

VERDANT HEALTH COMMISSION  
PUBLIC HOSPITAL DISTRICT NO. 2 OF SNOHOMISH COUNTY, WASHINGTON  
BOARD OF COMMISSIONERS  
Regular Meeting  
A G E N D A  
April 24, 2013  
8:00 AM to 9:40 AM

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	<u>ACTION</u>	<u>TIME</u>	<u>PAGE</u>
A. Call to Order			
Pledge of Allegiance	---	8:00	
B. Approval of the Minutes			
a) March 27, 2013 Board Meeting	Action	8:01	2-5
C. Executive Committee Report	Information	8:03	
D. Board Finance Committee Report			
a) Review financial statement and cash activity	Action	8:05	6-14
b) Authorization for payment of vouchers and payroll	Action	8:10	15
c) Moss Adams PHD2 audit report	Information	8:11	16-23
d) Resolution 2013-05: Lease of surplus real property	Action	8:25	24-27
E. Program Oversight Committee Report & Recommendations			
a) Conflicts of interest	Action	8:26	
b) Program investment recommendations	Action	8:27	28-30
c) Update from Senior Services on Center for Healthy Living Information		8:31	
F. Marketing Report			
a) "6 Weeks to a Healthier You" 2013	Information	8:46	
b) Website update	Information	8:48	
G. Commissioner Comments	Information	8:51	
H. Superintendent's Report	Information	8:56	
I. Public Comments (please limit to three minutes per speaker)	---	9:01	---
J. Executive Session	---	9:06	---
a) Litigation			
b) Superintendent performance discussion			
c) Potential real estate acquisition			
K. Open Session	Action	9:36	---
L. Adjournment	---	9:40	---

PUBLIC HOSPITAL DISTRICT NO. 2 OF SNOHOMISH COUNTY, WASHINGTON  
VERDANT HEALTH COMMISSION

**BOARD OF COMMISSIONERS**

**Regular Meeting**

**VHC Board Room**

**March 27, 2013**

<b>Commissioners Present</b>	Bob Knowles, President Fred Langer, Secretary J. Bruce Williams, M.D., Commissioner Karianna Wilson, Commissioner
<b>Commissioners Absent</b>	Deana Knutsen, Commissioner
<b>Others Present</b>	Carl Zapora, Superintendent George Kosovich, Program Director Lisa King, Finance Director Jennifer Piplic, Marketing Director Karen Goto, Executive Assistant Howard Thomas, Consultant Members of the community
<b>Call to Order</b>	The Regular Meeting of the Board of Commissioners of Public Hospital District No. 2, Snohomish County, was called to order at 8:05 a.m. by President Knowles.
<b>Approval of Minutes</b>	<b><i>Motion was made, seconded and passed unanimously to approve</i></b> the minutes of the regular meeting on February 27, 2013. <b><i>Motion was made, seconded and passed unanimously to approve</i></b> the minutes of the special meeting on March 21, 2013.
<b>Executive Committee</b>	President Knowles reported that the Executive Committee met on March 22, 2013 to review the March 27, 2013 board meeting agenda, review ongoing litigation, and perform background work on the Superintendent's contract.
<b>Board Finance Committee</b>	The committee met on March 25, 2013 to review the financial statements. Ms. King reported on the financials for February 2013

(E:16:13).

**Authorization  
for Payment of  
Vouchers &  
Payroll**

Warrant Numbers 10208 through 10225 for February 2013 for payment in the amount of \$16,704.61 were presented for approval (E:17:13).  
***Motion was made, seconded and passed unanimously to approve.***

**Program  
Oversight  
Committee  
Update**

Mr. Kosovich reported that the Program Oversight Committee met on March 21, 2013 and reviewed two new program funding applications and one new "concept proposal." (E:18:13).

No conflicts of interest were reported by any of the commissioners.

***Motion was made, seconded and passed unanimously to approve*** funding the Lutheran Community Services NW Back to School Health & Resource Fair in the amount of \$8,000 on a one-time basis.

Superintendent Zapora will look into possible use of discretionary funds for the City of Edmonds Health & Fitness Conquer the Hill 5K event.

Commissioner Williams would like the Program Committee to remind the City of Edmonds to use the 3<sup>rd</sup> grade swim vouchers for Yost Pool.

Mr. Kosovich explained the concept proposal for the South Snohomish County Sobering Center/Detox Program. Commissioner Langer expressed his concerns about the proposal including the fact that there are already private providers doing this type of work, how is this tied to prevention, not just adults need this type of service, and the need for compelling data to justify funding.

Commissioner Williams asked if research could be performed to see if other public hospital districts have been approached with a similar request and how did they handle it.

**Marketing  
Report**

Ms. Piplic reported on two items:

1. 6 Weeks to a Healthier You update  
Planning & registration are progressing well and the steering committee meets regularly.
2. Verdant website update

Images and artwork being finalized. Content contribution will be discussed with the Program Committee at a later date. Website launch is projected for May 2013 and the May issue of The Canopy newsletter as well as other venues such as future community leader meetings will help to get the word out about the website. Ms. Piplic will be managing the website once it is launched. Commissioner Williams asked about "A Place for Mom" and other places like this as possible provider content on the website.

**Commissioner  
Comments**

Commissioner Williams reported that the plans for the Swedish/Edmonds ER/Ambulatory/Radiology Center are moving ahead.

**Superintendent's  
Report**

Superintendent Zapora reported that \$86.50 from the discretionary fund was used to provide patient gowns to the Nick of Time youth foundation for an event at Edmonds-Woodway High School on February 6, 2013. Superintendent Zapora will be the keynote speaker at the Edmonds Senior Center on March 28, 2013 and the Alderwood Rotary Club on March 29, 2013. There are several training opportunities for the commissioners (E:19:13). The CPA auditors are finishing their work and will present their final report at the April 2013 board meeting. There are no major findings.

**Public  
Comments:**

Mr. Al Rutledge commented on several items including the bicycle club helmet donation, the hospital expansion, rural hospital care, acknowledging the thank you card from Ms. Lisa King for his comments on the amended and restated bylaws of the district, the VISA and Mastercard rebates, and the gang and drug activity in Shoreline.

**Executive  
Session**

President Knowles recessed the regular meeting at 8:40 a.m. into Executive Session to discuss ongoing litigation, the Superintendent's compensation, and real estate matters. President Knowles stated that no action would be taken in this Executive Session and the board would reconvene in 30 minutes.

**Open Session**

President Knowles reconvened into open session at 9:00 a.m.

**Adjourn**

There being no further business to discuss, the meeting was adjourned at 9:00 a.m.

**ATTEST BY:**

\_\_\_\_\_  
President

\_\_\_\_\_  
Secretary

**Balance Sheet**  
As of March 31, 2013

	<u>Dec 31, 2012</u>	<u>Mar 31, 2013</u>	<u>\$ Change</u>	<u>Comments:</u>
<b>ASSETS</b>				
<b>Current Assets</b>				
1 <b>Total Cash Balance</b>	1,451,628	574,615	(877,012)	
2 <b>Total Accounts Receivable</b>	776,302	110	(776,192)	Payment by S/E received
<b>Other Current Assets</b>				
3 <b>Total Misc Current Assets</b>	11,181	11,181	-	BofA Unamortized Financing Costs
4 <b>Total Investments</b>	40,128,375	43,099,110	2,970,735	
5 <b>Total Other Miscellaneous Receivables</b>	1,071,089	1,533,747	462,658	M&O Tax Levy Recv
6 <b>Total Prepaid Expenses &amp; Others</b>	25,106	8,254	(16,852)	
7 <b>Total Other Current Assets</b>	<u>41,235,751</u>	<u>44,652,291</u>	<u>3,416,541</u>	
8 <b>Total Current Assets</b>	43,463,681	45,227,017	1,763,336	
9 <b>Total Fixed Assets</b>	26,154,403	25,104,254	(1,050,149)	
10 <b>Total Financing &amp; Lease Costs</b>	407,524	402,953	(4,570)	
11 <b>Total Other Assets</b>	<u>6,399,306</u>	<u>6,396,511</u>	<u>(2,795)</u>	
<b>TOTAL ASSETS</b>	<u><b>76,424,913</b></u>	<u><b>77,130,735</b></u>	<u><b>705,822</b></u>	

**Balance Sheet**  
As of March 31, 2013

		<u>Dec 31, 2012</u>	<u>Mar 31, 2013</u>	<u>\$ Change</u>	<u>Comments:</u>
<b>LIABILITIES &amp; EQUITY</b>					
<b>Liabilities</b>					
<b>Current Liabilities</b>					
12	Total Accounts Payable	76,581	62,315	(14,266)	
13	Total Credit Cards	90	1,373	1,283	
<b>Other Current Liabilities</b>					
14	Total Accrued Salary & Benefits	34,213	44,308	10,095	
15	Interest & Orig Issue Premium	506,068	535,563	29,495	2012 LTGO Bonds
16	Total Other Payables & Accruals	365,058	550,392	185,333	P/L & W/C Settlements & S/E overpayment
17	Current Portion of L-T Debt	720,000	720,000	-	Annual Bond Payment due Dec 1
18	<b>Total Other Current Liabilities</b>	<u>1,625,340</u>	<u>1,850,262</u>	<u>224,923</u>	
19	<b>Total Current Liabilities</b>	<u>1,702,010</u>	<u>1,913,950</u>	<u>211,940</u>	
<b>Long-term Liabilities</b>					
20	Total Long-term Debt - Operations	5,905,000	5,905,000	-	2012 LTGO Bonds
21	Total Other Long-term Liabilities	202,870	202,870	-	P/L & W/C Reserve
22	<b>Total Long-term Liabilities</b>	<u>6,107,870</u>	<u>6,107,870</u>	<u>-</u>	
23	<b>Total Liabilities</b>	<u>7,809,880</u>	<u>8,021,820</u>	<u>211,940</u>	
24	<b>Total Equity</b>	<u>68,615,033</u>	<u>69,108,915</u>	<u>493,882</u>	Net Income
<b>TOTAL LIABILITIES &amp; EQUITY</b>		<u><b>76,424,913</b></u>	<u><b>77,130,735</b></u>	<u><b>705,822</b></u>	

**Profit Loss**

March 2013

		<u>Feb 2013</u>	<u>Mar 2013</u>	<u>\$ Change</u>	<u>Comments:</u>
	Ordinary Income/Expense				
1	Total Income	834,327	837,240	2,913	
	Expenses				
	Operating Expenses				
2	Total Salaries & Benefits	41,792	73,971	32,179	Includes 2012 Superintendent Incentive Comp
3	Total Workers Comp	3,351	3,370	19	
4	Total Depreciation	350,160	350,050	(111)	
5	Total Insurance	892	901	8	
6	Total Interest Expense	15,001	15,001	-	
7	Total Amortization	1,249	1,249	-	
8	Total Professional Services	27,656	41,738	14,082	Includes Moss Adams 2012 Audit Expenses
9	Total Purchased Services	998	2,578	1,580	
10	Rent Expense	2,900	2,900	-	
11	Total Other Expenses	327	723	396	
12	Total Supplies	376	330	(46)	
13	Total Taxes	918	941	23	
14	Total Utilities	503	546	43	
15	Total Operating Expenses	446,123	494,297	48,174	
	Program Expenses				
19	Total Program Expenses	184,776	216,897	32,121	
21	Total Expense	630,899	711,194	80,295	
22	Net Ordinary Income	203,428	126,046	(77,382)	
	Other Income/Expense				
	Other Income				
25	Total General Obligation Bonds	6,552	5,881	(670)	Gain on Investment
26	Total Non Operating Revenue	121,335	69,811	(51,524)	
20	Total Other Income/Expense	127,886	75,692	(52,194)	
Net Income		331,314	201,739	(129,576)	



## Profit Loss Budget vs. Actual

January - March 2013

	A	B	C	D
	Jan-Mar 2013	Jan-Mar Budget	Over/(Under) Budget	% of Budget
<b>Operating Revenues</b>				
1 M&O Tax Levy	509,736	514,068	(4,332)	99.2%
2 Rental Income	1,980,549	1,980,720	(171)	100.0%
3 Pavilion Ground Lease Income	11,677	11,677	-	100.0%
4 Other Operating Income	98	-	98	100.0%
<b>5 Total Operating Revenues</b>	<b>2,502,060</b>	<b>2,506,465</b>	<b>(4,405)</b>	<b>99.8%</b>
<b>Operating Expenses</b>				
6 Salaries	147,666	163,125	(15,459)	90.5%
7 Benefits	18,807	22,656	(3,849)	83.0%
8 Workers Comp	13,837	14,625	(788)	94.6%
9 Insurance	3,027	6,452	(3,425)	46.9%
10 Interest Expense	45,300	56,688	(11,388)	79.9%
11 Amortization	3,747	8,465	(4,718)	44.3%
12 Rent Expense	8,700	8,700	-	100.0%
13 Consulting	45,008	45,000	8	100.0%
14 Legal	7,915	10,000	(2,086)	79.1%
15 Accounting/Auditing	27,428	27,250	178	100.7%
16 Other Professional Services	7,511	2,500	5,011	300.4%
17 Purchased Services	5,470	15,900	(10,430)	34.4%
18 Supplies	1,010	3,900	(2,890)	25.9%
19 License and Tax	2,784	-	2,784	100.0%
20 Utilities	1,579	1,644	(65)	96.0%
21 Miscellaneous Expenses	2,237	15,024	(12,787)	14.9%
<b>22 Total Operating Expenses</b>	<b>342,026</b>	<b>401,929</b>	<b>(59,903)</b>	<b>85.1%</b>
23 Community Program Investments	614,908	1,575,000	(960,092)	39.0%
<b>24 Net Ordinary Income</b>	<b>1,545,126</b>	<b>529,536</b>	<b>1,015,590</b>	<b>291.8%</b>
<b>Other Income/(Expense)</b>				0.0%
25 2003 GO Tax Levy	18,852	-	18,852	100.0%
26 Investment Income	279,693	270,000	9,693	103.6%
27 Unrealized G/L on Investment	(308,915)	-	(308,915)	100.0%
28 Other Income (Expense)	9,275	-	9,275	100.0%
<b>29 Total Other Income/(Expense)</b>	<b>(1,095)</b>	<b>270,000</b>	<b>(271,095)</b>	<b>-0.4%</b>
<b>30 Net Income (Before Depreciation)</b>	<b>1,544,031</b>	<b>799,536</b>	<b>744,495</b>	<b>193.1%</b>
31 Depreciation	1,050,149	1,053,933	(3,784)	99.6%
<b>32 Net Income (After Depreciation)</b>	<b>493,882</b>	<b>(254,397)</b>	<b>748,279</b>	<b>-194.1%</b>

## Balanced Approach, Increase Investment Over Time

	A	C	D	E	F	G	H	I	J	K
1	<b>\$ Millions</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
2	<b>Revenue</b>									
3	Swedish Lease	\$7.49	\$7.71	\$7.95	\$8.18	\$8.43	\$8.68	\$8.94	\$9.21	\$9.49
4	Value Village Lease	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28	\$0.28	\$0.00	\$0.00
5	Pavillion Ground Lease	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05
6	Investment Earnings	\$1.12	\$0.80	\$0.80	\$0.88	\$0.97	\$1.05	\$1.12	\$1.19	\$1.24
7	Levy	\$2.04	\$2.05	\$2.05	\$2.05	\$2.05	\$2.05	\$2.05	\$2.05	\$2.05
8	<b>Total Revenue</b>	<b>\$10.97</b>	<b>\$10.89</b>	<b>\$11.11</b>	<b>\$11.44</b>	<b>\$11.77</b>	<b>\$12.10</b>	<b>\$12.44</b>	<b>\$12.49</b>	<b>\$12.82</b>
9	<b>Expenses</b>									
10	Regular Verdant Operating Expenses	\$1.04	\$1.08	\$1.12	\$1.17	\$1.21	\$1.26	\$1.31	\$1.36	\$1.42
11	Program Expenses									
	a) External 75% of total	\$1.66	\$3.30	\$3.55	\$3.90	\$4.29	\$4.72	\$5.19	\$5.71	\$6.28
	b) Internal 20% of total	\$0.12	\$0.69	\$0.95	\$1.04	\$1.14	\$1.26	\$1.39	\$1.52	\$1.68
	c) Superintendent 5% of total	\$0.09	\$0.32	\$0.24	\$0.26	\$0.29	\$0.31	\$0.35	\$0.38	\$0.42
	d) One time		\$2.00							
12	<b>Total Program Expenses</b>	<b>\$1.87</b>	<b>\$6.30</b>	<b>\$4.73</b>	<b>\$5.20</b>	<b>\$5.72</b>	<b>\$6.30</b>	<b>\$6.93</b>	<b>\$7.62</b>	<b>\$8.38</b>
13	Hospital Legacy	\$0.13	\$0.12	\$0.10	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07	\$0.07
14	Ongoing Hospital	\$0.09	\$0.09	\$0.08	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06	\$0.06
15	Bond Principal Payments	\$1.81	\$0.72	\$0.75	\$0.77	\$0.81	\$0.84	\$0.88	\$0.92	\$0.96
16	Mckesson/Banc of America Lease	\$1.13	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
17	<b>Total Expenses</b>	<b>\$5.97</b>	<b>\$8.22</b>	<b>\$6.69</b>	<b>\$7.21</b>	<b>\$7.81</b>	<b>\$8.47</b>	<b>\$9.18</b>	<b>\$9.97</b>	<b>\$10.82</b>
18	Cash Outlay for Building Purchase		\$3.00							
19	<b>Net Operating Cash Flow</b>	<b>\$5.00</b>	<b>-\$0.33</b>	<b>\$4.42</b>	<b>\$4.23</b>	<b>\$3.96</b>	<b>\$3.64</b>	<b>\$3.25</b>	<b>\$2.52</b>	<b>\$1.99</b>
20	Beginning Cash Balance*	\$35.12	\$40.13	\$39.80	\$44.22	\$48.45	\$52.42	\$56.05	\$59.30	\$61.83
21	Net Cash Flow	\$5.00	-\$0.33	\$4.42	\$4.23	\$3.96	\$3.64	\$3.25	\$2.52	\$1.99
22	<b>Ending Cash Balance*</b>	<b>\$40.13</b>	<b>\$39.80</b>	<b>\$44.22</b>	<b>\$48.45</b>	<b>\$52.42</b>	<b>\$56.05</b>	<b>\$59.30</b>	<b>\$61.83</b>	<b>\$63.82</b>

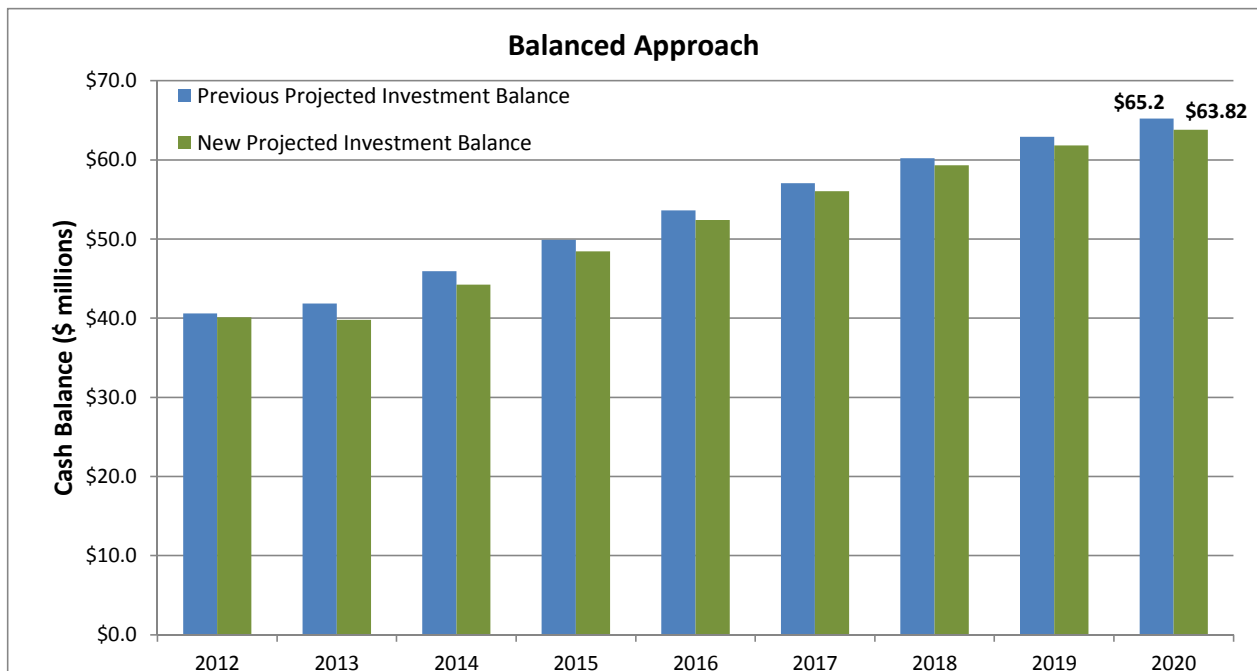
Assumptions	
Growth Rate on Swedish Lease Income	3%
Operating Expense Growth Rate	4%
Earnings on Investment Portfolio	2%

### Notes:

Line 4 assumes 5 year contract renewal for Value Village

Line 12 assumes a 10% spending increase per year

\* Excludes daily operating cash



**Public Hospital District #2 of Snohomish County**  
**Summary of Cash Receipts and Disbursements**  
**March 2013**

	<b>March 2013</b>	
	<b>Amount</b>	
<b>Receipts:</b>		
Other Rental Income	26,678.67	Value Village
Swedish/Edmonds Rental Income	636,540.01	
Snohomish County Tax Levy	33,292.39	
Ground Lease Payments	4,166.67	
Misc. Reimbursements/Refunds	761,945.37	Swedish, Reimbursements & Interest Income
Total Receipts	<u>1,462,623.11</u>	
<b>Disbursements:</b>		
Professional Services:		
Legal Fees	4,892.50	Litigation and Professional Liability Legal Fees
Accounting Fees	26,844.15	Ash Consulting, Moss Adams, WA State Auditors
Consulting Fees	24,000.00	Howard Thomas Feb & Mar Retainer
Professional Services	181.00	Benefit Solutions Administrator, IT support
Purchased Services	12,308.52	Paychex, Bank Service Fees, Telephone support, Bond Rating
Payroll	38,567.89	2 pay periods Plus Benefit Solutions & Superintendent Incentive Comp
Payroll Taxes	21,305.22	2 pay periods
Employee Insurance	3,725.57	Regence Medical & Dental, Principal Life
Employee Retirement Contributions	5,502.56	Valic
Program Expenditures	218,362.17	Includes Pertussis, 6WTHY & Community Needs Assessment
Workers Compensation	6,690.39	Eberle Vivian
Other Miscellaneous Expenses	6,937.02	Supplies, Rent, Canon Lease, Dues, Interest Expense, Taxes
Total Disbursements	<u>369,316.99</u>	

**Public Hospital District #2****Cash Activity**

<b>Warrant Number</b>	<b>Transaction Date</b>	<b>Payee</b>	<b>Amount</b>	<b>Purpose</b>
<b>Warrant Activity:</b>				
10226	3/8/2013	Thomas & Associates	24,000.00	Consulting - Feb & Mar Retainer
10227	3/8/2013	Eberle Vivian	3,750.00	Workers Compensation Administration
10228	3/8/2013	Pacific Art Press Inc.	1,471.13	Flyers & Postcards - 6WTHY
10229	3/8/2013	Wells Fargo	1,105.03	Misc.
10230	3/8/2013	Snohomish County	2,625.00	Programs - Beauty & Health Fair
10231	3/8/2013	Ash Consulting	4,207.50	Accounting Consulting
10232	3/8/2013	Moody's Investors Service	11,500.00	Rating for Bond Refinance
10233	3/8/2013	Sedgwick CMS	325.00	Professional Liability Administration
10234	3/8/2013	Institute for Fitness and Health	96.29	Programs - 6WTHY
10235	3/13/2013	Electronic Business Machines	557.46	Copy Machine Maintenance
10236	3/13/2013	Nick of Time Foundation	86.50	Programs - Superintendent Discretionary
10237	3/20/2013	Ace Internet Services, Inc.	169.50	IT Support
10238	3/20/2013	State Auditor's	961.40	Professional Services - 2011 State Audit
10239	3/20/2013	Advocate Telecom	155.78	Telephone Support
10240	3/20/2013	Canon Financial Services	301.13	Copy Machine Lease
10241	3/20/2013	Pacific Art Press Inc.	82.13	Advertisement in Inside Lynnwood - 6WTHY
10242	3/20/2013	Refugee & Immigrant Services NW	43.75	Translation Services - 6WTHY
10243	3/20/2013	Special Occasions Catering	356.11	Catering for Special Business Meeting
10244	3/20/2013	Staples	139.91	Supplies
10245	3/27/2013	Benefit Solutions Inc.	11.50	FSA Administration
10246	3/27/2013	Foster Pepper	4,567.50	Legal
10247	3/27/2013	Moss Adams - Audit	21,675.25	Professional Services - 2012 Financial Audit
10248	3/27/2013	Principal Financial Group	600.27	Life Insurance
10249	3/27/2013	Regence BlueShield	3,125.30	Medical Insurance
10250	3/27/2013	Wells Fargo	143.81	Misc.
10251	3/27/2013	Lynnwood PFD	3,045.00	Rent
10252	3/27/2013	Wells Fargo	325.15	Misc.
Total Warrants			<u>85,427.40</u>	

**Workers Compensation Claims Activity:**

305009-305015	Mar 2013	Various Claimants/Vendors	<u>2,940.39</u>	Administered by Eberle Vivian
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Transaction Date	Payee	Amount	Purpose
<b>Wire/ACH Activity:</b>			
3/8/2013	Payroll	25,480.19	ACH payroll transfer
3/8/2013	Department of Treasury	16,043.00	Payroll taxes for 3/2/13 pay period ending
3/8/2013	Paychex	80.32	Fee for payroll processing
3/8/2013	Valic	3,705.82	Payroll 401(a)/457 Deposit
3/22/2013	Payroll	12,670.42	ACH payroll transfer
3/22/2013	Department of Treasury	5,262.22	Payroll taxes for 3/16/13 pay period ending
3/22/2013	Paychex	74.92	Fee for payroll processing
3/22/2013	Valic	1,796.74	Payroll 401(a)/457 Deposit
3/11/2013	Wells Fargo	305.48	Bank Service Fee
3/11/2013	Wells Fargo	49.71	Bank Service Fee
3/28/2013	Bank of America - Fees	93.65	Bank Service Fee
3/11/2013	Wells Fargo	48.66	Bank Service Fee
3/15/2013	American Diabetes Association	12,500.00	Program Payment
3/15/2013	American Heart Association	800.00	Program Payment
3/15/2013	Boys & Girls Club of Snohomish County	9,328.25	Program Payment
3/15/2013	Cascade Bicycle Club Education Foundation	6,416.67	Program Payment
3/15/2013	Center for Human Services	13,523.67	Program Payment
3/15/2013	City of Lynnwood	43,640.67	Program Payment
3/15/2013	Community Health Center of Snohomish Co	8,333.33	Program Payment
3/15/2013	Domestic Violence Services Snohomish Co	1,621.08	Program Payment
3/15/2013	Edmonds School District No. 15	28,056.82	Program Payment
3/15/2013	Edmonds Senior Center	5,764.50	Program Payment
3/15/2013	Little Red Schoolhouse	22,000.00	Program Payment
3/15/2013	Medical Teams International	4,000.00	Program Payment
3/15/2013	Parent Trust for WA Children	2,083.33	Program Payment
3/15/2013	Program for Early Parent Support	3,333.33	Program Payment
3/15/2013	Project Access Northwest	6,666.67	Program Payment
3/15/2013	Providence Hospice & Home Care Foundation	12,916.67	Program Payment
3/15/2013	Puget Sound Christian Clinic	6,250.00	Program Payment
3/15/2013	Senior Services of Snohomish County	11,208.33	Program Payment
3/15/2013	YWCA of Seattle, King and Snohomish Co	4,166.66	Program Payment
3/15/2013	Strategic Learning Resources, Inc.	11,347.39	Program Payment
3/6/2013	Benefit Solutions Inc.	20.00	FSA Payments
3/8/2013	Benefit Solutions Inc.	14.60	FSA Payments
3/21/2013	Benefit Solutions Inc.	36.54	FSA Payments
3/27/2013	Benefit Solutions Inc.	346.14	FSA Payments
3/26/2013	WA Department of Revenue	963.42	B&O tax for Feb 2013
Total Wires/ACH Transactions		280,949.20	
<b>Total Disbursements</b>		<b>\$ 369,316.99</b>	

		Date	Payer	Amount	Purpose
<b>Deposits:</b>					
		3/1/2013	Swedish/Edmonds	636,540.01	Monthly lease
		3/1/2013	Value Village	26,678.67	Monthly lease
		3/11/2013	Snohomish County	33,292.39	Levy
		3/20/2013	Healthcare Realty Services, Inc.	4,166.67	Monthly lease
		3/25/2013	Carolyn Wood	98.00	6WTHY Registration
		3/14/2013	PFD - Copies	113.75	Copies
		3/27/2013	Swedish - Misc. Receivables	761,707.06	Payment of Balance Due
		3/28/2013	Thomas & Associates	10.53	Reimbursement for personal charges
		3/31/2013	Investment Income - Op	15.58	Interest income
		3/31/2013	Investment Income - Op	0.45	Interest income
			<b>Total Deposits</b>	<b>\$ 1,462,623.11</b>	

VERDANT HEALTH COMMISSION  
PUBLIC HOSPITAL DISTRICT #2  
SNOHOMISH COUNTY, WASHINGTON

WARRANT APPROVAL

We, the undersigned Board of Commissioners of Public Hospital District #2 of Snohomish County, Washington, do hereby certify that the merchandise or services hereinafter specified have been received and that Warrant Numbers 10226 through 10252 have been issued for payment in the amount of \$85,427.40. These warrants are hereby approved.

Attest:

\_\_\_\_\_  
Lisa M. King

\_\_\_\_\_  
Commissioner

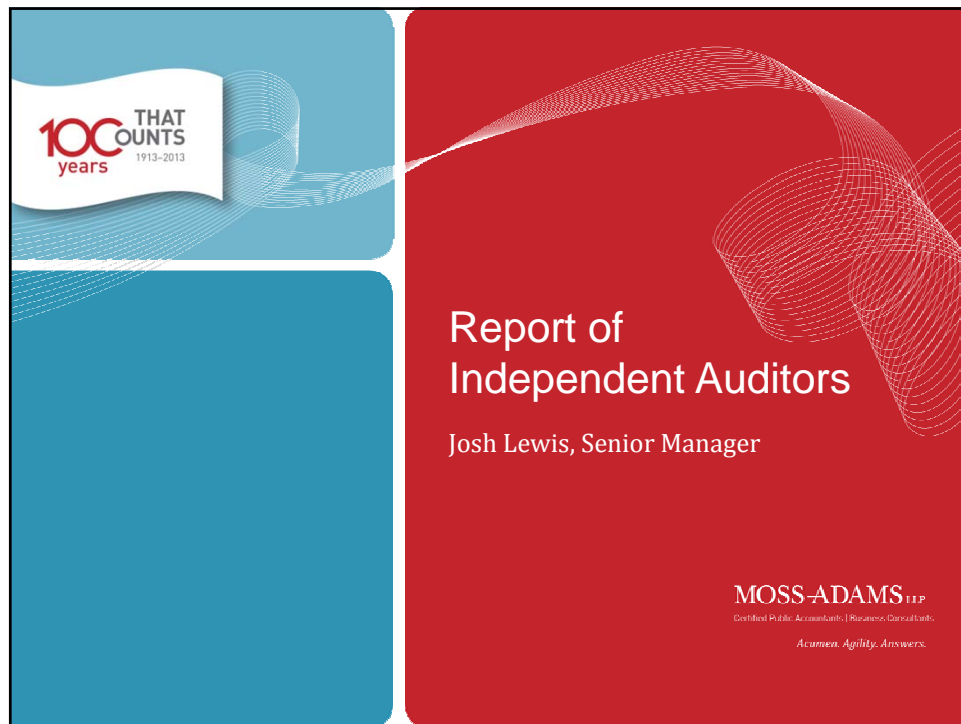
\_\_\_\_\_  
Commissioner

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Commissioner

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Commissioner

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Commissioner

Warrants Processed:	3-1-13 – 3-31-13		85,427.40
Work Comp Claims Pd:	3-1-13 – 3-31-13		2,940.39
Payroll:	2-17-13 – 3-2-13	25,480.19	
	3-3-13 – 3-16-13	<u>12,670.42</u>	
			38,150.61
Electronic Payments:	Payroll Taxes	21,305.22	
	Paychex	155.24	
	Valic Retirement	5,502.56	
	Benefit Solutions	417.28	
	Bank Fees	497.50	
	WA State Dept Revenue	963.42	
	Program Expenditures	<u>213,957.37</u>	
			<u>242,798.59</u>
	Grand Total		<u><u>\$369,316.99</u></u>





## REQUIRED BOARD COMMUNICATIONS

- Unmodified opinion
- No new significant accounting policies
  - But there will be in 2013
- No issues discussed prior to our retention
- No audit adjustments
- No disagreements with management

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## ACCOUNTING ESTIMATES

- Estimates are reasonable
- Estimates include: useful lives of assets, worker's compensation claims, estimated professional liability and estimated third party settlements
- Significantly impact financial statements
- Based on best available information
- **Changes are reported in period they become known**

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## CHANGE IN ESTIMATES

### IMPACT TO BOTTOM LINE

	2011	2012
Worker's comp liability	930,000	45,000
Professional liability	380,000	185,000
Receivable from/payable to Swedish	310,000	1,340,000
Third-party settlements	- <u>870,000</u>	<u>1,170,000</u>
Net increase to bottom line	<u>750,000</u>	<u>2,740,000</u>

Most significant cause of the increase was a change in the SSI%, which impacts the cost reports

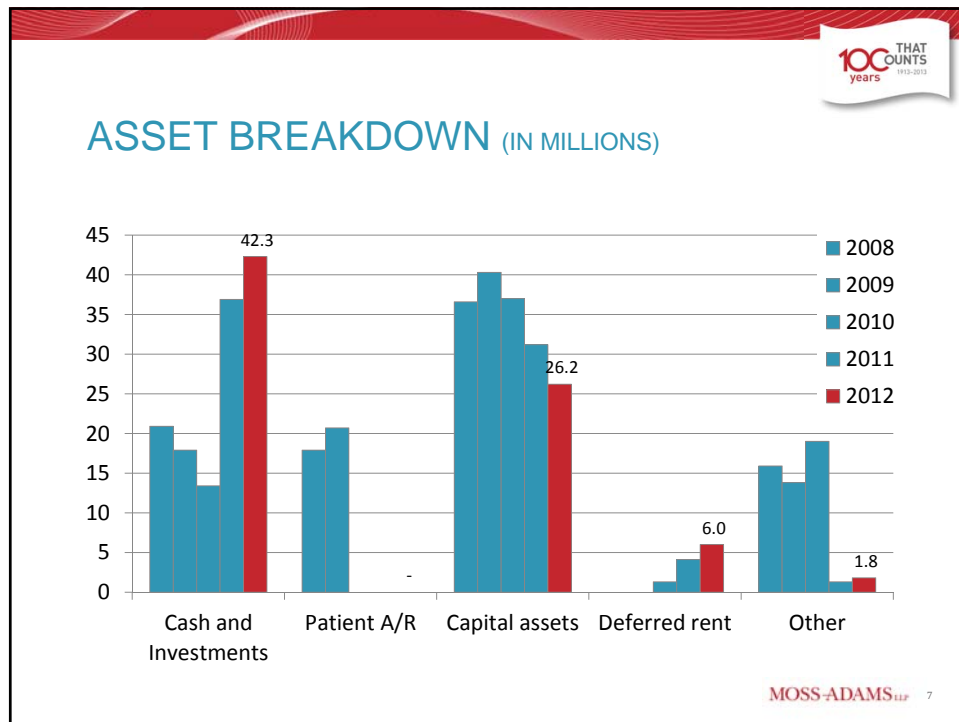
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## ACCOUNTING FOR LEASE WITH SWEDISH

- Straight-line accounting
  - Deferred rent asset represents income recognized but not yet paid
- Lease accounting currently in flux
  - FASB and IASB working to rewrite current lease guidance
  - GASB may adopt the new guidance established by FASB
- Impact to Verdant
  - Accounting for the Swedish lease may change in the future

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## INDUSTRY OBSERVATIONS

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Certified Public Accountants | Business Consultants  
*Account. Agility. Answers.*



## HEALTHCARE REFORM

### MEDICAID EXPANSION & HEALTH BENEFIT EXCHANGE

- Medicaid expansion
  - Coverage begins January 1, 2014
  - Eligibility expanded to 133% FPL (functionally 138%)
- Health Benefit Exchange
  - Subsidies for up to 400% of the FPL
  - Functions as a virtual supermarket for insurance
  - Exchange key dates:
    - 7/1/13 – finalization of Qualified Health Plan contracts
    - 10/1/13 – open enrollment begins
    - 1/1/14 – exchange benefits begin
    - 12/31/14 – exchange must be self-sustaining

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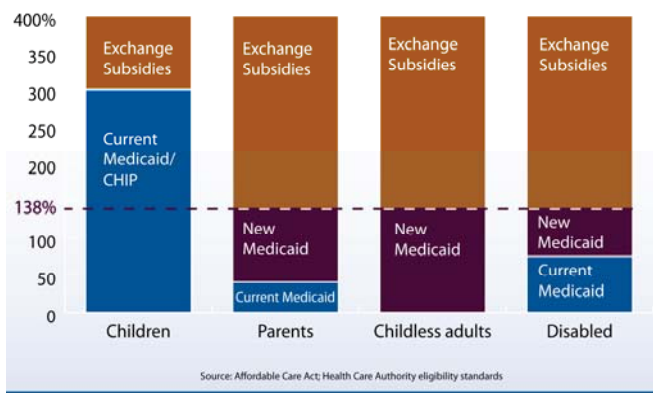
## HEALTHCARE REFORM

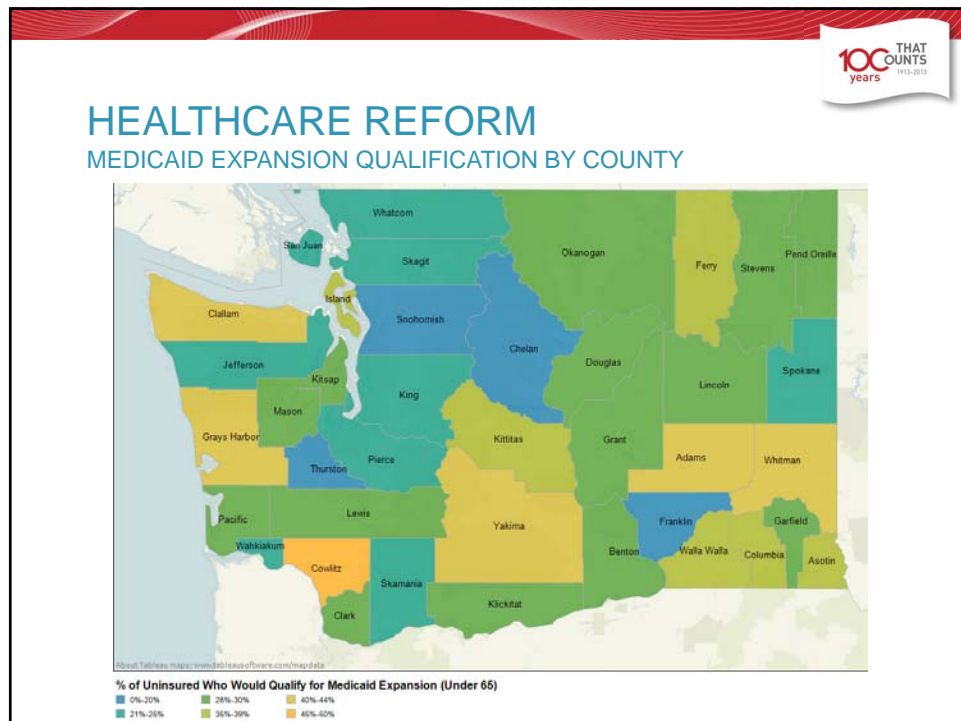
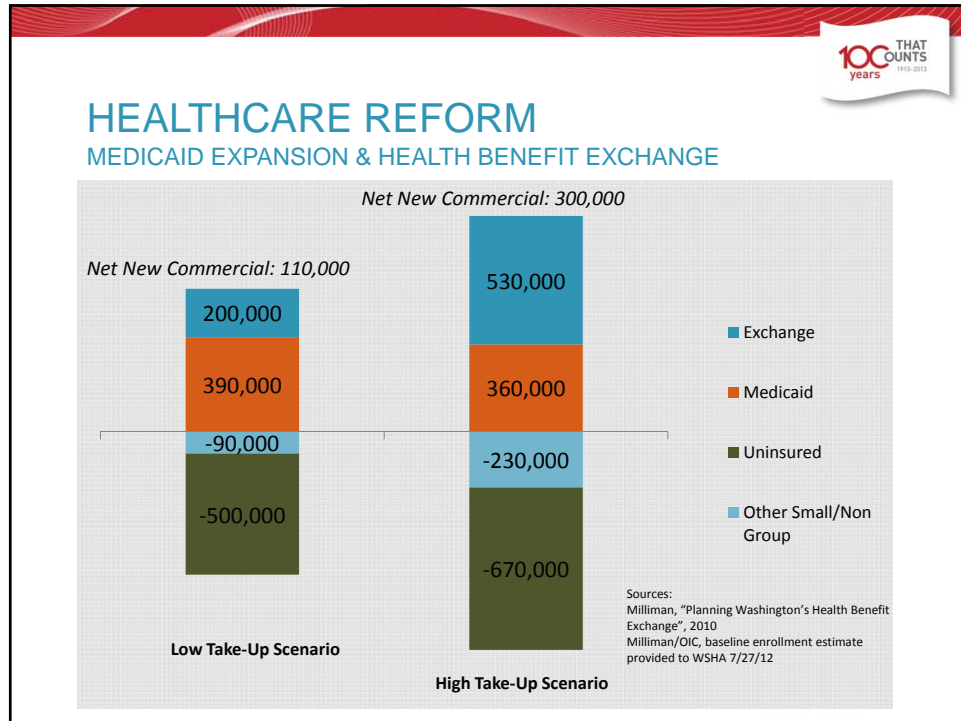
### MEDICAID EXPANSION & HEALTH BENEFIT EXCHANGE

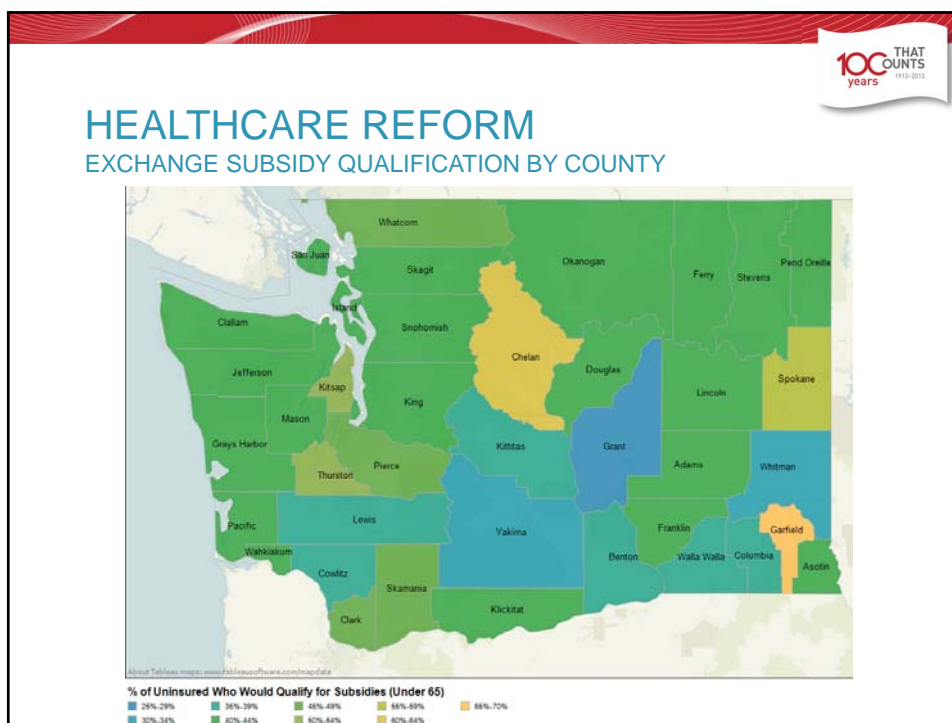
Washington State Budget & Policy Center | [budgetandpolicy.org](http://budgetandpolicy.org)

#### Simplified Health Coverage Beginning in 2014

Subsidized coverage options under health reform, by Federal Poverty Level (FPL)







100 years THAT COUNTS 1913-2013

## HEALTHCARE REFORM

### CHALLENGES THAT STILL NEED TO BE ADDRESSED

- Access to care – PPACA did a lot for access to coverage, access to care may still be an issue
  - Large amount of newly insured patients
  - Primary care not well reimbursed under current payment system
  - Shortage of providers/willingness to take on newly insured patients
- Cost – PPACA didn't do much to bend the cost curve
  - Need to deliver the right care at the right time in the right location.
  - Need to utilize (and value) primary care and care coordination
  - Need to reform payment models to align incentives
  - Individuals need to take ownership in improving their health

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## CELEBRATING A CENTURY OF SERVICE

In 1913 an accountant opened a small practice in Seattle to serve the Pacific Northwest's booming timber industry. Today, that practice is one of the largest accounting and consulting firms in the nation, serving businesses and organizations around the globe.

Yet while we're pleased to celebrate our centennial, we remain focused on what's truly mattered all along: you. Because anniversaries are nice, but providing you with vital insights to help your organization succeed? That counts.

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## Questions

Josh Lewis  
[josh.lewis@mossadams.com](mailto:josh.lewis@mossadams.com)  
 425.303.3137

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PUBLIC HOSPITAL DISTRICT NO. 2  
SNOHOMISH COUNTY, WASHINGTON  
RESOLUTION NO. 2013-05

A resolution of the Commission of Public Hospital District No. 2, Snohomish County, Washington (the "District") authorizing the lease of surplus real property owned by the District.

WHEREAS, RCW 70.44.310 authorizes the District to lease or rent out real property that is not currently required for public hospital district purposes as determined by resolution of the board of commissioners (the "Commission"); and

WHEREAS, the District owns that certain real property and all improvements thereon, as more particularly described in attached Exhibit A (the "Property"); and

WHEREAS, the Commission has determined that the Property is not currently required for public hospital purposes and that it is in the District's best interests to lease the Property to TVI, Inc., formerly known as Shop & Save Incorporated (the "Tenant"); NOW, THEREFORE,

BE IT RESOLVED by the Commission of Public Hospital District No. 2, Snohomish County, Washington, as follows:

Section 1. The Commission hereby finds that the Property is not currently required for public hospital district purposes and that the lease of the Property is in the District's best interests.

Section 2. The Commission deems it to be in the best interests of the District to lease the Property, or such portion of the Property as the superintendent and chief executive officer (the "Superintendent") deem appropriate, to the Tenant on the terms and conditions substantially set forth in the lease agreement on file in the office of the Superintendent, and subject to such final revisions as the Superintendent deems appropriate (the "Lease Agreement").

Section 3. The Superintendent of the District, or his designee, is hereby authorized and directed to execute and deliver on behalf of the District the Lease Agreement.

Section 4. The Superintendent, or his designee, is further authorized to execute and deliver on behalf of the District any additional documents that may be necessary or convenient to carry out and complete the transactions authorized by this resolution.



ADOPTED AND APPROVED by the Commission of Public Hospital District No. 2, Snohomish County, Washington, at a regular open public meeting thereof this 24th day of April, 2013, the following commissioners being present and voting in favor of the resolution.

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President and Commissioner

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Commissioner

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Commissioner

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Commissioner

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Secretary and Commissioner

I, Fred P. Langer, Secretary of the Commission of Public Hospital District No. 2, Snohomish County, Washington, certify that the attached copy of Resolution No. 2013-05 is a true and correct copy of the original resolution adopted on April 24, 2013, as that resolution appears on the Minute Book of the District.

DATED this 24th day of April, 2013.

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Fred P. Langer,  
Secretary of the Commission

**EXHIBIT A TO  
PUBLIC HOSPITAL DISTRICT NO. 2  
SNOHOMISH COUNTY, WASHINGTON  
RESOLUTION NO. 2013-05**

Legal Property Description

PARCEL A: The South 190 feet of Tract 22, Solner's Five Acre Tracts lying Westerly of State Road No. 1, as per plat recorded in Volume 7 of Plats, Page 25, records of Snohomish County, Washington;

PARCEL B: The West 181.72 feet of the North 100 feet of the South 290 feet of Tract 22, Solner's Five Acre Tracts, as per plat recorded in Volume 7 of Plats, Page 25, records of Snohomish County, Washington.

Situate in the County of Snohomish, State of Washington.

## April 2013 Program Report

### Summary of Programs for Discussion

- Two new program funding applications

### Not Recommended for Funding:

- **New Sound Church – Senior Housing:** a one-time request of \$15,000 to assist with the planning of an affordable senior housing community in Mountlake Terrace. Funds would be used to update the city's comprehensive plan.

**The committee is not recommending funding this program at this time.** The project is primarily for the purpose of increasing housing for seniors, rather than a direct health or wellness use. Although there were some long-term ideas in the proposal about incorporating health and fitness spaces in the project, they were not specific or well defined enough at this stage.

- **Center for Advanced Recovery Solutions – Recovery Support House:** A for-profit (private practice counseling practice) company called the Center for Advanced Recovery Solutions (CAREs) has reapplied for start-up funding for a recovery center targeting young people (18-26) in South Snohomish County. The program would be operated out of a single family home and would serve as a transitional environment for young people coming out of treatment programs.

**The committee is not recommending funding this program at this time.** Even though there is a need for substance abuse services for teens, there were still concerns with this particular proposal given the lack of organizational and financial track record of the applicant. Although the revised request is smaller (\$48,000 vs. \$107,000) than the previous one, and the organization now has 6 months of a track record providing counseling services, revenues are still small (\$3,000 total) and the committee had some concerns about the appropriateness of providing start-up capital for a for-profit enterprise.

**Verdant Health Commission Proposal Summary April 2013**

	A	B	C	D	E	F	G	H	I	J
	Programs for April Review		Request for funding			Priority Area				
#	Name	Description	Year 1	Year 2	Year 3	Education & Empowerment	Prevention	Access to Healthcare	Policy & Advocacy	Primary Population Served
1	New Sound Church - Senior Housing Community	New Sound Church is seeking one time funding to assist with the planning of an affordable senior housing community in Mountlake Terrace. Funds would be used to update the city's comprehensive plan. The project concept would include a community center, transportation and other possible resources like an in house clinic, meeting rooms, computer access, exercise facilities, spa etc.	\$15,000			X	X	X		Seniors
2	Center for Advanced Recovery Solutions	A for-profit (private practice counseling practice) company called the Center for Advanced Recovery Solutions (CAREs) has reapplied for start-up funding for a recovery center targeting young people (18-26) in South Snohomish County. The program would be operated out of a single family home and would serve as a transitional environment for young people coming out of treatment programs.	\$48,000			X	X	X		Young people in recovery

**Program Payout Schedule (April 2013)**

	A	C	C
		Budget 2013	Budget 2014
1			
2	<b>7100 . Grants</b>		
3	<b>Committed</b>		
4	Edmonds Senior Center Enhanced Wellness	\$ 61,695	\$ 61,695
5	Edmonds School District Move 60!	\$ 382,188	\$ 315,466
6	3rd Grade Swim Lessons	\$ 137,430	\$ 137,430
8	Boys & Girls Club Healthy Habits	\$ 111,939	\$ 111,939
9	City of Lynnwood Move 60: Teens!	\$ 77,468	\$ 77,468
10	City of Lynnwood Get Movin'	\$ 52,250	\$ 52,250
11	Senior Services Care Coordination	\$ 100,875	\$ -
12	Little Red Nurse Family Partnership	\$ 264,000	\$ -
13	Center for Human Services Youth Counseling	\$ 162,284	\$ 162,284
14	Project Access Northwest	\$ 80,000	\$ 66,667
15	Community Health Center ER Diversion	\$ 100,000	\$ 100,000
16	PSCC Edmonds Mobile Medical Clinic	\$ 75,000	\$ -
17	Parent Trust Continuum of Family Support Services	\$ 25,000	\$ 25,000
18	Domestic Violence Services Teen Prevention	\$ 19,453	\$ 19,453
19	Providence Hospice & Home Care Foundation	\$ 155,000	\$ 155,000
20	YWCA Children's Domestic Violence	\$ 25,000	\$ 25,000
21	Medical Teams Intl. Mobile Dental Program	\$ 48,000	\$ 48,000
22	Lynnwood Fire Department Cardiac Care	\$ 15,625	\$ -
23	Program for Early Parent Support (PEPS)	\$ 40,000	\$ 40,000
24	YWCA Mental Health Counseling	\$ 25,000	\$ 25,000
25	Cascade Bicycling Club Advanced Basics	\$ 32,000	\$ 32,000
26	Cascade Bicycling Club Policy Proposal	\$ 45,000	\$ 45,000
27	American Diabetes Association Stop Diabetes	\$ 50,000	\$ 50,000
28	Snohomish County Fall Prevention	\$ 3,000	\$ -
29	Cascade Bicycling Club Helmets	\$ 5,600	\$ -
30	Snohomish County MRC Health & Beauty Fair	\$ 2,625	\$ -
31	EdCC Student Health & Wellness Program*	\$ 76,524	\$ 153,047
32	Senior Services Center for Healthy Aging*	\$ 262,308	\$ 524,615
33	Prescription Drug Foundation*	\$ 50,000	\$ 50,000
34	Team Child Policy/Advocacy Project*	\$ 32,750	\$ -
35	American Red Cross CPR Training	\$ 10,000	\$ -
36	Edmonds Senior Center Healthy Living Fair	\$ 2,000	\$ -
37	LSC Back to School Health Fair	\$ 8,000	\$ -
38	<b>Total Committed</b>	<b>\$ 2,538,013</b>	<b>\$ 2,277,314</b>
39	<b>Not Committed (Available to Spend)</b>	<b>\$ 3,209,917</b>	<b>TBD</b>
40	<b>Total Grants</b>	<b>\$ 5,747,930</b>	<b>TBD</b>
41	<b>7300 . Internal Programs</b>		
42	<b>Board Approved</b>		
43	Whooping Cough	\$ 24,000	
44	6 Weeks to a Healthier You	\$ 80,000	
45	Community Needs Assessment	\$ 133,150	
46	<b>Total Board Approved</b>	<b>\$ 237,150</b>	<b>\$ -</b>
47	<b>Total Internal Programs</b>	<b>\$ 237,150</b>	<b>\$ -</b>
48			
49	<b>7200 . Discretionary</b>		
50	<b>Committed</b>		
54	<b>Total Committed</b>	<b>\$ 80</b>	
55	<b>Not Committed (Available to Spend)</b>	<b>\$ 314,920</b>	<b>TBD</b>
56	<b>Total Discretionary Programs</b>	<b>\$ 315,000</b>	<b>TBD</b>
57			
58	<b>TOTAL</b>	<b>\$ 6,300,000</b>	<b>TBD</b>