

October 20, 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, OCTOBER 24, 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](http://svmh.com/virtualboardmeeting) for Access Information).

Pursuant to SVMHS Board Resolution No. 2022-13, 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/CEO; Augustine Lopez, Chief Financial Officer; Clement Miller, Chief Operating Officer; Tarun Bajaj, M.D. Medical Staff Member; Sanjeev Tandon, Community Member Harry; Wardwell, Community Member

**FINANCE COMMITTEE  
OCTOBER 2022 - COMMITTEE OF THE WHOLE  
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, OCTOBER 24, 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  
(Visit [svmh.com/virtualboardmeeting](http://svmh.com/virtualboardmeeting) for Access Information)**

*Pursuant to SVMHS Board Resolution No. 2022-13, 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. Call to Order / Roll Call
2. Closed Session
3. Reconvene Open Session / Report on Closed Session
4. Approve Minutes of the Finance Committee Meeting of September 19, 2022 (DELGADO)
  - Motion/Second
  - Action by Committee/Roll Call Vote
5. Consider Recommendation for Board of Directors Approval and Award the Bulk Oxygen Supply Agreement to Messer LLC, a Delaware Limited Liability Company. (MILLER/STROTMAN)
  - Staff Report
  - Committee Questions to Staff
  - Public Comment
  - Committee Discussion/Deliberation
  - Motion/Second
  - Action by Committee/Roll Call Vote
6. Consider Recommendation for Board Approval of the Fifth Amendment to Lease Agreement between Salinas Valley Memorial Healthcare System (“Lessee”) and Work Street Partners L.P., (“Lessor”) for Medical Records warehouse space located at 590 Work Street, Salinas, CA. (MILLER/STROTMAN)
  - Staff Report
  - Committee Questions to Staff
  - Public Comment
  - Committee Discussion/Deliberation
  - Motion/Second
  - Action by Committee/Roll Call Vote

7. Consider Recommendation for Board Approval of Lease Agreement Renewal for 1033 Los Palos Drive, Salinas, CA, between SVMHS (Tennant) and Steven G. Johnson, M.D. (Landlord). (RADNER, MD/TEJEDA)

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

8. Financial and Statistical Review (CLEVELAND)

9. Quarterly Capital Project Update (NORMAN)

10. 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.

11. Adjournment

The next Finance Committee Meeting is scheduled for **Monday, November 14, 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](http://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 Board Clerk 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 - COMMITTEE OF THE WHOLE  
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**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 ITEMS**

**REPORT INVOLVING TRADE SECRET**

*(Government Code §37606, and 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): \_\_\_\_\_

**ADJOURN TO OPEN SESSION**

*CLOSED SESSION*

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

*RECONVENE OPEN SESSION/  
REPORT ON CLOSED SESSION*

**SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM  
FINANCE COMMITTEE  
COMMITTEE OF THE WHOLE  
MEETING MINUTES  
SEPTEMBER 19, 2022**

*Pursuant to SVMHS Board Resolution No. 2022-12, 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.*

The Finance Committee convened in the Downing Resources Center, Rooms A, B, & C at 12:01 p.m.

Committee Members Present:

Tarun Bajaj, MD, Clement Miller, Harry Wardwell and Richard Turner.

Via teleconference: Pete Delgado and Juan Cabrera

Committee Members Absent:

Augustine Lopez and Michael Wilson

Other Board Members Present, Constituting Committee of the Whole:

Via Teleconference: Regina Gage, Joel Hernandez Laguna and Victor Rey.

*Juan Cabrera joined the meeting at 12:03 p.m.*

*Victor Rey arrived at 12:11 p.m*

A quorum was present and the meeting was called to order at 12:01 p.m. by Chair Turner.

**APPROVE THE MINUTES AUGUST 22, 2022**

Pete Delgado, President/Chief Executive Officer, recommended the Finance Committee approve the minutes of the August 22, 2022 meeting. This information was included in the Committee packet.

No public comment received.

**MOTION:**

Upon motion by Committee member Delgado, and second by Committee member Cabrera, the minutes of Finance Committee for August 22, 2022 were approved.

Ayes: Committee members: Bajaj, MD, Cabrera, Delgado, Miller, Wardwell, and Chair Turner;

Noes: None; Abstentions: None; Absent: Committee members Lopez and Wilson; Motion carried.

**CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF AWARD OF CONTRACT FOR CONSTRUCTION MANAGEMENT SERVICES TO KITCHELL CEM INCORPORATED FOR THE SURGERY ADDITION AND SEISMIC RETROFIT PROJECT**

Chief Operating Officer Clement Miller, Earl Strotman, Facilities Management and Dave Sullivan, Facilities Management, reported SVMHS is pursuing a Master Plan that accomplishes compliance with seismic safety regulations, leverages existing hospital campus building and parking infrastructure and optimizes the hospital's size. Current planning contemplates parking infrastructure expansion, a hospital expansion and retrofitting and optimizing the existing buildings on the hospital campus through seismically retrofitting the structure. The first element of the master plan is the parking garage expansion has been contracted and construction commenced. Completion of the parking garage expansion project will facilitate and enable the design and construction teams to complete all other planned improvements to the main hospital site.

SVMHS is retaining a construction management firm with expertise in delivering design-build project hospital expansion and seismic retrofitting projects. The Construction Manager will represent SVMHS' interests on the Project and will work collaboratively with other entities working on the Project, including HOK (SVMHS' architectural firm), Bogard Construction (SVMHS' on-call Project Manager/Owner's Representative for other ancillary projects and programs) and the Design-Builder retained by SVMHS for the design and construction of the Project. The construction management firm will be solely responsible for the surgery expansion, make ready projects in conjunction with the surgery expansion and seismic project, exclusive from any other elements of the Master Plan. Background, situation, and rationale were provided in the packet.

No public comment received.

**MOTION:**

Upon motion by Committee member Delgado, second by Committee member Miller, the Finance Committee recommends the Board of Directors approve the agreement for \$11,823,639 to Kitchell CEM for construction management services for the Surgery Addition and Seismic Retrofit Project.

Ayes: Committee members: Bajaj, MD, Cabrera, Delgado, Miller, Wardwell, and Chair Turner;  
Noes: None; Abstentions: None; Absent: Committee members Lopez and Wilson; Motion carried.

**CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF 3-YEAR RENEWAL OF OUR FIREWALL SECURITY SOLUTION THROUGH CDW GOVERNMENT, A SUPPLIER OF SVMHS'S GROUP PURCHASING ORGANIZATION, AND CONTRACT AWARD**

Audrey Parks, Chief Information Officer stated that Salinas Valley Memorial Healthcare System (SVMHS) has a firewall security solution inclusive of software and maintenance support to continue to protect our network from the internet. The solution also includes network segmentation and internal network firewall. This is an existing solution and we are seeking 3-year renewal of the licensing and support. Background, situation, and rationale were provided in the packet.

Firewalls control the traffic between the internal and external networks and are the core of a strong network security policy. The Firewall Architecture supplies "next-generation" firewall features, including:



- VPN and mobile device connectivity
- Identity and computer awareness
- Internet access and filtering
- Application control
- Intrusion and threat prevention
- Data Loss Prevention

No public comment.

**MOTION:**

Upon motion by Committee member Delgado, second by Committee member Wardwell, the Finance Committee recommends the Board of Directors approve the 3-year renewal of our firewall security solution through CDW Government, a supplier of SVMHS's group purchasing organization, and contract award in the amount of \$888,665.04.

Ayes: Committee members: Bajaj, MD, Cabrera, Delgado, Miller, Wardwell, and Chair Turner;  
Noes: None; Abstentions: None; Absent: Committee members Lopez and Wilson; Motion carried.

**CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF PROJECT BUDGET FOR RENOVATIONS TO 559 ABBOTT STREET FOR UROLOGY SERVICES**

John Tejeda, Chief Operating Officer SVMC / Director of Business Development, and Dave Sullivan, Facilities Management stated that in order to continue to address a critical medical need for our community, SVMHS is pursuing renovations to a portion of an existing medical office building owned by SVMHS at 559 Abbott Street in Salinas. Over the past year, SVMC Urology consisted of one general Urologist who has been extremely busy in addressing the urological needs of our community. Dr. Len Renfer has done an exemplary job in doing so; however, the need cannot be met with just Dr. Renfer. This past August 1 we successfully recruited a second general Urologist by the name of Dr. Ryan Griggs. Our goal is to continue to recruit and place 2 additional Urologists with Robotic surgery experience. Current project planning contemplates a medical office clinic that includes nine exam rooms, one procedure room, lab area, physician documentation area, waiting area and other areas to support a urology service line. The SVMHS executive team is requesting approval for a total project budget of three million three hundred seventy-nine thousand six hundred and twenty-eight dollars (\$3,379,628.00) to complete the necessary improvements to the building. Background, situation, and rationale were provided in the packet.

No public comment.

**MOTION:**

Upon motion by Committee member Delgado, and second by Committee member Wardwell, the Finance Committee recommends the Board of Directors approve the project budget for development of the SVMC Urology Clinic located at 559 Abbott Street for a total project budget of three million three hundred seventy-nine thousand six hundred and twenty-eight dollars (\$3,379,628.00).

Ayes: Committee members: Bajaj, MD, Cabrera, Delgado, Miller, Wardwell, and Chair Turner;  
Noes: None; Abstentions: None; Absent: Committee members Lopez and Wilson; Motion carried.

## **FINANCIAL AND STATISTICAL REVIEW**

Scott Cleveland, Controller provided the Financial and Statistical Review.

Key highlights of the financial summary for August 2022 were: (1) Income from operations was \$3.6M with an operating margin of 5.7%, (2) Net income was \$3.2M with a net income margin of 5%; (3) Inpatient gross revenues 12%, favorable to the budget; (4) Emergency Department gross revenues were 5% favorable to the budget; (5) Outpatient gross revenues were 17% favorable to the budget in Infusion Therapy, Radiology, Surgery and Cardiology/Cath Lab; (6) Payor mix was unfavorable to the budget; (7) Total normalized net patient revenues were \$54M, which was favorable to the budget by \$5.8M or 12.1%; (8) Inpatient surgeries and inpatient business were above budget; (9) Average daily census was 128, 11% above budget and total admissions were above budget by 20%; (10) Total acute average length of stay (ALOS) Medicare traditional ALOS CMI adjusted was 1% unfavorable; (11) Operating revenues were above expenses; (13) Days cash on hand was 340; days of net accounts receivable is 49.

Chair Tuner stated that he would like to see the targets reflective of the budget to measure against the budget. Mr. Delgado responded that staff would look into it.

## **PUBLIC INPUT**

No public comment received.

## **ADJOURNMENT**

There being no other business, the meeting was adjourned at 12:54 p.m. The October 2022 Finance Committee Meeting is scheduled for **Monday, October 24, 2022 at 12:00 p.m.**

## **ATTEST:**

---

Richard Turner, Chair  
Finance Committee

/es

## Board Paper: Finance Committee

---

Agenda Item: Consider Recommendation for Board of Directors Approval and Award the Bulk Oxygen Supply Agreement to Messer LLC, a Delaware Limited Liability Company

Executive Sponsor: Clement Miller, Chief Operating Officer  
Earl Strotman, Director Facilities Management & Construction  
Jon Baird, Materials Management

Date: October 12, 2022

### Executive Summary

SVMH uses approximately eight hundred thousand (800,000) standard cubic feet (SCF) of gaseous oxygen for patient care services on a monthly basis. This gaseous oxygen is supplied from vendor in a liquid state to minimize storage footprint. Current supply contract with Matheson Tri-Gas is scheduled to expire midnight, February 24, 2023 at which time SVMH must either have a new supplier in place or have renewed existing contract with present supplier.

### Background/Situation/Rationale

SVMH entered into an initial 7-year bulk oxygen contract with Matheson Tri-Gas February 16, 2010 (this writer has no knowledge of agreements before this date). Periodic and automatic renewals have extended that contract to Friday night at midnight, February 24, 2023. Contract stipulation requires a 1-year notice to exercise notice of termination to enable exiting this contract without substantial fee. SVMH sent that notice of termination on 11-10-2021 and vendor acknowledged said notice on 11-22-2021.

Product supply price per unit of liquid oxygen (measured in hundred cubic feet or CCF) appeared to be substantially higher than experienced trade industry expected cost. Mitigating factors to high costs for SVMH include storage capacity (3,000 gallon tank), distance from manufacturing sites and related distribution costs, as well as number of vendor accounts in the general area (economy of scale in supply). Current price per unit has risen greater than 50% in 3 years. Cost for rental equipment has risen greater than 90% during this same period. It was determined then to put this liquid oxygen supply contract out for bid at earliest possible date.

An initial Request For Proposal (RFP), sent out in January 2021, did not result in any responses from several qualified vendors. Communication with same vendors indicated present storage capacity (3,000-gallons) was unattractive on a cost effective basis. Further investigation revealed substantial price savings if larger capacity storage tank was utilized. As present storage tank was greater than 35 years old, well past expected useful life, and slated for replacement this replacement with larger storage capacity was deemed very attractive for financial considerations. However, in consultation with SVMH General Contractor (Bogard Construction) and Geological Engineers (Axiom Engineering), feasibility of larger bulk oxygen storage tank was considered not tenable.

Limited to a 3,000-gallon vertical storage tank, three suppliers were found willing to supply bulk oxygen under suitable conditions. Those vendors were our current vendor MathesonTri-Gas, Inc., Messer LLC and Linde/Praxair Inc. This contract offers significant savings compared to the current vendor which has been driving prices upwards rapidly.

### Pillar/Goal Alignment:

Service  People  Quality  Finance  Growth  Community

### Financial Implications

The essential terms of the proposed Lease are as follows:

<b>Key Contract Terms</b>	<b>Messer LLC</b>
1. Proposed effective date	November 1, 2022
2. Term of agreement	10 Years commencing with first delivery (February 24, 2023)
3. Renewal terms	Initial 10 years, successive 2-year auto-renewal with 12-month termination notice without cause.
4. Cost	\$2,652,003 bulk supply of oxygen \$574,583 equipment rental \$2,065,907 delivery cost, misc. fees, end of contract tank removal \$323,369 Initial Installation Fee ----- \$5,615,862 (Estimated 10 year cost dependent on oxygen usage)
5. Budgeted (indicate y/n)	Yes (Department Cost Center 8470).

Schedule:                    October 2022 – Anticipated Award to Bulk Liquid Oxygen Vendor  
                                       February 2023 – Anticipated First Delivery of Bulk Liquid Oxygen (temporary system)  
                                       February 2023 – Commencement of Contract Effective Date  
                                       Unknown – Installation Date of Permanent 3,000 gallon Tank and Auxiliary Equipment

Recommendation

Consider recommendation for Board Approval and Award the Bulk Oxygen Supply Agreement to Messer LLC in the amount of five million, six-hundred fifteen thousand, eight hundred and sixty-two dollars (\$5,615,862) pending final negotiations.

Attachments

- Attachment 1: Draft Messer Product Supply Agreement
- Attachment 2: Vendor Scorecard

**Product Supply Agreement – Medical – Messer Equipment**

Messer LLC (“Messer”), a Delaware limited liability company, whose principal place of business is located at 200 Somerset Corporate Blvd., Suite 7000 Bridgewater, NJ 08807, and Salinas Valley Memorial Healthcare System (“Customer”), a local health care district organized and operating pursuant to Division 23 of the California Health and Safety Code, whose principal place of business is located at 450 E. Romie Lane, Salinas, California. 93901, agree as follows, effective November 1, 2022 (“Effective Date”). In accordance with Section 1.2, the date on which Customer shall commence receiving Product shall be February 25, 2023

**Part I – Definitions, Prices, and Term**

**1.1 Definitions.** Capitalized terms are defined in this agreement. The terms, “Equipment”, “Equipment Rent”, “Estimated Monthly Volumes,” “Incidental Charges”, “Locations”, “Other Charges”, “Products”, “Product Prices”, and “Product Specifications” are defined in Section 1.3. “Term” means the Initial Term and all Renewal Terms (each defined in Section 1.4), collectively. “Term Year” means the 12-month period starting on the first day of the Term, and each succeeding 12-month period.

**1.2 Pre-Existing Agreements.** Customer represents and warrants to Messer that it is party to an agreement with respect to the location listed in Section 1.3 (the “Pre-Existing Agreement”) which obligates Customer to purchase its requirements for the Products from a vendor other than Messer for its business operations conducted at the Location. Customer represents and warrants to Messer that its duty to purchase Product under the Pre-Existing Agreement expires on February 24, 2023 (“Termination Date”). Customer agrees that immediately following the Termination Date, Messer shall have the right to supply Product and rent Equipment at the Location as set forth in the tables in Section 1.3 and under the terms of this agreement. Messer agrees that it shall not supply Product to Customer, and Customer has no obligation to purchase Product from Messer, prior to the Termination Date.

**1.3 Product, Equipment, and Related Terms.** The Products and related Locations, Product Prices, Estimated Monthly Volumes, Product Specifications, Other Charges, Equipment, Equipment Rent, and Incidental Charges are as follows:

Product	Location	Product Price per 100 SCF	Estimated Monthly Volume SCF	Product Specifications		Other Charges			
						Compliance Charge per Delivery	Delivery Charge per Delivery	Energy Surcharge per CCF*	Fuel Surcharge per CCF*
Medical Liquid Oxygen	450 E. Romie Lane Salinas, CA 93901	\$ 1.97	795,000	Liquid Oxygen USP	\$26	\$150	\$*	\$*	

\* Determined in accordance with Messer’s cost recovery program in effect at the time that the surcharge is incurred. Messer’s program with respect to fuel surcharges in effect as of the Effective Date is attached hereto as Exhibit A for reference.

Messer agrees that the Fuel Surcharge shall not exceed the surcharge levels set forth below:

Fuel Surcharge Levels (\$/CCF)		
0-75 miles	75-200 miles	200 + miles
\$0.053	\$0.105	\$0.158

The Energy Surcharge shall not exceed \$0.45/CCF; provided, however, that Messer shall be permitted to increase the Energy Surcharge in excess of \$0.45/CCF by providing written notice to Customer to the extent necessary to cover actual increases in costs to Messer as evidenced by relevant supporting documentation.

	Equipment	Equipment Rent	
		Rental Charge per Month	Maintenance Charge per Month
	3000 Medical Main Tank/1500 Medical Reserve Tank/7AH	\$ 1900.00	\$ 350

	Vaporizer/Messer Medical Manifold with Alarm Panel/Wireless Telemetry		
--	--	--	--

Messer shall complete the initial installation of the Equipment in accordance with the assumptions set forth in Appendix I under the terms of this Agreement

Incidental Charges are Messer’s charges for the following incidents in effect at the time of the incident (the charges as of the Effective Date are provided for reference): Less than 48 hours notice (\$150), averted deliveries (\$300-\$1200 based on round trip miles from primary source), scale/weigh deliveries (\$50), off-site scale/weigh deliveries (\$100), Certificate of Analysis (\$100), restricted hours less than 120 hours/week or predetermined delivery schedule (\$150), signature required for delivery ticket (\$25), paper copy of invoice or delivery ticket (\$19), delivery delays >30 minutes (\$75 per 30 min increment), must be a first stop (\$150), trailer seals required (\$10), and Order Only (defined in Section 2.1(a)) (\$150). No Incidental Charge shall increase by more than ten (10%) percent in a Term Year and shall only increase upon written notice.

**1.4 Term.** The initial term of this agreement starts on the Effective Date and ends 10 years after February 25, 2023 (“Initial Term”). After the end of the Initial Term, the term of this agreement will automatically extend for successive terms of 2 years (each, a “Renewal Term”). However, a party may terminate this agreement on the last day of the Initial Term or any Renewal Term (each, an “Expiration Date”) by giving the other party a notice of termination at least 12 months before the Expiration Date.

**Part II – General Terms for Medical Product and Equipment**

**2.1 Product Deliveries.**

- (a) Subject to Section 2.2(a), Messer shall use commercially reasonable efforts to deliver to each Location, those quantities of Product that are necessary to supply Customer’s requirements at the Location. Messer shall schedule deliveries based upon information generated by an electronic monitor on the storage equipment or tube trailers at the Location, if applicable, Product inventory readings, and usage and operational patterns communicated by Customer, unless Customer requests deliveries on an order only basis (“Order Only”). If Customer requests Order Only, then, until Customer notifies Messer to resume scheduled deliveries: (i) Messer shall use commercially reasonable efforts to deliver Product within 48 hours after Customer’s order, subject to an Incidental Charge per order; and (ii) Messer will not monitor the Product inventory at the Locations, or schedule deliveries.
- (b) Customer shall monitor the Product inventory at each Location, and: (i) upon reasonable request of Messer, provide Messer with Product inventory readings on a timely basis to avoid a Product run-out if either: (1) the storage equipment or tube trailers at the Location do not have an electronic monitor; or (2) there is an issue with the power supply to the electronic monitor or the communication lines (e.g. phone lines or cellular coverage) between the monitor and Messer’s operations center; (ii) order Product on a timely basis to avoid a Product run-out if deliveries are Order Only; and (iii) upon reasonable request of Messer, communicate usage and operational patterns to Messer regardless of whether the storage equipment or tube trailers at the Location have an electronic monitor or deliveries are Order Only.

**2.2 Product Requirements.**

- (a) Messer shall supply to Customer an average monthly volume of Product up to 140% of the Estimated Monthly Volume. Messer may supply Customer’s requirements in excess of 140% of the Estimated Monthly Volume (“Excess Product”) if Messer determines that it has Excess Product available, in which case, the parties shall proceed in good faith to determine any costs required for Messer to supply Excess Product to Customer, and Customer shall pay those costs to Messer.
- (b) If Customer’s average consumption of Product in any six-month period is not more than 65% of the Estimated Monthly Volume, then Messer may revise the related Product Price in good faith by giving Customer a notice that states the terms of the revision provided that any increase to the Product Price pursuant to this Section 2.2(b) shall not exceed 10% of the then current Product Price. Section 3.2(c) will not apply to Product Price revisions under this Section 2.2.
- (c) If, after a Product Price increase under Section 2.2(b), Customer’s average consumption of Product in any consecutive six-month period is more than 65% of the Estimated Monthly Volume, then, within 30 days after the end of that six-month period, Messer shall reinstate the Product Price in effect before the increase, as adjusted by the percentages of any revisions applied under Section 3.2(c) during the period between the increase and the reinstatement. Customer will not have a right to terminate this agreement under Section 3.2(c) in connection with Product Price adjustments made under this Section.

**2.3 Customer’s Obligations Regarding Equipment.**

Customer shall: (a) furnish, prepare, and maintain in good order and repair at all times, a site (“Equipment Site”) on which the Equipment will be located before Customer requests Messer to deliver the Equipment; (b) cause the Equipment Site to conform to all applicable laws (including environmental laws) and Messer’s reasonable specifications and safety requirements for site preparation; (c) cause the Equipment Site to: (i) include a suitable, concrete foundation, free of any oil, grease, lubricants, and other combustibles; (ii) have all utilities, including phone lines, required for the ready and proper use and operation of the Equipment; (iii) be accessible to a distribution system for the delivery of Product from the Equipment Site to all points of use; (iv) have adequate security, including any fencing required to protect against the altering, repairing, adjusting of, or tampering with, the Equipment by unauthorized individuals; and (v) be free of any underground or overhead obstructions; (d) obtain any permits or licenses that are required for the installation or operation of the Equipment at the Equipment Site; (e) pay to Messer Messer’s then current charges for the shipment of the Equipment from the point of manufacture or storage to the Equipment Site (provided that such shipping costs shall not exceed \$25,000 per shipment), and for the cost of installation and removal of the Equipment (provided that such costs shall not exceed

\$400,000 per installation or \$100,000 per removal) ; (f) pay or reimburse Messer for all Equipment inspections required by law or Messer's inspection policy (provided that any Equipment inspection required to be performed by Messer in accordance with Messer's inspection policy shall not exceed \$5,000 per year); and (g) surrender to Messer the Equipment in good condition, ordinary wear and tear excepted, at the time of Messer's removal of the Equipment. Upon the termination of this Agreement, Messer and Customer shall work in good faith to coordinate the removal of the Equipment from Equipment Site within a reasonable time period.

**2.4 No Excluded Provider.** Messer represents that neither it, nor its employees, have been excluded from participation in any federal or state funded healthcare program at any time, including Medicare and Medicaid. Messer shall notify Customer of any threatened, proposed, or actual exclusion of Messer or its employees from any federal or state funded healthcare program. If an employee/agent of Messer performing services under this Agreement is excluded, Messer will replace that employee/agent within a reasonable time. If Messer is excluded, Customer may terminate this Agreement, without penalty upon written notice to Messer.

**2.5 Government Access to Records.** In accordance with 42 CFR §420.302, if applicable, and only to the extent required by law, Messer shall provide the Secretary of Health and Human Services and the Comptroller General of the United States, and their authorized representatives, access (in accordance with the provisions of Subpart D "Access to Books, Documents, and Records of Subcontractors") to this agreement, and Messer' books, documents, and records until the expiration of four years after the services are furnished under this agreement. In addition, Messer shall provide the Secretary of Health and Human Services and the Comptroller General of the United States, and their authorized representatives, similar access to contracts subject to Social Security Act §1861(v)(1)(I)(i) between Messer and organizations related to Messer, and to books, documents, and records of those organizations.

**2.6 Right to Refuse Delivery.** If Messer determines that the delivery of Product to a Location would be unsafe or in violation of any applicable laws (including U.S. Food and Drug Administration ("FDA") regulations), the National Fire Protection Association standards, or Messer's specifications and safety requirements, including the Equipment Site requirements in Section 2.3(b) (collectively the "Compliance Requirements") due to a condition present at the Location, and Messer gives Customer a notice describing the condition, then Messer may refuse to make further deliveries of Product at that Location until Customer removes or remedies the condition. Messer may terminate this agreement if Customer does not promptly remove the condition.

**2.7 Legal Compliance.** Customer shall use the Equipment and Products in compliance with the Compliance Requirements. Customer warrants that it has obtained and will maintain all necessary licenses and approvals required to purchase, store, use, and furnish to patients the Products, including as applicable: (i) CMS regulations; (ii) all state licensure requirements applicable to the Location; and (iii) federal and state privacy laws. Customer will notify Messer of any "adverse drug experience" (defined in 21 CFR §314.80) regarding any Product, and will cooperate with Messer in connection with any investigation, recall, and reporting requirement with the FDA.

**2.8 Fraud and Abuse Laws.** The parties intend for this agreement to comply with the fraud and abuse laws pertaining to healthcare (e.g. federal and state anti-kickback laws, Stark laws, and False Claims Act) and to conform as closely as possible to the personal services and equipment safe harbors under the federal anti-kickback statute. No part of any consideration between the parties is a prohibited payment to induce the other party to recommend or arrange for the referral of business to the other party or the ordering of items or services from the other party. No remuneration is intended to induce or encourage the referral of patients, or the purchase or rental of products, in violation of applicable laws.

**2.9 Effect of Future Law Changes.** If any applicable licensing, administrative or governmental agency, authority, or office investigates, questions, or challenges the legality of any aspect of this agreement, or Messer reasonably concludes that any aspect of this agreement does not comply with the requirements of any applicable law or regulation, then the parties shall proceed in good faith to negotiate the changes to this agreement that are reasonably necessary for the compliance with those legal requirements ("Legal Compliance Changes"), and shall amend this agreement to apply the Legal Compliance Changes. If, after good faith negotiation, the parties are unable to agree upon Legal Compliance Changes, then Messer may terminate this agreement by giving a notice to Customer at least 30 days before the effective date of termination. However, either party may extend the termination notice period in the previous sentence if necessary to comply with any applicable patient transition provisions as set forth either: (i) by Medicare regulations; or (ii) by other payors (e.g., Blue Cross/Blue Shield, United Healthcare, etc.) for whom Messer has agreed to extend the transition period.

**2.10 Non-Medical Gases.** If Customer purchases any gas Products that are not medical-grade gases (i.e. gas products that are not specified as either USP or NF)("Non-Medical Products"), then Customer acknowledges that the Non-Medical Products are not manufactured in accordance with applicable current FDA Good Manufacturing Practices, are not labeled as a drug, and are not sold by Messer as a drug. Customer shall not use Non-Medical Products: (i) as an ingredient in connection with the manufacture of a drug; or (ii) for any clinical purpose.

**2.11 Nitrous Oxide.** If Messer sells nitrous oxide to Customer, then Customer shall exercise extreme caution with respect to the storage and use of the nitrous oxide, primarily to prevent theft, misappropriation, or misuse. Customer acknowledges that the misuse of nitrous oxide can result in serious bodily injury or death. Customer shall: (i) indemnify Messer for any loss or damage suffered by Messer resulting from the use or misuse of the nitrous oxide that was delivered to Customer; and (ii) defend Messer against any third-party claims that arise from or relate to the nitrous oxide, unless the injury or death results directly from Messer's negligence.

**2.12 Messer's Obligations Regarding Equipment.** Messer shall furnish, install, prepare, and maintain in good operation and repair at all times all Equipment at Customer's sole cost and expense. Messer agrees to assign to Customer a manufacturer's warranty, to the extent

available and applicable to the Equipment. In the event that any Equipment is not covered by a manufacturer's warranty, Messer shall warranty that the Equipment will be free from any material manufacturing defects in workmanship or material in the six (6) month period starting on the installation of the Equipment, if and only if, the Equipment is properly maintained by Customer and further provided that Messer shall not be responsible for any damage resulting from Customer's negligent acts or omissions. Messer does not make any other express warranty regarding the Equipment. The Maintenance Charge set forth in Section 1.3 covers: (i) annual preventive maintenance inspection, (ii) regulator rebuild; (iii) line safety replacement; (iv) tank safety replacement; (v) tank and pressure gauge recalibration; (vi) tank vacuum testing and vacuum drawdown if necessary; (vii) maintenance of all tank valves; (viii) tank repair excluding customer phone line and power source; (ix) on pad alarm repair. Except for repair services required as a result of Messer's negligence, Customer shall pay Messer for repair services that are not covered by the Maintenance Charge at Messer's standard rates.

### **Part III – General Terms**

#### **3.1 Sale of Product and Rental of Equipment.**

- (a) Except as otherwise provided for in this agreement: (i) Messer shall sell to Customer, and Customer shall buy exclusively from Messer, all of Customer's requirements for the Products (defined in Section 1.3 as bulk medical liquid oxygen) for Customer's business operations conducted at the Locations; and (ii) Customer shall not: (1) resell, distribute, or otherwise transfer any Products purchased by Customer from Messer; or (2) purchase from any person or entity any products that Customer could substitute for the Products.
- (b) Messer shall rent to Customer and Customer shall rent from Messer, the Equipment.

#### **3.2 Pricing and Pricing Revisions.**

- (a) Customer shall pay to Messer the Product Prices, Equipment Rent, Other Charges, and Incidental Charges as defined hereunder.
- (b) The Compliance Charge results from the costs incurred by Messer to comply with federal, state, and local laws. However, the amount of the Compliance Charge may not relate to actual compliance costs incurred by Messer, which may vary by the type of Product, service, geographic location, or time. The Compliance Charge is not a federal, state, or local tax, and Messer need not collect and pay the Compliance Charge to any federal, state, or local government.
- (c) The Product Prices and the Equipment Rent shall be firm for a period of 18 months beginning on the Effective Date. Thereafter, Messer may revise the Product Prices and the Equipment Rent by giving Customer a notice ("Price/Rent Revision Notice") that states the updated pricing, at least 30 days before the effective date of the revision. Messer shall not give Customer a Price/Rent Revision Notice that results in an increase to the Product Price or Equipment Rent by more than 5% during any Term Year except that Messer shall be entitled to give Customer a Price/Rent Revision Notice that results in an increase to the Product Price and the Equipment Rent of no greater than 12% one time during the Initial Term if Messer determines in good faith that a change in market conditions requires such increase, provided that Messer shall provide Customer with supporting documentation that demonstrates the need for such increase. Notwithstanding the foregoing, in the event Messer determines at any time during the Term of this Agreement that market conditions require an increase to the Product Price and Equipment Rent that exceeds 12%, Messer shall provide Customer with written notice of the same and shall have the right to terminate this Agreement immediately if Customer does not agree to the price increase set forth in the notice.
- (d) Messer may apply or revise the Other Charges, except for Fuel Surcharges, in accordance with its then current cost recovery program by giving Customer a written notice that states the Other Charges, provided that revisions to Energy Surcharges and Fuel Surcharges shall be subject to the limitations set forth in Section 1.3. In no event shall an Other Charge increase by more than ten (10%) percent in a Term Year.
- (e) The Other Charges, Incidental Charges, revisions to the Other Charges, and the reimbursements required under Section 3.9(a) do not constitute, in any case, a price increase under Section 3.2(c).

**3.3 Taxes.** Customer shall pay or reimburse Messer for all taxes and other impositions (e.g., fees, permits, and other charges) that are charged by any government (except Messer's income taxes), which relate to the Products or the Equipment, including their presence, use, operation, or maintenance.

#### **3.4 Invoices and Payment Terms.**

- (a) Customer shall pay all Messer invoices within thirty (30) days of receipt of the invoice. Messer may charge interest on past due invoices at the lower of 1½% per month or the highest rate permitted by law.
- (b) Customer waives any claim or defense that Customer has regarding any Messer invoice unless Customer delivers to Messer a notice, which describes the basis of the claim or defense within the 45-day period starting on the invoice date.

**3.5 Change in Location.** Messer may satisfy Customer's requirements, under the terms of this agreement, for Products at: (a) any location where Customer expands or relocates the operations of a Location; or (b) any location within a thirty mile radius of a Location where Customer begins conducting any business operations during the Term. Notwithstanding the foregoing, in the event Customer acquires a new location within a thirty mile radius of a Location, and such location is bound by an existing agreement that prevents Customer from purchasing Product from Messer under the terms of this Agreement, Customer shall not be required to purchase Product from Messer at such location.

#### **3.6 Health and Safety Concerns.**

- (a) Customer acknowledges that the Products are hazardous and Customer understands those hazards. Customer shall use Safety Data Sheets ("SDS") for the Products to warn its employees and others who are exposed to the Products of the hazards associated with those Products. Messer shall provide Customer with a copy of the applicable SDS, or access to the pages on Messer's website that contain SDS.
- (b) Customer is solely responsible for determining the suitability, compatibility, and use of the Products.



### **3.7 Warranty and Sole Remedies.**

- (a) Messer warrants to Customer that Products delivered to Customer conform to the Product Specifications. Messer does not make any other express warranty regarding the Products, and does not make any express warranty regarding the Equipment. MESSER SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES FOR THE PRODUCTS AND THE EQUIPMENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.
- (b) Customer's sole remedy, and the sole obligation of Messer for a breach of Messer's warranty, or a breach of Messer's obligation to deliver Product as required under this agreement, is for Messer to replace, free of charge, the quantity of Product that does not conform to the Product Specifications, or that Messer failed to deliver as required under this agreement, if, and only if, Customer gives Messer a notice of the breach within the 10-day period starting on the date of the breach.

### **3.8 Limitation on Damages and Indemnification.**

- (a) In all events, regardless of the legal theory (e.g., breach of contract or warranty, negligence, strict liability, etc.): (a) MESSER IS NOT LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY, CONSEQUENTIAL DAMAGES, OR ECONOMIC LOSS, INCLUDING ANY LOSS OF BUSINESS, PRODUCTION, OR PROFITS; and (b) the total amount of damages that Customer may recover from Messer resulting from any occurrences arising in connection with their relationship contemplated by this agreement is limited to \$ 400,000 per occurrence, and \$ 800,000 for all occurrences, in the aggregate. However, the limitations specified in the previous sentence will not apply with respect to Indemnified Claims (defined in Section 3.8(b)).
- (b) Each party (the "Indemnifying Party") shall indemnify the other party, its affiliates, officers, directors, and employees (the "Indemnified Party") from any cost, damage, expense, or other loss or liability resulting from third party claims against an Indemnified Party for property damage or destruction, personal injury, or death, to the extent caused by the negligent acts or omissions or willful misconduct of the Indemnifying Party or its employees, agents, invitees or subcontractors under this agreement (each, an "Indemnified Claim"). If an Indemnified Party seeks indemnification for any Indemnified Claim, then the Indemnified Party shall: (i) promptly notify the Indemnifying Party of the Indemnified Claim; (ii) give the Indemnifying Party sole control over, and the right to settle the Indemnified Claim without the Indemnified Party's consent so long as the settlement does not impose any liability or obligation on the Indemnified Party; and (iii) provide the Indemnifying Party with information and assistance as the Indemnifying Party reasonably requests to defend the Indemnified Claim, at the Indemnifying Party's cost. The Indemnifying Party will be relieved of its obligations under this Section, only to the extent that the Indemnified Party breaches its obligations in the previous sentence, and the breach materially prejudices the Indemnifying Party's defense of the Indemnified Claim. The Indemnified Party may employ counsel to assist it with respect to the Indemnified Claim, at the Indemnified Party's cost.

### **3.9 Force Majeure.**

- (a) With the exception of payment obligations, if either party cannot perform any of its obligations under this agreement by reason of any cause or event, whether foreseeable or unforeseeable, beyond its reasonable control, including any cause or event that makes the delivery of any of the Products commercially impracticable ("Force Majeure Event"), then the effected party need not perform the obligation. Notwithstanding the foregoing, Messer agrees not to charge interest as permitted by Section 3.4(a) if Customer is prevented from making timely payment due to a continuing Force Majeure Event. A Force Majeure Event includes: (i) natural disasters (e.g., earthquake, hurricanes, floods, fire); (ii) major upheavals (e.g., war riots, acts of terrorism, sabotage, labor strikes, embargoes); (iii) performance failures of any person or entity other than Messer, such as Messer's suppliers or subcontractors (e.g., curtailment of energy sources or other raw materials or feedstock, common carrier failure, contracted labor); (iv) extraordinary events (e.g., machinery and equipment failures or abnormal customer demand); and (v) government intervention (e.g., government orders, court orders, confiscation, condemnation, future laws). If a Force Majeure Event occurs, then Messer shall use commercially reasonable efforts to continue to provide Product to Customer or to provide Customer with replacement product and, unless Customer elects to purchase Product from another supplier as authorized in Section 3.9(b), Customer shall reimburse Messer for additional costs incurred by Messer to provide the Product or replacement product (e.g., additional costs associated with special purchase, freight or handling, and additional costs of electricity or other types of energy). If a Force Majeure Event affects only a part of Messer's capacity to deliver Product, then Messer may allocate Product among its customers (including distributors) until its capacity is restored.
- (b) Customer may purchase Product from another supplier for Customer's business operations conducted at a Location if: (i) Messer is unable to either continue to deliver Product or deliver replacement product to that Location due to a Force Majeure Event; or (ii) Customer is able to purchase Product from the other supplier at a price lower than the amount equal to Messer's price plus the additional costs described in Section 3.9(a).
- (c) If Customer purchases Product from another supplier as authorized by Section 3.9(b), then: (i) Customer shall resume purchasing its Product requirements exclusively from Messer when Messer is able to deliver Product or replacement product to the affected Location at no additional cost; (ii) Messer's warranty obligations under Section 3.7(a) will not apply during the period that any gas Product supplied by the other supplier is in any vessel used to store the Product, any system used to distribute the Product, or any process that uses the Product; and (iii) Customer shall reimburse Messer for any costs incurred in good faith by Messer to clean Messer's Equipment to remove contamination caused by gas Products supplied by the other supplier up to an amount equal to \$50,000.

### **3.10 Equipment Ownership, Access, and Risk of Loss**

- (a) Customer acknowledges that Messer owns the Equipment, even if Customer affixes the Equipment to any real property owned or used by Customer. Customer shall not cause or permit: (i) any lien or other encumbrance on or against the Equipment; or (ii) the sublease, pledge, or transfer of possession of the Equipment. Customer shall cause to be removed any liens or other encumbrances that Customer causes or permits on or against the Equipment. Messer may file any financing statements and other notices that Messer deems necessary, including a notice that Messer owns the Equipment.

- (b) Customer: (i) shall grant Messer's authorized representative access to the Equipment at any time required for the performance of this agreement; and (ii) shall not cause or permit any person or entity other than Messer or Messer's authorized representative to have access to the Equipment.
- (c) Except as otherwise set forth in Section 2.12, Customer assumes all risk of loss or damage to the Equipment while it is at the Location, except for any loss or damage resulting from Messer's negligent act or omission or willful misconduct. If the Equipment is lost or cannot be repaired, then Customer shall pay to Messer an amount equal to the then current replacement cost of the Equipment but not to exceed \$1,000,000. If Messer elects to repair any damaged Equipment, then Customer shall pay Messer for its costs of making the repairs up to an amount equal to \$1,000,000.

### **3.11 Miscellaneous.**

- (a) This agreement constitutes all of the terms of the contract between the parties regarding its subject matter and supersedes and terminates all previous agreements between the parties regarding this agreement's subject matter. Any term contained in a document used by either party (e.g., a purchase order or acknowledgement) that conflicts with, is different from, or is additional to, the terms of this agreement is not part of the contract between the parties.
- (b) Customers warrants to Messer that: (i) Customer is not a party to any pre-existing agreements that restrict Customer from purchasing its requirements for Products under this agreement; and (ii) the person signing this agreement on behalf of Customer has the authority to bind Customer to this agreement.
- (c) Delaware law governs all matters pertaining to the validity, construction, and effect of this agreement, without giving effect to any principles or rules of conflict of laws that apply the laws of another jurisdiction.
- (d) A waiver of any breach of this agreement does not constitute a waiver of any succeeding or other breach.
- (e) The parties may amend this agreement only by a written document that Customer and a Messer authorized representative sign.
- (f) Even if a court holds any part of this agreement to be invalid, this agreement will remain in force with the invalid part deleted.
- (g) If Messer agrees to deliver Product requested by Customer for Customer's business operations conducted at the Locations after the termination of this agreement, then, until the parties sign an agreement that supersedes this agreement, the terms of this agreement will apply to those deliveries and to any related Equipment. However: (i) Customer may also purchase Products requested under the previous sentence from other suppliers; (ii) Messer may charge a market price for any Products that Messer delivers under the previous sentence; and (iii) Messer may charge Messer's then current rent for any Equipment that Messer keeps at a Location to continue to deliver Product under the previous sentence.
- (h) Neither party shall assign its interest or obligations without the prior written consent of the other party which consent will not be unreasonably withheld or delayed.
- (i) Messer shall provide services under this agreement in accordance with state and federal laws and regulations applicable to Messer, and Messer's rules, regulations, policies and procedures. Messer agrees that no Messer employees or other representatives shall require access to the inside of a building at a Location in order to fulfill its obligations under this Agreement.
- (j) In performance of services under this agreement, it is mutually understood and agreed that the parties to the Agreement are at all times acting and performing as independent contractors, and nothing in this agreement shall be construed to create between Customer and Messer an employer/employee relationship or a joint venture relationship.
- (k) The parties shall maintain in effect throughout the term of this agreement general liability insurance in the minimum amount of \$1,000,000 per occurrence and \$3,000,000 annual aggregate; and comprehensive automobile liability insurance in the minimum amounts of \$100,000 per occurrence and \$300,000 annual aggregate covering all motor vehicles, including owned, leased, non-owned, and hired vehicles that are or will be used in providing services under this agreement.

[Signature page follows.]

Accepted and Agreed to by:

Salinas Valley Memorial Healthcare System

Messer LLC

\_\_\_\_\_  
Authorized Representative Signature

\_\_\_\_\_  
Authorized Representative Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## EXHIBIT A TO PRODUCT SUPPLY AGREEMENT

Based on U.S Retail On-Highway Diesel pricing, Messer's cost recovery program in effect as of the Effective Date is as set forth on this Exhibit A.

Diesel on-highway cost (\$/gal)			LOX/LIN surcharge levels (\$/ccf)			LAK Surcharge (\$/ccf)
			0-75 miles	75-200 miles	200+ miles	
\$1.80	to	\$2.00	\$0.003	\$0.005	\$0.007	\$0.013
\$2.01	to	\$2.20	\$0.005	\$0.010	\$0.015	\$0.025
\$2.21	to	\$2.40	\$0.008	\$0.015	\$0.023	\$0.038
\$2.41	to	\$2.60	\$0.010	\$0.020	\$0.030	\$0.050
\$2.61	to	\$2.80	\$0.013	\$0.025	\$0.038	\$0.063
\$2.81	to	\$3.00	\$0.016	\$0.030	\$0.046	\$0.076
\$3.01	to	\$3.20	\$0.018	\$0.035	\$0.053	\$0.088
\$3.21	to	\$3.40	\$0.021	\$0.040	\$0.061	\$0.101
\$3.41	to	\$3.60	\$0.023	\$0.045	\$0.068	\$0.113
\$3.61	to	\$3.80	\$0.026	\$0.050	\$0.076	\$0.126
\$3.81	to	\$4.00	\$0.028	\$0.055	\$0.083	\$0.138
\$4.01	to	\$4.20	\$0.031	\$0.060	\$0.091	\$0.151
\$4.21	to	\$4.40	\$0.033	\$0.065	\$0.098	\$0.163
\$4.41	to	\$4.60	\$0.036	\$0.070	\$0.106	\$0.176
\$4.61	to	\$4.80	\$0.038	\$0.075	\$0.113	\$0.188
\$4.81	to	\$5.00	\$0.041	\$0.080	\$0.121	\$0.201
\$5.01	to	\$5.20	\$0.043	\$0.085	\$0.128	\$0.213
\$5.21	to	\$5.40	\$0.046	\$0.090	\$0.136	\$0.226
\$5.41	to	\$5.60	\$0.048	\$0.095	\$0.143	\$0.238
\$5.61	to	\$5.80	\$0.051	\$0.100	\$0.151	\$0.251
\$5.81	to	\$6.00	\$0.053	\$0.105	\$0.158	\$0.263

## **APPENDIX I Assumptions**

1. Messer agrees to rent to Customer a temporary oxygen portable unit ("Portable") in connection with the initial installation of the Equipment for a period no greater than 18 months. The rental charge for the Portable shall be an amount equal to \$11,250.00 per month and the Portable shall be deemed Equipment under this Agreement. The Portable rental period shall commence upon February 25<sup>th</sup> 2023 and end upon the first fill of the Equipment and on stream to the Location.
2. Customer shall be responsible for third party certification of the main medical bulk system including engaging a medical bulk certification verifier and obtaining applicable state, local, and regulatory permits.
3. Customer shall pay to Messer an amount equal to \$323,369.00 for the initial installation of the Equipment and mobilization of the Portable ("Total Cost") in the same manner provided for in the Agreement and as follows: (i) 50% of the Total Cost shall be due to Messer upon the installation of the Portable and (ii) 50% of the Total Cost shall be due to Messer on the day that the Equipment arrives at the Location. Unforeseen issues or delays caused by site conditions or regulatory delays may change the Total Cost.

# Liquid Oxygen Vendor Supply Scorecard

Strotman, Earl

10/7/2022

Category	Weight	Matheson		Messer		Linde		Airgas	
		Score	Weighted	Score	Weighted	Score	Weighted	Score	Weighted
3,000 gallon Tank (REQ)	Pass/Fail	Yes	Pass	Yes	Pass	Yes	Pass	No	Fail
Responsiveness to RFP (1-3)	20%	1	0.2	3	0.6	2	0.4	0	0
Solution Design (0-10)	25%	3	0.75	7	1.75	5	1.25	0	0
Contract Language (0-10)	20%	2	0.4	6	1.2	7	1.4	0	0
Total Cost (0-10)	35%	4	1.4	8	2.8	6	2.1	0	0
Total Score		2.75		6.35		5.15		0	

- 1, Does not meet expectation
- 2, Meets expectation
- 3, Exceeds expectation

## Board Paper: Finance Committee

---

Agenda Item: Consider Recommendation for Board Approval of the Fifth Amendment to Lease Agreement between Salinas Valley Memorial Healthcare System (“Lessee”) and Work Street Partners L.P., (“Lessor”) for Medical Records warehouse space located at 590 Work Street, Salinas, CA.

Executive Sponsor: Clement Miller, Chief Operating Officer  
Earl Strotman, Facilities Management  
Philip Katzenberger, Health Information Management

Date: October 3, 2022

### Executive Summary

Current lease for Medical Records storage facility located at 590 Work Street, Salinas, CA is set to expire 10/31/2022. At this time, management desires to renew existing lease for an additional five (5) year period.

### Background/Situation/Rationale

Lessor and Lessee previously entered into lease dated August 1, 2007, setting forth the terms and conditions of the use and occupancy of the “premises” therein described for the real property commonly known as 590 Work Street, Salinas, CA. Lessor and Lessee further extended into a First Amendment to lease for an additional two (2) years. Lessor and Lessee further extended into a Second Amendment to Lease dated November 10, 2014 whereas the parties extended the Lease for an additional four (4) years. Lessor and Lessee entered into a Third Amendment dated October 30, 2018 whereas the parties extended the lease for an additional four (4) years. A Fourth Amendment, dated March 7, 2022 changed the name of the Lessor.

Current Fourth Amendment to Lease at a cost of \$0.9834 per square foot is set to expire 10/31/2022. Fifth Amendment calls for initial ten percent (10%) increase in base rent to bring property into market parity, followed by 4 consecutive three (3) percent annual increases.

Market conditions support renewal of existing Lease Agreement (see attached market analysis).

### Pillar/Goal Alignment:

Service  People  Quality  Finance  Growth  Community

### Financial Implications

The essential terms of the proposed Lease are as follows:

Key Contract Terms	Work Street Partners L.P.
1. Proposed effective date	November 1, 2022
2. Term of agreement	Five (5) years commencing November 1, 2022
3. Renewal terms	3% annually
4. Cost	17,845 square feet at \$1.0818 / sq. ft. (\$19,305 month, \$231,600 annually, \$1,158,300 duration of contract.
5. Budgeted (indicate y/n)	Yes (Department Cost Center 7500).

Schedule: October 2022 – Anticipate Board Approval for Lease.

## Recommendation

Consider Recommendation for Board Approval of the Lease Agreement between Salinas Valley Memorial Healthcare System and the Work Street Partners L.P., for 17,845 square feet of warehouse space located at 590 Work Street, Salinas, CA 93901 in the amount of \$1,158,300.00.

## Attachments

- Attachment 1: Fifth Amendment to Lease
- Attachment 2: Salinas Area Industrial Office Building Market Analysis
- Attachment 3: Sole Source Form



## **FIFTH AMENDMENT TO LEASE**

THIS FIFTH AMENDMENT TO LEASE ("Amendment") is made and entered into this 1st day of September, 2022 by and between Work Street Partners, LP., ("Lessor"), and Salinas Valley Memorial Healthcare System, A Healthcare District ("Lessee").

### **RECITALS**

- A. Lessor and Lessee previously entered into that certain lease dated August 1, 2007 with its attached Amendment to Lease dated August 14, 2007, setting forth the terms and conditions of the use and occupancy of the "premises" therein described for the real property commonly known as 590 Work Street, Salinas, CA. Lessor and Lessee further entered into a First Amendment to 1. Lease dated March 16, 2012 whereas the parties extended the Lease for an additional two (2) years. Lessor and Lessee further entered into a Second Amendment to Lease dated November 10, 2014 whereas the parties extended the Lease for an additional four (4) years. Lessor and Lessee entered into a Third Amendment dated October 30, 2018 whereas the parties extended the lease for an additional four (4) years. The Fourth Amendment dated March 7, 2022 changed the name of the Lessor name. The original Lease, First Amendment, Second Amendment, Third Amendment, and Fourth Amendment shall be collectively referred to as the "Lease".
- B. Paragraph 1.3 of the Original Lease provided for a term of five (5) years ("Original Term"), which Original Term has expired, the First Amendment to the Lease provided for an additional two (2) year term which expired 10/31/2014, the Second Amendment to Lease provided for an additional four (4) year term which expired 10/31/2018, the Third Amendment to Lease provided for an additional four (4) year term which is currently expiring 10/31/2022.
- C. Lessee, upon one hundred twenty (120) days written notice shall be allowed to extend the Primary Lease Term by one (one) term extension ("Extension term") of five (5) years each, provided each and all of the following terms and conditions have been satisfied:
- a. The provisions of Paragraph 39, including those relating to Lessee's Default set forth in Paragraph 39.4 of the Lease, are conditions of these Extension Terms;
  - b. Except for the provisions of the Lease granting an Extension term, all of the terms and conditions of the Lease, except where specifically modified by this option, shall apply;
  - c. The monthly base rental rate for each month of the Extension term shall be calculated using the method indicated in Paragraphs 52 & 53 of Addendum #1 dated July 31, 2007.
- D. NOW, THEREFORE, in consideration of the foregoing Recitals and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Lessor and Lessee hereby agree as follows:

**AGREEMENT**

1. **Incorporation of Recitals:** The above Recitals are true and correct and are incorporated herein by this reference.
2. **Five Year Term Commencement Date:** The Five Year Term shall commence on November 1, 2022 and shall expire October 31, 2027.
3. **Base Rent:** Base Rent for the start of the extended Term shall be \$19,305.00 and shall be subject to a THREE percent (3%) annual adjustment on each anniversary to the Commencement Date (the "Adjustment Date") as shown below:

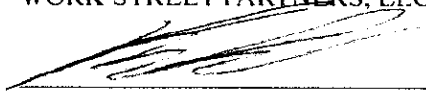
November 1, 2022 - October 31, 2023	\$ 19,305.00
November 1, 2023 - October 31, 2024	\$ 19,884.15
November 1, 2024 - October 31, 2025	\$ 20,480.67
November 1, 2025 - October 31, 2026	\$ 21,095.09
November 1, 2026 - October 31, 2027	\$ 21,727.95

4. **No other Changes:** Except as herein-above described, The Lease is and shall remain in full force and effect without modification. Any and all references to the "Lease" shall be deemed to refer to the Original Lease as amended and modified by this Fifth Amendment. All other terms and conditions of this Lease shall remain unchanged and shall continue in full force and effect except as specifically amended herein.
5. **Fax Signatures Counterparts:** This Amendment may be signed in counterpart. Faxed Signatures shall be effective and deemed to have the same validity as original signatures.
6. **Lessee's Contingencies:** This Lease shall be contingent upon the approval by the Salinas Valley Memorial Healthcare System's Board of Directors. Should this contingency not be satisfied or waived in writing by Lessee within thirty (30) days of Lease Amendment execution, either party may terminate this Lease upon written notice to the other party. It is anticipated that this Lease may commence prior to satisfaction of this contingency. Lessor and Lessee acknowledge that the rent schedule under Section 3 of this Amendment shall be the rent schedule in effect until the satisfaction of this contingency or the termination of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year above written.

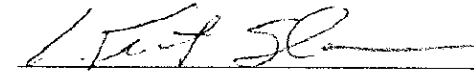
LESSOR:

WORK STREET PARTNERS, L.L.C.




Kenneth E. Slama

9-15-22  
Date



L. Keith Slama

9-15-22  
Date



Jannette Slama

9/15/2022  
Date

LESSEE:

SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM, A Healthcare District

By: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

September 28, 2022

Earl Strotman, Director Facilities/Construction  
Salinas Valley Memorial Healthcare System  
450 E. Romie Lane  
Salinas, CA 93901

RE: Broker Opinion of Value  
590 Work St.  
Salinas, CA

Dear Earl,

In accordance with your request, this letter shall serve as my opinion of market value for the above referenced industrial office building. The subject property consists of approximately 17,845 rentable square feet. The building is in excellent condition and should require little improvements upon occupancy. The fair market lease rate for the building can be established by comparing and contrasting the premises to comparable professional office space in the Salinas marketplace. Attached for your review is a comprehensive market survey of comparable properties.

If the property were available for lease in the open market it could expect to achieve a lease rate of \$1.00 - \$1.50 per square foot gross. Effective lease rates in the Salinas market have remained steady over the past six months and vacancy in the area is around 3%. This trend is expected to continue in the stable economic environment.

If I can be of further assistance please feel free to contact me at (949) 794-0000.

Sincerely,

California Commercial Real Estate Services



Christina Peters  
Executive Property Manager  
DRE # 01828991

## Market Survey

	<i>Name/Location</i>	<i>Year Built</i>	<i>Building SF</i>	<i>Rental Quotes</i>	<i>Direct Vacancy</i>
	<i>Address</i>	<i>Class</i>	<i>Floors</i>	<i>Lease Type</i>	<i>Sublease Vacancy</i>
1	485-487 El Camino Real	1978	10,300	\$1.50	10,300
	Salinas, CA	Indus	1	Gross	N/A
2	905 Harkins Rd. Suite D	1937	79,290	\$1.50	2,800
	Salinas, CA	Indus	1	Gross	N/A
3	21860 Rosehart Way	1990	12,600	\$1.01	12,600
	Salinas, CA	Indus	2	Gross	N/A
4	1375 Abbott St.	1950	14,400	\$1.00	14,400
	Salinas, CA	Indus	1	Gross	N/A
5	607 Brunken Ave.	1971	38,744	\$1.30	5,250
	Salinas, CA	Indus	1	Gross	N/A

## Justification for Sole Source Form

To: Contract Review Committee

From: Earl Strotman, MBA – Facilities & Construction

### Type of Purchase:

- Non-Medical, Non-Surgical Equipment/Supplies >= \$25,000
- Data Processing/Telecommunication Goods >= \$25,000
- Medical/Surgical – Supplies/Equipment >= \$25,000
- Purchased Services >= \$350,000

<b>Total Cost \$:</b>	\$1,158,300
<b>Vendor Name:</b>	Work Street Partners, L.P.
<b>Agenda Item:</b>	Fifth Amendment to Lease Agreement

**Statement of Need:** My department's recommendation for sole source is based upon an objective review of the product/service required and appears to be in the best interest of SVMHS. The procurements proposed for acquisition through sole source are the only ones that can meet the district's need. I know of no conflict of interest on my part or personal involvement in any way with this request. No gratuities, favors or compromising action have taken place. Neither has my personal familiarity with particular brands, types of equipment, materials or firms been a deciding influence on my request to sole source this purchase when there are other known suppliers to exist.

**Describe how this selection results in the best value to SVMHS. See typical examples below.**

Licensed or patented product or service. No other vendor provides this. Warranty or defect correction service obligations of the consultant. **Describe.**

Existing SVMHS equipment, inventory, custom-built information system, custom built data inventory system, or similar products or programs. **Describe.**

Uniqueness of the service. **Describe.**

SVMHS has established a standard for this manufacturer, supplier or provider and there is only one vendor. SVMHS has occupied this property located at 590 Work Street since 2007, routinely making improvements and modifications for the safe and effective handling of Medical Records storage. The building remains in good condition, rents fall well within the lower range of current market values, and serves the purposes required by the Health Information Management team. Given the costs associated with moving off-site Medical Records, I believe it is in the best interest of SVMHS to renew this lease under said terms.

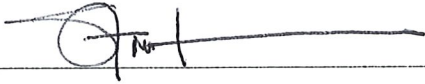
Page 30 of 89

Factory-authorized warranty service available from only this single dealer. Sole availability at the location required. **Describe.**

Used item with bargain price (describe what a new item would cost). **Describe.**

Other -The above reasons are the most common and established causes for an eligible sole source. If you have a different reason, please describe:

By signing below, I am attesting to the accuracy and completeness of this form.

Submitter Signature  Date 10-06-2022

# Finance Committee Board Paper

Date: October 24, 2022

Agenda Item: **Consider Recommendation for Board Approval of Lease Agreement Renewal for 1033 Los Palos Drive, Salinas, CA. Between SVMHS (Tennant) and Steven G. Johnson, M.D. (Landlord).**

Executive Sponsor: Allen Radner, MD, Chief Executive Officer, SVMC  
 John Tejada, D.H.A., FACHE, Chief Operating Officer, SVMC

### Executive Summary

SVMC has been operating its Multi-Specialty Clinic at 1033 Los Palos for many years. Current rent is at \$2.00 per square foot x 7575 sq. ft. for \$15,150.00. The terms of this lease have been renegotiated upon this renewal cycle. The specialties in this clinic include; Dermatology, Infectious Diseases, Neurology, Neurosurgery, and Pulmonary/Critical care. SVMC would like to enter into a five (5) year lease for the 1033 Los Palos space for its Multi-Specialty Clinic.

### Timeline

October 24, 2022 – Request SVMHS Finance Committee Recommendation for Board Approval  
 October 27, 2022 – SVMHS Board of Directors Meeting/Consider Recommendation for Approval  
 December 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 1033 Los Palos Drive, Salinas, CA:

1. Lease Commencement Date	December 1, 2022
2. Term of Lease	Five (5) years
3. Option to Extend	One option to extend for 3 years
4. Payment Terms	Rent due the 1 <sup>st</sup> of each month
5. Initial Rent (per sq. ft.)	\$2.15 per square foot (FMV \$2.20-\$2.40 per square foot)
6. Rentable square feet	7,539 square feet
7. Initial Rent	\$16,208.85/month \$194,506.20/first year
8. Annual Increases	Three percent (3.0 %)
9. Rent Over Five (5) Year Term	\$1,032,659.88
10. Budgeted (Y/N)	Budgeted

### 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:**

- Renewal Lease Agreement with Steven G. Johnson, M.D. for 1033 Los Palos Dr., Salinas, CA

### Attachments

- Renewal Lease Agreement with Steven G. Johnson, M.D. for 1033 Los Palos Dr., Salinas, CA



## LEASE AGREEMENT

This Lease Agreement ("Lease") is entered into by and between **Steven G. Johnson, M.D.** ("Landlord") and **Salinas Valley Memorial Healthcare System**, a local health care district organized and operating pursuant to Division 23 of the California Health and Safety Code ("Tenant") and is dated September 12, 2022. This Lease is made with reference to the following facts.

### Recitals

- A. Landlord is the owner of certain land and improvements located at 1033 Los Palos Drive, Salinas, California. The land is more particularly described in **Exhibit A** attached to this Lease. The land and the building, parking area and other improvements located on the land, constitute the "Premises." The Building covering Suite A on first floor and Suite B on second floor containing approximately **7,539 Square feet**. The Property, the Building, the Common Areas, the land upon which they are located, along with all other buildings and improvements thereon, are herein collectively referred to as the "Property."
- B. Landlord desires to lease to Tenant and Tenant desires to lease from Landlord the entirety of the Property on the terms and conditions set forth in this Lease.

Based on the foregoing and in consideration of the mutual terms, covenants and conditions contained in this Lease and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. **Definitions.** As used in this Lease the following terms shall have the following definitions:

"Adjustment Date" is defined in Section 5.2.

"Commencement Date" is defined in Section 3.

"Event of Default" is defined in Section 22.

"Hazardous Material" is defined in Section 6.8.

"Initial Monthly Rent" is defined in Section 5.1.

"Landlord" is defined in the preamble of this Lease.

"Lease" is defined in the preamble of this Lease.

"Monthly Rent" is defined in Section 5.

"Property" is defined in Recital A.

"Tenant" is defined in the preamble of this Lease.

"Term" is defined in Section 3.

"Termination Date" is defined in Section 3.

"Trade Fixtures" is defined in Section 17.1.

2. **Lease.** Landlord leases to Tenant and Tenant leases from Landlord the Property on the terms and conditions set forth in this Lease.

3. **Term of Lease.** The term of this Lease ("Term") shall be for five (5) years commencing on December 1, 2022 ("Commencement Date"), and ending on November 30, 2027, unless sooner terminated pursuant to the terms of this Lease ("Termination Date").
4. **Delivery of Possession.** Tenant is currently occupying the entire Premises/Property set forth in Section A and attached Exhibit A.
5. **Monthly Based Rent:**

5.1 For the first twelve (12) months of the Term, the monthly rent shall be **\$16,208.85** ("Initial Monthly Rent") which is predicated on a fair market rental valuation of \$2.15 per square foot per month NNN (triple net). This shall be referred to as the Initial Monthly Rent, which, as adjusted from time to time pursuant to Section 5.2 below, will then be referred to as the "Monthly Rent Adjustments." The Monthly Rent shall be payable in advance on the first day of each month at the address set forth in Section 30 or such other address as Landlord may from time to time designate by written notice to Tenant.

5.2 On each anniversary of the Commencement Date (each an "Adjustment Date"), the Monthly Rent shall be adjusted to an amount below:

Year	Months of Term	Monthly Fixed Rent
2	December 1, 2023 – November 30, 2024	\$16,695.12
3	December 1, 2024 – November 30, 2025	\$17,195.97
4	December 1, 2025 – November 30, 2026	\$17,711.85
5	December 1, 2026 – November 30, 2027	\$18,243.20

6. **Use.** Tenant shall occupy and use the Property as a medical clinic, including exam rooms, physician offices, and administrative space and all other operations incident to the conduct of that business.
  - 6.1 Tenant shall not commit any acts on the Property, nor use the Property in any manner that will increase the existing rates for or cause the cancellation of any fire, liability, or other insurance policy carried by Landlord insuring the Property or the improvements on the Property. Tenant shall, at Tenant's own cost and expense, comply with all requirements of Landlord's insurance carriers that are necessary for the continued maintenance at reasonable rates of fire and liability insurance policies on the Property and the improvements on the Property.
  - 6.2 Tenant shall comply with all laws, rules, and orders of all federal, state, and municipal governments or agencies that may be applicable to use of the Property.
  - 6.3 Tenant agrees not to use the Property for any immoral or unlawful purpose.
  - 6.4 Tenant shall not commit any waste or any public or private nuisance upon the Property.

## Hazardous Materials.

- 6.5 Tenant shall comply with all environmental laws, regulations and ordinances and shall not, except as hereinafter provided, cause or permit substances or materials defined as hazardous, toxic or environmentally unsafe under any governmental law, regulation or ordinance to be brought upon, kept or used in, on, or under or about the Property, without the written consent of Landlord, except that Landlord's consent shall be unnecessary for those items constituting Hazardous Materials, stored, sold or used by Tenant in the ordinary course of Tenant's business as a health care provider. Tenant shall cause the use and storage of such Hazardous Materials (as defined herein) brought upon, kept or used by tenant in or about the Property to comply with all environmental laws, regulations and ordinances. Without limiting the foregoing, if the presence of any Hazardous Materials brought upon, kept or used by Tenant results in any contamination of the Real Property, Building or Property, Tenant shall take all actions, at Tenant's sole expense, that are necessary to comply with all environmental laws, regulations and ordinances. Tenant shall give immediate written notice to Landlord of (i) any action, proceeding or inquiry by any governmental authority or any third party with respect to the presence of any Hazardous Material on the Property or the migration thereof from or to other property or (ii) any spill, release or discharge of Hazardous Materials that occurs with respect to the Property or Tenant's operations of a reportable level under applicable law.
- 6.6 Tenant shall be responsible, at Tenant's sole cost and expense, for the proper handling, storage and removal of potentially infectious medical waste generated in the Property, and Tenant shall provide incineration or other proper disposal of such waste. Tenant's failure to properly dispose of such waste or failure to comply with environmental laws, regulations and ordinances shall be deemed a default of this Agreement.
- 6.7 Tenant shall indemnify and hold harmless Landlord, each lender to Landlord and their respective members, partners, directors, officers, employees, agents, successors and assigns (collectively "Landlord Parties") on an after-tax basis from and against any and all actions, suits, demands or judgments of any nature whatsoever, losses, damages, penalties, expenses, fees, claims, costs (including response and remedial costs), and liabilities, arising out of or in any manner connected with (i) the violation of any environmental law, rule or regulation with respect to the Property during or prior to the Term of this Lease (including any period of holding over, occupancy or possession by Tenant or any subtenant or assignee of Tenant after the expiration of the Term hereof); or (ii) the "release" or "threatened release" of or failure to remove, Hazardous Materials from the Property, any portion or portions thereof or any adjacent or surrounding areas, including any past or current release and any release or threatened release during the Term or any extension. The indemnity shall include all costs, fines, penalties, judgments, losses, attorney's fees, expenses and liabilities incurred by Landlord Parties for any such claim or any action or proceeding brought thereon including, without limitation, (a) all foreseeable consequential damages including without limitation loss of rental income and diminution in property value; and (b) the costs of any cleanup, detoxification or other ameliorative work of any kind or nature required by any governmental agency having jurisdiction thereof, including without limitation all costs of monitoring and all fees and expenses of consultants and experts retained by Landlord Parties. This indemnity shall survive the expiration or termination of this Lease. In any action or proceeding brought against Landlord Parties by reason of any such claim, Landlord Parties shall promptly notify Tenant of the same, and upon notice from Landlord, Tenant shall defend the same at Tenant's expense by counsel reasonably satisfactory to Landlord.
- 6.8 As used in this Lease, the term "Hazardous Material" shall mean any substance or material which has been determined by any state, federal or local governmental authority to be capable of posing a risk of injury to health, safety, or property, including all of those materials and substances designated as hazardous or toxic by the city in which the Property are located, the U.S.

- 6.9 Environmental Protection Agency, the Food and Drug Administration, the California Water Resources Control Board, the Regional Water Quality Control Board, Central Coast Region, the California Air Resources Board, CAL/OSHA Standards Board, Division of Occupational Safety and Health, the California Department of Health Services, and any federal agencies that have overlapping jurisdiction with such California agencies, or any other governmental agency now or hereafter authorized to regulate materials and substances in the environment. Without limiting the generality of the foregoing, the term "Hazardous Material" shall include all of those materials and substances defined as "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" in the Hazardous Waste Control Act, section 25100 *et seq.* of the California Health and Safety Code as the same shall be amended from time to time, petroleum, petroleum-related substances and the by-products, fractions, constituents and sub-constituents of petroleum or petroleum-related substances, asbestos, and any other materials requiring remediation now or in the future under federal, state or local statutes, ordinances, regulations or policies.
7. **Utilities.** During the Term, Tenant shall pay, before delinquency, all charges or assessments for internet, telephone, water, sewer, gas, heat, electricity, garbage disposal, trash disposal, and all other utilities and services of any kind that may be used on the Property.
9. **Taxes.**
- 9.1 Subject to the provisions of Section 9.4, Tenant shall pay to the public authorities charged with the collection on or before the last day on which payment may be made without penalty or interest, as additional rent, all taxes, permit, inspection, and license fees, and other public charges of whatever nature that are assessed against the Property or arise because of Tenant's occupancy, use, or possession of the Property (including but not limited to taxes on Tenant's personal property), subsequent to the commencement of the Term, and all installments of assessments that are due during the Term.
- 9.2 Landlord agrees to give appropriate written instructions to public authorities for taxes, assessments, and public charges payable by Tenant to make sure that statements and billings will be mailed directly by public authorities to Tenant at the address set forth in Section 30. Tenant shall deliver to Landlord, on demand, original receipts or photocopies evidencing payment of all taxes, assessments, and public charges payable by Tenant. Provided that Tenant has received notice of the levying of a tax, assessment or charge, if Tenant fails to pay taxes, assessments, and charges on or before the last day on which payment may be made without penalty or interest, other than as provided for in this Section 9, Landlord may, but shall not be obligated to, pay those taxes, assessments, or charges, together with interest and penalties. Any amounts that Landlord may pay pursuant to this provision, together with interest at the rate of ten percent (10%) per annum, shall be repaid to Landlord by Tenant on demand as additional rent.
- 9.3 All real estate taxes levied on the Property for the tax year in which the Commencement Date falls shall be appropriately prorated between Landlord and Tenant, so that Tenant's share will reflect the portion of that tax year in which Tenant had possession of the Property under this Lease. Tenant shall pay Tenant's share of the taxes directly to Landlord and not to the public authorities charged with the collection. That payment shall constitute full performance by Tenant, and Landlord shall pay from those funds and Landlord's own funds all of the taxes for that tax year. Taxes levied on the Property for the tax year in which the Termination Date occurs shall be similarly prorated between Landlord and Tenant to reflect the period of Tenant's possession of the Property during that tax year. Tenant shall pay Tenant's share of those taxes to Landlord directly rather than to the public authorities, and that payment shall constitute full performance under this Lease with respect to this tax liability.

In the event of reassessment of the Building or Property resulting from a sale, refinancing or disposition of the Building or any interest therein, any change in ownership or any renovation by Landlord or new construction by Landlord in the Building during the Term (or extensions), Landlord should be 100% responsible for the increase in real estate taxes over the Base Year.

- 9.4 Tenant shall not be required to pay, discharge, or remove any tax (including penalties and interest), assessment, tax lien, forfeiture, or other imposition or charge against the Property or any part of the Property or any improvements, so long as Tenant diligently and in good faith contests the validity or the legality of the assessment, levy, or charge by appropriate legal proceedings, which should prevent the collection of the tax, assessment, imposition, or charge contested; provided however, that Tenant, prior to the date that the tax, assessment, imposition, or charge is due and payable, shall either have paid it under protest or shall have, (i) in the case of real estate taxes, posted a bond with Landlord sufficient to cover the amount of the taxes and penalties and interest and, (ii) in the case of taxes other than real estate taxes, given to Landlord a letter executed by an officer of Tenant assuring Landlord that the tax, assessment, imposition, or charge will be paid when and to the extent that the legal proceedings conclude in a final determination that the tax, assessment, imposition, or charge is valid, legal and owing. Upon such final determination, Tenant agrees to immediately pay the contested tax, assessment, imposition, or charge, together with all interest and penalties, if any, and remove and discharge any lien or forfeiture arising from the prior nonpayment. If any proceedings are brought by Tenant, Tenant agrees to indemnify Landlord for all reasonable loss, cost, or expense that may be imposed on Landlord in connection with the proceeding. Tenant's right to contest taxes as provided in this Lease shall not extend beyond the point where Landlord's title to the Property could be lost. In any event, Tenant shall notify Landlord in advance of any tax contest proceedings that Tenant intends to initiate and shall then inform Landlord of all significant developments in the proceedings as they may occur.
- 9.5 If Tenant has not paid any tax, assessment, or public charge required by this Lease to be paid by Tenant before its delinquency, or if a tax, assessment, or public charge is contested by Tenant and that tax, assessment, or public charge has not been paid within thirty (30) days after a final determination of the validity, legality, or amount of the tax, assessment or public charge, then Landlord may, but shall not be required to, pay and discharge the tax, assessment, or public charge. If a tax, assessment, or public charge, including penalties and interest, are paid by Landlord, the amount of that payment shall be due and payable to Landlord by Tenant with the next succeeding installment of rent, and shall bear interest at the rate of ten percent (10%) per annum from the date of the payment by Landlord until repayment by Tenant.
- 9.6 If any assessments for local improvements become a lien after the Commencement Date, Tenant shall pay only the installments of the assessments that become due and payable during the Term. On the request of Tenant, Landlord shall cooperate or join with Tenant in any application that may be necessary to permit the payment of the assessments in installments.
- 9.7 The covenants to pay taxes by Tenant in this Section 9 shall not be deemed to include the payment of any inheritance, estate, succession, transfer, gift, franchise, corporation, income, or profit tax, or capital levy that is or may be imposed on Landlord.
10. **Condition of Property.** Except as otherwise expressly provided herein, Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representation or warranty of any kind whatsoever with respect to fitness for use or purpose, design, value, quality of material or workmanship, merchantability or the condition of the Property, or any part thereof, or with respect to the suitability for the conduct of Tenant's business. This Lease is being entered into after full investigation of the Property by Tenant and Tenant is relying solely upon the results of Tenant's own inspections. Tenant acknowledges that the Property and improvements are in good order, repair and condition and Tenant accepts the condition of the Property in its "as is, with all faults" condition.
11. **Repairs and Maintenance.** Tenant waives the provisions of Civil Code Sections 1941 and 1942 and any

other law that would require Landlord to maintain the Property in a tenantable condition or would provide Tenant with the right to make repairs and deduct the cost of those repairs from the rent.

11.1 Landlord's Repairs and Services. Landlord shall at Landlord's expense maintain the structural soundness of the roof, including structural beams of the roof, foundation, and exterior walls of the Property in good repair, reasonable wear and tear and casually damaged excepted. The term "exterior walls" shall not include windows, glass or plate glass, doors, storefronts of office entries. Landlord shall, at Landlord's expense, perform the maintenance, repair or replacement (as determined by Landlord in its sole discretion) of the roof and roof membrane. Any damage caused by or repairs necessitate by any act or omission of Tenant or Tenant's Parties may be repaired by Landlord at Landlord's option and at Tenant's expense, and the costs incurred by Landlord, together with interest at the Applicable Interest Rate from the date incurred, shall be paid to Landlord by Tenant as Additional Rent upon demand. Tenant shall immediately give Landlord written notice of any defect or need for repairs after which Landlord shall have a reasonable time within which to repair the same. Landlord's liability with respect to any defects, repairs, or maintenance for which Landlord is responsible under any of the provision of this Lease shall be limited to the cost of such repairs or maintenance. Landlord shall have no obligation or liability to perform any work under this Article Eleven until Landlord has received written notice of the need for such work and Landlord has been afforded a reasonable time to within which to contract for and obtain performance of the required work.

11.2 Tenant's Repairs and Maintenance. Tenant shall, at Tenant's expense, timely make all necessary repairs, and use diligence to keep in good and safe condition, the remaining portions of the Property as set forth in section A and attached Exhibit A, including without limitation to personal property, windows, mirrors, glass panels, doors, walls and wall finishes, fixtures and hardware, floor covering, heating and air conditioning systems, plumbing and electrical systems and fixtures, light fixtures, alarm system and fire sprinklers, excluding only those items of maintenance or repair which are the responsibility of Landlord under Section 11.1. Tenant shall be responsible for the cost of all consumable items used within the Property, including but not limited to toilet tissue, Kleenex, paper towels and light bulbs. Tenant shall at Tenant's expense also perform regular removal of trash and debris except as provided by routine service provided by Landlord. Tenant shall not damage or disturb the integrity of any wall within the Property. Landlord and Tenant agree that the rights and obligations or the parties regarding the repair and maintenance of the Property are to be governed solely by the provisions of this Lease.

## 12. **Alterations.**

12.1 Tenant shall have the right to make alterations to the building and improvements on the Property only with the prior written consent of the Landlord, which shall not be unreasonably withheld. Tenant shall provide to Landlord of a set of plans and specifications for the alterations no later than forty-five (45) days prior to the scheduled construction. The plans and specifications shall be deemed approved if Landlord does not provide written objection to Tenant on or before fifteen (15) days after receipt of Tenant's plans and specifications. Tenant shall construct the alterations and improvements solely in accordance with the plans and specifications which are approved by Landlord. All improvements, additions, and alterations shall be made using only contractors licensed to perform such work in the State of California, in accordance with applicable laws, and at Tenant's own expense. Tenant shall indemnify and defend Landlord for all liens, claims, or damages caused by remodeling, improvements, additions, or alterations.

12.2 All alterations that are permanently attached to the Property and improvements made to the Property shall become the property of Landlord and shall remain on and be surrendered with the Property at the expiration or sooner termination of this Lease, including any renewals or extensions.

12.3 At least ten (10) days before any construction commences or materials are delivered for any alterations that Tenant is making to the Property, Tenant shall give written notice to Landlord as

to when the construction is to commence, or the materials are to be delivered. Landlord shall then have the right to post and maintain on the Property any notices that are required to protect Landlord and Landlord's interest in the Property from any liens for work and labor performed or materials furnished in making the alterations; provided, however, that it shall be Tenant's duty to keep the Property free and clear of all liens, claims, and demands for work performed, materials furnished, or operations conducted on the Property at the request of Tenant.

- 12.4 Tenant will not at any time permit any mechanics', laborers', or materialmen's liens to stand against the Property for any labor or material furnished to Tenant or claimed to have been furnished to Tenant or Tenant's agents, contractors, or subtenants, in connection with work of any character performed or claimed to have been performed on the Property by or at the direction or sufferance of Tenant; provided, however, that Tenant shall have the right to contest the validity or amount of any lien or claimed lien, upon giving to Landlord a letter executed by Tenant assuring that the lien or claimed lien will be paid, when and to the extent that the lien is finally determined to be valid and owing. Tenant's right, however, to contest these liens shall not extend beyond the point where Landlord's title to the Property could be lost. On final determination of the lien or claim of lien, Tenant will immediately pay any final judgment rendered, with all property costs and charges, and shall have the lien released or judgment satisfied at Tenant's own expense. If Tenant fails to pay the judgment promptly or otherwise fails to prevent any sale, foreclosure, or forfeiture of the Property because of a lien, Landlord shall have the right, upon five (5) days' written notice to Tenant, to pay or prevent this action, and the amount paid by Landlord shall be immediately due and payable to Landlord, and shall bear interest at the rate of ten percent (10%) per annum from the date of payment by Landlord until repayment by Tenant.
13. **Entry.** Tenant shall permit Landlord or Landlord's agents, representatives, and employees to enter the Property at all reasonable times and upon reasonable notice to inspect the Property to determine whether Tenant is complying with the terms of this Lease and to do other lawful acts that may be necessary to protect Landlord's interest in the Property under this Lease or to perform Landlord's duties under this Lease.
14. **Surrender of Property, Holding Over.** On the Termination Date or the end of any extension or renewal of this Lease, Tenant shall promptly surrender and deliver the Property to Landlord in as good condition as they are now at the date of this Lease, reasonable wear and tear excepted.
15. **Indemnity.** Tenant agrees to indemnify, defend and hold Landlord harmless from and against any claims, demands, and causes of action of any nature and any expense incident to the defense, for injury to or death of persons or loss of or damage to property occurring on or about the Property that grow out of or are connected with Tenant's use or occupancy of the Property or the condition of the Property during the Term, Except for any losses arising as a result of Landlord's negligence or willful misconduct. Tenant's obligations under this Section shall survive termination of this Lease.
16. **Insurance.**
- 16.1 At all times during the Term, Landlord shall maintain in full force and effect insurance on the building and improvements that may be built or placed on the Property, against the hazard of fire, with all standard extended coverage, in an amount equal to their full insurable value, with a replacement cost endorsement, excluding the cost of excavation and of foundation below the level of the ground and such other insurance as Landlord considers necessary or appropriate. Tenant shall pay to Landlord as additional rent the insurance premium costs for the insurance which Landlord maintains under this Section 16. Tenant shall pay Landlord for the insurance premium cost that Tenant is obligated to pay under this Section 16 in one of the following ways. The selection of which of the methods described below shall be the method by which Tenant shall pay shall be in the sole discretion of Landlord and may be changed by Landlord from time to time throughout the Term.

- 16.1.1 Landlord may estimate or may provide actual insurance billing statement and bill to Tenant the amount to be paid by Tenant on account of the insurance premium cost hereunder, and Tenant shall make monthly payments to Landlord, in the same manner that Tenant pays the Monthly Rent.
- 16.1.2 In the alternative, Landlord may bill Tenant, and Tenant shall pay, as follows. At the commencement of each policy period for each such policy of insurance, Landlord shall notify Tenant of the insurance premium costs for that policy of insurance and that policy period. Tenant shall pay to Landlord the insurance premium costs within thirty (30) days after written notice from Landlord to Tenant of the amount of the required premium payment.
- 16.2 Tenant shall procure and maintain commercial general liability insurance designating Landlord as a named insured against any and all claims for bodily injury and property damage occurring in, or about the Property (including without limitation damage or injury to vehicles or persons in the parking lot located on the Property) or arising out of Tenant's use or occupancy of the Property. Such insurance shall have a combined single limit of not less than two million dollars (\$2,000,000) per occurrence with a five million dollar (\$5,000,000) aggregate limit. Such liability insurance shall be primary and not contributing to any insurance available to Landlord and any insurance maintained by Landlord shall be excess thereto. In no event shall the limits of such insurance be considered as limiting the liability of Tenant under this Lease.
- 16.3 Each policy of insurance shall be issued by a responsible insurance company authorized to do business in California, and shall be issued in the names of Landlord, Tenant, and any beneficiary under any deed of trust covering the Property, if required by the deed of trust, as their respective interests may appear. Tenant shall deliver a certificate for each insurance policy to Landlord with all relevant endorsements. Each policy of insurance shall be primary and noncontributory with any policies carried by Landlord and, to the extent obtainable, any loss shall be payable notwithstanding any act or negligence of Landlord that might otherwise result in forfeiture of insurance. Each insurance policy shall provide that a thirty (30) day notice of cancellation and of any material modification of coverage shall be given to all named insureds. The insurance coverage required under this Section may be carried by Tenant under a blanket policy insuring other locations of Tenant's business, provided that the Property covered by this Lease are specifically identified as included under that policy. Tenant agrees that upon the failure to insure as provided in this Lease, or to pay the premiums in the insurance, Landlord may contract for the insurance and pay the premiums, and all sums expended by Landlord for the insurance shall be considered additional rent under this Lease and shall be immediately repayable by Tenant.
- 16.4 Tenant shall, during the Term and any renewals or extensions, maintain at Tenant's own cost and expense, an insurance policy insuring against damage or destruction by fire, theft, or the elements for their full insurable value all fixtures and equipment that is on the Property at any time during the Term or any renewal or extension.
- 16.5 At all times during the Term and any extensions or renewals, Tenant agrees to keep and maintain, or cause Tenant's agents, contractors, or subcontractors to keep and maintain, workers' compensation insurance and other forms of insurance as may from time to time be required by law or may otherwise be necessary to protect Landlord and the Property from claims of any person who may at any time work on the Property, whether as a servant, agent, or employee of Tenant or otherwise. This insurance shall be maintained at the expense of Tenant or Tenant's agents, contractors, or subcontractors and not at the expense of Landlord.
- 16.6 Landlord agrees that it will tender and turn over to Tenant or to Tenant's insurers the defense of any claims, demands, or suits instituted, made, or brought against Landlord or against Landlord and Tenant jointly, within the scope of this Section. However, Landlord shall have the right to approve the selection of legal counsel, to the extent that selection is within Tenant's control, which approval shall not be unreasonably withheld. In addition, Landlord shall retain the right at



Landlord's election to have Landlord's own legal counsel participate as co-counsel, to the extent that claims are made that may not be covered by Tenant's insurers.

- 16.7 Notwithstanding anything herein to the contrary, Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss of, or damage to, either parties' property, to the extent that such loss or damage is insured by an insurance policy required to be in effect at the time of such loss or damage. Each party shall obtain any special endorsements, if required by its insurer whereby the insurer waives its rights of subrogation against the other party.

17. **Trade Fixtures.**

- 17.1 Tenant shall have the right, at any time and from time to time during the Term and any renewals or extensions, at Tenant's sole cost and expense, to install and affix on the Property items for use in Tenant's trade or business, which Tenant deems advisable (collectively "Trade Fixtures"). Trade Fixtures installed in the Property by Tenant shall remain the property of Tenant and may be removed at the expiration of the Term or any extension, provided that any damage to the Property caused by the removal of the Trade Fixtures shall be repaired by Tenant, and further provided that if Tenant elects to abandon any Trade Fixtures, Landlord shall have the right to either keep any abandoned Trade Fixtures or require Tenant to remove the Trade Fixtures that Tenant has otherwise elected to abandon.

- 17.2 Any Trade Fixtures that are not removed from the Property by Tenant within thirty (30) days after the Termination Date shall be deemed abandoned by Tenant and shall automatically become the property of Landlord as owner of the real property to which they are affixed.

18. **Signs.** Tenant may display signage near the main entrance of the Property and along the Los Palos Drive indicating the Property as the location of "Salinas Valley Medical Clinic." Tenant shall maintain signage in good appearance and repair at all times during this Lease. At the Termination Date, any signage not removed from the Property by Tenant may, without damage or liability, be destroyed by Landlord.

19. **Damage and Destruction.**

- 19.1 If the Property are damaged or destroyed by any casualty then Landlord may, but shall have no obligation to, elect to repair, reconstruct, or restore the Property after any such damage or destruction thereto, by giving notice of such election in writing to Tenant within sixty (60) days after the occurrence of the event causing the damage or destruction. If Landlord elects to repair, reconstruct, or restore in accordance with this Section 19.1, this Lease shall continue in full force and effect and Landlord shall proceed with due diligence to complete the repair, reconstruction or restoration so far as practicable and allowed by applicable law. If Landlord elects not to repair, reconstruct, or restore the Property after any such damage or destruction, Landlord shall have the right to terminate this Lease. If Landlord shall not elect to terminate this Lease, this Lease shall remain in full force and effect; provided, however, that if the damage or destruction of the Property is such that the Property have been rendered untenable (and Landlord has not elected to repair, reconstruct or restore), Tenant shall have the right to terminate this Lease by written notice to Landlord given within thirty (30) days following the expiration of such sixty (60)-day period. If this Lease shall be terminated as provided in this Agreement, all amounts paid or payable by Tenant to Landlord shall, where applicable, be prorated between Landlord and Tenant as of the date of such damage or destruction; provided, that if Tenant remains open for business following the date of such damage or destruction this Lease shall continue in effect until the date actual notice of termination is given as provided herein and all amounts hereunder shall be prorated as of the date of such notice.

- 19.2 If Landlord elects under Section 19.1 to repair, reconstruct or restore the Property after any damage or destruction thereto, Tenant shall, at its own expense, as soon as reasonably practicable replace or fully repair, reconstruct or restore its fixtures, improvements, furniture, equipment, signs and all other property to the condition existing immediately prior to the damage or destruction, to the

extent practicable and permitted by applicable law.

- 19.3 Tenant shall have no interest in or any claim to any portion of the proceeds of any insurance maintained pursuant to Section 16.1.
- 19.4 If damage to the Property or repair or rebuilding of the Property after such damage renders the Property untenable in whole or in part, and Landlord repairs such damage pursuant to the provisions of Section 19.1, then a proportionate abatement of the Monthly Rent (but not any other monetary obligations due hereunder) shall be allowed from the date on which such damage occurs until the date the damage is repaired by Landlord under Section 19.1. The proportionate abatement shall be computed on the basis of the relation which the gross square foot area of space rendered untenable bears to the total square footage of the Property.

20. **Condemnation.**

- 20.1 If, during the Term or any renewal or extension, the whole of the Property shall be taken pursuant to any condemnation proceeding, this Lease shall terminate as of 12:01 a.m. of the date that actual physical possession of the Property is taken, and after that, both Landlord and Tenant shall be released from all obligations under this Lease.
  - 20.2 If, during the Term or any renewal or extension, only a part of the Property is taken pursuant to any condemnation proceeding and the remaining portion is not suitable or adequate for the purposes for which Tenant was using the Property prior to the taking, or if the Property should become unsuitable or inadequate for those purposes by reason of the taking of any other property adjacent to the Property pursuant to any condemnation proceeding, or if by reason of any law or ordinance the use of the Property for the purposes specified in this Lease shall become unlawful, then and after the taking or after the occurrence of the other described events, Tenant shall have the option to terminate this Lease. The option can be exercised only after the taking or after the occurrence of the other described events by Tenant giving ten (10) days' written notice to Landlord, and rent shall be paid only to the time when Tenant surrenders possession of the Property.
  - 20.3 If only a part of the Property is taken pursuant to any condemnation proceeding under circumstances that Tenant does not have the option to terminate this Lease as provided in this Section, or having the option to terminate, Tenant elects not to terminate, then Landlord shall at Landlord's expense promptly proceed to restore the remainder of the Property to a self-contained architectural unit, and the Monthly Rent payable shall be reduced effective as of the date of the taking to an amount that shall be in the same proportion to Monthly Rent payable prior to the taking, as the number of square feet of floor area within the building remaining after the taking bears to the number of square feet of floor area within the building immediately prior to the taking.
  - 20.4 If the whole or any part of the Property are taken pursuant to any condemnation proceeding, then Landlord shall be entitled to the entirety of any condemnation award except that portion allocable to Tenant's unsalvageable Trade Fixtures.
21. **Assignment and Subletting.** Tenant, except for an affiliated of Tenant, shall not assign this Lease or sublet any portion of the Property without the prior written consent of Landlord, which shall not be unreasonably withheld. Subsequent to any approved assignment, Tenant shall remain primarily liable for the rent to be paid under this Lease and the performance of all terms and conditions of this Lease.
22. **Default.** Any of the following events or occurrences shall constitute a material breach of this Lease by Tenant and, after the expiration of any applicable grace period, shall constitute an event of default (each an "Event of Default"):
- 22.1 The failure by Tenant to pay any amount in full when it is due under the Lease;
  - 22.2 The failure by Tenant to perform any obligation under this Lease, which by its nature Tenant has no capacity to cure;

- 22.3 The failure by Tenant to perform any other obligation under this Lease, if the failure has continued for a period of ten (10) days after Landlord demands in writing that Tenant cure the failure. If, however, by its nature the failure cannot be cured within ten (10) days, Tenant may have a longer period as is necessary to cure the failure, but this is conditioned upon Tenant's promptly commencing to cure within the ten (10)-day period and thereafter diligently completing the cure. Tenant shall indemnify and defend Landlord against any liability, claim, damage, loss, or penalty that may be threatened or may in fact arise from that failure during the period the failure is uncured.
- 22.4 A general assignment by Tenant for the benefit of Tenant's creditors; any voluntary filing, petition, or application by Tenant under any law relating to insolvency or bankruptcy, whether for a declaration of bankruptcy, a reorganization, an arrangement, or otherwise; the abandonment, vacation, or surrender of the Property by Tenant without Landlord's prior written consent; or the dispossession of Tenant from the Property (other than by Landlord) by process of law or otherwise.
- 22.5 The appointment of a trustee or receiver to take possession of all or substantially all of Tenant's assets; or the attachment, execution or other judicial seizure of all or substantially all of Tenant's assets located at the Property or of Tenant's interest in this Lease, unless the appointment or attachment, execution, or seizure is discharged within thirty (30) days; or the involuntary filing against Tenant of a petition to have Tenant declared bankrupt, or a petition for reorganization or arrangement of Tenant under any law relating to insolvency or bankruptcy, unless, in the case of any involuntary filing, it is dismissed within sixty (60) days;
- 22.6 The abandonment of the Property by Tenant.
23. **Remedies.** Upon the occurrence of an Event of Default, Landlord, in addition to any other rights or remedies available to Landlord at law or in equity, shall have the right to:
- 23.1 Terminate this Lease and all rights of Tenant under this Lease by giving Tenant written notice that this Lease is terminated, in which case Landlord may recover from Tenant the aggregate sum of:
- 23.1.1 The worth at the time of award of any unpaid rent that had been earned at the time of termination.
- 23.1.2 The worth at the time of award of the amount by which (A) the unpaid rent that would have been earned after termination until the time of award exceeds (B) the amount of the rental loss, if any, as Tenant affirmatively proves could have been reasonably avoided;
- 23.1.3 The worth at the time of award of the amount by which (A) the unpaid rent for the balance of time term after the time of award exceeds (B) the amount of rental loss, if any, as Tenant affirmatively proves could be reasonably avoided.
- 23.1.4 Any other amount necessary to compensate Landlord for all the detriment caused by Tenant's failure to perform Tenant's obligations or that, in the ordinary course of things, would be likely to result from Tenant's failure; and
- 23.1.5 All other amounts in addition to or in lieu of those previously set out as may be permitted from time to time by applicable California law.

As used in clauses (i) and (ii) of Section 23.1, the worth at the time of award is computed by allowing interest at the rate of ten percent (10%) per annum. As used in clause (iii) of Section 23.1, the worth at the time of award is computed by discounting that amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%). As used in this Section, the term rent shall include Monthly Rent and any other payments required

by Tenant under this Lease.

- 23.2 Continue this Lease, and from time to time, without terminating this Lease, either:
- 23.2.1 Recover all rent and other amounts payable as they become due or.
- 23.2.2 Relet the Property or any part on behalf of Tenant on terms and at the rent that Landlord, in Landlord's sole discretion, may deem advisable, all with the right to make alterations and repairs to the Property, at Tenant's cost, and apply the proceeds of reletting to the rent and other amounts payable by Tenant. To the extent that the rent and other amounts payable by Tenant under this Lease exceed the amount of the proceeds from reletting, the Landlord may recover the excess from Tenant when due.
- 23.3 Upon the occurrence of an Event of Default, Landlord shall also have the right, with or without terminating this Lease, to re-enter the Property and remove all persons and property from the Property. Landlord may store the property removed from the Property in a public warehouse or elsewhere at the expense and for the account of Tenant.
- 23.4 None of the following remedial actions, alone or in combination, shall be construed as an election by Landlord to terminate this Lease unless Landlord has in fact given Tenant written notice that this Lease is terminated or unless a court of competent jurisdiction decrees termination of this Lease: any act by Landlord to maintain or preserve the Property; any efforts by Landlord to relet the Property; any re-entry, repossession, or reletting of the Property; or any re-entry, repossession, or reletting of the Property by Landlord pursuant to this Section. If Landlord takes any of the previous remedial actions without terminating this Lease, Landlord may nevertheless at any later time terminate this Lease by written notice to Tenant.
- 23.5 If Landlord relets the Property, Landlord shall apply the revenue from the reletting as follows: first, to the payment of any indebtedness other than rent due from Tenant to Landlord; second, to the payment of any cost of reletting, including without limitation finder's fees and leasing commissions; third, to the payment of the cost of any maintenance and repairs to the Property; and fourth, to the payment of rent and other amounts due and unpaid under this Lease. Landlord shall hold and apply the residue, if any, to payment of future amounts payable under this Lease as the same may become due and shall be entitled to retain the eventual balance with no liability to Tenant. If the revenue from reletting during any month, after application pursuant to the previous provisions, is less than the sum of (i) Landlord's expenditures for the Property during that month and (ii) the amounts due from Tenant during that month, Tenant shall pay the deficiency to Landlord immediately upon demand.
- 23.6 After the occurrence of an Event of Default, Landlord, in addition to or in lieu of exercising other remedies, may, but without any obligation to do so, cure the breach underlying the Event of Default for the account and at the expense of Tenant. However, Landlord must by prior notice first allow Tenant a reasonable opportunity to cure, except in cases of emergency, where Landlord may proceed without prior notice to Tenant. Tenant shall, upon demand, immediately reimburse Landlord for all costs, including costs of settlements, defense, court costs, and attorneys' fees that Landlord may incur in the course of any cure.
- 23.7 No security or guaranty for the performance of Tenant's obligations that Landlord may now or later hold shall in any way constitute a bar or defense to any action initiated by Landlord for unlawful detainer or for the recovery of the Property, for enforcement of any obligation of Tenant, or for the recovery of damages caused by a breach of this Lease by Tenant or by an Event of Default.

- 23.8 Except where this is inconsistent with or contrary to any provisions of this Lease, no right or remedy conferred upon or reserved to either party is intended to be exclusive of any other right or remedy, or any right or remedy given or now or later existing at law or in equity or by statute. Except to the extent that either party may have otherwise agreed in writing, no waiver by a party of any violation or nonperformance by the other party of any obligations, agreements, or covenants under this Lease shall be deemed to be a waiver of any subsequent violation or nonperformance of the same or any other covenant, agreement, or obligation, nor shall any forbearance by either party to exercise a remedy for any violation or nonperformance by the other party be deemed a waiver by that party of the rights or remedies with respect to that violation or nonperformance.
24. **Late Charge.** Tenant acknowledges that Tenant's failure to pay any installment of the Monthly Rent or any other amounts due under this Lease as and when due may cause Landlord to incur costs not contemplated by Landlord when entering into this Lease, the exact nature and amount of which would be extremely difficult and impracticable to ascertain. Accordingly, if any installment of the Monthly Rent or any other amount due under the Lease is not received by Landlord as and when due, then, without any notice to Tenant, Tenant shall pay to Landlord an amount equal to five percent (5%) of the past due amount, which the parties agree represents a fair and reasonable estimate of the costs incurred by Landlord as a result of the late payment by Tenant.
25. **Default Interest** If Tenant fails to pay any amount due under this Lease as and when due, that amount shall bear interest at ten percent (10%) per annum from the due date until paid.
26. **Waiver of Breach.** Any express or implied waiver of a breach of any term of this Lease shall not constitute a waiver of any further breach of the same or other term of this Lease; and the acceptance of rent shall not constitute a waiver of any breach of any term of this Lease, except as to the payment of rent accepted.
27. **Estoppel Certificates.** At any time, with at least fifteen (15) days' prior notice by Landlord, Tenant shall execute, acknowledge, and deliver to Landlord a certificate certifying:
- 27.1 The Commencement Date and the Term.
  - 27.2 The amount of the Monthly Rent.
  - 27.3 The dates to which rent and other charges have been paid;
  - 27.4 That this Lease is unmodified and in full force or, if there have been modifications, that this Lease is in full force, as modified, and stating the date and nature of each modification.
  - 27.5 That no notice has been received by Tenant of any default by Tenant that has not been cured except, if any exist, those defaults must be specified in the certificate, and Tenant must certify that no event has occurred that, but for the expiration of the applicable time period or the giving of notice or both, would constitute an Event of Default under this Lease;
  - 27.6 That no default of Landlord is claimed by Tenant, except, if any, those defaults must be specified in the certificate; and
  - 27.7 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 Property or any part of it.
28. **Attorneys' Fees.** If any action at law or in equity is brought to recover any rent or other sums under this Lease, or for or on account of any breach of or to enforce or interpret any of the covenants, terms, or

conditions of this Lease, or for the recovery of the possession of the Property, the prevailing party shall be entitled to recover from the other party as part of prevailing party's costs reasonable attorneys' fees, the amount of which shall be fixed by the court and shall be made a part of any judgment rendered. Each party shall bear its own attorneys' fees and costs incurred in the negotiation and implementation of this Lease.

29. **Authority.** Each person signing this Lease on behalf of a party expressly represents and warrants that he or she has received full and complete authority to sign this Lease on behalf of that party, whether the party is an individual or an entity, by the exercise of any necessary powers governing the execution of contracts by that party and that no further approval of any kind is necessary to bind that party to this Lease.
30. **Notices.** Except as otherwise expressly provided by law, all notices or other communications required or permitted by this Lease or by law to be served on or given to either party to this Lease by the other party shall be in writing and shall be deemed served when personally delivered to the party to whom they are directed, or in lieu of the personal service, upon deposit in the United States Mail, certified or registered mail, return receipt requested, postage prepaid, addressed as follows:

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

Tenant's Property Manager:    C/O California Commercial Real Estate  
   Attn: Property Manager  
   321 E. Romie Lane, Suite B  
   Salinas, CA 93901

To Landlord:                      Steven G. Johnson M.D.  
   1081 Los Palos Drive  
   Salinas, CA 93901

Either party, Tenant or Landlord, may change the address for the purpose of this Section by giving written notice of the change to the other party in the manner provided in this Section.

31. **Successors and Assigns.** Without waiver of the provisions of this Lease concerning assignment, each and all of the rights, benefits, duties, liabilities, and obligations of the parties under this Lease shall inure to the benefit of, and be binding upon, their respective successors and permitted assigns.
32. **Partial Invalidity.** Whenever possible, each provision of this Lease shall be interpreted in such manner as to be effective and valid under applicable law. Any provision of this Lease held to be void or unenforceable under applicable law shall be deemed stricken and all remaining provisions of this Lease shall continue to be valid and binding upon the parties.
33. **Entire Agreement.** This instrument constitutes the sole agreement between Landlord and Tenant respecting the Property, the leasing of the Property to Tenant, and the specified lease term, and correctly sets forth the obligations of Landlord and Tenant. Any agreement or representations respecting the Property or their leasing by Landlord to Tenant not expressly set forth in this instrument are void.
34. **Time of Essence.** The time limits stated in this Lease are of the essence of this Lease. The performance of the obligations of the parties within the times set forth in this Lease is a material term of this Lease. In the computation of any period of time provided for in this Lease or by law, the day of the act or event from which said period of time runs shall be excluded, and the last day of such period shall be included, unless it is a Saturday, Sunday, or legal holiday, in which case the period shall be deemed to run until the end of the next day which is not a Saturday, Sunday, or legal holiday. All time periods expiring on a specified date or period in this Lease shall be deemed to expire at 5:00 p.m. Pacific Time on such specified date or period.

35. **Monetary Obligations.** All monetary obligations of Tenant to Landlord under the Lease, including but not limited to the Monthly Rent, shall be deemed rent.
36. **Amendments.** No addition, alteration, amendment, change, or modification to this Lease shall be binding upon the parties, or any of them, unless reduced to writing and signed by each and all of the parties.
37. **Subordination.**
- 37.1 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 Property 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. If 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. If any ground lease to which this Lease is subordinate is terminated, Tenant shall attorn to the ground landlord. Tenant agrees to execute any documents, in form and substance reasonably acceptable to Tenant, required to for 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.
- 37.2 If 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 if 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 rent 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 37.1 or, if requested, enters into a new lease for the balance of the term of this Lease on the same terms and provisions in this Lease. Tenant's covenant under Section 37.1 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.
38. **Third Party Rights.** This Lease has been made and is made solely for the benefit of the parties and their respective permitted successors and assigns. Nothing in this Lease, express or implied, is intended to confer upon any individual or entity, other than the parties and their respective permitted successors and assigns, any rights or remedies, nor is anything in this Lease intended to relieve or discharge the obligation or liability of any third persons to any party to this Lease, nor shall any provision give any third persons any right of subrogation or action over or against any party to this Lease.
39. **Cooperation.** Each of the parties agrees to use reasonable and good faith efforts to take, or cause to be taken, all action to do, or cause to be done, and to assist and cooperate with any and all other parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Lease including signing, acknowledging, and delivering any instruments and documents as may be necessary, expedient, or proper, to carry out the intent and purpose of this Lease. Each party agrees to exercise good faith and fair dealing in the performance of its obligations under this Lease.
40. **Governing Law.** This Lease shall be governed by and construed in accordance with California law.
41. **Drafting of Lease.** It is understood and agreed by the parties that this Lease has been arrived at through negotiation and deliberation by the parties, with each party having had the opportunity to review and revise this Lease and to discuss the terms and effect of this Lease with counsel of its choice. Accordingly, any rule

of law or legal decision that would require interpretation of any ambiguities in this Lease against the party that has drafted it is not applicable and is waived.

42. **Interpretation.** This Lease shall be construed as a whole and in accordance with its fair meaning. The organization and format of this Lease (including the numbering of, or the captions, headings, or titles to, any sections or paragraphs of this Lease) are intended solely for convenience of reference and shall not be used to construe the scope, meaning, intent, or interpretation of any part of this Lease. Whenever used in this Lease, the word "including" shall be deemed to be followed by the words "but not limited to." Each number, tense, and gender used in this Lease shall include any other tense, number, or gender where the context and references so require. Any pronoun used in this Lease shall be read in the singular or plural number and in such gender as the context may require.
43. **Counterparts.** This Lease may be signed in any number of counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same complete instrument. The signature page of each counterpart may be detached from such counterpart and attached to a single document which shall for all purposes be treated as an original.
44. **Approval by SVMHS Board of Directors.** This Lease shall be contingent upon the approval by the Salinas Valley Memorial Healthcare System's Board of Directors. Should this contingency not be satisfied or waived in writing by Tenant within thirty (30) days of Lease execution, either party may terminate this Lease.
45. **Renewal Option.** Provided Tenant is not in default of the Terms of the Lease, the Tenant shall have the right to extend the lease term for a single and concurrent 3 years. To exercise its Renewal Option, Tenant shall notify Landlord, in writing, on or before June 30, 2026, of its exercise. Such notice shall clearly state that Tenant is exercising its Renewal Option, be signed and dated and provided for a Landlord signature.

If Tenant exercises its Renewal Option to extend the Term, Tenant shall continue to lease the Premises for the Renewal Term upon the same terms and conditions set forth in this Lease except that the Monthly Base Rent for the first year of the Renewal Term payable by Tenant to Landlord shall increase by three percent (3%) of the last year of the Extension Term (or \$18,790.50). Monthly Base Rent shall thereafter increase, upon each anniversary of the commencement date of the Renewal Term, by three percent (3%) per year for each succeeding year of the Renewal Term.

46. **Net Lease.** Tenant agrees that this Lease is purely net to Landlord and Tenant is responsible for all costs associated with or incurred in respect to the Property excluding only the Landlord maintenance obligation set forth in Section 11.1. If there is a cost or expense incurred or suffered in connection with or related to the Property which is not specifically addressed in this Lease, Tenant shall pay such cost or reimburse Landlord for such cost, within ten (10) days of notice therefor from Landlord to Tenant.
47. **Tenant Improvement.** Landlord shall, at Landlord's sole cost and expense, replace carpet on the stairs and second floor of the Building (the "Tenant Improvement Work") within sixty (60) days of Lease Execution. Landlord shall reasonably coordinate with Tenant for the relocation of office equipment, furniture and furnishings in the Premises as necessary in order to accommodate the Tenant Improvement Work.
48. **Right of First Refusal.** Landlord grants to Tenant a right of first refusal to purchase the Building on the terms and conditions of this section known as the Right of First Refusal. ("ROFR"). The ROFR will be valid for the Extension Term, and shall extend for any option or extension term thereafter.
  - 48.1 **Letter of Intent.** If Landlord intends to offer the Building for sale, or Landlord receives an offer concerning the purchase of the Building from a prospective purchaser which Landlord intends to accept, then before offering the property for sale or accepting an offer to purchase from a prospective purchaser, Landlord shall first notify Tenant of its intent to sell the Building in writing ("Letter of Intent"). The Letter of Intent shall set forth the purchase price and all the material terms and conditions upon which Landlord is willing to sell the Building.



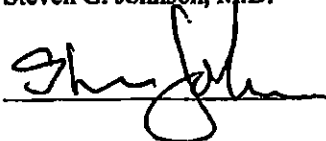
48.2 **Acceptance.** If Tenant wishes to purchase the Building upon the terms and conditions of the Letter of Intent, then within fifteen (15) calendar days after delivery of the Letter of Intent, Tenant shall deliver to Landlord a signed written statement that Tenant intends to purchase the Building based on the terms and conditions of the Letter of Intent ("Tenant's Notice"). If Tenant timely delivers Tenant's Notice, then Landlord shall prepare and deliver to Tenant a written purchase agreement ("Purchase Agreement") setting forth all of the terms and conditions upon which Landlord is willing to sell the Building. If Tenant wishes to accept the Purchase Agreement, then within ten (10) business days after delivery of the Purchase Agreement, Tenant shall sign and deliver the Purchase Agreement without any material change.

48.3 **Termination and Renewal.** If Tenant fails to timely deliver Tenant's Notice or the signed Purchase Agreement, then this ROFR shall be terminated, and Landlord shall have the right to sell the Building to a third party on terms and conditions similar to or more favorable to Landlord than the terms and conditions set forth in the Letter of Intent or the Purchase Agreement; provided, however, if Landlord becomes willing to sell or to accept an offer to purchase the Building for a price less than ninety-five percent (95.0%) of the purchase price or on terms and conditions materially less favorable to Landlord than as originally set forth in the Letter of Intent or the Purchase Agreement, then this ROFR shall be renewed, and Landlord shall again first offer to sell the Building to Tenant pursuant to the foregoing procedure.

The parties hereby execute this Lease as of the Effective Date first above written.

**LANDLORD**

Steven G. Johnson, M.D.



Date: 9/23/22

**TENANT**

Salinas Valley Memorial Healthcare System,  
a California Health Care District



Print Name/Title:

Pete Delgado

Date: 9/27/22

**EXHIBIT A**

Legal Description of the Property

**LEGAL DESCRIPTION**

Real property in the City of Salinas, County of Monterey, State of California, described as follows:

PARCEL 3, AS SAID PARCEL IS SHOWN AND SO DESIGNATED ON THAT CERTAIN PARCEL MAP FILED FOR RECORD JUNE 9, 1975 IN VOLUME 8 OF PARCEL MAPS, AT PAGE 141, IN THE OFFICE OF THE COUNTY RECORDER, COUNTY OF MONTEREY, STATE OF CALIFORNIA.

APN: 002-721-025

# Financial Performance Review

## September 2022

---

**Augustine Lopez**  
**Chief Financial Officer**



# Consolidated Financial Summary

## For the Month of September 2022 – No Normalizing Items

\$ in Millions	For the Month of September 2022				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 63.0	\$ 56.3	\$ 6.7		11.9%
Operating Expense	\$ 58.2	\$ 55.5	\$ (2.7)		-4.9%
<b>Income from Operations*</b>	<b>\$ 4.8</b>	<b>\$ 0.8</b>	<b>\$ 4.0</b>		<b>500.0%</b>
Operating Margin %	7.6%	1.4%	6.2%		442.86%
Non Operating Income**	\$ (2.2)	\$ 1.0	\$ (3.2)		-320.0%
<b>Net Income</b>	<b>\$ 2.6</b>	<b>\$ 1.8</b>	<b>\$ 0.8</b>		<b>44.4%</b>
Net Income Margin %	4.1%	3.1%	1.0%		32.3%

### Favorable performance was driven by:

We received a \$4 million one time payment from our Managed Medicaid Health plan as result of our recent contract negotiation.

Excluding this payment, our income from operations would have met budget due to the following:

- A strong revenue month both predominantly in outpatient services
- Total gross revenues were over budget by \$20 million (10%), though there was an overall decline in patient acuity.
- Total admissions were 133 admits (16%) above budget
- The average daily census was 7% above budget at 123
- Total net patient revenues were \$6.7 million (12%) above budget driven by:
  - OP infusion cases were at 1,072, the highest level in the last 2 years
  - IP and OP surgical cases were above budget by 22% and 10%, respectively
  - Overall the payor mix was unfavorable driven by much higher governmental business
  - Increased patient volume and staffing challenges continue to require higher than expected contract labor and overtime utilization.
- Overall Labor Productivity was favorable by 8% (42 FTEs) due staffing efficiencies and unfilled budgeted positions .

Non Operating Income was lower than expected due market volatility requiring mark to market adjustments in our fixed income portfolio.

# Consolidated Financial Summary

## Year-to-Date September 2022 – No Normalizing Items

\$ in Millions	FY 2022 YTD September			
	Actual	Budget	Variance fav (unfav)	
			\$VAR	%VAR
Operating Revenue	\$ 178.9	\$ 171.2	\$ 7.7	4.5%
Operating Expense	\$ 171.4	\$ 167.7	\$ (3.7)	-2.2%
<b>Income from Operations*</b>	<b>\$ 7.5</b>	<b>\$ 3.5</b>	<b>\$ 4.0</b>	<b>114.3%</b>
<i>Operating Margin %</i>	4.2%	2.1%	2.1%	100.0%
Non Operating Income**	\$ 0.1	\$ 2.9	\$ (2.8)	-96.6%
<b>Net Income</b>	<b>\$ 7.6</b>	<b>\$ 6.4</b>	<b>\$ 1.2</b>	<b>18.8%</b>
<i>Net Income Margin %</i>	4.3%	3.8%	0.5%	13.2%

# SVMH Financial Highlights September 2022

Gross Revenues were Favorable

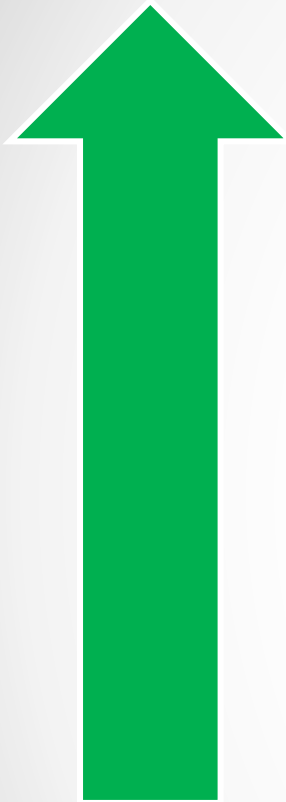
- **Gross Revenues** were 10 % favorable to budget
- **IP Gross Revenues** were 3% favorable to budget
- **ED Gross Revenues** were 13% favorable to budget
- **OP Gross Revenues** were 20% favorable to budget in the following areas:
  - Infusion Therapy
  - Radiology
  - Surgery
  - Cardiology

- **Commercial:** 6% above budget
- **Medicaid:** 21% above budget
- **Medicare:** 8% below budget

Payor Mix – unfavorable to budget

Total Normalized Net Patient Revenues were \$54.1M, which was Favorable to budget by \$7.3M or 15.5%

# Financial Summary – September 2022



- 1) Higher than expected Inpatient business:
  - Average daily census was at 123, 7% above budget of 115
- 2) Total admissions were 16% (133 admits) above budget
  - ER admissions were 16% above budget (98 admits)
- 3) ER Outpatient visits were above budget by 20% at 4,718
- 4) Inpatient Surgeries were 21% (29 cases) above budget at 165
- 5) Higher than expected Outpatient business:
  - Predominantly due to higher than budgeted volumes in Infusion Therapy, Surgery, Radiology, Cardiology and Cath Lab
- 6) Outpatient Surgeries were 11% (25 cases) above budget at 256
- 7) Covid cases decreased to 13 cases, a decrease of 73% over prior month
- 8) OP Observation cases were below budget by 11% at 146
- 9) Medicare Traditional ALOS CMI adjusted was 1% favorable at 2.31 days with a Case Mix Index of 1.7

---

10) Deliveries were 10% (13 deliveries) below budget at 121



# COVID Inpatient Discharge Cases

## Payor Mix Analysis

### Sep 2021 thru Sep 2022

Cases	Month													
Payor	Sep 21	Oct 21	Nov 21	Dec 21	Jan 22	Feb 22	Mar 22	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	
Medicare	11	12	5	18	82	59	9	9	18	25	44	31	7	
Medi-Cal	11	10	6	12	44	27	2	1	4	5	25	10	4	
Commercial	10	7	11	11	38	14	3		1	11	7	5	2	
Other	1		1		3			1			2	3		
<b>Grand Total</b>	<b>33</b>	<b>29</b>	<b>23</b>	<b>41</b>	<b>167</b>	<b>100</b>	<b>14</b>	<b>11</b>	<b>23</b>	<b>41</b>	<b>78</b>	<b>49</b>	<b>13</b>	

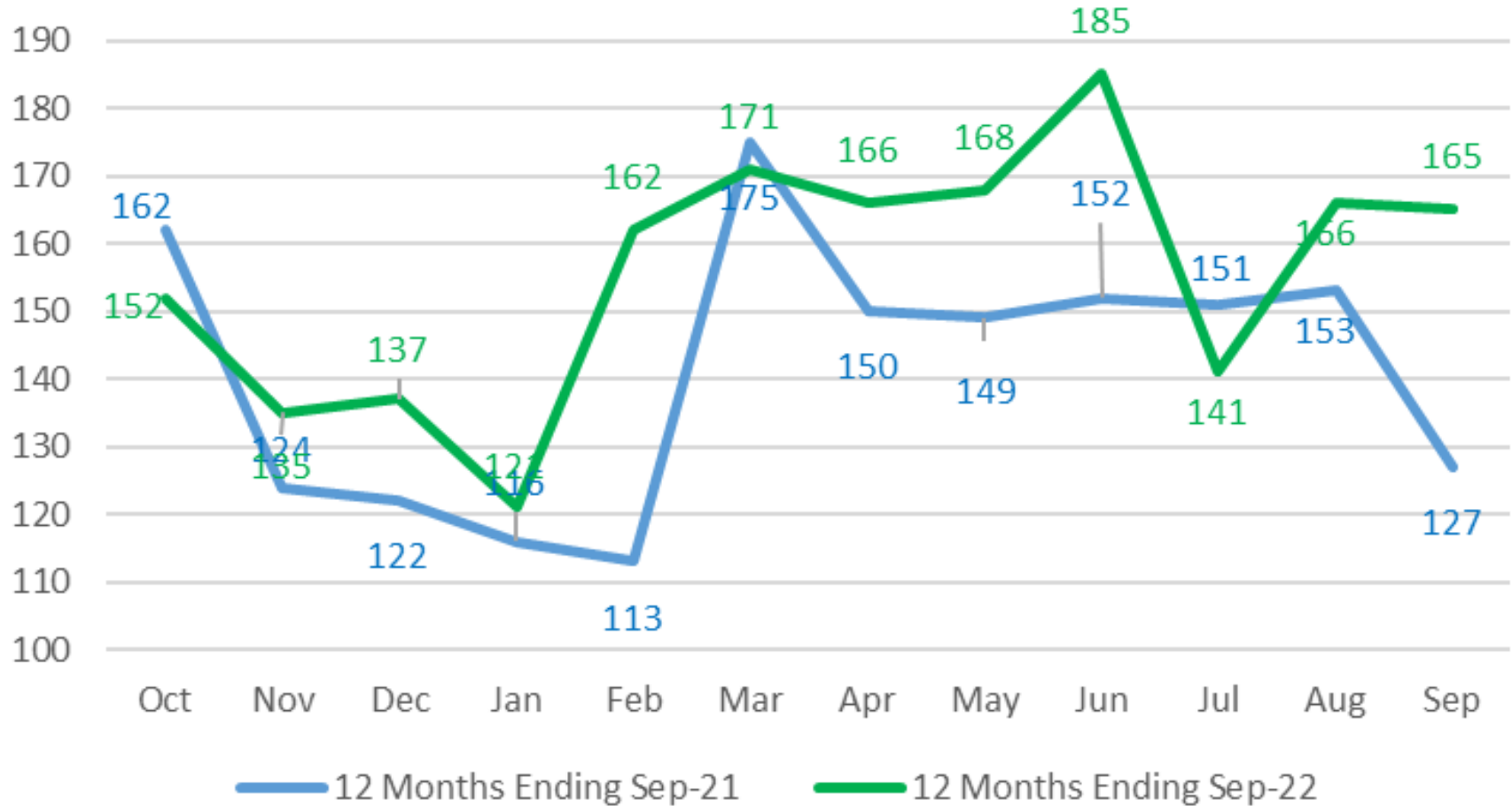
COVID Inpatient cases decreased during September compared to prior month.

Note: COVID Criteria is based any DX U07.1

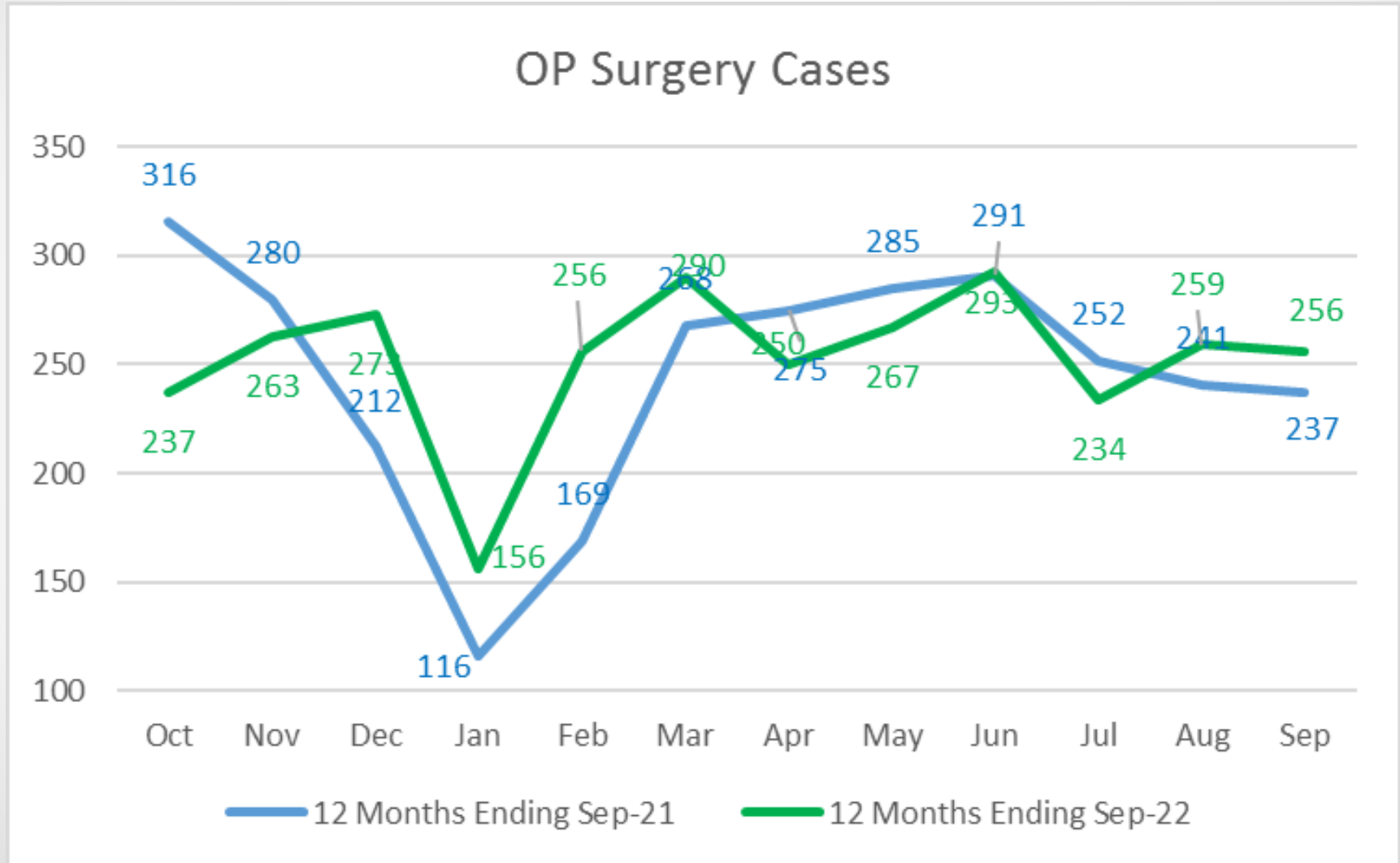


# IP Surgery Cases – September 2022

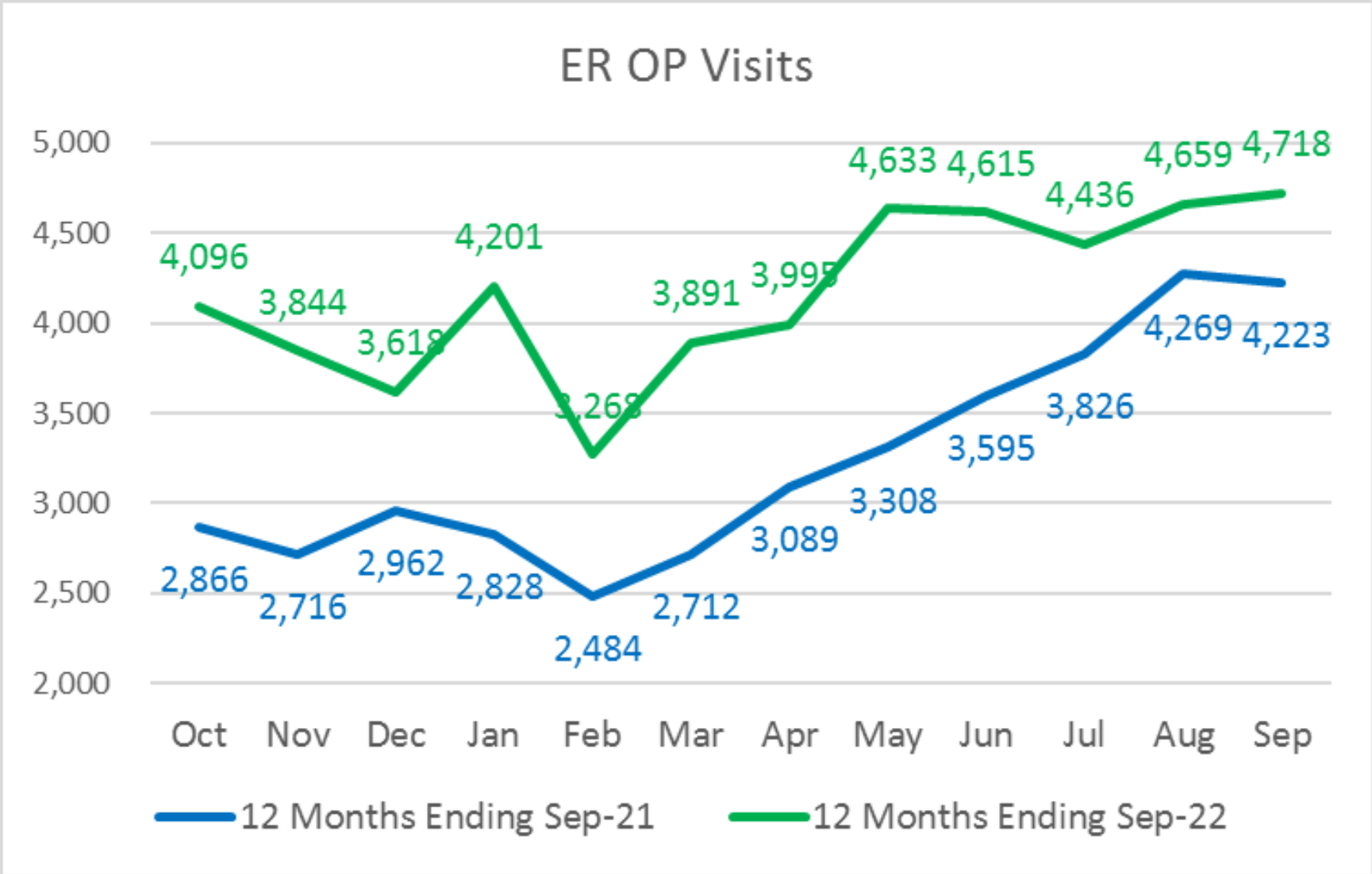
## IP Surgery Cases



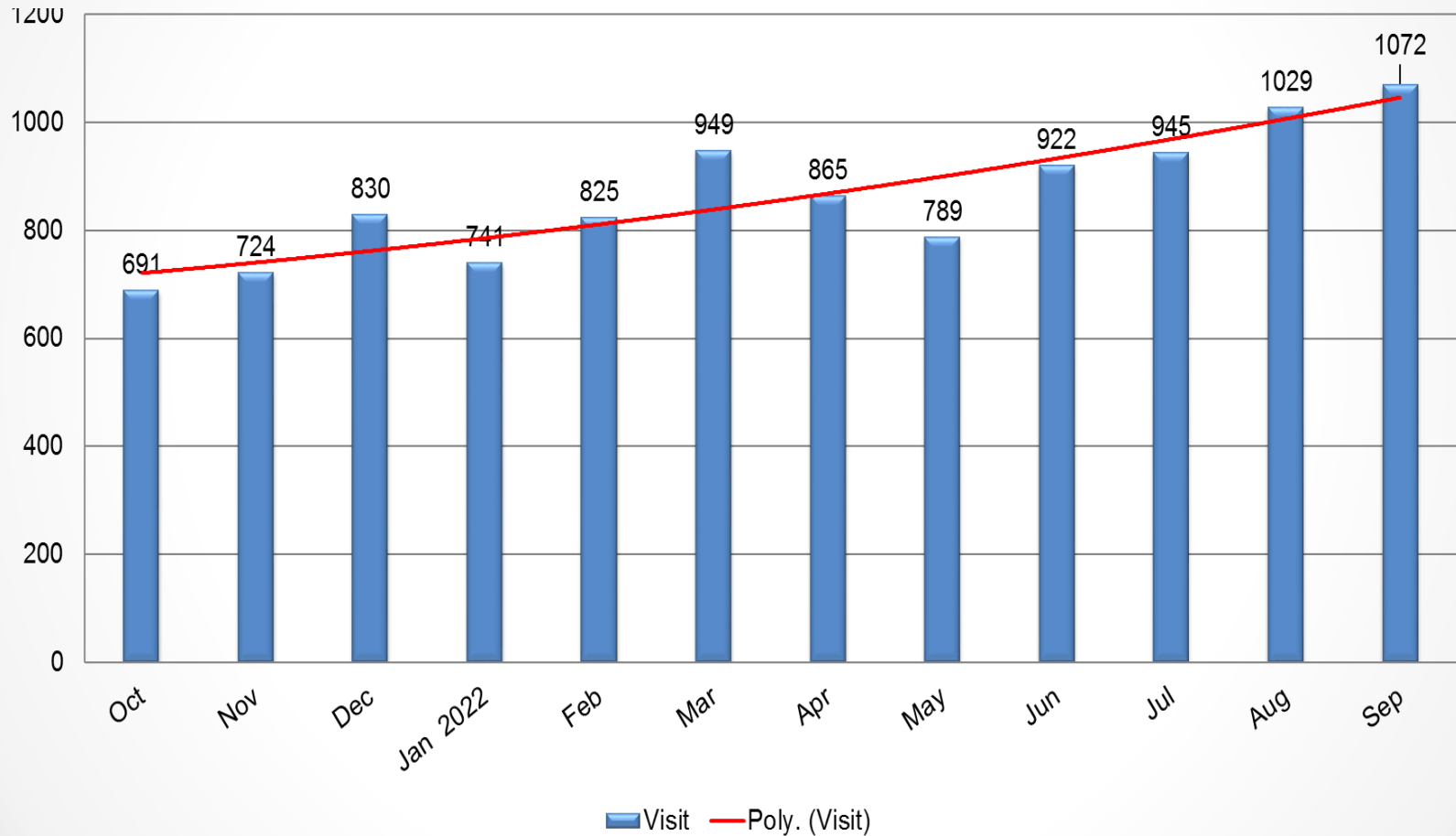
# OP Surgery Cases – September 2022



# ER OP Visits – September 2022

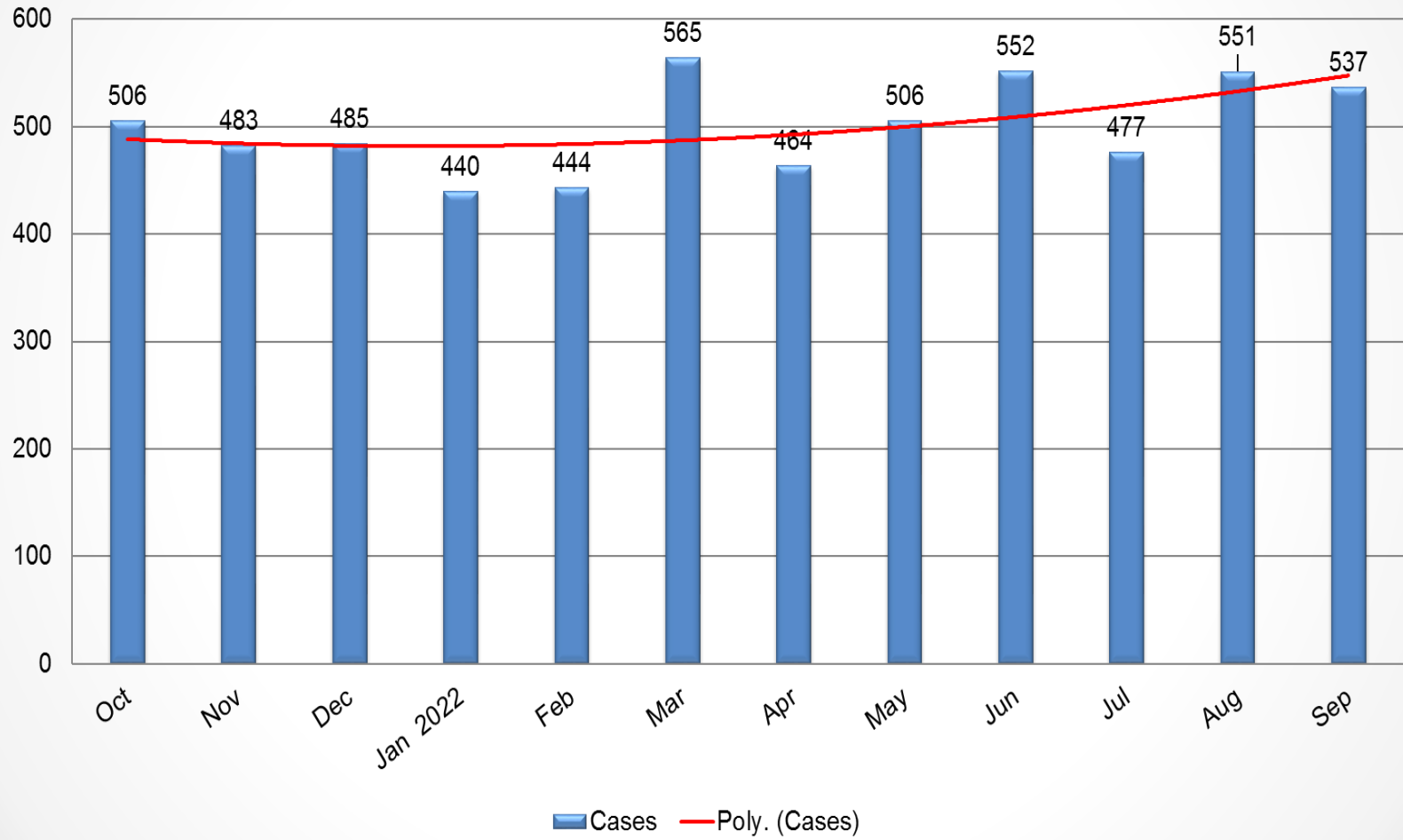


# OP Infusion - Rolling 12 Month Trend (Includes Botox) Oct 2021 thru Sep 2022



# CDOC Cases - Rolling 12 Month Trend

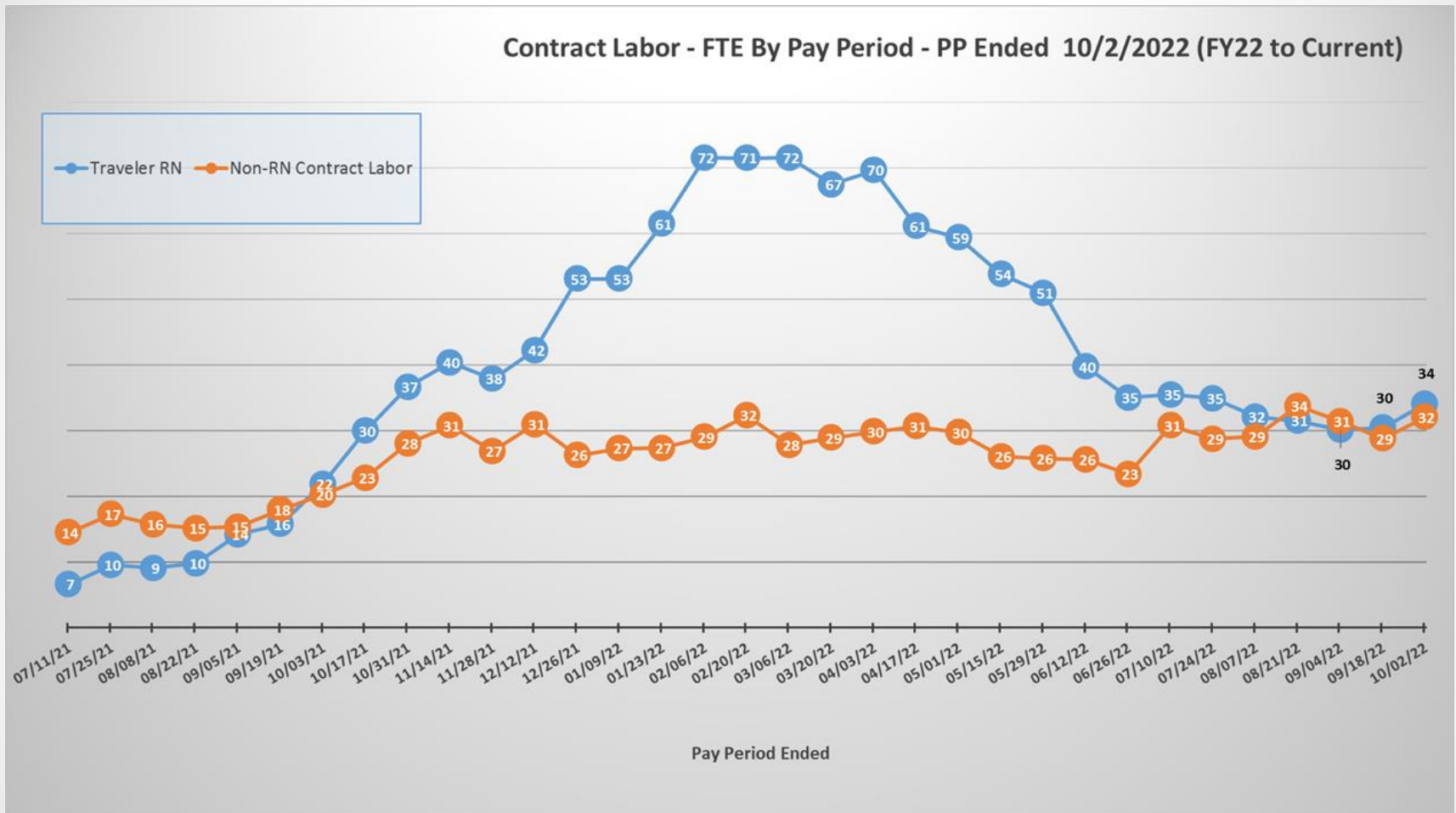
## Oct 2021 thru Sep 2022



# Labor Productivity – September 2022

- 1. Worked FTEs:** During the month of September, worked FTEs on a PAADC basis were **8.1%** favorable at **6.17** with a target of **6.72**. *When reviewed on a unit by unit level, the variance was 41.7 FTEs positive (\$0.6m)*. The key drivers included higher volume than budgeted (115) and budgeted positions not filled. Average Daily Census was down at 123 (-4%) compared to 128 in August. Worked FTEs were flat at 1,504 in September (1,502 in August). Approximately 22 FTEs of the positive worked FTE variance has been due to unfilled “fixed” positions.
- 2. Paid FTEs:** On a PAADC basis paid FTEs were **10.3%** favorable to budget at **7.26 actual vs. 8.10 budget**. Paid FTEs increased slightly from 1,759 in August to 1,769 in September.

# Contract Labor FTE By Pay Period



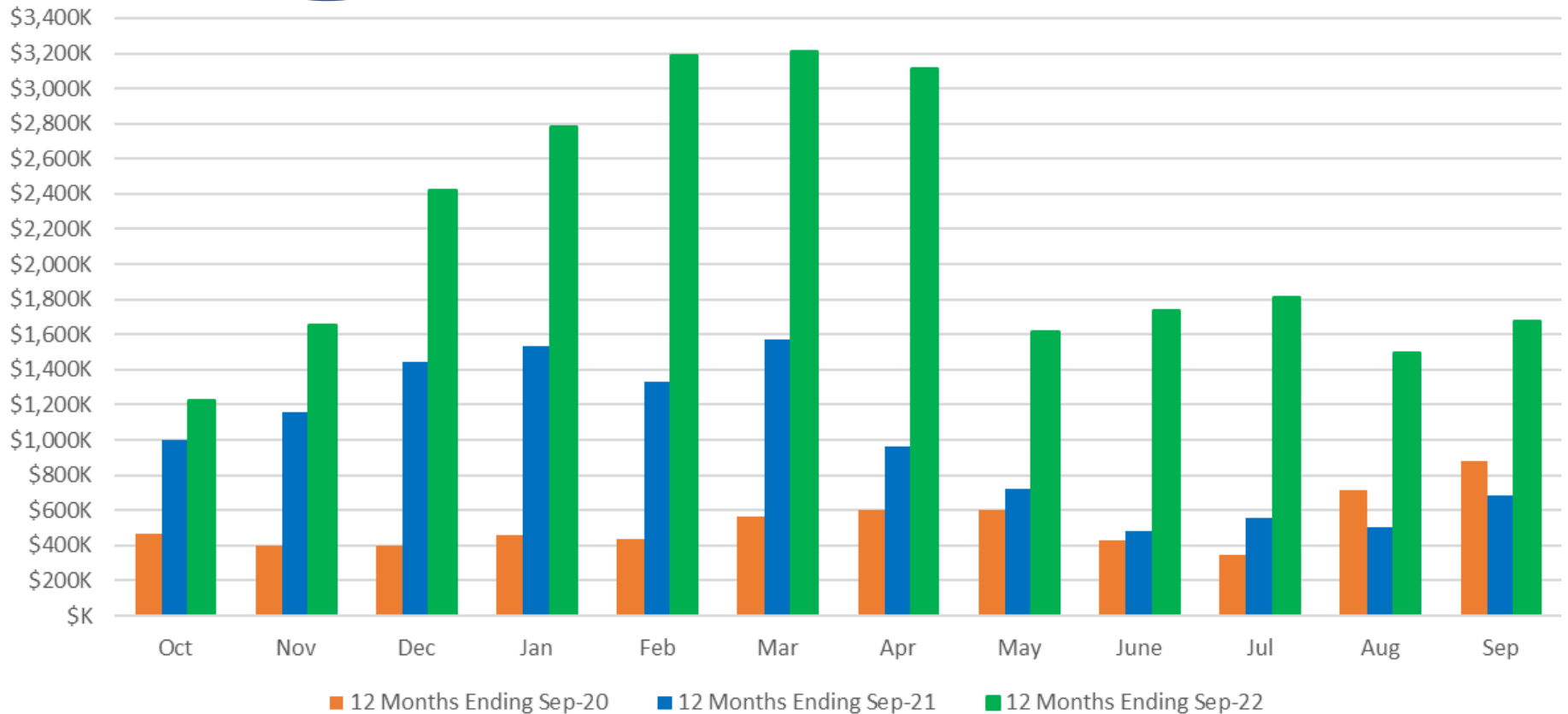
Contract labor continues to be utilized as direct result of staff shortages (national issue). Nurse contract staffing has been stable for several pay periods. Overall use had increased slightly in July driven by continuing hiring challenges in non-nursing areas, this continued in August. The contract labor is used to offset the loss of staff from the Covid vaccine mandates, hiring challenges, and volume growth.

# Registry – September 2022

**Total Registry Costs:**

- 12 mo ended September 22  
=\$21.0M
- 12 mo ended September 21  
=\$10.2M
- 12 mo ended September 20  
=\$4.4M

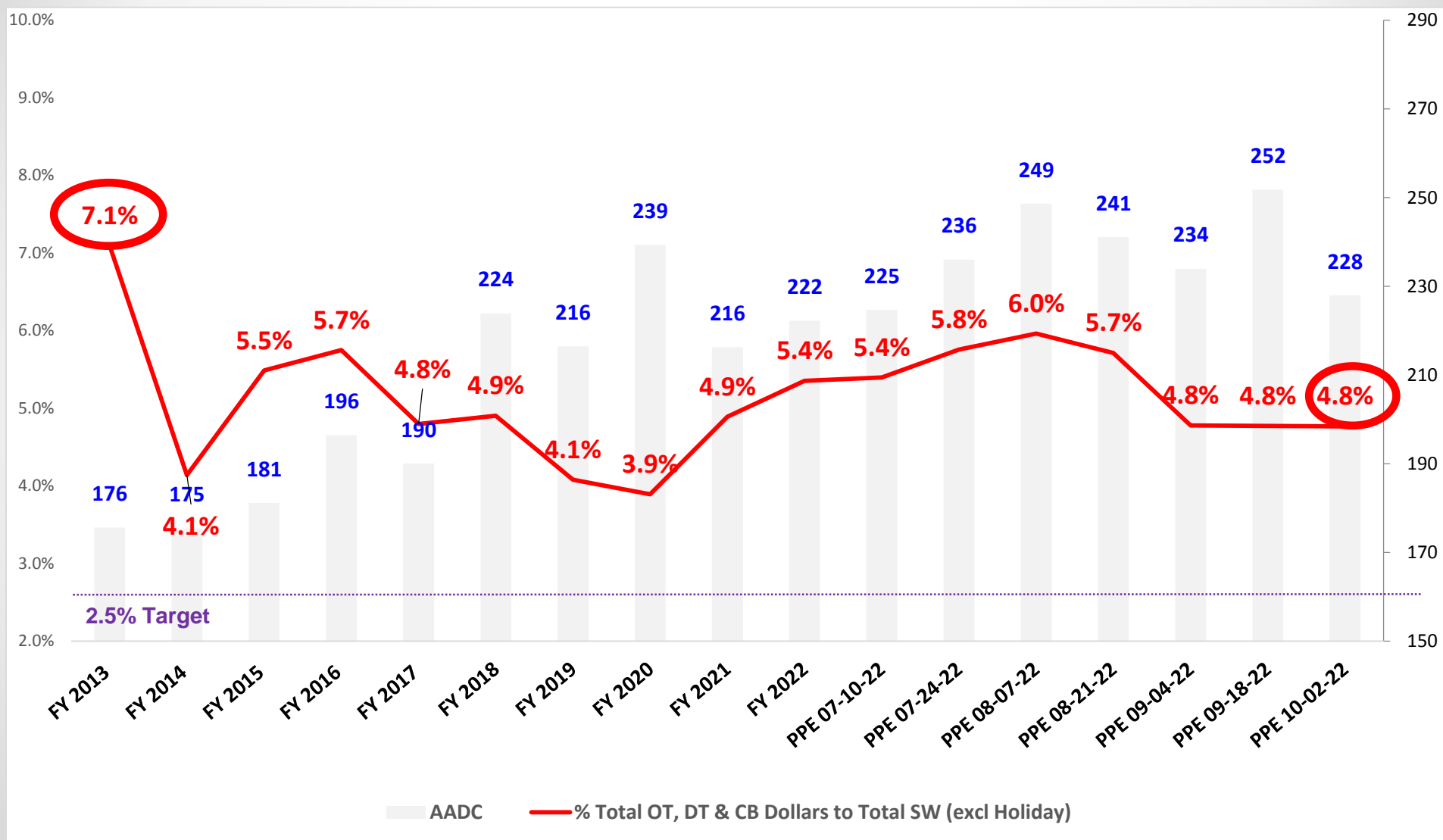
Registry Dollars  
(\$ in thousands)





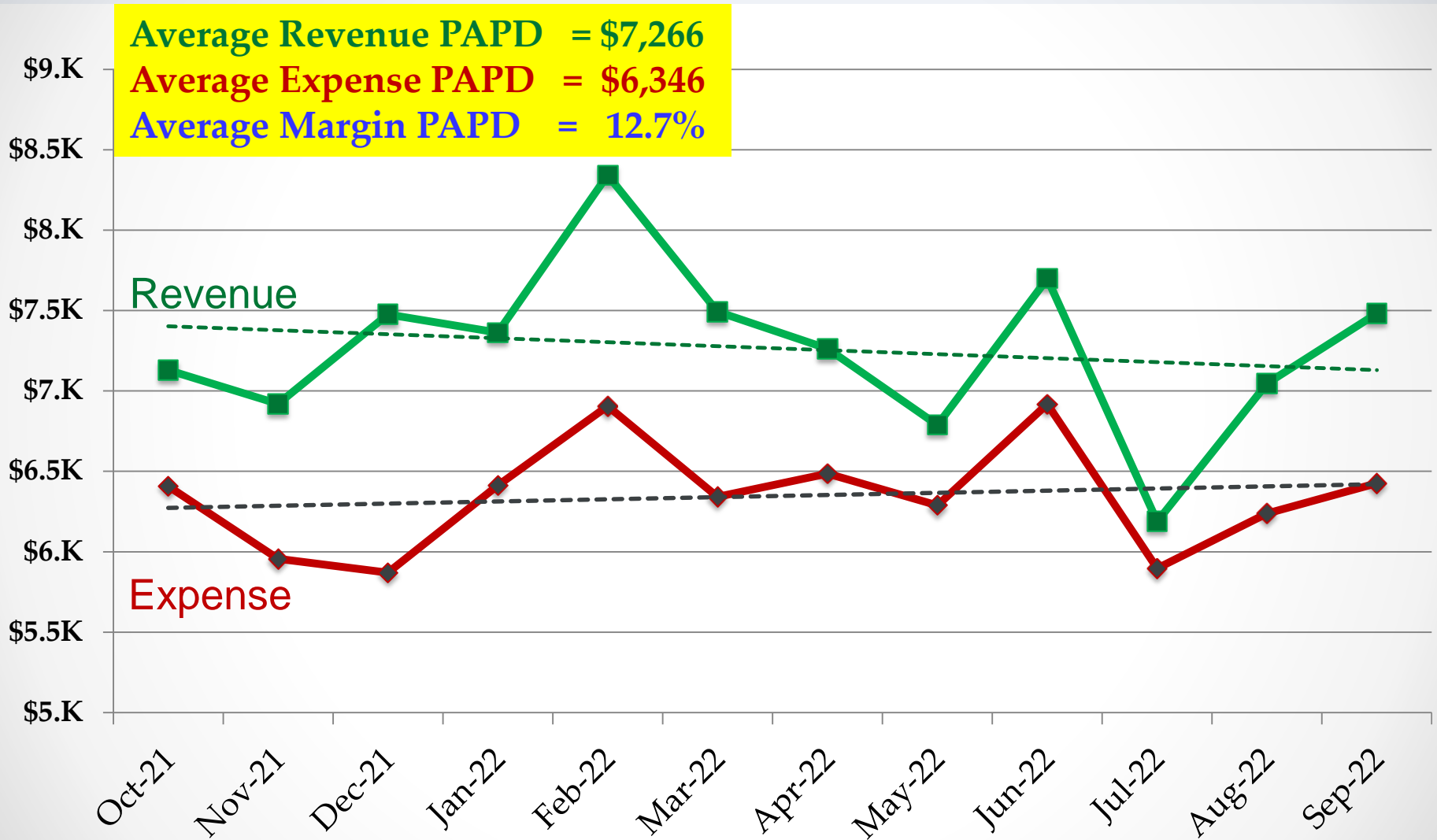
# % of Total OT, DT & CB Dollars to Total S&W

## Updated Thru PPE 10-2-22



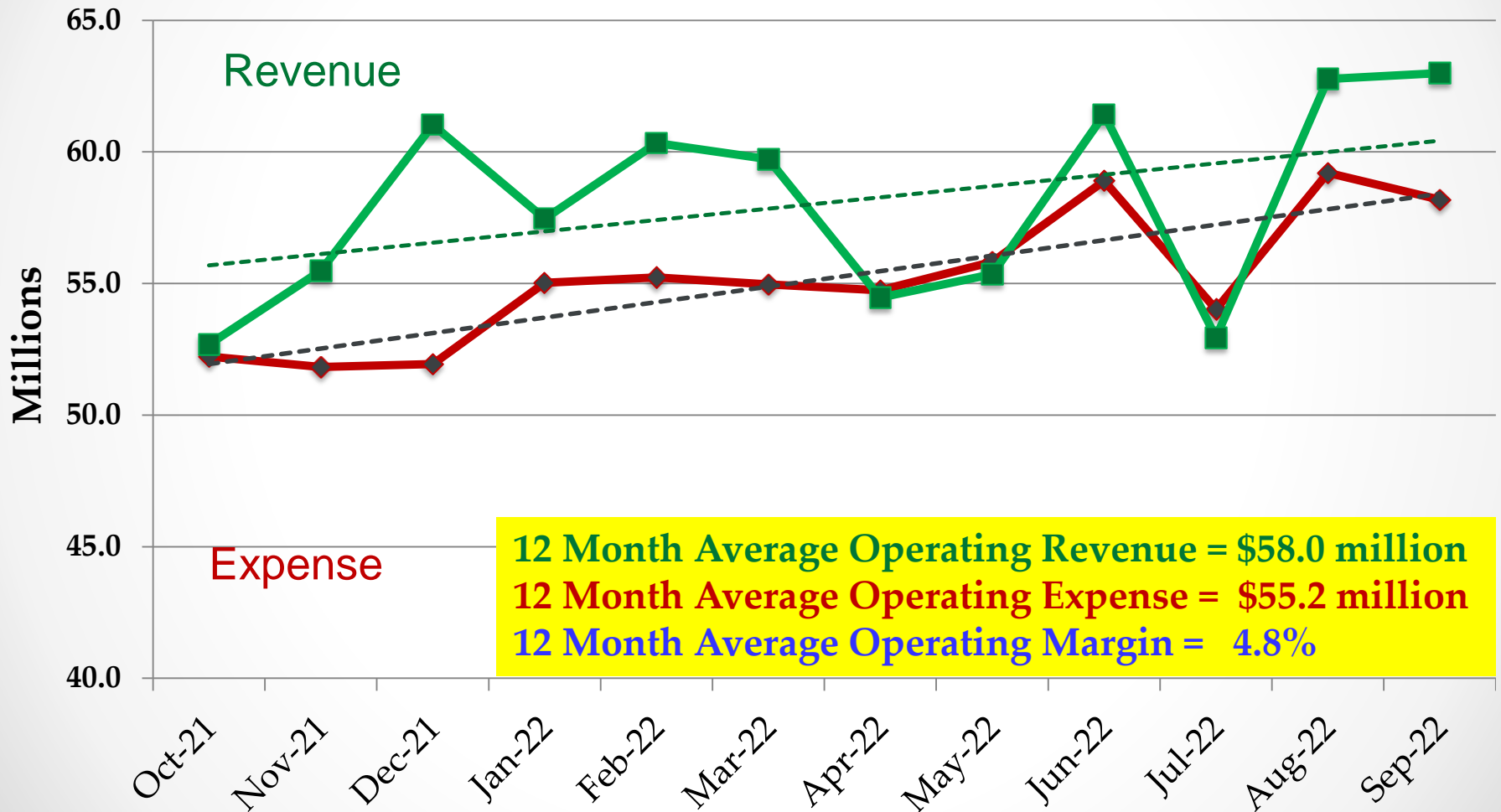
# SVMH Revenues & Expenses Per Adjusted Patient Day (Normalized)

## Rolling 12 Months: October 21 to September 22



# SVMHS Operating Revenues & Expenses (Normalized)

## Rolling 12 Months: October 21 to September 22



# SVMHS Key Financial Indicators

Statistic	YTD	SVMHS	S&P A+ Rated			YTD	
	Sep-22	Target	+/-	Hospitals	+/-	Sep-21	
Operating Margin*	4.2%	5.0%		4.7%		7.6%	
Total Margin*	4.3%	6.0%		8.7%		11.8%	
EBITDA Margin**	8.1%	7.4%		14.6%		13.4%	
Days of Cash*	338	305		387		372	
Days of Accounts Payable*	53	45		-		43	
Days of Net Accounts Receivable***	49	45		52		49	
Supply Expense as % NPR	13.0%	14.0%		-		12.7%	
SWB Expense as % NPR	54.0%	53.0%		55.5%		53.0%	
Operating Expense per APD*	6,291	4,992		-		6,369	

\*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)

# Salinas Valley Memorial Healthcare System

## Days Cash on Hand = 338 Days (\$562M)

### September 2022



2014

2015

2016

2017

2018

2019

2020

2021

2022

# ROUTINE CAPITAL EXPENDITURES Through September 2022

Fiscal Month	FY 2023 Approved Budget *	Total Purchased Expenditures	Remaining	Project	Amount
July	1,666,667	417,301	1,249,366	Starbucks Renovation	88,299
August	1,666,667	865,174	2,050,858	Nuclear Medicine Camera	26,272
September	1,666,667	1,452,278	2,265,247	Omnicell Conversion	16,533
October	1,666,667		3,931,914	CT Scanner Replacement	14,641
November	1,666,667		5,598,581	Other CIP	11,148
December	1,666,667		7,265,247	Total Improvements	156,894
January	1,666,667		8,931,914	Surgery O-Arm with Stealth Workstation	1,110,000
February	1,666,667		10,598,581	Trump Surgical Table for Da Vinci Robot	104,413
March	1,666,667		12,265,247	Zoll Defibrulators - hospital wide	64,690
April	1,666,667		13,931,914	Hospital Specialty Beds	47,347
May	1,666,667		15,598,581	Other equip or disposals	(31,066)
June	1,666,667		17,265,247	Total Equipment	1,295,384
<b>YTD TOTAL</b>	<b>20,000,000</b>	<b>2,734,753</b>	<b>17,265,247</b>	<b>Grand Total</b>	<b>1,452,278</b>

# *QUESTIONS / COMMENTS*

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL**  
**September 30, 2022**

	Month of September,				Three months ended September 30,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 223,337,796	\$ 202,877,354	20,460,442	10.09%	\$ 668,433,199	\$ 622,150,300	46,282,899	7.44%
Deductions from revenue	169,203,073	156,001,206	13,201,867	8.46%	516,092,437	478,642,749	37,449,688	7.82%
Net patient revenue	54,134,723	46,876,148	7,258,575	15.48%	152,340,762	143,507,550	8,833,212	6.16%
Other operating revenue	550,444	1,374,687	(824,243)	-59.96%	2,123,543	4,124,060	(2,000,517)	-48.51%
<b>Total operating revenue</b>	<b>54,685,167</b>	<b>48,250,834</b>	<b>6,434,333</b>	<b>13.34%</b>	<b>154,464,305</b>	<b>147,631,610</b>	<b>6,832,695</b>	<b>4.63%</b>
Operating expenses:								
Salaries and wages	17,421,381	15,789,058	1,632,323	10.34%	53,059,981	48,303,831	4,756,150	9.85%
Compensated absences	2,519,565	3,033,107	(513,542)	-16.93%	7,959,046	9,235,134	(1,276,088)	-13.82%
Employee benefits	7,358,322	7,137,006	221,316	3.10%	22,163,547	22,162,144	1,403	0.01%
Supplies, food, and linen	7,497,972	6,213,598	1,284,374	20.67%	20,470,893	19,049,389	1,421,504	7.46%
Purchased department functions	4,356,683	3,490,994	865,689	24.80%	11,572,083	10,473,025	1,099,058	10.49%
Medical fees	2,049,972	2,026,754	23,218	1.15%	5,420,274	6,080,263	(659,989)	-10.85%
Other fees	2,527,182	2,094,220	432,962	20.67%	7,166,910	6,513,788	653,122	10.03%
Depreciation	1,651,869	1,892,338	(240,469)	-12.71%	5,683,598	5,699,997	(16,399)	-0.29%
All other expense	1,578,270	1,732,165	(153,895)	-8.88%	4,925,187	5,266,487	(341,300)	-6.48%
<b>Total operating expenses</b>	<b>46,961,216</b>	<b>43,409,241</b>	<b>3,551,975</b>	<b>8.18%</b>	<b>138,421,519</b>	<b>132,784,058</b>	<b>5,637,461</b>	<b>4.25%</b>
<b>Income from operations</b>	<b>7,723,951</b>	<b>4,841,593</b>	<b>2,882,358</b>	<b>59.53%</b>	<b>16,042,786</b>	<b>14,847,552</b>	<b>1,195,234</b>	<b>8.05%</b>
Non-operating income:								
Donations	169,553	166,667	2,886	1.73%	2,301,378	500,000	1,801,378	360.28%
Property taxes	333,333	333,333	(0)	0.00%	1,000,000	1,000,000	0	0.00%
Investment income	(3,134,114)	129,915	(3,264,029)	-2512.43%	(3,374,640)	389,746	(3,764,386)	-965.86%
Income from subsidiaries	(2,769,692)	(3,768,251)	998,559	-26.50%	(7,982,089)	(10,420,682)	2,438,593	-23.40%
<b>Total non-operating income</b>	<b>(5,400,920)</b>	<b>(3,138,335)</b>	<b>(2,262,584)</b>	<b>72.10%</b>	<b>(8,055,351)</b>	<b>(8,530,936)</b>	<b>475,585</b>	<b>-5.57%</b>
<b>Operating and non-operating income</b>	<b>\$ 2,323,031</b>	<b>\$ 1,703,258</b>	<b>619,773</b>	<b>36.39%</b>	<b>\$ 7,987,435</b>	<b>\$ 6,316,617</b>	<b>1,670,819</b>	<b>26.45%</b>



**SALINAS VALLEY MEMORIAL HOSPITAL  
SCHEDULES OF NET PATIENT REVENUE  
September 30, 2022**

	<u>Month of September,</u>		<u>Three months ended September 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,762	1,553	5,658	4,695
Medi-Cal	1,146	964	3,271	2,928
Commercial insurance	704	749	2,252	2,191
Other patient	76	71	295	344
Total patient days	<u>3,688</u>	<u>3,337</u>	<u>11,476</u>	<u>10,158</u>
Gross revenue:				
Medicare	\$ 96,219,936	\$ 86,871,071	\$ 297,290,894	\$ 268,703,634
Medi-Cal	67,211,441	57,526,189	190,759,092	171,807,998
Commercial insurance	52,928,243	50,189,204	156,753,414	149,083,669
Other patient	<u>6,978,176</u>	<u>7,129,690</u>	<u>23,629,799</u>	<u>25,025,799</u>
Gross revenue	<u>223,337,796</u>	<u>201,716,153</u>	<u>668,433,199</u>	<u>614,621,101</u>
Deductions from revenue:				
Administrative adjustment	107,512	483,877	610,292	978,289
Charity care	535,361	1,012,772	2,253,469	3,690,676
Contractual adjustments:				
Medicare outpatient	30,181,299	28,727,528	91,759,869	85,379,289
Medicare inpatient	35,407,331	37,096,830	125,700,425	110,214,968
Medi-Cal traditional outpatient	3,220,276	2,559,562	9,948,427	7,468,468
Medi-Cal traditional inpatient	4,195,198	5,239,091	13,182,718	17,042,211
Medi-Cal managed care outpatient	27,313,755	21,787,415	75,497,264	67,909,539
Medi-Cal managed care inpatient	25,823,325	20,196,240	71,310,003	62,124,937
Commercial insurance outpatient	18,201,106	18,125,359	53,320,836	50,910,833
Commercial insurance inpatient	20,268,730	16,266,947	58,712,860	50,902,363
Uncollectible accounts expense	4,021,602	3,745,228	11,922,369	11,514,735
Other payors	<u>(72,422)</u>	<u>38,442</u>	<u>1,873,905</u>	<u>2,001,084</u>
Deductions from revenue	<u>169,203,073</u>	<u>155,279,292</u>	<u>516,092,437</u>	<u>470,137,393</u>
Net patient revenue	<u>\$ 54,134,723</u>	<u>\$ 46,436,862</u>	<u>\$ 152,340,762</u>	<u>\$ 144,483,708</u>
Gross billed charges by patient type:				
Inpatient	\$ 112,650,472	\$ 103,333,462	\$ 348,700,935	\$ 319,805,534
Outpatient	81,402,029	69,968,237	235,084,367	211,266,196
Emergency room	<u>29,285,293</u>	<u>28,414,454</u>	<u>84,647,896</u>	<u>83,549,370</u>
Total	<u>\$ 223,337,794</u>	<u>\$ 201,716,153</u>	<u>\$ 668,433,198</u>	<u>\$ 614,621,101</u>

**SALINAS VALLEY MEMORIAL HOSPITAL  
STATEMENTS OF REVENUE AND EXPENSES  
September 30, 2022**

	<u>Month of September,</u>		<u>Three months ended September 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 54,134,723	\$ 46,436,862	\$ 152,340,762	\$ 144,483,708
Other operating revenue	550,444	1,205,071	2,123,543	3,363,575
Total operating revenue	<u>54,685,167</u>	<u>47,641,933</u>	<u>154,464,305</u>	<u>147,847,283</u>
Operating expenses:				
Salaries and wages	17,421,381	15,631,010	53,059,981	46,891,772
Compensated absences	2,519,565	2,539,271	7,959,046	7,626,195
Employee benefits	7,358,322	7,225,821	22,163,547	22,522,425
Supplies, food, and linen	7,497,972	6,428,334	20,470,893	18,432,733
Purchased department functions	4,356,683	3,343,930	11,572,083	9,605,691
Medical fees	2,049,972	1,752,026	5,420,274	5,806,657
Other fees	2,527,182	1,157,831	7,166,910	3,506,671
Depreciation	1,651,869	1,732,670	5,683,598	5,300,772
All other expense	1,578,270	1,528,399	4,925,187	4,615,117
Total operating expenses	<u>46,961,216</u>	<u>41,339,292</u>	<u>138,421,519</u>	<u>124,308,033</u>
Income from operations	<u>7,723,951</u>	<u>6,302,641</u>	<u>16,042,786</u>	<u>23,539,250</u>
Non-operating income:				
Donations	169,553	166,667	2,301,378	500,000
Property taxes	333,333	333,333	1,000,000	1,000,000
Investment income	(3,134,114)	(1,113,460)	(3,374,640)	(761,168)
Taxes and licenses	0	0	0	0
Income from subsidiaries	(2,769,692)	(1,848,452)	(7,982,089)	(6,913,571)
Total non-operating income	<u>(5,400,920)</u>	<u>(2,461,912)</u>	<u>(8,055,351)</u>	<u>(6,174,739)</u>
Operating and non-operating income	2,323,032	3,840,729	7,987,436	17,364,511
Net assets to begin	<u>865,509,406</u>	<u>823,878,342</u>	<u>859,845,002</u>	<u>810,354,560</u>
Net assets to end	<u>\$ 867,832,438</u>	<u>\$ 827,719,071</u>	<u>\$ 867,832,438</u>	<u>\$ 827,719,071</u>
Net income excluding non-recurring items	\$ 2,323,032	\$ 3,358,951	\$ 7,987,436	\$ 16,882,733
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	<u>0</u>	<u>481,778</u>	<u>0</u>	<u>481,778</u>
Operating and non-operating income	<u>\$ 2,323,032</u>	<u>\$ 3,840,729</u>	<u>\$ 7,987,436</u>	<u>\$ 17,364,511</u>

**SALINAS VALLEY MEMORIAL HOSPITAL  
SCHEDULES OF INVESTMENT INCOME  
September 30, 2022**

	<u>Month of September,</u>		<u>Three months ended September 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Detail of other operating income:				
Dietary revenue	\$ 111,488	\$ 131,930	\$ 373,419	\$ 400,005
Discounts and scrap sale	824	9,926	274,499	282,403
Sale of products and services	17,596	301,593	97,167	367,279
Clinical trial fees	0	13,902	0	20,878
Stimulus Funds	0	0	0	0
Rental income	173,485	162,287	523,336	482,900
Other	247,051	585,433	855,122	1,810,110
<b>Total</b>	<b>\$ 550,444</b>	<b>\$ 1,205,071</b>	<b>\$ 2,123,543</b>	<b>\$ 3,363,575</b>
Detail of investment income:				
Bank and payor interest	\$ 662,142	\$ 83,555	\$ 1,179,962	\$ 288,497
Income from investments	(3,791,540)	(1,157,911)	(4,549,887)	(1,075,291)
Gain or loss on property and equipment	(4,715)	(39,103)	(4,715)	25,625
<b>Total</b>	<b>\$ (3,134,114)</b>	<b>\$ (1,113,460)</b>	<b>\$ (3,374,640)</b>	<b>\$ (761,168)</b>
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	\$ (88,756)	\$ (236,294)	\$ (496,170)	\$ (634,102)
Neurological Clinic	(155,202)	(60,225)	(231,778)	(153,947)
Palliative Care Clinic	(51,001)	(115,080)	(183,255)	(261,612)
Surgery Clinic	(90,825)	(126,421)	(381,241)	(323,871)
Infectious Disease Clinic	(31,748)	(35,349)	(86,592)	(77,275)
Endocrinology Clinic	(109,335)	(162,124)	(469,673)	(376,988)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(354,671)	(436,319)	(1,104,945)	(1,212,929)
OB/GYN Clinic	(273,134)	(280,964)	(885,552)	(985,532)
PrimeCare Medical Group	(261,713)	(589,867)	(1,150,011)	(1,289,277)
Oncology Clinic	(251,289)	18,195	(754,547)	(749,999)
Cardiac Surgery	(349,700)	(154,577)	(787,400)	(490,435)
Sleep Center	23,695	(21,034)	(59,389)	(77,558)
Rheumatology	(69,476)	(63,727)	(185,698)	(151,517)
Precision Ortho MDs	(391,338)	(329,004)	(835,554)	(858,020)
Precision Ortho-MRI	0	0	0	0
Precision Ortho-PT	104,925	(91,765)	(120,069)	(162,887)
Vaccine Clinic	(1,030)	0	(1,254)	0
Dermatology	82,258	(25,859)	(43,040)	(72,361)
Hospitalists	0	0	0	0
Behavioral Health	(716,454)	(93,405)	(72,336)	(219,127)
Pediatric Diabetes	(50,614)	(57,500)	(140,148)	(140,260)
Neurosurgery	(12,719)	(22,080)	(70,965)	(52,548)
Multi-Specialty-RR	10,191	14,090	20,937	17,710
Radiology	(94,632)	(354,198)	(413,748)	(904,826)
Salinas Family Practice	(63,707)	(56,680)	(237,411)	(268,912)
Urology	47,502	0	(174,126)	0
<b>Total SVMC</b>	<b>(3,148,773)</b>	<b>(3,280,187)</b>	<b>(8,863,965)</b>	<b>(9,446,273)</b>
Doctors on Duty	64,212	1,501,560	289,319	1,305,473
Vantage Surgery Center	0	24,430	0	69,882
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	211,934	(267,495)	401,453	861,709
Aspire/CHI/Coastal	0	(13,536)	(63,635)	(59,966)
Apex	64,627	84,917	99,612	116,858
21st Century Oncology	(19,752)	48,852	28,000	120,468
Monterey Bay Endoscopy Center	58,061	53,008	127,127	118,277
<b>Total</b>	<b>\$ (2,769,692)</b>	<b>\$ (1,848,452)</b>	<b>\$ (7,982,089)</b>	<b>\$ (6,913,571)</b>

**SALINAS VALLEY MEMORIAL HOSPITAL  
BALANCE SHEETS  
September 30, 2022**

	<u>Current year</u>	<u>Prior year</u>
<b>A S S E T S</b>		
Current assets:		
Cash and cash equivalents	\$ 284,067,791	\$ 330,242,613
Patient accounts receivable, net of estimated uncollectibles of \$31,257,588	84,941,326	77,169,477
Supplies inventory at cost	7,599,460	8,063,643
Other current assets	<u>20,563,028</u>	<u>9,986,151</u>
Total current assets	<u>397,171,605</u>	<u>425,461,883</u>
Assets whose use is limited or restricted by board	<u>149,879,860</u>	<u>146,325,055</u>
Capital assets:		
Land and construction in process	39,324,547	35,488,799
Other capital assets, net of depreciation	<u>198,755,719</u>	<u>206,976,129</u>
Total capital assets	<u>238,080,266</u>	<u>242,464,928</u>
Other assets:		
Investment in Securities	141,849,676	148,482,228
Investment in SVMC	12,605,206	14,852,109
Investment in Aspire/CHI/Coastal	1,679,677	3,641,741
Investment in other affiliates	22,941,120	22,403,354
Net pension asset	<u>705,134</u>	<u>2,444,328</u>
Total other assets	<u>179,780,813</u>	<u>191,823,760</u>
Deferred pension outflows	<u>95,401,205</u>	<u>50,119,236</u>
	<u>\$ 1,060,313,749</u>	<u>\$ 1,056,194,863</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 61,687,786	\$ 56,327,207
Due to third party payers	23,067,473	56,596,240
Current portion of self-insurance liability	<u>17,540,186</u>	<u>17,410,712</u>
Total current liabilities	102,295,445	130,334,159
Long term portion of workers comp liability	<u>14,058,922</u>	<u>14,556,513</u>
Total liabilities	<u>116,354,367</u>	<u>144,890,672</u>
Pension liability	<u>76,126,944</u>	<u>83,585,120</u>
Net assets:		
Invested in capital assets, net of related debt	238,080,266	242,464,928
Unrestricted	<u>629,752,172</u>	<u>585,254,143</u>
Total net assets	<u>867,832,438</u>	<u>827,719,071</u>
	<u>\$ 1,060,313,749</u>	<u>\$ 1,056,194,863</u>

SALINAS VALLEY MEMORIAL HOSPITAL  
SUMMARY INCOME STATEMENT  
September 30, 2022

	<u>Month of September,</u>		<u>Three months ended September 30,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 54,134,723	\$ 46,436,862	\$ 152,340,762	\$ 144,483,708
Other operating revenue	550,444	1,205,071	2,123,543	3,363,575
Total operating revenue	<u>54,685,167</u>	<u>47,641,933</u>	<u>154,464,305</u>	<u>147,847,283</u>
Total operating expenses	46,961,216	41,339,292	138,421,519	124,308,033
Total non-operating income	<u>(5,400,920)</u>	<u>(2,461,912)</u>	<u>(8,055,351)</u>	<u>(6,174,739)</u>
Operating and non-operating income	<u>\$ 2,323,032</u>	<u>\$ 3,840,729</u>	<u>\$ 7,987,436</u>	<u>\$ 17,364,511</u>

SALINAS VALLEY MEMORIAL HOSPITAL  
BALANCE SHEETS  
September 30, 2022

	<u>Current year</u>	<u>Prior year</u>
<b>ASSETS:</b>		
Current assets	\$ 397,171,605	\$ 425,461,883
Assets whose use is limited or restricted by board	149,879,860	146,325,055
Capital assets	238,080,266	242,464,928
Other assets	179,780,813	191,823,760
Deferred pension outflows	<u>95,401,205</u>	<u>50,119,236</u>
	<u>\$ 1,060,313,749</u>	<u>\$ 1,056,194,863</u>
<b>LIABILITIES AND EQUITY:</b>		
Current liabilities	102,295,445	130,334,159
Long term liabilities	14,058,922	14,556,513
	76,126,944	83,585,120
Net assets	<u>867,832,438</u>	<u>827,719,071</u>
	<u>\$ 1,060,313,749</u>	<u>\$ 1,056,194,863</u>

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three 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	49	40	140	114	(26)
Other Admissions	106	84	293	266	(27)
Total Admissions	155	124	433	380	(53)
Medi-Cal Patient Days	68	63	206	181	(25)
Other Patient Days	165	136	486	18	(468)
Total Patient Days of Care	233	199	692	199	(493)
Average Daily Census	7.8	6.6	7.5	2.2	(5.4)
Medi-Cal Average Days	1.4	1.8	1.5	1.7	0.2
Other Average Days	1.4	1.7	1.7	0.1	(1.6)
Total Average Days Stay	1.6	1.7	1.6	0.5	(1.1)
<u>ADULTS &amp; PEDIATRICS</u>					
Medicare Admissions	286	356	916	1,157	241
Medi-Cal Admissions	274	291	728	824	96
Other Admissions	408	311	901	949	48
Total Admissions	968	958	2,545	2,930	385
Medicare Patient Days	1,356	1,387	4,021	4,637	616
Medi-Cal Patient Days	980	1,183	3,036	3,401	365
Other Patient Days	907	1,747	2,842	(3,721)	(6,563)
Total Patient Days of Care	3,243	4,317	9,899	4,317	(5,582)
Average Daily Census	108.1	143.9	107.6	46.9	(60.7)
Medicare Average Length of Stay	4.7	3.9	4.2	4.0	(0.2)
Medi-Cal Average Length of Stay	3.3	3.6	3.2	3.5	0.3
Other Average Length of Stay	2.3	4.6	2.5	-3.2	(5.6)
Total Average Length of Stay	3.3	4.0	3.3	1.3	(1.9)
Deaths	28	22	79	64	(15)
Total Patient Days	3,476	4,516	10,591	4,516	(6,075)
Medi-Cal Administrative Days	28	4	74	27	(47)
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	28	4	74	27	(47)
Percent Non-Acute	0.81%	0.09%	0.70%	0.60%	-0.10%

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three 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	274	463	752	463	(289)
Heart Center	323	431	961	431	(530)
Monitored Beds	755	642	2,387	642	(1,745)
Single Room Maternity/Obstetrics	407	347	1,109	347	(762)
Med/Surg - Cardiovascular	462	990	1,777	990	(787)
Med/Surg - Oncology	259	226	816	226	(590)
Med/Surg - Rehab	388	633	1,223	633	(590)
Pediatrics	69	153	276	153	(123)
Nursery	233	199	692	199	(493)
Neonatal Intensive Care	94	0	253	0	(253)
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	70.26%	118.72%	62.88%	116.14%	
Heart Center	71.78%	95.78%	69.64%	93.70%	
Monitored Beds	93.21%	79.26%	96.10%	77.54%	
Single Room Maternity/Obstetrics	36.67%	31.26%	32.58%	30.58%	
Med/Surg - Cardiovascular	34.22%	73.33%	42.92%	71.74%	
Med/Surg - Oncology	66.41%	57.95%	68.23%	56.69%	
Med/Surg - Rehab	49.74%	81.15%	51.13%	79.39%	
Med/Surg - Observation Care Unit	0.00%	84.71%	0.00%	82.86%	
Pediatrics	12.78%	28.33%	16.67%	27.72%	
Nursery	47.07%	40.20%	22.79%	19.66%	
Neonatal Intensive Care	28.48%	0.00%	25.00%	0.00%	



**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three 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	152	108	426	362	(64)
C-Section deliveries	49	31	134	102	(32)
Percent of C-section deliveries	32.24%	28.70%	31.46%	28.18%	-3.28%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	16,545	18,595	60,973	55,887	(5,086)
Out-Patient Operating Minutes	24,649	29,255	74,597	78,279	3,682
Total	41,194	47,850	135,570	134,166	(1,404)
Open Heart Surgeries	10	16	37	38	1
In-Patient Cases	121	126	419	403	(16)
Out-Patient Cases	243	295	742	818	76
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	36	20	126	80	(46)
High Risk	411	545	1,293	1,605	312
More Than One Resource	2,602	3,019	7,874	8,891	1,017
One Resource	1,897	2,020	5,262	5,944	682
No Resources	97	96	325	278	(47)
Total	<u>5,043</u>	<u>5,700</u>	<u>14,880</u>	<u>16,798</u>	<u>1,918</u>

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Sep and three months to date

	Month of Sep		Three months to date		Variance
	2021	2022	2020-21	2021-22	
<b>CENTRAL SUPPLY</b>					
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
<b>LABORATORY</b>					
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
<b>BLOOD BANK</b>					
Units processed	318	297	1,996	1,965	-31
<b>ELECTROCARDIOLOGY</b>					
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
<b>CATH LAB</b>					
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
<b>ECHO-CARDIOLOGY</b>					
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
<b>NEURODIAGNOSTIC</b>					
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 Sep and three months to date

	<u>Month of Sep</u>		<u>Three months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<b>SLEEP CENTER</b>					
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
<b>Total procedures</b>	<b>183</b>	<b>167</b>	<b>1,316</b>	<b>1,153</b>	<b>-163</b>
<b>RADIOLOGY</b>					
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
<b>Total patient procedures</b>	<b>3,287</b>	<b>3,167</b>	<b>21,970</b>	<b>20,434</b>	<b>-1,536</b>
<b>MAGNETIC RESONANCE IMAGING</b>					
In-patient procedures	105	141	860	890	30
Out-patient procedures	127	77	953	768	-185
Emergency room procedures	14	6	80	49	-31
<b>Total procedures</b>	<b>246</b>	<b>224</b>	<b>1,893</b>	<b>1,707</b>	<b>-186</b>
<b>MAMMOGRAPHY CENTER</b>					
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
<b>Total procedures</b>	<b>5,417</b>	<b>7,068</b>	<b>41,703</b>	<b>49,246</b>	<b>7,543</b>
<b>NUCLEAR MEDICINE</b>					
In-patient procedures	12	14	86	94	8
Out-patient procedures	61	78	506	541	35
Emergency room procedures	1	0	4	4	0
<b>Total procedures</b>	<b>74</b>	<b>92</b>	<b>596</b>	<b>639</b>	<b>43</b>
<b>PHARMACY</b>					
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
<b>Total prescriptions</b>	<b>127,272</b>	<b>112,815</b>	<b>773,317</b>	<b>758,610</b>	<b>-14,707</b>
<b>RESPIRATORY THERAPY</b>					
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
<b>Total patient treatments</b>	<b>30,122</b>	<b>22,913</b>	<b>161,027</b>	<b>140,957</b>	<b>-20,070</b>
<b>PHYSICAL THERAPY</b>					
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
<b>Total treatments</b>	<b>2,355</b>	<b>2,566</b>	<b>17,860</b>	<b>18,392</b>	<b>532</b>

**SALINAS VALLEY MEMORIAL HOSPITAL**  
**PATIENT STATISTICAL REPORT**  
For the month of Sep and three months to date

	<u>Month of Sep</u>		<u>Three months to date</u>		<u>Variance</u>
	<u>2021</u>	<u>2022</u>	<u>2020-21</u>	<u>2021-22</u>	
<b>OCCUPATIONAL THERAPY</b>					
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>
<b>SPEECH THERAPY</b>					
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>
<b>CARDIAC REHABILITATION</b>					
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>
<b>CRITICAL DECISION UNIT</b>					
Observation hours	<u>378</u>	<u>344</u>	<u>1,866</u>	<u>2,252</u>	<u>386</u>
<b>ENDOSCOPY</b>					
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>
<b>C.T. SCAN</b>					
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>
<b>DIETARY</b>					
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>
<b>LAUNDRY AND LINEN</b>					
Total pounds laundered	<u>99,573</u>	<u>100,531</u>	<u>710,088</u>	<u>689,921</u>	<u>-20,167</u>

# **Capital Spending Update**

## **Active Projects Approved By The Board**

### **FY2023 – September YTD**

---

**Rolf Norman**  
**Director, Financial Planning**

# FY23 YTD September Capital Spending, Active Projects

Board Approvals Capital Projects From BOD Minutes Through September 2023						
	(1) Project Name	(2) Board Approved Month	(3) Board Approved Amount	(4) FY2023 Spend	(5) Total Project Spend Since Inception	(6) Under / (Over) Spend Since Inception
1	Parking Garage Annex Design/Build	Mar 20, Jan 21, Jul 21, & Jan 22	\$36,000,000	\$670,778	\$3,197,654	\$32,802,346
2	Surgery Addition + Seismic Retrofit.	Aug 2019 & Sep 2019 & April 2022	\$12,821,264	\$49,050	\$5,323,497	\$7,497,767
3	212 San Jose Street Renovation/Development	January 2021 & December 2021	\$3,825,281	\$1,441,484	\$2,072,932	\$1,752,349
4	Renovations to 559 Abbott Street for Urology Services	Sep. 2022	\$3,379,628	\$0	\$0	\$3,379,628
5	Pharmacy Automation Upgrade & Service	June 2021	\$3,300,000	\$47,611	\$262,197	\$3,037,803
6	CT Equipment Replacement Project,	Aug 2022	\$3,139,050	\$36,246	\$68,133	\$3,070,917
7	Nuclear Medicine Equipment Replacement	Aug 2022	\$3,002,053	\$36,719	\$79,335	\$2,922,718
8	Elevator Modernization	December 2021	\$2,600,000	\$185	\$667,094	\$1,932,906
9	Surgical Imaging and Neurosurgical Navigation Surgery System	July 2022	\$1,210,195	\$1,101,677	\$1,101,677	\$108,518
10	OB Cesarean Operating Room Project	March 2021	\$1,030,202	\$54,413	\$978,163	\$52,039
11	Starbucks Renovation	June 2022	\$644,000	\$92,133	\$551,867	\$92,133
12	Bulk Oxygen tank replacement project	Aug 2022	\$500,000	\$0	\$0	\$500,000
13	Retail Pharmacy Project	May 2021	\$450,000	\$3,984	\$243,556	\$206,444
<b>Total</b>			<b>\$70,307,673</b>	<b>\$3,438,163</b>	<b>\$11,670,842</b>	<b>\$56,396,434</b>
<b>Other projects:</b>						
14	IT Switches, Servers, Ntwork, Computers, AV Upgrades.	N/A		\$699,545		
15	All Other SVMH/SVMC Capital Spending	N/A		\$1,333,094		
<b>Grand Total</b>				<b>\$5,470,802</b>		

# *QUESTIONS / COMMENTS*

# *PUBLIC INPUT*



# **ADJOURNMENT**

*THE NOVEMBER 2022  
FINANCE COMMITTEE MEETING  
IS SCHEDULED FOR MONDAY,  
NOVEMBER 14, 2022, AT 12:00 P.M.*