Salinas Valley Memorial Healthcare System
A Public Healthcare District

December 10, 2021

TO: Members of the Board of Directors

Victor Rey, Jr. – President
Regina M. Gage – Vice President
Juan Cabrera – Secretary
Richard Turner – Treasurer
Joel Hernandez Laguna – Assistant Treasurer

Legal Counsel

Ottone Leach & Ray LLP

News Media

Salinas Californian
Monterey County Herald
El Sol
Monterey County Weekly
KION-TV
KSBW-TV/ABC Central Coast
KSMS/Entravision-TV

The Annual Meeting of the Board of Directors of the Salinas Valley Memorial Healthcare System will be held **THURSDAY, DECEMBER 16, 2021, AT 4:00 P.M., IN THE DOWNING RESOURCE CENTER, ROOMS A, B & C AT SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, OR BY PHONE OR VIDEO (Visit svmh.com/virtualboardmeeting for Access Information)**.

Please note: Pursuant to SVMHS Board Resolution No. 2021-06, 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

ANNUAL MEETING OF THE BOARD OF DIRECTORS
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

THURSDAY, DECEMBER 16, 2021
4:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO
(Visit svmh.com/virtualboardmeeting for Access Information)

Please note: Pursuant to SVMHS Board Resolution No. 2021-06, 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

		Presented By
I.	**Call to Order/Roll Call**	Victor Rey, Jr.
II.	**Closed Session** (See Attached Closed Session Sheet Information)	Victor Rey, Jr.
III.	**Reconvene Open Session/Closed Session Report** (Estimated time 5:00 pm)	Victor Rey, Jr.
IV.	**Annual Board of Directors Report on the Overall Performance of Salinas Valley Memorial Healthcare System for 2021**	Victor Rey, Jr
V.	**Report from the President/Chief Executive Officer**	Pete Delgado
VI.	**Public Input**	Board President

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.

VII.	**Board Member Comments**	Board Members
VIII.	**Consent Agenda—General Business** (A Board Member may pull an item from the Consent Agenda for discussion.)	Board President

A. Minutes of the Regular Meeting of the Board of Directors, November 18, 2021
B. Financial Report
C. Statistical Report
D. Policies Requiring Board Approval
   1. Diagnostic Imaging Quality Assurance and Quality Control
   2. Care of the CRRT Patient – Monitoring, Troubleshooting & Termination of PrismaFlex
   3. NICU Registered Nurse Insertion: Neonatal Peripherally Inserted Central Catheters

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

IX. Reports on Standing and Special Committees

A. **Quality and Efficient Practices Committee** - Minutes from the December 13, 2021 Quality and Efficient Practices Committee meeting have been provided to the Board. Additional Report from Committee Chair, if any. — Juan Cabrera

B. **Finance Committee** - Minutes from the December 13, 2021 Finance Committee meeting have been provided to the Board. Seven proposed recommendations have been made to the Board. — Richard Turner

1. Recommend Board Approval of Project Budget and Award of Contract to Otis Elevator for the SVMH Elevator Modernization Project
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff
   - Motion/Second
   - Public Comment
   - Board Discussion/Deliberation
   - Action by Board/Roll Call Vote

2. Recommend Board Approval to Award Construction Contract to Avila Construction Company for the Monterey Bay Endoscopy Center and Monterey Bay G.I. Consultants Medical Group Office Space at 212 San Jose Street Suites 100 and 201
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff
   - Motion/Second
   - Public Comment
   - Board Discussion/Deliberation
   - Action by Board/Roll Call Vote

3. Recommend Board Approval of Microsoft Licensing Renewal for Salinas Valley Memorial Healthcare System Through CDW Government, a Supplier of SVMHS's Group Purchasing Organization & Contract Award
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff
   - Motion/Second
   - Public Comment
   - Board Discussion/Deliberation
   - Action by Board/Roll Call Vote

4. Recommend Board Approval of Contract Terms and Agreements Necessary for the Transition of Leonard Renfer, MD to Salinas Valley Medical Clinic and the Program Budget for Salinas Valley Medical Clinic Urology Expansion
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff
   - Motion/Second
   - Public Comment
   - Board Discussion/Deliberation
   - Action by Board/Roll Call Vote

5. Recommend Board Approval of Epic Community Connect Expansion Project and Program Budget
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff

- Motion/Second
- Public Comment
- Board Discussion/Deliberation
- Action by Board/Roll Call Vote

6. Recommend Board for Approval of Grant to Aspire Health Plan for 2022 Community Benefit Activities
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff
   - Motion/Second
   - Public Comment
   - Board Discussion/Deliberation
   - Action by Board/Roll Call Vote

7. Recommend Board Approval of Terms for Central Coast Management Services Organization Participation in Quality Incentive Pool Program Funding
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff
   - Motion/Second
   - Public Comment
   - Board Discussion/Deliberation
   - Action by Board/Roll Call Vote

C. **Personnel, Pension and Investment Committee –** Minutes from the December 14, 2021 Personnel, Pension and Investment Committee meeting have been provided to the Board. Additional reports from Committee Chair, if any. — Regina M. Gage

D. **Corporate Compliance and Audit Committee –** Minutes from the December 14, 2021 Corporate Compliance and Audit Committee have been provided to the Board. Two proposed recommendations have been made to the Board. — Juan Cabrera

1. Recommend Board Approval of the Years Ended June 30, 2021 and 2020 Audited Financial Statements for Salinas Valley Memorial Healthcare System
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff
   - Motion/Second
   - Public Comment
   - Board Discussion/Deliberation
   - Action by Board/Roll Call Vote

2. Recommend Board Approval of the Years Ended December 31, 2020 and 2019 Audited Financial Statements for the Salinas Valley Memorial Healthcare District Employees' Pension Plan
   - Committee Chair Report
   - Board Questions to Committee Chair/Staff
   - Motion/Second
   - Public Comment
   - Board Discussion/Deliberation
   - Action by Board/Roll Call Vote

X. **Consider Approval of Terms and Conditions for a Limited Liability Company Sale and Purchase Agreement of Apex Medical Associates, LLC between Pinnacle Medical Group, Inc. and Salinas Valley Memorial Healthcare System** — Allen Radner, MD, CMO / Clint Hoffman, CAO, Physician Integration & Business Development

- Report by Allen Radner, MD, CMO / Clint Hoffman, CAO
- Board Questions to Board President/Staff
- Motion/Second
- Public Comment
- Board Discussion/Deliberation
- Action by Board/Roll Call Vote

XI. **Consider Board Resolution No. 2021-07 Authorizing Execution & Delivery of a Loan and Security Agreement Promissory Note, & Certain Actions in Connection with the California Health Facilities Financing Authority Nondesignated Public Hospital Bridge Loan Program** — District Legal Counsel / Augustine Lopez, CFO

- Report by District Legal Counsel / Augustine Lopez
- Board Questions to Board President/Staff
- Motion/Second
- Public Comment
- Board Discussion/Deliberation
- Action by Board/Roll Call Vote

XII. **Consider Board Resolution No. 2021-08 Proclaiming a Local Emergency, Ratifying the Proclamation of a State of Emergency by Governor's State of Emergency Declaration March 4, 2020, and Authorizing Remote Teleconference Meetings for the Period December 16, 2021 through January 31, 2022** — District Legal Counsel

- Report by District Legal Counsel
- Board Questions to District Legal Counsel/Staff
- Motion/Second
- Public Comment
- Board Discussion/Deliberation
- Action by Board/Roll Call Vote

XIII. **Consider Board Resolution No. 2021-09 Approving the Purchase of the Real Property Located at 110 East Romie Lane, Salinas, California and Authorizing the President/CEO to Execute Purchase Documents** — District Legal

- Report by District Legal Counsel
- Board Questions to District Legal Counsel/Staff
- Motion/Second
- Public Comment
- Board Discussion/Deliberation
- Action by Board/Roll Call Vote

XIV. **Report on Behalf of the Medical Executive Committee (MEC) Meeting of December 9, 2021, and Recommendations for Board Approval of the following:** — Theodore Kaczmar, Jr. M.D.

A. From the Credentials Committee:
   1. Credentials Committee Report

B. From the Interdisciplinary Practice Committee:
1. Interdisciplinary Practice Committee Report

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

XV. **Extended Closed Session** (if necessary) Board President
(See Attached Closed Session Sheet Information)

XVI. **Adjournment** – The next Regular Meeting of the Board of Directors is scheduled for **Thursday, January 27, 2022,** at 4:00 p.m.

The complete Board packet including subsequently distributed materials and presentations is available at the Board Meeting and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Board. Staff and Committee recommendations are subject to change by the Board. Notes: Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Executive Assistant during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM BOARD OF DIRECTORS
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

[ ] LICENSE/PERMIT DETERMINATION
(Government Code §54956.7)
Applicant(s): (Specify number of applicants)_____

[ ] CONFERENCE WITH REAL PROPERTY NEGOTIATORS
(Government Code §54956.8)

Property: (Specify street address, or if no street address, the parcel number or other unique reference, of the real property under negotiation): _____
Agency negotiator: (Specify names of negotiators attending the closed session):_____
_____
Negotiating parties: (Specify name of party (not agent):_____
Under negotiation: (Specify whether instruction to negotiator will concern price, terms of payment, or both):__
_____

[ ] CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION
(Government Code §54956.9(d)(1))

Name of case: (Specify by reference to claimant's name, names of parties, case or claim numbers):
_____, or
Case name unspecified: (Specify whether disclosure would jeopardize service of process or existing settlement negotiations):_____

[ ] CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION
(Government Code §54956.9)

Significant exposure to litigation pursuant to Section 54956.9(d)(2) or (3) (Number of potential cases):_____

Additional information required pursuant to Section 54956.9(e):_____

Initiation of litigation pursuant to Section 54956.9(d)(4) (Number of potential cases):_____

[ ] LIABILITY CLAIMS
(Government Code §54956.95)

Claimant: (Specify name unless unspecified pursuant to Section 54961):_____
_____

Agency claimed against: (Specify name):_____
_____

[ ] THREAT TO PUBLIC SERVICES OR FACILITIES
(Government Code §54957)
Consultation with: (Specify name of law enforcement agency and title of officer):_____

[ ] PUBLIC EMPLOYEE APPOINTMENT
(Government Code §54957)

Title: (Specify description of position to be filled):_____

[ ] PUBLIC EMPLOYMENT
(Government Code §54957)

Title: (Specify description of position to be filled):_____

[ ] PUBLIC EMPLOYEE PERFORMANCE EVALUATION
(Government Code §54957)

Title: (Specify position title of employee being reviewed): _____

[ ] PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE
(Government Code §54957)
(No additional information is required in connection with a closed session to consider discipline, dismissal, or release of a public employee. Discipline includes potential reduction of compensation.)

[X] CONFERENCE WITH LABOR NEGOTIATOR
(Government Code §54957.6)

Agency designated representative: (Specify name of designated representatives attending the closed session):
Pete Delgado

Employee organization: (Specify name of organization representing employee or employees in question): National Union of Healthcare Workers, California Nurses Association, Local 39, ESC Local 20, or

Unrepresented employee: (Specify position title of unrepresented employee who is the subject of the negotiations):
_____

[ ] CASE REVIEW/PLANNING
(Government Code §54957.8)

(No additional information is required to consider case review or planning.)

[X] REPORT INVOLVING TRADE SECRET
(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility):

Trade Secrets, Strategic Planning, Proposed New Programs and Services

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

[X] HEARINGS/REPORTS
(Government Code §37624.3 & Health and Safety Code §§1461, 32155)

Subject matter: (Specify whether testimony/deliberation will concern staff privileges, report of medical audit committee, or report of quality assurance committee):

1. Report of the Medical Staff Quality and Safety Committee
2. Report of the Medical Staff Credentials Committee
3. Report of the Interdisciplinary Practice Committee

[ ] CHARGE OR COMPLAINT INVOLVING INFORMATION PROTECTED BY FEDERAL LAW (Government Code §54956.86)

(No additional information is required to discuss a charge or complaint pursuant to Section 54956.86.)

ADJOURN TO OPEN SESSION

CALL TO ORDER/ROLL CALL

(VICTOR REY, JR.)

CLOSED SESSION

(Report on Items to be Discussed in Closed Session)

(VICTOR REY, JR.)

RECONVENE OPEN SESSION/
CLOSED SESSION REPORT
(ESTIMATED TIME: 5:00 P.M.)

(VICTOR REY, JR.)

ANNUAL BOARD OF DIRECTORS REPORT ON THE OVERALL PERFORMANCE OF SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM FOR 2021

(VERBAL)

(VICTOR REY, JR, BOARD CHAIR)

REPORT FROM THE PRESIDENT/ CHIEF EXECUTIVE OFFICER

(VERBAL)

(PETE DELGADO)

PUBLIC INPUT

BOARD MEMBER COMMENTS

(VERBAL)

REGULAR MEETING OF THE BOARD OF DIRECTORS
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

THURSDAY, NOVEMBER 18, 2021 – 4:00 P.M.
DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA AND BY PHONE
OR VIDEO (VISIT svmh.com/virtualboardmeeting FOR ACCESS INFORMATION)

Pursuant to SVMHS Board Resolution No. 2021-05, Assembly Bill 361, and guidance from the Monterey County Health Department in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

Present: President Victor Rey, Jr., Directors Regina M. Gage in person; Juan Cabrera, Richard Turner, Joel Hernandez Laguna by teleconference.

Also Present: Pete Delgado, President/Chief Executive Officer and Gary Ray, Esq., District Legal Counsel, in person.

A quorum was present and the meeting was called to order by President Victor Rey, Jr., at 4:03 p.m.

Closed Session

President Victor Rey, Jr., announced that the closed session items to be discussed in Closed Session as listed on the posted Agenda are: (1) Conference with Labor Negotiator concerning the National Union of Healthcare Workers, California Nurses Association, Local 39 and ESC Local 20; (2) Report Involving Trade Secret – strategic planning, proposed new programs and services; (3) Hearings/Reports – Reports from the National Research Corporation/Governance Institute and the Medical Staff Quality and Safety Committee, Report of the Medical Staff Credentials Committee and Interdisciplinary Practice Committee.

The meeting was recessed into Closed Session under the Closed Session Protocol at 4:06 p.m. The Board completed its business of the Closed Session at 5:01 p.m.

Reconvene Open Session/Report on Closed Session

The Board reconvened Open Session at 5:10 p.m. President Rey announced that in Closed Session the Board discussed: (1) Conference with Labor Negotiator concerning the National Union of Healthcare Workers, California Nurses Association, Local 39 and ESC Local 20; (2) Report Involving Trade Secret – strategic planning, proposed new programs and services; (3) Hearings/Reports – Reports from the National Research Corporation/Governance Institute and the Medical Staff Quality and Safety Committee and Report of the Interdisciplinary Practice Committee.

In Closed Session, the Board received and accepted the Medical Staff Quality and Safety Committee Report, Report of the Medical Staff Credentials Committee, and Report of the Interdisciplinary Practice Committee. No other action was taken by the Board.

President Rey announced that there will be no Extended Closed Session tonight.

Mr. Rey stated that Agenda Item: XII. Report on behalf of the Medical Executive Committee (MEC) Meeting on November 11, 2021, and Recommendations for Board Approval will be moved up before Item: IV. Request for Ratification: Substantive Financial Elements of Collective Bargaining between SVMHS and National Union of Healthcare Workers (NUHW).

Report on Behalf of the Medical Executive Committee (MEC) Meeting of November 11, 2021, and Recommendations for Board Approval of the following:

The following recommendations from the Medical Executive Committee (MEC) Meeting of November 11, 2021, were reviewed by David E. Ramos, M.D., acting Chief of Staff on behalf of Theodore Kaczmar, Jr., MD, and recommended for Board approval.

Recommend Board Approval of the Following:

A. From the Credentials Committee:
   1. Credentials Committee Report
B. From the Interdisciplinary Practice Committee:
   1. Interdisciplinary Practice Committee Report
C. Policies/Procedures/Plans:
   1. Malignant Hyperthermia
   2. Infection Prevention Annual Plan and Risk Assessment

Dr. Ramos announced that items in the report are routine and the appointment from the Interdisciplinary Practice Committee, Joshua Ayerza, PA-C, was a scribe in the Emergency Department eight years ago.

No Public Comment.

> MOTION: The Board of Directors approves Recommendation (A) through (C) of the November 11, 2021, Medical Executive Committee Meeting, as presented. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner, Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

Request for Ratification: Substantive Financial Elements of Collective Bargaining between SVMHS and National Union of Healthcare Workers (NUHW)

Michelle Childs, Chief Human Resources Officer, reported that Salinas Valley Memorial Healthcare System (SVMHS) and the National Union of Healthcare Workers (NUHW) have agreed to changes in their labor agreement including the following:

- Term: Five (5) Years—August 2, 2021 through July 31, 2026
- Wages: 3.75% increase effective upon ratification. Additional Scheduled increases over the term of the contract
- Differential: OT/PT/Speech 4% differential when working in NICU 4+ hours
- Education: Education reimbursement up to 1,000 for Cath Lab Tech III, Clinical Pharmacist, Respiratory Care Practitioners. Certification Bonus increase to $375 and available for "preferred" certifications
- Health Plan: Employee contributions to change effective January 1, 2022

Ms. Childs acknowledged the SVMHS Bargaining Team for their hard work with reaching a tentative agreement on November 8, 2021.

Hospital Administration respectfully requests that the Board of Directors ratify agreement, as presented. This information was included in the Board packet.

Public Comment: Toni Macias and Rosie Tsuda, NUHW Representatives expressed their appreciation to the Board of Directors and Executive Leadership for the renewal of their agreement.

MOTION: The Board of Directors ratifies the Collective Bargaining Agreement between SVMHS and National Union of Healthcare Workers (NUHW), as presented. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner; Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

Education Program – Pharmacy Presentation

Clement Miller, Chief Operating Officer introduced John Choi, PharmD, Director of Pharmacy, Jasmine Ho, PharmD, BCPS and Daisy Vaca, CPhT who provided a Pharmacy Presentation.

Mr. Choi reported that the Pharmacy Department consists of 26 Pharmacists, 28 Technicians and 1 Administrative Assistant and is open 24/7. He also shared the primary duties of the Pharmacists who provide dosing for complicated drugs and work with latest treatment guidelines for complicated disease and the Technicians are the experts in sterile compounding of complex mixtures. He shared a photo of their Sterile Compounding room that also manages the COVID drugs and vaccines. The Pharmacy Department administers one million doses per year. Facts about medication adherence were also presented.

Ms. Ho shared that the Pharmacy Department has a Medication Transitions of Care and Medication Reconciliation/History Program. This program is fairly new and consists of one Transitions of Care Pharmacy Coordinator–Jasmine Ho, PharmD, BCPS, three Medication Reconciliation/History Technicians: Patricia Miramontes, CPhT, Daisy Vaca, CPhT and Edlin Nicholas, CPhT.

The Medication Transitions of Care and Medication Reconciliation/History Program work closely with ED and focuses on patients who are at high risk who take eight or more medications and have had more than two visits in a month. The technicians are responsible for auditing high risk patients.

Ms. Ho and Ms. Vaca shared the key areas of the Medication Transitions of Care Pharmacist and Medication Reconciliation/History Program:

Medication Transitions of Care Pharmacist:

- Oversee the Medication Reconciliation Program
- Review medications at discharge and follow-up with any recommendations to providers
- Provide post-discharge calls (within 72 hours) regarding medication counseling and disease management to patients

Medication Reconciliation/History Program:

- Audit medication history completed by RNs
- In Emergency Department
    - Contact pharmacies or nursing facilities to obtain medication list
    - Interview patients/their families and review patient's medication bottles
    - Update medication history to patient's chart
    - Currently 40 hours per week
    - Increase to 70 plus hours per week
    - Pilot: Medication History for all patients before or during Triage, once a week
        - ✓ Measure Admission Time Improvement
        - ✓ Provider Satisfaction

A chart was presented of the Medication Reconciliation Error Type Data and the Average Time to Complete Medication Reconciliation in Hours in 2021.

There was discussion regarding the engagement of physicians with the release of new medications and the process of providing patients with their medications prior to discharge.

Director Cabrera commented on the amazing job the Pharmacy Department is doing with meeting the needs of high-risk patients. Mr. Choi stated that it is a privilege to work with his team.

Report from the President/Chief Executive Officer

Pete Delgado, President/CEO began his report with a Mission Moment featuring "Jocelyn Santana - Living with Diabetes". A summary of key highlights, centered around the pillars that are the foundation of the Hospital's vision for the organization, is as follows:

- Service
  - Patient experience Scores
    - "How Would You Rate" scores continue to rise and are above the Press Ganey mean.
    - "Communicated in a Way You Understand" scores are in the 87th percentile.
  - Adrienne Leyva, BSN, RN, RNC-OB, IBCLC, provided an overview of the Perinatal Unit Practice Council.
    - Intimate Partner Violence: Created resource cards and a referral system for local assistance.
    - Intentionally Retained Vaginal Sponges: Baby blue band system to identify patients with retained sponges in addition to medical record documentation.
    - Perinatal Fall Tool: Developing a tool to assess women for fall risk and initiating prevention efforts. Tool currently in process of validation for effectiveness.
    - Postpartum Wellness Group: Developed a weekly support group facilitated by SVMH staff social workers to support maternal mental health.
    - Current initiatives: Quiet at night, Perinatal Journal Club, NTSV rates (1st-time cesarean section), maternal substance screening and sepsis protocol.

- Growth
  - Trio HMO
    - New HMO product offered effective January 1, 2022.
    - Partnership between Montage, SVMHS and Blue Shield –through Aspire Health Plan.
    - Initially only available to those who live or work in 8 zip codes that were filed by Blue Shield –working quickly to expand to the rest of Monterey County in mid-2022.
    - Over 500 network providers –including SVMC, Montage, Independent Physician practices.
    - Very competitively priced to other options in Monterey County.
    - Accessible through insurance brokers, Coveredca.gov and Blueshieldca.com/get blue.

- Finance
  - Review of industry news.
  - Government Affairs: Federal Update
    - Medicare premiums/deductibles for 2022 increasing.
    - CMS vaccine requirements for healthcare works challenged by 10 states.
  - Government Affairs: State Update
    - Continued COVID surge in Central California
    - Governor's executive order extended until March 31, 2022 for key hospital-related provisions, e.g., reconfiguring space to accommodate COVID strategies, allows out-of-state health care personnel to practice in California, waives some professional licensing, certification and scopes of practice.

- Quality
  - SVMH honored at the 2021 Magnet® Conference for achieving 1st Magnet® designation.
  - Marketing earned Gold Healthcare Leadership Award for the Special Report "Resilience."

- People
  - Employees were given a holiday gift of tamales and pie before Thanksgiving.
  - SVMHS employee vaccine rate is 97.3% with 100% on campus at SVMH.
  - SVMHS employees were offered free entrance to the California International Airshow, Salinas in October.

- Community
  - SVMC is offering Pediatric COVID Clinics for ages 5-11.
  - Taylor Farms Family Health & Wellness Center hosted an expansion event.
  - Ask the Experts:
    - Drs. Kelsey Gray and Mihn Le provided in-depth information on Understanding COVID-19 and the Flu and Drs. Jaime Gonzalez and Victor Delgado, presented the same topic in Spanish.
    - Upcoming programs are Healthy Holiday Feast Cooking Demonstration with SVMH Chef Arturo Salazar on 12/8/21 in Spanish and Chef Jason Giles on 12/15/21.

Public Input

There was no Public input.

Board Member Comments

Director Cabrera commented on the great work that has been done in reference to the Pediatrics playroom. He also noted that he attended the Taylor Farms Family Health and Wellness Center (TFFH&WC) expansion event and commented on how nice the facility looks.

Director Hernandez Laguna recognized Adrienne Laurent, Chief Strategic Communications Officer and the Marketing Team for the fantastic TFFH&WC event. He noted that it was nice that several key leaders from South County were able to attend and is pleased that TFFH&WC has recruited Miguel Dorantes, MD, who is fluent in Spanish. He also noted that he recently attended a Blue Zones Project event and received great feedback from individuals who attended.

Director Rey enjoyed the video of Jocelyn Santana, "Living with Diabetes", the efforts developed in response to Inmate Partner Violence and the Magnet® Conference Celebration.

Consent Agenda – General Business

A. Minutes of the Regular Meeting of the Board of Directors, October 28, 2021
B. Financial Report
C. Statistical Report

President Rey presented the consent agenda items before the Board for action. This information was included in the Board packet.

> MOTION: The Board of Directors approves Consent Agenda – General Business, Items (A) through (C), as presented. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner; Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

Reports on Standing and Special Committees

Quality and Efficient Practices Committee

Juan Cabrera, Committee Chair, reported the minutes from the Quality and Efficient Practices Committee Meeting of November 15, 2021, were provided to the Board. The Committee received a Patient Care Services Update, Pharmacy Presentation and Financial Statistical Review.

Finance Committee

Richard Turner, Committee Chair, reported the minutes from the Finance Committee Meeting of November 15, 2021, were provided to the Board. The Committee received a Balanced Scorecard – September 2021 update and Financial Statistical Review update. Background information supporting the proposed recommendations made by the Committee was included in the Board packet and summarized by Director Cabrera. The following recommendations were made by the Committee:

1. **Recommend Board Approval to Award Construction Contract to 101 Builders, Inc. for the OB Cesarean Conversion Project**

   No Public Comment.

   MOTION: The Board of Directors approves to award construction contract to 101 Builders, Inc. for the SVMH OB Cesarean Conversion Project in the amount of $397,601, as presented. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner, Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

2. **Recommend Board Approval of Shuttle Bus Services Amendment Number 1 between Salinas Valley Memorial Healthcare System and Corinthian Ground Transportation**

   No Public Comment.

   MOTION: The Board of Directors approves the Shuttle Bus Services Agreement Amendment 1 between Salinas Valley Memorial Healthcare System and Corinthian Ground Transportation in the amount of $621,233.76, as presented. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner, Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

3. **Recommend Board Approval for the Purchase of Cardiac Ultrasound Equipment from GE Healthcare**

   No Public Comment.

   MOTION: The Board of Directors approves (i) the capital equipment purchase from GE Healthcare in the amount of $616,211.00 and (ii) the GE Healthcare Service Agreement in the amount of $177,225.00, as presented. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner, Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

4. **Recommend Board Approval for the Purchase of D-Spect Nuclear Camera from Spectrum Dynamics Medical Inc**

   No Public Comment.

   MOTION: The Board of Directors approves (i) the capital equipment purchase from Spectrum Dynamics Medical Inc. in the amount of $501,510.20 and (ii) the Spectrum Dynamics Medical Inc. Service Agreement in the amount of $180,000.00., as presented. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner, Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

Personnel, Pension and Investment Committee

Regina M. Gage, Committee Chair, reported the minutes from the Personnel, Pension and Investment Committee Meeting of November 16, 2021, were provided to the Board. Background information supporting the proposed recommendation made by the Committee was included in the Board packet and summarized by Director Gage. The following recommendation was made by the Committee:

1. **Recommend Board Adoption of the Findings Supporting Recruitment of Physicians to Community Medical Groups and Practices and Approval of Payment of Physician Recruitment Incentives**

   No Public Comment.

   MOTION: The Board of Directors approves the Findings Supporting Recruitment of Physicians to Community Medical Groups and Practices and the Payment of Physician Recruitment Incentives, as presented. The findings to support the recruitment of physicians in the specialties of anesthesia, emergency medicine, gastroenterology, pathology, pediatrics, radiology, and urology are set forth below. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner, Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

   The following findings support the recruitment of physicians in the specialties of anesthesia, emergency medicine, gastroenterology, pathology, pediatrics, radiology, and urology:

   - The assistance by SVMHS in the recruitment of physicians in the specialties of anesthesia, emergency medicine, gastroenterology, pathology, pediatrics, radiology, and urology by community medical groups and practices is in the best interest of the public health of the communities served by the District; and

   - The recruitment incentives requested by the community medical groups and practices and supported by SVMHS for these recruitments are necessary in order to attract and relocate appropriately qualified physicians to practice in the communities served by the District.

Community Advocacy Committee

Regina M. Gage, Committee Chair, reported the minutes from the Community Advocacy Committee Meeting of November 16, 2021, were provided to the Board. The Committee received a Mobile Health Clinic Update, Diabetes Education Outreach Update and a Report from the Salinas Valley Memorial Hospital Foundation. No action was taken by the Committee.

Consider Resolution No. 2021-06 Proclaiming a Local Emergency, Ratifying the Proclamation of a State of Emergency by Governor's State of Emergency Declaration on March 4, 2020, and Authorizing Remote Teleconference Meetings for the Period November 18 through December 18, 2021

Gary Ray, Esq., District Legal Counsel, reported Resolution No. 2021-06 for the Board's consideration, was included in the Board packet. The resolution is necessary to continue remote attendance by District Board and Committee meetings with waiver of certain requirements under The Brown Act.

No Public Comment.

MOTION: The Board of Directors adopts Resolution No. 2021-06 Proclaiming a Local Emergency, Ratifying the Proclamation of a State of Emergency by Governor's State of Emergency Declaration on March 4, 2020, and Authorizing Remote Teleconference Meetings for the Period November 18 through December 18, 2021, as presented. Moved/Seconded/Roll Call Vote: Ayes: Rey, Gage, Cabrera, Turner, Hernandez Laguna; Noes: None; Abstentions: None; Absent: None; Motion Carried.

Extended Closed Session

President Rey announced that there will be no Extended Closed Session.

Adjournment The next Regular Meeting of the Board of Directors is scheduled for **Thursday, December 16, 2021 at 4:00 p.m.** There being no further business, the meeting was adjourned at 6:28 p.m.

Juan Cabrera
Secretary, Board of Directors

/rm

SALINAS VALLEY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
November 30, 2021

	Month of November,		Five months ended November 30,	
	current year	prior year	current year	prior year
Operating revenue:				
Net patient revenue	$ 46,536,897	$ 48,049,134	$ 235,524,350	$ 238,936,046
Other operating revenue	839,739	815,104	4,795,603	4,824,104
Total operating revenue	47,376,636	48,864,238	240,319,953	243,760,150
Total operating expenses	40,777,629	40,258,675	205,620,314	205,209,086
Total non-operating income	(1,802,486)	(5,676,437)	(13,757,869)	(15,571,256)
Operating and non-operating income	$ 4,796,521	$ 2,929,126	$ 20,941,770	$ 22,979,808

SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
November 30, 2021

	Current year	Prior year
ASSETS:		
Current assets	$ 432,640,624	$ 389,666,786
Assets whose use is limited or restricted by board	147,551,374	136,082,503
Capital assets	240,794,799	258,840,190
Other assets	186,297,506	188,697,669
Deferred pension outflows	50,119,236	83,379,890
	$ 1,057,403,539	$ 1,056,667,039
LIABILITIES AND EQUITY:		
Current liabilities	127,965,576	146,759,167
Long term liabilities	14,556,513	14,780,831
	83,585,120	126,340,336
Net assets	831,296,330	768,786,705
	$ 1,057,403,539	$ 1,056,667,039

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
November 30, 2021

	Month of November,				Five months ended November 30,			
	Actual	**Budget**	**Variance**	**% Var**	**Actual**	**Budget**	**Variance**	**% Var**
Operating revenue:								
Gross billed charges	$ 201,794,014	$ 190,270,606	11,523,408	6.06%	$ 1,009,919,330	$ 970,426,189	39,493,141	4.07%
Dedutions from revenue	155,257,117	146,120,402	9,136,715	6.25%	774,394,980	744,787,862	29,607,118	3.98%
Net patient revenue	46,536,897	44,150,204	2,386,693	5.41%	235,524,350	225,638,327	9,886,023	4.38%
Other operating revenue	839,739	783,804	55,935	7.14%	4,795,603	3,909,527	886,076	22.66%
Total operating revenue	**47,376,636**	**44,934,008**	**2,442,628**	**5.44%**	**240,319,953**	**229,547,854**	**10,772,099**	**4.69%**
Operating expenses:								
Salaries and wages	14,716,435	14,749,120	(32,685)	-0.22%	77,028,437	77,288,495	(260,058)	-0.34%
Compensated absences	2,577,696	3,147,569	(569,873)	-18.11%	13,614,648	13,788,598	(173,950)	-1.26%
Employee benefits	5,768,821	6,620,934	(852,113)	-12.87%	34,455,397	35,359,638	(904,241)	-2.56%
Supplies, food, and linen	6,639,982	5,748,282	891,700	15.51%	31,244,463	29,313,664	1,930,799	6.59%
Purchased department functions	3,612,486	3,088,546	523,940	16.96%	16,328,796	15,224,257	1,104,539	7.26%
Medical fees	1,964,758	1,820,634	144,124	7.92%	9,800,010	9,137,769	662,241	7.25%
Other fees	2,177,101	943,032	1,234,069	130.86%	7,117,934	4,663,601	2,454,333	52.63%
Depreciation	2,065,950	1,794,427	271,523	15.13%	9,137,765	8,927,861	209,904	2.35%
All other expense	1,254,400	1,410,691	(156,291)	-11.08%	6,892,864	7,187,441	(294,577)	-4.10%
Total operating expenses	**40,777,629**	**39,323,236**	**1,454,393**	**3.70%**	**205,620,314**	**200,891,324**	**4,728,990**	**2.35%**
Income from operations	**6,599,007**	**5,610,773**	**988,234**	**17.61%**	**34,699,639**	**28,656,530**	**6,043,109**	**21.09%**
Non-operating income:								
Donations	166,667	166,667	0	0.00%	833,333	833,333	(0)	0.00%
Property taxes	333,333	333,333	(0)	0.00%	1,666,667	1,666,667	0	0.00%
Investment income	(539,526)	(63,302)	(476,224)	752.31%	(2,822,087)	(316,508)	(2,505,579)	791.63%
Income from subsidiaries	(1,762,960)	(3,736,552)	1,973,592	-52.82%	(13,435,782)	(20,495,066)	7,059,284	-34.44%
Total non-operating income	**(1,802,486)**	**(3,299,853)**	**1,497,368**	**-45.38%**	**(13,757,869)**	**(18,311,574)**	**4,553,705**	**-24.87%**
Operating and non-operating income	**$ 4,796,521**	**$ 2,310,919**	**2,485,602**	**107.56%**	**$ 20,941,770**	**$ 10,344,956**	**10,596,814**	**102.43%**

SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF NET PATIENT REVENUE
November 30, 2021

	Month of November,		Five months ended November 30,	
	current year	prior year	current year	prior year
Patient days:				
By payer:				
Medicare	1,682	1,658	7,992	8,003
Medi-Cal	1,026	1,014	4,920	5,306
Commercial insurance	801	777	3,671	3,795
Other patient	135	145	550	710
Total patient days	3,644	3,594	17,133	17,814
Gross revenue:				
Medicare	$ 89,266,473	$ 77,057,420	$ 444,987,880	$ 393,188,446
Medi-Cal	53,975,563	49,789,537	280,224,223	265,494,625
Commercial insurance	48,816,334	52,685,627	243,762,670	246,458,931
Other patient	9,735,644	7,572,363	40,944,557	45,042,612
Gross revenue	201,794,014	187,104,947	1,009,919,330	950,184,614
Deductions from revenue:				
Administrative adjustment	365,762	239,964	1,527,692	1,335,613
Charity care	857,807	691,865	5,234,927	4,300,379
Contractual adjustments:				
Medicare outpatient	27,301,095	21,951,198	139,564,145	123,258,999
Medicare inpatient	40,105,808	36,588,490	190,007,963	174,225,253
Medi-Cal traditional outpatient	2,970,132	1,990,120	13,166,418	9,741,852
Medi-Cal traditional inpatient	4,370,077	7,621,257	28,868,195	38,162,830
Medi-Cal managed care outpatient	21,856,728	16,797,146	111,326,675	91,371,221
Medi-Cal managed care inpatient	19,534,667	17,819,441	99,250,087	92,788,738
Commercial insurance outpatient	16,386,971	15,812,460	82,623,778	79,462,880
Commercial insurance inpatient	16,954,680	15,308,295	81,231,775	71,320,420
Uncollectible accounts expense	3,669,799	3,560,250	18,717,065	18,211,467
Other payors	883,591	675,329	2,876,260	7,068,915
Deductions from revenue	155,257,117	139,055,813	774,394,980	711,248,568
Net patient revenue	$ 46,536,897	$ 48,049,134	$ 235,524,350	$ 238,936,046
Gross billed charges by patient type:				
Inpatient	$ 107,252,158	$ 105,245,082	$ 529,016,040	$ 511,686,991
Outpatient	67,667,817	63,366,611	344,137,199	334,887,738
Emergency room	26,874,037	18,493,253	136,766,091	103,609,885
Total	$ 201,794,012	$ 187,104,947	$ 1,009,919,330	$ 950,184,614

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES
November 30, 2021

	Month of November,		Five months ended November 30,	
	current year	prior year	current year	prior year
Operating revenue:				
Net patient revenue	$ 46,536,897	$ 48,049,134	$ 235,524,350	$ 238,936,046
Other operating revenue	839,739	815,104	4,795,603	4,824,104
Total operating revenue	47,376,636	48,864,238	240,319,953	243,760,150
Operating expenses:				
Salaries and wages	14,716,435	15,914,134	77,028,437	79,759,035
Compensated absences	2,577,696	2,843,415	13,614,648	13,415,085
Employee benefits	5,768,821	6,841,575	34,455,397	37,042,661
Supplies, food, and linen	6,639,982	6,188,920	31,244,463	31,216,603
Purchased department functions	3,612,486	2,848,160	16,328,796	15,259,940
Medical fees	1,964,758	1,623,654	9,800,010	8,107,960
Other fees	2,177,101	1,110,512	7,117,934	5,697,623
Depreciation	2,065,950	1,776,800	9,137,765	8,873,057
All other expense	1,254,400	1,111,505	6,892,864	5,837,122
Total operating expenses	40,777,629	40,258,675	205,620,314	205,209,086
Income from operations	6,599,007	8,605,563	34,699,639	38,551,064
Non-operating income:				
Donations	166,667	166,667	833,333	833,333
Property taxes	333,333	333,333	1,666,667	1,666,667
Investment income	(539,526)	143,637	(2,822,087)	1,229,099
Taxes and licenses	0	0	0	0
Income from subsidiaries	(1,762,960)	(6,320,074)	(13,435,782)	(19,300,355)
Total non-operating income	(1,802,486)	(5,676,437)	(13,757,869)	(15,571,256)
Operating and non-operating income	4,796,521	2,929,126	20,941,770	22,979,808
Net assets to begin	826,499,809	765,857,579	810,354,560	745,806,898
Net assets to end	$ 831,296,330	$ 768,786,705	$ 831,296,330	$ 768,786,706
Net income excluding non-recurring items	$ 4,796,521	$ 2,929,126	$ 20,459,992	$ 22,380,262
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	0	0	481,778	599,546
Operating and non-operating income	$ 4,796,521	$ 2,929,126	$ 20,941,770	$ 22,979,808

SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF INVESTMENT INCOME
November 30, 2021

	Month of November,		Five months ended November 30,	
	current year	prior year	current year	prior year
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	$ (139,471)	$ (30,727)	$ (990,900)	$ (827,773)
Neurological Clinic	(48,543)	(145,597)	(283,581)	(437,379)
Palliative Care Clinic	(82,294)	(98,920)	(439,449)	(397,366)
Surgery Clinic	(115,277)	(287,343)	(641,585)	(809,127)
Infectious Disease Clinic	(30,361)	(74,625)	(143,150)	(157,680)
Endocrinology Clinic	(134,494)	(315,280)	(663,096)	(1,004,434)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(244,442)	(975,148)	(1,997,183)	(2,634,064)
OB/GYN Clinic	(153,594)	(661,039)	(1,559,830)	(1,931,052)
PrimeCare Medical Group	(17,564)	(1,721,162)	(2,017,582)	(4,832,366)
Oncology Clinic	(68,126)	(470,491)	(1,444,774)	(1,632,365)
Cardiac Surgery	(146,980)	(116,531)	(780,474)	(866,323)
Sleep Center	(52,460)	(159,851)	(156,938)	(322,265)
Rheumatology	(68,775)	(97,867)	(264,531)	(291,291)
Precision Ortho MDs	(80,753)	(626,912)	(1,227,787)	(2,081,972)
Precision Ortho-MRI	0	(22,147)	0	(2,526)
Precision Ortho-PT	(36,154)	(63,198)	(254,434)	(248,493)
Vaccine Clinic	(46,471)	0	(82,182)	0
Dermatology	(54,381)	(67,322)	(119,205)	(171,623)
Hospitalists	0	0	0	0
Behavioral Health	(77,246)	(86,949)	(362,524)	(344,345)
Pediatric Diabetes	(59,679)	(42,559)	(234,717)	(160,005)
Neurosurgery	(20,749)	(65,791)	(120,994)	(149,016)
Multi-Specialty-RR	31,976	(32,262)	50,576	12,316
Radiology	(84,842)	(150,370)	(1,196,516)	(943,582)
Salinas Family Practice	13,613	0	(375,839)	0
Total SVMC	(1,717,067)	(6,312,091)	(15,306,695)	(20,232,731)
Doctors on Duty	(311,670)	(198,837)	166,004	94,992
Assisted Living	0	(12,544)	0	(39,619)
Salinas Valley Imaging	0	0	0	(19,974)
Vantage Surgery Center	55,213	34,163	150,516	105,699
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	210,512	53,525	1,245,882	360,677
Aspire/CHI/Coastal	(88,341)	20,873	(120,610)	(176,284)
Apex	7,044	(5,917)	67,042	45,592
21st Century Oncology	37,205	37,826	158,220	(48,771)
Monterey Bay Endoscopy Center	44,144	62,929	203,859	610,063
Total	$ (1,762,960)	$ (6,320,074)	$ (13,435,782)	$ (19,300,355)

SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
November 30, 2021

	Current year	Prior year
ASSETS		
Current assets:		
Cash and cash equivalents	$ 328,724,105	$ 281,325,351
Patient accounts receivable, net of estimated uncollectibles of $21,431,319	83,066,255	87,416,864
Supplies inventory at cost	8,738,670	8,632,901
Other current assets	12,111,594	12,291,670
Total current assets	432,640,624	389,666,786
Assets whose use is limited or restricted by board	147,551,374	136,082,503
Capital assets:		
Land and construction in process	37,065,568	45,944,579
Other capital assets, net of depreciation	203,729,231	212,895,611
Total capital assets	240,794,799	258,840,190
Other assets:		
Investment in Securities	143,928,669	147,489,806
Investment in SVMC	13,674,796	13,466,305
Investment in Aspire/CHI/Coastal	3,656,282	4,085,450
Investment in other affiliates	21,323,595	21,997,976
Net pension asset	3,714,164	1,658,132
Total other assets	186,297,506	188,697,669
Deferred pension outflows	50,119,236	83,379,890
	$ 1,057,403,539	$ 1,056,667,039
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 56,318,359	$ 53,998,939
Due to third party payers	53,987,693	74,834,175
Current portion of self-insurance liability	17,659,524	17,926,053
Total current liabilities	127,965,576	146,759,167
Long term portion of workers comp liability	14,556,513	14,780,831
Total liabilities	142,522,089	161,539,998
Pension liability	83,585,120	126,340,336
Net assets:		
Invested in capital assets, net of related debt	240,794,799	258,840,190
Unrestricted	590,501,531	509,946,515
Total net assets	831,296,330	768,786,705
	$ 1,057,403,539	$ 1,056,667,039

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Nov and five months to date

	Month of Nov		Five months to date		
	2020	2021	2020-21	2021-22	Variance
NEWBORN STATISTICS					
Medi-Cal Admissions	33	38	226	213	(13)
Other Admissions	85	102	488	475	(13)
Total Admissions	118	140	714	688	(26)
Medi-Cal Patient Days	45	62	334	326	(8)
Other Patient Days	116	152	762	781	19
Total Patient Days of Care	161	214	1,096	1,107	11
Average Daily Census	5.4	7.1	7.2	7.2	0.1
Medi-Cal Average Days	1.5	1.6	1.5	1.6	0.0
Other Average Days	0.9	1.6	1.5	1.6	0.1
Total Average Days Stay	1.4	1.6	1.5	1.6	0.1
ADULTS & PEDIATRICS					
Medicare Admissions	321	355	1,585	1,594	9
Medi-Cal Admissions	246	241	1,171	1,198	27
Other Admissions	353	316	1,422	1,505	83
Total Admissions	920	912	4,178	4,297	119
Medicare Patient Days	1,513	1,435	7,046	6,886	(160)
Medi-Cal Patient Days	999	1,071	5,414	5,082	(332)
Other Patient Days	897	1,133	4,706	5,158	452
Total Patient Days of Care	3,409	3,639	17,166	17,126	(40)
Average Daily Census	113.6	121.3	112.2	111.9	(0.3)
Medicare Average Length of Stay	5.0	4.1	4.5	4.2	(0.2)
Medi-Cal AverageLength of Stay	4.2	3.8	3.9	3.4	(0.4)
Other Average Length of Stay	2.6	2.8	2.4	2.7	0.2
Total Average Length of Stay	3.8	3.5	3.5	3.4	(0.1)
Deaths	25	31	145	131	(14)
Total Patient Days	3,570	3,853	18,262	18,233	(29)
Medi-Cal Administrative Days	0	2	96	76	(20)
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	0	2	96	76	(20)
Percent Non-Acute	0.00%	0.05%	0.53%	0.42%	-0.11%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Nov and five months to date

	Month of Nov		Five months to date		
	2020	2021	2020-21	2021-22	Variance
PATIENT DAYS BY LOCATION					
Level I	242	286	1,225	1,327	102
Heart Center	341	36	1,707	1,326	(381)
Monitored Beds	918	819	4,459	3,897	(562)
Single Room Maternity/Obstetrics	268	349	1,748	1,760	12
Med/Surg - Cardiovascular	726	778	3,497	3,177	(320)
Med/Surg - Oncology	215	304	705	1,420	715
Med/Surg - Rehab	384	445	1,981	2,059	78
Pediatrics	68	93	349	442	93
Nursery	161	214	1,096	1,107	11
Neonatal Intensive Care	192	122	655	404	(251)
PERCENTAGE OF OCCUPANCY					
Level I	62.05%	73.33%	61.59%	66.72%	
Heart Center	75.78%	8.00%	74.38%	57.78%	
Monitored Beds	113.33%	101.11%	107.94%	94.34%	
Single Room Maternity/Obstetrics	24.14%	31.44%	30.88%	31.09%	
Med/Surg - Cardiovascular	53.78%	57.63%	50.79%	46.14%	
Med/Surg - Oncology	55.13%	77.95%	35.44%	71.39%	
Med/Surg - Rehab	49.23%	57.05%	49.80%	51.76%	
Med/Surg - Observation Care Unit	0.00%	79.80%	0.00%	50.52%	
Pediatrics	12.59%	17.22%	12.67%	16.05%	
Nursery	32.53%	43.23%	21.71%	21.93%	
Neonatal Intensive Care	58.18%	36.97%	38.92%	24.00%	

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Nov and five months to date

	Month of Nov		Five months to date		
	2020	2021	2020-21	2021-22	Variance
DELIVERY ROOM					
Total deliveries	118	145	713	674	(39)
C-Section deliveries	28	57	214	229	15
Percent of C-section deliveries	23.73%	39.31%	30.01%	33.98%	3.96%
OPERATING ROOM					
In-Patient Operating Minutes	17,041	15,902	112,408	97,490	(14,918)
Out-Patient Operating Minutes	27,362	26,884	124,128	126,026	1,898
Total	44,403	42,786	236,536	223,516	(13,020)
Open Heart Surgeries	13	9	64	58	(6)
In-Patient Cases	121	133	757	702	(55)
Out-Patient Cases	283	265	1,371	1,246	(125)
EMERGENCY ROOM					
Immediate Life Saving	48	35	147	191	44
High Risk	500	467	2,514	2,231	(283)
More Than One Resource	1,926	2,629	10,548	13,142	2,594
One Resource	989	1,542	7,419	8,508	1,089
No Resources	43	83	208	480	272
Total	3,506	4,756	20,836	24,552	3,716

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Nov and five months to date

	Month of Nov		Five months to date		
	2020	2021	2020-21	2021-22	Variance
CENTRAL SUPPLY					
In-patient requisitions	15,713	14,044	70,128	75,624	5,496
Out-patient requisitions	9,854	9,724	52,609	47,015	-5,594
Emergency room requisitions	1,453	862	8,322	6,922	-1,400
Interdepartmental requisitions	6,781	6,434	33,584	30,256	-3,328
Total requisitions	33,801	31,064	164,643	159,817	-4,826
LABORATORY					
In-patient procedures	35,112	33,583	172,183	165,173	-7,010
Out-patient procedures	12,551	11,015	55,555	57,181	1,626
Emergency room procedures	8,169	10,480	42,273	55,112	12,839
Total patient procedures	55,832	55,078	270,011	277,466	7,455
BLOOD BANK					
Units processed	239	278	1,419	1,369	-50
ELECTROCARDIOLOGY					
In-patient procedures	935	1,070	4,597	4,727	130
Out-patient procedures	386	380	1,999	1,971	-28
Emergency room procedures	809	1,004	4,057	4,947	890
Total procedures	2,130	2,454	10,653	11,645	992
CATH LAB					
In-patient procedures	80	91	391	454	63
Out-patient procedures	85	97	442	474	32
Emergency room procedures	0	0	1	0	-1
Total procedures	165	188	834	928	94
ECHO-CARDIOLOGY					
In-patient studies	289	364	1,449	1,689	240
Out-patient studies	180	212	949	1,154	205
Emergency room studies	0	0	11	4	-7
Total studies	469	576	2,409	2,847	438
NEURODIAGNOSTIC					
In-patient procedures	127	151	797	756	-41
Out-patient procedures	16	20	120	120	0
Emergency room procedures	0	0	0	0	0
Total procedures	143	171	917	876	-41

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Nov and five months to date

	Month of Nov		Five months to date		
	2020	2021	2020-21	2021-22	Variance
SLEEP CENTER					
In-patient procedures	0	0	1	0	-1
Out-patient procedures	206	156	964	864	-100
Emergency room procedures	0	0	0	0	0
Total procedures	206	156	965	864	-101
RADIOLOGY					
In-patient procedures	1,361	1,140	6,524	5,959	-565
Out-patient procedures	614	404	3,455	2,178	-1,277
Emergency room procedures	1,083	1,241	5,435	6,285	850
Total patient procedures	3,058	2,785	15,414	14,422	-992
MAGNETIC RESONANCE IMAGING					
In-patient procedures	118	144	631	633	2
Out-patient procedures	150	99	717	589	-128
Emergency room procedures	6	5	56	31	-25
Total procedures	274	248	1,404	1,253	-151
MAMMOGRAPHY CENTER					
In-patient procedures	3,006	3,431	15,158	17,915	2,757
Out-patient procedures	2,992	3,407	15,086	17,766	2,680
Emergency room procedures	0	0	0	8	8
Total procedures	5,998	6,838	30,244	35,689	5,445
NUCLEAR MEDICINE					
In-patient procedures	8	13	67	65	-2
Out-patient procedures	79	78	379	389	10
Emergency room procedures	0	1	3	4	1
Total procedures	87	92	449	458	9
PHARMACY					
In-patient prescriptions	86,933	85,360	420,843	417,383	-3,460
Out-patient prescriptions	14,955	14,778	76,895	77,349	454
Emergency room prescriptions	5,030	7,127	25,983	35,562	9,579
Total prescriptions	106,918	107,265	523,721	530,294	6,573
RESPIRATORY THERAPY					
In-patient treatments	21,297	15,725	94,371	89,583	-4,788
Out-patient treatments	1,105	1,252	2,902	5,526	2,624
Emergency room treatments	181	159	621	1,094	473
Total patient treatments	22,583	17,136	97,894	96,203	-1,691
PHYSICAL THERAPY					
In-patient treatments	2,143	2,324	11,456	11,409	-47
Out-patient treatments	365	313	1,494	1,678	184
Emergency room treatments	0	0	0	0	0
Total treatments	2,508	2,637	12,950	13,087	137

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Nov and five months to date

	Month of Nov		Five months to date		
	2020	2021	2020-21	2021-22	Variance
OCCUPATIONAL THERAPY					
In-patient procedures	1,376	1,359	6,638	7,389	751
Out-patient procedures	170	182	651	857	206
Emergency room procedures	0	0	0	0	0
Total procedures	1,546	1,541	7,289	8,246	957
SPEECH THERAPY					
In-patient treatments	354	370	1,904	2,048	144
Out-patient treatments	28	23	125	145	20
Emergency room treatments	0	0	0	0	0
Total treatments	382	393	2,029	2,193	164
CARDIAC REHABILITATION					
In-patient treatments	0	0	0	0	0
Out-patient treatments	359	671	1,750	3,318	1,568
Emergency room treatments	1	0	1	0	-1
Total treatments	360	671	1,751	3,318	1,567
CRITICAL DECISION UNIT					
Observation hours	225	400	1,265	1,504	239
ENDOSCOPY					
In-patient procedures	70	79	458	477	19
Out-patient procedures	25	40	133	177	44
Emergency room procedures	0	0	0	0	0
Total procedures	95	119	591	654	63
C.T. SCAN					
In-patient procedures	577	590	2,768	2,825	57
Out-patient procedures	505	390	2,664	1,943	-721
Emergency room procedures	433	639	2,349	3,047	698
Total procedures	1,515	1,619	7,781	7,815	34
DIETARY					
Routine patient diets	16,047	18,709	80,705	88,406	7,701
Meals to personnel	19,843	21,480	104,619	108,600	3,981
Total diets and meals	35,890	40,189	185,324	197,006	11,682
LAUNDRY AND LINEN					
Total pounds laundered	100,852	96,567	515,812	487,254	-28,558

Salinas Valley Memorial Healthcare System

Memorandum

To: Board of Directors

From: Clement Miller

Date: December 16, 2021

Re: Policies Requiring Approval

As required under Title 22, CMS, and The Joint Commission (TJC), please find below a list of regulatory required policies with summary of changes that require your approval.

	Policy Title	Summary of Changes	Responsible VP
1.	Diagnostic Imaging Quality Assurance and Quality Control	Updated Policy Statement moved content to General Information section. Updated Education Statement to standard verbiage. Updated References section.	Clement Miller
2.	Care of the CRRT Patient Monitoring, Troubleshooting and Termination of PrismaFlex	New policy.	Lisa Paulo
3.	NICU Registered Nurse Insertion: Neonatal Peripherally Inserted Central Catheters	Updated Policy Statement. Updated hyperlink on bullet "E" in Purpose section. Updated General Information section. Updated References.	Clement Miller

Salinas Valley Memorial Healthcare System

DIAGNOSTIC IMAGING QUALITY ASSURANCE AND QUALITY CONTROL

Reference Number	6870
Effective Date	Not Set
Applies To	DI
Attachments/Forms	

I. POLICY STATEMENT:

A. It is the policy of SVMH to follow the guidelines set forth by MQSA and the FDA for mammography and the guidelines set forth by CDPH-RHB and Title 17 for Radiology regarding equipment maintenance, ~~equipment~~ physicists checks, image ~~quality,~~ ~~x~~quality, x-ray tube registration

II. PURPOSE:

A. Under the Salinas Valley Memorial Hospital Quality and Performance Improvement Program Plan, to ensure that Diagnostic Imaging maintains high quality images and accurate interpretation of these images. Evaluation of performance in practice should reveal opportunities for quality improvement to ensure competence and improve individual outcomes.

B. To provide oversight of the Diagnostic Imaging Department's Quality / Performance Improvement program.

C. To ensure Diagnostic Imaging equipment has preventative maintenance, system performance evaluations, and quality control checks on a regularly scheduled basis with the goal of preventing break downs and ensuring optimal system performance.

D. To ensure equipment use/safety training for Diagnostic Imaging personnel.

E. For quality control/assurance practices related to radiation apparel see PROTECTION DEVICE INSPECTIONS and REMOVAL~~PROTECTION DEVICE INSPECTIONS and REMOVAL~~.

III. DEFINITIONS:

A. PACS – Picture Archival and Communication System

B. QA – Quality Assurance

C. QC – Quality Control

D. PeerVue – software that is integrated with PACS that is used to document and report film quality in DI.

E. RSC- Radiation Safety Committee.

F. PM – preventative maintenance; Includes electrical and Mechanical safety checks.

G. Action Limits- a stated result that when reached demands corrective action.

H. MQSA – Mammography Quality Standards Act

I. FDA – Food and Drug Administration

J. ACR – American College of Radiology

K. EQUIP – Enhancing Quality using the Inspection Program

~~K.~~L. CDPH-RHB – California Department of Public Health – Radiologic Health Branch

IV. GENERAL INFORMATION:

A. Quality Assurance

1. The Mammography ~~Medical Director~~Lead Interpreting Physician (LIP) ensures that the quality assurance program, all equipment quality control tests, *regular preventative maintenance,* records, and corrective actions, the annual physicist's survey, and medical audit and outcome analysis, meet all requirements of the MQSA guidelines.
2. The Mammography ~~Medical Director's~~LIP's responsibilities per MQSA are as follows:
    a. Ensure that the Mammography Technologists maintain their credentials, continuing education and continuing experience (200 mammograms in twenty four months).
    b. Ensure that the individuals ~~he or she ha~~ s ~~s~~ assigned to quality assurance tasks are qualified to perform these tasks and their performance is adequate.
    c. Ensure that the mammography reports are sent to the referring physician within 30 days from the date of service.
    d. Ensure that a lay report is provided to the patient within 30 days of the date of service.
    e. Ensure that the medical audit and outcome analysis is reviewed annually by each interpreting physician.
    f. Ensure that the interpreting physician maintain continuing education (15 category 1 credits in thirty six months) and continuing experience (interpret 960 mammograms in twenty four months).
    g. Ensure that there is an annual physicist's report, preventative maintenance semi-annually, quality control test are done daily, phantom done weekly and corrective action is documented.

h. Reviews and signs off on educational requirements and job descriptions for mammography staff.

i. Serves as the lead interpreting physician for the EQUIP program per the EQUIP Protocol~~EQUIP Protocol~~.

~~i.~~

3. Interpreting Radiologists will perform a continuous random review of at least 5% of cases read per the ~~.~~RADIOLOGY REVIEW PROTOCOL.

4. Radiologists will provide a final report for ER and Tele-radiology ~~over reads~~prelims. ~~will be performed.~~

5. This program will monitor Tech QA, Reject/Repeat exposures.

6. Department Quality Assurance/Performance Improvement meetings will be held at least ~~two~~ four (~~2~~4) times a year, more frequently as defined by the department chair or leadership.

7. Annual checks on all radiation producing equipment will happen annually.

~~5.~~a. The equipment checks must take place per CDPH-RHB requirements.

~~6.~~8. Radiation exposure will be monitored for the potential higher exposure modalities of CT, Angiography, and Fluoroscopy. High exposure cases will be reported to the Radiation Safety Committee (RSC) ~~on a quarterly basis~~.

~~7.~~9. Radiation Safety Committee Meetings will be held quarterly. ~~to address~~

B. **Quality Control**

1. The mammography Lead Interpreting Physician (LIP) must review policy and procedures every 6 months.

2. Mammography Radiologists and Mammography technologists must review policy and procedure manuals annually.

3. Preventative maintenance and system performance evaluations will be performed by a qualified individual (Medical Physicist, Biomed technician, specialized service engineer, or technologist) per manufacturers guidelines or if more stringent, appropriate accreditation/regulatory requirements will be followed.

~~3.~~ ~~.~~

4. Manufacturers' guidelines should be followed for quality control, cleaning and maintenance of equipment, or if more stringent, appropriate accreditation/regulatory requirements will be followed.

5. All non-imaging equipment will be checked for electrical/mechanical safety by the Biomed or Engineering department.
6. All radiation producing equipment purchased by SVMHS must be ~~approved~~ reviewed through the ~~Diagnostic Imaging Department~~Radiation Safety Committee.
7. The medical physicist will adequately supervise and monitor the QC program, including those portions pertaining to the x-ray equipment, phantom imaging and the technologist QC testing programs.
8. All new radiation emitting equipment must be registered with the state using the appropriate form per CDPH-RHB.~~.~~
9. All new radiation emitting equipment must have checked by a physicist ~~approval before placing into service~~.
    a. Mammography units must be checked and approved by physicist before patient imaging can be performed.
    b. Mammography units must be checked before use on a patient if a tube change occurs.
    ~~9.~~
10. ~~Daily crash cart checks will be performed and documented.~~
11. ~~Manufacturers' guidelines should be followed for quality control, cleaning and maintenance of equipment, or if more stringent, appropriate accreditation requirements will be followed.~~

~~12. All non-imaging equipment will be checked for electrical/mechanical safety by the Biomed or Engineering department.~~

~~13.~~10. ~~All radiation producing equipment purchased by SVMHS must be approved through the Diagnostic Imaging Department.~~

~~14.~~11. The department of Diagnostic Imaging maintains a commitment to quality control through the following procedures:

~~15.~~12. **Mammography:**

a. DICOM Printer Quality control – per manufacturer's recommendation
b. QC on Mammography units.
    1) Detector flat field calibration - Weekly
    2) Artifact evaluation - Weekly
    3) Signal-to-Noise and Contrast-to-Noise measurements – Weekly
    4) Phantom Image - Weekly
    5) Visual checklist - Monthly
    6) Compression Thickness Indicator – Biweekly

7) Geometry Calibration (Tomo) – Semiannually
8) Compression Test– Semiannually

c. AEC Testing – Annually
d. Diagnostic Review Workstations

1) Review workstation quality control – Weekly
2) View box and Viewing Conditions – Weekly

e. Repeat/Reject Analysis – Quarterly
f. Preventive Maintenance by Field Engineer: Biannually.
g. Physicist Quality Assurance Evaluation: Annually.

~~16.~~13. **Stereotactic:**

a. QC on Stereotactic Unit: Prior to performing Stereotactic Biopsies.

1) QAS Test – Daily Prior to clinical use
2) Gain Calibration – Weekly
3) Phantom Image – Weekly
4) Visual Equipment Checklist – Monthly
5) Hardcopy Output Quality Test – Monthly
6) Repeat/Reject analysis – Quarterly
7) Compression Test – Semiannually
8) Geometry Calibration – Semiannually
9) Preventive Maintenance by Field Engineer: Bi-Annually.
10) Physicist Quality Assurance Evaluation: Annually.

~~17.~~14. **Bone Density Machine**

a. Daily QC per manufacturer's guidelines utilizing spine phantom from manufacturer.
b. Preventative Maintenance by Field Engineer: Bi-annually

~~18.~~15. **X-Ray (Hospital, Taylor Farms Family Health and Wellness Center):**

a. Fluoroscopy monitoring, weekly.
b. Protective device inspections, annually.
c. Evaluation of CR screens and cassettes, per manufacturer's guidelines.
d. Digital portable QC, per manufacturer's guidelines.
e. Medical Physicist inspection and testing, annually

~~19.~~16. **Computed Tomography** **(Hospital, Center for Advanced Diagnostic Imaging at Ryan Ranch):**

a. Image quality control, daily.
b. Preventative Maintenance by field engineer, per manufacturer's guidelines.
c. Medical Physicist inspection and testing, annually.
d. Medrad injector preventative maintenance, per manufacturer's guidelines.

~~20.~~17. **Angiography:**

a. Lucite phantom fluoroscopy check, weekly.
b. Preventative Maintenance checks, per manufacturer's guidelines
c. Medical Physicist inspection and testing, annually.

~~21.~~18. **MRI** **(Hospital, Center for Advanced Diagnostic Imaging at Ryan Ranch):**

a. QC checks, daily, weekly.
b. Preventative Maintenance, per manufacturer's guidelines.
c. Medical Physicist inspection and testing, annually.

~~22.~~19. **Ultrasound:**

a. Image Uniformity, System sensitivity and/or penetration capability, Gray scale, and PM, ~~semi-~~annually per ACR guidelines.

~~23.~~20. **Nuclear Medicine (Hospital, CDOC, and CADI):**

a. Dose Calibrator; Daily, Quarterly, and annual QC checks.
b. Uptake Probe and Well counter; Daily or when used, Monthly, and annual QC checks. Annual performance testing.
c. Gamma Cameras: Daily, Weekly, Monthly QC, Semi-Annual PM checks, and Annual performance testing.

~~24.~~21. Annual monitor checks for modality workstations.

~~25.~~22. Action limits are based on Manufacturers guidelines for a particular piece of equipment.

~~26.~~23. Annual Quality Control Program review will occur.

~~27.~~24. Medical Physicist inspection and testing, annually.

V. **PROCEDURE:**

A. **Quality Assurance:**

1. Radiologists will randomly perform case reviews (over reads) on a continual basis. A review of at least 5% of all cases read will be performed.
   a. Reviews will be documented in an integrated review system in PACS, such as "PeerVue".
2. Emergency Room (ER) physicians perform the initial read for routine plain films. Teleradiology services performs preliminary readings for Computed Tomography and Ultrasound as well as other STAT exams that are ordered after hours. These reads are considered preliminary readings and the on-site Radiologists are responsible for the final interpretation and dictation.
3. Any significant discrepancies (as deemed by the Radiologist) between the preliminary report and the final dictation are brought to the attention of the ordering physician. The ordering physician is responsible to review the discrepancy and determine if the care provided will need to be altered. If necessary the patient is then contacted and documentation will be placed in the patient's record as an addendum to care.
4. Image Quality
   a. The quality of images will be monitored quarterly and reported to the ~~Diagnostic Imaging Performance Improvement~~Radiation Safety Committee meeting.
   b. The interpreting Radiologist will document if there are images they feel are non-diagnostic or contain excessive exposures for the standard of the exam performed.
   c. Documentation will be on an integrated review system in PACS such as PeerVue.
   d. A report will be run monthly out of PeerVue for each modality.
   e. The Director / designee will review all non-diagnostic and/or excessive images with the performing technologist and appropriate action will take place.
   f. A Reject/Repeat analysis report will be run quarterly on each modality that has this capability~~, to include the analysis and non-diagnostic and/or excessive imaging from the PeerVue software~~. Trends and/or patterns will be determined and actions taken as necessary. (Per ACR guidelines, repeat

analysis should be under 5% of the total exposures). Reject/Repeat analysis will be reported quarterly at the Radiation Safety Committee.

5. Radiation exposure monitoring will occur for CT, Angiography, and Fluoroscopy exams.
    a. CT exposure will be documented/ monitored for each exam. The documentation and monitoring will occur per State guidelines.
6. Radiation monitoring will occur as stated in the RADIATION SAFETY RADIATION SAFETY -policy.
7. Mammography
    a. When an interpreting Radiologist reads an exam of poor quality, ~~he/she~~they will complete a technical work sheet in PACS stating their~~his/her~~ concerns with the mammography images such as positioning, artifact, etc. This worksheet will be printed to the diagnostic scheduler so they may contact the patient to come in for a Technical Callback (repeat imaging).
    ~~b.~~ Radiologists will document critique of images submitted using the Tech QA Software. Email notification is sent from the system to the technologist for prompt review. ~~A monthly Tech QA report is also provided to each technologist. .~~
    b.
    c. Tech QA reports will be printed monthly and shared with the mammography staff.
    d. Corrective action taken regarding image quality will be documented as part ~~of~~ of EQUIP Protocol (Enhancing Quality using Inspection Program).
    e. During annual performance evaluations, image quality -following ACR ~~and EQUIP~~and EQUIP guidelines will be reviewed with each technologist.
8. The Annual Quality Assurance Program review.
    a. Quality results will be submitted to the DI and/or Mammography Medical Director for review.
    b. Performance Improvement/ Quality Assurance program and indicators will be determined and assessed by the Performance Improvement Committee annually.

c. Thresholds for action, improvement plan and results will be evaluated by the Performance Improvement committee and shared with staff ongoing.

B. **Quality Control**

1. All department staff will be responsible for ensuring that appropriate daily QC and equipment checks have been performed on a piece of equipment before being used on patients.
2. Imaging equipment must pass appropriate daily QC before being used on patients per manufacturer's guidelines.~~.~~
3. Log book and/or computer documentation will be used to track QC.
4. If a QC failure occurs (performance deficits, e.g. problems with the system and/or data outside of the action limits) a recording of the date, time, and issue will be noted and a Biomed ticket and/or a call to the vendor's service engineer will be generated when appropriate.
5. Any system down time will be communicated to the DI Manager, Director or designee immediately.
6. Testing results, corrective actions, and the effects of the corrective action will be documented.
7. The coordinating of QC, PM, and performance testing will be the responsibility of the modality coordinator or designee as assigned by the DI manager.
8. All Diagnostic Imaging staff will be in-serviced (for proper use and safety) on equipment upon hire and then as new equipment is placed into service.
9. All non-patient care equipment will be checked for electrical safety by the Engineering department per their guidelines.
10. All non-imaging patient care equipment will be checked for electrical safety and proper functionality by the biomedical department on a routine basis.
11. The annual quality control program review will be documented at the ~~PI/QA~~Radiation Safety ~~committee~~ Committee meeting~~s~~.

C. Documentation:

1. Documentation will be maintained in Departmental files. Peer Review documents will be maintained in Medical Staff Services.
2. Documentation will be provided by service reports/ training certification from equipment manufacturers, physicist's reports, and department documentation.

VI. **EDUCATION/TRAINING:**

A. Education and/or training will be provided as needed.

VII. **REFERENCES:**

A. IAC Accreditation standards.

- https://www.intersocietal.org/

B. ACR Accreditation standards.

- https://www.acraccreditation.org/

C. California Senate Bill 1237

D. 21 CFR 900.12 and 21 CFR 1000.55

E. EQUIP - https://www.fda.gov/radiation-emitting-products/mqsa-insights/equip-enhancing-quality-using-inspection-program

F. MQSA - https://www.fda.gov/radiation-emitting-products/mammography-quality-standards-act-and-program

~~G. IAC; Nuclear Medicine, MRI~~

~~H. Spectrum Dynamics Inc.~~

~~I. Toshiba Medical Systems~~

~~J. ACR, Ultrasound accreditation program.~~

~~K. ACR, CT accreditation program.~~

~~L. ACR, MRI accreditation program.~~

~~M.~~G. CFR Title 21 sec 1000.55

~~N. FDA Compliance Guidance: The Mammography Quality Standards Act Final Regulations~~

~~https://www.fda.gov/regulatory-information/search-fda-guidance-documents/compliance-guidance-mammography-quality-standards-act-final-regulations-preparing-mqsa-inspections~~

~~ACR: https://www.acr.org/Clinical-Resources/Breast-Imaging-Resources\~~

~~O.~~H. CFR Title 17

Salinas Valley Memorial Healthcare System

Care of the CRRT Patient- Monitoring, Troubleshooting, and Termination of PrismaFlex

Reference Number	6919
Effective Date	Not Set
Applies To	ICU/CCU, Satellite Health
Attachments/Forms	Attachment A CRRT Flowsheet

I. POLICY STATEMENT:

A. NA

II. PURPOSE:

A. To provide an ICU/CCU RN procedural guidelines with managing care of patient undergoing continuous renal replacement therapy

III. DEFINITIONS:

A. SCUF – Slow Continuous Ultrafiltration – for fluid removal only. Poor emergent treatment of hyperkalemia and acidosis.

B. CRRT-Continuous Renal Replacement Therapy

C. CVVH – Continuous Veno-venous Hemofiltration – for convective solute clearance and patient fluid removal. Replacement solution is required.

D. CVVHD – Continuous Veno-Venous Hemodialysis – for diffusive solute clearance and patient fluid removal. Dialysate solution is required.

E. CVVHDF – Continuous Veno-Venous Hemodiafiltration – for convective and diffusive clearance and patient fluid removal. Blood pump, effluent pump, dialysate pump, and replacement pump are operational. Both replacement and dialysate solutions are required.

F. Temporary Dialysis Catheter – is a large bore, double lumen central venous catheter placed in the internal jugular vein, subclavian vein or femoral vein.

G. Dialysis – the process of diffusing blood across a semi-permeable membrane to remove toxic materials and to maintain fluid, electrolyte and acid-base balance in cases of impaired kidney function.

IV. GENERAL INFORMATION:

A. The primary responsibility of managing the CRRT is assumed by the Nephrologists in collaboration with the Critical Care physician.

B. The Dialysis RN sets up the CRRT equipment, initiates therapy according to MD order, and changes hemofilter and blood lines every 72 hours or as needed.

C. A Critical Care RN who demonstrated competency in CRRT is responsible to monitor and care for the patient throughout the course of treatment.

D. The Dialysis RN is available on-call 24 hours a day as a nursing and technical resource.

E. If the patient needs to come off CRRT for a procedure or surgery, the Critical Care RN discontinues the therapy according to procedure and collaborates with the Dialysis RN when therapy is to be reinitiated.

F. The hemofilter is changed every 72 hours or prn using the prescribed hemofilter.

G. A PRISMAFLEX cart is ordered from SSP which will be used to store all CRRT fluids and supplies while patient is on CRRT therapy.

V. PROCEDURE:

1. **Catheter Care Supplies for Heplock when not in use:**
    1. 1000 units/ml Heparin vials (use to Heplock dialysis catheter)
    2. (4) 10 mL syringes filled with 0.9% Sodium Chloride Solution

2. **PRISMAFlex Monitoring**
    1. **Status screen** displays information about the procedure during RUN mode.
    2. The first **self-test** will take place ten minutes after beginning of RUN, then every two hours thereafter. Do not make changes to circuit pressures during self-checks
    3. **Current Flow Rates** – located in upper left box. Displays the current flow rate settings.
        a. **Blood Flow Rate**– is always displayed. Stated as a physician order.
        b. **Replacement Solution Rate**- Stated as a physician order
        c. **Dialysate Rate**- Stated as a physician order
        d. **Patient set removal rate**– Net fluid removal set for the hour
        e. **Anticoagulation** Adjusted according to parameters when Heparin is use
    4. **Current Pressures**- Located in the upper right box. Gives continuous updates on pressures measured by the PRISMAFLEX system at each pressure pod location. Alarms occur if one or more pressures go out of range.

a. ACCESS – The pressure measured as blood leaves the catheter and enters the extra-corporeal set. Since it is measured before the blood pump, it is always negative.

b. FILTER– The pressure in the extracorporeal set immediately before entering the filter. Since it is measured after the blood pump, it is always positive.

c. EFFLUENT – The pressure in the effluent line between the filter and the effluent pump. It can be positive or negative depending on the therapy chosen and filter condition.

d. RETURN – The pressure measured as the blood leaves the extracorporeal set and goes back to the patient. It is always positive.

e. TMP – Transmembrane Pressure – reflects the pressure difference between the fluid and blood compartments of the filter.

f. FILTER PRESSURE (ΔP Filter) – determine pressure conditions in the hollow fibers of the filter.

5. **Input and Output Data** - Depending on the therapy chosen, the following cumulative totals are displayed.

   a. Effluent and actual patient fluid removal

   b. Elapsed Time

   c. Treatment Time– Total treatment time for patient

      1) Filter Time – Time elapsed on current disposable set

      2) Doses and Solutions (replacement and dialysate used)

      3) The length of the I/O period is set to 60 minutes. The data on the screen accumulates for the length of time set and then reverts to zero at the end of each I/O period., A chart reminder sound (BEEP) can occurs at the end of each I/O period.

6. **Next Intervention** – An advanced warning is displayed which includes the number of minutes before the next intervention is due and what the actual intervention is. The NEXT INTERVENTION warnings are:

   a. Effluent (YELLOW) bag full- Each time the effluent bag is emptied, a NEW STERILE effluent bag must be attached. Effluent output must be emptied into the proper receptacle (i.e. hopper).

   b. Pre-blood pump scale (WHITE)

   c. Dialysate (GREEN) bag empty**.**

   d. Replacement (PURPLE) bag empty.

   e. Time to change set**.**

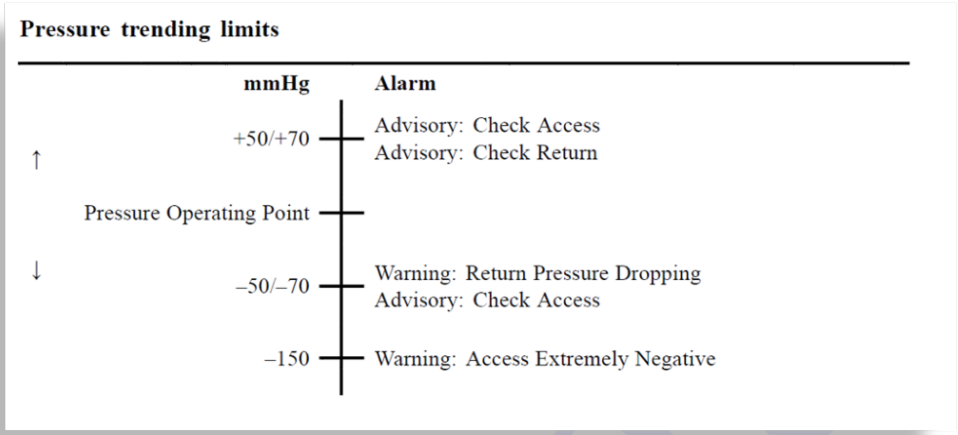
f. In addition to the advanced warning, a caution alarm occurs at the time the intervention is actually due. **DO NOT change any bags until prompted to do so.**

g. **Syringe empty** – A caution alarm but not advance warning is also given for an empty anticoagulant syringe. **Alarm provides 5 minute warning**

7. **Treatment History Screen** – Press TREATMENT HISTORY Soft key which allows viewing of treatment history information. Vital machine conditions and operating data are stored and updated minute-by-minute in software memory. The memory stores up to 96 hours of treatment data but only the last 24 hours of data are viewable in the Treatment
   a. **History Screen**- If the machine is powered down (switched off) or a total power loss occurs during treatment, history data are retained in the Prismaflex software memory.
      History data includes:
      a. Patient Fluid Removal including Unintended Patient Fluid
      b. Loss/Gain volume
      c. Doses and Solutions – delivered doses and the amount of solutions used.
      d. Pressures
      e. Events
   b. **Treatment History Screen** can be accessed from:
      a. The *Status* screen during a treatment (Run mode)
      b. The *Treatment Complete* screen when ending a treatment (End mode)
      c. The *Choose Patient* screen (Setup mode)
      d. With the **left and right arrows** the operator can scroll among four 24-hour intervals. Circles between the arrows are displayed unfilled if there are data available for that specific period and a filled circle indicates the selected 24-hour period. The circle to the right indicates the current day.
      e. With the **up and down arrows** the operator can scroll within the selected 24-hour interval.
   c. **Patient Fluid Removal table** has three columns:
      a. Time – shows chart time intervals. The date is displayed next to the time when a new calendar day has begun.
      b. Periodic – presents the accumulated volume for the chart time interval.
      c. Total – shows the accumulated value since the start of the selected 24-hour period.
      d. The **footer displays** values for unintended patient fluid loss or gain volume and limit (selected in Setup mode)
8. **Events**
   a. Certain events that may occur during setup and delivery of a treatment are stored and displayed on the three Events screens. The control unit stores the date, hour and minute that events occur, as well as the description of the event. Up to 2500 events can be stored.
   b. Pressing the EVENTS soft key on the History screens displays the Events screen and the events are displayed in chronological order, starting with the most recent. Arrow keys to the right on the Events screen allow the operator

to scroll up or down in the chronological list. When the operator presses the ALL EVENTS soft key, all events are displayed. If desired, the operator can then view only alarm-related events by pressing the ALARM EVENTS soft key or treatment-related settings by pressing the SETTING EVENTS soft key.

9. **TMP or Transmembrane pressure**
    a. The pressure exerted on the filter membrane during operation of the Prismaflex system. It reflects the pressure difference between the blood and fluid compartments of the filter.
    b. During a patient treatment, permeability of the membrane decreases due to protein coating on the blood side of the membrane. This causes the TMP to increase.
    c. During operation, the software sets the initial TMP value at the same time as the initial pressure operating points are established (shortly after entering Run Mode). Thereafter, the initial TMP value is reset:
        1) each time the blood flow,
        2) each time the patient fluid removal is changed
        3) each time the replacement solution rates are changed and
        4) also after self-test
10. **Filter Pressure Drop**
    a. A calculated value used to determine pressure conditions in the blood compartment of the filter.
    b. During patient treatment, clotting can occur in the blood compartment of the filter. Clotting adds resistance to the blood flow through the filter and causes the filter pressure to increase. In case of severe clotting, the set needs to be exchanged.
    c. During operation, the software sets the initial value for filter pressure drop at the same as the initial operating points are established.
    d. Monitor PRISMAFLEX System pressures continuously. Chart pressure readings every hour:
11. **Access Pressure** - The pressure measured as blood leaves the catheter and enters the extra-corporeal set
    a. Typical: -50 to –150 mmHg
12. **Return Pressure**
13. **Filter Pressure -** The pressure in the extracorporeal set immediately before entering the filter. This is always positive and higher than return pressure.
14. **Effluent Pressure**- The pressure in the effluent line between the filter and the effluent pump. This can be positive or negative depending on the therapy chosen and the ultrafiltration rate.
15. **Pressure Trending Limits**
    a. If the access or return pressure changes 50 mmHg (or 70 mmHg if blood flow >200 ml/min) negative or positive from its established pressure operating point, the control unit notifies the operator by issuing an Advisory alarm or a Warning alarm.



16. STOP soft key – stops all pumps and navigates to the Stop screen. The Prismaflex goes into STANDBY Mode when this soft key is pressed. It allows for:

a. RESUME – to restart pumps and resume treatment
b. CHANGE SET – allows for the operator to remove the present set, with or without returning blood t the patient and load a new set. The control unit retains the following information on set up: patient ID, current weight and current hematocrit. This the soft key that the critical care nurse presses when returning the patient's blood.
c. To change set – Temporarily disconnect patient or end treatment,
d. RECIRCULATE – temporarily disconnect patient and recirculate saline or blood through the blood lines.
e. END TREATMENT – terminates the present treatment, with or without returning blood to the patient

17. Setting Flow Rates:

a. Blood flow can be set between 200-250 mL/min. as ordered. But it can be set specific to therapy/set from 10 to 450 mL/min.

b. PATIENT FLUID REMOVAL can be set specific to therapy or hemofilter set. The flow rate can be set at 0 or 10-1000 ml/hr in CVVH, CVVHD, and CVVHDF mode. In SCUF mode the patient fluid removal can be set from 10-2000 ml/hr. as ordered.

c. DIALYSATE flow in CVVHD and CVVHDF mode can be set can be set specific to therapy or hemofilter set. REPLACEMENT can be set specific to therapy or hemofilter set.

d. Pre-blood pump (PBP) Flow Rate can be set specific to therapy/set. Maximum range: 0, 10 to 4000 mL/hr. as ordered.

e. If using Heparin 20,000 units/ 20 mL Luer Lock syringe, adjust the Heparin dose per titration as ordered or (1) 20mL Luer-Lock syringe of sterile Normal Saline (if NOT using Heparin)

a. Note: Heparin concentration is 20,000 units per 20 mL (1000 units/ 1 ml/ 100 units/ 0.1 ml); minimum heparin rate on machine is 0.5 mL/hour. May use heparin IV systemically via IV pump instead of through PRISMAFlex if MD orders.

b. Date/Time/Initial Heparin/NS syringe placed in machine

3. **Critical Care RN Monitoring/care**

1. **Heparin use**

a. Monitor aPTT and adjust Heparin rate as ordered. Heparin 20,000 units/20ml =1000 units/1 ml= 100 units/0.1ml

b. If protocol requires bolus, Heparin will be obtained and administered from the Pyxis. DO NOT BOLUS through the PRISMAFlex.

i. High-alert medication independent double check co-signature is required for new syringe and bolus doses

aPTT value	Pre-Filter Heparin Bolus	Infusion Change	Repeat Lab Testing
Greater than or equal to 150	No bolus	Stop x1 hour, decrease by 200 u/hr.	aPTT in 6 hours
101-149	No bolus	Stop x1 hour, decrease by 100 u/hr	aPTT in 6 hours
81-100	No bolus	Decrease by 200 u/hr	aPTT in 6 hours
61-80	No bolus	No change	aPTT in 6 hours
51-60	No bolus	Increase by 100 u/hr	aPTT in 6 hours
41-50	1000 units	Increase by 200 u/hr	aPTT in 2 hours
30-40	2000 units	Increase by 200 u/hr	aPTT in 2 hours
Less than 30	5000 units	Increase by 300 u/hr	aPTT in 2 hours

2. Patient Monitoring

a. Daily weights.

b. Vital signs – blood pressure, pulse, respirations, central venous pressure (CVP) as indicated hourly and prn. If patient becomes hypotensive, see CRRT PRISMA TROUBLESHOOTING DURING PROCEDURE.

c. Check Blood Lines (Access Line and Return Line), Effluent Line, Replacement Line, and Dialysate Line (if applicable) for kinks. Kinking of the tubing can cause pressure alarms and interruption of the treatment.

d. Check catheter insertion site and tubing connections for bleeding and separation of lines.

e. Only use 21g, 22g or 25g needles in sample ports, no blunt needles

f. Monitor electrolytes, glucose, and albumin during treatment and initiate replacement/treatment per MD order

g. Monitor all connections are secure, no occlusion or kinks in blood lines and vascular access.

h. Assess hourly intake and output and adjust fluid removal rate accordingly.

i. Document the patient's intake and output, fluid removed from the machine, the level of blood/solution on the deaeration chamber, the PRISMAFLEX flow rates and pressures, hourly on the CRRT flowsheet

1) CRRT flowsheet is a part of the patient's permanent medical record.
2) Monitor flow rates continuously. Chart every hour:
3) Blood Flow Rate – Typically 200 - 250 mL/min or as ordered by MD
4) Patient Fluid Removal Rate – Calculation from CRRT flowsheet
5) Replacement Fluid Solution – Typically 2000 ml/hr as ordered by MD
6) Effluent Flow Rate – Dependent on calculated fluid removal rate, dialysate and replacement flow rates
7) Dialysate Flow Rate – Typical 500-1000 ml/hr as ordered by MD
8) Anticoagulation (Heparin) Infusion Rate – Variable dependent upon aPTT result.
9) **Intake and Output standardize I/O calculation**:

Intake – replacement fluids, and dialysate fluids are not included with the intake.

a. Oral/OG/NG/Peg Intake

b. All IV infusions – e.g. IVPB, TPN,

c. Blood products

Output

a. Urine

b. Nasogastric tube drains, chest tubes, etc. Note: Do not count effluent or ultrafiltrate, on output section of the calculation. This is determined by the PrismaFlex machine as fluid removed

a. Determine Patient Fluid Removal Rate
   1) Patient Net I + O = C= A – B
   2) A = Projected Hour Non-Prismaflex Intake (for current hour)
   3) B = Last hour's output
   4) C = Patient Net I/O

b. Determine "RN Set Fluid removal rate" = (F = C+ or –D + or - E)
   1) F = RN set removal rate
   2) C = Patients Net I /O
   3) D = Doctors order desired fluid loss
   4) E = Previous hour deficit

j. Connect new STERILE effluent bag when directed by the machine. Check ultrafiltrate color. Should be clear light yellow.

k. For CVVHD and CVVHDF monitor dialysate rate as ordered.

l. Change dialysate, replacement fluid and post filter solution when directed by the machine.

m. Notify physician for patient care problems. **Any deviations from the protocol requires a physician order.**

n. Monitor and troubleshoot alarms on PRISMAFLEX during therapy. If pressures exceed typical settings, See CRRT CONTINUOUS RENAL REPLACEMENT THERAPY PRISMAFLEX TROUBLESHOOTING DURING PROCEDURE

o. Notify on-call Dialysis RN for clotted hemofilter or equipment troubleshooting.

p. Discontinue and return blood if allowed. by pressing CHANGE SET and following the directions on the PRISMAFLEX MACHINE

q. Do not use germicidal wipes on the Prismaflex screen. Only alcohol wipes.

D. TROUBLESHOOTING

Troubleshooting shall be performed by the Dialysis RN on call in collaboration with the qualified Critical Care RN assigned to the patient.

1. **ACUTE ALLERGIC REACTIONS**

   a. Patients receiving angiotensin converting enzyme inhibitors can develop, within the first few minutes of treatment, symptoms similar to

acute allergic reactions, including bronchospasm, edema of airways or larynx, dyspnea, angioedema, urticaria, nausea and vomiting, diarrhea, respiratory arrest, abdominal cramping, hypotension, hypovolemic shock, and death.

b**. STOP TREATMENT IMMEDIATELY.** Administration of antihistamines may not alleviate the symptoms. If symptoms of a severe reaction occur, stop treatment immediately and begin a more aggressive first-line therapy for anaphylactic reaction.

2. **ALARMS**
   a. Respond to alarms and correct alarm conditions immediately according to prompts on the Status/Alarm/Help screens and/or procedures in the Operator's Manual/Policy and Procedures in order to prevent clotting in the system.

3. **OVERRIDE** Soft Key –
   a. A new alarm cannot occur during the override period. Carefully observe the set and all operation during this period.

4. **POWER LOSS**
   a. If power is lost to the PRISMAFLEX Control Unit, the patient can be manually disconnected from the set.
   b. When performing a Manual Termination with Blood Return, visually check for air in the blood return line until the patient is disconnected.
   c. The Control Unit may not detect disconnections of the set from the patient's catheter. Carefully observe the set and all operation while using the PRISMAFLEX system.

5. **AIR REMOVAL**
   a. When the AIR IN BLOOD screen appears on the PRISMAFLEX system, the user will be given step-by-step instructions on how to remove air from the PRISMAFLEX set.

6. **PRISMAFLEX Pods**
   a. When pods are out of position, put the pods back into the correct position and re-test the machine by:
      1. Pressing SYSTEM TOOLS
      2. Press SELF-TEST soft key

7. **BLOOD LEAK ALARM- NOTE:** This procedure is used when the PRISMAFLEX gives a Blood Leak Alarm.
   a. Procedure

1. Ensure that the effluent line is properly placed in the Blood Leak Detector (BLD).
2. You are now at Test Effluent for presence or absence of blood.
3. Draw sample according to directions on screen and send to lab. Mark Specimen as "Effluent Fluid", not urine
4. If false positive:
    - Press CONTINUE.
    - Press Normalize BLD soft key
    - Return to STATUS SCREEN.
5. If true positive, perform Termination of Therapy with Expected Re-initiation.

8. PROBLEM SOLVING

a. Hypotension
1. Decrease Pt. Net Loss to 0.
2. Administer IV fluid (fluids, albumin, plasma, etc.) Peripherally to increase plasma volume as ordered by physician. (Do not count these fluids in the calculations for Pt. Net Loss for next hour.)
3. Follow unit specific procedures for B/P maintenance.
4. Notify physician.

b. Cardiac Arrest
1. Discontinue treatment and return blood to patient by pressing STOP.
2. Press RECIRCULATION (if will be off machine only 3-5 minutes) and follow instructions displayed on the screen or
3. Press END TREATMENT and follow the instructions displayed on the screen.
4. **NOTE:** A 1000ml Normal Saline bag with a Y connect and a spike adapter must be available to connect to the patient's Access Line during the RETURN BLOOD mode. Flush both catheter lumens with 10ml NS, fill with 1000 units/ml of Heparin to fill volume as ordered. Label cath ports appropriately.
5. Notify physician.
6. Notify Dialysis nurse.

c. Bleeding
1. Bleeding From Access Catheter Site
    i. Apply direct pressure.
    ii. Check anticoagulant rate, check PTT.
    iii. Notify physician.
2. Separation of Blood Tubing

iv. An Access Discontinuation Warning Alarm will occur (if access pressure is more positive than –10 and more negative than –10).
v. Reconnect if possible. Press OVERRIDE.
vi. If contaminated:
    1) Push STOP.
    2) Do Not Return blood.
    3) Follow instructions displayed on screen.
    4) Notify Dialysis Nurse.

3. Bleeding into Filtrate

vii. A Blood Leak Detect Warning alarm will occur.
viii. All pumps will stop to limit blood loss.
ix. Discontinue treatment.
x. To return blood to the patient, press STOP from the Alarm screen, then press CHANGE SET from the Stop screen and follow the screen instructions.
xi. Notify physician.
xii. Notify the Dialysis nurse.

d. Air in System
    1. An Air in Blood Warning alarm will occur.
    2. Remove the air via instructions on the Alarm screen or refer to Operator's manual.
    3. Identify and remedy cause.
    4. Press CONTINUE.
    5. **NOTE:** If air is prevalent in entire set, change the set via Manual Termination without Blood Return.
    6. Press both clips of cartridge carrier. Tug on cartridge assembly while manually turning each pump COUNTERCLOCKWISE.
    7. When pump segments are free from pump raceways, remove set and discard using Standard Precautions.

e. Air in Blood
    1. Verify all connections are secure.
    2. Visualize for break in integrity of tubing/hemofilter.

f. Without Blood Return
    1. Turn off power switch. Clamp access line (red) and return line (blue) and disconnect from patient. Flush both arterial and venous lumens of patient catheter with 10ml Normal Saline and fill with 1000 units/ml Heparin to fill volume as ordered, cap and label appropriately.

g. Access Pressure Alarm (Occurs if access pressure is more negative than the user settable "Access Pressure Extremely Negative" warning limit)
1. Check for adequate flow from catheter.
2. Verify secure connection to blood circuit tubing.
3. Is patient hypovolemic?
4. Consider vascular spasm.
5. Change patient position.
6. Access pressure maximum lower limit should not be less than –250.

h. Return Pressure Alarm (Occurs if return pressure is more positive than the user-settable "Return Pressure Extremely Positive" warning limit)
1. Is patient moving?
2. Possible kink in blood circuit line.
3. Clotting in the blood circuit line or catheter.
4. Check for adequate flow from catheter.
5. Return pressure upper limit should not exceed +350.

i. Poor Ultrafiltration Rates
1. Check functioning of filter.
2. Is hemoconcentration occurring?
3. Possible clotting present?
4. What is the patient's hematocrit?

j. Poor Blood Flow Rates
1. Does the catheter provide adequate flow?
2. Is the hemofilter clotted or clogged?
3. Is the patient MAP greater than 60mmHg?
4. What is the patient's hematocrit? Higher hematocrit values lead to sluggish blood flow through the hemofilter.

k. Blood Leaks
1. Problems with the membrane possibly dropped during shipment and handling, blunt contact with other equipment in the patient's room, or manufacturing defect.
2. Check ultrafiltrate for presence of blood. If positive, cease treatment and DO NOT return patient's blood. Discard entire blood circuit and follow facility protocol for reinitiating treatment.

l. Hypovolemia
1. Check for secure connections to the blood circuit.
2. Assess patient for cause of hypovolemia.

3. Adjust ultrafiltration rate in accordance with assessment findings, and physician orders.

m. Electrolyte Imbalance
1. Verify accurate ECG tracing.
2. Monitor ECG tracing for changes in heart rhythm, QRS size, changes in the T waves, changes in PR interval, and changes in the ST segment.
3. Assess laboratory values.
4. Assess patient for changes in mentation, reflexes, seizure activity, skin turgor, muscle cramps, focal weakness, thready pulse, etc.
5. Adjust dialysate and/or replacement solution per physician orders.

n. Calcium Imbalance
1. Assess laboratory values.
2. Monitor ECG tracings for changes in the QT interval.
3. Assess patient for changes in reflexes, complaints of bone and/or chest pain.
4. Adjust dialysate and/or replacement solutions per physician order.

o. Phosphorous Imbalance
1. Assess laboratory values.
2. Monitor ECG tracing for heart rate changes.
3. Assess patient for changes in oxygenation, seizure activity, reflexes, tetany, or complaints of nausea or vomiting.
4. Adjust dialysate and/or replacement solutions per physician orders.

p. Acid/Base Imbalance
1. Renal failure patients tend to be acidotic related to the renal inability to excrete acid.

q. Infection Control
1. Maintain strict aseptic technique at all times.
2. Monitor patient's vital signs. Watch for trends in temperature changes.

r. Anticoagulation
1. Deliver per facility protocol and physician orders.

E. TERMINATION OF CRRT

The completion and termination of CRRT is determined by a nephrologist and performed by an ICU/CCU RN in collaboration with dialysis RN. The recommended

maximum time for therapy for each hemofilter is 72 hours. Therapy will be discontinued and filter will be replaced by a dialysis RN.

1. Equipment
   a. PRISMAFlex machine connected to patient in RUN mode. See *CRRT – Prisma Initiation of Treatment* or *CRRT – Prisma Monitoring During Therapy*.
   b. 1000ml bag Normal Saline
   c. 2 10ml syringes filled with Normal Saline
   d. Sterile piercer spike
   e. 2 - 3ml syringes
   f. 2 Sterile injection caps
   g. 3 vials Heparin 1000 units/ml
   h. 2 plastic blue clamps

2. STOP-STANDBY mode is automatically entered when pressing the STOP key on the Status screen. By choosing one of the following options other than RESUME, END mode will automatically be entered.
   a. RESUME – To restart pumps and resume treatment.
   b. CHANGE SET – To change the set and then resume treatment.
   c. RECIRCULATION- TO temporarily disconnect the patient
   d. END TREATMENT – To terminate the treatment.

3. RECIRCULATION- TO temporarily disconnect patient, press RECIRCULATION key
   a. **Do Not** try to return blood if clotting is present in blood lines or filter.
   b. **Follow step-by-step instructions provided on screen.**
   c. Flush patient catheter with 5-10 ml Normal Saline per limb. Instill the amount of heparin (1000units/ml) as stated on each catheter port. Clamp the catheter lumen while applying positive pressure.
   d. If significant clotting is discovered, press UNLOAD and prepare a new PRISMAFlex set.
   e. If no clotting is seen, press PRIME key and follow the same priming procedure as for a new PRISMAFLEX set.
   f. Press CANCEL to cancel temporary disconnection and return to STOP screen.

3. END TREATMENT – To end treatment, choose one of the following options:
   a. RETURN BLOOD – To return blood to patient.
   b. DISCONNECT – To disconnect patient from machine without returning blood.

c. CANCEL – To cancel END TREATMENT choice and return to the STOP screen.

4. RETURN BLOOD
   a. Ensure that there is at least 300 mL of 0.9% Sodium Chloride left in the bag to return blood.
   b. Clamp arterial port of dialysis catheter to and the access line on the CRRT circuit. Flush the arterial port of the dialysis catheter with 10 mL flush of 0.9% Sodium Chloride. Connect the access line to either of the limbs of the Y Connect. Unclamp the access line and the clamp on the Y Connect to allow normal saline to flow.
   c. Return blood by:
      1. Pressing AUTO RETURN. The machine will return a pre-programmed amount which is equal to the volume of the extracorporeal circuit. If more blood is desired to be returned, then press and hold the MANUAL RETURN soft key.
      2. Pressing and holding the MANUAL RETURN soft key to return the desired amount of blood.
      3. Clamp patient's venous catheter port and the return line. Disconnect the return line and flush the venous catheter port with 10 mL of 0.9% Sodium Chloride. Connect return line to the Y-Connect. Press CONTINUE

5. DISCONNECT
   a. Clamp all lines in the tubing set.
   b. Disconnect access and return lines. Disconnect anticoagulant line from syringe.
   c. Flush patient catheter with 10 ml of Normal Saline per limb. Instill Heparin 1000units/ml (see recommended amount printed on the catheter port) into each catheter port per protocol and place sterile caps on ends.

6. TREATMENT COMPLETE
   a. Disconnect lines from all bags, drain any fluid remaining in bags at appropriate waste site(s) according to policy. (All bags should be emptied before discarding.)
   b. Discard all tubing and empty bags into red hazardous waste receptacle.
   c. Press the TREATMENT HISTORY key to review the treatment data from the last 24 hours.
      1. The treatment data is stored in memory until the next New Patient procedure is selected on the CHOOSE PATIENT screen.
      2. Turn off machine. Place PRISMAFlex equipment in Dirty Utility Room.

3. Wipe down outside of PRISMAFlex machine with hospital approved disinfectant (located on the CRRT cart).

7. MANUAL TERMINATION OF TREATMENT – Manual termination may be required due to an alarm, or conditions as stated by the PRISMAFlex machine, power failure, or other emergency.
   a. Turn the power off. Clamp and disconnect the access line from the patient. Attach the access line to sterile Normal Saline bag with at least 300 ml volume
   b. Remove the return line from the return clamp (which is always closed when the power is off) by pulling outward on clamp.
   c. Manually turn the blood pump clockwise until sufficient blood is returned to the patient. Since the power is off and the alarm system is disabled, it is important to **LOOK FOR AIR** in the return line until the patient is disconnected.
   d. Clamp the return line and disconnect from patient. Clamp all lines to bags.
   e. Press the clip of the cartridge carrier to release the filter. Starting with any pump, manually turn each pump counterclockwise. The pump segment will work itself out of the pump raceway in a few turns of the rotor. To assist, gently tug on the cartridge assembly while turning the pump.
   f. When pump segments are free, remove the set and discard as usual.
   g. For manual termination without blood return, turn off power, clamp and disconnect the access and return lines from patient. NOTE: DO not flush catheters if a clot is suspected

F. DOCUMENTATION

1. Document settings, fluids, and pressures every 60 minutes after initiation of CRRT. The Dialysis nurse documents the initiation and post 60 minutes post-initiation.
2. Document ongoing monitoring of rates, pressures, and I&O at least hourly in the critical care flowsheet.
3. Document any complications and interventions.
4. Document discontinuation of CRRT therapy and patient tolerance of procedures.
5. Document insertion site and any signs or symptoms of infection.
   a. Patient's response to CRRT and daily progress towards treatment goals.

VI. EDUCATION/TRAINING:

A. Education and/or training is provided as needed.

B. Performed by a Critical Care RN upon completion of competency and hands on orientation with preceptor.

VII. EVIDENCED BASED REFERENCES:

A. Gambro Lundia AB (2005-2015). Prismaflex® Operator's Manual for use with software version 7.xx. Magistratsvagen 16, SE-220 10 Lund, Sweden.

B. Astle, S., (2011), Continuous Renal Replacement Therapies. In Weigand, D. (Ed.) AACN Procedure Manual for Critical Care, (6th edition, pp. 1018-1032). St Louis, Missouri: Elsevier Saunders.

ATTACHMENT A
CRRT FLOWSHEET

Treatment Start Date: _____ Time:_____ Procedure: ☐CVVHDF ☐Other: _____
Today's Date: _____ Prescribed Net Hourly Pt. Fluid Removal: _____mL/hr.

TIME:									**8º**
Nurse Initials:									
PRISMA Pressure/Rate ACCESS (-5 to -150)									
FILTER (+100 to 250)									
EFFLUENT (+>5 to +250)									
Return (+50 to +150)									
TMP (<350)									
Level of deaeration chamber									
△P Filter									
Blood flow Rate ml/min									
Patient Fluid Removal Rate ml/hr									
Replacement Rate									
Dialysate Rate									
Anticoagulant: Heparin/None									
A: Projected Hour Non PRISMA Intake (Patient's Intake)									
B. Hourly Patient Output (Total FC/GT/Drains)									
C. Patients Net I & O (C = A – B)									
D. Doctor's Order Desired Fluid Loss									
E. Previous hour Deficit (Last Hour's "H" Column)									
F. RN Set Fluid Removal Rate (F = C +/or/-D +/or/-E)									
G. Actual Fluid Removed by PRISMAFLEX (READ AT END OF HOUR FROM PRISMAFLEX)									
H. Hourly (F-G = H) Balance									
CVP / MAP / SBP / PAD / PCWP									
G – C = Total Net Loss									
aPTT Results									
Comments:									

Salinas Valley Memorial Healthcare System

NICU REGISTERED NURSE INSERTION: NEONATAL PERIPHERALLY INSERTED CENTRAL CATHETERS

Reference Number	187
Effective Date	Not Set
Applies To	NICU
Attachments/Forms	Attachment A: NURSE PICC INSERTION TRAINING PROGRAM

I. POLICY STATEMENT:

N/A

~~A. The approved certified RN will perform this procedure only by written order and confirmed informed consent is signed. (Also see~~ CENTRAL VASCULAR ACCESS DEVICES~~)~~

~~B. Clinical indicators for PICC insertion include:~~

~~1. Preservation of peripheral veins~~

~~2. Lack of peripheral venous access~~

~~3. Infusion of fluids or medications with hyperosmolar, non-physiologic pH or irritating properties.~~

~~4. Stable access to assure continuous delivery of critical medications (i.e. prostaglandins, dopamine).~~

~~5. Anticipated need for IV access greater than six~~seven ~~(6)~~ ~~days.~~

~~6. Limb abnormalities.~~

~~C. The PICC certified RN will assess the neonate for access possibilities and attempt PICC placement when adequate sites exist. If the neonate does not have adequate sites or the PICC certified RN attempts two insertions unsuccessfully, the physician will be notified for case review.~~

~~D. Each attempt is recorded in the electronic health record and in the PICC insertion log by the person attempting the insertion.~~

II. PURPOSE:

~~A.~~ To define an appropriate procedure to allow the Registered Nurse (RN) who has successfully completed a Peripherally Inserted Central Catheter (PICC) certification class to safely insert Neonatal PICC's in accordance with established procedure.

A.

Salinas Valley Memorial Healthcare System

NICU REGISTERED NURSE INSERTION: NEONATAL PERIPHERALLY INSERTED CENTRAL CATHETERS

III. DEFINITIONS:

A. PICC – A venous access device inserted in the peripheral venous system with the catheter tip located at the junction of the superior vena cava or inferior vena cava preferably for lower body insertions.

~~A. When inserted from the lower extremity, the catheter tip should be above the L4/L5 vertebrae or iliac crest, but not in the heart.~~

IV. GENERAL INFORMATION:

A. The approved certified RN will perform this procedure only by written order and confirmed informed consent is signed. (Also see CENTRAL VASCULAR ACCESS DEVICES)

B. Clinical indicators for PICC insertion include:

1. Lack of peripheral venous access
2. Infusion of fluids or medications with hyperosmolar, non-physiologic pH or irritating properties.
3. Stable access to assure continuous delivery of critical medications (i.e. prostaglandins, dopamine).
4. Anticipated need for IV access greater than six (6) days.

C. The PICC certified RN will assess the neonate for access possibilities and attempt PICC placement when adequate sites exist. If the neonate does not have adequate sites or the PICC certified RN attempts two insertions unsuccessfully, the physician will be notified for case review.

~~A.~~D. Each attempt is recorded in the electronic health record and in the PICC insertion log by the person attempting the insertion.~~N/A~~

V. PROCEDURE:

A. Determine that the physician has written an order for PICC placement. The order should include:

1. Date and request for placement
2. Sedation orders
3. Request for radiographic confirmation

NICU REGISTERED NURSE INSERTION: NEONATAL PERIPHERALLY INSERTED CENTRAL CATHETERS

B. Informed consent is obtained by the physician. Explain the procedure to the family as appropriate.

C. Standard Precautions

D. Perform time out prior to start of procedure UNIVERSAL PROTOCOL: PREVENTION OF WRONG PERSON, PROCEDURE, SITE SURGERY OR INVASIVE PROCEDURES POLICY

E. Assess potential insertion sites. Neonatal preferred insertion sites include:

- Basilic vein
- Median cubital vein
- Greater Saphenous vein

F. Assess need for administration of medication for pain management; obtain physician order as needed NEWBORN PAIN, AGITATION, AND SEDATION MANAGEMENT

G. Determine the desired length of catheter insertion.

H. Maintain aseptic technique during procedure, following CDC recommendations for prevention of intravascular catheter-associated bloodstream infections..

I. Prepare Equipment

1. Verify total catheter length. Assemble per the manufacturer's instructions.
2. Draw up heparinized saline into 5 ml syringes
3. Flush the connecting set and catheter, observing for any leaks in the catheter or connection sites.

J. Have an assistant apply the tourniquet (if necessary).

K. Slowly advance needle until blood return appears

L. Remove the tourniquet.

M. Thread the catheter into the vein using the iris forceps (DO NOT ADVANCE THE NEEDLE). Continue advancing the catheter until the desire length of catheter is indwelling. Flushing while threading may help to advance catheter and avoid clotting.

N. Check for blood return from the catheter. Some patent peripheral catheters will not draw, but they should flush easily.

O. When the catheter is threaded into position, place gentle pressure on the vein just beyond the needle bevel to hold the catheter in place while gently withdrawing the needle. Continue to hold pressure over the insertion site after the needle has been removed, as bleeding is common in the first few minutes.

P. Remove the needle per the manufacturers' recommendations.

Q. Apply a sterile tape over the catheter at its insertion point to temporarily secure it in place.

R. Measure the amount of catheter outside of the patient to determine the landmark that will be used for ongoing assessment of catheter placement.

S. Radiographically verify the location of the catheters tip. X-ray should include extremity/head and chest (for placement in the superior vena cava) or chest/KUB (for placement in the inferior vena cava).

- Water-soluble contrast instillation into catheter may be needed to visualize the catheter on radiographic image.

    1. Aspirate contrast agent from catheter after verification.

T. A qualified clinician (Neonatologist, Radiologist) will interpret the radiographic image and confirm the location of the catheter tip or determine if adjustment of the catheter is necessary.

U. If it is necessary to adjust catheter depth, document the exact length that the catheter was adjusted after the X-ray. A repeat X-ray may be needed to document the catheter tip placement.

V. Secure the catheter

    1. Carefully remove temporary tape from insertion site
    2. Clean the antiseptic solution off the skin with sterile saline wipes
    3. Place a transparent dressing over insertion site, entire catheter, and juncture of hub and microbore tubing. Use of central line securement device is recommended. Tape strips should not be placed on catheter line for risk of catheter damage but may be used on hub if needed.

W. Documentation:

1. Document in the electronic health record:

~~1.~~a. Universal Protocol

~~a.~~b. Procedural Note: including ~~Note~~ type and total length of catheter, indwelling length, a ~~nd~~ insertion site, date and time of insertion~~.~~

~~b.~~c. X-ray

~~c.~~d. As per physician order – where tip is located and whether or not catheter needed repositioning.

~~d.~~e. Catheter securment (dressing used)~~How catheter was secured.~~

~~e.~~f. Type and amounts of flush or medications administered ~~used~~and/or any continuous IV fluids infusing.

g. How infant tolerated procedure.

~~f.~~h. Complications

VI. EDUCATION/TRAINING:

A. Education and/or training is provided as needed.

~~A. Select RN's will complete an five (5) hour combined didactic and clinical skills lab/training program provided by a tertiary center, perinatal outreach program, or the SVMHS Neonatologist. (See Attachment A.)~~

~~1. Attainment of a minimum score of 80% on the comprehensive written exam.~~

~~2. Additional education is provided in accordance with identified needs.~~

VII. REFERENCES:

A. American Academy of Pediatrics. (2017). *Guidelines for Perinatal Care* (8th ed.). Elk Grove, IL: American Academy of Pediatrics & The American College of Obstetrics and Gynecologists.

B. National Association of Neonatal Nurses. (2019). *Polices, Procedures, and Competencies for Neonatal nursing Care* (6th ed.). (S. S. Bowles, Ed.) Chicago, Illinois: National Association of Neonatal Nurses.

~~C. Wyckoff M.M., &Li Sharpe, E.,(2015) Peripherally Inserted Central Catheter: Guidelines for Practice, 3rd edition Chicago IL: National Association of Neonatal Nurses.~~

~~D. Pettit, J (2008) Technological Advances for PICC Placement and Management. Advances in Neonatal Care 7 (3).~~

~~E. CDC. (2011). Guidelines for the prevention of intravascular catheter-related infections. Retrieved from http://www.cdc.gov/hicpac/pdf/guidelines/bsi-guidelines-2011.pdf.~~

Salinas Valley Memorial Healthcare System

NICU REGISTERED NURSE INSERTION: NEONATAL PERIPHERALLY INSERTED CENTRAL CATHETERS

ATTACHMENT A

NURSE PICC INSERTION TRAINING PROGRAM

I. POLICY STATEMENT:

A. This program exists to prepare R.N.'s to gain the highly-specialized skills required to insert Neonatal Peripherally Inserted Central Catheters (PICC).

II. PURPOSE:

A. To gain awareness of and develop an understanding of the theoretical basis for PICC line insertions.

B. To gain an understanding of the advanced physiology and pathophysiology of the infant.

C. To ensure availability of competent personnel to place PICC lines.

III. QUALIFICATIONS:

A. R.N.

B. One (1) year experience in a NICU

C. Successful completion of SVMHS IV competency

D. Demonstrated venipuncture skills in infants

E. Current CPR Certification

F. Current Neonatal Resuscitation Certification

IV. EDUCATION PLAN:

A. Didactic/Skills lab

- Five (5) hours combined didactic and clinical skills lab
- Group discussions
- Reading material
- Written closed book exam.

- Skills lab to include sterile technique, selection and preparation of equipment selection and preparation of site, insertion techniques, care and maintenance.

B. Clinical

- At least three (2) successful line placements will be done under the direct supervision of the Neonatologist or another certified PICC Registered Nurse.

C. Evaluation

D. Peripherally Inserted Central Catheter Insertion Log to be completed after each insertion attempt. Proctor's signature with comments is required during the orientation process.

E. Log is presented to the Medical Director upon completion of all proctored PICC insertions.

F. The Medical Director annually reviews recertification of all certified Neonatal PICC RN's. Certified Neonatal PICC RN's should successfully insert two (2) Neonatal PICC lines annually to maintain certification

G. At the Medical Director's discretion, orientation may continue with specific recommended guidelines.

V. COURSE OUTLINE:

A. Starting a PICC Program

- Program Description
- Program Requirements
- Selecting a PICC team
- Standard and Guidelines

B. Infusion Therapy Outcomes

- Chemical Properties
- Medication Administration
- Osmolality

C. Advantages and Disadvantages of PICC's

D. Indication for PICC Placement

E. Contraindications for PICC Placement

NICU REGISTERED NURSE INSERTION: NEONATAL PERIPHERALLY INSERTED CENTRAL CATHETERS

F. Informed Consent

G. Physician Orders

- Required
- Includes date, request for placement, sedation orders, request for X-ray confirmation with contrast.

H. Device Selection Criteria

- Terminology

I. Review of Vascular Anatomy and Physiology

- Vein selection
    1. Arms
    2. Legs
    3. Scalp
- Histology of the Vein
- Associated Structures
- Vascular Constraints
- Catheter Tip Placement

J. Documentation

- Type and total length of catheter, indwelling length, and insertion site
- X-ray with/without contrast
- Tip location
- Repositioning of catheter if necessary

K. Outcomes Monitoring

QUALITY AND EFFICIENT PRACTICES COMMITTEE

Minutes from the December 13, 2021 meeting of the Quality and Efficient Practices Committee will be distributed at the Board Meeting

(JUAN CABRERA)

FINANCE COMMITTEE

Minutes from the December 13, 2021 meeting of the Finance Committee will be distributed at the Board Meeting

Background information supporting the proposed recommendations from the Committee is included in the Board Packet

(RICHARD TURNER)

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

Board Paper: Finance Committee

Agenda Item:	Consider Recommendation for Board of Directors Approval of Project Budget and Award of Contract to Otis Elevator for the SVMH Elevator Modernization Project
Executive Sponsor:	Clement Miller, Chief Operating Officer Earl Strotman, Director Facilities Management & Construction Dave Sullivan, Project Manager
Date:	November 29, 2021

Executive Summary

Salinas Valley Memorial Healthcare System seeks to modernize the existing high-speed elevator bank to meet the current and future needs of the Hospital. Presently, the Hospital has multiple elevator systems located throughout the acute care facility. The scope of work is intended to be limited to only the high-speed elevator system. Functional areas to be covered by the proposed modernization include but are not limited to leverage and support existing elevator systems, code blue system override in each elevator car, infant security integration, and fire alarm integration. The existing elevator system is serviced by Thyssen Krupp and originally installed by a separate contractor in 1994. The existing system is demonstrating a lower reliability rate and minor failures are becoming more frequent as anticipated based on the age of the system. Various improvements have been implemented to the existing system, but the age of the controls and internal components present unavoidable obstacles to avoid a complete modernization of the system. SVMHS circulated a Request for Proposal (RFP) for design and construction services to qualified local and regional elevator vendors. In accordance with the RFP procedures, SVMHS engaged with Otis Elevators for a design-assist agreement (Stage 1 of the procurement process for construction services). Now, SVMHS intends to enter into a construction services agreement with Otis Elevators for the implementation phase of the project (Stage 2).

Background/Situation/Rationale

The elevator modernization project calls for the design and construction of validated the structural components of the existing systems compliance with current building codes, replacement of controllers, replacement of machine/pulley system and renovation of interior components of the 3 cars. Presently, the Hospital has multiple elevator systems located throughout the acute care facility. The scope of work included in this RFP is intended to be limited to only the high-speed elevator system. The current 3-bank high speed elevator system was installed in 1994 under the 1991 code cycle. The objective of this project is to modernize the elevator system to comply with current rules and regulations enforced by all agencies having jurisdiction including HCAI, City of Salinas Fire Department and Cal/OSHA Elevator Unit.

Stage 1 of the agreement has been completed with Otis Elevators assisting SVMHS in securing HCAI approvals necessary to execute the work. Numerous design and planning meetings were completed to secure the completed design documents for permitting. Otis provided full support and documentation of the proposed system and system features. The extent of the construction improvements is to be finalized following completion of the permitting process.

Ancillary improvements necessary to implement the Project will include: fire alarm system, nurse-call code blue override, infant and pediatric security systems, and call systems to emergency responders, which will require coordination with OSHPD and the City of Salinas; Americans with Disabilities Act (ADA) improvements and wayfinding to ensure clear and safe pedestrian passage; mechanical, electrical, plumbing, and fire sprinkler upgrades the elevator shaft and machine rooms to be incorporated into the project.

Financial Implications

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

Key Contract Terms	Otis Elevator
1. Proposed effective date	Issuance of Notice to Proceed anticipated on January 10, 2022
2. Term of agreement	18 months
3. Renewal terms	Not Applicable
4. Cost	Total all-inclusive sum not to exceed $1,595,650
5. Budgeted (indicate y/n)	Yes. $50,000 Fiscal Year 2021 and $2,350,000 Fiscal Year 2022. Majority of anticipated project costs will occur in FY22 and FY23, but design and permitting fees impacted FY21.

Direct and Indirect Construction Cost: $1,004,350

Major Equipment Cost: $1,595,650

Total: $2,600,000

**Includes $105,000 in project contingency which shall be reserved for use by SVMHS.*

Schedule:

January 2021 – Issue RFQ/RFP for Elevator Vendor
Feb 2021 – Score, Rank and Engage Highest Ranking Elevator Vendor
March 2021 – Anticipated Design Assist Award to Elevator Vendor
March 2021 – Commence Survey of Hospital Elevator Systems + Generate Design Solution
August 2021 – Secure Engineered Design from Otis
October 2021 – Submit to OSHPD for Plan Approval
December 2021 – Anticipated Award of Construction Contract for Otis and Request for Project Funding (Board Approval Required)
April 2022 – HCAI approvals
July 2022 – Modernization Commencement (Assumes early release of Otis Materials)
July 2023 – Anticipated Completion

Budget:

A project cost estimate of $2,500,000 was completed and shared with the Finance Committee March 2021 based upon preliminary input from Otis Elevator. As currently programmed, the elevator modernization project cost estimate of $2,600,000. The project cost estimate includes design fees, permitting, project contingency, design-assistance from Otis, program management, and construction services required to complete the project.

Procurement:

SVMHS circulated a Request for Proposal (RFP) for design and construction services to qualified local and regional elevator vendors. Two (2) proposals were received by SVMHS. Each of the responses was scored utilizing a tiered scoring structure. After evaluating all proposals in accordance with the criteria set forth in the RFP, the evaluation committee determined that Otis Elevators was as the highest-ranking proposer. As part of the response to the RFP, the proposers were required to submit a cost proposal identifying the proposed design and construction services for the requested scope of services. In accordance with the RFP procedures, SVMHS engaged with Otis Elevators for a design-assist agreement (Stage 1). Upon completion of the design and permitting process with HCAI, SVMHS is requesting Finance Committee Recommendation for Board Approval of contract award for the implementation component of the project.

Recommendation

Consider recommendation for Board of Directors (i) to approve the total estimated project cost for the SVMH Elevator Modernization Project in the budgeted amount of $2,600,000 and (ii) award contract for $1,595,650 to Otis Elevators for construction services for the SVMH Elevator Modernization Project, which is being awarded via attached sole source justification.

Attachments

- Attachment 1: Draft Agreement between Salinas Valley Memorial Healthcare System and Otis Elevators
- Attachment 2: Estimated Project Cost at 50% Construction Documents prepared November 2021
- Attachment 3: Source Sole Justification

DRAFT

OTIS

OTIS MODERNIZATION

DATE: November 10, 2021

TO:

FROM:
Otis Elevator Company
470 Lakeside Drive, Suite D
Sunnyvale, CA 94085

PROJECT LOCATION:
Salinas Valley Memorial Hospital
450 East Romie Lane
Salinas, CA 93901

Attn: Von O'Nan
Tel: 415.725.5146
Fax: 860.660.9407

MACHINE NUMBER(S): Tower: Elevators 1, 2 & 3 **PROPOSAL NUMBER:** VWO05172021v3

We will provide labor and material to furnish and install on the above referenced machine(s) the following:

ELEVONIC® RM CONTROL SYSTEM ELEVATOR MODERNIZATION

OSHPD Project

We propose to furnish labor and material to provide an Elevonic® RM REGEN control system. It is a digital closed-loop microprocessor-based control system specifically designed to meet the particular needs of modernizing UMV traction elevators. The system is a distributed network of modular microprocessor control units and solid-state performance measurement devices. The system is integrated using serial-link communication. The control system has a Solid-State Safety Circuit. The measurement transducers constantly monitor the performance of every elevator function controlled by microprocessor. The control units evaluate this performance information and automatically adjust performance as necessary to correct variances within milliseconds. The "Relative System Response Plus" software dispatches elevators based upon real-time response to actual demands on the elevator group. The software is designed to maintain optimum elevator system performance by evaluating and reassigning hall calls within milliseconds of changes in elevator demand or performance.

OUTLINE SCOPE OF WORK

Component	Tower Passenger Elevators 1, 2 & 3
Duty	Retain Existing Capacity (4500LBS for Car 1; 4000 for Cars 2 & 3) and Car Speed 350FPM (All Cars)
Stops and Openings	Retain Existing 6-stops/openings
Machines	Replace the existing geared machines with NEW Torin geared machines (TGD3) with built-in rope brakes and AC motors.
Suspension	New hoist ropes
Control System	New, Otis Elevonic-R
Drive	New, Regenerative AC
Remote Elevator Monitoring (REM®)	Otis REM® included. We will provide a microprocessor system that continuously monitors these elevators 24-hours per day, year-round.

Seismic Operation	New Counterweight Displacement Devices & Seismic Switch
Emergency Service	New ASME A17.1, 2004; Phase I & 2
Hoistway Access Switches	New
Inspection Run Station	New
Car Operating Panels	New Main Car Panel; Applied, brushed stainless steel finish
Front Return and Transom Panels	Retain, re-cladding to refresh appearance and conceal the transom opening where the existing Car PI is removed
Emergency Communications	For compliance with ASME A17.1 two-way elevator voice/text/visual communications, Otis will provide our Otis ONE Plus Video Emergency Communication System with ~12" LCD display mounted in the new Car Operating Panels that will be provided in each elevator. This system will be accompanied by Otis eView to provide the Hospital with the ability show customized content on the LCD video display *To support system functionality and video transmission, the hospital must supply an RJ45 broadband network connection in the Machine Room*
Car Position Indicators	New Digital LED Style in Car Operating Panels
Emergency Car Lighting	New; Provides illumination for up to 4 - Hours
Hall Call Stations	New Otis Serial Fixtures, stainless steel, raised/surface mounted faceplates
Hall Lanterns	New Otis Serial Fixtures, stainless steel, raised/surface mounted faceplates
Combination Hall Lantern & Position Indicator	New will be provided at Main Lobby to replace existing
Car Guides	New
Counterweight Guides	New
Guide Rail Systems	Retain
Car Safeties	Retain and test
Car Toe Guard	New
Governor	New overspeed governors will be provided
Governor Cable & Tension Sheave	New
Car & Counterweight Buffers	Retain
Car Door Operators	New Otis Glide P Closed Loop Door Operator
Door Protection	New; Infra-red
Car Doors	Re-Clad for refreshed appearance
Car Door Restrictor Devices	New
Car Door Tracks and Hangers	Retain, refurbish with new rollers and relating cables

Car Thresholds	Retain
Hoistway Entrance Doors & Frames	Will be refinished for renewed appearance. New door gibs will be installed
Hoistway Entrance Jamb Braille	New for code compliance
Hoistway Door Tracks and Hangers	Retain, refurbish with new rollers and relating cables
Hoistway Door Interlocks	New
Hoistway Door Closers	New
Hoistway Limit Switches	New
Wiring; Traveling Cables	New
New Cab Interiors	**New cab interior finishes based on the Otis "Harmony " design will be provided:** For the interior panels: A hybrid panel assembly will be installed with standard 13 wall panels constructed of fire rated particle board. Upper panels faced with desired Wilsonart standard PLAM. Lower panels faced with GageCarve C1001 Miami aluminum material. Handrail panel is faced with SS #4 finish material. For the ceiling: An island ceiling constructed of .125" aluminum substrate and faced with 18-gauge #4 brushed finish stainless steel will be installed 9 round LED down lights. Hand and Base Bumper rails will be installed with returned ends on Side and Back walls. We have also included 1 side and 1 back wall replacement panel of the lower cab panels faced with GageCarve C1001 Miami aluminum material for back stock.
Cab Flooring	By others
Cab Fan	A new ventilation fan will be installed
Pit Ladder	Retain existing
Permits	State Elevator Permits included
Access Alert Hoistway Safety Device	We will furnish and install all of the necessary components, circuitry and wiring for a new AccessAlert system, which will operate on the elevator car top and pit. AccessAlert will be installed so the elevator can be controlled in a safe manner when an authorized person accesses the elevator hoistway. The AccessAlert system meets all applicable safety codes.
Warranty	12 Months warranty covering defective material and workmanship from the date of modernization completion. Warranty excludes normal preventive maintenance, ordinary wear and tear or improper use, vandalism, abuse, misuse or neglect by others.

General Clarifications:

1. You agree to notify Otis if you are aware or become aware prior to the completion of the work of the existence of asbestos or other hazardous material in any elevator hoist-way, machine room, hallway or other place in the building where Otis personnel are or may be required to perform their work. In the event it should become necessary to abate, encapsulate or remove asbestos or other hazardous material from the building, you agree to be responsible for such abatement, encapsulation or removal, and any governmental reporting, and in such event Otis shall be entitled to (i) delay its work until it is determined to our satisfaction that no hazard exists and (ii) compensation for delays encountered.
2. We have based our pricing and performance per our submitted schedule without adding a contingency for liquidated damages risk. If the final contract includes a liquidated damage clause we reserve the right to adjust our pricing and project completion schedule.
3. Otis' standard one (1) year warranty covering defective material and workmanship shall be provided upon substantial completion of the work. Warranty excludes normal preventive maintenance, ordinary wear and tear or improper use, vandalism, abuse, misuse or neglect by others.
4. Our base proposal performs all work during the regular working hours of elevator tradesmen. Overtime work can be performed; however, reimbursement of the premium-time portion of our overtime labor costs will be required.
5. The performance of this work relies on adequate and secure covered storage space for our tools and your new elevator equipment within close proximity of the elevator equipment room and hoistways. Offsite storage and/or additional material moves are not included and, if required, will be an extra charge added to this proposal.
6. **This proposal includes one (1) state inspection paid for by Otis and standby assistance for one (1) OSHPD inspection, per elevator.** Inspections times will be coordinated with Otis's involvement and be set up with a minimum of one (1) working day between inspections or re-mobilization charges may apply. If the inspection fails or if there are delays during or between inspections caused by deficiencies or other issues outside of our scope or our control, we reserve the right to seek compensation for additional inspection and re-mobilization costs.
    a. Because of the limited number of regulatory elevator inspectors available to inspect our Work, Otis cannot be responsible for delays attributable in whole or in part to the scheduling of elevator inspections.
    b. All inspections are estimated to be completed during normal working hours Mon.-Fri. excluding holidays.
    c. Any additional charges, Overtime, weekend testing will be completed at a time and material basis. This includes Elevator technicians and State or City fees.
    d. If the Owner would like the inspection to be completed on Overtime, Otis will only charge the premium portion of the Overtime rate being as the straight time hours are included in our pricing.
    e. Fire Life Safety inspections and or emergency power inspections that are performed outside the actual Elevator Code Division testing time will be done as a billable time and material basis.
    f. Fire inspection of items that are not directly related to the elevator installation such as pull stations, signage, Exit lighting, mag door holds, strobes and/or speakers, etc. shall not be performed during the Elevator operation inspection. If these items are tested during the normal elevator inspections, the labor hours expended during these delays will require a change order on a time and material basis. The Elevator fire/Life safety testing includes the fire detectors and/or heat detectors in the machine room and elevator lobbies and the emergency power testing recall and operation only.
    g. If the Owner would like the emergency power testing to be performed after hours or on the weekends, the premium rate charge for this work will also be a time and material basis.
7. We have not included costs associated with cutting or patching of finished surfaces or for coring or cutting of concrete. Otis will fit the new fixtures in existing openings if possible and cut into existing wall finishes if necessary in order to fit larger, new fixtures. Fixtures will be ordered such that their trim covers the cut area without the need to patch and match existing wall finishes. (Client will review and approve of all fixture submittals prior to order and fabrication).
8. We do not include for x-ray investigations ahead of coring or cutting walls or floors should this work be required.
9. We have not included alterations to the existing car and counterweight guide rails, supports or brackets. We do not include any modifications or strengthening of the building's structure.
10. Our price provisionally includes adding or removing counterweights to achieve a proper balance between the car and the counterweight. We include this adjustment to the extent that this change in weight is

within 5% of the original recorded car weight and car load capacity weight combined. We have not included for any additional costs associated with identifying or correcting car weights previously increased beyond the allowed design limitation.

11. The performance of this elevator modernization will require completion of code mandated building work performed by other sub-contractors. We will make every effort to coordinate and assist your sub-contractors in understanding the required work scope and with completion schedule development that coincides but does not delay or interrupt our schedule. Our bid does not include for our mechanic's time for standby or hoistway access for other trades, inspectors or sub-contractors to perform their work. We have based our schedule and costs on having uninterrupted access and use of the elevators and elevator spaces during our scheduled work periods.
12. We include for temporary folding type barricades to be used when accessing the elevator tops or for when working in the elevator cabs. We have not included for full height type barricades or for infection control measures including sealed access systems, sealing of individual hoistways during the progress of our work, or for air evacuation systems. Should these measures become necessary we shall coordinate and assist other contractors for the work, as needed, upon reaching mutually agreeable terms regarding schedule and hourly rates.
13. Crane: A crane will be utilized by Otis to move materials in and out of the elevator machine room. We will coordinate dates/times for the crane material moves with the onsite Engineering team. This proposal includes all regular working hours costs for hoisting equipment, local permits/fees, and traffic controls for all the crane picks Otis performs
14. Access to Elevator Machine Room: Otis will need to access the roof through the top floor's patient & medical ward in order to access the elevator machine room for our work and to move the elevator equipment in (new) and out (remove old discarded materials).
15. **Relating to OSHPD permits:** A submittal to the Architect of Record for submittal to OSHPD has been provided. The submittals will include a machine room layout depicting approximate locations of the new and existing elevator components, drawings of all new ADA signal fixtures and details of specified cab alterations. Additionally, the drawings included seismic attachment details of the new equipment, equipment certified OSP numbers, and supporting structural calculations wet stamped by a California licensed structural engineer. We do not include details or drawings of equipment that is to be retained, path of travel drawings, or elevation views of hoistways, pits, cabs or elevator lobbies and signal fixture locations. We have not included for costs associated with the OSHPD application or permits
16. Our bid is based on the current California elevator codes in affect at time of bidding. We anticipate a California elevator code update to occur sometime in the future; however, at this time we have not been made aware of code changes that would affect our provided pricing. We reserve the right to adjust our pricing in the event of code changes.
17. Elevator modernizations, especially when replacing machines, require heavy materials to be rolled across the building roof and internal floor structures. Prior to the starting of the modernization, depending on the scope being performed, the building may be required to provide safe floor loading requirements where materials will be landed, moved and stored.

Typical milestones and durations to consider in project planning:

- Contract execution process (mutual legal reviews and signatures)
- *Fixture submittals/approval drawings created by Otis (to be provided during Design Phase 1)*
- Placement of factory material order upon receipt of OSHPD approved submittals from client *(OSHPD approval process varies in duration and can take several months to complete)*
- Engineering (4 weeks) and Factory material order fabrication (18 weeks) (order engineered and released when OSHPD approved submittals are received) – 22 weeks total
- Shipping and delivery to the Bay Area – 2 weeks
- Modernization installation labor ~ 17 weeks per elevator (elevator is out of service during this time)

Payment Schedule: We have based our quotation on the following payment schedule:

- A down payment of 30% is required upon execution of contract.
- 30% payment shall be due upon delivery of materials.
- The remaining 40% will be billed as installation work progresses *(monthly progress labor billing)*.
- For elevator turn over, payments equaling 90% of the contract value must be received.
- Retention: **10% retention** will be withheld on all payments excluding the initial down payment.

Work by Other Sub-Contractors: We recommend that you budget additional funds for this project for upgrading your existing machine room(s), associated electrical systems, and life safety systems to comply

with building code sections affected by the elevator upgrades. We have provided the following list and description of work that typically will be required. We will assist you with coordination of this work; however, **please be aware that the cost of this work is not included in Otis' quote**.

Machine Room	The machine room is required to have a self-closing and locking entrance door. Only equipment that is directly related to the elevators is allowed to be located within the elevator machine room.
Main Line Power Feeders	Verify that the existing three phase power feeders are properly sized and with insulation properties designed for the new loads imposed by the new control and drive system. A properly sized and connected equipment grounding conductor will be required.
Main Line Disconnect Switch	Verify that existing disconnect switches are lock-able in the "off" position and are properly sized motor rated breaker or fused type. Provide new disconnect switches as needed. Supply new conduits and feeder wires, including equipment ground wires, from the disconnect switch to each the elevator controller cabinet and connect per the direction of the Elevator Contractor.
Shunt Trip Disconnects	If sprinklers are present in the machine room or hoistway, a shunt trip disconnect switch used to remove power to the elevator before initiation of machine room or hoistway sprinklers may be required by the Authority Having Jurisdiction.
Emergency (Standby) Power	If emergency power is available, verify and provide the following: 1) Power that meets the load characteristic requirements of the new control system. Power that is capable of operating and providing sufficient power to non-linear elevator loads and that is capable of absorbing regenerated power resulting from running elevators with overhauling loads. 2) Two conductors to the machine room from a normally closed auxiliary contact on the Owner's EP transfer switch. Contacts to open when power transfers to the emergency source. 3) Two additional conductors to the machine room from an adjustable timed relay on the Owner's EP transfer switch to indicate "request to transfer" from standby to normal power. 4) Power for 115VAC circuits that supply elevator cab lights, cab fan, communication means, EMS and Compass dispatching systems (if applicable. 5) Power for machine room lighting and ventilation and cooling means.
Cab Lighting and Fan Circuit	Supply a lockable single phase (SPST) 120volt, 15 or 20 amp AC circuit and lockable switch in the machine room for the elevator's cab fan and lighting.
REM Circuit	Provide a separate 120volt, 20 amp circuit for the Master Remote Elevator Monitoring device. Provide with a lockable disconnect switch located at the new elevator controller in the machine room.
GFI Outlets	Provide 120volt GFCI type convenience outlets in the machine room and in each pit.
Lighting, Machinery Spaces and Pit	Provide improved machine room lighting that provides a minimum of 19 ft. candles of illumination and new pit lighting to provide a minimum of 10ft. candles of illumination. The machine room light switch shall be located within 18" of the lock-set side of the entry door. Pit light switches shall be adjacent to the pit ladder and a minimum of 24" above the threshold level. Lighting must have code compliant guards of either grounded metal, plastic or comparable.
Machine Room Ventilation	Provide adequate ventilation and permanent and automatic operating cooling and heating equipment to maintain the machine room temperature between 45 and 90 degrees Fahrenheit with relative humidity not exceeding 95% non-condensing.
Phone	In the machine room an outside dialing phone line, per elevator, will be required and be run in conduit and terminated at the controller.

Broadband Internet	We have included for Accessible Communication Systems in accordance with Chapter 30, Section 3001.2 of the CBC 2019. This will require others to provide broad band internet connection to the elevator machine room.
Fire Recall	Provide elevator lobby, machine room and hoistway smoke detecting devices located as required and wired from the fire control center to a controller in the machine room. Hoistway devices are required to be made accessible from outside the elevator hoistway. Coordinate signal connections and necessary testing with the Elevator Contractor. Provide the following zones and locate signal circuits in a properly labeled junction box in the machine room: **Main Floor Recall: Provide one set of normally closed contacts that will open when any smoke sensor related to the elevators, other than devices located in the machine room, hoistway or main egress floor, senses smoke.** **Alternate Floor Recall: Provide one set of normally closed contacts that will open when the smoke sensor at the main egress floor senses smoke.** Machine Room/Hoistway Recall: Provide one set of normally closed contacts that will open when any smoke sensor located in the machine rooms senses smoke.
Patching	Patching of cracked or missing plaster, voids, or holes in the hoistway or machine room walls, ceiling or floor will be required.

The extent of the work to be performed is either described above or in the attached specification which is incorporated into and made a part of this document.

PRICE: **$ One million, five hundred ninety-five thousand, six hundred fifty dollars ($1,595,650.00)**

This price is based on a **thirty percent (30%)** downpayment in the amount of **$ 478,680**.

This proposal, including the provisions printed on the pages following, shall be a binding contract between you, or the party identified below for whom you are authorized to contract (collectively referred to herein as :you:), and us when accepted by you through execution of this proposal by you and approved by our authorized representative; or by your authorizing us to perform work for the project and our commencing such work.

Submitted by: _____
Von W. O'Nan

Accepted in Duplicate

CUSTOMER	**OTIS ELEVATOR COMPANY**
Approved by Authorized Representative	Approved by Authorized Representative
Date: _____	Date: _____
Signed: X _____	Signed: _____
Print Name: _____	Print Name: _____
Title: _____	Title: _____

Name of Company: _____

☐ Principal, Owner or
Authorized Representative of Principal or Owner

☐ Agent _____
(Name of Principal or Owner)

TERMS AND CONDITIONS

The work shall be performed for the agreed price plus any applicable sales, excise or similar taxes as required by law.
In addition to the agreed price, you shall pay to us any future applicable tax imposed on us, our suppliers or you in connection with the performance of the work described.
This quotation is subject to change or withdrawal by us prior to acceptance.
We warrant to you that the work performed by us hereunder shall be free from defects, not inherent in the quality required or permitted, in material and workmanship for one (1) year from the date of substantial completion. Our duty and your remedy under this warranty are limited to our correcting any such defect you report to us within the warranty period by, at our opinion, repair or replacement, provided all payments due under the terms of this contract have been made in full. All parts used for repair or replacement under this warranty shall be good quality and furnished on an exchange basis. Printed circuit boards used for replacement parts under this warranty may be refurbished boards. Exchanged parts become our property.
We shall perform the work during our regular working hours of our regular working days unless otherwise agreed in writing. You shall be responsible for providing suitable storage space at the site for our material.
You shall obtain title to all the equipment furnished hereunder when final payment for such material is received by us. In addition, you shall be granted a license to use any software incorporated into any such equipment solely for operating such equipment.
Any drawings, illustrations or descriptive matter furnished with the proposal are submitted only to show the general style, arrangement and dimensions of the equipment.
Payments shall be made as follows: A down payment of thirty percent (30%) of the price shall be paid after we have completed processing your equipment requirements, and orders are placed; the balance shall be paid on completion if the work is completed within a thirty day period. If the work is not completed within a thirty day period, monthly progress payments shall be made based on the value of any equipment ready or delivered, if any, and labor performed through the end of the month less a five percent (5%) retainage and the aggregate of previous payments. The retainage shall be paid when the work is completed. We reserve the right to discontinue our work at any time until payments shall have been made as agreed and we have assurance satisfactory to us that subsequent payments will be made when due. Payments not received within thirty (30) days of the date of invoice shall be subject to interest accrued at the rate of eighteen percent (18%) per annum or at the maximum rate allowed by applicable law, whichever is less. We shall also be entitled to reimbursement from you of the expenses, including attorney's fees, incurred in collecting any overdue payments.
Any material removed by us in the performance of the work shall become our property.
Our performance is conditioned upon your securing any required governmental approvals for the installation of any equipment provided hereunder and your providing our workmen with adequate electrical power at no cost to us with a safe place in which to work, and we reserve the right to discontinue our work in the building whenever in our opinion working conditions are unsafe. If overtime work is mutually agreed upon and performed, an additional charge thereof, at our usual rates for such work, shall be added to the contract price. The performance of our work hereunder is conditioned on your performing the preparatory work and supplying the necessary data specified on the front of this proposal or in the attached specification, if any. Should we be required to make an unscheduled return to your site to begin or complete the work due to your request, acts or omissions, then such return visits shall be subject to additional charges at our current labor rates.
We shall retain a security interest in all material furnished hereunder and not paid for in full. You agree that a copy of this Agreement may be used as a financing statement for the purpose of placing upon public record our interest in any material furnished hereunder, and you agree to execute a UCC-1 form or any other document reasonably requested by us for that purpose.
Except insofar as your equipment may be covered by an Otis maintenance or service contract, it is agreed that we will make no examination of your equipment other than that necessary to do the work described in this contract and assume no responsibility for any part of your equipment except that upon which work has been done under this contract.
Neither party shall be liable to the other for any loss, damage or delay due to any cause beyond either parties reasonable control, including but not limited to acts of government, strikes, lockouts, other labor disputes, fire, explosion, theft, weather damage, flood, earthquake, riot, civil commotion, war, mischief or act of God. We do not agree under our warranty to bear the cost of repairs or replacements due to vandalism, abuse, misuse, neglect, normal wear and tear, modifications not performed by us, improper or insufficient maintenance by others, or any cause beyond our control.
We shall conduct, at our own expense, the entire defense of any claim, suit or action alleging that, without further combination, the use by you of any equipment provided hereunder directly infringes any patent, but only on the conditions that (a) we receive prompt written notice of such claim, suit or action and full opportunity to assume the sole defense thereof, including settlement and appeals, and all information available to you for such defense; (b) said equipment is made according to a specification or design furnished by us; and (c) the claim, suit or action is brought against you. Provided all of the foregoing conditions have been met, we shall, at our own expense, either settle said claim, suit or action or shall pay all damages excluding consequential damages and costs awarded by the court therein and, if the use or resale of such equipment is finally enjoined, we shall at our option, (i) procure for you the right use of the equipment, (ii) replace the equipment with equivalent noninfringing equipment, (iii) modify the equipment so it becomes noninfringing but equivalent, or (iv) remove the equipment and refund the purchase price (if any) less a reasonable allowance for use, damage or obsolescence.
THE EXPRESS WARRANTIES SET FORTH IN THIS AGREEMENT ARE THE EXCLUSIVE WARRANTIES GIVEN: WE MAKE NO OTHER WARRANTIES EXPRESS OR IMPLIED, AND SPECIFICALLY MAKE NO WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE; AND THE EXPRESS WARRANTIES SET FORTH IN THIS AGREEMENT ARE IN LIEU OF ANY SUCH WARRANTIES AND ANY OTHER OBLIGATION OR LIABILITY ON OUR PART.
Under no circumstances shall either party be liable for special, indirect, liquidated, or consequential damages in contract, tort, including negligence, warranty or otherwise, notwithstanding any indemnity provision to the contrary. Notwithstanding any provision in any contract document to the contrary, our acceptance is conditioned on being allowed additional time for the performance of the Work due to delays beyond our reasonable control.
Your remedies set forth herein are exclusive and our liability with respect to any contract, or anything done in connection therewith such as performance or breach thereof, or from the manufacture, sale, delivery, installation, repair or use of any equipment furnished under this contract, whether in contract, in tort, in warranty or otherwise, shall not exceed the price for the equipment or services rendered.
It is agreed that after completion of our work, you shall be responsible for ensuring that the operation of any equipment furnished hereunder is periodically inspected. The interval between such inspections shall not be longer than what may be required by the applicable governing safety code.
By accepting delivery of parts incorporating software you agree that the transaction is not a sale of such software but merely a license to use such software solely for operating the unit(s) for which the part was provided, not to copy or let others copy such software for any purpose whatsoever, to keep such software in confidence as a trade secret, and not to transfer possession of such part to others except as a part of a transfer of ownership of the equipment in which such part is installed, provided that you inform us in writing about such ownership transfer and the transferee agrees in writing to abide by the above license terms prior to any such transfer.
Our work shall not include the identification, detection, abatement, encapsulation or removal of asbestos, polychlorinated biphenyl (PCB), or products or materials containing asbestos, PCB's or other hazardous substances. In the event we encounter any such product or materials in the course of performing work, we shall have the right to discontinue our work and remove our employees from the project until you have taken the appropriate action to abate, encapsulate or remove such products or materials, and any hazards connected therewith, or until it is determined that no hazard exists (as the case may require). We shall receive an extension of time to complete the work hereunder and compensation for delays encountered as a result of such situation.
This Agreement constitutes the entire understanding between the parties regarding the subject matter hereof and may not be modified by any terms on your order form or any other document, and supersedes any prior written or oral communication relating to the same subject. Any amendment or modifications to this Agreement shall not be binding upon either party unless agreed to in writing by an authorized representative of each party. Both parties agree that any form issued by you that contains any terms that are inconsistent with those contained herein shall not modify this Agreement, nor shall it constitute an acceptance of any additional terms.

Salinas Valley Memorial Healthcare System

Project Cost Model: Elevator Modernization

Architect: Smith Karng

Subject: 50% CD's

Date Printed: *11/29/2021*
Budget Amount: **$2,600,000**
Budget Approved Date: *PENDING*
Version 1
Anticipated Completion: **12/1/2022**

Budget Summary

			A	A1	A2
Line Item		**Description**	**Original Budget**	**Budget Revisions**	**Current Budget**
	1	**Construction**			
100		Construction - Otis Elevators	$1,595,650	$0	$1,595,650
100		Construction - Enabling Scope	$304,350	$0	$304,350
101		Owner Contingency	$55,000	$0	$55,000
	2	**Design**			
200		Professional Fees	$200,000	$0	$200,000
	3	**Inspections and Consultation**			
300		Inspector of Record	$31,500	$0	$31,500
301		Special Inspections - ProTech and Kleinfelder	$9,800	$0	$9,800
	4	**AHJ Fees**			
400		HCAI Fees	$33,000	$0	$33,000
	5	**Soft Costs**			
502		Construction Management - Construction	$304,000	$0	$304,000
503		Abatement	$0	$0	$0
504		Soft Cost Contingency	$15,000	$0	$15,000
	7	**FF&E**			
702		Medical & Non-Medical Equipment	$0	$0	$0
703		Data & Phone Equipment	$0	$0	$0
704		Furnishings	$0	$0	$0
704		Signage	$1,700	$0	$1,700
	9				
9900		Project Contingency	$50,000	$0	$50,000
Totals			**$2,600,000**	**$0**	**$2,600,000**

Justification for Sole Source Form

To: Contract Review Committee

From: Dave Sullivan, Facilities Management
Earl Strotman, Facilities Management

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

Total Cost $:	$1,595,650
Vendor Name:	Otis Elevators
Agenda Item:	SVMH Elevator Modernization

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.

☒Licensed or patented product or service. No other vendor provides this. Warranty or defect correction service obligations of the consultant. **Elevator systems are a custom-built assembly that is not possible to bid in a prescriptive environment. An RFP was issued to qualify the best value vertical transportation system, which is heavily weighted on service and performance of elevator vendor to maintain the most reliable system for patients and building occupants. Two qualified vendors competed for the modernization scope of work. Otis Elevators is the highest-ranking proposer/vendor to perform the scope of work and service maintenance post-construction.**

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

Submitter Signature David Sullivan Date:

EARL STROTMAN
DIRECTOR

12/02/2021

Finance Committee Board Paper

Agenda Item: **Consider Recommendation for Board of Directors Approval to Award Construction Contract to Avila Construction Company for the Monterey Bay Endoscopy Center and Monterey Bay G.I. Consultants Medical Group office space at 212 San Jose Street Suites 100 and 201**

Executive Sponsor: Clint Hoffman, Chief Administrative Officer, Physician Integration & Business Development / Chief Operating Officer, SVMC

Date: December 1, 2021

Executive Summary

SVMHS has been a partner in Monterey Bay Endoscopy, LLC since February of 2018. At the inception of our partnership we agreed to expansion of endoscopy services to a suitable location in Salinas. In July of 2019 SVMHS acquired 212 San Jose Street which has ambulatory surgery suites on the first floor in suite 100 and administrative office space that can be reconfigured into medical office space on the second floor in suite 201.The SVMHS executive team secured Board approval for a total project budget of three million eight hundred twenty five thousand two hundred eighty one dollars ($3,825,281.00) to complete the necessary improvements to suite 100 and 201 for their intended uses as an ambulatory endoscopy center and medical office. Suite 100 will be leased to Monterey Bay Endoscopy, LLC and Suite 201 will be leased to Monterey Bay GI Consultants Medical Group, Inc.

Background/Situation/Rationale

The project includes tenant improvements and alterations to an existing building located at 212 San Jose, Street, Salinas CA for new tenant spaces for the Monterey Bay Endoscopy Center on the first level and Monterey Bay G.I. Consultants Medical Group office space on the second level. The first level (Suite 100) improvements consist of two occupancy types (I-2.1 and B) with the entire Suite being improved to OSHPD-3 building standards under the ambulatory surgery center requirements. The Suite will be required to meet CDPH standards and requirements to obtain Medicare certification from the Centers for Medicare and Medicaid Services. The improvements for the second level (Suite 201) consist of a B occupancy type and do not have any special regulatory agencies involving beyond the City of Salinas planning and building departments.

SVMHS publicly advertised a request for contractor bids to complete the construction services required for the project. The advertisement was circulated in the Californian and Central Coast Builder's Exchange. In addition, SVMHS performed a bid outreach to attract all qualified general contractors and subcontractors in the local and regional area. At the close of bid period on November 18, 2021, two bids from general contractors were received and publicly opened (Attachment 1). After staff review of the bid packages submitted, SVMHS identified Avila Construction Company as the lowest responsible, responsive bidder.

Timeline/Review Process to Date

January 2022 - Anticipated construction commencement
July 2022 - Project completion

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 partnerships that drive value for our patients.

Pillar/Goal Alignment

☐ Service ☐ People ☐ Quality ☑ Finance ☑ Growth ☐ Community

Financial/Quality/Safety/Regulatory Implications

Key Contract Terms	Vendor: Avila Construction Company
1. Proposed effective date	Issuance of Notice to Proceed anticipated on January 10, 2022
2. Term of agreement	120 calendar days
3. Renewal terms	Not Applicable
4. Termination provision(s)	Provided in Bid Specifications-Part 12 of General Conditions- Section 007000
5. Payment Terms	Lump Sum
6. Annual cost	Contract Sum of $2,554,985.53
7. Cost over life of agreement	Not Applicable
8. Budgeted (indicate y/n)	Yes. Reference project budget estimate information.

Recommendation

Consider recommendation for Board Approval to Award Avila Construction Company the contract for construction of the Monterey Bay Endoscopy Center and Monterey Bay G.I. Consultants Medical Group office space at 212 San Jose Street Suites 100 and 201 in the amount of $2,554,985.53.

Attachments

- Attachment 1: Bid Results November 18, 2021
- Attachment 2: Estimated Project Cost December 1, 2021

SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM
PROJECT: MONTEREY BAY ENDOSCOPY & MONTEREY BAY G.I. CLINIC PROJECT
PROJECT CIP: 01.1250.3542
PROJECT LOCATION: 212 San Jose Street, Salinas 93901

BID RESULT SUMMARY

Single Prime Bid Package

DATE: November 18, 2021
BID TIME: 2:00PM
BID OPENING: 535 E Romie (SUITE 6), Salinas, CA 93901

	CONTRACTOR	CONTACT	EMAIL	PHONE	BASE BID + ALLOWANCES	COMMENTS
1	**Avila Construction Company 12 Thomas Owens Way, Monterey, CA 93940	Mike Avila	mike@avilaconst.com	831-382-2830	$2,554,985.53	
2	DMC Commercial Inc. 194 Skypark Drive Monterey, CA 93940	Dan McAweeney	dan@dmcmp.com	831.656-1600	$2,606,000	
	**Apparent Low Bidder					
	SVMHS reserves the right to reject any or all bids and to waive any informalities in the bidding, or in any bid received.					

	Documents Accompanying Bid	Contractor 1	Contractor 2
a	Bid Letter	✔	✔
b	Addenda	✔	✔
c	List of Subcontractors	✔	✔
d	Disqualification Questionnaire	✔	✔
e	Insurance Requirements	✔	✔
f	Non-Collusion Affidavit	✔	✔
g	Bid Bond (Security)	✔	✔
h	Alternate Bid Item Proposal	✘	✘

Salinas Valley Memorial Healthcare System

Project Cost Model: 212 San Jose - ASC Endo Center + GI Clinic (212 San Jose Space Planning 01.1250.3542)

Architect: WRD Architects

Subject: Cost Model prepared at Unapproved 100% CD Set

Date Printed: 12/1/2021
Budget Amount: $3,825,281
Budget Approved Date:
Version 1
Anticipated Completion: Varies (See Comments)
Prepared by: DS

Budget Summary

			A	NOTES
Line Item		Description	Budget	
	1	**Construction**		
100		Construction - Tenant Improvements First Level	$2,554,985	ASC + Office TI - Avila Construction
101		Owner Contingency (Construction)	$226,191	7% of Construction Costs
	2	**Design**		
200		Professional Fees - Fixed	$229,925	Design Fees
201		Professional Fees - T+M	$9,500	Hazardous Material Survey (Lead + ACM)
	3	**Inspections and Consultation**		
301		Special Inspections	$50,000	Survey, Soils, Concrete, Misc Metals
	4	**AHJ Fees**		
401		City Fees	$113,649	4% of Construction Costs
401		TAMC Fees	$50,000	Regional Circulation Fees
401		Monterey One Fees	$25,000	(N) Plumbing Fixture Impact Fees
	5	**Soft Costs**		
502		Program Management	$319,000	11 Months
	6	**Site Work**		
601		Exterior Access Points + Signage	$0	Provided for in Construction Line Item
	7	**FF&E**		
701		Furniture	$0	Furnished by Tenant (Staff Lounge, MA Station, MD Offices)
702		Equipment	$60,000	Furnished by Vals Plumbing and Heating
703		Data & Phone - Comcast	$0	Furnished by Tenant
703		Data & Phone Equipment - Switches + MPOE + Wiring + Phones + WAP + Access Control	$0	Furnished by Tenant
704		Furnishings	$0	Furnished by Tenant
705		Signage - Exterior	$15,000	Monument + Building Signage
	99	**Contingency**		
9900		Project Contingency	$172,031	5% of Project Costs
Totals			**$3,825,281**	

Board Paper: Finance Committee

Board Resolution 2018-10, delegation of authority up to $350,000

Request: Consider Recommendation for Board Approval of Microsoft Licensing Renewal for Salinas Valley Memorial Healthcare System Through CDW Government, a Supplier of SVMHS's Group Purchasing Organization and Contract Award

Executive Sponsor: Audrey Parks, CIO

Date: December 9, 2021

Executive Summary

Salinas Valley Memorial Healthcare System (SVMHS) annually renews Microsoft licenses through our Microsoft Enterprise Agreement. The agreements renew in 3-year terms and we are currently in year 2 of 3. SVMHS combined our licensing commitments for Salinas Valley Medical Clinic with Salinas Valley Memorial Hospital in the recent 3-year renewal (July 2020 – June 2023). In addition to the baseline licensing fee, we also pay any additional licensing fees owed as a result of growth such as additional servers, desktops, Office and other Microsoft licenses. This is called a true-up. We paid the true-up in June 2021 and owe the baseline licensing in the amount of $641,650.37.

Financial/Quality/Safety/Regulatory Implications: Service and Finance

Key Contract Terms	Vendor: CDW-Government
1. Proposed effective date	July 1, 2021
2. Term of agreement	July 1, 2021 – June 30, 2023
3. Renewal terms	3-year renewal option in June 2023
4. Termination provision(s)	We may discontinue use of software but remain obligated to the baseline commitment in the amount of $641,650.37 during the term of the contract.
5. Payment Terms	$1,283,300.74 $641,650.37 paid annually for two years Net 30 per Vizient (group purchasing organization, GPO) terms
6. Annual cost(s)	$641,650.37
7. Cost over life of agreement	$1,924,951.11 (In July 2020, SVMH paid $641,650.37 in year 1 of 3)
8. Budgeted (indicate y/n)	Yes, 8540.6600
9. Contract	1001.2533

Recommendation

Consider Recommendation for Board Approval of Microsoft Licensing Renewal for Salinas Valley Memorial Healthcare System Through CDW Government, a supplier of SVMHS's Group Purchasing Organization, and Contract Award for $1,283,300.74 over two years.

Attachments

- QUOTE CDW for years 1 – 3 of our Microsoft Enterprise Licensing Agreement
- CDW membership in Vizient, our GPO

CDW Government, LLC
Microsoft Enterprise 6.6 Agreement Pricing

Enterprise Quote
for

Salinas Valley Memorial Healthcare System

Date 6/12/20
Account Manager Brian

VSL Specialist Aubrey Styles

Channel Price Sheet Month JUNE

Unless otherwise noted, All Quotes expire upon current month's end

EA Renewal As-Is

Customer to make three annual payments to CDW•G

Microsoft Part #	Clinical	Level	Quantity	Year 1 Price	Year 1 Extended	Year 2 Price	Year 2 Extended	Year 3 Price	Year 3 Extended
W06-00021	CoreCAL ALNG SA MVL DvcCAL	D	633	$ 36.69	$ 23,224.77	$ 36.69	$ 23,224.77	$ 36.69	$ 23,224.77
KV3-00368	WINENTperDVC ALNG SA MVL	D	633	$ 44.35	$ 28,073.55	$ 44.35	$ 28,073.55	$ 44.35	$ 28,073.55
	Knowledge								
W06-01069	CoreCAL ALNG SA MVL Pltfrm DvcCAL	D	2119	$ 34.75	$ 73,635.25	$ 34.75	$ 73,635.25	$ 34.75	$ 73,635.25
269-12442	OfficeProPlus ALNG SA MVL Pltfrm	D	1768	$ 95.01	$ 167,977.68	$ 95.01	$ 167,977.68	$ 95.01	$ 167,977.68
KV3-00353	WINENTperDVC ALNG SA MVL Pltfrm	D	1596	$ 42.16	$ 67,287.36	$ 42.16	$ 67,287.36	$ 42.16	$ 67,287.36
	Additional Products								
395-02504	ExchgSvrEnt ALNG SA MVL	D	2	$ 724.75	$ 1,449.50	$ 724.75	$ 1,449.50	$ 724.75	$ 1,449.50
312-02257	ExchgSvrStd ALNG SA MVL	D	7	$ 126.48	$ 885.36	$ 126.48	$ 885.36	$ 126.48	$ 885.36
076-01912	Prjct Std ALNG SA MVL	D	35	$ 116.88	$ 4,090.80	$ 116.88	$ 4,090.80	$ 116.88	$ 4,090.80
H30-00238	PrjctPro ALNG SA MVL w1PrjctSvrCAL	D	21	$ 192.70	$ 4,046.70	$ 192.70	$ 4,046.70	$ 192.70	$ 4,046.70
5HU-00216	SfBSvr ALNG SA MVL	D	1	$ 652.33	$ 652.33	$ 652.33	$ 652.33	$ 652.33	$ 652.33
H04-00268	SharePointSvr ALNG SA MVL	D	3	$ 1,215.36	$ 3,646.08	$ 1,215.36	$ 3,646.08	$ 1,215.36	$ 3,646.08
359-00792	SQLCAL ALNG SA MVL DvcCAL	D	2218	$ 34.14	$ 75,722.52	$ 34.14	$ 75,722.52	$ 34.14	$ 75,722.52
810-04760	SQLSvrEnt ALNG SA MVL	D	2	$ 1,404.78	$ 2,809.56	$ 1,404.78	$ 2,809.56	$ 1,404.78	$ 2,809.56
7JQ-00343	SQLSvrEntCore ALNG SA MVL 2Lic CoreLic	D	17	$ 2,247.99	$ 38,215.83	$ 2,247.99	$ 38,215.83	$ 2,247.99	$ 38,215.83
228-04433	SQLSvrStd ALNG SA MVL	D	65	$ 146.77	$ 9,540.05	$ 146.77	$ 9,540.05	$ 146.77	$ 9,540.05
7NQ-00292	SQLSvrStdCore ALNG SA MVL 2Lic CoreLic	D	10	$ 586.24	$ 5,862.40	$ 586.24	$ 5,862.40	$ 586.24	$ 5,862.40
9EP-00208	SysCtrDatactrCore ALNG SA MVL 2Lic CoreLic	D	390	$ 49.09	$ 19,145.10	$ 49.09	$ 19,145.10	$ 49.09	$ 19,145.10
9EN-00198	SysCtrStdCore ALNG SA MVL 2Lic CoreLic	D	556	$ 17.98	$ 9,996.88	$ 17.98	$ 9,996.88	$ 17.98	$ 9,996.88
D87-01159	VisioPro ALNG SA MVL	D	62	$ 100.12	$ 6,207.44	$ 100.12	$ 6,207.44	$ 100.12	$ 6,207.44
D86-01253	VisioStd ALNG SA MVL	D	95	$ 51.64	$ 4,905.80	$ 51.64	$ 4,905.80	$ 51.64	$ 4,905.80
MX3-00117	VSEntSubMSDN ALNG SA MVL	D	2	$ 1,072.12	$ 2,144.24	$ 1,072.12	$ 2,144.24	$ 1,072.12	$ 2,144.24
6VC-01254	WinRmtDsktpSrvcsCAL ALNG SA MVL UsrCAL	D	735	$ 21.63	$ 15,898.05	$ 21.63	$ 15,898.05	$ 21.63	$ 15,898.05
6XC-00299	WinRmtDsktpSrvcsExtConn ALNG SA MVL	D	6	$ 1,820.07	$ 10,920.42	$ 1,820.07	$ 10,920.42	$ 1,820.07	$ 10,920.42
9EA-00278	WinSvrDCCore ALNG SA MVL 2Lic CoreLic	D	378	$ 125.87	$ 47,578.86	$ 125.87	$ 47,578.86	$ 125.87	$ 47,578.86
R39-00396	WinSvrExtConn ALNG SA MVL	D	6	$ 330.12	$ 1,980.72	$ 330.12	$ 1,980.72	$ 330.12	$ 1,980.72
9EM-00270	WinSvrSTDCore ALNG SA MVL 2Lic CoreLic	D	888	$ 17.74	$ 15,753.12	$ 17.74	$ 15,753.12	$ 17.74	$ 15,753.12
				Year 1 Total	**$ 641,650.37**	**Year 2 Total**	**$ 641,650.37**	**Year 3 Total**	**$ 641,650.37**
				Three Year Total	**$ 1,924,951.11**				

Notes

NO TAX referenced
Riverside Contract: Participating agreement No. PSA-0001522

General Information

Contract Effective Date	1/1/2014	**Contract Expiration Date**	12/31/2021
Contracting Discipline	Information Technology	**Contract Source**	Multi-Source
Form Required	No		
Class of Trade	340B/DSH Inpatient, 340B/Non-DSH Inpatient, Ambulatory Care Center, Home Health Care, Hospital, Long Term Care, Managed Care, Oncology/Cancer Center, Physician Clinic and Office, Surgery Center		

Terms & Conditions

Commitment Requirements	Purchasing Commitments. Novation's award of this Agreement to Supplier shall not constitute a commitment by any Member (or other person) to purchase any of the Products from or through Supplier. Supplier shall not require any Member to purchase or lease any specific quantity (other than the smallest available unit) or combination of Products, or impose any other purchasing commitment on a Member as a condition to the Member's purchase or lease of any Products pursuant to this Agreement.
Guaranteed Supply	In the event of Supplier's failure to perform its supply obligations in accordance with the terms of this SIn the event of Supplier's failure to perform its supply obligations in accordance with the terms of this Section 5. (1) Member(s) may purchase or lease products equivalent to the Products from other sources after Member has provided notice to Supplier and the Member's Account Manager has had an opportunity to resolve the identified issue related to the failure to supply, and Supplier will be liable to the Member for all reasonable costs in excess of the prices listed in Exhibits A and/or A.1, (2) Any Member purchases from an alternative source will not affect the Member(s) pricing (e.g., purchases from an alternative source will be considered contracted sales for purposes of calculating Members' tiered pricing compliance) for the duration of the failure to supply, plus ninety (90) days, (3) If Supplier fails to perform its obligations under Section 5.I. (Product Fill Rates), then as liquidated damages, and not as a penalty, Supplier will pay to Novation an amount equal to the average Administrative Fee payable hereunder over the prior twelve (12)-month period (or the actual operative Term of the Agreement if less than 12 months), prorated on a daily basis for each minus one percent (-1%) variance from the stated commitment therein for the duration of the failure to supply, and Supplier shall be in Material Breach of this Agreement. The remedies set forth in this Section are in addition to any other rights and remedies Novation, the Clients, and the Members may have resulting from such failure. Fill Rate: Product Fill Rates Confirmation and Delivery Times. Supplier agrees to provide raw Product fill rates to the Members of at least ninety-seven percent (97%), each calculated as line items filled complete divided by line items ordered, less items not shipped by Supplier due to manufacturer backorder, manufacturer limiting supply, manufacturer discontinuing the Product, or manufacturer Product recall, first truck (in no event later than ten (10) days from the date of order) unless otherwise mutually agreed upon between both Parties. Supplier's breach of this Section shall constitute a Material Breach of this Agreement.

Warranty

(4) Product Quality. Supplier represents and warrants to Novation, the Clients, and the Members as follows, which representations and warranties shall survive the expiration or earlier termination of this Agreement.
i. The Products shall be distributed, sold, and priced by Supplier in compliance with applicable Federal, state, and local laws.

ii. Supplier shall not adulter or misbrand Products, nor shall Supplier sell any Products which it knows or has reason to know violate or cause a violation of any applicable Federal, state, or local law, ordinance, rule, regulation, or order.

iii. Product Condition. Unless otherwise agreed upon by a Member, all Products shall be new. Products shall not be delivered to a Member that are demonstrators, used, obsolete, or seconds, or which have been discontinued, unless such Member either specifically requests Products which are in such condition or accepts delivery after receiving prior written notice from Supplier of the condition of such Products.

iv. Product Integrity; Source of Products. Supplier shall purchase Products directly from a manufacturer, or a manufacturer's officially designated third-party logistics provider ("3PL") when the 3PL is the sole means of acquiring the Product, and not from any alternate source, with the exception of re-saleable returns from Supplier's customers where, after Supplier has used its best efforts to verify, the original source of the Product is not verifiable.

(2) Compatibility. Supplier represents and warrants that to the best of its knowledge, (i) the Equipment, Software and other component items sold by Supplier to Members conform in design, materials, workmanship, and performance and operational characteristics in accordance with all of the Specifications, (ii) each component item in the Equipment is fully and completely compatible with all of the other component items comprising the Equipment, and (iii) the Equipment will operate fully and completely as an integrated system.

(3) Licensing Authority. Supplier represents and warrants that it has full power, authority and all necessary rights to enter into and perform according to the terms of this Agreement, including the right to sell a Software license to Members. Supplier further represents and warrants that to the best of its knowledge after due inquiry, there is no action, suit, claim, investigation or other proceeding pending, threatened against or affecting Supplier or the Products which, if adversely decided, may adversely affect Supplier's ability to enter into or fully perform this Agreement.

(4) Services; Work Product. Supplier represents and warrants that the Services performed by Supplier shall be performed (a) in a timely, competent and professional manner consistent with industry standards, and (b) in compliance with applicable known Legal Requirements (as defined herein), by qualified persons, fully familiar with the Equipment and the Software, the requirements for the Services, and the materials and technology to be used to perform the same.

(5) Non-Infringement. Supplier represents and warrants to the best of its knowledge after due inquiry, that Products shall not violate or in any way infringe upon the rights of third parties, including property, contractual, employment, trade secrets, proprietary information and non-disclosure rights, or any trademark, copyright, patent or other intellectual property rights.

(6) No Worms, Bombs or Backdoors. Supplier represents and warrants to the best of its knowledge after due inquiry, that the Products do not include any virus or any feature or function that may enable Supplier or any third party: (i) to discontinue effective use of the Products, (ii) to erase, destroy, corrupt or modify any data of without the consent of the Member, or (iii) to bypass any internal or external security measure to obtain access to any hardware or software without the consent or knowledge of the Member. Additionally, to the best of Supplier's knowledge, subject to any additional restrictions imposed by the licensor of the applicable Software, Software shall not include or contain any routine which would cause the Software to malfunction or fail to perform after being used or copied any number of times or after a lapse of any triggering factor or event or because the Software have been installed on or moved to a CPU, a system, or any hardware which

	has a serial number, model number or other identification different from that on which the Software were originally installed. B. Pass-Through. Supplier hereby assigns, to the Members all warranties, representations, covenants and indemnities of Equipment and/or Software manufacturers made or assigned to Supplier or the intended end users of the same, and all remedies for breaches of any of the foregoing. Supplier shall execute all documents and obtain all consents and approvals necessary to effectuate such assignment. If and to the extent that Supplier, despite its best efforts, is unable to effectuate such assignment (or any portion thereof), Supplier shall use its best efforts to pursue any warranty or other claims against the applicable Equipment and/or Software manufacturers and shall provide to the Member all recoveries obtained on behalf of such Member.
Returned Goods	Please refer to http://webobjects.cdw.com/webobjects/docs/PDFs/Return_Policy.pdf .

Products & Pricing

Product Line A - VAR - No Line Item Pricing

Tier Number	Description
1	Tier 1: Purchase $1 to $499,999 OR Commitment of 80% Annually (No LOC Required)
2	Tier 2: Purchase $500,000 to $1,999,999 Annually (No LOC Required)
3	Tier 3: Purchase $2,000,000 or more Annually (No LOC Required)
4	Tier 4: AGGREGATION/IDN/UMC - Base Price (No LOC Required)
5	Tier 5: AGGREGATION/IDN/UMC - Purchase $6,000,000 to $14,999,999 Annually (No LOC Required)
6	Tier 6: AGGREGATION/IDN/UMC - Purchase $15,000,000 or more Annually (No LOC Required)

Product Line B - Government VAR - No Line Item Pricing

Tier Number	Description
1	Tier 1: Purchase $1 to $499,999 OR Commitment of 80% Annually (No LOC Required)
2	Tier 2: Purchase $500,000 to $1,999,999 Annually (No LOC Required)
3	Tier 3: Purchase $2,000,000 or more Annually (No LOC Required)
4	Tier 4: AGGREGATION/IDN/UMC - Base Price (No LOC Required)
5	Tier 5: AGGREGATION/IDN/UMC - Purchase $6,000,000 to $14,999,999 Annually (No LOC Required)
6	Tier 6: AGGREGATION/IDN/UMC - Purchase $15,000,000 or more Annually (No LOc Required)

Price Protection Terms	Firm for Duration of Contract
Price Protection Fields	Net Price
Price Protection Dates	1/1/2014 - 12/31/2021

Clarification	Price Protection is fixed for the Term.
Payment Terms	Net 30 Days

Freight

FOB Point	FOB Destination
Freight Payment Terms	Freight Prepaid and Added to Invoice
Delivery	Delivery and Invoicing. Supplier agrees to promptly deliver Equipment ordered by Members to Members, FOB destination prepaid and added to invoice , and shall, for all Products, direct its invoices to the Members in accordance with this Agreement. Orders will not be considered accepted by Supplier until approved based on Supplier's standard credit policy. Supplier will immediately notify Member if any order is being held based upon approval of Member's credit according to Supplier's credit policy. Once determined, Supplier shall immediately notify Member of approval or decline of credit approval and shall process any held orders if approved. Within five (5) business days after receipt of a purchase or lease order from a Member, Supplier will provide estimated lead time from the date of such purchase or lease order until delivery of the Product at the Member's location. If the Supplier's estimated lead time is greater than thirty (30) days, Member may cancel the order without penalty. The actual delivery lead times may be increased by the ordering Member based on its needs
Freight	Prices listed do not include any distributor markup or applicable freight charges. For applicable freight charges, see below: Terms of sale by F.O.B. point: destination Freight cost borne by: buyer. Freight payment method: prepaid and added to invoice.
Shipping Details	Prepaid and added to invoice.

Contact Information

MedAssets Contact	Please contact your client representative.	
Supplier Representatives	Program Manager John Johnsen jjohnsen@cdw.com 312-705-0909	Program Manager John Johnsen psp@cdw.com 312-705-0909
	Business Development Manager Angela Gosz angegos@cdw.com 877-823-5927	National Sales Manager Kim Krisik novation@cdw.com 877.845.5743

Agenda Item: **Consider Recommendation for Approval of Contract Terms and Agreements Necessary for the Transition of Leonard Renfer, MD to Salinas Valley Medical Clinic and the Program Budget for Salinas Valley Medical Clinic Urology Expansion:**

1. Contract Terms for Professional Services Agreement for Urology Services with Leonard Renfer, MD
2. Contract Terms for Purchase and Sale of Real Property with Sweet, Renfer & Milanesa, A Medical Partnership
3. Agreement for Purchase and Sale of Assets with Sweet, Renfer & Milanesa, A Medical Partnership
4. Agreement for Purchase and Sale of Limited Liability Company Interest with Leonard Renfer, MD for interest in Monterey Peninsula Surgery Center, LLC
5. Program Budget for Salinas Valley Medical Clinic Urology Expansion

Executive Sponsors:

Allen Radner, MD, Chief Executive Officer, *Salinas Valley Medical Clinic*
Chief Medical Officer, *Salinas Valley Memorial Healthcare System*
Clint Hoffman, Chief Operating Officer, *Salinas Valley Medical Clinic*
Chief Administrative Officer, Physician Integration & Business Development, *Salinas Valley Memorial Healthcare System*

Date: December 6, 2021

Executive Summary

Salinas Valley Memorial Healthcare System (SVMHS) executive leadership has been working in partnership with the physicians of Sweet, Renfer & Milanesa, A Medical Partnership (Urology Group) to transition their practice into Salinas Valley Medical Clinic (SVMC) as part of our expansion to include urology services. The transition of the Urology Group's practice to SVMC will provide a platform for stabilizing the service as we recruit new urologists to the community following recent notification of the departure of two of the four physicians that cover urology services in Salinas and at SVMHS.

Proposed Agreements

Contract Terms for Professional Services Agreement for Urology Services with Leonard Renfer, MD:

- Professional Services Agreement that provides W-2 relationship for IRS reporting
- Two (2) year agreement
- 1.0 Full-Time Equivalent (FTE)
- Productivity compensation of sixty nine dollars and twenty two cents ($69.22) per work Relative Value Unit (wRVU) based on 2020 CMS wRVU Values
- Required to cover SVMH ER Call, up to five (5) days of call compensation included in wRVU Productivity Compensation, days in excess of five (5) paid at current call rates for SVMH Medical Staff coverage
- Access to SVMHS Health Plan. Physician premium is projected based on 15% of SVMHS cost
- Access to SVMHS 403(b) and 457 retirement plans, 5% base contribution to 403b plan that vests after three years
    - Based on federal contribution limits this contribution is capped at fourteen thousand five hundred dollars ($14,500) annually
- Ten (10) weeks off for vacation
- One (1) week off for Continuing Medical Education (CME)
- Two thousand dollars ($2,000) annual stipend for CME
- The physician will receive an occurrence based professional liability policy through BETA Healthcare Group retroactive to May 1, 1995

Contract Terms for Purchase and Sale of Real Property with Sweet, Renfer & Milanesa, A Medical Partnership

- Purchase of 114 E Romie Lane, Salinas, CA for one million dollars ($1,000,000.00)
- SVMHS and Urology Group to split applicable closing costs based on customary responsibilities for the purchase and sale of real property in Monterey County
- Closing date of February 1, 2022, contingent on the approval of SVMHS Board of Directors and execution of all of the agreements presented in this memo

Agreement for Purchase and Sale of Assets with Sweet, Renfer & Milanesa, A Medical Partnership

- SVMHS acquires the assets of Urology Group, subject to specific liabilities
- Purchase price of one hundred sixty five thousand twenty eight dollars ($165,028.00) for assets and forty five thousand four hundred eighty five dollars ($45,485.00) for inventory (total purchase of $210,513)
- Closing date of February 1, 2022, contingent on the approval of SVMHS Board of Directors and execution of all of the agreements presented in this memo

Agreement for Purchase and Sale of Limited Liability Company Interest with Leonard Renfer, MD for interest in Monterey Peninsula Surgery Center, LLC

- Purchase of 8.4955 units of membership interest in MPSC, LLC representing approximately 0.425%
- Purchase price of two hundred seventy eight thousand four hundred seventeen dollars ($278,417.00)
- Requires waiver and consent of MPSC, LLC Board

Program Budget for Salinas Valley Medical Clinic Urology Expansion

- The expected capital expenses related to the Salinas Valley Medical Clinic Urology Expansion include the purchase of $165,028.00 in assets from the Urology Group and $335,000 in additional equipment purchases to upgrade clinic fixtures, furniture and equipment (reflected as depreciation in the 5 year budget)
- Five (5) Year Operating Budget (assumes 1 new urologist, in addition to Dr. Renfer, recruited in FY2022 and another in FY2023 with patient volume ramping up as the year progresses and stabilizing in FY2024):

Salinas Valley Medical Clinic
5 Year Plan
Urology

	FY 2022 Projected	FY 2023 Projected	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected
Total Patient Encounters	**1,364**	**7,305**	**8,769**	**9,032**	**9,303**	**9,582**
Gross Patient Revenue	1,136,426	6,085,563	7,305,598	7,524,766	7,750,509	7,983,024
Total Deductions	669,760	3,586,563	4,305,598	4,434,766	4,567,809	4,704,843
Net Patient Revenue	466,667	2,499,000	3,000,000	3,090,000	3,182,700	3,278,181
Yield %	41%	41%	41%	41%	41%	41%
Other Revenue	31,000	139,500	139,500	139,500	139,500	139,500
Total Net Revenue	***497,667***	***2,638,500***	***3,139,500***	***3,229,500***	***3,322,200***	***3,417,681***
Operating Expenses						
SW&B	640,422	2,528,218	2,915,947	3,003,425	3,093,528	3,186,334
Supplies	178,973	442,420	455,693	469,364	483,445	497,948
Purchased Services	55,547	137,311	141,431	145,674	150,044	154,545
Other Fees and Services	52,708	270,710	278,831	287,196	295,812	304,686
Utilities and Phones	13,100	32,383	33,355	34,355	35,386	36,448
Property Tax and Insurance	10,415	25,746	26,518	27,314	28,133	28,977
Repair & Maint/Equip Rental	4,400	10,877	11,203	11,539	11,885	12,242
Rent	64,125	158,517	163,272	168,171	173,216	178,412
Depreciation	41,667	100,000	100,000	100,000	58,333	58,333
Total Operating Expenses	**1,061,356**	**3,706,183**	**4,126,250**	**4,247,038**	**4,329,782**	**4,457,926**
Operating Margin	**(563,690)**	**(1,067,683)**	**(986,750)**	**(1,017,538)**	**(1,007,582)**	**(1,040,245)**

Meeting our Mission, Vision, Goals
Strategic Plan Alignment:

The agreements and program budget proposed in this memo are aligned with SVMHS' strategic priorities (pillars) for service, quality, finance and growth. SVMHS administration has determined that proceeding with the proposed agreements enhances the quality and efficiency of critical urology services for District residents and medical staff of SVMHS.

Pillar/Goal Alignment:

☒ Service ☐ People ☒Quality ☒ Finance ☒ Growth ☒ Community

Financial/Quality/Safety/Regulatory Implications

Agreements contemplated as part of this transaction are supported by appraisals and assessments completed by third party appraisers and compensation evaluators to confirm fair market value and commercial reasonableness.

Recommendation

Consider recommendation from the Finance Committee to the SVMHS Board for approval of terms and agreements necessary for the transition of Leonard Renfer, MD to Salinas Valley Medical Clinic and the Program Budget for Salinas Valley Medical Clinic Urology Expansion:

1. Contract Terms for Professional Services Agreement for Urology Services with Leonard Renfer, MD
2. Contract Terms for Purchase and Sale of Real Property with Sweet, Renfer & Milanesa, A Medical Partnership
3. Agreement for Purchase and Sale of Assets with Sweet, Renfer & Milanesa, A Medical Partnership
4. Agreement for Purchase and Sale of Limited Liability Company Interest with Leonard Renfer, MD for interest in Monterey Peninsula Surgery Center, LLC
5. Program Budget for Salinas Valley Medical Clinic Urology Expansion

Attachments

1. Agreement for Purchase and Sale of Assets with Sweet, Renfer & Milanesa, A Medical Partnership
2. Agreement for Purchase and Sale of Limited Liability Company Interest with Leonard Renfer, MD for interest in Monterey Peninsula Surgery Center, LLC

AGREEMENT FOR PURCHASE AND SALE OF ASSETS BETWEEN SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM AND SWEET RENFER & MILANESA, A MEDICAL PARTNERSHIP

This Agreement for Purchase and Sale of Assets ("Agreement") is entered into and effective on **January 1, 2022** ("Effective Date"), by and between **Salinas Valley Memorial Healthcare System**, a local health care district organized and operated pursuant to Division 23 of the California Health & Safety Code ("SVMHS"), and **Sweet Renfer & Milanesa, A Medical Partnership**, a California general partnership ("SRM"), individually a "Party" or collectively the "Parties."

RECITALS

A. SVMHS owns and operates Salinas Valley Memorial Hospital, an acute care facility, and Salinas Valley Medical Clinics, a system of clinics providing outpatient medical and health care services within the SVMHS service area.

B. SRM owns and operates a medical clinic located at 114 East Romie Lane in Salinas, California which provides urology medical services ("SRM Clinic").

C. Pursuant to the terms and conditions of this Agreement, SVMHS desires to purchase from SRM, and SRM desires to sell to SVMHS, certain assets owned by SRM and used in connection with the healthcare services provided at SRM Clinic ("Assets").

D. The Parties acknowledge and agree that the transactions described in this Agreement are expressly limited to the purchase of the Assets as defined in this Agreement. The Parties further acknowledge and agree that SVMHS shall not assume any liability of any nature of SRM arising prior to the Closing.

SVMHS and SRM hereby agree as follows:

ARTICLE 1. PURCHASE/SALE OF ASSETS

1.1 Purchase and Sale. SVMHS agrees to purchase from SRM and SRM agrees to sell to SVMHS the Assets listed on Exhibit A to this Agreement at the fair market consideration set forth in Section 1.2 of this Agreement. The sale and transfer of Assets to SVMHS and payment to SRM shall occur and be effective on **February 1, 2022**.

1.1.1 AS IS Purchase/Warranties on Assets. SVMHS has had the opportunity to inspect the Assets. SVMHS is purchasing the Assets on an AS IS basis, in reliance on its own investigation and determination. Documentation of warranties or service agreements, if any, pertaining to the Assets shall be provided by SRM to SVMHS at the Closing.

1.1.2 Patient Medical Records. SVMHS and SRM agree that all SRM patient medical records including all records whether in charts, film, electronic, or other media format (collectively, "Medical Records") are to be considered Assets under this Agreement. Medical Records shall be transferred to and maintain by SVMHS pursuant terms mutually agreed to by the Parties.

1.1.3 Transfer of Phone and Fax Numbers and Internet Connection. SRM agrees to facilitate the transfer to SVMHS of the phone and facsimile numbers and the internet connection for the SRM Clinic.

1.1.4 Fair Market Value/Taxes. The Parties agree that to the best of their knowledge, the purchase amount set forth in this Agreement for the Assets on Exhibit A represents the fair market value of the Assets. SVMHS shall pay taxes, if any, that may be owed as a result of this transaction.

1.1.5 Excluded Liabilities. The Parties expressly agree the transaction pursuant to this Agreement is strictly limited to the purchase of the Assets, and that SVMHS does not and shall not assume or be liable for any claim, liability, or obligation of or against SRM, whether known or unknown, fixed or contingent, accrued or unaccrued, related to the Assets or to SRM's medical practice or operations of the SRM Clinic, which is or may be in existence on or before the Closing Date.

1.2 Purchase Amount. SVMHS shall (i) pay the amount of **One Hundred Sixty-Five Thousand Twenty-Eight Dollars ($165,028.00)** to SRM, and (ii) assume all debt or other financing obligations of SRM on the Assets as payment in full for the purchase by SVMHS of the Assets listed on Exhibit A to this Agreement.

1.2.1 Inventory. In addition to the payment for the Assets, SVMHS shall pay to SRM the amount of **Forty-Five Thousand Four Hundred Eighty-Five Dollars ($45,485.00)** for inventory on hand at the SRM Clinic as of the Closing Date.

1.2.2 Disclosed Asset Leases/Encumbrances. If any Asset acquired by SVMHS under this Agreement is being financed under a lease, then SVMHS will either assume the obligations under the lease, or terminate the lease and pay any penalties or amounts due as a result of such termination; provided, however, that the obligations of SVMHS to acquire Assets subject to debt, financing arrangements, or leases is limited to those items disclosed in Exhibit B to this Agreement.

1.2.3 Undisclosed Asset Leases/Encumbrances. If there are items in Exhibit A that have an undisclosed lease or loan obligations not listed in Exhibit B, SVMHS may, at its sole discretion, determine whether or not it will accept the terms of any applicable loan or lease obligation. Any obligation that is not disclosed on Exhibit B that is rejected by SVMHS shall be the full and sole responsibility of SRM.

1.3 Payment. Any of the Assets currently subject to a financing arrangement entered into by SRM and disclosed to SVMHS in Exhibit B as part of this transaction will be transferred to SVMHS, and SVMHS shall either (i) assume all disclosed financial obligations of which SVMHS has been informed of and is aware of under such financing arrangements on the Assets, or (ii) pay off any balances remaining on loans where the Asset is currently held as collateral directly to the financial institution holding the loan. The amounts described in Section 1.2 of this Agreement shall be paid by SVMHS to SRM at the time of the Closing.

1.4 Representations and Warranties by SRM.

1.4.1 Status. SRM is a duly organized California general partnership composed of duly organized professional medical corporations, validly existing and in good and active status under the laws of the State of California with all requisite power and authority to own its assets and properties, operate its business as it is now being conducted, enter into this Agreement, and consummate the transactions contemplated by this Agreement.

1.4.2 Authorization. SRM has all requisite partnership and corporate power and authority to execute and enter into this Agreement and all other agreements and instruments contemplated by this Agreement, and to perform its obligations under this Agreement. The execution, delivery and performance by SRM of this Agreement has been duly authorized by all necessary partnership action, and when this Agreement has been duly executed and delivered it shall be the legal, valid and binding agreement of SRM and enforceable against SRM in accordance with its terms, and is sufficient to transfer to and vest in SVMHS good title to the Assets, subject to all assumed and disclosed financial arrangements and obligations.

1.4.3 Clear Title. SRM agrees and warrants to SVMHS that upon Closing and payment by SVMHS to the Assets lienholder, SRM will execute all documents necessary to remove any liens on the Assets and to transfer of clear title to the Assets to SVMHS.

1.4.4 No Conflict. The execution, delivery, and performance of this Agreement by SRM does not (i) violate any provision of SRM's Partnership Agreement or other governance documents; (ii) violate, conflict, result in a termination of or create rights of acceleration with any agreements, obligations, or other instrument under which SRM is bound; (iii) violate or conflict with any provision of law, statute, rule or regulation to which SRM is bound; or (iv) violate or conflict with any judgment, order, writ, or decree of any court applicable to SRM.

1.4.5 Disclosure of Obligations. SRM represents and warrants to SVMHS that prior to the Closing, SRM has disclosed to SVMHS all of its contracts, obligations, and responsibilities connected with or related to the Assets being purchased by SVMHS under this Agreement.

1.5 Conditions to Closing. The respective obligations of the Parties to consummate the transactions set forth in this Agreement shall be subject to the fulfillment at or before the Closing of each of the following conditions, except to the extent any such condition is waived or modified:

1.5.1 Representations. Each of the representations and warranties made by a Party in connection with this Agreement shall be true and correct as of Closing in all material respects.

1.5.2 No Litigation. No action by any governmental authority or other person or entity shall have been instituted or threatened that questions the validity or legality of the transactions described in this Agreement.

1.5.3 Consents and Terminations. All consents and waivers necessary to consummate the transactions described in this Agreement shall have been obtained.

1.5.4 SVMHS Board Approval. This transaction and all Contingent Agreements as set forth in Section 1.6 of this Agreement are approved by the SVMHS Board of Directors.

1.6 Contingent Agreements. In addition to the requirements of Section 1.5 Conditions to Closing and Section 1.7 Closing of this Agreement, the completion of this transaction and the Closing are contingent on all of the following agreements being completed, approved by the SVMHS Board of Directors, and executed by the respective parties to the agreements:

a. This Agreement for Purchase and Sale of Assets between Salinas Valley Memorial Healthcare System and Sweet Renfer & Milanesa, A Medical Partnership;

b. Professional Services Agreements finalized between SVMHS and Sweet Renfer & Milanesa, A Medical Partnership physicians who choose to practice with SVMC;

c. Agreement for Purchase and Sale of Limited Liability Company Interest finalized between SVMHS and Leonard Renfer, MD for the purchase of interest in Monterey Peninsula Surgery Center, LLC; and

d. Real Estate Purchase Agreement for the purchase of 114 E. Romie Lane, Salinas, CA 93901, unless purchased by a 3rd party and not part of transaction.

1.7 Closing. The Closing of the sale of the Assets to SVMHS by SRM pursuant to this Agreement shall take place at SVMHS (whether in person or through the delivery of original or pdf executed documents) at 10:00 a.m. (PST) on **February 1, 2022**, or at such other date, time and/or place as may be mutually agreed upon by the Parties ("Closing Date"), provided that all conditions precedent and contingencies required to be completed as of the Closing Date have been or will be completed on such date. The Closing shall be deemed to have occurred and be effective between the Parties as of 12:01 a.m. on February 1, 2022.

1.8 Further Assurances. Each Party, both before and after the Closing Date, shall: (i) use all reasonable efforts to take all actions proper or advisable to complete the transaction described in this Agreement; (ii) execute any documents that may be reasonably necessary to carry out the transaction described in this Agreement; and (iii) cooperate with each other in connection with the foregoing.

ARTICLE 2. GENERAL PROVISIONS

2.1 No Payment for Referrals. This Agreement shall not be construed to require SVMHS or SRM to make referrals of patients to one another. No payment is made under this Agreement in return for the referral of patients or in return for the ordering, purchasing, or leasing of products or services from SVMHS.

2.2 Termination. This Agreement may be terminated prior to the Closing Date: (i) in the event of a material breach of this Agreement by a Party that is not cured within ten (10) days of delivery of written notice to the breaching Party of the breach; or (ii) upon the mutual written consent of SRM and SVMHS.

2.3 Records Access and Cooperation. The Parties shall cooperate with and make available to each other during normal business hours, all books and records remaining in existence after the Closing Date that are necessary or useful in connection with any tax inquiry, audit, investigation, dispute, or litigation, or any other matter requiring any such books and records for any reasonable business purpose.

2.4 Governing Law/Venue. This Agreement shall be governed, construed, interpreted and the rights of the Parties determined in accordance with the laws of the State of California. Venue shall be in Monterey County, California.

2.5 No Third-Party Beneficiaries. This Agreement shall not be construed to confer any rights or benefits to any person, firm, group, corporation, or entity other than the Parties.

2.6 Waiver. Waiver of any term or condition in this Agreement must be in writing and signed by the Parties. Waiver of any term or condition shall not be construed as a waiver of any other terms or conditions in this Agreement.

2.7 Partial Invalidity. If any provision of this agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions will continue in full force and effect without being impaired or invalidated in any way.

2.8 Expenses. Each Party shall bear its own expenses in connection with the preparation and execution of this Agreement and in connection with the transactions contemplated by this Agreement.

2.9 Amendments. Except as specifically provided in this Agreement, neither this Agreement nor any term of this Agreement may be amended, waived, discharged or terminated orally or by any act or failure to act, but only by a written instrument signed by the Party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

2.10 Assignment. Neither this Agreement nor any of the rights or obligations under this Agreement may be assigned by either Party without the prior written consent of the other Party.

2.11 Notices. All notices and other communications under this Agreement shall be in writing and shall be deemed to have been given when personally delivered, transmitted by telecopy, electronic or digital transmission subject to acknowledgement of receipt by the receiving Party or if mailed, on the third (3rd) day after mailing by first-class mail, postage prepaid, addressed to each Party at the respective addresses set forth in this Agreement.

2.12 Entire Agreement. This Agreement and the exhibits and schedules attached to this Agreement constitute the full and entire understanding between the Parties with regard to the subject matter of this Agreement, and supersede all prior and contemporaneous agreements and representations of the Parties.

The Parties have executed this Agreement as of the Effective Date first set forth above.

SVMHS
Salinas Valley Memorial Healthcare System
450 East Romie Lane, Salinas, CA 93901

By:_____
Pete Delgado, President/CEO

Date:_____

SRM
Sweet Renfer & Milanesa, A Medical Partnership
114 East Romie Lane, Salinas, CA 93901

Ross Brickley Sweet, M.D., a medical corporation
A general partner

By:_____
Ross Brickley Sweet, M.D., President/CEO

Date:_____

Leonard G. Renfer, M.D., a medical corporation
A general partner

By:_____
Leonard G. Renfer, M.D., President/CEO

Date:_____

Dan M. Milanesa M.D. Inc.
A general partner

By:_____
Dan M. Milanesa, M.D., President/CEO

Date:_____

Exhibit A

Assets

DATA/PHONE-FAX LINES

Included in Assets under this Agreement are the following phone, fax lines, and data services to SVMC which SVMHS shall acquire directly from SRM or SRM shall transition to SVMHS.

Data:

Phone lines

Phone #	Purpose
	Main Line
	Scheduling
	Special Procedures
	Toll free line

Fax lines

Fax #	Location	Office	Model

	Equipment/Assets	*Year of Purchase*
2	DESK AND BOOKCASE	1996
4	TESTING EQUIPMENT	2002
5	EQUIPMENT	2003
6	CATH, TRANS, CABLE	2003
7	TELESCOPE, URETHROTOM	2003
8	CATHETER W/BALLOON	2003
9	FRENCH CATHETER	2003
10	CYSTOSCOPY TABLE	2004
11	EQUIPMENT - CITICORP	2005
12	LATERAL TELESCOPE	2005
13	TRANSDUCER W/CABLE	2003
14	ACMI CYSTOSCOPE	2005
15	SOFTWARE - BILLING	2005
17	HDFS FILING SYSTEM	2006
18	U/S SYSTEM & NEEDLE GUIDE	2007
19	CHAIRS - RECEPTION ROOM	2007
20	CHAIRS - EXAM ROOM	2007
21	ULTRASOUND EQUIPMENT	2008
22	FLEXIBLE CYSTOCOPY/EXCH	2008
23	CYSTOCOPY/EXCH HANDLE	2008
24	COLOR COPIER-SHARP MXC311	2009
25	CYSTOSCOPES	2009
27	FILE CABINETS #3	2010
28	REFRIGERATOR **	2011
29	EXPEDITOR SYSTEM DEPOSIT **	2012
30	LABORIE INVOICE REIMBURSE **	2012
31	LABORIE INVOICE **	2012
32	TABLE DEPOSIT **	2012
34	OFFICE EQUIPMENT **	2012
38	COMPUTER EQUIPMENT **	2013
39	ALLSCRIPTS SOFTWR & EQUIP **	2013
40	COMPUTER EQUIPMENT **	2013
41	PRINTER **	2013
42	TELEVISION & BRACKET **	2013
43	SHREDDER **	2013
44	GE ULTRASOUND **	2014
45	DESKS - BILLING OFFICE **	2014
46	REBECCA MEIR REIMBURSEMNT *	2016
47	STORZ ENDOSCOPY **	2016
48	FLEX CYSTOSCOPE **	2016
49	TELEPHONE SYSTEM **	2016
50	FURNITURE	1990
51	WAITING ROOM TABLE	1990
52	FURNITURE	1990
53	PAINTING	1990
54	CONFERENCE TABLE	1990
55	PICTURE FRAMES	1990
56	DESK	1991
57	OFFICE FURNITURE	1989
58	FURNITURE	1990
59	REFRIGERATOR	1993
60	FURNITURE	1993
61	FURNITURE	1994
62	OFFICE FURNITURE	1994

63	COMPUTER DESK	1995
64	FILING CABINETS	1996
65	OFFICE CHAIRS	1997
66	2 CYSTO EXAM EQUIPMENT	1998
67	SAFE	1990
68	ULTRASOUND PROCESSOR	1999
69	BIOPSY INSTRUMENTS	1990
70	MAALL TELESCOPIC	1990
71	WHEELCHAIR	1990
72	MICROSCOPE	1990
73	PULSE QXI	1990
74	SURGERY HEADLAMP	1991
75	EQUIPMENT LEASE BUYOUT	1994
76	ULTRASOUND EQUIPMENT	1995
77	LATERAL CYSTO TELESCOPE	1995
78	AUTOCLAVE	1997
79	PELVIC FLOOR EQUIPMENT	1998
80	ACN 2 FLEXIBLE CYSTOSCOPE	2001
81	DEFEBRILLATOR	2001
82	VAPORTRODE	2001
83	EDEN COMMUNICATION EQUIP	1998
84	FOROBLIQUE TELESCOPE	2003
85	CYSTOSCOPY TABLE	2004
86	TRANSDUCER	2004
87	EXPEDITOR SYSTEMS UPGRADE	2005
88	FOROBLIQUE TELESCOPE	2005
89	MIDMARK CYSTOSCOPY TABLE	2005
90	MIDMARK CYSTOSCOPY TABLE	2005
91	LATERAL TELESCOPE	2005
92	2 CYSTOSCOPE SHEATHS	2005
93	2 CYSTOSCOPE BRIDGES	2005
94	2 OPTICAL CUP CUTTING BIO	2005
95	2 LIGHT SOURCES	2005
96	URODYNAMICS SYSTEM	2005
97	2 XENON LIGHT SOURCES	2005
98	GE ULTRASOUND	2006
99	ACMI CONDUCTIVE PAD	2006
100	UROFLOW TRANSDUCER	2007
101	EVK300 TELESCOPE	2007
102	TRANSDUCER FOR GELOGIC400	2007
103	AMP POWER SUPPLIES	2008
105	SOFTWARE	2004
108	CHAIRS **	1992

Exhibit B

Assumed Liabilities for Loans and Leases

Konica Minolta Bizhub C450i Color MFP, US Bank Equipment Finance / MBS

Exhibit C

Bill of Sale

For good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, **Sweet Renfer & Milanesa, A Medical Partnership** ("SRM"), hereby transfers, sells, assigns, and delivers to **Salinas Valley Memorial Healthcare System**, a California local health care district ("SVMHS"), all right, title and interest of SRM in and to the Assets, as defined and set forth in the Agreement for Purchase of Assets with an effective date of January 1, 2022, between SRM and SVMHS ("Agreement") which provides for a **Closing Date of February 1, 2022**.

SRM hereby covenants and agrees that SRM will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, such further acts, deeds, assignments, transfers, conveyances and assurances as may be necessary in order to assign, transfer, convey, assure and confirm unto and vest in SVMHS, its successors and assigns, title to the Assets sold, conveyed, transferred and delivered by this Bill of Sale.

This Bill of Sale is executed as of the date below and effective as of February 1, 2022.

SVMHS/Buyer
Salinas Valley Memorial Healthcare System
450 East Romie Lane, Salinas, CA 93901

By:_____
Pete Delgado, President/CEO

Date:_____

SRM/Seller
Sweet Renfer & Milanesa, A Medical Partnership
114 East Romie Lane, Salinas, CA 93901

Ross Brickley Sweet, M.D., a medical corporation
A general partner

By:_____
Ross Brickley Sweet, M.D., President/CEO

Date:_____

Leonard G. Renfer, M.D., a medical corporation
A general partner

By:_____
Leonard G. Renfer, M.D., President/CEO

Date:_____

Dan M. Milanesa M.D. Inc.
A general partner

By:_____
Dan M. Milanesa, M.D., President/CEO

Date:_____

AGREEMENT OF PURCHASE AND SALE
OF LIMITED LIABILITY COMPANY INTEREST

This Agreement of Purchase and Sale of Limited Liability Company Interest ("Agreement") is made between **Salinas Valley Memorial Healthcare System**, a local healthcare district organized and operating pursuant to Division 23 of the California Health & Safety Code ("Purchaser"), and **Leonard Renfer, M.D.** ("Seller"). This Agreement is dated for reference purposes February 1, 2022, and is made with reference to the following facts and objectives.

RECITALS

A. Seller is the owner of an interest in Monterey Peninsula Surgery Center, LLC, a California limited liability company ("**MPSC**").

B. Seller's interest in MPSC is represented by 8.4955 units of membership issued to Seller by MPSC. All units of membership issued to Seller by MPSC are herein referred to as the "**Renfer Units**."

C. Seller and Purchaser desire to agree to the purchase and sale of the Renfer Units in accordance with the terms and for the consideration set forth in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Purchaser and Seller agree as follows.

1**. Purchase and Sale of LLC Interest.** On the terms and subject to the conditions of this Agreement, at the Closing, Seller shall sell the Renfer Units to Purchaser, and Purchaser shall purchase the Renfer Units from Seller.

2. **Purchase Price.** The purchase price payable by Purchaser to Seller for the Renfer Units is the sum of Two Hundred Seventy Eight Thousand Four Hundred Seventeen Dollars ($278,417.00) ("**Purchase Price**").

3. **Closing and Effective Date.** The closing of the transfer of the Renfer Units from Seller to Purchaser (the "**Closing**") shall take place on February 1, 2022.

4. **Closing Procedure.** Purchaser shall deliver to Seller at the Closing, in immediately available funds, the full amount of the Purchase Price.

5. Post-Closing Distributions. The parties acknowledge that it is the practice of MPSC to make distributions on a periodic basis. The distributions are determined by the board of MPSC based on cash available for distribution as that relates to the economic condition of MPSC for the period ending on the last day of the month prior to the then-current distribution. The parties further acknowledge that it is expected that MPSC will make distributions after the Closing date

with respect to periods prior to the Closing date. The parties therefore agree that distributions received by Purchaser after the Closing date which are with respect to the economic condition of MPSC before the Closing date shall be paid by Purchaser to Seller, upon receipt.

6. **AS-IS Purchase.** Purchaser is currently the owner of units of membership interest in MPSC, and is fully aware of all matters relating to the business and operation of MPSC. Purchaser therefore covenants and agrees that Seller is selling and Purchaser is purchasing the Renfer Units on an AS-IS, with all faults, basis. Purchaser is not relying on any representations or warranties of any kind whatsoever, express or implied, made by Seller, as to any matter concerning MPSC, except as otherwise expressly set forth in this Agreement.

7. Representations and Warranties.

(a) **By Seller**: Seller represents and warrants to Purchaser that (i) this Agreement has been duly executed and delivered by Seller; (ii) this Agreement constitutes a valid and binding obligation of Seller; (iii) Seller owns the Renfer Units free and clear of any liens, security interests, pledges or other encumbrances; and (iv) there are no known claims of which Seller is aware with respect to the Renfer Units which have not been disclosed to Purchaser.

(b) **By Purchaser:** Purchaser represents and warrants to Seller that (i) this Agreement has been duly executed and delivered by Purchaser; (ii) this Agreement constitutes a valid and binding obligation of Purchaser; and (iii) from and after the date of this Agreement, Purchaser shall be responsible for the performance of all covenants and obligations to MPSC or its owners which arise from or relate to the Renfer Units, in accordance with and pursuant to the currently effective Operating Agreement of MPSC.

8. **Cooperation.** Seller and Purchaser shall each execute and deliver such other documents as are required by MPSC, or any other person in order to accomplish the transaction provided in this Agreement in accordance with its terms.

9. **MPSC Consent.** It is an express condition precedent to the obligation of the parties under this Agreement that MPSC shall waive all rights of first refusal in or purchase of the Renfer Units, and shall consent to the transaction described in this Agreement by execution of its waiver and consent as set forth below. This Agreement is of no effect, and is not binding on either Purchaser or Seller, unless and until the waiver and consent of MPSC, as set forth below, is fully executed and delivered.

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

PURCHASER	**SELLER**
Salinas Valley Memorial Healthcare System	Leonard Renfer, M.D.
By:_____	_____
Pete Delgado, President/CEO	Leonard Renfer, M.D.

WAIVER AND CONSENT OF MONTEREY PENINSULA SURGERY CENTER

Monterey Peninsula Surgery Center, LLC hereby consents and agrees to the purchase and sale of the Renfer Units as described in the foregoing Purchase and Sale Agreement, and waives, relinquishes and releases all rights of repurchase and rights of first refusal in the Renfer Units or any portion of them as those rights of repurchase and rights of first refusal are set forth in the Fourth Amended and Restated Operating Agreement for Monterey Peninsula Surgery Center, LLC, a California limited liability company, dated as of January 18, 2012 or in accordance with or pursuant to any other agreement by which the Seller or the Renfer Units are bound.

Monterey Peninsula Surgery Center, LLC,
a California limited liability company

By:_____
Name:_____
Its:_____

Finance Committee Board Paper

Salinas Valley Memorial Healthcare System

Agenda Item:	**Consider Recommendation for Board Approval of Epic Community Connect Expansion Project and Program Budget.**
Executive Sponsors:	Allen Radner, MD, Chief Medical Officer Augustine Lopez, Chief Financial Officer Clint Hoffman, Chief Administrative Officer, Physician Integration & Business Development Audrey Parks, Chief Information Officer Josh Rivera, Director Ambulatory Informatics
Date:	December 6, 2021

Executive Summary

In April of 2020, Salinas Valley Medical Clinic (SVMC) and Taylor Farms Family Health & Wellness Center (TFFHWC) implemented Epic electronic health record (EHR) software. Through this significant investment in a consolidated EMR system, we have the ability to extend our EMR system to community practices affiliated with Salinas Valley Memorial Healthcare System (SVMHS). Our initial introduction of Epic to a community based practice included implementation in our joint venture with Cypress Healthcare Partners at Doctors on Duty and CSUMB Student Health Center locations. We are now in a position to offer Epic to additional independent community practices and SVMHS affiliated clinics.

Adoption of Epic by community practices is made possible, in part, through a Stark Law exception and Anti- Kickback Statute safe harbor that allows for hospitals and health systems to subsidize up to eighty-five percent (85%) of the costs of implementing an interoperable EHR system. This exception has been in place since 2006 as a temporary waiver that has now been made permanent by the US Department of Health and Human Services. Our expansion of Epic will improve alignment between community practices and SVMHS, and will allow for further consolidation of EMR services provided by SVMHS to the Epic platform.

In order to identify and allocate appropriate expenses related to our expansion of Epic and to ensure that community practices cover at least fifteen percent (15%) of the costs related to their use of Epic, SVMHS commissioned Impact Advisors to create a detailed budget and pricing model for our Epic offering. The total project budget for these practices is seven million forty six thousand five hundred twenty-six dollars ($7,046,526) over five (5) years, inclusive of Epic software licensing fees, necessary third-party software licensing fees, hardware costs and incremental staffing for the project inclusive of training, implementation and ongoing support. Expenses will be offset by revenues related to the practice share of expenses for Epic, budgeted at one million two hundred fourteen thousand four hundred forty-seven dollars ($1,214,447) over five (5) years. A more detailed breakdown of the projected financial impacts of the Epic Community Connect Expansion project is outlined in the table below.

Timeline/Review Process to Date:

April 2020:	SVMC and TFFWHC Epic Go-Live
January 2021:	Epic Team Develops and Creates Epic Community Connect Cost Model with Impact Advisors
January 2021:	Community Connect Project is Presented and Approved by the SVMHS Board (Sequence 1)
August 2021:	Doctors on Duty/CSUMB Student Health Center Epic Go-live
December 2021:	Community Connect Project Expansion is presented to the SVMHS Board Finance Committee
December 2021:	Community Connect Project Expansion considered by SVMHS Board

Meeting our Mission, Vision, Goals

Strategic Plan Alignment:

Implementation of the Epic Community Connect Project provides a unified platform for integrating and standardizing the care of patients across our region – as well as supports and stabilizes EHR and cybersecurity for medical groups within our community. This implementation will also provide significant enhancements to population health management capability, critical to our future financial success.

Pillar/Goal Alignment

☐ Service ☐ People ☒ Quality ☒ Finance ☒ Growth ☐ Community

Financial/Quality/Safety/Regulatory Implications:

SVMHS Community Connect 5 Year Cost Model		SVMHS Cost Summary - Sequence 2			
		Year 1 One-Time Cost	Year 2 One-Time Cost	Annual 5-Year Total	5-Year Total All Costs
Net New Costs	Epic Software	$ 315,405	$ 431,488	$ 686,982	$ 1,433,876
	Third Party Software	$ 42,090	$ 56,730	$ 235,236	$ 334,056
	Interfaces and Data Conversion	$ 10,455	$ 14,091	$ 13,046	$ 37,592
	Epic Hardware and Data Center	$ 10,469	$ 14,110	$ 1,960,875	$ 1,985,454
	Implementation and Support Services	$ 689,856	$ 641,268	$ 1,558,030	$ 2,889,154
	Training Costs	$ 2,617	$ 3,528	$ -	$ 6,145
	5% Contingency	$ 56,344	$ 60,722	$ 243,184	$ 360,250
Total Net New Costs		$ 1,127,236	$ 1,221,938	$ 4,697,353	$ 7,046,526
Provider Revenue		$ 146,565	$ 197,545	$ 870,337	$ 1,214,447
Incremental Cost Net of Provider Revenue		$ 980,670	$ 1,024,393	$ 3,827,016	$ 5,832,080

Recommendation

Consider Recommendation from Finance Committee for SVMHS Board Approval of Epic Community Connect Project and Program Budget of seven million forty sixty thousand five hundred twenty-six dollars ($7,046,526) over five (5) years.

Finance Committee Board Paper

Salinas Valley Memorial Healthcare System

Agenda Item:	**Consider Recommendation for Board for Approval of Grant to Aspire Health Plan for 2022 Community Benefit Activities.**
Executive Sponsors:	Allen Radner, MD, Chief Medical Officer Clint Hoffman, CAO, Physician Integration & Business Development
Date:	December 6, 2021

Executive Summary

Following the merger of Community Health Innovations ("CHI") into Aspire Health Plan, funding of annual operating expenses for agreed upon community benefit activities have been completed through an annual grant process. The funding requested in this grant are for community benefit activities including the Diabetes Collaborative and our Pediatric Wellness Coaching program.

The total budget for community benefit activities in 2021 was one million eight hundred sixty eight thousand seven hundred eighty dollars and twelve cents ($1,868,780.12) with Salinas Valley Memorial Healthcare System (SVMHS) having responsibility for 49% of this expense up to nine hundred fifteen thousand seven hundred two dollars and twenty six cents ($915,702.26). Actual payments through November of 2021 totaled seven hundred twenty two thousand six hundred seven dollars ($722,607.00) and of this amount four hundred fifty thousand dollars ($450,000.00) was funded by the SVMH Foundation in support of Pediatric Wellness Coaching.

For 2022 the Aspire budget for community benefit activities is two million dollars ($2,000,000.00) and SVMHS is responsible for 49% totaling nine hundred eighty thousand dollars ($980,000). Of this total, four hundred fifty thousand dollars ($450,000.00) has been approved to be funded by the SVMH Foundation to support the Pediatric Wellness Coaching program.

Timeline

December 13, 2021 – Request recommendation from SVMHS Finance Committee
December 16, 2021 – Consideration for approval by SVMHS Board

Meeting our Mission, Vision, Goals

Strategic Plan Alignment:

The grant payment is aligned with our strategic plan focus on investments in population health management.

Pillar/Goal Alignment:

☐ Service ☐ People ☐ Quality ☐ Finance ☒ Growth ☒ Community

Financial/Quality/Safety/Regulatory Implications

The payment to Aspire Health Plan is integrated into our budgeting process for our 49% interest in Aspire.

Recommendation

Consider recommendation from the Finance Committee for SVMHS Board approval of grant payments to Aspire Health Plan in an amount not to exceed nine hundred eighty thousand dollars ($980,000.00) to support 2022 Aspire Health Community Benefit Activities.

Finance Committee Board Paper

Salinas Valley Memorial Healthcare System

Agenda Item:	**Consider Recommendation for Board for Approval of Terms for Central Coast Management Services Organization Participation in Quality Incentive Pool Program Funding**
Executive Sponsors:	Allen Radner, MD, Chief Medical Officer Clint Hoffman, CAO, Physician Integration & Business Development
Date:	December 6, 2021

Executive Summary

Salinas Valley Memorial Healthcare System (SVMHS) was an incredibly successful participant in the California Department of Health Care Services (DHCS) Public Hospital Redesign and Incentives in Medi-Cal (PRIME) program collecting nearly $30M in incentive payments over five and a half years. This program concluded in December of 2020 and was replaced with DHCS Quality Incentive Pool (QIP) that provides an opportunity for SVMHS to earn up to approximately $6.2M per year for three years (2021-2023).

Population attribution for QIP has changed from inclusion of any Medi-Cal patient with two or more encounters across our health system, to all Medi-Cal members assigned to one of our primary care providers which include Salinas Valley Medical Clinic (SVMC) (5,000 members), Taylor Farms Family Health & Wellness Center (2,700 Members), and Doctors on Duty (DOD) (14,000 members). Recognizing the significant contributions required of the team from Central Coast Management Services Organization (CCMSO), the management company of Doctors on Duty that is owned by SVMHS (85%) and Cypress Healthcare Partners (15%), in supporting activity required to achieve our goals in QIP, we would like to establish an incentive program that includes up to $500,000.00 in annual performance incentive payments as outlined in more detail below.

In order to achieve full funding for the program, SVMHS is required to meet specific targets and levels of improvement on twenty (20) metrics that are valued at approximately $310,000 per metric. These metrics may change from time to time based on SVMHS and programmatic requirements. In order to accommodate for potential changes in our list of metrics, SVMHS has created a generic mechanism to incentivize metrics performance for CCMSO that separates payments for each metric that is selected by SVMHS for submission into three tiers. Payments are higher for those metrics selected that we are further from meeting, meaning more effort is required to achieve that particular metric and its achievement is rewarded at a higher rate (i.e. Tier 1 includes the 5 metrics that we are furthest from meeting at any given time and each of those metrics has the highest dollar value of incentive).

Timeline

December 13, 2021 – Request recommendation from SVMHS Finance Committee
December 16, 2021 – Consideration for approval by SVMHS Board

Meeting our Mission, Vision, Goals

Strategic Plan Alignment:

The incentive payment is aligned with our strategic plan focus on investments in population health management.

Pillar/Goal Alignment:

☐ Service ☐ People ☐ Quality ☒ Finance ☒ Growth ☒ Community

Financial/Quality/Safety/Regulatory Implications

The incentive program is structured as outlined in the following table and associated notes:

Metrics Count	Tier	Relative Weight	Total Incentive	Value Per Metric
5	1	40%	$ 200,000	$ 40,000
5	2	30%	$ 150,000	$ 30,000
10	3	30%	$ 150,000	$ 15,000

Total Incentive Pool	$	500,000

Notes

QIP metrics are assigned to a Tier at the end of the reporting period based on variance to goal. The higher the variance, the lower the ranking such that goals that are not met are weighted higher (negative variance to goal) and assigned to a numerically lower Tier.

Payment for QIP metrics is triggered when the goal for that metric is met at an achievement value of 1. The payment rate for each metric is all or none, i.e. no payment for lower than 1.0 achievement value.

Incentive payment program is based on SVMHS system level reporting.

Patient population for QIP is all assigned CCAH lives to SVMC, Taylor Clinic and DOD.

Payment will be made within 30 days of when funds are received by SVMHS.

Recommendation

Consider recommendation from the Finance Committee for SVMHS Board approval of Terms for Central Coast Management Services Organization Participation in Quality Incentive Pool Program Funding for Calendar Year 2022 and 2023.

PERSONNEL, PENSION AND INVESTMENT COMMITTEE

Minutes from the December 14, 2021 meeting of the Personnel, Pension and Investment Committee will be distributed at the Board Meeting

(REGINA M. GAGE)

CORPORATE COMPLIANCE AND AUDIT COMMITTEE

Minutes from the December 14, 2021 meeting of the Corporate Compliance and Audit Committee will be distributed at the Board Meeting

Background information supporting the proposed recommendations from the Committee are included in the Board Packet

(JUAN CABRERA)

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

Report of Independent Auditors and Consolidated Financial Statements with Supplementary Information

Salinas Valley Memorial Healthcare System

June 30, 2021 and 2020

MOSSADAMS

Table of Contents

Management’s Discussion and Analysis

This section of Salinas Valley Memorial Healthcare System's (the "System") annual financial report provides an overview of the System's financial activities as of and for the year ended June 30, 2021, with comparative financial information as of and for the years ended June 30, 2020 and 2019. The discussion and analysis has been prepared by management and should be read in conjunction with the System's audited consolidated financial statements, which follow this section.

Overview

The Salinas Valley Memorial Hospital, now known as the Salinas Valley Memorial Healthcare System ("SVMHS"), was formed in 1947 pursuant to California Health and Safety Code Section 32000 and follows Healthcare District Law. The authority and responsibility to govern the System is vested in a five member elected Board of Directors from zones within the Hospital District. Opened in 1953, the System is dedicated as a memorial to those brave men and women who gave their lives in World War II to preserve our American heritage. We honor their memory by our commitment to our mission: "to provide quality healthcare to our patients and to improve the health and well-being of our community."

The healthcare system is anchored by Salinas Valley Memorial Hospital (the "Hospital"), an acute care facility licensed for 263-beds. As one of the area's largest employers, the Hospital has a staff of approximately 2,100 people and is recognized as a leader in providing nationally recognized quality care. Principal services include a comprehensive heart program providing advanced diagnostics and treatments such as those in its structural heart program, heart catheterization labs, and heart surgical suite; Orthopedic, Perinatal, and Oncology services. Collaboration is an important operating principle for SVMHS in such key areas as the system's Level III Neonatal Intensive Care Unit and Perinatal Diagnostic Center, which are operated in a joint venture with Stanford Children's Health; the Madison Clinic for Pediatric Diabetes, partnership with UCSF; Aspire Health Plan, Monterey County's only Medicare Advantage program, and Blue Zones Project Monterey County, dedicated to building a community where people live longer and healthier lives. The system includes Salinas Valley Medical Clinic, a multi-location clinic expanding access to primary and specialty care. SVMHS includes 13 urgent care locations and a System-wide Information Network

Overview of the Financial Statements

The financial report consists of two parts – management's discussion and analysis (this section), and the audited consolidated financial statements together with the related footnotes, as mandated by certain pronouncements of the Governmental Accounting Standards Board ("GASB"). The audited consolidated financial statements present information about the System's financial position and results of operations, as well as cash flows for the respective fiscal years, presented on a consolidated basis whereby the accounts of all affiliates owned 50% or more for which day-to-day operations are managed by the System are included in the audited financial statements. The audited consolidated financial statements also include explanatory footnotes to expand on information included in the audited financial statements and to provide more detail.

Financial Highlights

For the Year Ended June 30, 2021

For the year ended June 30, 2021, income from operations decreased to income of $56.7 million from $89.4 million for the year ended June 30, 2020. Net patient service revenues in 2021 was $645.7 million, an increase of $10.1 million from net patient service revenues of $635.6 million in 2020. Gross patient service revenues increased by 3.5%. The gross and net patient service revenues increase was due to an increase in acute inpatient acuity from COVID 19 patients and an increase in outpatient services across multiple service lines.

The System continues to generate a significant portion of its income from nonoperating activities, principally from investments (both marketable securities and real estate) and income from affiliates. Nonoperating income, net, for 2021 was $13.8 million as compared to $24.2 million for 2020. Increase in net position as a percentage of total operating revenue was 10.5% for 2021 and 17.2% for 2020, representing a decrease of 6.7%.

For the year ended June 30, 2020, income from operations increased to income of $89.4 million from $69.2 million for the year ended June 30, 2019. Net patient service revenues in 2020 was $635.6 million, an increase of $17.5 million from net patient service revenues of $618.2 million in 2019. Gross patient service revenues increased by 9.2%. The gross and net patient service revenues increase was due primarily to an increase in outpatient services across multiple service lines.

Comparable Statistical Table (excluding newborns)	Years Ended June 30, 2021	2020	2019
Admissions	10,101	11,233	11,170
Average daily census	117	123	127
Average length of stay	4	4	4
Patient days			
Medicare	20,289	21,238	22,599
Managed care	8,733	9,594	9,439
Medi-Cal and CCAH	12,391	12,782	12,451
Other	1,345	1,369	1,741
	42,758	44,983	46,230
Outpatient visits			
Hospital outpatients	70,835	56,150	66,741
Emergency room	47,630	55,472	54,984
	118,465	111,622	121,725

As shown above, the patient days decreased 4.9% during the 2021 fiscal year from the levels of the prior year. Outpatient visits increased 6.1% in 2021 as compared to 2020 with increases in hospital outpatients visits and emergency room visits.

Components of the Basic Consolidated Financial Statements

The balance sheet displays the assets and liabilities and resulting net position of the System as of the end of the fiscal year. Separate amounts of net position are reported for each of the classes of net position: (a) permanently restricted principal (expendable earnings only), (b) temporarily restricted net position (expendable by Board action for donor designation), (c) unrestricted net position, and (d) invested in capital assets, net of related debt. The classification is based on the existence or absence of donor-imposed or other third-party restrictions.

Unrestricted net position generally results from providing or agreeing to provide healthcare services, receiving unrestricted contributions and grants or receiving income from investing in income producing assets minus expenses incurred to provide healthcare services, providing other community benefits and performing administrative functions. The limits on the use of unrestricted net position are the broad limits resulting from the California Government Code, the environment in which the System operates, and the limits resulting from contractual agreements with suppliers, creditors and others entered into in the ordinary course of business. Information about the nature and amounts of different types of restrictions are provided either by reporting the amounts in the consolidated financial statements or by including relevant details in the notes to the consolidated financial statements.

The following abbreviated consolidated statement of net position compares the balances at June 30, 2021, to those at June 30, 2020 and 2020:

Statement of Net Position

	As of June 30,		
	2021	2020	2019
Current assets			
Cash and cash equivalents	$ 360,939	$ 318,336	$ 167,443
Patient accounts receivable, net	80,932	81,089	86,415
Other	150,189	145,314	125,758
Total current assets	592,060	544,739	379,616
Board designated funds	143,257	130,409	113,737
Capital assets, net	256,934	275,473	250,139
Other assets, net	42,685	47,533	55,046
Total assets	1,034,936	998,154	798,538
Deferred outflows	51,757	85,253	64,604
Total assets and deferred outflows	$ 1,086,693	$ 1,083,407	$ 863,142
Current liabilities	$ 153,800	$ 178,448	$ 88,861
Long-term liabilities	62,615	100,887	122,651
Deferred inflows	41,347	45,720	6,926
Net position			
Invested in capital assets, net	254,906	273,356	249,053
Reserved for minority interest	(3,914)	(3,057)	(2,723)
Restricted - expendable	5,917	4,253	4,597
Restricted - nonexpendable	1,130	1,129	1,129
Unrestricted	570,892	482,671	392,648
Total net position	828,931	758,352	644,704
Total liabilities, deferred inflows and net position	$ 1,086,693	$ 1,083,407	$ 863,142

Following is a table of net patient revenues by funding source for 2021 as compared to 2020 and 2020:

Net Patient Revenues

	Years Ended June 30,		
	2021	2020	2019
Payor			
Hospital operations			
Medicare	$ 120,447	$ 129,597	$ 123,644
Managed care	306,889	307,100	300,031
Medi-Cal and CCAH	89,914	81,973	86,324
Other	43,165	37,014	27,626
Consolidated subsidiaries	85,313	79,955	80,534
	$ 645,728	$ 635,639	$ 618,159

Following is a table of operating results for the fiscal year ended June 30, 2021, as compared to June 30, 2020 and 2020:

Operating Results

	2021	2020	2019
Net patient service revenues	$ 645,728	$ 635,639	$ 618,159
Other revenues	26,248	26,125	22,956
Total operating revenues	671,976	661,764	641,115
Total operating expenses	615,232	572,329	571,942
Operating income	56,744	89,435	69,173
Total nonoperating income, net	13,835	24,213	7,587
Increase in net position	$ 70,579	$ 113,648	$ 76,760

Consolidated Balance Sheets

Total current assets increased by $47.3 million in 2021 as compared to 2020 due primarily to an increase in the cash balance.

Board designated funds increased by $12.8 million due to transfers from the operating account. Capital assets (net) decreased in 2021 as compared to 2020 due to the sale of the Salinas Valley Assisted Living Center. Other assets decreased by $4.8 million due to transfer of investments to short-term.

Current liabilities decreased by $24.7 million in 2021. Long-term liabilities decreased by $38.2 million in 2021.

Revenue by Payor

Gross patient service revenues increased by 3.5% in 2021 over 2020, while net patient service revenues increased by approximately 1.6%. The gross patient revenues increase was due to higher acuity COVID-19 inpatient cases and an increase in inpatient census and outpatient services.

Operating Results

Total operating revenues increased in 2021 as compared to 2020 as described in the above detail by funding source.

Operating expenses increased in 2021 by approximately $42.9 million or 7.5% over the prior year primarily from increased activity at Salinas Valley Memorial Hospital. Total nonoperating income decreased in 2021 as compared to 2020 by 42.9% or $10.4 million.

Consolidated Balance Sheets

Total current assets increased by $165.1 million in 2020 as compared to 2019 due primarily to an increase in the cash balance.

Board designated funds increased by $16.7 million due to transfers from the operating account. Capital assets (net) increased in 2020 as compared to 2019 due to an increase in the amount of acquisitions of property and SVMH capital project spending. Other assets decreased by $7.5 million due to decrease in long-term investments.

Current liabilities increased by $89.6 million in 2020. Long-term liabilities decreased by $21.7 million in 2020.

Revenue by Payor

Gross patient service revenues increased by 5.8% in 2020 over 2019, while net patient service revenues increased by approximately 2.8%. The gross patient revenues increase was due to a small increase in inpatient admission and outpatient services.

Operating Results

Total operating revenues increased in 2020 as compared to 2019 as described in the above detail by funding source.

Operating expenses increased in 2020 by approximately $0.39 million or 0.1% over the prior year primarily from increased activity at Salinas Valley Memorial Hospital offset by decreased activity in the subsidiaries due to COVID-19. Total nonoperating income increased in 2020 as compared to 2019 by 219.1% or $16.6 million.

Liquidity and Other Key Ratios

Following is a table showing liquidity and other key ratios for the fiscal year ended June 30, 2021, as compared to June 30, 2020 and 2020:

	Years Ended June 30,		
	2021	2020	2019
Liquidity ratios			
Current ratio	3.8	3.1	4.3
Days of revenue in patient accounts receivable	45.7	47.8	51.0
Margins			
Operating income to total operating revenues	8.4%	13.5%	10.8%
Increase in net position (net income) to total operating revenues	10.5%	17.2%	12.0%
Return on total net position	9.3%	17.6%	13.5%

The System's current ratio (ratio of current assets to current liabilities) increased from 3.1 in 2020 to 3.8 in 2021 due to improved patient collections coupled with a pay-down of CMS Accelerated Payments received in 2020 for support of the organization during the pandemic.

Other Operational Information

Significant operational issues impacting the System in the near and long term include the following:

Physician Recruitment

Anticipated physician retirement and the growth of the local community have caused the System to continue its emphasis on physician recruitment in the 2021 fiscal year, which will be a continuing issue for the System in the next several years. In order to keep the facility in the forefront of medical excellence, the System has adopted a recruitment program to attract physicians in various specialties to the area.

As financial pressures continue to impact the System and all other healthcare providers in California and the rest of the country, we look for additional investment opportunities in healthcare operations and facilities to supplement and enhance our programs. Through this strategy we are continuing to augment our core activity with partnerships and other forms of alliances with physicians (within the constraints of the law), to continue to have the necessary resources to provide the local community with state-of-the-art healthcare facilities.

Management Focus

It is the mission of Salinas Valley Memorial Healthcare System to provide quality healthcare to our patients and to improve the health and well-being of our community. Our vision is to be a center of excellence where an inspired team delivers compassionate and culturally sensitive care, outstanding quality, and an exceptional patient experience. To carry out this mission and vision, we must have the best professionals, personnel, state of the art equipment, facilities, services, supplies and infrastructure. We focus on the following:

- Investing only in resources and services that enhance or supplement our core mission.
- Managing our resources by utilizing measurable objectives that tie to our core mission, and holding management accountable for continuing performance improvements.

Federal and State Net Revenue Estimates

Entities doing business with governmental payors, including Medicare and Medicaid (Medi-Cal in California), are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively "Government Agents"). Resolution of such audits or reviews often extends (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees received.

Moreover, different Government Agents frequently interpret government regulations and other requirements differently. For example, Government Agents might disagree on a patient's principal medical diagnosis, the appropriate code for a clinical procedure, or many other matters. Such disagreements might have a significant effect on the ultimate payout due from the government to fully recoup sums already paid. Governmental agencies may make changes in program interpretations, requirements, or "conditions of participation" some of which may have implications for amounts previously estimated. In addition to varying interpretation and evolving codification of the regulations, standards of supporting documentation and required data are subject to wide variation.

In accordance with generally accepted accounting principles, to account for the uncertainty around Medicare and Medicaid revenues, the System estimates the amount of revenue that will ultimately be received under the Medicare and Medi-Cal programs.

California Intergovernmental Transfers Received

Section 14164 of the California Welfare & Institutions Code provides for transfers between participating hospitals and the State Department of Healthcare Services to be used as a portion of the nonfederal share of providing services to Medi-Cal recipients. The System received $14.9 million, $9.1 million, and $12.2 million net funding under this program in the years ended June 30, 2021, 2020, and 2019, respectively.

Charity Care and Community Funding

The System delivered charity care, community benefits and unreimbursed patient care totaling $126 million, $117 million, and $110 million in the years ended June 30, 2021, 2020, and 2019, respectively. The System has made additional investments in the community with the goal to develop collaborative community partnerships that create a lasting, healthy impact by changing the environment in which people live, work, learn and play.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the System, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the System expects or anticipates will or may occur in the future, contain forward-looking information.

FIDUCIARY MD&A

Overview

The Salinas Valley Memorial Healthcare District Employees Pension Plan (the Plan) was established in November 1966 by the Salinas Valley Memorial Healthcare District (now known as the Salinas Valley Memorial Healthcare System or the System) and has been amended from time to time since that date, as further described below. The Plan provides retirement, disability, and death benefits to permanent employees of the System with union representation based on the employee's years of service, age, and annual compensation during covered employment.

General Plan Description

The Plan was amended effective January 1, 2004, to provide that the benefit formula be equal to 2.45% of the participant's earnings in a plan year. The benefit formula was previously 2.25% of the participant's earnings in a plan year (for plan years 2000 through 2003).

Participation in the Plan was frozen effective March 31, 2011, for nonunion employees. These employees are entitled to benefits earned before that date but do not accrue further benefits under the Plan.

The Plan was amended effective January 1, 2013, to comply with the applicable provisions of the California Public Employees' Pension Reform Act of 2013 (PEPRA). These provisions include limitations on pensionable compensation and retirement benefits and contribution provisions, including the establishment of participant contributions, for new participants who are hired on or after January 1, 2013, and meet the eligibility and vesting requirements of the Plan.

The Plan was amended and restated effective January 1, 2016 to update the Plan for legislative changes according to PEPRA and to remove the three-year service requirement to participate in the Plan for eligible employees.

Plan documents contain a more detailed description of the Plan's provisions and should be referred to for a more complete understanding of the terms of the Plan. Copies of the appropriate documents are available through the administrative offices of the System.

Financial Highlights – Fiduciary Financial Statements

During the year ended June 30, 2021, the net position held in trust for pension benefits increased by approximately 17%. Employer contributions were $23.8 million in 2021 compared to $26.8 million in 2020. Benefit payments were $14.3 million in 2021 compared to $12.5 million in 2020. Net investment income was $43.5 million in 2021 compared to $52.3 million in 2020.

Financial Analysis of the Pension Plan – Fiduciary Financial Statements

Total contributions have exceeded the actuarially determined contribution amounts since 2015, due to decisions made by the System's Board of Directors to fund the Plan at amounts above actuarially determined contributions. During the year ended June 31, 2021, the System's Board of Directors approved and funded an additional $5 million to the Plan.

Overview of the Fiduciary Financial Statements

The basic financial statements present information about the Plan's fiduciary net position and changes in fiduciary net position for the respective years. The basic financial statements also include notes to explain some of the information in the financial statements and to provide more details. The notes are followed by a section of required supplementary information that displays additional detail information not in the basic financial statements, but which is required by the pronouncements of the GASB and relate to funding progress and required contributions.

The statement of fiduciary net position displays the assets and liabilities and resulting net position of the Plan as of the end of the year. All assets are valued at fair value.

The following is the abbreviated statement of fiduciary net position (in thousands):

	June 30,		
	2021	2020	2019
Cash and investments	$ 386,006	$ 331,116	$ 263,008

During the years ended June 30, 2021 and 2020, the Plan's fiduciary net position increased by 17% and increased by 26%, respectively. The Plan's policies allow investments consisting of fixed income and equity marketable securities, and money market funds. The Plan's investments are held in a portfolio of registered investment companies (mutual funds).

The statement of changes in fiduciary net position reflects the employer contributions and investment return, net of investment expenses, less benefits paid.

Changes in fiduciary net position are summarized as follows (in thousands):

	Year Ended June 30,		
	2021	2020	2019
Investment income (loss), net	$ 43,531	$ 52,346	$ (13,802)
Employer contributions	23,766	26,809	21,927
Member contributions	1,976	1,594	1,209
Benefit payments to members and beneficiaries	(14,267)	(12,525)	(11,579)
Administrative expenses	(116)	(116)	(112)
Change in fiduciary net position	$ 54,890	$ 68,108	$ (2,357)

The decrease in investment income during the year ended June 30, 2021, compared to 2020 is due to the market dropping, especially during the first and second quarters of 2020. Benefit payments to members and beneficiaries continue to increase each year due to the increased number of retirees and beneficiaries receiving benefits.

MOSSADAMS

Report of Independent Auditors

The Board of Directors
Salinas Valley Memorial Healthcare System

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the business-type activities and the aggregate remaining fund information Salinas Valley Memorial Healthcare System (the "System"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Salinas Valley Memorial Healthcare System, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis on pages 1 through 10, and the accompanying supplemental pension and post-employment benefit information on page 56, are not required parts of the consolidated financial statements but are supplementary information required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational economic or historical context. This supplementary information is the responsibility of the System's management. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of net position and consolidating statement of revenues, expenses, and changes in net position, on pages 51 through 53, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of the System's management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The accompanying supplemental schedule of community benefit on page 54, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This supplementary information is the responsibility of the System's management. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Moss Adams LLP

San Francisco, California
December 3, 2021

Consolidated Financial Statements

Salinas Valley Memorial Healthcare System
Consolidated Statements of Net Position
June 30, 2021 and 2020
(In Thousands)

	2021	2020
ASSETS AND DEFERRED OUTFLOWS		
Current assets		
Cash and cash equivalents	$ 360,939	$ 318,336
Patient accounts receivable, net of estimated uncollectibles of $21,319 and $15,081 at June 30, 2021 and 2020, respectively	80,932	81,089
Short-term investments	128,247	128,247
Supplies inventory	8,771	8,568
Other current assets	13,171	8,499
Total current assets	592,060	544,739
Board designated funds	143,257	130,409
Capital assets		
Nondepreciable	34,660	58,011
Depreciable, net	222,274	217,462
Total capital assets, net	256,934	275,473
Other assets		
Long-term investments	25,841	30,300
Investments in affiliates	15,232	14,681
Other long-term assets	1,612	2,552
Total other assets	42,685	47,533
Total assets	1,034,936	998,154
Deferred outflows - actuarial	50,119	83,367
Deferred outflows - goodwill	1,638	1,886
Total deferred outflows	51,757	85,253
Total assets and deferred outflows	$ 1,086,693	$ 1,083,407
LIABILITIES, DEFERRED INFLOWS AND NET POSITION		
Current liabilities		
Current portion of notes payable	$ 765	$ 757
Accounts payable	12,602	13,792
Accrued expenses	64,167	63,148
Advance payments - Medicare	60,932	65,983
Advance payments - others	-	11,800
Estimated third-party payor settlements	2,815	9,610
Current portion of self-insurance liabilities	12,519	13,358
Total current liabilities	153,800	178,448
Net pension liability	42,238	80,621
Net post-retirement medical benefits liability	4,557	4,125
Notes payable, net of current portion	1,263	1,360
Self-insurance liabilities, net of current portion	14,557	14,781
Total liabilities	216,415	279,335
Deferred inflows - actuarial	41,347	45,720
Total liabilities and deferred inflows	257,762	325,055
Net position		
Invested in capital assets, net of related debt	254,906	273,356
Reserved for minority interest	(3,914)	(3,057)
Restricted		
Expendable	5,917	4,253
Nonexpendable	1,130	1,129
Unrestricted	570,892	482,671
Total net position	828,931	758,352
Total liabilities, deferred inflows, and net position	$ 1,086,693	$ 1,083,407

See accompanying notes.

Salinas Valley Memorial Healthcare System
Consolidated Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020
Operating revenues		
Net patient services revenues	$ 645,728	$ 635,639
Other revenues	26,248	26,125
Total operating revenues	671,976	661,764
Operating expenses		
Salaries and wages	214,064	196,447
Compensated absences	34,595	32,434
Employee benefits	87,717	87,603
Supplies	81,467	75,945
Purchased services	51,077	46,159
Medical fees	58,702	63,268
Impairment loss	5,968	-
Other fees	30,363	24,963
Depreciation and amortization	26,929	22,385
Other expenses	24,350	23,125
Total operating expenses	615,232	572,329
Operating income	56,744	89,435
Nonoperating revenues and expenses		
CARES Act grant	607	11,094
Donations	2,758	6,205
Property tax revenue	5,012	4,582
Investment income, net	1,224	8,319
Provision for credit losses	(4,637)	(8,173)
Gain on sale of equipment	2,685	142
Income from investments in affiliates	1,541	321
Other	5,694	2,189
Nonoperating income, net	14,884	24,679
Minority interest in loss of consolidated affiliates	(1,049)	(466)
Increase in net position	70,579	113,648
NET POSITION, beginning of year	758,352	644,704
NET POSITION, end of year	$ 828,931	$ 758,352

See accompanying notes.

Salinas Valley Memorial Healthcare System
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020
Cash flows from operating activities		
Cash received from patients and third-party payors	$ 601,084	$ 715,888
Cash paid to employees for services	(336,376)	(316,484)
Cash paid to suppliers for goods and services	(245,959)	(233,460)
Other receipts from operations	26,248	26,125
Net cash provided by operating activities	44,997	192,069
Cash flows from noncapital financing activities		
Proceeds from property taxes levied by the County	5,012	4,582
Grants and donations received	2,758	6,205
Net cash provided by noncapital financing activities	7,770	10,787
Cash flows from capital and related financing activities		
Purchases of capital assets	(16,810)	(45,225)
Proceeds from sale of capital assets	7,981	-
Proceeds from borrowings	-	1,079
Principal payments on notes payable	(89)	(48)
Net cash used in capital and related financing activities	(8,918)	(44,194)
Cash flows from investing activities		
Purchases of investments	(58,646)	(226,405)
Proceeds from sales of investments	61,881	214,705
Change in board designated funds	(12,848)	(16,672)
Other nonoperating income received	6,838	22,621
Distributions from (to) minority interest in affiliates	1,529	(2,018)
Net cash used in investing activities	(1,246)	(7,769)
Net change in cash and cash equivalents	42,603	150,893
Cash and equivalents, beginning of year	318,336	167,443
Cash and equivalents, end of year	$ 360,939	$ 318,336

See accompanying notes.

Salinas Valley Memorial Healthcare System
Consolidated Statements of Cash Flows (continued)
For the Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 56,744	$ 89,435
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	26,929	22,385
Provision for doubtful accounts	15,635	15,170
Gain on disposal of capital assets, net	(4,044)	-
Impairment loss	5,968	-
Change in assets and liabilities:		
Patient accounts receivable, net	(15,478)	(9,844)
Supplies and other assets	(4,875)	(7,520)
Net pension liability	(38,383)	(19,882)
Deferred outflows	33,496	(20,649)
Deferred inflows	(4,373)	38,794
Accounts payable and accrued expenses	(2,345)	5,896
Advanced payments	(16,851)	77,783
Self-insurance liabilities	(631)	(2,238)
Estimated third-party payor settlements	(6,795)	2,739
Net cash provided by operating activities	$ 44,997	$ 192,069
Noncash transactions		
Accounts payable and accrued expenses for capital asset purchases	$ 1,485	$ 2,494

See accompanying notes.

Salinas Valley Memorial Healthcare System
Employees' Pension Plan – Statements of Fiduciary Net Position
June 30, 2021 and 2020
(In Thousands)

	2021	2020
ASSETS		
Investments, at fair value		
Mutual funds	$ 386,006	$ 331,116
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 386,006	$ 331,116

See accompanying notes.

Salinas Valley Memorial Healthcare System
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2021 and 2020
(In Thousands)

	2021	2020
ADDITIONS		
Investment income		
Net appreciation in fair value of investments	$ 35,667	$ 41,804
Dividends	7,864	10,542
Net investment income	43,531	52,346
Contributions		
Employer	23,766	26,809
Members	1,976	1,594
Total contributions	25,742	28,403
Net additions	69,273	80,749
DEDUCTIONS		
Benefit payments	14,267	12,525
Administrative expenses	116	116
Total deductions	14,383	12,641
CHANGE IN NET POSITION	54,890	68,108
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Beginning of the year	331,116	263,008
End of the year	$ 386,006	$ 331,116

See accompanying notes.

NOTE 1 – ORGANIZATION

The Salinas Valley Memorial Healthcare System (the "System") is a special district created in 1947, administered by a Board of Directors elected by the registered voters of the District. The System is a political subdivision of the State of California, and operates the Salinas Valley Memorial Hospital (the "Hospital") and Subsidiaries.

The consolidated System accounts include an 85% interest in a partnership, Central Coast Medical Service Organization ("CCMSO"), an outpatient medical clinic organization; 100% of Salinas Valley Memorial Hospital Foundation (the "Foundation"), which is authorized to solicit contributions on the Hospital's behalf; 100% of Salinas Valley Assisted Living, LLC, the owner of an assisted living facility; 100% of Salinas Valley Medical Clinic ("SVMC"), a multi-specialty physician practice; and 50% of a joint venture with Lucille Packard Children's Hospital to operate the Neonatal Intensive Care Unit in the Hospital ("SVMH-LPCH NICU JV").

Fiduciary Plan Description

The following description of Salinas Valley Memorial Healthcare District Employees Pension Plan (the "Plan") provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

The Plan is a single-employer noncontributory employee retirement system established by Salinas Valley Memorial Healthcare System (the System). The System is a political subdivision that was organized under the provisions of the Health and Safety Code of the State of California. Permanent employees of the System with union representation are eligible to participate in the Plan upon the later of their employment commencement date or reaching the age of 21.

The Plan provides retirement, disability, and death benefits based on the employee's years of service, age, and annual compensation during covered employment. Plan provisions and all other requirements are established by the System's five-member Board of Directors (the Board), which has been elected by the registered voters in the District.

Effective March 31, 2011, participation in the Plan for nonunion employees was frozen. Nonunion employees are entitled to benefits earned before March 31, 2011, but do not accrue further benefits under the Plan.

Effective January 1, 2013, the Plan was amended to adopt the applicable provisions of the California Public Employees' Pension Reform Act of 2013 (PEPRA).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation – The consolidated financial statements include the accounts of the Hospital and all subsidiaries which are controlled and owned more than 50% for which day-to-day operations are managed by the System. All intercompany accounts and transactions are eliminated in consolidation. Investments for which the System has 50% or less ownership and does not have control are recorded using the equity method. Minority interest represents the proportionate share of the equity in affiliates that is attributable to the minority owners.

Acquired businesses are included in the consolidated financial statements from the date of acquisition.

Basis of accounting – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Government Accounting Standards Board ("GASB") using the "economic resources measurement focus" and the accrual basis of accounting and the California Code of Regulations, Title 2, Section 1131, State Controller's *Minimum Audit Requirements* for California Special Districts and the State Controller's Office prescribed reporting guidelines. In addition, these statements follow generally accepted accounting principles applicable to the healthcare industry, which are included in the American Institute of Certified Public Accountants' Audit and Accounting Guide, Healthcare Entities, to the extent that these principles do not contradict GASB standards.

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

Use of estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates relate to patient accounts receivable allowances, amounts due to third party-payors, self-insurance liabilities, and employee benefit costs including pension. Actual results could differ from those estimates.

Fair value of financial instruments – Unless otherwise indicated, the fair value of all reported assets and liabilities that represents financial instruments approximates their carrying values. The System's policy is to recognize transfers in and transfers out of Levels 1, 2, and 3 as of the end of the reporting period. Please see Note 5 for fair value hierarchy disclosures of available-for-sale investments.

Cash and cash equivalents – Cash and cash equivalents include investments in highly liquid debt instruments with an initial maturity of three months or less, excluding amounts whose use is limited by board designation or other arrangements. Cash and cash equivalents also include investments in the Local Agency Investment Fund ("LAIF"), the State Treasurer's pooled investment program and values participants' shares on an amortized cost basis.

Supplies inventory – Supplies inventories are valued at the lower of cost (first-in, first-out method) or market.

Investments – U.S. Treasury securities, federal agency debt securities, corporate notes, and equity securities, which are reported as board designated funds and investments, are carried at fair value based on published market values, as quoted on a recognized exchange or an industry standard pricing service. Short-term investments in commercial paper, certificates of deposit and money market accounts are recorded at amortized cost, which approximates market value. Mutual funds are carried at fair value based on the fund's current share price. These investment securities are exposed to various risks, such as interest rate, market, and credit risks.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold.

(In Thousands)

Board designated funds – Board designated funds include: (i) assets set aside by the Board of Directors for future capital improvements or for certain contingencies, over which the Board retains control and may at its discretion subsequently use for other purposes; and (ii) assets held by trustees under agreements with third parties.

Capital assets – Capital asset acquisitions are recorded at cost. Capital assets donated for System operations are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. Equipment under capital lease is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the consolidated financial statements. The System capitalizes all purchases of computers and copiers over $1, general acquisitions over $2 and group purchases over $10. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	20 to 40 years
Buildings and improvements	20 to 40 years
Moveable equipment	3 to 20 years

Upon disposition or retirement of assets, the undepreciated cost less proceeds from sale, if any, are reflected in nonoperating gains and losses in the year of disposition.

The System evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Impairment losses on capital assets are measured using the method that best reflects the diminished service utility of the capital asset. Management evaluates prominent events or changes in circumstances to determine whether an impairment loss should be recognized. Based on this evaluation, the System reported an impairment loss of $5,968 which was included in operating expenses in the accompanying consolidated statements of revenues, expenses, and changes in net position in the year ended June 30, 2021, as a result of revisions to the scope of a building project that has yet to commence. There were no impairment losses in the year ended June 30, 2020.

Advanced payments – Advanced payments represent funds received from certain payors for services to be provided. Management intends for the funds to be recouped or repaid within the next fiscal year.

(In Thousands)

Deferred outflows and inflows – The System records deferred outflows or inflows of resources in its consolidated financial statements for consumption or acquisition of its consolidated net position that is applicable to future reporting period. These consolidated financial statement elements are distinct from assets and liabilities. The below table reflects the components of deferred outflows and inflows as of June 30:

	2021	2020
Deferred outflows - actuarial		
Pension	$ 49,548	$ 83,304
Post-retirement medical plans	571	63
	$ 50,119	$ 83,367
Deferred inflows - actuarial		
Pension	$ 40,580	$ 45,161
Post-retirement medical plans	767	559
	$ 41,347	$ 45,720
Deferred outflows - goodwill	$ 1,638	$ 1,886

Risk management – The System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health and accident benefits; and medical malpractice. The System utilizes both commercial insurance and self-insurance for claims arising from such matters. The System is self-insured for workers' compensation claims, professional liability, and health benefits. Settled claims have not exceeded the System's policy limits in any of the past three fiscal years.

Self-insurance plans – The System is self-insured for workers' compensation benefits for employees. An actuarial estimate is accrued based on an expected, undiscounted estimate as of June 30, 2021 and 2020.

The System is a member of and participates in a professional liability self-insurance program through BETA Healthcare Group ("BETA"), a joint powers authority whose members are district and private not-for-profit hospitals and county facilities in California. Amounts paid by each member to BETA represent actuarially determined assessments of claims payable and estimated incurred but not reported claims that are adjusted periodically based on the claims experience for each member at each hospital. Claims in excess of specified amounts are the responsibility of individual program participants.

The System provides eligible employees with health benefits through a self-insured program. The liability for claims arising from this program is estimated based upon historical experience and trending information.

Net position – Net position are required to be classified for accounting and reporting purposes in the following categories:

- Invested in capital assets, net of related debt – Capital assets, net of accumulated depreciation, reduced by outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

- Reserved for minority interest – Net position of legally separate organization attributable to other participants.

- Restricted – The System classifies net position resulting from transactions with purpose restrictions as restricted net assets until the resources are used for the specific purpose or for as long as the provider requires the resources to remain intact.

  - Expendable – Net position whose use by the System is subject to externally imposed restrictions that can be fulfilled by actions of the System pursuant to those restrictions or that expire by the passage of time.

  - Nonexpendable – Net position subject to externally imposed restrictions that must be retained in perpetuity by the System.

- Unrestricted – Net position that is neither restricted nor invested in capital assets, net of related debt. Unrestricted net position may be designated for specific purposes by management or the Board of Directors.

Statements of revenues, expenses, and changes in net position – For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are reported as operating revenues and expenses. Peripheral or incidental transactions, including investment income, interest expense, and gains or losses on the disposal of capital assets are reported as nonoperating income and expense.

Net patient service revenues – Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors including Medicare and Medi-Cal, and others for services rendered, including estimated retroactive audit adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Laws and regulations governing the Medicare and Medi-Cal programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Medicare accelerated payments and CARES Act grant – On March 11, 2020, the World Health Organization officially declared COVID-19, the disease caused by the novel coronavirus, a pandemic. Management is closely monitoring the evolution of this pandemic, including how it may affect operations and the general population. Centers for Medicare & Medicaid Services ("CMS") distributed $50 billion of the $100 billion in the form of grants to hospitals. The Hospital received approximately $11.1 million for the year ended June 30, 2020, included in grants, included as Coronavirus Aid, Relief, and Economic Securities Act ("CARES") (nonoperating revenue) in the consolidated statement of revenues, expenses and changes in net position, and will have to submit reports documenting lost revenue and expenses incurred to support the grant funds, among other terms and conditions. There were no additional funds received for the year ended June 30, 2021. Separately, CMS initiated an Accelerated Payment Program to hospitals. The Accelerated Payments represent advance payments for services to be provided and were based on a hospital's historical Medicare volume. In April 2020, the Hospital received approximately $66 million in Accelerated Payments, included in advanced payments – Medicare in the consolidated statements of financial position. CMS began recoupment of these accelerated payments in April 2021 and will continue to recoup the accelerated payments from billings for services rendered until they are fully repaid. Any accelerated payments unpaid will be repaid before interest is due. As of June 30, 2021 and 2020, the System had $61 million and $66 million, respectively, in accelerated payments, included in Advanced payments – Medicare in the consolidated statements of financial position. During the year ended June 30, 2021, approximately $5 million was recouped.

Charity care – The System provides care without charge or at less than its established rates to patients who meet certain criteria under its charity care policy. Because the System does not pursue collection of amounts determined to qualify as charity care, such amounts are not included in net patient service revenues. Charges forgone, based on established rates for the years ended June 30, 2021 and 2020, were $11,711 and $10,484, respectively.

Property taxes – The System, as part of a California special district, receives property taxes that are assessed by Monterey County, and records such taxes in nonoperating income.

Aspire Health Plan – The System provided funding to Aspire Health Plan, a California nonprofit mutual benefit corporation which operates a Medicare Advantage plan, in return for a 49% membership voting interest. Initial funding of $1,454 is reported as other long-term assets as of June 30, 2017. Additional funding of $5,029 and $8,173 is reported as nonoperating expense for the years ended June 30, 2021 and 2020, respectively due to the uncertain nature of repayment of ongoing funding.

Concentration of credit risk – The System is highly dependent upon government programs and nongovernmental third-party payors for its revenues. Net patient service revenue from Medicare amounted to 19% and 20% and negotiated third party payors amounted to 48% and 48%, of total net patient service revenues for the years ended June 30, 2021 and 2020, respectively. Significant concentrations of net patient accounts receivable include Medicaid at 9% and 13% and negotiated third party payors at 66% and 65% at June 30, 2021 and 2020, respectively.

Income taxes – The System, being a governmental entity, is therefore tax exempt. All of its consolidated subsidiaries are either not-for-profit corporations or partnerships and are, therefore, not subject to income taxes.

New accounting pronouncements – The GASB issued GASB Statement No. 90, *Majority Equity Interests*, ("GASB No. 90"), which intends to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. GASB No. 90 establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, there for, the government should report that organization as a component unit. In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* ("GASB No. 95"), which extended the effective date for GASB No. 90 to reporting periods beginning July 1, 2020. The System is currently assessing the impact of this standard on the System's consolidated financial statements.

The GASB also issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, ("GASB No. 88"). Among other things, GASB No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. GASB No. 88 requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. GASB No. 88 further defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement further requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The System adopted GASB No. 88 in the year ended June 30, 2020. The adoption did not result in a material impact to the System's consolidated financial statements.

The GASB issued Statement No 84, *Fiduciary Activities* ("GASB No. 84"), which provides improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The GASB also issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation* ("GASB No. 97"). GASB 97 amends the criteria for reporting governmental fiduciary component units – separate legal entities included in a government's financial statements. GASB 97 clarifies rules related to reporting of fiduciary activities under Statements No. 14 and No. 84 for defined contribution plans and to enhance the relevance, consistency, and comparability of the accounting and financial reporting of IRC Code section 457 plans that meet the definition of a pension plan. The System adopted GASB No. 84 and GASB No. 97 in the current fiscal year and has reflected the activities of the Employees' Pension Plan fund in the accompanying statements of fiduciary net position and statements of changes in fiduciary net position.

The GASB issued GASB Statement No. 87, *Leases*, ("GASB No. 87"), which intends to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB No. 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB No. 95 extended the effective date for GASB No. 87 to reporting periods beginning July 1, 2021. The System is currently assessing the impact of this standard on the System's consolidated financial statements.

The GASB also issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, ("GASB No. 89"). GASB No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB No. 95 extended the effective date for GASB No. 89 to reporting periods beginning July 1, 2021. The System is currently assessing the impact of this standard on the System's consolidated financial statements.

The GASB also issued GASB Statement No. 91, *Conduit Debt Obligation*, ("GASB No. 91"). GASB No. 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. GASB No. 95 extended the effective date for GASB No. 91 to reporting periods beginning July 1, 2022. The System is currently assessing the impact of this standard on the System's consolidated financial statements.

(In Thousands)

NOTE 3 – NET PATIENT SERVICE REVENUES

Patient service revenues consist of the following:

	2021	2020
Gross patient service revenues		
Routine inpatient services	$ 521,290	$ 495,761
Ancillary services	1,696,385	1,608,666
Outpatient services	291,951	320,559
	2,509,626	2,424,986
Deductions from gross patient services revenues		
Contractual allowance for statutory and negotiated rates	(1,807,450)	(1,737,934)
Provision for doubtful accounts	(43,640)	(40,928)
Charity care	(12,808)	(10,485)
Total	$ 645,728	$ 635,639

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare – Medicare patient revenues include traditional reimbursement under Title XVIII of the Social Security Act. Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based upon ambulatory payment classifications.

Certain inpatient and outpatient pass-through costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare administrative contractor. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital's Medicare cost reports have been audited by the Medicare administrative contractor through June 30, 2017.

Medi-Cal – Medi-Cal patient revenues include traditional reimbursement under the California State Department of Health Services for patients covered under Title XIX of the Social Security Act. Inpatient services rendered to Medi-Cal program beneficiaries are reimbursed under a contract at a prospectively determined negotiated per diem rates. Outpatient services are reimbursed based on a schedule of maximum allowances. For certain inpatient services, the Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by Medi-Cal. The Hospital's Medi-Cal cost reports have been audited by Medi-Cal through June 30, 2017.

(In Thousands)

Other – The Hospital has entered into agreements with numerous nongovernment third-party payors to provide patient care to beneficiaries under a variety of payment arrangements. These include arrangements with commercial insurance companies, including workers' compensation plans, which reimburse the Hospital at a percentage of Hospital charges.

Billings relating to services rendered are recorded as net patient service revenues in the period in which the service is performed, net of contractual and other allowances which represent differences between gross charges and the estimated receipts under such programs. Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Receivables for patient care are also reduced for allowances for uncollectible accounts.

The process for estimating the ultimate collection of receivables involves significant assumptions and judgments. Account balances are written off against the allowance when management determines it is probable the receivable will not be recovered. The use of historical collection and payor reimbursement experience is an integral part of the estimation of reserves for uncollectible accounts. Revisions in reserves for uncollectible accounts estimates are recorded as an adjustment to the provision for bad debts.

At the current time there is uncertainty about reimbursements from government programs. Centers for Medicare & Medicaid Services has proposed reductions in rates, which would result in a decrease in Medicare reimbursements. The state budget contains healthcare budget cuts which may affect reimbursements for noncontracted Medi-Cal services. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Under Assembly Bill 1383 of 2009, as amended by Assembly Bill 1653 on September 8, 2010 (collectively, the "Bill"), which establishes a hospital fee program, the System is exempt from the quality assurance fee, but is eligible for supplemental payments under the second part of the Bill and received $5,752 and $4,871, respectively, in the years ended June 30, 2021 and 2020, as included in net patient service revenue in the accompanying consolidated statements of revenues, expenses, and changes in net position.

NOTE 4 – CASH AND CASH EQUIVALENTS AND BOARD DESIGNATED FUNDS

As of June 30, 2021 and 2020, cash and cash equivalents and board designated funds, at fair value, consisted of the following:

	2021	2020
Cash and cash equivalents	$ 360,939	$ 318,336
Short-term investments	128,247	128,247
Board designated funds	143,257	130,409
Long-term investments	25,841	30,300
Total	$ 658,284	$ 607,292

(In Thousands)

As of June 30, 2021 and 2020, board designated funds, at fair value, have been set aside as follows:

	2021	2020
By Board for capital improvements	$ 143,167	$ 130,319
By agreement with secured vendor	90	90
Total	$ 143,257	$ 130,409

As of June 30, 2021, the System had the following investments and maturities:

		Matures In			
	Fair Value	12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Cash and cash equivalents	$ 345,590	$ 345,590	$ -	$ -	$ -
Municipal notes	181,546	48,305	24,454	108,787	-
Corporate notes	81,026	21,268	11,248	48,510	-
Bank certificates of deposit	90	90	-	-	-
Money market accounts	30,180	30,180	-	-	-
Mutual funds	19,852	19,852	-	-	-
Total	$ 658,284	$ 465,285	$ 35,702	$ 157,297	$ -

As of June 30, 2020, the System had the following investments and maturities:

		Matures In		
	Fair Value	12 Months or Less	13 to 24 Months	25 to 60 Months
Cash and cash equivalents	$ 318,336	$ 318,336	$ -	$ -
U.S. Treasury notes	36,476	32,374	4,102	-
Municipal notes	132,289	45,360	37,270	49,659
Corporate notes	73,718	23,616	22,237	27,865
Commercial paper	16,901	16,901	-	-
Federal agency notes	9,665	9,665	-	-
Bank certificates of deposit	331	331	-	-
Money market accounts	3,412	3,412	-	-
Mutual funds	16,164	16,164	-	-
Total	$ 607,292	$ 466,159	$ 63,609	$ 77,524

(In Thousands)

The table below identifies the investment types that are authorized for the Hospital by the California Government Code (or the Hospital's investment policy, where more restrictive). There are no restrictions over the maximum percentage that one investment can represent of the total portfolio, nor any restrictions over the maximum amount of investment in any one issuer. The Foundation and CCMSO are not required to follow the California Government Code.

Authorized Investment Type	Maturity
U.S. Treasury obligations	5 years
U.S. Agency securities	5 years
Corporate bonds	5 years
Commercial paper	180 days
Mutual funds	N/A
Money market mutual funds	N/A

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the System manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by maintaining fully liquid investments as needed to fund operations.

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

	Fair Value		
Investment Type	2021	2020	Ratings
Cash and cash equivalents	$ 345,590	$ 318,336	N/A
U.S. Treasury notes	-	36,476	Unrated
Municipal notes	181,546	132,289	Various
Corporate notes	81,026	73,718	Various
Commercial paper	-	16,901	A1+
Federal agency notes	-	9,665	AAA
Bank certificates of deposit	90	331	AAA
Money market accounts	30,180	3,412	N/A
Mutual funds	19,852	16,164	Not rated
Total	$ 658,284	$ 607,292	

Concentration of credit risk – The investment policy of the System contains no limitation on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code.

Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counter party (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The California Government Code and the Hospital's investment policy do not contain legal or policy requirements that would limit the exposure to custodial risk for deposits or investments, other than the following provision for deposits: the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depositor regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies. This requirement does not apply to the consolidated subsidiaries of the System.

As of June 30, 2021 and 2020, approximately $8,058 and $10,856, respectively, of the System's consolidated subsidiaries' deposits with financial institutions in excess of federal depositor insurance limits were held in accounts not subject to collateralization. The System's securities are registered under the specific entity's name by the custodial bank as an agent for the System. Other types of investments represent ownership interests that do not exist in physical or book-entry form. As a result, management considers custodial credit risk to be remote.

NOTE 5 – FAIR VALUE

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the consolidated statements of net position at June 30, 2021 and 2020, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Mutual funds: Shares of mutual funds are valued at the net asset value of shares held by the System and are valued at the closing price reported on the active market on which the individual securities are traded.

Municipal notes, Corporate notes, U.S. Treasury notes, other fixed income and federal agency notes: Valued using pricing models maximizing the use of observable inputs for similar securities which includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

(In Thousands)

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of net position measured at fair value on a recurring basis and the level within the GASB 72 fair value hierarchy in which the fair value measurements fall at June 30:

Description	Level 1	Level 2	Level 3	2021
Investments by fair value level				
Municipal notes	$ 181,546	$ -	$ -	$ 181,546
Corporate notes	81,026	-	-	81,026
Mutual funds	19,852	-	-	19,852
Total investments by fair value level	$ 282,424	$ -	$ -	282,424
Cash equivalents				
Local agency investment fund ("LAIF")				64,271
Cash holdings				281,319
Total cash equivalents				345,590
Bank certificates of deposit				90
Money market accounts				30,180
Total investments				$ 658,284

Description	Level 1	Level 2	Level 3	2020
Investments by fair value level				
U.S. Treasury notes	$ 36,476	$ -	$ -	$ 36,476
Municipal notes	132,289	-	-	132,289
Corporate notes	73,718	-	-	73,718
Federal agency notes	9,665	-	-	9,665
Mutual funds	16,164	-	-	16,164
Total investments by fair value level	$ 268,312	$ -	$ -	268,312
Cash equivalents				
Local agency investment fund ("LAIF")				63,731
Cash holdings				254,605
Total cash equivalents				318,336
Commercial paper				16,901
Bank certificates of deposit				331
Money market accounts				3,412
Total investments				$ 607,292

Fiduciary – Employees' Pension Plan – The following table presents the fair value measurements of financial instruments recognized in the accompanying fiduciary statements of net position measured at fair value on a recurring basis and the level within the GASB No. 72 fair value hierarchy in which the fair value measurements fall at June 30 (in thousands):

		Fair Value Measurements		
	June 31, 2021	Level 1	Level 2	Level 3
Mutual funds				
Equity securities	$ 261,751	$ 261,751	$ -	$ -
Fixed income	124,255	124,255	-	-
Total	$ 386,006	$ 386,006	$ -	$ -

		Fair Value Measurements		
	June 31, 2020	Level 1	Level 2	Level 3
Mutual funds				
Equity securities	$ 200,718	$ 200,718	$ -	$ -
Fixed income	130,398	130,398	-	-
Total	$ 331,116	$ 331,116	$ -	$ -

(In Thousands)

NOTE 6 – CAPITAL ASSETS

The System's capital asset activity for the years ended June 30 is as follows:

	June 30, 2020	Increases	Decreases	Transfer	June 30, 2021
Capital assets not depreciated					
Land	$ 27,215	$ -	$ (1,156)	$ -	$ 26,059
Construction in progress	30,796	7,773	(5,968)	(24,000)	8,601
Total capital assets not depreciated	58,011	7,773	(7,124)	(24,000)	34,660
Capital assets being depreciated/amortized					
Buildings and improvements	372,631	-	(6,889)	17,109	382,851
Moveable equipment	211,066	10,471	(1,923)	6,891	226,505
Intangibles	4,564	-	-	-	4,564
Land improvements	2,029	51	-	-	2,080
Total capital assets being depreciated	590,290	10,522	(8,812)	24,000	616,000
Less: accumulated depreciation and amortization for					
Buildings and improvements	209,824	12,219	(4,314)	-	217,729
Moveable equipment	157,053	14,419	(1,717)	-	169,755
Intangibles	4,536	241	-	-	4,777
Land improvements	1,415	50	-	-	1,465
Total accumulated depreciation and amortization	372,828	26,929	(6,031)	-	393,726
Total capital assets being depreciated, net	217,462	(16,407)	(2,781)	24,000	222,274
Capital assets, net	$ 275,473	$ (8,634)	$ (9,905)	$ -	$ 256,934

(In Thousands)

	June 30, 2019	Increases	Decreases	Transfer	June 30, 2020
Capital assets not depreciated					
Land	$ 27,215	$ -	$ -	$ -	$ 27,215
Construction in progress	17,285	39,364	-	(25,853)	30,796
Total capital assets not depreciated	44,500	39,364	-	(25,853)	58,011
Capital assets being depreciated/amortized					
Buildings and improvements	365,979	61	-	6,591	372,631
Moveable equipment	183,738	8,250	(184)	19,262	211,066
Intangibles	4,564	-	-	-	4,564
Land improvements	1,985	44	-	-	2,029
Total capital assets being depreciated	556,266	8,355	(184)	25,853	590,290
Less: accumulated depreciation and amortization for					
Buildings and improvements	197,712	12,112	-	-	209,824
Moveable equipment	147,255	9,982	(184)	-	157,053
Intangibles	4,295	241	-	-	4,536
Land improvements	1,365	50	-	-	1,415
Total accumulated depreciation and amortization	350,627	22,385	(184)	-	372,828
Total capital assets being depreciated, net	205,639	(14,030)	-	25,853	217,462
Capital assets, net	$ 250,139	$ 25,334	$ -	$ -	$ 275,473

The System reached an agreement with the State of California to meet the California Hospital Seismic Safety Act ("SB1953") by retrofitting and strengthening the existing building. These improvements will result in compliance with SB1953 until January 1, 2030.

NOTE 7 – INVESTMENTS IN AFFILIATES

The System has the following investments in joint ventures which are accounted for in accordance with GASB No. 14:

- Community Health Innovations, LLC ("CHI"), an integrated population health initiative.
- Apex Medical Associates, LLC ("APEX"), a group of medical clinics providing health care services.
- Vantage Surgery Center, LP ("VSC"), an outpatient surgery center for ophthalmic surgery.
- Monterey Peninsula Surgery Center ("MPSC"), a partnership that operates an outpatient Surgery Center.
- Monterey Bay Endoscopy Center, LLC ("MBEC"), an outpatient diagnostic center for gastroenterology procedures.
- 21st Century Oncology ("USCC"), a partnership with GeneisCare (formerly known as US Cancer Care).

(In Thousands)

Affiliate	Percentage Interest 2021	Percentage Interest 2020	Investment Balance June 30, 2021	Investment Balance June 30, 2020
CHI	49%	49%	$ 1,862	$ 1,891
APEX	20%	20%	1,952	1,931
SVI	100%	50%	-	398
VSC	10%	10%	546	498
MPSC	0%	12%	6,338	5,913
USCC	0%	40%	2,825	2,861
MBEC	14%	14%	1,709	1,189
			$ 15,232	$ 14,681

The remaining 50% of Salinas Valley Imaging (SVI) was purchased by SVMC as of 07/01/2020. The original 50% owned by SVMH was transferred to SVMC as well.

Financial information for these joint ventures can be obtained from the System at 450 E. Romie, Salinas, California 93901.

NOTE 8 – RELATED-PARTY TRANSACTIONS

Central Coast VNA & Hospice, Inc., leases building space from the Hospital and paid rent in the amount of $265 for the years ended June 30, 2021 and 2020.

The Salinas Valley Memorial Hospital Service League (“Service League”) is an organization formed for the benefit of the Hospital. Expenses paid by the Hospital on behalf of the Service League during the years ended June 30, 2021 and 2020, totaled $1,359 and $1,003 respectively.

NOTE 9 – SELF-INSURANCE LIABILITY

The Hospital is self-insured for workers’ compensation claims. Estimated losses of $16,086 and $17,346 have been accrued under actuarially determined calculations at June 30, 2021 and 2020, of which approximately $1,530 and $2,529 are considered current liabilities, respectively.

The following is a summary of changes in workers' compensation liabilities for the years ended June 30 (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2021	$ 17,346	$ 3,977	$ 5,236	$ 16,087	$ 2,627

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2020	$ 20,361	$ 3,445	$ 6,460	$ 17,346	$ 3,818

The Hospital is self-insured for employee medical coverage. The estimated liability for employee medical coverage claims incurred but not reported is based on historical claims experience and is considered a current liability. The balances at June 30, 2021 and 2020, were approximately $8,047 and $8,047, respectively.

The Hospital maintains a $40,000 claims-made medical malpractice policy with BETA Healthcare Group ("BETA"), a shared risk pool for California hospital districts. Membership of the Board of BETA is comprised of management of district hospitals. Hospital premiums are established annually based on the experience of the pool and the Hospital. The Hospital paid premiums of approximately $2,133 and $1,624 to BETA for the years ended June 30, 2021 and 2020, respectively. The Hospital's policy with BETA is renewed every 12 months; the most recent renewal date was July 1, 2014. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term but reported subsequently will be uninsured. The Hospital may purchase extended reporting endorsements upon cancellation. The length of the reporting endorsement is not limited. As the Hospital has retained risk for claims incurred during the policy period that are not reported prior to the expiration of the policy, the liability for such retained medical malpractice risk has been recorded on the Hospital's financial statements. Such liability has been actuarially determined, is considered a current liability, and at June 30, 2021 and 2020, was approximately $2,844 and $2,746, respectively.

(In Thousands)

NOTE 10 – NOTES PAYABLE

Changes in notes payable for the year ended June 30, 2021, is as follows:

	June 30, 2020	Increases	Decreases	June 30, 2021 Total	Current Portion	Long-Term Portion
Note payable, due in monthly installments of approximately $10 thousand including interest at 3.99%, with balance due in 2030, collateralized by specified property.	$ 1,038	$ -	$ (89)	$ 949	$ 97	$ 852
CCMSO loan under the Paycheck Protection Program under the CARES Act. The loan bears interest at 1% with no payments for the first 6 months. Monthly payments of principal and interest of approximately $61 thousand, deferred 10 months after a 24-week covered period, continuing through maturity in April 2022, if required. The loan is subject to partial or full forgiveness if the CCMSO uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations and guidance. CCMSO received full forgiveness in July 2021.	1,079	-	-	1,079	668	411
	2,117	$ -	$ (89)	2,028	$ 765	$ 1,263
Less: current portion	757			765		
Long-term portion	$ 1,360			$ 1,263		

Changes in notes payable for the year ended June 30, 2020, is as follows:

	June 30, 2019	Increases	Decreases	June 30, 2020 Total	Current Portion	Long-Term Portion
Note payable, due in monthly installments of approximately $10 thousand including interest at 3.99%, with balance due in 2030, collateralized by specified property.	$ 1,086	$ -	$ (48)	$ 1,038	$ 89	$ 949
CCMSO loan under the Paycheck Protection Program under the CARES Act. The loan bears interest at 1% with no payments for the first 6 months. Monthly payments of principal and interest of approximately $61 thousand begin in November 2020 and continue through maturity in April 2022, if required. The loan is subject to partial or full forgiveness if the CCMSO uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations and guidance.	-	1,079	-	1,079	668	411
	1,086	$ 1,079	$ (48)	2,117	$ 757	$ 1,360
Less: current portion	837			757		
Long-term portion	$ 249			$ 1,360		

Certain bank loans contain clauses that allow the bank to accelerate the amount due, without objective criteria (subjective acceleration clauses), management considers the likelihood of these clauses being invoked to be remote and has therefore classified this debt as current and noncurrent based on scheduled payment due dates.

(In Thousands)

Future debt service payments for each of the five fiscal years subsequent to June 30, 2021, and thereafter are as follows:

Years Ending June 30,	Total Principal	Total Interest	Total Debt Service
2022	$ 765	$ 32	$ 797
2023	573	28	601
2024	105	24	129
2025	109	20	129
2026	109	20	129
Thereafter	367	80	447
	$ 2,028	$ 204	$ 2,232

NOTE 11 – EMPLOYEE BENEFITS PLANS

Salinas Valley Memorial Healthcare District Employees' Pension Plans – All permanent employees, including executive management, are eligible to participate in appropriate pension plans sponsored by the Hospital (Plans).

Under the various plans sponsored by the Hospital, permanent employees can participate after completing three years of service and reaching the age of 21 and, in other cases, eligible employees can participate after one year of service. The Plans are single employer defined benefit retirement plans administered by the Hospital. The Plans also provide retirement, disability, and death benefits based on the employee's years of service, age and annual compensation during covered employment. Employees generally vest after five years of service, are eligible to receive benefits after ten years, and may receive early retirement benefits at age 50 with 15 years of service. Normal retirement is at age 65 with at least ten years of service. In other cases, employees are not eligible to receive benefits until reaching normal retirement at age 65 or an agreed upon date of retirement beyond age 65. Effective March 31, 2011, the Plans were amended to cease further benefit accruals for nonunion employees. These benefit provisions and all other requirements are established by the District's Board of Directors. Separate financial statements are issued for the Salinas Valley Memorial Healthcare District Employees' Pension Plan.

Contributions – The Plan directs the System to make contributions based on actuarially determined contribution amounts. The System reserves the right to suspend or reduce contributions to the Plan at any time, upon appropriate action by the Board. In accordance with PEPRA, certain members are required to make contributions based on a percentage of their eligible compensation to the Plan.

Benefits – The benefit formula payable to a participant who retires on his or her normal retirement date of age 65 shall be a monthly benefit for the life of the member. The benefit payable to a participant is computed as 2.45% of the participant's earnings during a year of credited service, as defined by the Plan, multiplied by the number of years of credited service for the participant.

In accordance with the provisions of PEPRA, certain participants hired after January 1, 2013 who retire at their normal retirement age of age 65, shall receive a retirement benefit computed as 2.30% of the participant's final annual compensation multiplied by their number of years of service in the Plan.

A participant who has attained age 52 and completed 15 years of service and 5 years of plan participation may elect early retirement on the first day of any month prior to the participant's normal retirement date, with certain defined-benefit reductions. A participant may elect to receive benefits in the form of a single life annuity, alternate annuity option, certain period option, or social security adjustment option, as defined in the plan document. Upon the death of a participant who is currently employed by the System and prior to commencement of payments of benefits under this Plan, death benefits are distributed to the designated beneficiary.

Vesting – Employees are eligible to receive benefits after a minimum of ten years of service. Participants may receive early retirement benefits with 15 years of service.

Plan termination – The System expects to continue the Plan indefinitely, but reserves the right to terminate the Plan at any time by appropriate action. In the event of such termination, each affected employee shall become 100% vested in the participant's accrued benefit.

Summary of Significant Accounting Policies – Fiduciary

Basis of accounting – The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units, using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial value of assets and actuarial accrued liability at the date of the financial statements. Actual results could differ from those estimates.

Investment valuation – Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price on the last business day of the plan year. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Income recognition – Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) in fair value of investments consists of both the realized gains and losses and unrealized appreciation and depreciation of those investments.

Benefit payments – Benefit payments to participants are recorded when paid.

Administrative expenses – The Plan's administrative expenses are paid either by the Plan or the System, as provided by the plan document. Certain expenses for the general administration of the Plan are paid directly by the System and are excluded from these financial statements. Certain investment related expenses are included in investment income presented in the accompanying statements of changes in fiduciary net position.

The Hospital's net pension asset was measured as of June 30, 2021 and 2020, as determined by an actuarial valuation as of December 31, 2020 and 2019, rolled forward to June 30, 2021 and 2020, respectively.

(In Thousands)

Employer contributions – Employer contributions are determined by the System's Board of Directors each year based on the actuarially required contribution amount calculated by the Plan's independent actuary. The actuarially determined contribution is determined as part of an actuarial valuation on January 1 of each year, using the traditional unit credit actuarial cost method. Actuarially determined contribution amounts were $18,766 and $11,809 for the years ended June 30, 2021 and 2020, respectively, of which 100%, respectively, were contributed to the Plan as directed and approved by the Board. Contributions in excess of the actuarially determined contribution amounts totaling $5,000 and $15,000 were also contributed at the direction of the Board of Directors for the years ended June 30, 2021 and 2020, respectively.

Pension expense – Pension expense for the Hospital's Plan is based upon GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27*. The Hospital's funding policy is to contribute to the Plans based on actuarial estimates of the annual required contributions, calculated using the traditional unit credit cost method.

Participant data for the Plan, as of the measurement dates, as follows:

	January 1, 2021	January 1, 2020
Active	1,330	1,238
Inactive	255	283
Retired and beneficiaries	691	647
Vested terminated	382	390
Total participants	2,658	2,558

Components of pension cost and deferred outflows and inflows of resources as calculated under the requirements of GASB 68 are as follows:

	2021	2020
Deferred outflows - actuarial as of June 30:		
Difference between expected and actual experience	$ 1,006	$ 1,702
Changes in assumptions	36,956	48,952
Net difference between projected and actual earnings on pension plan investments	-	21,970
Contribution to the pension plan after measurement date	11,586	10,680
Total	$ 49,548	$ 83,304
Deferred inflows - actuarial as of June 30:		
Difference between expected and actual experience	$ 12,252	$ 11,810
Changes in assumptions	1,686	369
Net difference between projected and actual earnings pension plan investments	26,642	32,982
Total	$ 40,580	$ 45,161

(In Thousands)

Amounts reported as deferred outflows – actuarial and deferred inflows – actuarial to pensions (net) will be recognized in pension expense as follows:

Year Ending June 30,	
2022	$ 277
2023	2,982
2024	(5,157)
2025	(174)
2026	(437)
Thereafter	(109)
	$ (2,618)

The following table summarizes changes in pension liability for fiscal years ended June 30, 2021 and 2020, with a measurement date of January 1, 2021 and 2020, respectively:

Total pension liability	2021	2020
Service cost	$ 9,739	$ 8,354
Interest on total pension liability	26,944	25,007
Changes of benefit terms	(202)	-
Difference between expected and actual experience	(4,013)	(8,842)
Changes of assumptions	(1,836)	36,231
Benefit payments	(14,125)	(12,525)
Net change in total pension liability	16,507	48,225
Total pension liability beginning of fiscal year	411,736	363,511
Total pension liability end of fiscal year	$ 428,243	$ 411,736

	2021	2020
Total pension liability	$ 428,243	$ 411,736
Plan fiduciary net position	(386,005)	(331,115)
Net pension liability	$ 42,238	$ 80,621
Plan fiduciary net position as a percentage of the total pension liability	90.14%	80.42%
Covered-employee payroll	$ 127,771	$ 119,261
Plan net pension liability as of a percentage of covered-employee payroll	33.06%	67.60%

(In Thousands)

The following table summarizes the actuarial assumptions used to determine net pension liability and plan fiduciary net position as of June 30, 2021 and 2020:

Valuation date	Actuarially determined contributions are calculated as of January 1, the first day of the fiscal year in which the contributions are reported
Methods and assumptions used:	
Actuarial cost method	Entry age normal
Inflation	2.25%
Salary increases	3.50% or 3.75% depending on unit, including inflation, plus step increases
Investment rate of return	6.50%, net of investment expense, including inflation
Retirement age:	
Normal retirement	65
Early retirement	50 and 15 years of vesting service
Mortality	PubG-2010 Generational Mortality Table for Males & Females, projected using MP-2020

Sensitivity of the Net Pension Liability

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
June 30, 2021	$ 101,479	$ 42,238	$ (7,056)
June 30, 2020	$ 138,330	$ 80,621	$ 32,695

Defined Benefit Post-Retirement Medical Plans – The Hospital administers single-employer defined benefit healthcare reimbursement plans providing limited reimbursement for health insurance premiums paid by members of two bargaining units who retire early from their retirement date until they are eligible for Medicare. Benefit provisions are established through negotiations between the Hospital and the bargaining units and are renegotiated when bargaining agreements expire. The Retiree Health Plans do not issue publicly available financial reports.

The Hospital funds the benefits on a pay-as-you go basis. For the fiscal years ended June 30, 2021 and 2020, the Hospital contributed $148 and $105, respectively, to fund benefits paid in these years.

At June 30, the following employees were covered by the Hospital:

	2021	2020
Active employees	1,212	1,212
Retirees receiving benefits	57	57
Total plan participants	1,269	1,269

(In Thousands)

Components of post-retirement medical benefits expense and deferred inflows and outflows of resources as calculated under the requirements of GASB No. 75 are as follows as of June 30:

	2021	2020
Service cost	$ 156	$ 155
Interest	147	169
Differences between expected and actual experience	(21)	(11)
Changes of assumptions	(1)	(32)
Total post-retirement medical benefits expense	$ 281	$ 281

	2021	2020
Deferred outflows of resources as of June 30:		
Changes in benefit terms	$ -	$ -
Difference between expected and actual experience	56	63
Changes in assumptions	515	-
Total	$ 571	$ 63
Deferred inflows of resources as of June 30:		
Changes in benefit terms	$ -	$ -
Difference between expected and actual experience	447	207
Changes in assumptions	320	352
Total	$ 767	$ 559

Amounts reported as deferred outflows and inflows of resources to post-retirement medical benefits will be recognized in post-retirement medical benefits expense are as follows for the years ending June 30:

2022	$ (22)
2023	(22)
2024	(22)
2025	(22)
2026	(22)
Thereafter	(86)
	$ (196)

(In Thousands)

The following table summarizes changes in post-retirement medical benefits liability, reflected as other long-term liabilities on the statements of net position, for fiscal years ended June 30, 2021 and 2020, with a measurement date of June 30, 2020 and 2019, respectively:

	2021	2020
Service cost	$ 156	$ 155
Interest	147	169
Differences between expected and actual experience	(280)	(186)
Changes in assumptions	558	(161)
Benefit payments	-	(106)
Contributions - employer	(149)	-
Net changes	432	(129)
Net post-retirement medical benefits liability at beginning of year	4,125	4,254
Net post-retirement medical benefits liability at end of year	$ 4,557	$ 4,125

The following table summarizes the actuarial assumptions used to determine net pension asset and plan fiduciary net position as of June 30, 2021 and 2020:

Valuation Date	6/30/2019, results rollforwarded (an actuarial adjustment) to June 30, 2020
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Not applicable
Actuarial Assumptions	
Projected Salary Increases	3.25%
Mortality	PubG-2010 Generational Mortality Tables projected using scale MP-2019 improvement table
Discount Rate	2.21%
Healthcare cost trend rates:	6.75% for 2021, graded to 5.00% for year 2028 and beyond for ages pre-65; and 5% for year 2021 and beyond for ages post-65.

Sensitivity of post-retirement medical benefits liability due to change in discount rates:

	1% Decrease	Current Discount Rate	1% Increase
June 30, 2021	$ 4,792	$ 4,557	$ 4,336
June 30, 2020	$ 4,347	$ 4,125	$ 3,910

Sensitivity of post-retirement medical benefits liability due to change in healthcare cost trend:

	1% Decrease	Current Trend	1% Increase
June 30, 2021	$ 4,497	$ 4,557	$ 4,604
June 30, 2020	$ 4,070	$ 4,125	$ 4,168

(In Thousands)

NOTE 12 – COMPENSATED ABSENCES

System employees can earn paid leave at varying rates depending on the length of service and job classification. Earned leave consists of vacation and holiday pay, which vests to the employee immediately; and sick leave, which is available to the employee only when used for absences for valid medical reasons. Employees can accumulate up to two years' accruals of paid leave. Upon separation, unused vested leave balances are paid in full. As of June 30, 2021 and 2020, the liability for unpaid compensated absences (included in accrued expenses in the consolidated statements of net position) was $20,232 and $17,990, respectively. The following is a summary of changes in compensated absences transactions for the years ended June 30:

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2021	$ 17,990	$ 34,595	$ 32,353	$ 20,232	$ 20,232

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion
2020	$ 16,518	$ 32,434	$ 30,962	$ 17,990	$ 17,990

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Operating leases – Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred. As of June 30, 2021, future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year consist of the following:

Years Ending June 30,	
2022	$ 2,505
2023	2,154
2024	1,847
2025	1,364
2026	518
Thereafter	634
	$ 9,022

Included in the above is a real property lease with an original term of ten years which is renewable for two successive five-year terms and three leases with original terms of five years which are renewable for two successive six year terms.

Total rental expense for the years ended June 30, 2021 and 2020, was approximately $2,854 and $5,458, respectively.

Litigation – The System is involved in litigation related to various matters. In the opinion of management, after consultation with legal counsel, the outcome of these matters will not have a material adverse effect on the System's consolidated financial position.

Compliance – The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations which could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. The System is subject to such regulatory reviews and, while these reviews may result in repayments and/or civil remedies, management believes, based on its current knowledge and information, that such repayments and/or civil remedies would not have a material effect on the System's consolidated financial position.

Regulatory environment – The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, and government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medi-Cal fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of net position date but before the consolidated financial statements are available to be issued. The System recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the consolidated statement of net position date, including the estimates inherent in the process of preparing the consolidated financial statements. The System's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the consolidated statement of net position date but arose after the consolidated statement of net position date and before consolidated financial statements are available to be issued.

Supplementary Information

Salinas Valley Memorial Healthcare System
Consolidating Statement of Net Position
June 30, 2021
(In Thousands)

	Salinas Valley Memorial Hospital	Central Coast Medical Service Organization	Salinas Valley Memorial Assisted Living, LLC	Salinas Valley Memorial Hospital Foundation	SVMH-LPCH NICU JV	SVMC	Eliminations Increase (Decrease)	Salinas Valley Memorial Healthcare System
Current assets								
Cash and cash equivalents	$ 352,881	$ 4,544	$ -	$ 167	$ -	$ 3,347	$ -	$ 360,939
Patient accounts receivable, net of estimated uncollectibles of $21,319 at June 30, 2021	74,136	1,589	-	-	-	5,207	-	80,932
Short-term investments	128,247	-	-	-	-	-	-	128,247
Supplies inventory	8,616	155	-	-	-	-	-	8,771
Other current assets	6,306	2,616	-	8	-	6,967	(2,726)	13,171
Total current assets	570,186	8,904	-	175	-	15,521	(2,726)	592,060
Board designated funds	143,257	-	-	-	-	-	-	143,257
Capital assets								
Nondepreciable	33,477	1,183	-	-	-	-	-	34,660
Depreciable, net	210,572	5,113	-	-	874	5,715	-	222,274
Total capital assets, net	244,049	6,296	-	-	874	5,715	-	256,934
Other assets								
Long-term investments	4,894	-	-	20,947	-	-	-	25,841
Investments in affiliates	40,677	-	-	-	-	-	(25,445)	15,232
Other long-term assets	-	1,141	-	981	-	-	(510)	1,612
Total other assets	45,571	1,141	-	21,928	-	-	(25,955)	42,685
Total assets	1,003,063	16,341	-	22,103	874	21,236	(28,681)	1,034,936
Deferred outflows - actuarial	50,119	-	-	-	-	-	-	50,119
Deferred outflows - goodwill	532	-	-	-	-	1,106	-	1,638
Total deferred outflows	50,651	-	-	-	-	1,106	-	51,757
Total assets and deferred outflows	$ 1,053,714	$ 16,341	$ -	$ 22,103	$ 874	$ 22,342	$ (28,681)	$ 1,086,693

Salinas Valley Memorial Healthcare System
Consolidating Statement of Net Position (Continued)
June 30, 2021
(In Thousands)

	Salinas Valley Memorial Hospital	Central Coast Medical Service Organization	Salinas Valley Memorial Assisted Living, LLC	Salinas Valley Memorial Hospital Foundation	SVMH-LPCH NICU JV	SVMC	Eliminations Increase (Decrease)	Salinas Valley Memorial Healthcare System
Current liabilities								
Current portion of notes payable	$ -	$ 908	$ -	$ -	$ -	$ -	$ (143)	$ 765
Accounts payable	11,479	85	-	541	-	497	-	12,602
Accrued expenses	53,014	3,632	-	-	-	7,521	-	64,167
Advance payments - Medicare	60,932	-	-	-	-	-	-	60,932
Estimated third-party payor settlements	2,815	-	-	-	-	-	-	2,815
Current portion of self-insurance liabilities	12,519	-	-	-	-	-	-	12,519
Total current liabilities	140,759	4,625	-	541	-	8,018	(143)	153,800
Net pension liability	42,238	-	-	-	-	-	-	42,238
Net post-retirement medical benefits liability	4,557	-	-	-	-	-	-	4,557
Notes payable, net of current portion	-	1,773	-	-	-	-	(510)	1,263
Self-insurance liabilities, net of current portion	14,557	-	-	-	-	-	-	14,557
Total liabilities	202,111	6,398	-	541	-	8,018	(653)	216,415
Deferred inflows - actuarial	41,347	-	-	-	-	-	-	41,347
Total liabilities and deferred inflows	243,458	6,398	-	541	-	8,018	(653)	257,762
Net position								
Invested in capital assets, net of related debt	244,049	3,615	-	-	874	5,715	653	254,906
Reserved for minority interest	-	-	-	-	-	-	(3,914)	(3,914)
Restricted								
Expendable	-	-	-	5,917	-	-	-	5,917
Nonexpendable	-	-	-	1,130	-	-	-	1,130
Unrestricted	566,207	6,328	-	14,515	-	8,609	(24,767)	570,892
Total net position	810,256	9,943	-	21,562	874	14,324	(28,028)	828,931
Total liabilities, deferred inflows, and net position	$ 1,053,714	$ 16,341	$ -	$ 22,103	$ 874	$ 22,342	$ (28,681)	$ 1,086,693

Salinas Valley Memorial Healthcare System
Consolidating Statement of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2021
(In Thousands)

	Salinas Valley Memorial Hospital	Central Coast Medical Service Organization	Salinas Valley Memorial Assisted Living, LLC	Salinas Valley Memorial Hospital Foundation	SVMH-LPCH NICU JV	SVMC	Eliminations Increase (Decrease)	Salinas Valley Memorial Healthcare System
Operating revenues								
Net patient service revenues	$ 560,415	$ 19,219	$ -	$ -	$ 11,604	$ 57,451	$ (2,961)	$ 645,728
Other revenues	14,592	-	-	-	-	11,656	-	26,248
Total operating revenues	575,007	19,219	-	-	11,604	69,107	(2,961)	671,976
Operating expenses								
Salaries and wages	183,657	7,640	-	-	4,348	18,419	-	214,064
Compensated absences	31,212	676	-	-	904	1,803	-	34,595
Employee benefits	80,013	1,300	-	-	1,854	4,550	-	87,717
Supplies	73,021	1,348	-	-	(86)	7,184	-	81,467
Purchased services	38,866	542	-	1,270	16	11,653	(1,270)	51,077
Medical fees	14,069	2,990	-	-	2,386	45,488	(6,231)	58,702
Impairment loss	5,968	-	-	-	-	-	-	5,968
Other fees	17,374	1,029	-	-	-	11,960	-	30,363
Depreciation and amortization	20,827	671	-	-	347	5,084	-	26,929
Other expenses	14,927	2,967	-	2,222	78	5,055	(899)	24,350
Total operating expenses	479,934	19,163	-	3,492	9,847	111,196	(8,400)	615,232
Operating income (loss)	95,073	56	-	(3,492)	1,757	(42,089)	5,439	56,744
Nonoperating revenues and expenses								
CARES Act grant	-	607	-	-	-	-	-	607
Donations	2,168	-	-	2,758	-	-	(2,168)	2,758
Property tax revenue	5,012	-	-	-	-	-	-	5,012
Investment income, net	3,123	4	(66)	3,982	-	412	(6,231)	1,224
Provision for credit losses	(5,029)	392	-	-	-	-	-	(4,637)
Gain on sale of equipment	2,535	150	-	-	-	-	-	2,685
(Loss) income from investments in affiliates	(38,358)	-	-	-	-	-	39,899	1,541
Other	(74)	(69)	-	88	-	2,961	2,788	5,694
Nonoperating (expense) income, net	(30,623)	1,084	(66)	6,828	-	3,373	34,288	14,884
Capital transfers	-	(1,000)	(1,279)	-	(1,962)	42,562	(38,321)	-
Minority interest in loss of consolidated affiliates	-	-	-	-	-	-	(1,049)	(1,049)
Increase (decrease) in net position	64,450	140	(1,345)	3,336	(205)	3,846	357	70,579
Total net position, beginning of year	745,806	9,803	1,345	18,226	1,079	10,478	(28,385)	758,352
Total net position, end of year	$ 810,256	$ 9,943	$ -	$ 21,562	$ 874	$ 14,324	$ (28,028)	$ 828,931

Salinas Valley Memorial Healthcare System
Supplementary Schedule of Community Benefit (Unaudited)
Year Ended June 30, 2021
(In Thousands)

The System maintains records to identify and monitor the level of direct community benefit it provides. These records include the charges foregone for providing the patient care furnished under its charity care policy. For the years ended June 30, 2021 and 2020, the estimated costs of providing community benefit in excess of reimbursement from governmental programs were as follows:

	2021	2020
Unpaid costs of Medi-Cal programs	$ 114,510	$ 106,718
Indigent charity care and bad debt	11,711	10,484
	$ 126,221	$ 117,202

In furtherance of its purpose to benefit the community, the System provides numerous other services to the community for which charges are not generated and revenues have not been accounted for in the accompanying consolidated financial statements. The services include health related programming and education that reached over 37,000 people in the community and participation in health fairs that reached over 7,000 people. The estimated costs of Medicare programs in excess of reimbursement from Medicare were $158,807 and $147,314 for the years ended June 30, 2021 and 2020, respectively.

The System also provides services to the community through the operations of the Service League. Services provided by volunteers of the Service League, free of charge to the community, include assistance and counseling to patients and visitors, daily personal contact with members of the community who are living alone, career counseling and programs for local students, spiritual care volunteers representing many local faith community congregations, palliative care program assistance, and provision of scholarship awards to qualifying students in the medical professions. During the year ended June 30, 2021 and 2020, these volunteers contributed approximately 13,478 and 16,475 hours, respectively, in providing these services, the value of which is not recorded in the accompanying consolidated financial statements.

Required Supplementary Information

(In Thousands)

Defined Benefit Pension Plan

The following table summarizes the number of total plan participants:

	2021	2020
Number of active members	1,330	1,238
Number of frozen active participants	255	283
Number of retired members and beneficiaries	691	647
Number of vested terminated members	382	390
	2,658	2,558

The following table summarizes the funding status of the defined benefit pension plan:

Year Ended	Actuarially Determined Contribution	Actual Employer Contribution	Contribution (Excess) Deficiency	Covered Payroll	Contribution as a Percentage of Covered Payroll
December 31, 2007	$ 6,778	$ 7,108	$ (330)	$ 97,292	7.31%
December 31, 2008	$ 8,756	$ 10,766	$ (2,010)	$ 107,149	10.05%
December 31, 2009	$ 13,096	$ 13,096	$ -	$ 119,940	10.92%
December 31, 2010	$ 12,570	$ 12,570	$ -	$ 129,273	9.72%
December 31, 2011	$ 11,226	$ 11,226	$ -	$ 96,774	11.60%
December 31, 2012	$ 11,648	$ 11,648	$ -	$ 96,172	12.11%
December 31, 2013	$ 11,308	$ 11,311	$ (3)	$ 94,394	11.98%
December 31, 2014	$ 10,799	$ 10,799	$ -	$ 97,719	11.05%
December 31, 2015	$ 12,146	$ 17,190	$ (5,043)	$ 121,074	14.20%
December 31, 2016	$ 11,970	$ 16,970	$ (5,000)	$ 130,810	12.97%
December 31, 2017	$ 12,883	$ 19,883	$ (7,000)	$ 108,395	18.34%
December 31, 2018	$ 11,927	$ 21,927	$ (10,000)	$ 112,353	19.52%
December 31, 2019	$ 11,809	$ 26,809	$ (15,000)	$ 119,261	22.48%
December 31, 2020	$ 18,766	$ 23,766	$ (5,000)	$ 127,771	18.60%

Defined Benefit Post-Retirement Medical Plans – As of June 30, 2021 and 2020, the post-retirement medical plans' fiduciary net position as a percentage of the total OPEB liability is 0%.

The 2020 and 2019 covered payroll for the active population eligible to participate in the post-retirement medical plans were $127,771 and $119,261. The net post-retirement benefits liability as a percentage of covered-employee payroll were 3.57% and 3.46%, respectively.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Communication with
Those Charged with Governance

Salinas Valley Memorial Healthcare System

June 30, 2021

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Communication with Those Charged with Governance

To the Board of Directors
Salinas Valley Memorial Healthcare System

We have audited the consolidated financial statements of Salinas Valley Memorial Healthcare System (the "System"), its aggregate remaining fund information units, the Salinas Valley Memorial Healthcare District Employees Pension Plan, as of and for the year ended June 30, 2021, and have issued our report thereon dated December 3, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 7, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the consolidated financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts. We will also report on whether the consolidating statement of net position, consolidating statement of revenues, expenses, and changes in net position, and supplemental pension and postretirement benefit information, are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole. Our audit of the consolidated financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with *Government Auditing Standards,* and auditing standards generally accepted in the United States of America, and the California Code of Regulations, Title 2, Section 1131.2, State Controller's *Minimum Audit Requirements* for California Special Districts, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we considered System's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the consolidated financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter dated January 7, 2021.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the System are described in Note 2 to the consolidated financial statements. During the year ended June 30, 2021, management adopted GASB Statement No. 84, *Fiduciary Activities,* and GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. There have been no other new accounting policies adopted and there were no changes in the application of existing policies during fiscal year 2021. We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the consolidated financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the consolidated financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the consolidated financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the consolidated financial statements were:

- Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. We evaluated the key factors and assumptions used to develop the estimated net realizable amounts and determined that it is reasonable in relation to the consolidated financial statements taken as a whole.

- The System provides care to patients without requiring collateral or other security. Patient charges not covered by a third-party payor are billed directly to the patient if it is determined that the patient has the ability to pay. A provision for uncollectible accounts is recognized based on management's estimate of amounts that ultimately may be uncollectible. We evaluated the key factors and assumptions used to develop the provision for uncollectible accounts and determined that it is reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of the fair market values of investments in the absence of readily-determinable fair values is based on information provided by the fund managers. We have gained an understanding of management's estimate methodology and examined the documentation supporting this methodology. We evaluated the key factors and assumptions used to develop the fair market value of investments. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- The System is self-insured for workers' compensation benefits for employees. An actuarial estimate is accrued based on an expected, undiscounted estimate as of June 30, 2020. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- The System provides eligible employees with health benefits through a self-insured program. The liability for claims arising from this program is estimated based upon historical experience and trending. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- The useful lives of capital assets have been estimated based on the intended use and are within accounting principles generally accepted in the United States of America. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimate of the net pension liability is actuarially determined using assumptions on the long-term rate of return on pension plan assets, the discount rate used to determine the present value of benefit obligations, and the rate of compensation increases. These assumptions are provided by management. We have evaluated the key factors and assumptions used to develop the estimate. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

- Management's estimated liability for post-retirement medical benefits is actuarially determined using assumptions on the long-term rate of return on plan assets, the discount rate used to determine the present value of benefit obligations, and the rate of compensation increases. These assumptions are provided by management. We have evaluated the key factors and assumptions used to develop the estimate. We found management's basis to be reasonable in relation to the consolidated financial statements taken as a whole.

Consolidated Financial Statement Disclosures

The disclosures in the consolidated financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were those surrounding significant concentrations of net patient accounts receivable and revenue, investments in affiliates, fair value of investments, self-insurance liabilities and net pension liability.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements the effects of which, as determined by management, are material, both individually and in the aggregate, to the consolidated financial statements as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the consolidated financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 3, 2021.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the System's consolidated financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the System's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Salinas Valley Memorial Healthcare System, and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

San Francisco, California
December 3, 2021


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REPORT OF INDEPENDENT AUDITORS AND
FINANCIAL STATEMENTS WITH
REQUIRED SUPPLEMENTARY INFORMATION

SALINAS VALLEY MEMORIAL HEALTHCARE DISTRICT EMPLOYEES PENSION PLAN

December 31, 2020 and 2019

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Report of Independent Auditors

To the Personnel and Pension Committee
Salinas Valley Memorial Healthcare District Employees Pension Plan

Report on the Financial Statements

We have audited the accompanying financial statements of Salinas Valley Memorial Healthcare District Employees Pension Plan (the Plan) which comprise the statements of fiduciary net position as of December 31, 2020 and 2019, the related statement of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan as of December 31, 2020 and 2019, and the changes in its fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter – Required Supplementary Information

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

Moss Adams LLP

Albuquerque, New Mexico
November 12, 2021

Salinas Valley Memorial Healthcare District
Employees Pension Plan
Management's Discussion and Analysis

This section of Salinas Valley Memorial Healthcare District Employees Pension Plan's (the Plan's) annual financial report presents the management discussion and analysis of the Plan's financial performance as of and for the years ended December 31, 2020 and 2019. This section also includes selected comparative information as of and for the year ended December 31, 2018. It should be read in conjunction with the Plan's annual audited financial statements, which follow this section.

Overview

The Plan was established in November 1966 by the Salinas Valley Memorial Healthcare District (now known as the Salinas Valley Memorial Healthcare System or the System) and has been amended from time to time since that date, as further described below. The Plan provides retirement, disability, and death benefits to permanent employees of the System with union representation based on the employee's years of service, age, and annual compensation during covered employment.

Plan Background

The Plan was amended effective January 1, 2004 to provide that the benefit formula be equal to 2.45% of the participant's earnings in a plan year. The benefit formula was previously 2.25% of the participant's earnings in a plan year (for plan years 2000 through 2003).

Participation in the Plan was frozen effective March 31, 2011, for nonunion employees. These employees are entitled to benefits earned before that date but do not accrue further benefits under the Plan.

The Plan was amended effective January 1, 2013 to comply with the applicable provisions of the California Public Employees' Pension Reform Act of 2013 (PEPRA). These provisions include limitations on pensionable compensation and retirement benefits and contribution provisions, including the establishment of participant contributions, for new participants who are hired on or after January 1, 2013 and meet the eligibility and vesting requirements of the Plan.

The Plan was amended and restated effective January 1, 2016 to update the Plan for legislative changes according to PEPRA and to remove the three-year service requirement to participate in the Plan for eligible employees.

Plan documents contain a more detailed description of the Plan's provisions and should be referred to for a more complete understanding of the terms of the Plan. Copies of the appropriate documents are available through the administrative offices of the System.

Financial Highlights

During the year ended December 31, 2020, the net position held in trust for pension benefits increased by approximately 17%. Employer contributions were $23.8 million in 2020 compared to $26.8 million in 2019. Benefit payments were $14.3 million during 2020 compared to $12.5 million during 2019. Net investment income was $43.5 million during 2020 compared to $52.3 million during 2019.

Financial Analysis

Total contributions have exceeded the actuarially determined contribution amounts since 2015, due to decisions made by the System's Board of Directors to fund the Plan at amounts above actuarially determined contributions. During the year ended December 31, 2020, the System's Board of Directors approved and funded an additional $5,000,003 to the Plan.

Actuarial Measurement

The actuarial cost method used to attribute the actuarial present value of projected benefit payments of each plan member is the entry age cost method. Under the entry age cost method, the actuarial present value of the projected benefits for each individual included in the actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability.

The System's net pension liability is calculated as the total pension liability, defined as the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service, less the Plan's fiduciary net position. A comparison of the components of the net position liability as of December 31, 2020, 2019, and 2018 are as follows:

	December 31,		
	2020	2019	2018
Total pension liability	$ 428,243,730	$ 411,736,182	$ 363,511,110
Plan fiduciary net position	(386,005,926)	(331,115,464)	(263,007,667)
System's net pension liability	$ 42,237,804	$ 80,620,718	$ 100,503,443
System's fiduciary net position as a percentage of total pension liability	90.14%	80.42%	72.35%

Overview of the Financial Statements

The financial statements consist of three parts: management's discussion and analysis (this section), the basic financial statements together with the related notes, and required supplementary information, as mandated by certain pronouncements of the Governmental Accounting Standards Board (GASB).

The basic financial statements present information about the Plan's fiduciary net position and changes in fiduciary net position for the respective years. The basic financial statements also include notes to explain some of the information in the financial statements and to provide more details. The notes are followed by a section of required supplementary information that displays additional detail information not in the basic financial statements, but which is required by the pronouncements of the GASB and relate to funding progress and required contributions.

Overview of the Financial Statements (continued)

The statement of fiduciary net position displays the assets and liabilities and resulting net position of the Plan as of the end of the year. All assets are valued at fair value.

The following is the abbreviated statement of fiduciary net position (in thousands):

	December 31,		
	2020	2019	2018
Cash and investments	$ 386,006	$ 331,115	$ 263,008

During the years ended December 31, 2020 and 2019, the Plan's fiduciary net position increased by 17% and 26%, respectively. The Plan's policies allow investments consisting of fixed income securities, equity securities, and money market funds. The Plan's investments are held in a portfolio of registered investment companies (mutual funds).

The statement of changes in fiduciary net position reflects the employer contributions and investment return, net of investment expenses, less benefits paid. Changes in fiduciary net position are summarized as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Investment income (loss), net	$ 43,531	$ 52,346	$ (13,802)
Employer contributions	23,766	26,809	21,927
Member contributions	1,976	1,594	1,209
Benefit payments to members and beneficiaries	(14,266)	(12,525)	(11,579)
Administrative expenses	(116)	(116)	(112)
Change in fiduciary net position	$ 54,891	$ 68,108	$ (2,357)

The decrease in investment income during the year ended December 31, 2020 compared to 2019 is due to the performance of equity markets during each year. Benefit payments to members and beneficiaries continue to increase each year due to the increased number of retirees and beneficiaries receiving benefits.

Salinas Valley Memorial Healthcare District
Employees Pension Plan
Statements of Fiduciary Net Position

	December 31, 2020	December 31, 2019
ASSETS		
Investments, at fair value		
Mutual funds	$ 386,005,926	$ 331,115,464
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 386,005,926	$ 331,115,464

See accompanying notes to these financial statements.

Salinas Valley Memorial Healthcare District
Employees Pension Plan
Statements of Changes in Fiduciary Net Position

	Year Ended December 31,	
	2020	2019
ADDITIONS		
Investment income		
Net appreciation in fair value of investments	$ 35,666,836	$ 41,804,183
Dividends	7,864,007	10,542,169
Total investment income	43,530,843	52,346,352
Contributions		
Employer	23,765,862	26,808,785
Members	1,975,665	1,593,730
Total contributions	25,741,527	28,402,515
Total additions	69,272,370	80,748,867
DEDUCTIONS		
Benefit payments	14,266,188	12,525,484
Administrative expenses	115,720	115,586
Total deductions	14,381,908	12,641,070
CHANGE IN NET POSITION	54,890,462	68,107,797
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Beginning of the year	331,115,464	263,007,667
End of the year	$ 386,005,926	$ 331,115,464

See accompanying notes to these financial statements.

Note 1 – Description of the Plan

General

The following description of Salinas Valley Memorial Healthcare District Employees Pension Plan (the Plan) provides only general information. Participants should refer to the plan document for a more complete description of the Plan's provisions.

The Plan is a single-employer noncontributory employee retirement system established by Salinas Valley Memorial Healthcare System (the System). The System is a political subdivision that was organized under the provisions of the Health and Safety Code of the State of California. Permanent employees of the System with union representation are eligible to participate in the Plan upon the later of their employment commencement date or reaching the age of 21.

The Plan provides retirement, disability, and death benefits based on the employee's years of service, age, and annual compensation during covered employment. Plan provisions and all other requirements are established by the System's five-member Board of Directors (the Board), which has been elected by the registered voters in the District.

Effective March 31, 2011, participation in the Plan for nonunion employees was frozen. Nonunion employees are entitled to benefits earned before March 31, 2011, but do not accrue further benefits under the Plan.

Effective January 1, 2013, the Plan was amended to adopt the applicable provisions of the California Public Employees' Pension Reform Act of 2013 (PEPRA).

Membership in the Plan consists of the following:

	December 31, 2020	December 31, 2019
Active members		
Number of active members under and over the normal retirement age	$ 1,330	$ 1,238
Nonactive members and other beneficiaries receiving benefits		
Number of retirees or beneficiaries	691	647
Number terminated with vested benefits	382	390
Inactive members	255	283
Total	$ 2,658	$ 2,558

Contributions

The Plan directs the System to make contributions based on actuarially determined contribution amounts. The System reserves the right to suspend or reduce contributions to the Plan at any time, upon appropriate action by the Board. In accordance with PEPRA, certain members are required to make contributions based on a percentage of their eligible compensation to the Plan.

Note 1 – Description of the Plan (continued)

Benefits
The benefit formula payable to a participant who retires on his or her normal retirement date of age 65 shall be a monthly benefit for the life of the member. The benefit payable to a participant is computed as 2.45% of the participant's earnings during a year of credited service, as defined by the Plan, multiplied by the number of years of credited service for the participant.

In accordance with the provisions of PEPRA, certain participants hired after January 1, 2013 who retire at their normal retirement age of age 65, shall receive a retirement benefit computed as 2.30% of the participant's final annual compensation multiplied by their number of years of service in the Plan.

A participant who has attained age 52 and completed 15 years of service and 5 years of plan participation may elect early retirement on the first day of any month prior to the participant's normal retirement date, with certain defined-benefit reductions. A participant may elect to receive benefits in the form of a single life annuity, alternate annuity option, certain period option, or social security adjustment option, as defined in the plan document. Upon the death of a participant who is currently employed by the System and prior to commencement of payments of benefits under this Plan, death benefits are distributed to the designated beneficiary.

Vesting
Employees are eligible to receive benefits after a minimum of ten years of service. Participants may receive early retirement benefits with 15 years of service.

Plan Termination
The System expects to continue the Plan indefinitely, but reserves the right to terminate the Plan at any time by appropriate action. In the event of such termination, each affected employee shall become 100% vested in the participant's accrued benefit.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting
The Plan's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units, using the accrual basis of accounting. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial value of assets and actuarial accrued liability at the date of the financial statements. Actual results could differ from those estimates.

Note 2 – Summary of Significant Accounting Policies (continued)

Investment Valuation
Investments are reported at fair value. Securities traded on national exchanges are valued at the last reported sales price on the last business day of the plan year. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Income Recognition
Purchases and sales of investments are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Net appreciation in fair value of investments consists of both the realized gains and losses and unrealized appreciation and depreciation of those investments.

Benefit Payments
Benefit payments to participants are recorded when paid.

Administrative Expenses
The Plan's administrative expenses are paid either by the Plan or the System, as provided by the plan document. Certain expenses for the general administration of the Plan are paid directly by the System and are excluded from these financial statements. Certain investment related expenses are included in investment income presented in the accompanying statements of changes in fiduciary net position.

Note 3 – Investments

Investment Policy
The Personnel and Pension Committee, appointed by the System's Board of Directors, is responsible for the oversight of the Plan's investments and investment policy. The investment policy presents ranges for investment types as follows:

Domestic and international equities	65%
Fixed income securities and cash equivalents	35%

The investment policy specifically prohibits investments in short sales, margin purchases, private placements, derivatives, commodities, and annuities.

Investments
As of December 31, 2020 and 2019, the Plan's investments are summarized as follows:

	2020		2019	
	Fair Value	%	Fair Value	%
Mutual funds				
Domestic equity	$ 154,579,082	40%	$ 133,728,570	45%
Fixed income	124,255,231	32%	130,398,370	33%
International equity	90,536,470	23%	50,747,008	17%
Real estate fund	16,635,143	5%	16,241,516	5%
Total	$ 386,005,926	101%	$ 331,115,464	100%

Note 3 – Investments (continued)

Fair Value Measurements

The Plan uses a framework for measuring fair value that provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities the Plan has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation technique used for assets measured at fair value. There have been no changes in the techniques used at December 31, 2020 and 2019.

Mutual funds – Shares held in registered investment companies (mutual funds) are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The funds held by the Plan are deemed to be actively traded. Mutual funds held by the Plan are open-end mutual funds that are registered with the U.S. Securities and Exchange Commission.

The following tables disclose the fair value hierarchy of the Plan's assets by level:

		Fair Value Measurements		
	December 31, 2020	Level 1	Level 2	Level 3
Mutual funds				
Equity securities	$ 261,750,695	$ 261,750,695	$ -	$ -
Fixed income	124,255,231	124,255,231	-	-
Total	$ 386,005,926	$ 386,005,926	$ -	$ -

Note 3 – Investments (continued)

	December 31, 2019	Fair Value Measurements Level 1	Level 2	Level 3
Mutual funds				
Equity securities	$ 200,717,094	$ 200,717,094	$ -	$ -
Fixed income	130,398,370	130,398,370	-	-
Total	$ 331,115,464	$ 331,115,464	$ -	$ -

Money-Weighted Rate of Return

During the years ended December 31, 2020 and 2019, the annual money-weighted rate of return on the Plan's investments, net of investment expenses, was 12.92% and 19.53%, respectively. The money-weighted rate of return expresses investment performance, net of investment fees, adjusted for the changing amounts actually invested.

Investment Risk Factors

There are many factors that can affect the value of investments. Some, such as custodial credit risk, concentration of credit risk, and foreign currency risk may affect both equity and fixed income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed income securities are particularly sensitive to credit risks and changes in interest rates. The Plan manages its investment risk factors by diversifying its portfolio through investments in a group annuity contract that invests in various registered investment companies, and U.S. and international equity securities, which are all readily marketable.

The fixed income portfolio consisted of the following investment types:

Investment Type	December 31, 2020	2019
Short-term reserves	$ 41,538	$ 6,432,572
U.S. Government		
Treasury/agency	39,426,342	39,600,611
Mortgage backed	31,142,610	29,376,665
Other	12,327,532	11,514,388
Corporate		
Asset backed	2,955,958	19,841,961
Bonds	38,361,251	23,632,173
Total	$ 124,255,231	$ 130,398,370

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of investments. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The prices of fixed income securities with a longer time to maturity, measured by effective duration, tend to be more sensitive to changes in interest rates and more volatile than those with shorter durations.

Note 3 – Investments (continued)

As of December 31, 2020, the Plan held fixed income investments in various mutual funds with underlying investments in fixed and variable rate securities. There are no restrictions to the Plan's ability to sell shares in these mutual funds on any given trading date, which mitigates the interest rate risk of the underlying securities. The fixed income portfolio of underlying securities in these mutual funds had the following maturities:

Investment Maturities	
1 to 5 years	$ 65,926,532
5 to 10 years	29,483,569
10 to 20 years	26,890,796
Not classified	1,954,334
Total	$ 124,255,231

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2020, the Plan held fixed income investments in various bond mutual funds with underlying investments in fixed and variable rate securities.

Investment Ratings	
Aaa	$ 4,455,002
Aa	30,331,791
A	12,082,908
Baa	22,651,126
Ba	5,144,456
B	2,808,318
Below B	6,031,102
Not rated	40,750,528
Total	$ 124,255,231

Custodial Credit Risk

Custodial credit risk is the risk that in the event of the failure of the investment custodian, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of December 31, 2020, the Plan's investments are held by third-party safekeeping custodians selected by the Board and registered in the Plan's name. As a result, management believes custodial credit risk is remote.

Concentration of Credit Risk

Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments with a few individual issuers, thereby exposing the Plan to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. As of December 31, 2020, the Plan held investments in mutual funds (registered investment companies).

Note 4 – Employer Contributions

Employer contributions are determined by the System's Board of Directors each year based on the actuarially required contribution amount calculated by the Plan's independent actuary. The actuarially determined contribution is determined as part of an actuarial valuation on January 1 of each year, using the traditional unit credit actuarial cost method. Actuarially determined contribution amounts were $18,765,859 and $11,808,783 for the years ended December 31, 2020 and 2019, respectively, of which 100%, respectively, were contributed to the Plan as directed and approved by the Board. Contributions in excess of the actuarially determined contribution amounts totaling $5,000,003 and $15,000,002 were also contributed at the direction of the Board of Directors for the years ended December 31, 2020 and 2019, respectively.

Note 5 – System Net Pension Liability

The components of the net pension liability of the System were as follows:

	December 31, 2020	December 31, 2019
Total pension liability	$ 428,243,730	$ 411,736,182
Plan fiduciary net position	(386,005,926)	(331,115,464)
System net pension liability	$ 42,237,804	$ 80,620,718
Plan fiduciary net position as a percentage of total pension liability ("funded status")	90.14%	80.42%

Note 6 – Actuarial Methods and Significant Assumptions

The total pension liability was determined as part of an actuarial valuation as of December 31, 2020 and 2019, respectively, using actuarial methods and assumptions in accordance with GASB No. 67, *Financial Reporting for Pension Plans*. The total pension liability was calculated using the entry age cost method and PubG-2010 Generational Mortality Tables projected using MP-2020 as of December 31, 2020 and MP-2019 as of December 31, 2019. The actuarial assumptions included (a) 6.50% investment long-term expected rate of return, net of investment expenses and (b) projected salary increases of 3.50% plus merit for Certified Nursing Assistants (CNA) and 3.75% plus merit for National Union of Healthcare Workers (NUHW).

Long-Term Expected Rate of Return

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for a hypothetical investment portfolio allocation of 65% equity and 35% fixed income. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation at a long-term inflation rate of 2.25%.

Note 6 – Actuarial Methods and Significant Assumptions (continued)

As of December 31, 2020, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	Long-Term Expected Rate of Return
Domestic equity	
U.S. large cap equity	8.0%
U.S. small cap equity	9.0%
International	
Equity	8.0%
Emerging market equity	9.0%
Alternative	
Real estate investment trust	8.0%
Commodities	5.0%
Money market	2.0%
Fixed income	
High yield bonds	6.5%
Core bonds	4.0%
Long-term corporate bonds	6.0%
Short-term bonds	2.5%

Discount Rate

As of December 31, 2020, the discount rate used to measure the total pension liability was 6.50% based on the expected rate of return on pension plan investments. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System, calculated using the discount rate of 6.50%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
System net pension liability	$ 101,479,386	$ 42,237,804	$ (7,056,462)

Note 7 – Tax Status

The Internal Revenue Service has determined and informed the System by a letter dated March 21, 2017, that the Plan is designed in accordance with the applicable sections of the Internal Revenue Code (IRC). Management believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC and is not subject to federal income taxes.

Note 8 – Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks (see Note 3). Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position available for benefits.

Plan contributions are made, and the total pension liability is reported based on certain assumptions pertaining to interest rates, inflation rates, and member demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near-term would be material to the financial statements.

The COVID-19 pandemic continues to trigger volatility in financial markets and the global economy. Because the values of the Plan's individual investments have and will fluctuate in response to changing market conditions, the continued effects of the COVID-19 pandemic on the Plan's investments and the actuarial assumptions used to measure the Plan's total pension liability, if any, cannot be determined as of the report date.

Required Supplementary Information

Salinas Valley Memorial Healthcare District
Employees Pension Plan
Schedules of Changes in Employer Net Pension Liability and Related Ratios

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	$ 9,739,474	$ 8,353,779	$ 8,078,739	$ 7,171,959	$ 7,005,009	$ 7,743,929	$ 6,982,137
Interest on total pension liability	26,944,092	25,007,386	24,405,221	22,569,994	21,000,849	19,178,200	18,169,063
Change of benefit terms	(201,797)	-	-	-	-	-	-
Difference between expected and actual experience	(3,872,216)	(8,841,924)	(3,353,687)	(3,076,492)	4,487,813	(280,070)	(4,074,023)
Changes in actuarial assumptions	(1,835,817)	36,231,315	14,767,302	11,277,838	2,602,234	(1,465,873)	15,352,227
Benefit payments	(14,266,188)	(12,525,484)	(11,578,811)	(10,404,996)	(8,726,267)	(7,762,380)	(7,344,187)
Net change in total pension liability	16,507,548	48,225,072	32,318,764	27,538,303	26,369,638	17,413,806	29,085,217
Total pension liability							
Beginning of year	411,736,182	363,511,110	331,192,346	303,654,043	277,284,405	259,870,599	230,785,382
End of year (a)	$ 428,243,730	$ 411,736,182	$ 363,511,110	$ 331,192,346	$ 303,654,043	$ 277,284,405	$ 259,870,599
Plan fiduciary net position							
Employer contributions	$ 23,765,862	$ 26,808,785	$ 21,927,309	$ 19,883,437	$ 16,938,956	$ 17,189,514	$ 10,798,666
Member contributions	1,975,665	1,593,730	1,209,498	840,013	474,659	-	-
Net investment income (loss)	43,530,843	52,346,352	(13,802,482)	32,509,516	8,198,171	1,301,163	14,217,051
Administrative expenses	(115,720)	(115,586)	(112,397)	(109,194)	(64,788)	-	-
Benefit payments	(14,266,188)	(12,525,484)	(11,578,811)	(10,404,996)	(8,726,267)	(7,762,380)	(7,344,187)
Net change in plan fiduciary net position	54,890,462	68,107,797	(2,356,883)	42,718,776	16,820,731	10,728,297	17,671,530
Plan fiduciary net position							
Beginning of year	331,115,464	263,007,667	265,364,550	222,645,774	205,825,043	195,096,746	177,425,216
End of year (b)	$ 386,005,926	$ 331,115,464	$ 263,007,667	$ 265,364,550	$ 222,645,774	$ 205,825,043	$ 195,096,746
Employer net pension liability (a) - (b)	$ 42,237,804	$ 80,620,718	$ 100,503,443	$ 65,827,796	$ 81,008,269	$ 71,459,362	$ 64,773,853
Plan fiduciary net position as percentage of total pension liability	90.14%	80.42%	72.35%	80.12%	73.32%	74.23%	75.07%
Covered payroll	$ 127,771,097	$ 119,260,723	$ 112,353,126	$ 108,395,254	$ 95,639,978	$ 92,759,619	$ 97,718,804
Net pension liability as percentage of covered payroll	33.06%	67.60%	89.45%	60.73%	84.70%	77.04%	66.29%

Notes to schedule

Changes in actuarial assumptions with significant impact on the total pension liability include the following:

1) For 2019, the discount rate changed from 7.0% to 6.5%
2) For 2018, the salary scale changed from 4.0% to 3.5% plus merit (CNA) and 3.75% plus merit (NUHW)
3) For 2018, the discount rate changed from 7.5% to 7.0%
4) For 2017, the plan was amended for legislative changes according to PEPRA and to remove the three-year service requirement to participate for eligible employees.
5) For 2014, the actuarial cost method changed from Traditional Unit Credit to Entry Age

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.

Salinas Valley Memorial Healthcare District
Employees Pension Plan
Schedules of Employer Contributions

Year Ended December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Excess	Covered Payroll	Contribution as a % of Covered Payroll
2020	$ 18,765,859	$ 23,765,862	$ 5,000,003	$ 127,771,097	18.60%
2019	11,808,783	26,808,785	15,000,002	119,260,723	22.48%
2018	11,927,309	21,927,309	10,000,000	112,353,126	19.52%
2017	12,883,435	19,883,437	7,000,002	108,395,254	18.34%
2016	11,970,458	16,938,956	4,968,498	95,639,978	17.71%
2015	12,146,278	17,189,514	5,043,236	92,759,619	18.53%
2014	10,798,666	10,798,666	-	97,718,804	11.05%

Notes to schedule

Valuation date	Actuarially determined contributions are calculated as of January 1, the first day of the fiscal year in which the contributions are reported.
Methods and assumptions used	
Actuarial cost method	Entry Age
Inflation	2.25%
Salary increases	2015 - 2017: 3.75% (NUHW) and 4.00% (CNA), including inflation 3.75% plus merit increases (NUHW) and 4.00% plus merit increases (CNA) 2018 - 2020: 3.75% (NUHW) and 3.50%(CNA), including inflation 3.75% plus merit increases (NUHW) and 3.50% plus merit increases (CNA)
Investment rate of return	2014 - 2017: 7.50%, net of investment expense, including inflation 2018: 7.00%, net of investment expense, including inflation 2019 - 2020: 6.50%, net of investment expense, including inflation
Retirement age	
Normal retirement	65
Early retirement	50 and 15 years of vesting service
Mortality	2015 - 2017: RP-2000 Mortality Table for Males & Females, projected to 2033 2018: RP-2014 Mortality Table for Males & Females, projected to 2033 2019: PubG-2010 Generational Mortality Tables for Males & Females, projected using MP-2019 2020: PubG-2010 Generational Mortality Tables for Males & Females, projected using MP-2020

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.

Salinas Valley Memorial Healthcare District
Employees Pension Plan
Schedules of Investment Returns

	Year Ended December 31,						
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	12.92%	19.53%	-5.11%	14.22%	3.74%	0.68%	8.17%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Plan will present information for those years for which information is available.

COMMUNICATIONS WITH THE
PERSONNEL AND PENSION COMMITTEE

SALINAS VALLEY MEMORIAL HEALTHCARE DISTRICT EMPLOYEES PENSION PLAN

December 31, 2020

MOSSADAMS

MOSSADAMS

Communications with the Personnel and Pension Committee

To the Personnel and Pension Committee
Salinas Valley Memorial Healthcare District Employees Pension Plan

We have audited Salinas Valley Memorial Healthcare District Employees Pension Plan (the Plan) as of and for the year ended December 31, 2020 and have issued our report thereon dated November 12, 2021. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated January 12, 2021, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we considered the Plan's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter dated January 12, 2021 and planning discussions during July 2021.

Significant Audit Findings and Issues

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Plan are described in Note 2 to the financial statements.

We noted no transactions entered into by the Plan during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

> Management's estimate of the long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for a hypothetical investment portfolio allocation of 65% equity and 35% fixed income. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation at a long-term inflation rate of 2.25%. We evaluated the key factors and assumptions used to develop the long-term expected rate of return in determining that it is reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

The disclosures in the financial statements are consistent, clear, and understandable. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements were:

- Investment valuations and types in Note 3 to the financial statements. The Plan's investment portfolio consists of mutual funds where market valuations are readily available.

- Disclosure of the employer's net pension liability in Note 5 to the financial statements.

- Actuarial methods and significant assumptions in Note 6 to the financial statements, which describes the significant actuarial methods and assumptions used in the valuation of the Plan. This disclosure provides details of the valuation date, actuarial method, long-term expected rate of return for each investment class in the portfolio, and the discount rate.

Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2021.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Plan’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Plan’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Moss Adams LLP

Albuquerque, New Mexico
November 12, 2021

Board Paper

Agenda Item: **Consider Approval of Terms and Conditions for a Limited Liability Company Interest Sale and Purchase Agreement of Apex Medical Associates, LLC between Pinnacle Medical Group, Inc. and Salinas Valley Memorial Healthcare System**

Executive Sponsors: Allen Radner, MD, Chief Medical Officer
Clint Hoffman, CAO, Physician Integration & Business Development

Date: December 6, 2021

Executive Summary

Salinas Valley Memorial Healthcare System (SVMHS) purchased a twenty percent (20%) member interest in Apex Medical Associates, LLC (Apex) that closed on March 1, 2017. Apex is the holding company for the operations of three (3) urgent care locations owned and operated by Pinnacle Medical Group, Inc. (Pinnacle). Specifically, their two locations in Salinas and one location in King City.

As part of the terms of the initial purchase, SVMHS retained an option to purchase an additional twenty (20%) of Apex within twenty-two (22) months of the initial closing date, which after review and consideration, SVMHS elected not to pursue. At the time SVMHS opted not to pursue its purchase option, Pinnacle gained an option to purchase SVMHS interest at its original purchase price. Pinnacle notified SVMH of its intent to exercise its purchase option and for the last few months SVMHS and Pinnacle have been in negotiation regarding the terms of repurchase. The following terms are proposed for review and consideration by the SVMHS Board of Directors for the purchase of SVMHS's interest in Apex:

Purchase Price: **$1,640,281.00**
Payment Terms: Sixteen (16) months based on the following schedule:

	Payment Month	$ Per Month	Total Amount
Initial Payment			$340,281
Jan 2022 - April 2022	1-4	$40,000	$160,000
May 2022 - Jul 2022	5-7	$60,000	$180,000
Aug 2022 - Oct 2022	8-10	$100,000	$300,000
Nov 22 - Mar 2023	11-15	$60,000	$300,000
April 2023	16	$360,000	$360,000
Total			$1,640,281

Payment Acceleration and Penalties. If Pinnacle sells an interest in any of the Apex urgent care centers that are purchased from SVMHS to another entity or person prior to completion of payment per the terms outlined above payment of any balance due to SVMHS is due on the closing date of any such sale. Additionally, a prepayment penalty of $75,000.00 shall be assessed for early repayment.

Security. Payment of the amounts listed above shall be secured through personal guarantees from the three (3) largest shareholders in Pinnacle: Ernesto Alvero, PA-C, Kenneth Ishizue, MD and Donald Pompan, MD.

Timeline

December 16, 2021 – Request Approval by SVMHS Board of Directors
December 31, 2021 – Proposed Sale Closing Date and Start Date for Payment Terms

Recommendation: **Consider Approval of Terms and Conditions for a Limited Liability Company Interest Sale and Purchase Agreement of Apex Medical Associates, LLC by and between Pinnacle Medical Group, Inc. and Salinas Valley Memorial Healthcare System**

RESOLUTION NO. 2021-07
OF THE BOARD OF DIRECTORS OF
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

AUTHORIZING EXECUTION AND DELIVERY OF A LOAN AND SECURITY AGREEMENT, PROMISSORY NOTE, AND CERTAIN ACTIONS IN CONNECTION WITH THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY NONDESIGNATED PUBLIC HOSPITAL BRIDGE LOAN PROGRAM

WHEREAS, Salinas Valley Memorial Healthcare System is a local health care district organized and operating pursuant to Division 23 of the California Health and Safety Code;

WHEREAS, Salinas Valley Memorial Healthcare System ("Borrower" or "District") is a nondesignated public hospital as defined in California Welfare and Institutions Code Section 14165.55, subdivision (l), excluding those affiliated with county health systems pursuant to Chapter 240, Statutes of 2021 (SB 170), Section 25;

WHEREAS, Borrower has determined it is in the best interest of the District to borrow an aggregate amount not to exceed **Six Hundred Eighty-Eight Thousand Three Hundred Seventy-Nine Dollars ($688,379.00)** from the California Health Facilities Financing Authority ("Lender"), such loan to be funded with the proceeds of the Lender's Nondesignated Public Hospital Bridge Loan Program; and

WHEREAS, Borrower intends to use the funds solely to fund its working capital needs to support its operations;

NOW THEREFORE IT IS HEREBY ORDERED AND DIRECTED THAT:

1. The Board of Directors of Borrower hereby ratifies the submission of the application for a loan from the Nondesignated Public Hospital Bridge Loan Program.

2. Pete Delgado, President/Chief Executive Officer of District, Augustine Lopez, Chief Financial Officer of District, (each an "Authorized Officer") are hereby authorized and directed, for and on behalf of Borrower/District, to do any and all things and to execute and deliver any and all documents that the Authorized Officers deem necessary or advisable in order to consummate the borrowing of moneys from Lender and otherwise to effectuate the purposes of this Resolution and the transactions contemplated pursuant to this Resolution.

3. The proposed form of Loan and Security Agreement ("Agreement"), which contains the terms of the loan is hereby approved. The loan shall be in a principal amount not to exceed **Six Hundred Eighty-Eight Thousand Three Hundred Seventy-Nine Dollars ($688,379.00),** shall not bear interest, and shall mature twenty-four (24) months from the date of the executed Loan and Security Agreement between the Borrower and the Lender. Each Authorized Officer is hereby authorized and directed, for and on behalf of Borrower/District, to execute the Agreement in substantially said form that includes the redirection of up to twenty percent (20%) of Medi-Cal reimbursements (checkwrite payments) to Lender in the event of default by Borrower, with such changes therein as the Authorized Officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

4. The proposed form of Promissory Note ("Note") as evidence of the Borrower's obligation to repay the loan is hereby approved. The Authorized Officers are hereby authorized and directed, for and on behalf of Borrower/District, to execute the Note in substantially said form, with such changes therein as the Authorized Officers may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

This Resolution was adopted at a duly noticed Regular Meeting of the Board of Directors of the District on December 16, 2021 by the following vote.

AYES:
NOES:
ABSTENTIONS:
ABSENT:

_____
Juan Cabrera, Secretary
Salinas Valley Memorial Healthcare System

CERTIFICATE OF SECRETARY

I, Juan Cabrera, Secretary of the Board of Directors of Salinas Valley Memorial Healthcare System, a local health care district, hereby certify that the foregoing is a full, true, and correct copy of a resolution duly adopted at a regular meeting of the Board of Directors of Salinas Valley Memorial Healthcare System duly noticed and regularly held at the regular meeting place of the District on December 16, 2021. All members of the District Board of Directors had due notice and at which the required quorum was present and voting, and the required majority approved Board Resolution No. 2021-07 by the vote indicated on the resolution.

I further certify that I have carefully compared the same with the original minutes of said meeting on file and of record in the District's administrative office; that said resolution is a full, true, and correct copy of the original resolution adopted at said meeting and entered in said minutes; and that said resolution has not been amended, modified or rescinded since the date of its adoption, and is now in full force and effect.

_____ Date:_____

Juan Cabrera, Secretary
Salinas Valley Memorial Healthcare System

RESOLUTION NO. 2021-08
OF THE BOARD OF DIRECTORS OF
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

PROCLAIMING A LOCAL EMERGENCY, RATIFYING THE PROCLAMATION OF A STATE OF EMERGENCY BY GOVERNOR'S STATE OF EMERGENCY DECLARATION ON MARCH 4, 2020, AND AUTHORIZING REMOTE TELECONFERENCE MEETINGS FOR THE PERIOD DECEMBER 16, 2021 THROUGH JANUARY 31, 2022

WHEREAS, Salinas Valley Memorial Healthcare System ("District") is a public entity and local health care district organized and operated pursuant to Division 23 of the California Health and Safety Code;

WHEREAS, the District Board of Directors is committed to preserving and nurturing public access and participation in its meetings;

WHEREAS, all meetings of the District's governing body are open and public, as required by The Ralph M. Brown Act, so that members of the public may attend, participate, and observe the District's public meetings;

WHEREAS, The Brown Act, Government Code section 54953(e), makes provisions for remote teleconferencing participation in meetings by members of a legislative body, without compliance with the requirements of Government Code section 54953(b)(3), subject to the existence of certain conditions;

WHEREAS, a required condition is that a state of emergency is declared by the Governor pursuant to Government Code section 8625, proclaiming the existence of conditions of disaster or of extreme peril to the safety of persons and property within the state caused by conditions as described in Government Code section 8558;

WHEREAS, a proclamation is made when there is an actual incident, threat of disaster, or extreme peril to the safety of persons and property within the boundaries of the District, caused by natural, technological, or human-caused disasters;

WHEREAS, it is further required that state or local officials have imposed or recommended measures to promote social distancing, or, the legislative body meeting in person would present imminent risks to the health and safety of attendees;

WHEREAS, such conditions now exist within the District Boundaries of Salinas Valley Memorial Healthcare System;

WHEREAS, the District Board of Directors does hereby acknowledge the current state of emergency and is following the September 22, 2021 recommendation by the Monterey County Health Department that public agencies continue to utilize remote meetings for the purpose of preventing the transmission of COVID-19;

WHEREAS, as a consequence of the local emergency, the District Board of Directors may conduct meetings without compliance with Government Code Section 54953(b)(3), as authorized by Section 54953(e), and that the District shall comply with the requirements to provide the public with access to the meetings pursuant to Section 54953(e) (2);

WHEREAS, meetings of the District Board of Directors will be available to the public via zoom link listed on the agenda;

NOW THEREFORE IT IS HEREBY ORDERED AND DIRECTED THAT:

1. Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

2. Proclamation of Local Emergency. The District hereby proclaims that a local emergency continues to exist throughout Monterey County, and as of September 22, 2021, the Monterey County Health Department continues to recommend that physical and social distancing strategies be practiced in Monterey County, which includes remote meetings of legislative bodies, to the extent possible.

3. Ratification of Governor's Proclamation of a State of Emergency. The District hereby ratifies the Governor of the State of California's Proclamation of State of Emergency, effective as of its issuance date of March 4, 2020.

4. Remote Teleconference Meetings. The District Board of Directors is hereby authorized and directed to take all actions necessary to carry out the intent and purpose of this Resolution including conducting open and public meetings in accordance with Government Code section 54953(e) and other applicable provisions of The Brown Act.

5. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption and shall be effective until the earlier of (i) January 31, 2022, or (ii) such time the District adopts a subsequent resolution in accordance with Government Code section 54953(e)(3) to extend the time during which the District may continue to meet via teleconference meeting all the requirements of Section (3)(b).

This Resolution was adopted at a duly noticed Regular Meeting of the Board of Directors of the District on December 16, 2021, by the following vote.

AYES:
NOES:
ABSTENTIONS:
ABSENT:

_____
Board Member
Salinas Valley Memorial Healthcare System

RESOLUTION NO. 2021-09
OF THE BOARD OF DIRECTORS OF
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM

APPROVING THE PURCHASE OF THE REAL PROPERTY LOCATED AT 110 EAST ROMIE LANE, SALINAS, CALIFORNIA AND AUTHORIZING THE PRESIDENT/CEO TO EXECUTE PURCHASE DOCUMENTS

WHEREAS, Salinas Valley Memorial Healthcare System ("SVMHS" or "District") is a political subdivision of the State of California and a Local Health Care District organized and operating pursuant to Division 23 of the California Health and Safety Code ("Local Health Care District Law") has the power to purchase real property pursuant to Local Health Care District Law;

WHEREAS, the owners of the fee simple absolute title to certain improved real property consisting of approximately 14,048 square feet, including a medical office building of approximately 3,121 square feet and parking lot, situated in Monterey County, California, commonly known as 110 E. Romie Lane, Salinas, California, 93901 and referenced as Monterey County Assessor's Parcel Number 002-602-025 ("Property") desire to sell the Property to SVMHS, and SVMHS desires to purchase the Property from the owners, on the terms and subject to the conditions set forth in a proposed Agreement of Purchase and Sale of Real Property between SVMHS and the owners ("Purchase Agreement");

WHEREAS, the consideration for the purchase of the Property by SVMHS from the owners is a cash payment in the amount of One Million Dollars ($1,00,000.00) ("Purchase Price");

WHEREAS, the Board of Directors has deemed that the Purchase Price is determined to be at or below the fair market value for the Property based on a recent appraisal prepared for the District;

WHEREAS, the Board of Directors believes it is in the best interest of SVMHS and the residents of the District to continue to have expanded medical services provided to the residents of the District; and

WHERES, the Board of Directors believes it is in the best interests of SVMHS to authorize Pete Delgado, President/Chief Executive Officer of SVMHS to execute and accept any and all documents necessary to effectuate the purchase of the Property;

NOW THEREFORE IT IS HEREBY ORDERED AND DIRECTED THAT:

1. The proposed terms and conditions of the Agreement of Purchase and Sale of Real Property between the owners and SVMHS which provides for the purchase of the Property located at 110 East Romie Lane in Salinas, California for the Purchase Price as set forth in this Resolution 2021-09, are approved.

2. Pete Delgado, President/Chief Executive Officer of SVMHS is authorized to execute and accept any and all documents necessary to effectuate the purchase of the Property pursuant to the terms and conditions of the Purchase Agreement and any Joint Escrow Instructions.

3. Any officer of the Board of Directors or Pete Delgado, President/Chief Executive Officer of SVMHS, is authorized to execute any and all documents necessary to carry out the intent of this Resolution for and on behalf of the Board of Directors of SVMHS.

This Resolution 2021-09 was adopted at a Regular Meeting of the Board of Directors of the District on December 16, 2021, by the following vote.

AYES:
NOES:
ABSTENTIONS:
ABSENT:

_____
Juan Cabrera, Board Secretary
SVMHS Board of Directors

Medical Executive Committee Summary –December 9, 2021

Items for Board Approval:

Credentials Committee

Initial Appointments:

APPLICANT	SPECIALTY	DEPT	PRIVILEGES
Bhavsar, Bajesh, MD	Radiology	Surgery	Remote Radiology
Dorantes, Miguel, MD	Family Medicine	Family Medicine	Taylor Farms Family Health & Wellness Center Active Community
Harrison, Amy, MD	Neurology	Medicine	Tele-Neurology
Maxey, Robert, MD	Radiology	Surgery	Remote Radiology
Nguyen, Khai, MD	Psychiatry	Medicine	Tele-Psychiatry

Reappointments:

APPLICANT	SPECIALTY	DEPT	PRIVILEGES
Anand, Neil, MD	Radiology	Surgery	Remote Radiology
Aziz, Shezhad, MD	Hem/Onc	Medicine	Hematology/Oncology
Barghouthi, Tamara, MD	Neurology	Medicine	Tele-Neurology
Baxter-Jones, Rosalyn, MD	Ob Hospitalist	Ob/Gyn	Ob Hospitalist
Dickey, James, MD	General Surgery	Surgery	General Surgery
Furubayashi, Jill, MD	Radiology	Surgery	Remote Radiology
Ganzhorn, Frank, MD	Critical Care/ Pulmonology	Medicine	Critical Care/Pulmonary Medicine General Internal Medicine
Garcia-Rojas, Xavier, MD	Radiology	Surgery	Remote Radiology
Greenson, Nikolas, MD	Emergency Medicine	Emergency Medicine	Emergency Medicine
Kato, Kambrie, MD	Radiology	Surgery	Remote Radiology
Kazem, Fatima, MD	Radiology	Surgery	Remote Radiology
Kroopf, Lisa, MD	Pain Management	Medicine	Pain Management
Le, Michael, MD	Gastroenterology	Medicine	Gastroenterology General Internal Medicine Taylor Farms Family Health & Wellness Center Gastroenterology
Luba, Daniel, MD	Gastroenterology	Medicine	Gastroenterology Taylor Farms Family Health & Wellness Center Gastroenterology
Navarro, Misty, MD	Emergency Medicine	Emergency Medicine	Emergency Medicine.
Pollock, Max, MD	Radiology	Surgery	Remote Radiology
Romero-Beltran, MD	Family Medicine	Family Medicine	Family Medicine Well Newborn
Royston, Eric, DO	Radiology	Surgery	Remote Radiology
Saglio, Stephen, MD	Family Medicine	Family Medicine	Family Medicine Active Community
Uzquiano, Nelson, MD	Radiology	Surgery	Remote Radiology
Vu, Quang, MD	Neurology	Medicine	Tele-Neurology
Yuh, Theresa, MD	Radiology	Surgery	Remote Radiology
Zhang, Zachary, MD	Interventional Radiology	Surgery	Diagnostic Radiology Vascular & Interventional Radiology Peripheral Endovascular Non-Cardiac Diagnostic Radiology Privileges at Ryan Ranch
Zupancic, Michael, MD	Neurology	Medicine	Neurology

Staff Status Modifications:

NAME	SPECIALTY	RECOMMENDATION
Chandrasekaran, Prathibha, MD	Gastroenterology	Leave of Absence effective 11/30/2021
Darmawan, Steve, MD	Pediatrics	Active Community effective 01/01/2022
Edwards, Cheryl, MD	Ob Hospitalist	Advance to Active Status
Kroopf, Lisa, MD	Pain Management	Return from Leave of Absence effective 12/16/2021
Lizcano, Jennifer, DO	Internal Medicine	Resignation effective 12/31/2021 (adult hospitalist)
Malhi, Harshawn, MD	Radiology	Resignation effective 10/25/2021 (telemedicine)
Winter, Amy, MD	Pediatrics	Advance to Active Status

Interdisciplinary Practice Committee

Initial Appointments: None

Reappointments:

APPLICANT	SPECIALTY	DEPT	PRIVILEGES/SUPERVISOR
Allers, Jenna, PA-C	Physician Assistant	Medicine	Shehzad Aziz, MD
Romans, Helena, NP	Nurse Practitioner	Surgery	Jeremy Silk, MD

Informational Items:

I. Committee Reports:

a. Quality and Safety Committee Reports:
   i. Environment of Care Committee
   ii. Risk Management and Patient Safety
   iii. Safety and Reliability Committee
   iv. Palliative Care Program

b. Medical Staff Excellence Committee 11/09/21
   i. Nine cases were reviewed/discussed
   ii. Six systems/process issues were identified

II. Other Reports:

a. Financial Update/Daily Dashboard Review
b. Executive Update
c. Summary of Executive Operations Committee Meetings
d. Summary of Medical Staff Department/Committee Meetings
e. Medical Staff Treasury
f. Medical Staff Statistics
g. HCAHPS Update December 1, 2021

III. Order Sets Approved:

	Oncology Treatment Plan Renewals
1	Dose-Dense AC/Taxol: DOXO/Cyclophos THEN PACLitaxel, Q14D (BRS13a/b) ***Renewal***
2	Albumin-bound PACLitaxel / Gemcitabine, Q21D (Journal Article) ***Renewal***
3	FOLFIRI (5FU CI/Leucovorin/Irinotecan), Q14D ***Renewal***
4	Xgeva (Denosumab) 120mg SQ Q6Wks ***Renewal***
5	IMMUNE GLOBULIN (IVIG) ORDERS ***Renewal***
6	Methotrexate 10-15mg Intrathecal (Lumbar Puncture) (CNS23) ***Renewal***
7	Methotrexate 10-15mg Intraventricular (Ommaya Reservoir) (CNS23) ***Renewal***
8	DOCEtaxel 75 mg/m2, Q21D (NSC18, OVMGCT4, & OVSCST3) ***Renewal***
9	Trastuzumab-anns(Bs) 6 mg/kg, Q21D (ESO23, GAS23) ***Renewal***
10	Ado-Trastuzumab Emtansine 3.6 mg/kg Q21D (BRS89) ***Renewal***
11	Cetuximab 500 mg/m2, Q14D (COL25) ***Renewal***
12	Albumin-bound PACLitaxel 125mg/Gemcitabine 1000mg, Q28D ***Renewal***
13	Bendamustine 90 mg/m2 + rituximab(Bs),Q28D ***Renewal***
14	Pembrolizumab 400mg, Q42D ***Renewal***
15	PACLitaxel 80mg/m2 + CARBOplatin AUC 5-6, Q21D (OVA54) ***Renewal***
16	DOCEtaxel 75mg/m2 + PrednISONE 5mg, Q21D (PRO4) ***Renewal***
17	Dose-Dense AC (DOXO/Cyclophos), Q14D (BRS81a,BRS101,BRS179a) ***Renewal***
	Other Order Sets
18	Dialysis CRRT
19	PT DBL70
20	PT HDN93
21	Therapeutic Plasma Exchange
22	Malignant Hyperthermia

EXTENDED CLOSED SESSION
(if necessary)

(VICTOR REY, JR.)

ADJOURNMENT – THE NEXT REGULAR MEETING OF THE BOARD OF DIRECTORS IS SCHEDULED FOR THURSDAY, JANUARY 27, 2022, AT 4:00 P.M.