91.5	91.6	0.0%	91.1

ER Press Ganey Score Measurement Period begins April 2022

Notes / Assumptions:

- Source: Press Ganey
- Based on monthly **received date**
- Based on top box scores (highest response possible on the survey scale: Yes, Definitely Yes, Always)
- IP HCAHPS Score FY 2021 Baseline was 74.6. Rationale: Baseline = Threshold is based on FY 2021 Actuals. Target is +0.5 from baseline. Max is +1.0 from baseline.
- ER HCAHPS Score FY 2021 Baseline was 61.4. Rationale: Baseline = Threshold is based on FY 2021 Actuals. The Target at 64.8 is the midpoint between Threshold & Max. The Max Goal at 68.27 is the 50th percentile rank.
- (*) **Measurement period will be Quarter 4 for Fiscal Year 2022.**
- Ambulatory HCAHPS Score FY 2021 Baseline was 91.1. Rationale: Baseline = Threshold is based on FY 2021 Actuals. Target is +0.5 from baseline. Max is +1.0 from baseline.

Monthly Scorecard

Quality & Safety Processes – ER (8%)



Organizational Goals by Pillar	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
Emergency Room Efficiencies														
Median length of stay for non-admits (in minutes)	171.0	162.0	162.0	168.0	172.0	165.0	165.0	175.0	173.0	181.0	169.0	162.0	-4.3%	163.0
Median time from admit decision to time of admission to nursing unit (in minutes)	81.0	79.0	82.0	78.0	93.0	78.0	86.0	83.0	70.0	70.0	80.0	89.0	10.1%	90.0

Source: Meditech

ER - LOS for Non-Admits in Minutes: Data Criteria: Calculate the median LOS in minutes for ER Outpatients for each month & YTD for cases in ER (excludes inpatients and patients leaving against medical advice or left without being seen.) Rationale: Baseline = Threshold is based on FY 2021 Actuals. The Target is a 1 minute improvement from the Baseline, and the Max is a 2 minute improvement from the Baseline.

ER - Time to Admit in Minutes: Data Criteria: Calculate the median time for inpatients from admit decision to time of admission to nursing unit in minutes (includes observation cases). Rationale: Baseline = Threshold is based on FY 2021 Actuals. The Target is a 1 minute improvement from the Baseline, and the Max is a 2 minute improvement from the Baseline.

Monthly Scorecard

Quality & Safety Processes – OR (8%)



Organizational Goals by Pillar	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
Operating Room Efficiencies														
Turnover Time (Wheels out / Wheels in) (in minutes)	28.2	27.5	28.1	28.2	27.9	28.3	28.7	27.7	28.9	28.2	28.2	29.5	4.5%	29.6
Percentage of 1st Case On Time Start Time	93.3%	97.7%	95.5%	95.6%	94.2%	93.4%	92.5%	96.7%	95.4%	95.0%	94.9%	89.0%	6.7%	91.6%

Turnover Time Measurement: Source is from the PICIS OR Nurse Record, calculate minutes elapsed between the wheels out & wheels in of the next case. Only cases where the time difference is less than or equal to 60 minutes will be included because breaks are often scheduled in a day. Due to MD availability, cases that exceed 60 threshold minutes will not count as a turnover. Excludes non-scheduled cases. Measurement applies to cases for the same physician and same room only. Data will be partition by actual date rather than previously scheduled date. **National benchmarks range from 25 to 38 minutes.** FY 2022 Goals are the same as prior year to continue high efficiency performance and strive to maintain sustainability at these levels. Planning to reduce minutes may cause patient safety risks and other concerns, especially considering the Covid-19 ongoing pandemic and the impact its had in our hospital capacity as well as in our perioperative operations.

Percentage of 1st case On Time Start Time

- Source is from PICIS for 1st scheduled case of the day in each OR room where the scheduled time is between 07:00 AM and 08:59 AM
- Cases in which the patient is Wheeled In at least zero minutes prior to the case
- **National benchmark goals range from 70% to 80%**
- FY 2022 Goals are the same as prior year to continue high efficiency performance and strive to maintain sustainability.

Monthly Scorecard

Quality & Safety Processes – HAC & Hand Hygiene(4%)



Organizational Goals by Pillar	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline	
Hospital Acquired Conditions															
CLABSI SIR (Standard Infection Ratio)	0.00			0.63			0.00				0.21	0.30	30.3%	0.11	
# of CLABSI EVENTS	0	0	0	1	0	0	0	0	0					1	
CAUTI SIR (Standard Infection Ratio)	0.00			0.61			0.52				0.38	0.47	19.9%	0.57	
# of CAUTI EVENTS	0	0	0	0	1	0	1	0	0					5	
CDI SIR (Standard Infection Ratio)	0.51			0.31			0.48				0.43	0.45	4.0%	0.19	
# of CDI EVENTS	0	2	1	0	1	1	2	1	0					4	
Hospital Acquired Conditions Average	0.17			0.52			0.33				0.34	0.41	16.6%	0.29	
Hand Hygiene (Percentage of successful Hand Hygiene observations)	79.7%	81.6%	81.8%	81.0%	94.1%	91.2%	96.4%	98.0%	83.0%	91.0%	87.8%	75.0%	17.0%	78.0%	

Hospital Acquired Conditions

- Source: National Healthcare Safety Network (NHSN) & Medline Interface
- Hospital Acquired Conditions will be measured **quarterly**
- **Rationale for Targets:** The FY 2022 Target (0.41) is set to be an improvement from the prior year target (0.49)
- Acronyms:
 1. CLABSI (Central Line Associated Bloodstream Infection)
 2. CAUTI (Catheter Associated Urinary Tract Infection)
 3. CDI (Clostridium Difficile Infection)

Hand Hygiene

- Source: MyRounding Tool populated by SVMHS staff / leaders direct observations
- Hand Hygiene will be measured **monthly**
- **Rationale for Targets:** Improve Hand Hygiene performance and meet recommended metrics by Leapfrog and JC/CMS

Monthly Scorecard

Finance (20%)



Organizational Goals by Pillar	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	FY 2022 Act/Proj	TARGET	Var %
IV. Finance													
Income from Operations (Normalized) (\$ in Millions)	\$7,939	\$9,298	\$5,821	\$4,561	\$6,599	\$11,434	\$6,458	\$8,222	\$8,143	\$2,277	\$84,901	\$68,853	23.3%
Operating Margin (Normalized)	16.3%	18.1%	12.3%	10.1%	13.9%	21.5%	12.9%	15.6%	15.3%	5.0%	14.1%	12.5%	13.0%



FY 2021 Baseline
\$86,392
15.1%



- Target Methodology is based on SVMH’s 100% of FY 2022 Board Approved Annual Operating Budget

Monthly Scorecard

Growth (10%)



Organizational Goals by Pillar	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
V. Growth														
Increase % of patients adopting of EPIC MyChart to →	37.1%	37.6%	38.2%	39.1%	39.5%	39.9%	40.5%	40.9%	41.4%	41.9%	41.9%	40.0%	4.7%	36.5%
Implement eConsult in a Number of Specialties	0	0	0	0	1	1	2	2	2	3	3	2	50.0%	-
eConsult Patient Utilization	0	0	0	0	8	20	13	6	10	26	83	100	-17.0%	-

- **I. MyChart adoption for SVMC:** Source is the EPIC SVMC system. Increasing from 36.5% to 40% - this continues to be a significant focus as we expand functionality for patient engagement and develop MyChart as our digital front door for the clinic. Measurement will be based on 12 months ending June 30, 2022. Monthly reporting will be based on a rolling 12 month period.
- **II. & III. SVMC eConsult development (Number of Specialties & Patient Volume):** Source is the EPIC SVMC system. Increasing access to specialty services by providing a mechanism for our specialty care physicians to support primary care through electronic consults facilitated through Epic. Primary care MDs submit specified data to a specialist through Epic and receive a plan/recommendation for care that they can implement or the specialist will request to see the patient. The first specialty we are targeting is **Dermatology**, followed by **Infectious Disease** and **Cardiology**. The functionality exists in Epic to support the workflows but it will require program and protocol development that we will begin in the next several weeks.
 - *Dermatology went live effective November 2021*
 - *Infectious Disease went live effective January 2022*
 - *Cardiology went live effective April 2022*

Monthly Scorecard Community (5%)



Organizational Goals by Pillar	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	FY 2022 Act/Proj	TARGET	Var %	FY 2021 Baseline
VI. Community														
Improve the patient experience and increase access to hospital services as measured by the number of hospital-based clinical departments that accommodate online appointment scheduling											0	2	-100.0%	-

Targeted Goals for online based scheduling:

- Creation/adaptation of technology tailored to the needs of the SVMHS department that is implementing online scheduling
- Successful implementation and launch of system
- Marketing campaign regarding the ability to schedule appointments online
- Ongoing monitoring of system
- Monthly reporting on usage rates, customer satisfaction, and other data collected by the system
- Source is based on management reporting of final results for each clinical department



Organizational Goals by Pillar		FY 2022 Act/Proj	TARGET	Var %		FY 2021 Baseline	
30%	I. Service						
	Average of Inpatient HCAHPS Scores	75.0	75.1	-0.1%	☁️	74.6	☀️
	Emergency Room Press Ganey Score	62.0	64.8	-4.4%	☁️	61.4	☀️
	Average of Ambulatory HCAHPS Scores	91.5	91.6	0.0%	☁️	91.1	☀️
15%	II. People						
	Annual Employee Indicator Survey	-	4.39		❓	4.36	❓
20%	III. Quality & Safety Processes						
	Emergency Room Efficiencies						
	Median length of stay for non-admits (in minutes)	169.0	162.0	-4.3%	☁️	163.0	☁️
	Median time from admit decision to time of admission to nursing unit (in minutes)	80.0	89.0	10.1%	☀️	90.0	☀️
	Operating Room Efficiencies						
	Turnover Time (Wheels out / Wheels in) (in minutes)	28.2	29.5	4.5%	☀️	29.6	☀️
	Percentage of 1st Case On Time Start Time	94.9%	89.0%	6.7%	☀️	91.6%	☀️
	Hospital Acquired Conditions Average	0.34	0.41	16.6%	☀️	0.29	☁️
	Hand Hygiene (Percentage of successful Hand Hygiene observations)	87.8%	75.0%	17.0%	☀️	78.0%	☀️
20%	IV. Finance						
	Income from Operations (Normalized) (\$ in Millions)	\$84,901	\$68,853	23.3%	☀️	\$86,392	☁️
	Operating Margin (Normalized)	14.1%	12.5%	13.0%	☀️	15.1%	☁️
10%	V. Growth						
	Increase % of patients adopting of EPIC MyChart to →	41.9%	40.0%	4.7%	☀️	36.5%	☀️
	Implement eConsult in a Number of Specialties	3	2	50.0%	☀️	-	
	eConsult Patient Utilization	83	100	-17.0%	☁️	-	
5%	VI. Community						
	Improve the patient experience and increase access to hospital services as measured by the number of hospital-based clinical departments that accommodate online appointment scheduling	0	2	-100.0%	☁️	-	

Questions / Comments?



Financial Performance Review

May 2022

Augustine Lopez
Chief Financial Officer



Consolidated Financial Summary

For the Month of May 2022

Profit/Loss Statement

\$ in Millions	For the Month of May 2022				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 54.4	\$ 53.9	\$ 0.5		0.9%
Operating Expense	\$ 55.8	\$ 52.3	\$ (3.5)		-6.7%
Income from Operations*	\$ (1.4)	\$ 1.6	\$ (3.0)		-187.5%
<i>Operating Margin %</i>	<i>-2.7%</i>	<i>3.0%</i>	<i>-5.7%</i>		<i>-190.00%</i>
Non Operating Income**	\$ (1.2)	\$ 1.1	\$ (2.3)		-209.1%
Net Income	\$ (2.6)	\$ 2.7	\$ (5.3)		-196.3%
<i>Net Income Margin %</i>	<i>-4.9%</i>	<i>5.0%</i>	<i>-9.9%</i>		<i>-198.0%</i>

*** Income from operations includes the following normalizing item:**

<\$1.0M> PY Reserve for FY 2019 & 2020 Medi-Cal Cost Reports

Consolidated Financial Summary

For the Month of May 2022 - Normalized

Profit/Loss Statement

\$ in Millions	For the Month of May 2022				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 55.4	\$ 53.9	\$ 1.5	2.8%	
Operating Expense	\$ 55.8	\$ 52.3	\$ (3.5)	-6.7%	
Income from Operations	\$ (0.4)	\$ 1.6	\$ (2.0)	-125.0%	
<i>Operating Margin %</i>	<i>-0.8%</i>	<i>3.0%</i>	<i>-3.8%</i>	<i>-126.7%</i>	
Non Operating Income	\$ (1.2)	\$ 1.1	\$ (2.3)	-209.1%	
Net Income	\$ (1.6)	\$ 2.7	\$ (4.3)	-159.3%	
<i>Net Income Margin %</i>	<i>-3.0%</i>	<i>5.0%</i>	<i>-8.0%</i>	<i>-160.0%</i>	

*** Operating Performance highlights:**

- Very strong ER and Outpatient activity for the month, OP gross revenues were \$15M (17%) above budget
- IP Admissions were above budget by 16% and IP Gross Revenues were above budget by \$6M (5%)
- IP Surgeries were 22% above budget

Despite the higher than expected volumes, the loss from operations due to:

- Payor mix was materially unfavorable (commercial below 5% while governmental was over by 34%)
- Contract labor utilization was \$1.6M which was needed to provide coverage for nursing and ancillary support for OR, ER, inpatient and outpatient services

**** Non-operating losses** due to investment losses from the Foundation.

Consolidated Financial Summary

Year-to-Date May 2022

Profit/Loss Statement

\$ in Millions	FY 2022 YTD May				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 634.5	\$ 580.7	\$ 53.8	9.3%	
Operating Expense	\$ 588.4	\$ 567.8	\$ (20.6)	-3.6%	
Income from Operations*	\$ 46.1	\$ 12.9	\$ 33.2	257.4%	
<i>Operating Margin %</i>	7.3%	2.2%	5.1%	231.8%	
Non Operating Income**	\$ (4.5)	\$ 12.0	\$ (16.5)	-137.5%	
Net Income	\$ 41.6	\$ 24.9	\$ 16.7	67.1%	
<i>Net Income Margin %</i>	6.6%	4.3%	2.3%	53.5%	

*** Income from operations includes:**

\$1.9M AB 113 Intergovernmental Transfer Payment (FY 2021)

\$0.5M AB113 Intergovernmental Transfer Payment (FY 2020)

\$3.9M Hospital Quality Assurance Fee (CY 2021)

<\$1.1M> Medi-Cal Cost Report Final Settlement (FY 2018)

<\$1.0M> Reserve for FYs 2019, 2020 Medi-Cal Cost Report Audit

\$4.2M Total Normalizing Items, Net

****Non-operating income includes:**

\$1.1 M Doctors on Duty Forgiven Paycheck Protection Program Loan

\$2.0 M Gain on sale of a Vantage Eye Surgery Center

Consolidated Financial Summary

Year-to-Date May 2022 - Normalized

Profit/Loss Statement

\$ in Millions	FY 2022 YTD April				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 630.3	\$ 580.7	\$ 49.6	8.5%	
Operating Expense	\$ 588.4	\$ 567.8	\$ (20.6)	-3.6%	
Income from Operations	\$ 41.9	\$ 12.9	\$ 29.0	224.8%	
<i>Operating Margin %</i>	6.6%	2.2%	4.4%	200.0%	
Non Operating Income	\$ (7.6)	\$ 12.0	\$ (19.6)	-163.3%	
Net Income	\$ 34.3	\$ 24.9	\$ 9.4	37.8%	
<i>Net Income Margin %</i>	5.5%	4.3%	1.2%	27.9%	

SVMH Financial Highlights May 2022

Gross Revenues were favorable

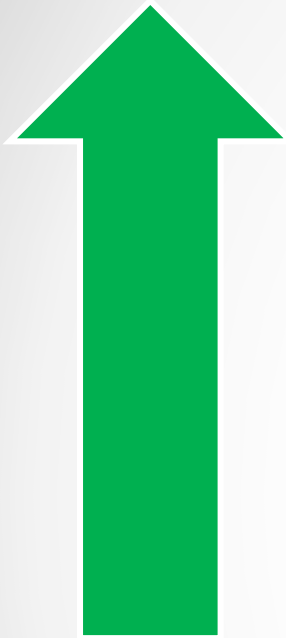
- **Gross Revenues** were 11% favorable to budget
- **IP gross revenues** were 5% favorable to budget
- **ED gross revenues** were 45% above budget
- **OP gross revenues** were 9% favorable to budget in the following areas:
 - Infusion Therapy
 - Surgery
 - Cardiology
 - Radiology
 - Lab
 - Other OP Services

- **Commercial:** 5% below budget
- **Medicaid:** 13% above budget
- **Medicare:** 21% above budget

Payor Mix – unfavorable to budget

Total Normalized Net Patient Revenues were \$47.1M, which was favorable to budget by \$0.9M or 0.5%

Financial Summary – May 2022



1) Higher than expected Inpatient business:

- Average daily census was at 119, 4% above budget of 115

2) Total admissions were 16% (137 admits) above budget

- ER admissions were 13% above budget (85 admits)
- ER admissions (including OB ED) were 85% of total acute admissions

3) ER Outpatient visits were above budget by 58% at 4,613

4) Higher than expected Outpatient business:

- Predominantly due to higher than budgeted volumes in Infusion Therapy, Cardiology, Radiology, and Other Outpatient Services

5) Inpatient Surgeries cases were 22% (30 cases) above budget predominately in General Surgery and Vascular Surgery

6) OP Observation cases were 13% (20 cases) higher than budget at 142

7) Medicare Traditional ALOS CMI adjusted 2% unfavorable at 2.5 days with a Case Mix Index of 1.8

8) Outpatient Surgeries were 14% (44 cases) below budget

9) Deliveries were 11% (16 deliveries) below budget at 128



COVID Inpatient Discharge Cases Payor Mix Analysis June 2021 thru May 2022

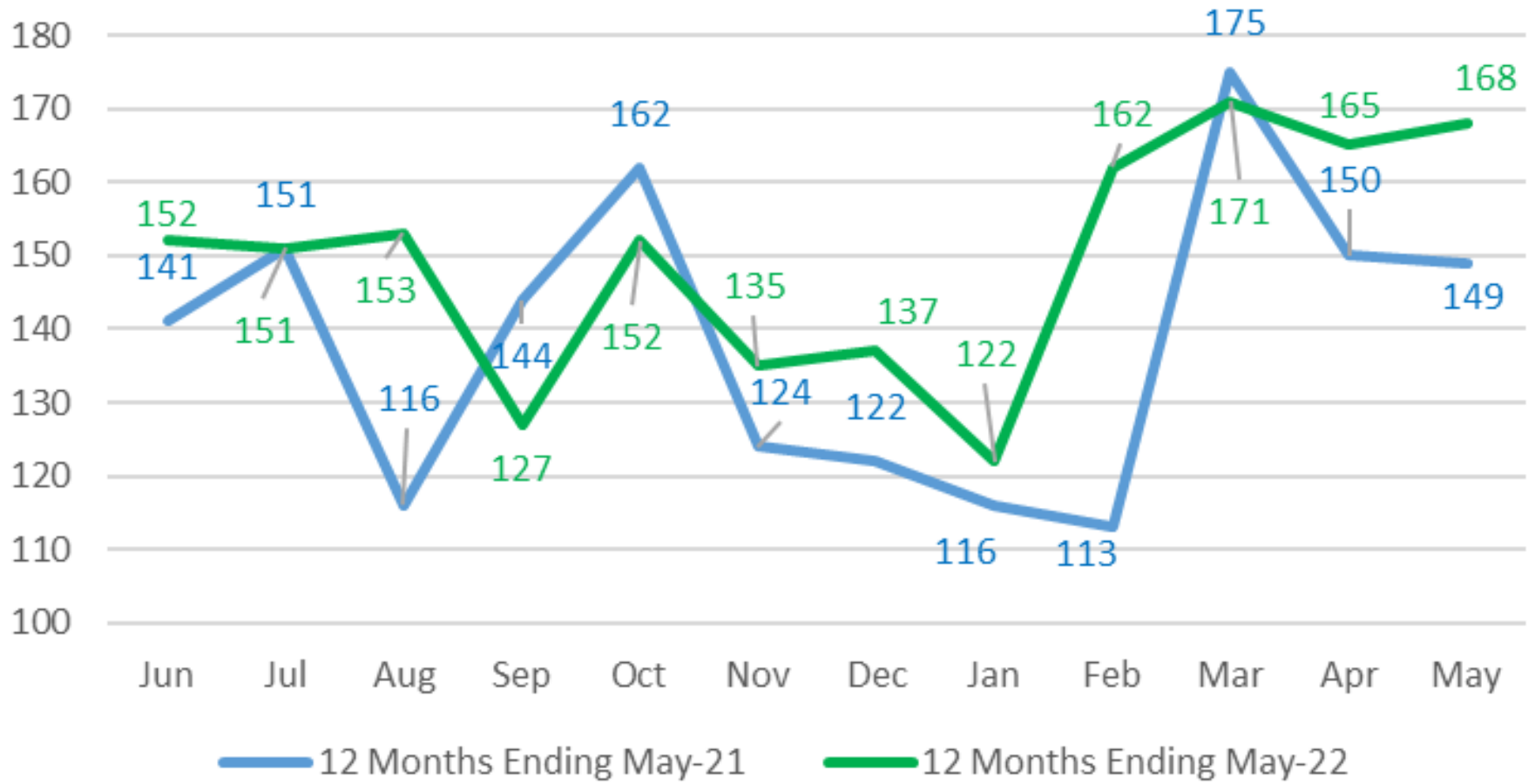
Cases	Month											
Payor	Jun 21	July 21	Aug 21	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22
Medicare	1	1	10	11	12	5	18	82	59	9	9	18
Medi-Cal	8	3	19	11	10	6	12	44	27	2	1	4
Commercial	1	9	14	10	7	11	11	38	14	3		1
Other		1	3	1		1		3			1	
Grand Total	10	14	46	33	29	23	41	167	100	14	11	23

COVID Inpatient cases
Increased during May
compared to prior
month.

Note: COVID Criteria is based any DX U07.1

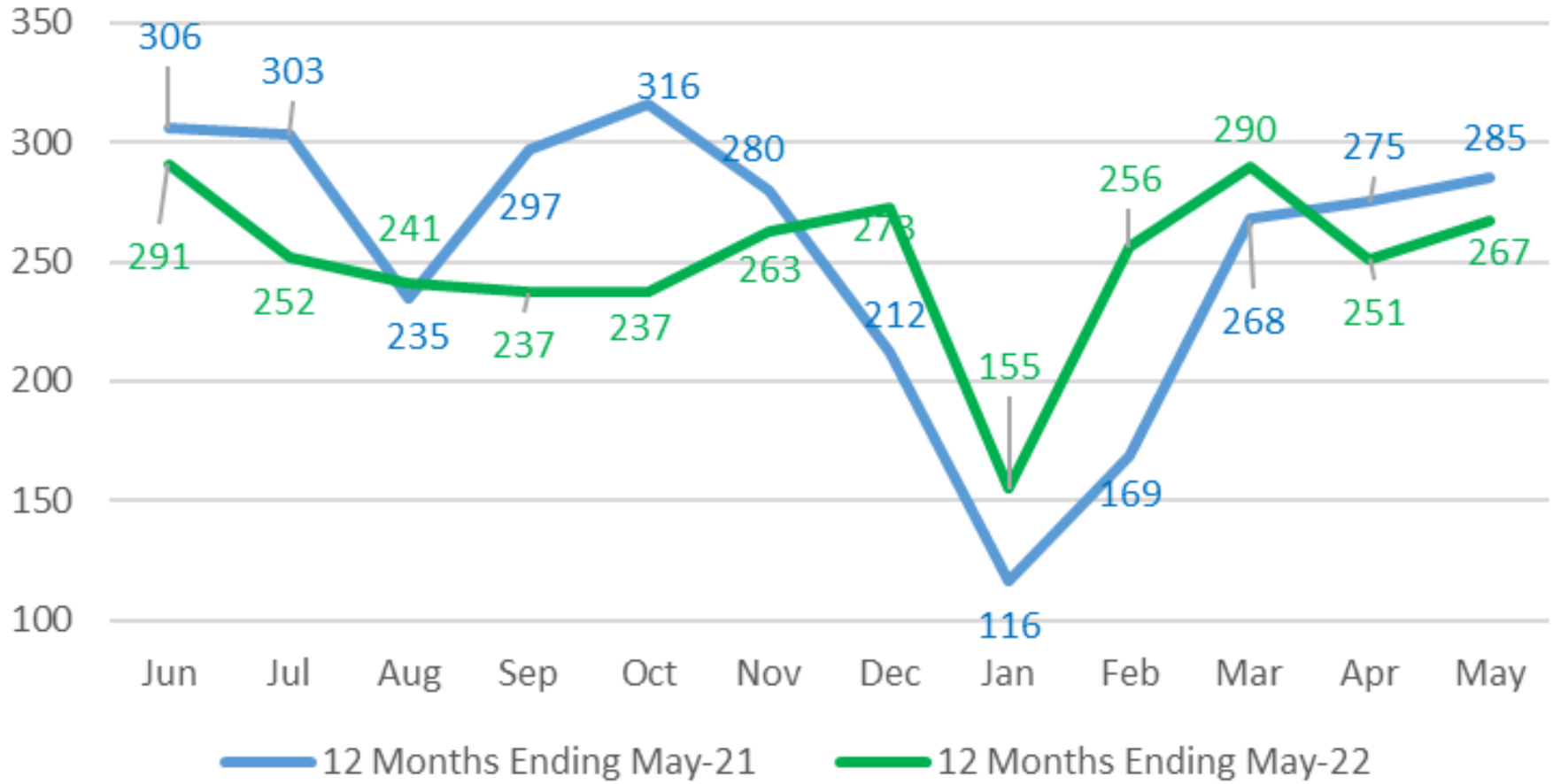
IP Surgery Cases – May 2022

IP Surgery Cases

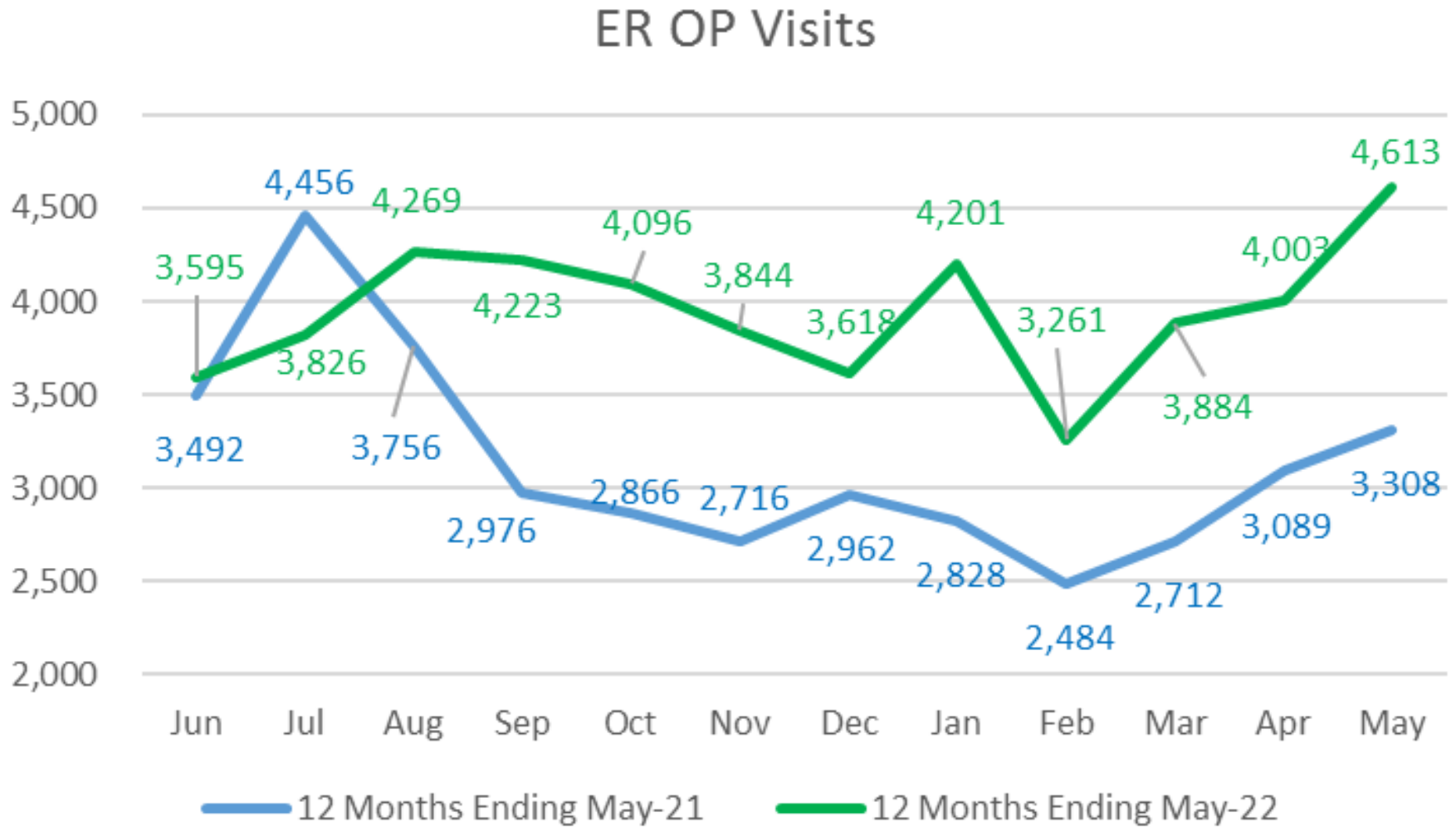


OP Surgery Cases – May 2022

OP Surgery Cases

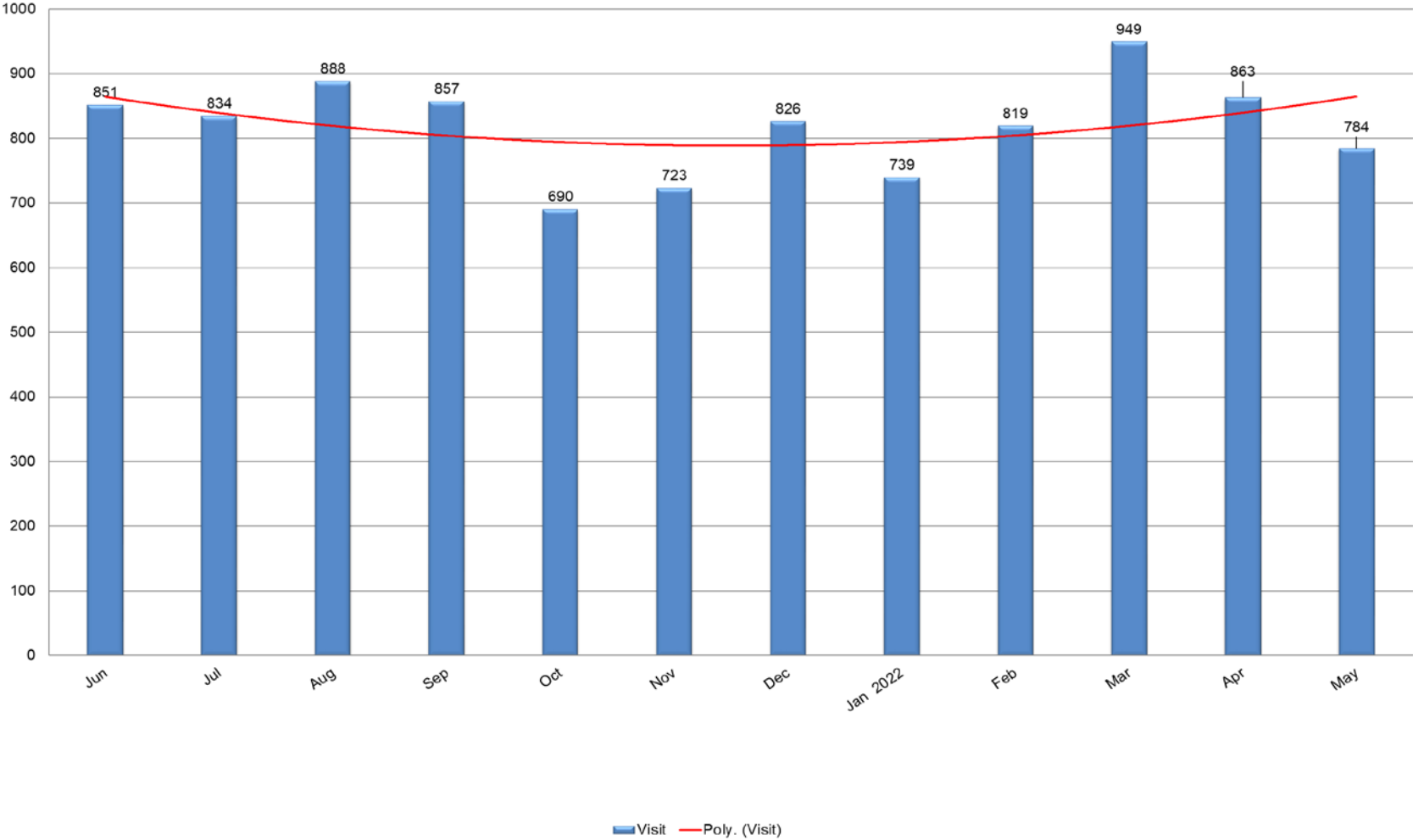


ER OP Visits – May 2022



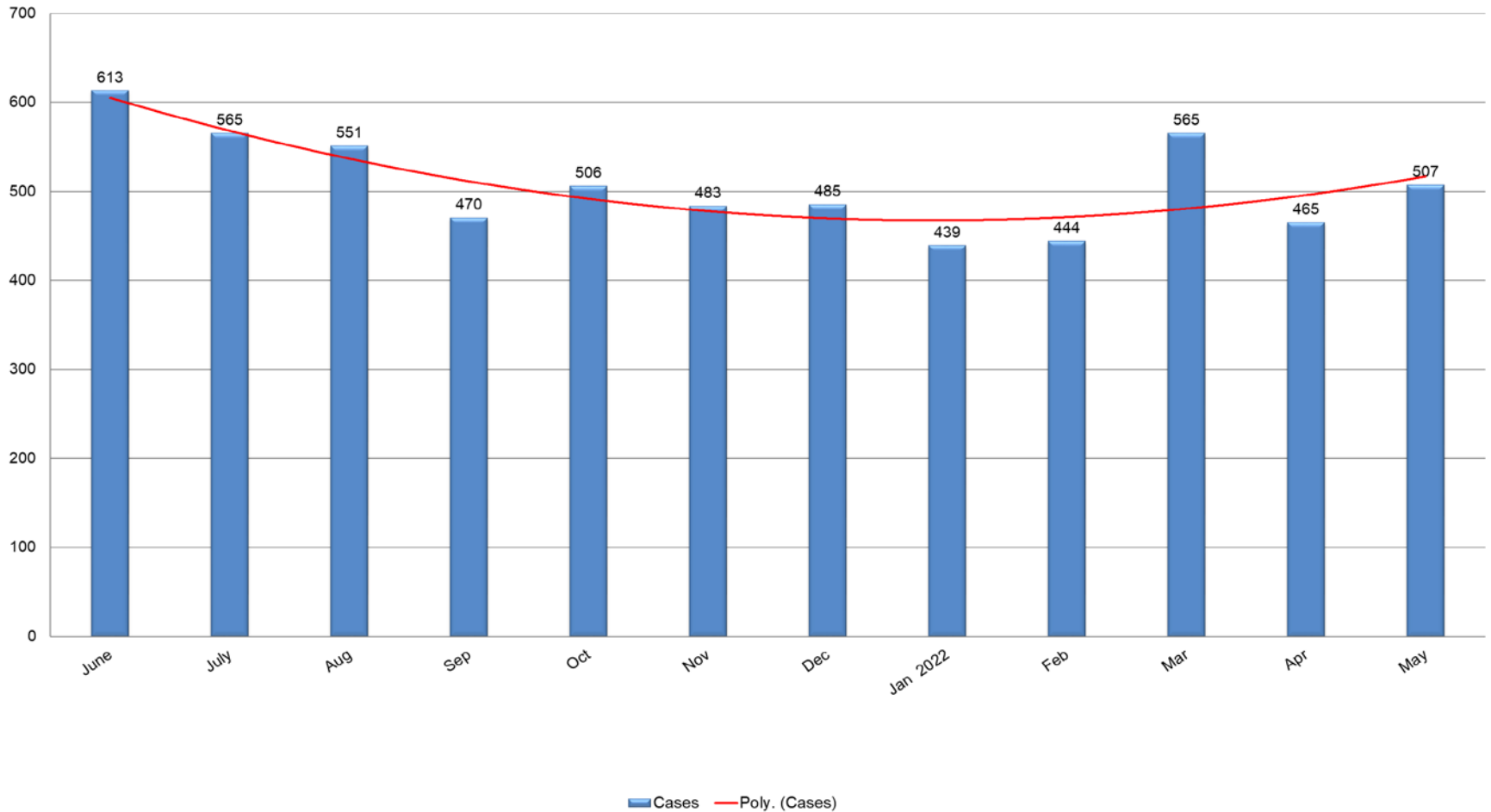
OP Infusion Service Line

OP Infusion - Rolling 12 Month Trend
(Includes Botox)
Jun 2021 thru May 2022



Cardiac Diagnostic O/P Center (CDOC)

CDOC Cases - Rolling 12 Month Trend
June 2021 thru May 2022

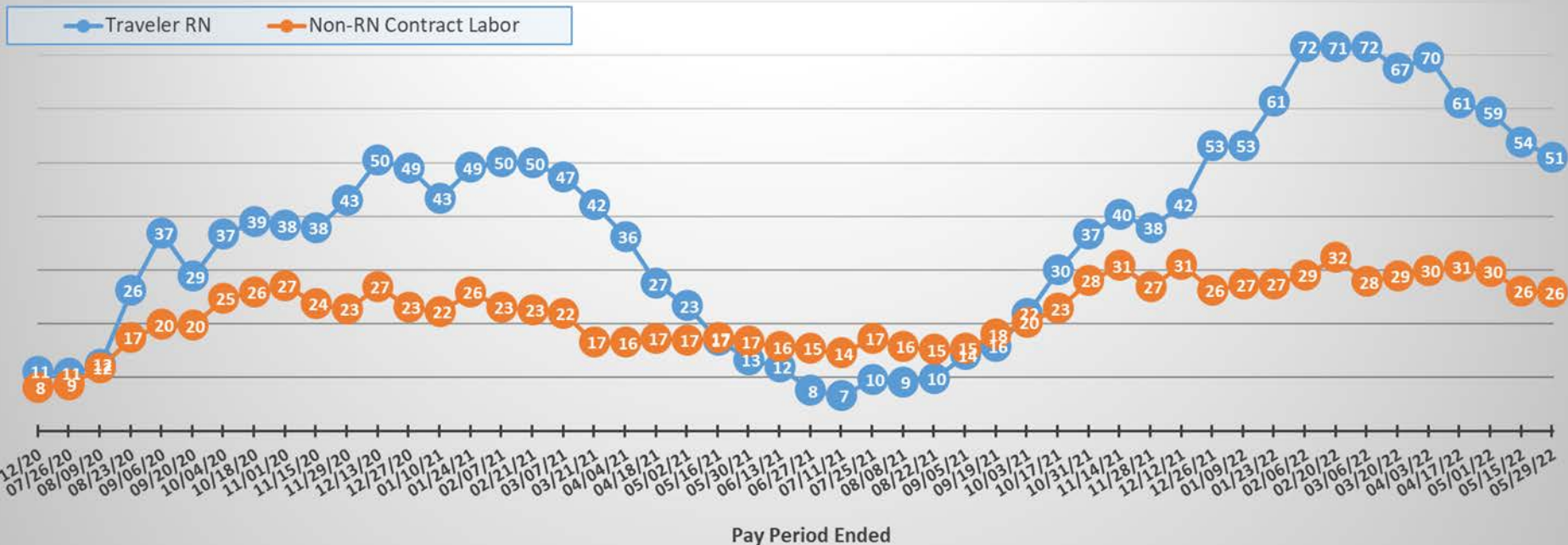


Labor Productivity – May 2022

- 1. Worked FTEs:** During the month of May, worked FTEs on a PAADC basis were **1.5%** favorable at **6.65** with a target of **6.75**. *When reviewed on a unit by unit level, the variance was 5.9 FTEs positive with the FTE driven variance for salaries, wages and benefits valued at \$46k positive.* The key drivers were highly variable volumes, with reduced Covid impacts. Average Daily Census was slightly up (compared to April) at 119 in May. Worked FTE increased to 1,521 in May from 1,488 in April.
- 2. Paid FTEs:** On a PAADC basis paid FTEs were **0.4%** favorable to budget at **7.73 actual vs. 7.76 budget**. The key driver being variable volumes. Paid FTE increased from 1,728 in April to 1,770 in May.

Contract Labor FTE By Pay Period

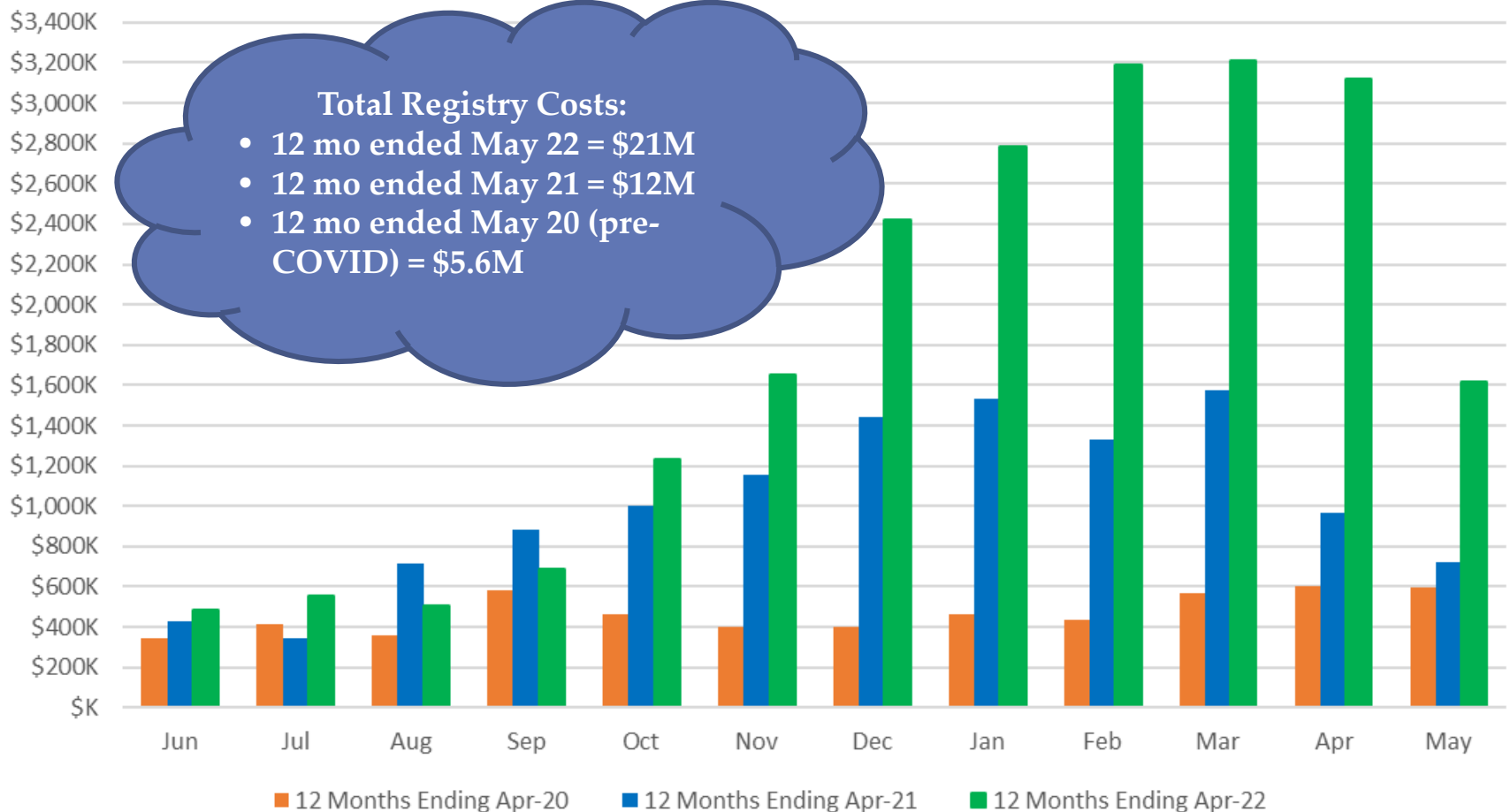
Contract Labor - FTE By Pay Period



Contract labor came down the last two pay periods as nurse contract staffing has decreased slightly. The contract labor is used to offset the loss of staff from the Covid vaccine mandates, hiring challenges, and volume growth.

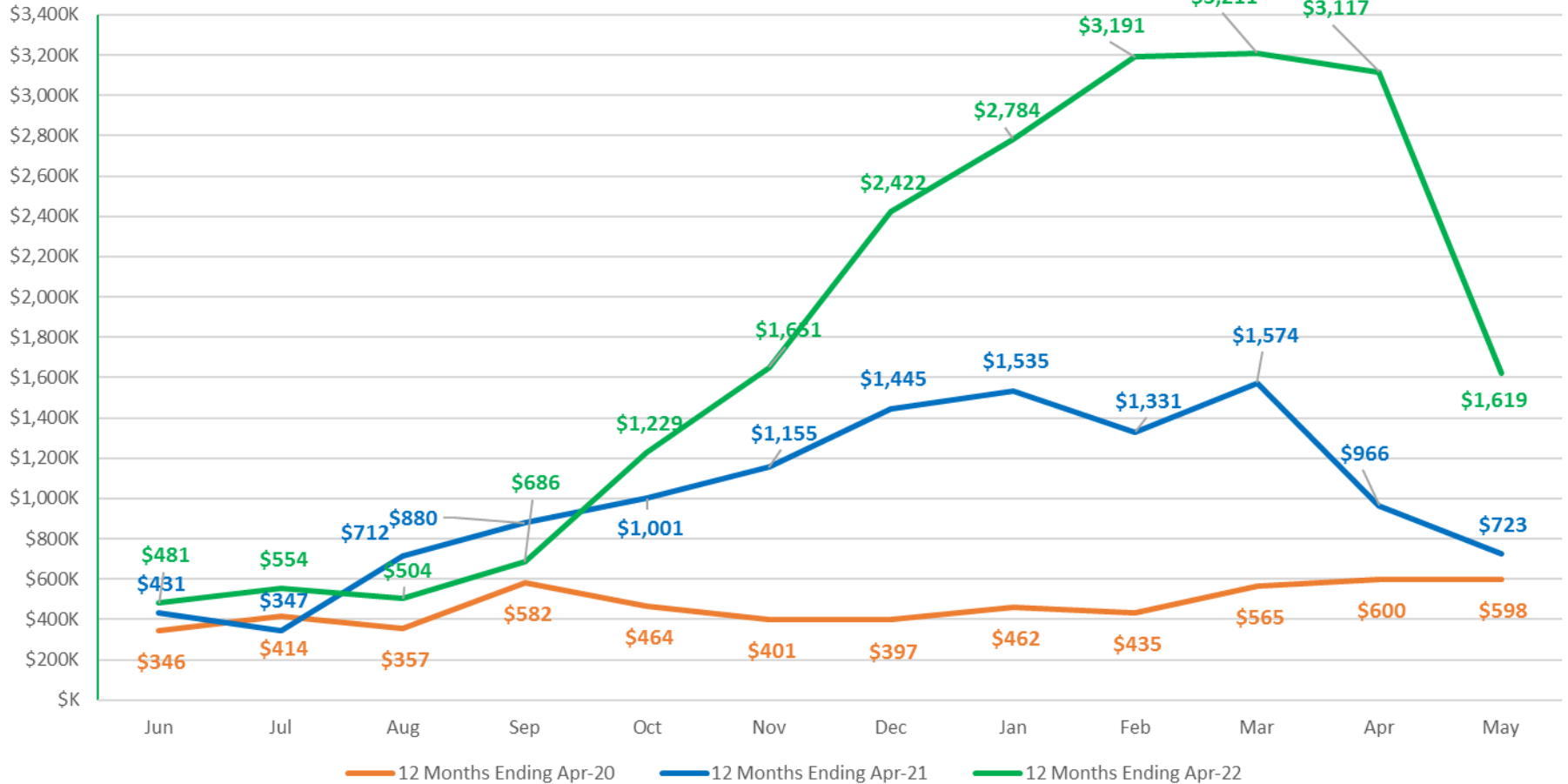
Registry – May 2022

Registry Dollars
(\$ in thousands)



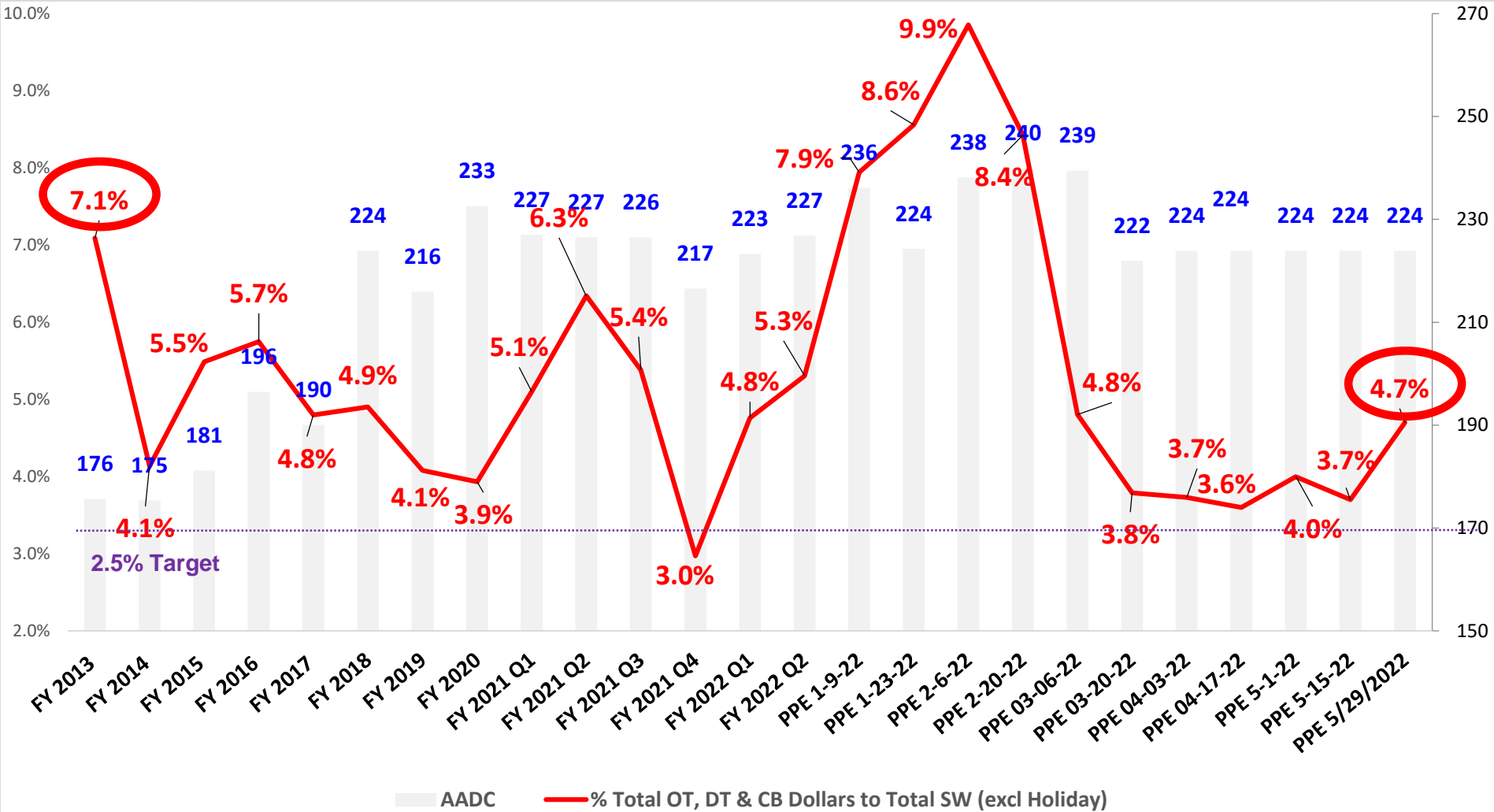
Registry – May 2022

Registry Dollars
(\$ in thousands)



% of Total OT, DT & CB Dollars to Total S&W

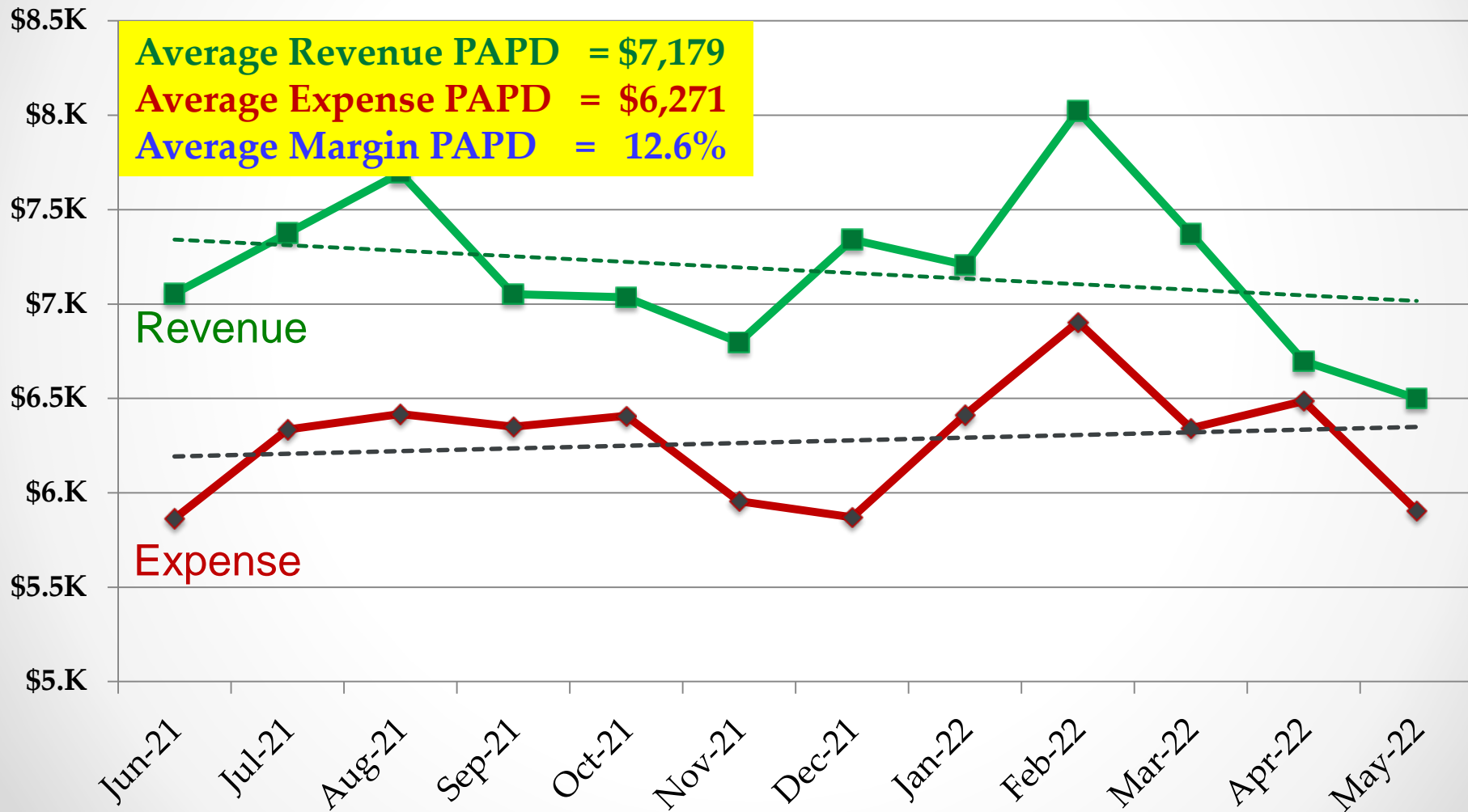
Updated Thru PPE 5-29-22



AADC
 % Total OT, DT & CB Dollars to Total SW (excl Holiday)

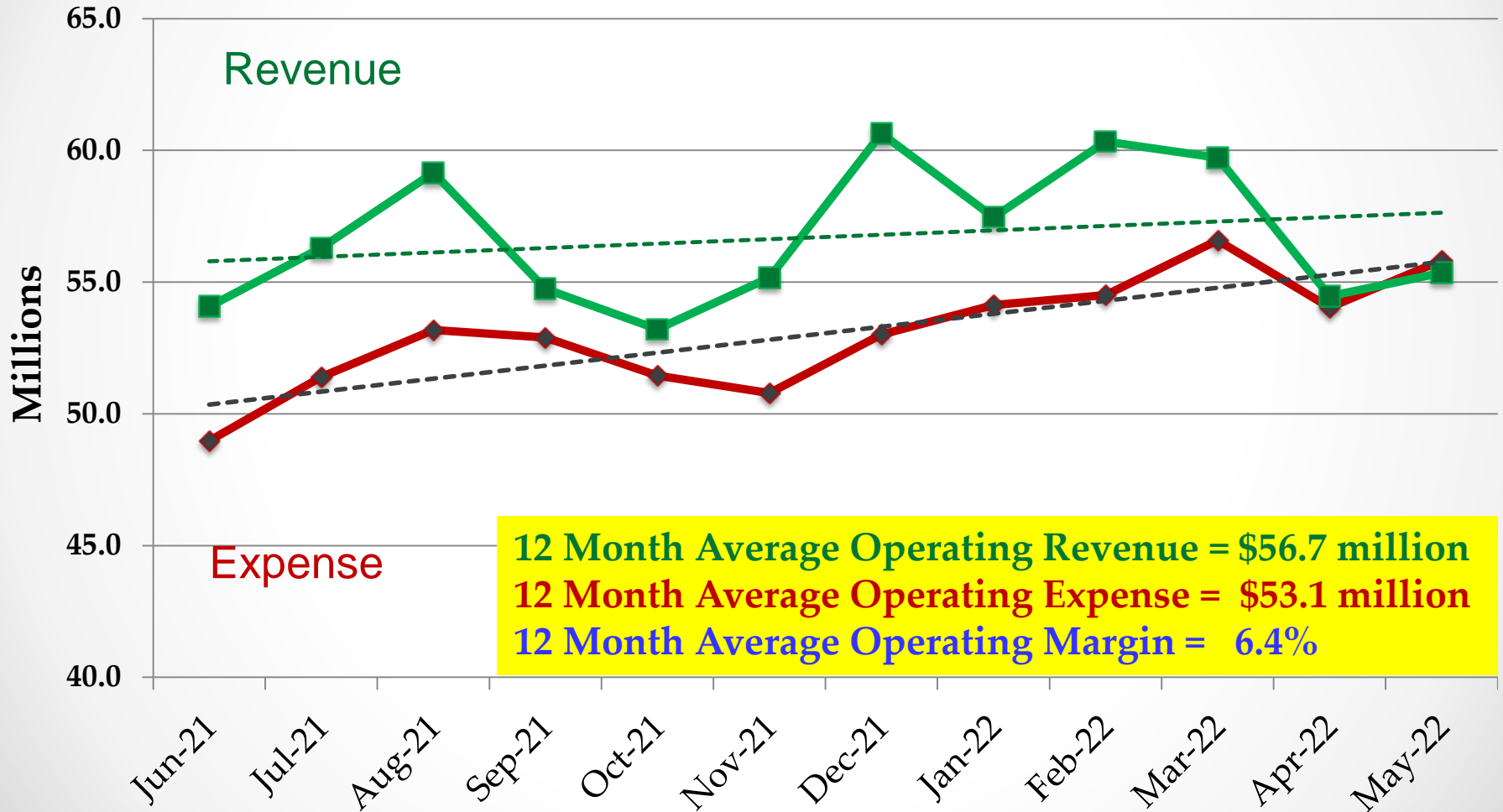
SVMH Revenues & Expenses Per Adjusted Patient Day (Normalized)

Rolling 12 Months: Jun 21 to May 22



SVMHS Operating Revenues & Expenses (Normalized)

Rolling 12 Months: Jun 21 to May 22



SVMHS Key Financial Indicators

Statistic	YTD	SVMHS		S&P A+ Rated		YTD	
	May-22	Target	+/-	Hospitals	+/-	May-21	+/-
Operating Margin*	6.6%	9.0%	Red	4.0%	Green	5.5%	Green
Total Margin*	5.5%	10.8%	Red	6.6%	Green	8.2%	Red
EBITDA Margin**	10.7%	13.4%	Red	13.6%	Red	9.8%	Green
Days of Cash*	341	305	Green	249	Green	360	Red
Days of Accounts Payable*	47	45	Green	-		42	Green
Days of Net Accounts Receivable*	55	45	Red	49	Red	47	Red
Supply Expense as % NPR	12.9%	15.0%	Green	-		13.0%	Green
SWB Expense as % NPR	51.2%	53.0%	Green	53.7%	Green	53.9%	Green
Operating Expense per APD*	6,318	4,992	Red	-		6,203	Yellow

*These metrics have been adjusted for normalizing items

**Metric based on Operating Income (consistent with industry standard)

***Metric based on 90 days average net revenue (consistent with industry standard)

Days of Cash and Accounts Payable metrics have been adjusted to **exclude** accelerated insurance payments (COVID-19 assistance)

SVMHS Days Cash Comparison

May 2022 to May 2021 and May 2022 to June 2021

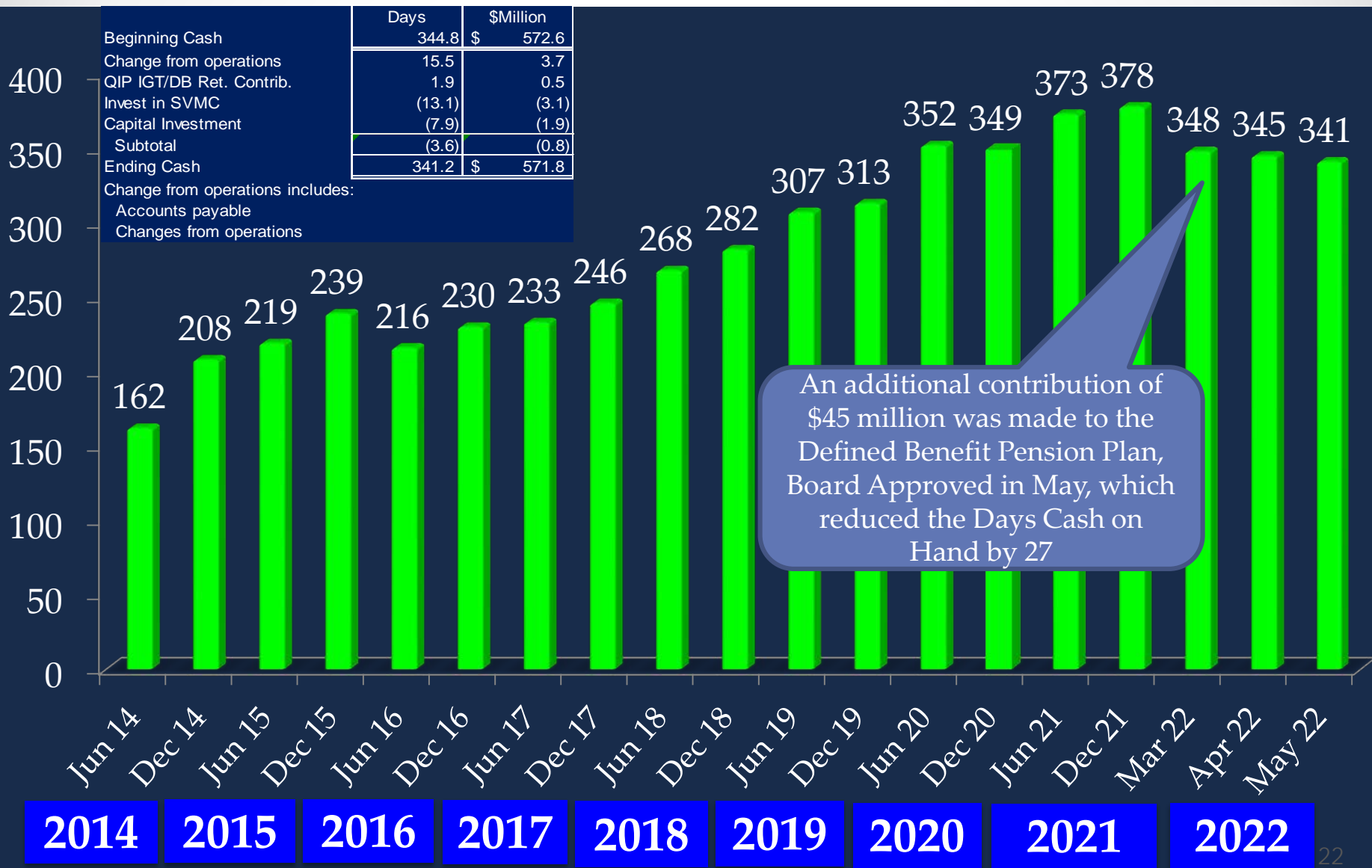
	<u>5/31/2021</u>	<u>5/31/2022</u>	<u>change</u>	<u>% change</u>
Cash expense for trailing 12 months	\$ 579,937,991	\$ 611,653,447	\$ 31,715,456	5.5%
One day equivalent expense	\$ 1,588,871	\$ 1,675,763	\$ 86,892	5.5%
Cash and investment balance	574,343,601	571,799,725	(2,543,876)	-0.4%
Days cash and investments on hand	361	341	(20)	(0.06)

	<u>6/30/2021</u>	<u>5/31/2022</u>	<u>change</u>	<u>% change</u>
Cash expense for trailing 12 months	\$ 584,420,198	\$ 611,653,447	\$ 27,233,248	4.7%
One day equivalent expense	\$ 1,601,151	\$ 1,675,763	\$ 74,612	4.7%
Cash and investment balance	597,579,775	571,799,725	(25,780,050)	-4.3%
Days cash and investments on hand	373	341	(32)	(0.09)

Salinas Valley Memorial Healthcare System

Days Cash on Hand = 344 Days (\$549M)

May 2022



ASSETS WHOSE USE IS LIMITED

Journal

		<u>May-22</u>	<u>YTD</u>
Beginning balance	\$	146,810,334	\$ 143,257,278
Investment income or (loss)		613,950	(5,832,995)
Transfer		1,000,000	11,000,000
Ending balance	\$	<u>148,424,283</u>	<u>\$ 148,424,283</u>

ROUTINE CAPITAL EXPENDITURES Through May 2022

Fiscal Month	FY 2022 Approved Budget *	Total Purchased Expenditures	Remaining	Project	Amount
July	1,558,333	764,068	794,265	OB C-Section OR Room	101,269
August	1,558,333	840,566	1,512,033	Replacement Roof	160,685
September	1,558,333	2,259,376	810,990	Lab Analyzer Replacement	122,337
October	1,558,333	535,000	1,834,323	Nurse Call Replacement System	50,986
November	1,558,333	1,388,043	2,004,614	Other CIP	59,282
December	1,558,333	1,351,043	2,211,904	Total Improvements	494,559
January	1,558,333	788,483	2,981,755	GE medical Systems bltrasound and Probe	164,762
February	1,558,333	974,340	3,565,748	IT Equip	214,975
March	1,558,333	1,692,172	3,431,909	Mizuho Orthopedic Systems Inc.(Hana Table)	99,508
April	1,558,333	1,983,382	3,006,861	Furniture and AV Modernization	260,443
May	1,558,333	1,613,985	2,951,210	Other Equipment	379,737
June	1,558,333		4,509,543	Total Equipment	1,119,425
YTD TOTAL	18,700,000	14,190,457	4,509,543	Grand Total	1,613,985

QUESTIONS / COMMENTS

SALINAS VALLEY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
May 31, 2022

	<u>Month of May,</u>		<u>Eleven months ended May 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 46,127,137	\$ 44,332,301	\$ 537,377,634	\$ 517,658,816
Other operating revenue	1,050,765	1,104,823	13,508,895	12,943,985
Total operating revenue	<u>47,177,902</u>	<u>45,437,124</u>	<u>550,886,529</u>	<u>530,602,801</u>
Total operating expenses	44,631,025	39,725,128	468,386,307	449,188,404
Total non-operating income	<u>(3,993,614)</u>	<u>(1,430,650)</u>	<u>(38,676,695)</u>	<u>(27,742,125)</u>
Operating and non-operating income	<u>\$ (1,446,738)</u>	<u>\$ 4,281,346</u>	<u>\$ 43,823,527</u>	<u>\$ 53,672,271</u>

SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
May 31, 2022

	<u>Current year</u>	<u>Prior year</u>
ASSETS:		
Current assets	\$ 400,982,318	\$ 407,687,931
Assets whose use is limited or restricted by board	148,424,284	142,513,464
Capital assets	239,040,047	250,715,278
Other assets	228,689,616	190,417,080
Deferred pension outflows	<u>50,119,236</u>	<u>83,379,890</u>
	<u>\$ 1,067,255,501</u>	<u>\$ 1,074,713,643</u>
LIABILITIES AND EQUITY:		
Current liabilities	115,204,229	134,113,089
Long term liabilities	14,288,063	14,781,049
	83,585,120	126,340,336
Net assets	<u>854,178,089</u>	<u>799,479,170</u>
	<u>\$ 1,067,255,501</u>	<u>\$ 1,074,713,643</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF NET PATIENT REVENUE
May 31, 2022**

	<u>Month of May,</u>		<u>Eleven months ended May 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,897	1,609	19,388	18,701
Medi-Cal	999	928	10,789	11,441
Commercial insurance	710	451	8,160	8,032
Other patient	96	129	1,210	1,350
Total patient days	<u>3,702</u>	<u>3,117</u>	<u>39,547</u>	<u>39,524</u>
Gross revenue:				
Medicare	\$ 101,335,631	\$ 91,719,994	\$ 1,025,520,832	\$ 929,382,922
Medi-Cal	62,176,941	50,206,690	621,634,239	583,451,221
Commercial insurance	49,650,786	39,233,897	543,564,234	517,971,104
Other patient	<u>7,721,389</u>	<u>8,947,464</u>	<u>88,989,539</u>	<u>92,363,447</u>
Gross revenue	<u>220,884,747</u>	<u>190,108,045</u>	<u>2,279,708,844</u>	<u>2,123,168,695</u>
Deductions from revenue:				
Administrative adjustment	279,149	67,302	3,287,908	3,371,004
Charity care	1,128,993	1,413,407	9,038,495	11,614,477
Contractual adjustments:				
Medicare outpatient	30,742,514	28,858,203	303,545,000	275,279,692
Medicare inpatient	45,163,802	39,492,089	451,421,745	412,308,244
Medi-Cal traditional outpatient	3,576,523	2,451,955	32,576,612	23,528,215
Medi-Cal traditional inpatient	6,512,438	3,218,363	66,025,585	73,887,987
Medi-Cal managed care outpatient	25,124,113	19,642,478	241,771,635	203,032,832
Medi-Cal managed care inpatient	21,702,601	14,638,380	211,133,445	201,284,397
Commercial insurance outpatient	18,767,795	16,765,083	182,951,789	175,477,414
Commercial insurance inpatient	17,626,357	14,666,860	190,345,758	176,557,001
Uncollectible accounts expense	3,963,591	3,552,664	41,573,189	39,223,204
Other payors	<u>169,734</u>	<u>1,008,960</u>	<u>8,660,049</u>	<u>9,945,413</u>
Deductions from revenue	<u>174,757,610</u>	<u>145,775,744</u>	<u>1,742,331,210</u>	<u>1,605,509,879</u>
Net patient revenue	<u>\$ 46,127,137</u>	<u>\$ 44,332,301</u>	<u>\$ 537,377,634</u>	<u>\$ 517,658,816</u>
Gross billed charges by patient type:				
Inpatient	\$ 115,220,721	\$ 97,887,403	\$ 1,219,214,152	\$ 1,163,658,448
Outpatient	75,440,291	69,092,599	767,663,230	725,166,174
Emergency room	<u>30,223,736</u>	<u>23,128,043</u>	<u>292,831,462</u>	<u>234,344,073</u>
Total	<u>\$ 220,884,748</u>	<u>\$ 190,108,045</u>	<u>\$ 2,279,708,844</u>	<u>\$ 2,123,168,695</u>

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
May 31, 2022

	Month of May,				Eleven months ended May 31,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 220,884,747	\$ 199,588,021	21,296,726	10.67%	\$ 2,279,708,844	\$ 2,139,185,048	140,523,796	6.57%
Deductions from revenue	174,757,610	153,349,650	21,407,960	13.96%	1,742,331,210	1,642,651,432	99,679,778	6.07%
Net patient revenue	46,127,137	46,238,370	(111,233)	-0.24%	537,377,634	496,533,616	40,844,018	8.23%
Other operating revenue	1,050,765	944,363	106,402	11.27%	13,508,895	9,254,588	4,254,307	45.97%
Total operating revenue	47,177,902	47,182,734	(4,832)	-0.01%	550,886,529	505,788,204	45,098,325	8.92%
Operating expenses:								
Salaries and wages	16,616,963	16,225,909	391,054	2.41%	171,145,238	171,403,521	(258,283)	-0.15%
Compensated absences	3,036,554	2,365,458	671,096	28.37%	30,170,963	28,528,453	1,642,510	5.76%
Employee benefits	7,626,449	7,431,244	195,205	2.63%	75,411,618	78,249,000	(2,837,382)	-3.63%
Supplies, food, and linen	6,306,021	6,035,500	270,521	4.48%	69,701,677	64,581,793	5,119,884	7.93%
Purchased department functions	3,776,831	3,090,160	686,671	22.22%	38,004,670	33,835,742	4,168,928	12.32%
Medical fees	1,444,422	1,823,779	(379,357)	-20.80%	20,110,148	20,099,317	10,831	0.05%
Other fees	2,286,871	940,765	1,346,106	143.09%	27,592,076	10,157,590	17,434,486	171.64%
Depreciation	2,114,577	1,938,594	175,983	9.08%	20,561,820	20,064,369	497,451	2.48%
All other expense	1,422,337	1,442,412	(20,075)	-1.39%	15,688,097	15,732,308	(44,211)	-0.28%
Total operating expenses	44,631,025	41,293,821	3,337,204	8.08%	468,386,307	442,652,093	25,734,214	5.81%
Income from operations	2,546,877	5,888,912	(3,342,035)	-56.75%	82,500,222	63,136,111	19,364,111	30.67%
Non-operating income:								
Donations	166,667	166,667	0	0.00%	1,909,206	1,833,333	75,873	4.14%
Property taxes	333,333	333,333	(0)	0.00%	3,666,667	3,666,667	0	0.00%
Investment income	832,106	(63,302)	895,407	-1414.51%	(11,729,183)	(696,317)	(11,032,866)	1584.46%
Income from subsidiaries	(5,325,720)	(3,797,860)	(1,527,860)	40.23%	(32,523,385)	(44,885,077)	12,361,692	-27.54%
Total non-operating income	(3,993,614)	(3,361,161)	(632,453)	18.82%	(38,676,695)	(40,081,394)	1,404,699	-3.50%
Operating and non-operating income \$	(1,446,737)	\$ 2,527,751	(3,974,488)	-157.23%	\$ 43,823,527	\$ 23,054,717	20,768,810	90.08%

**SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES
May 31, 2022**

	Month of May,		Eleven months ended May 31,	
	current year	prior year	current year	prior year
Operating revenue:				
Net patient revenue	\$ 46,127,137	\$ 44,332,301	\$ 537,377,634	\$ 517,658,816
Other operating revenue	<u>1,050,765</u>	<u>1,104,823</u>	<u>13,508,895</u>	<u>12,943,985</u>
Total operating revenue	<u>47,177,902</u>	<u>45,437,124</u>	<u>550,886,529</u>	<u>530,602,801</u>
Operating expenses:				
Salaries and wages	16,616,963	15,375,245	171,145,238	173,074,495
Compensated absences	3,036,554	2,833,948	30,170,963	29,343,454
Employee benefits	7,626,449	6,486,582	75,411,618	79,270,135
Supplies, food, and linen	6,306,021	5,413,565	69,701,677	67,432,689
Purchased department functions	3,776,831	3,149,195	38,004,670	35,662,930
Medical fees	1,444,422	1,793,138	20,110,148	15,056,745
Other fees	2,286,871	1,542,918	27,592,076	16,234,993
Depreciation	2,114,577	1,807,704	20,561,820	19,733,852
All other expense	<u>1,422,337</u>	<u>1,322,833</u>	<u>15,688,097</u>	<u>13,379,111</u>
Total operating expenses	<u>44,631,025</u>	<u>39,725,128</u>	<u>468,386,307</u>	<u>449,188,404</u>
Income from operations	<u>2,546,877</u>	<u>5,711,996</u>	<u>82,500,222</u>	<u>81,414,397</u>
Non-operating income:				
Donations	166,667	463,401	1,909,206	2,630,067
Property taxes	333,333	333,333	3,666,667	3,666,667
Investment income	832,106	188,206	(11,729,183)	3,122,374
Taxes and licenses	0	0	0	(29,074)
Income from subsidiaries	<u>(5,325,720)</u>	<u>(2,415,590)</u>	<u>(32,523,385)</u>	<u>(37,132,159)</u>
Total non-operating income	<u>(3,993,614)</u>	<u>(1,430,650)</u>	<u>(38,676,695)</u>	<u>(27,742,125)</u>
Operating and non-operating income	(1,446,738)	4,281,346	43,823,527	53,672,271
Net assets to begin	<u>855,624,827</u>	<u>795,197,824</u>	<u>810,354,560</u>	<u>745,806,898</u>
Net assets to end	<u>\$ 854,178,089</u>	<u>\$ 799,479,170</u>	<u>\$ 854,178,087</u>	<u>\$ 799,479,169</u>
Net income excluding non-recurring items	\$ (1,446,738)	\$ (786,128)	\$ 37,531,151	\$ 40,823,653
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>0</u>	<u>5,067,474</u>	<u>6,292,376</u>	<u>12,848,618</u>
Operating and non-operating income	<u>\$ (1,446,738)</u>	<u>\$ 4,281,346</u>	<u>\$ 43,823,527</u>	<u>\$ 53,672,271</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF INVESTMENT INCOME
May 31, 2022**

	Month of May,		Eleven months ended May 31,	
	current year	prior year	current year	prior year
Detail of other operating income:				
Dietary revenue	\$ 139,721	\$ 151,703	\$ 1,542,531	\$ 1,478,158
Discounts and scrap sale	283,031	235,577	1,334,564	1,006,354
Sale of products and services	33,874	12,833	714,471	333,204
Clinical trial fees	0	0	27,700	109,426
Stimulus Funds	0	0	0	0
Rental income	230,902	227,760	1,821,171	1,823,445
Other	363,237	476,950	8,068,458	8,193,398
Total	\$ 1,050,765	\$ 1,104,823	\$ 13,508,895	\$ 12,943,985
Detail of investment income:				
Bank and payor interest	\$ 107,460	\$ 88,261	\$ 967,327	\$ 1,248,534
Income from investments	671,989	380,256	(14,406,255)	(1,062,277)
Gain or loss on property and equipment	52,657	(280,312)	1,709,745	2,936,117
Total	\$ 832,106	\$ 188,206	\$ (11,729,183)	\$ 3,122,374
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	\$ (170,787)	\$ (299,372)	\$ (2,020,149)	\$ (2,090,812)
Neurological Clinic	(62,178)	(123,267)	(609,252)	(918,308)
Palliative Care Clinic	(50,196)	(59,700)	(863,144)	(843,039)
Surgery Clinic	(147,789)	(66,472)	(1,397,208)	(1,768,971)
Infectious Disease Clinic	(35,534)	(28,648)	(287,491)	(298,736)
Endocrinology Clinic	(144,794)	(179,294)	(1,374,401)	(1,938,106)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(539,013)	(250,446)	(4,622,964)	(5,067,393)
OB/GYN Clinic	(223,298)	(402,447)	(3,646,003)	(3,979,882)
PrimeCare Medical Group	(1,123,783)	(503,044)	(5,566,811)	(9,154,477)
Oncology Clinic	(434,072)	(334,237)	(2,577,048)	(3,001,243)
Cardiac Surgery	(553,920)	(101,179)	(2,277,942)	(1,739,402)
Sleep Center	(66,917)	(37,348)	(366,893)	(616,931)
Rheumatology	(75,056)	(62,666)	(611,261)	(599,871)
Precision Ortho MDs	(567,107)	230,122	(3,242,423)	(2,597,190)
Precision Ortho-MRI	(190)	0	(190)	(1,492)
Precision Ortho-PT	(61,609)	(50,443)	(531,807)	(541,032)
Vaccine Clinic	(5,864)	0	(58,413)	0
Dermatology	(34,918)	(24,532)	(188,452)	(328,905)
Hospitalists	0	0	0	0
Behavioral Health	(35,112)	(68,943)	(684,937)	(822,297)
Pediatric Diabetes	(53,904)	(43,579)	(472,080)	(379,148)
Neurosurgery	(2,458)	(40,841)	(246,396)	(296,459)
Multi-Specialty-RR	(12,239)	(2,677)	89,264	42,934
Radiology	(247,386)	(201,004)	(2,549,826)	(2,195,267)
Salinas Family Practice	(135,868)	(144,680)	(1,068,887)	(175,191)
Urology	(69,540)	0	(240,135)	0
Total SVMC	(4,853,532)	(2,794,697)	(35,414,849)	(39,311,218)
Doctors on Duty	(522,839)	626,029	78,816	822,855
Assisted Living	0	127	0	(65,904)
Salinas Valley Imaging	0	0	0	(19,974)
Vantage Surgery Center	(18,965)	41,830	222,007	251,901
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	2,873	118,960	2,239,637	1,168,436
Aspire/CHI/Coastal	(23,219)	(471,528)	(275,270)	(841,073)
Apex	0	38,341	103,759	108,289
21st Century Oncology	55,096	(14,672)	119,984	(64,476)
Monterey Bay Endoscopy Center	34,866	40,020	402,531	819,006
Total	\$ (5,325,720)	\$ (2,415,590)	\$ (32,523,385)	\$ (37,132,159)

**SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
May 31, 2022**

	<u>Current year</u>	<u>Prior year</u>
A S S E T S		
Current assets:		
Cash and cash equivalents	\$ 286,918,297	\$ 320,491,895
Patient accounts receivable, net of estimated uncollectibles of \$26,623,210	89,094,797	70,903,016
Supplies inventory at cost	7,775,688	8,400,822
Other current assets	<u>17,193,536</u>	<u>7,892,198</u>
Total current assets	<u>400,982,318</u>	<u>407,687,931</u>
Assets whose use is limited or restricted by board	<u>148,424,284</u>	<u>142,513,464</u>
Capital assets:		
Land and construction in process	39,224,681	41,509,839
Other capital assets, net of depreciation	<u>199,815,366</u>	<u>209,205,439</u>
Total capital assets	<u>239,040,047</u>	<u>250,715,278</u>
Other assets:		
Investment in Securities	141,949,866	146,199,799
Investment in SVMC	9,415,671	13,895,721
Investment in Aspire/CHI/Coastal	1,712,098	3,831,217
Investment in other affiliates	20,511,090	21,258,120
Net pension asset	<u>55,100,891</u>	<u>5,232,223</u>
Total other assets	<u>228,689,616</u>	<u>190,417,080</u>
Deferred pension outflows	<u>50,119,236</u>	<u>83,379,890</u>
	<u>\$ 1,067,255,501</u>	<u>\$ 1,074,713,643</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 56,743,622	\$ 50,851,693
Due to third party payers	40,278,792	66,113,607
Current portion of self-insurance liability	<u>18,181,815</u>	<u>17,147,789</u>
Total current liabilities	115,204,229	134,113,089
Long term portion of workers comp liability	<u>14,288,063</u>	<u>14,781,049</u>
Total liabilities	<u>129,492,292</u>	<u>148,894,137</u>
Pension liability	<u>83,585,120</u>	<u>126,340,336</u>
Net assets:		
Invested in capital assets, net of related debt	239,040,047	250,715,278
Unrestricted	<u>615,138,042</u>	<u>548,763,892</u>
Total net assets	<u>854,178,089</u>	<u>799,479,170</u>
	<u>\$ 1,067,255,501</u>	<u>\$ 1,074,713,643</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of May and eleven months to date

	<u>Month of May</u>		<u>Eleven months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	234	305	2,890	2,174	(716)
Heart Center	343	327	3,747	2,135	(1,612)
Monitored Beds	313	645	8,408	6,084	(2,324)
Single Room Maternity/Obstetrics	378	326	3,819	2,881	(938)
Med/Surg - Cardiovascular	727	754	8,095	5,664	(2,431)
Med/Surg - Oncology	221	247	1,937	2,220	283
Med/Surg - Rehab	379	455	4,678	3,490	(1,188)
Pediatrics	80	81	1,037	708	(329)
Nursery	215	208	2,400	1,795	(605)
Neonatal Intensive Care	89	110	1,404	878	(526)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	58.06%	75.68%	66.36%	68.64%	
Heart Center	73.76%	70.32%	74.57%	58.42%	
Monitored Beds	37.40%	77.06%	92.96%	92.49%	
Single Room Maternity/Obstetrics	32.96%	28.42%	30.81%	31.96%	
Med/Surg - Cardiovascular	52.11%	54.05%	53.70%	51.66%	
Med/Surg - Oncology	54.84%	61.29%	44.48%	70.09%	
Med/Surg - Rehab	47.02%	56.45%	53.71%	55.09%	
Med/Surg - Observation Care Unit	0.00%	70.21%	0.00%	59.23%	
Pediatrics	14.34%	14.52%	17.20%	16.14%	
Nursery	42.03%	40.66%	21.71%	22.33%	
Neonatal Intensive Care	26.10%	32.26%	38.10%	32.76%	

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of May and eleven months to date

	<u>Month of May</u>		<u>Eleven months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>DELIVERY ROOM</u>					
Total deliveries	112	133	1,469	1,412	(57)
C-Section deliveries	34	44	465	459	(6)
Percent of C-section deliveries	30.36%	33.08%	31.65%	32.51%	0.85%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	21,449	22,055	221,059	214,205	(6,854)
Out-Patient Operating Minutes	28,354	26,790	255,264	277,037	21,773
Total	49,803	48,845	476,323	491,242	14,919
Open Heart Surgeries	16	16	131	131	0
In-Patient Cases	146	165	1,568	1,578	10
Out-Patient Cases	288	270	2,710	2,788	78
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	31	30	354	355	1
High Risk	422	552	5,403	5,214	(189)
More Than One Resource	2,415	2,984	23,737	28,779	5,042
One Resource	1,184	1,941	13,236	18,340	5,104
No Resources	56	86	417	923	506
Total	<u>4,108</u>	<u>5,593</u>	<u>43,147</u>	<u>53,611</u>	<u>10,464</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of May and eleven months to date

	Month of May		Eleven months to date		Variance
	2021	2022	2020-21	2021-22	
CENTRAL SUPPLY					
In-patient requisitions	16,315	15,295	102,118	105,727	3,609
Out-patient requisitions	6,250	6,730	67,967	63,426	-4,541
Emergency room requisitions	1,375	698	11,273	8,349	-2,924
Interdepartmental requisitions	7,849	7,115	49,644	44,398	-5,246
Total requisitions	31,789	29,838	231,002	221,900	-9,102
LABORATORY					
In-patient procedures	42,107	38,721	253,735	241,589	-12,146
Out-patient procedures	9,286	11,597	76,062	80,263	4,201
Emergency room procedures	9,433	11,145	60,934	76,430	15,496
Total patient procedures	60,826	61,463	390,731	398,282	7,551
BLOOD BANK					
Units processed	318	297	1,996	1,965	-31
ELECTROCARDIOLOGY					
In-patient procedures	1,041	1,068	6,566	6,885	319
Out-patient procedures	349	302	2,706	2,668	-38
Emergency room procedures	1,045	1,148	6,142	7,127	985
Total procedures	2,435	2,518	15,414	16,680	1,266
CATH LAB					
In-patient procedures	64	77	512	607	95
Out-patient procedures	51	71	571	625	54
Emergency room procedures	0	0	1	0	-1
Total procedures	115	148	1,084	1,232	148
ECHO-CARDIOLOGY					
In-patient studies	298	371	2,033	2,406	373
Out-patient studies	138	156	1,262	1,520	258
Emergency room studies	2	1	16	5	-11
Total studies	438	528	3,311	3,931	620
NEURODIAGNOSTIC					
In-patient procedures	140	165	1,109	1,090	-19
Out-patient procedures	24	27	169	164	-5
Emergency room procedures	0	0	0	0	0
Total procedures	164	192	1,278	1,254	-24

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of May and eleven months to date

	<u>Month of May</u>		<u>Eleven months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
SLEEP CENTER					
In-patient procedures	0	0	1	0	-1
Out-patient procedures	183	167	1,315	1,153	-162
Emergency room procedures	0	0	0	0	0
Total procedures	183	167	1,316	1,153	-163
RADIOLOGY					
In-patient procedures	1,654	1,429	9,708	8,710	-998
Out-patient procedures	416	356	4,323	2,915	-1,408
Emergency room procedures	1,217	1,382	7,939	8,809	870
Total patient procedures	3,287	3,167	21,970	20,434	-1,536
MAGNETIC RESONANCE IMAGING					
In-patient procedures	105	141	860	890	30
Out-patient procedures	127	77	953	768	-185
Emergency room procedures	14	6	80	49	-31
Total procedures	246	224	1,893	1,707	-186
MAMMOGRAPHY CENTER					
In-patient procedures	2,718	3,550	20,910	24,711	3,801
Out-patient procedures	2,696	3,518	20,790	24,527	3,737
Emergency room procedures	3	0	3	8	5
Total procedures	5,417	7,068	41,703	49,246	7,543
NUCLEAR MEDICINE					
In-patient procedures	12	14	86	94	8
Out-patient procedures	61	78	506	541	35
Emergency room procedures	1	0	4	4	0
Total procedures	74	92	596	639	43
PHARMACY					
In-patient prescriptions	111,491	94,299	636,356	605,331	-31,025
Out-patient prescriptions	10,439	11,319	99,978	104,283	4,305
Emergency room prescriptions	5,342	7,197	36,983	48,996	12,013
Total prescriptions	127,272	112,815	773,317	758,610	-14,707
RESPIRATORY THERAPY					
In-patient treatments	29,606	21,738	156,457	131,478	-24,979
Out-patient treatments	143	981	3,391	7,896	4,505
Emergency room treatments	373	194	1,179	1,583	404
Total patient treatments	30,122	22,913	161,027	140,957	-20,070
PHYSICAL THERAPY					
In-patient treatments	2,256	2,396	16,109	16,284	175
Out-patient treatments	99	170	1,751	2,108	357
Emergency room treatments	0	0	0	0	0
Total treatments	2,355	2,566	17,860	18,392	532

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of May and eleven months to date

	<u>Month of May</u>		<u>Eleven months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
OCCUPATIONAL THERAPY					
In-patient procedures	1,445	1,660	9,403	10,682	1,279
Out-patient procedures	74	99	797	1,086	289
Emergency room procedures	0	0	0	0	0
Total procedures	<u>1,519</u>	<u>1,759</u>	<u>10,200</u>	<u>11,768</u>	<u>1,568</u>
SPEECH THERAPY					
In-patient treatments	348	525	2,682	3,077	395
Out-patient treatments	23	28	171	200	29
Emergency room treatments	0	0	0	0	0
Total treatments	<u>371</u>	<u>553</u>	<u>2,853</u>	<u>3,277</u>	<u>424</u>
CARDIAC REHABILITATION					
In-patient treatments	0	0	0	0	0
Out-patient treatments	498	401	2,637	4,268	1,631
Emergency room treatments	0	0	1	0	-1
Total treatments	<u>498</u>	<u>401</u>	<u>2,638</u>	<u>4,268</u>	<u>1,630</u>
CRITICAL DECISION UNIT					
Observation hours	<u>378</u>	<u>344</u>	<u>1,866</u>	<u>2,252</u>	<u>386</u>
ENDOSCOPY					
In-patient procedures	85	78	626	636	10
Out-patient procedures	12	29	159	223	64
Emergency room procedures	0	0	0	0	0
Total procedures	<u>97</u>	<u>107</u>	<u>785</u>	<u>859</u>	<u>74</u>
C.T. SCAN					
In-patient procedures	537	596	3,803	4,027	224
Out-patient procedures	445	281	3,598	2,517	-1,081
Emergency room procedures	433	552	3,208	4,164	956
Total procedures	<u>1,415</u>	<u>1,429</u>	<u>10,609</u>	<u>10,708</u>	<u>99</u>
DIETARY					
Routine patient diets	17,554	21,351	113,154	130,102	16,948
Meals to personnel	19,345	21,421	144,216	152,161	7,945
Total diets and meals	<u>36,899</u>	<u>42,772</u>	<u>257,370</u>	<u>282,263</u>	<u>24,893</u>
LAUNDRY AND LINEN					
Total pounds laundered	<u>99,573</u>	<u>100,531</u>	<u>710,088</u>	<u>689,921</u>	<u>-20,167</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of May and eleven months to date

	<u>Month of May</u>		<u>Eleven months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>NEWBORN STATISTICS</u>					
Medi-Cal Admissions	42	35	470	431	(39)
Other Admissions	91	95	1,036	1,052	16
Total Admissions	133	130	1,506	1,483	(23)
Medi-Cal Patient Days	66	56	719	671	(48)
Other Patient Days	149	152	1,681	1,124	(557)
Total Patient Days of Care	215	208	2,400	1,795	(605)
Average Daily Census	6.9	6.7	7.2	5.4	(1.8)
Medi-Cal Average Days	1.7	1.6	1.6	1.6	0.0
Other Average Days	0.7	1.5	1.6	1.1	(0.5)
Total Average Days Stay	1.6	1.6	1.6	1.2	(0.4)
<u>ADULTS & PEDIATRICS</u>					
Medicare Admissions	330	412	3,510	3,892	382
Medi-Cal Admissions	267	246	2,565	2,637	72
Other Admissions	342	310	3,029	3,337	308
Total Admissions	939	968	9,104	9,866	762
Medicare Patient Days	1,363	1,696	16,107	16,692	585
Medi-Cal Patient Days	966	1,000	11,837	11,125	(712)
Other Patient Days	698	924	10,152	870	(9,282)
Total Patient Days of Care	3,027	3,620	38,096	28,687	(9,409)
Average Daily Census	97.6	116.8	113.7	85.6	(28.1)
Medicare Average Length of Stay	4.0	4.1	4.5	4.3	(0.2)
Medi-Cal Average Length of Stay	3.4	3.1	3.8	3.5	(0.3)
Other Average Length of Stay	2.2	2.4	2.5	0.2	(2.3)
Total Average Length of Stay	3.2	3.2	3.6	2.5	(1.0)
Deaths	31	23	413	308	(105)
Total Patient Days	3,242	3,828	40,496	30,482	(10,014)
Medi-Cal Administrative Days	11	0	176	212	36
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	11	0	176	212	36
Percent Non-Acute	0.34%	0.00%	0.43%	0.70%	0.26%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
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	<u>Month of May</u>		<u>Eleven months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	234	305	2,890	2,174	(716)
Heart Center	343	327	3,747	2,135	(1,612)
Monitored Beds	313	645	8,408	6,084	(2,324)
Single Room Maternity/Obstetrics	378	326	3,819	2,881	(938)
Med/Surg - Cardiovascular	727	754	8,095	5,664	(2,431)
Med/Surg - Oncology	221	247	1,937	2,220	283
Med/Surg - Rehab	379	455	4,678	3,490	(1,188)
Pediatrics	80	81	1,037	708	(329)
Nursery	215	208	2,400	1,795	(605)
Neonatal Intensive Care	89	110	1,404	878	(526)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	58.06%	75.68%	66.36%	68.64%	
Heart Center	73.76%	70.32%	74.57%	58.42%	
Monitored Beds	37.40%	77.06%	92.96%	92.49%	
Single Room Maternity/Obstetrics	32.96%	28.42%	30.81%	31.96%	
Med/Surg - Cardiovascular	52.11%	54.05%	53.70%	51.66%	
Med/Surg - Oncology	54.84%	61.29%	44.48%	70.09%	
Med/Surg - Rehab	47.02%	56.45%	53.71%	55.09%	
Med/Surg - Observation Care Unit	0.00%	70.21%	0.00%	59.23%	
Pediatrics	14.34%	14.52%	17.20%	16.14%	
Nursery	42.03%	40.66%	21.71%	22.33%	
Neonatal Intensive Care	26.10%	32.26%	38.10%	32.76%	

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
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	<u>Month of May</u>		<u>Eleven months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<u>DELIVERY ROOM</u>					
Total deliveries	112	133	1,469	1,412	(57)
C-Section deliveries	34	44	465	459	(6)
Percent of C-section deliveries	30.36%	33.08%	31.65%	32.51%	0.85%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	21,449	22,055	221,059	214,205	(6,854)
Out-Patient Operating Minutes	28,354	26,790	255,264	277,037	21,773
Total	49,803	48,845	476,323	491,242	14,919
Open Heart Surgeries	16	16	131	131	0
In-Patient Cases	146	165	1,568	1,578	10
Out-Patient Cases	288	270	2,710	2,788	78
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	31	30	354	355	1
High Risk	422	552	5,403	5,214	(189)
More Than One Resource	2,415	2,984	23,737	28,779	5,042
One Resource	1,184	1,941	13,236	18,340	5,104
No Resources	56	86	417	923	506
Total	<u>4,108</u>	<u>5,593</u>	<u>43,147</u>	<u>53,611</u>	<u>10,464</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
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	<u>Month of May</u>		<u>Eleven months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
CENTRAL SUPPLY					
In-patient requisitions	16,315	15,295	102,118	105,727	3,609
Out-patient requisitions	6,250	6,730	67,967	63,426	-4,541
Emergency room requisitions	1,375	698	11,273	8,349	-2,924
Interdepartmental requisitions	7,849	7,115	49,644	44,398	-5,246
Total requisitions	31,789	29,838	231,002	221,900	-9,102
LABORATORY					
In-patient procedures	42,107	38,721	253,735	241,589	-12,146
Out-patient procedures	9,286	11,597	76,062	80,263	4,201
Emergency room procedures	9,433	11,145	60,934	76,430	15,496
Total patient procedures	60,826	61,463	390,731	398,282	7,551
BLOOD BANK					
Units processed	318	297	1,996	1,965	-31
ELECTROCARDIOLOGY					
In-patient procedures	1,041	1,068	6,566	6,885	319
Out-patient procedures	349	302	2,706	2,668	-38
Emergency room procedures	1,045	1,148	6,142	7,127	985
Total procedures	2,435	2,518	15,414	16,680	1,266
CATH LAB					
In-patient procedures	64	77	512	607	95
Out-patient procedures	51	71	571	625	54
Emergency room procedures	0	0	1	0	-1
Total procedures	115	148	1,084	1,232	148
ECHO-CARDIOLOGY					
In-patient studies	298	371	2,033	2,406	373
Out-patient studies	138	156	1,262	1,520	258
Emergency room studies	2	1	16	5	-11
Total studies	438	528	3,311	3,931	620
NEURODIAGNOSTIC					
In-patient procedures	140	165	1,109	1,090	-19
Out-patient procedures	24	27	169	164	-5
Emergency room procedures	0	0	0	0	0
Total procedures	164	192	1,278	1,254	-24

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	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
SLEEP CENTER					
In-patient procedures	0	0	1	0	-1
Out-patient procedures	183	167	1,315	1,153	-162
Emergency room procedures	0	0	0	0	0
Total procedures	183	167	1,316	1,153	-163
RADIOLOGY					
In-patient procedures	1,654	1,429	9,708	8,710	-998
Out-patient procedures	416	356	4,323	2,915	-1,408
Emergency room procedures	1,217	1,382	7,939	8,809	870
Total patient procedures	3,287	3,167	21,970	20,434	-1,536
MAGNETIC RESONANCE IMAGING					
In-patient procedures	105	141	860	890	30
Out-patient procedures	127	77	953	768	-185
Emergency room procedures	14	6	80	49	-31
Total procedures	246	224	1,893	1,707	-186
MAMMOGRAPHY CENTER					
In-patient procedures	2,718	3,550	20,910	24,711	3,801
Out-patient procedures	2,696	3,518	20,790	24,527	3,737
Emergency room procedures	3	0	3	8	5
Total procedures	5,417	7,068	41,703	49,246	7,543
NUCLEAR MEDICINE					
In-patient procedures	12	14	86	94	8
Out-patient procedures	61	78	506	541	35
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In-patient treatments	0	0	0	0	0
Out-patient treatments	498	401	2,637	4,268	1,631
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Total treatments	<u>498</u>	<u>401</u>	<u>2,638</u>	<u>4,268</u>	<u>1,630</u>
CRITICAL DECISION UNIT					
Observation hours	<u>378</u>	<u>344</u>	<u>1,866</u>	<u>2,252</u>	<u>386</u>
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Total procedures	<u>1,415</u>	<u>1,429</u>	<u>10,609</u>	<u>10,708</u>	<u>99</u>
DIETARY					
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Meals to personnel	19,345	21,421	144,216	152,161	7,945
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LAUNDRY AND LINEN					
Total pounds laundered	<u>99,573</u>	<u>100,531</u>	<u>710,088</u>	<u>689,921</u>	<u>-20,167</u>

PUBLIC INPUT

CLOSED SESSION

*(Report on Item to be
Discussed in Closed Session)*

*RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION*

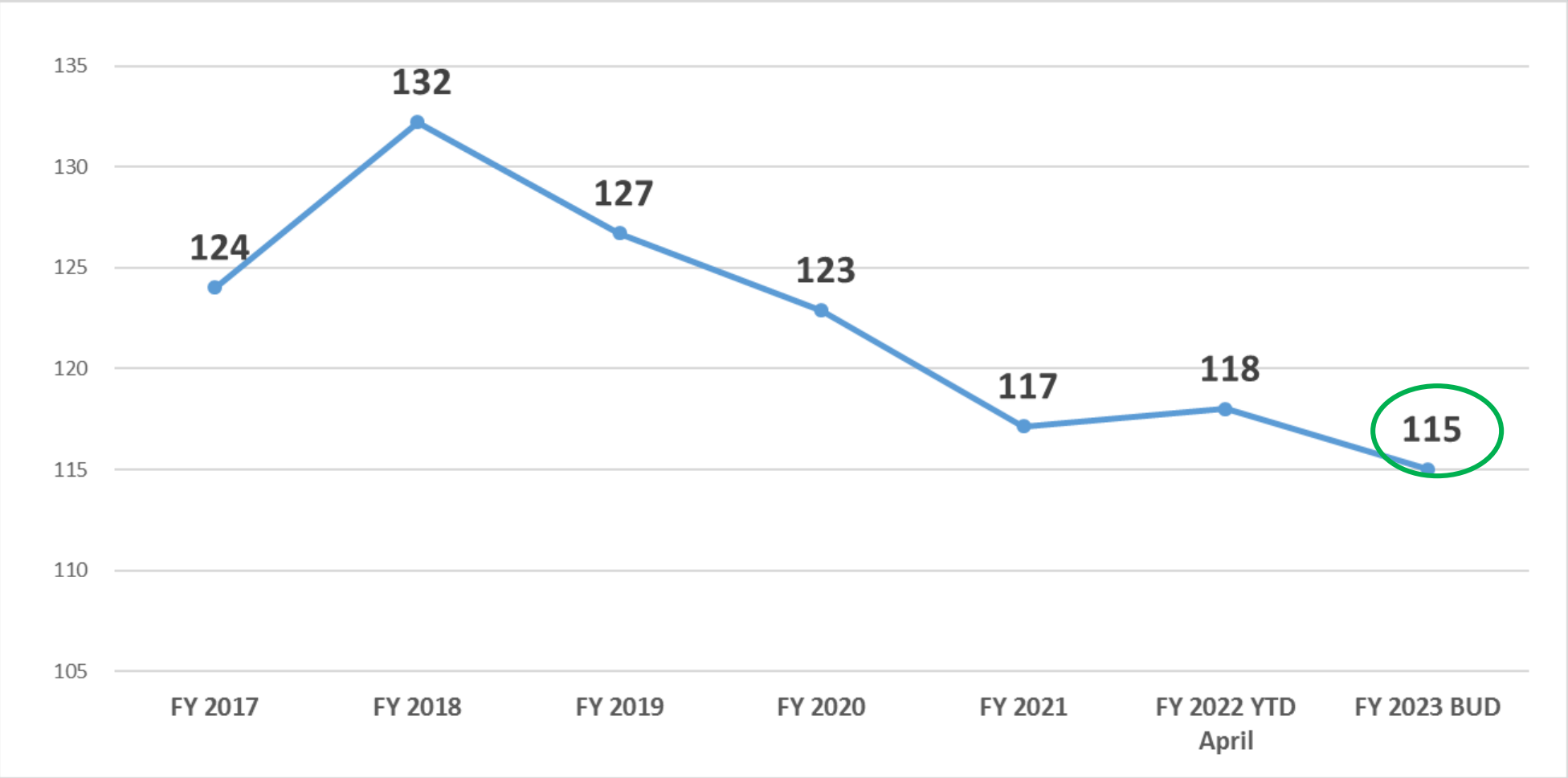
Salinas Valley Memorial Healthcare System

“An Integrated Healthcare Delivery System”

Operating & Capital Budget Fiscal Year 2023

Augustine Lopez
Chief Financial Officer

Salinas Valley Memorial Hospital Average Daily Census (ADC) Trend FY 2017 thru FY 2023 Budget



Consolidated FY 2023 Final Budget Compared to FY 2022 Projection

PL SUMMARY	FY 2023 Budget	FY 2022 Projection	CONSOLIDATED Variance	% Change
	CONSOLIDATED TOTAL	CONSOLIDATED TOTAL		
GROSS INPATIENT REVENUE	1,348,089,145	1,346,445,169	1,643,977	0.1%
GROSS OUTPATIENT REVENUE	1,334,894,141	1,306,810,769	28,083,372	2.1%
GROSS PATIENT REVENUE	2,682,983,286	2,653,255,937	29,727,349	1.1%
NET PATIENT REVENUE	654,495,578	675,118,089	(20,622,511)	-3.1%
Yield	24.4%	25.4%	-1.1%	-4.1%
OTHER REVENUE	26,831,912	21,432,313	5,399,599	25.2%
TOTAL REVENUE	681,327,491	696,550,403	(15,222,912)	-2.2%
TOTAL OPERATING EXPENSES	667,848,557	644,591,941	(23,256,616)	-3.6%
OPERATING MARGIN	13,478,934	51,958,462	(38,479,528)	-74.1%
OPERATING MARGIN %	2.0%	7.5%	-5.5%	-73.5%
EBITDA	41,682,089	79,356,707	(37,674,618)	-47.5%
EBITDA %	6.1%	11.4%	-5.3%	-46.3%
OTHER NON OPERATING INCOME	11,662,200	(10,262,809)	21,925,009	-213.6%
TOTAL MARGIN	25,141,134	41,695,653	(16,554,519)	-39.7%
TOTAL MARGIN %	3.7%	6.0%	-2.3%	-38.4%

SVMHS

Capital Budget

Fiscal Year 2023

Salinas Valley Memorial Healthcare System Capital Budget Summary FY 2023

FY2023 Capital Budget Summary

Total Routine Capital	\$	20.0m
Total Strategic Capital (Including SVMC)	\$	25.0m
Master Facility Planning & Design (<i>Garage \$36m Total, Done FY24</i>)	\$	29.2m
Campus Expansion, Modernization, and Seismic Upgrade (<i>\$241m Total, Done FY27</i>)	\$	16.3m
Epic Connect Ambulatory Expansion (<i>\$3.8m Total, Capital Done FY24</i>)	\$	1.1m
Total Proposed Capital Budget For FY2023	\$	91.6m

\$45.5M
Expenditures
are planned to
be financed
through tax
exempt
financing

Salinas Valley Memorial Hospital Routine Capital Budget Summary FY 2023

Sources of Capital - Total Capital

General Operating Funds (Tax Exempt Bond Financing under consideration)	\$	89.6m
Estimated Foundation Contribution	\$	2.0m
Total Sources of Capital	\$	91.6m

Proposed Uses Of Routine Capital

Carryover Projects Started in FY2022

1 CT Scanner and Nuclear Medicine Camera (\$5m total over FY22-23)	\$	4.5m
2 Pharmacy Automation Upgrade - Omnicell (\$3.3m total over FY22-23)	\$	2.8m
3 High Speed elevator modernization (\$2.8m total over FY22-24)	\$	1.0m

Subtotal Carryover Projects	\$	8.3m
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Salinas Valley Memorial Hospital FY 2023 Routine Capital Budget Summary

New Capital Under Consideration

Facilities/Construction

1	SVMHS Rebranding/Facility Signage and Wayfinding (\$2.2m total over FY23-24) <i>(Main Hospital, SVMH Clinics (13), SVMC Locations (17), DOD Offices (9), Other Locations (13))</i>	\$	1.3m
2	Liquid Oxygen Tank Replacement	\$	0.8m
3	Starbucks 10 year remodel (per contract, originally planned for FY23, not started)	\$	0.5m
3	Other Projects < \$200k	\$	0.2m

Total New - Facilities/Construction

\$ 2.7m

Salinas Valley Memorial Hospital FY 2023 Routine Capital Budget Summary

New Capital Under Consideration (Continued)

Equipment

1 O-Arm Surgical Imaging System Upgrade	\$	0.7m
2 StealthStation S8 Surgical Navigation Upgrade	\$	0.7m
3 IV Pump replacement (old pumps recalled, pending FDA approval on replacements)	\$	0.5m
4 Replacement Ventilators for Respiratory Care	\$	0.2m
5 Other Projects < \$200k	\$	1.9m

Total New - Equipment	\$	4.1m
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#5 Other projects includes a reserve of \$378k for emergency or unplanned projects

Salinas Valley Memorial Hospital FY 2023 Routine Capital Budget Summary

New Capital Under Consideration (Continued)

Information Technology

1 Meditech expansion of new web-based Meditech applications (\$2.7m total over FY23-24)	\$	0.7m
2 Desktop Computers/Lifecycle Replacement	\$	0.6m
3 Replacement of obsolete Cisco 4507 series network switches	\$	0.6m
4 Replacement of obsolete Cisco 3750 series network switches	\$	0.5m
5 Replacement Archive Phase 2 – replacement storage for current storage that’s end of life	\$	0.5m
6 Server lifecycle replacement	\$	0.4m
7 Genius AI - artificial intelligence/computer aided detection software for tumor localization	\$	0.2m
8 Wireless network - additional access points for increased coverage in key areas of the hospital	\$	0.2m
9 Other Information Technology < \$200k	\$	1.2m

Total New - Information Technology (Hospital Wide)	\$	4.9m
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Total Fiscal Year 2023 Routine Capital	\$	20.0m
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Finance Committee Action

- *Recommend for Board approval of the SVMHS Operating & Capital Budget for Fiscal Year 2023 with an Operating Margin of \$11.5M (2.0%), which incorporates a recent change to increase the Pension Plan budget by \$5M as a result of the current market outlook; additionally this budget is subject to change following final determination of the Plan of Finance for the Master Facility Plan and any material changes resulting from the Final CCAH contract that is under negotiations.*

QUESTIONS /COMMENTS

*ADJOURNMENT – THE JULY 2022
FINANCE COMMITTEE MEETING
IS SCHEDULED FOR MONDAY,
JULY 25, 2022, AT 12:00 P.M.*