

PUBLIC HOSPITAL DISTRICT NO. 2 OF SNOHOMISH COUNTY, WASHINGTON

SPECIAL MEETING

October 7, 2013

Verdant Health Commission Board Room

| | |
|-----------------------|---|
| Commissioners Present | Bob Knowles, President Fred Langer, Commissioner (via phone) Deana Knutsen, Commissioner J. Bruce Williams, MD, Commissioner Karianna Wilson, Commissioner (6:05 PM arrival) |
| Staff | Carl Zapora George Kosovich Jennifer Piplic Lisa King Karen Goto |
| Guests | Members of the Community |
| Call to Order | The Special Meeting of the Board of Commissioners was called to order by President Knowles at 6:01 p.m. |
| Presentation | Ms. King presented the 2014 Budget, forecasting for program spending, and three reserve scenarios (E:57:13). |
| Special Meeting | Commissioners held a discussion on the proposed 2014 budget. Board members requested staff to track the ratio of operating expense to program expense, and regularly verify the reserve amount in terms of days of cash needed to run the hospital. Commissioners also discussed expanding the program spending to gain community visibility. Staff was not directed to make any changes to the proposed budget at this time. Commissioners would also like to see the program spending amounts in Verdant's future newsletters to the community. No action was taken. |
| Adjourn | The meeting was adjourned at 6:52 p.m. |

Attest By:



President



Secretary

E:57:13
10.7.2013



Public Hospital District 2, Snohomish County
2014 Budget

DRAFT

| | A 2013 Budget | B 2013 Proj. Actual | C 2013 Variance | D 2014 Budget | E 13 Actual v 14 Budget | F Notes |
|--|---------------------|---------------------------|-----------------------|---------------------|-------------------------------|--|
| Income | | | | | | |
| Operating Revenues | | | | | | |
| 1 5791 · Rental Income | 7,999,264 | 7,998,579 | (685) | 8,206,093 | 207,514 | VV & S/E |
| 2 5792 · Pavilion Ground Lease Income | 46,707 | 46,707 | - | 46,707 | 0 | Healthcare Realty |
| 3 5793 · Other Operating Income | 18,000 | 11,752 | (6,248) | 15,500 | 3,748 | 6 WHY Income / Room Rental Income |
| 4 Total Operating Revenues | 10,123,971 | 8,057,038 | (2,066,933) | 8,268,300 | 211,262 | |
| Expense | | | | | | |
| Operating Expenses | | | | | | |
| Salaries | | | | | | |
| 5 6010 · Salaries | 484,148 | 504,954 | 20,807 | 567,649 | 62,695 | 6 FTEs |
| 6 6011 · Payroll Tax Expense | 40,856 | 33,624 | (7,232) | 42,769 | 9,144 | % of Wages + L&I |
| 7 6020 · Commissioners Wages | 49,920 | 29,108 | (20,812) | 54,720 | 25,612 | Assumes Max Meeting per year |
| 8 Total Salaries | 574,924 | 567,686 | (7,237) | 665,137 | 97,451 | |
| Benefits | | | | | | |
| 9 6111 · Accrued Vacation/Sick Leave | 10,000 | 5,974 | (4,026) | 10,000 | 4,026 | |
| 10 6155 · Health Insurance | 36,180 | 34,313 | (1,868) | 44,089 | 9,776 | assumes 10% increase in May |
| 11 6156 · Dental Insurance | 4,952 | 3,571 | (1,381) | 4,565 | 994 | assumes 10% increase in May |
| 12 6160 · 401(a) Retirement Expense | 29,049 | 30,386 | 1,337 | 34,059 | 3,673 | 6% of Salaries |
| 13 6190 · Other Employee Benefits | 9,951 | 9,962 | 11 | 11,771 | 1,809 | FSA, Car allowance, Life Ins (5% increase) |
| 14 6130 · Workers Comp Self Insurance | 42,000 | 22,511 | (19,489) | 36,000 | 13,489 | |
| 15 6131 · Workers Comp Service Fee | 15,000 | 15,000 | - | 15,750 | 750 | |
| 16 6137 · Workers Comp - State fund | 1,500 | 1,361 | (139) | 1,500 | 139 | |
| 17 Total Benefits | 148,633 | 123,077 | (25,556) | 157,734 | 34,657 | |
| Professional Services | | | | | | |
| 18 6210 · Professional Fees | 10,000 | 22,602 | 12,602 | 10,000 | (12,602) | |
| 19 6230 · Consulting | 180,000 | 126,959 | (53,041) | 75,000 | (51,959) | |
| 20 6240 · Legal | 40,000 | 54,570 | 14,570 | 75,000 | 20,430 | |
| 21 6250 · Accounting/Audit | 65,000 | 60,202 | (4,798) | 63,000 | 2,798 | |
| 22 Total Professional Services | 295,000 | 264,333 | (30,667) | 223,000 | (41,333) | |
| Interest Expense | | | | | | |
| 23 6953 · 99 LTGO Interest Exp | 226,752 | - | (226,752) | - | 0 | |
| 24 6954 · 12 LTGO Interest Exp | - | 181,195 | 181,195 | 175,700 | (5,495) | |
| 25 6955 · 12 LTGO Bond Fees | - | 298 | 298 | - | (298) | |
| 26 Total Interest Expense | 226,752 | 181,493 | (45,259) | 175,700 | (5,793) | |
| Other Amortization | | | | | | |
| 27 6968 · Amortization - 99 LTGO Bonds | 33,858 | - | (33,858) | - | 0 | |
| 28 6969 · Amortization - 12 LTGO Bonds | - | 14,988 | 14,988 | 14,988 | 0 | |
| 29 8969 · Amortization - 12 LTGO Premium | - | 20,677 | 20,677 | (62,030) | (82,706) | |
| 30 Total Other Amortization | 33,858 | 14,988 | (18,871) | (47,042) | (62,030) | |
| Purchased Services | | | | | | |
| 31 6650 · Purchased Services | 13,000 | 15,678 | 2,678 | 20,000 | 4,322 | Includes Building Security Monitoring |
| 32 6675 · Marketing/Advertising | 40,000 | 41,676 | 1,676 | 15,000 | (26,676) | General Purpose |
| 33 6675.1 · Sponsorships | 10,000 | 25,000 | 15,000 | 25,000 | 0 | S/E Gala |
| 34 6675.2 · Newsletter | - | - | - | 50,000 | 50,000 | 2 Newsletters |
| 35 6675.3 · Website | - | - | - | 12,000 | 12,000 | Krames content |
| 36 6697 · Network Hosting | 600 | 604 | 4 | 600 | (4) | |
| 37 Total Purchased Services | 63,600 | 82,957 | 19,357 | 122,600 | 39,643 | |
| Supplies | | | | | | |
| 38 6300 · Supplies | 9,600 | 4,015 | (5,585) | 6,000 | 1,985 | |
| 39 6460 · Postage | 5,000 | 978 | (4,022) | 3,000 | 2,022 | |
| 40 6480 · Books and Publications | 1,000 | 258 | (742) | 1,000 | 742 | |
| 41 Total Supplies | 15,600 | 5,251 | (10,349) | 10,000 | 4,749 | |



Public Hospital District 2, Snohomish County
2014 Budget

DRAFT

| | A | B | C | D | E | F |
|--|-----------|--------------|-------------|-----------|-------------|---|
| | 2013 | 2013 | 2013 | 2014 | 13 Actual v | |
| | Budget | Proj. Actual | Variance | Budget | 14 Budget | Notes |
| Insurance | | | | | | |
| 42 6910 · Professional Insurance | 10,989 | 12,130 | 1,141 | 15,017 | 2,888 | assumes 5% increase in September |
| 43 6911 · Liability Claims Admin Fees | 15,000 | 2,817 | (12,183) | 2,000 | (817) | |
| 44 Total Insurance | 25,989 | 14,946 | (11,043) | 17,017 | 2,071 | |
| Utilities | | | | | | |
| 45 6510 · Electricity | | | | 7,200 | 7,200 | |
| 46 6540 · Water/Sewer | | | | 2,640 | 2,640 | |
| 47 6550 · Garbage | 2,016 | 2,559 | 543 | 2,750 | 191 | |
| 48 6560 · Natural Gas | | | | 2,400 | 2,400 | |
| 49 6570 · Telephone | 3,180 | 2,809 | (371) | 3,600 | 791 | |
| 50 6575 · Internet | 1,380 | 1,399 | 19 | 1,480 | 81 | |
| 51 Total Utilities | 6,576 | 6,766 | 190 | 20,070 | 13,304 | |
| Taxes | | | | | | |
| 52 6825 · B&O Tax | | 10,762 | 10,762 | 10,061 | (701) | |
| 53 Total Taxes | - | 10,762 | 10,762 | 10,061 | (701) | |
| Repairs and Maintenance | | | | | | |
| 54 6620 · Repairs | | | | 15,000 | 15,000 | |
| 55 6621 · Maintenance Contracts | | | | 6,000 | 6,000 | Includes Landscaping |
| 56 Total Repairs and Maintenance | | - | - | 21,000 | 21,000 | |
| Other Expenses | | | | | | |
| 57 6000 · Rent Expense | 34,800 | 35,960 | 1,160 | 15,225 | (20,735) | Move into new building June 1 |
| 58 6451 · Computer Expenses | 5,000 | 1,496 | (3,504) | 17,900 | 16,404 | Grant reporting system & CRM in April |
| 59 6829 · Meals and Entertainment | 3,600 | 2,950 | (650) | 3,600 | 650 | |
| 60 6830 · Dues and Subscriptions | 4,000 | 5,780 | 1,780 | 10,000 | 4,221 | |
| 61 6840 · Travel and Meetings | 10,000 | 3,710 | (6,290) | 10,000 | 6,290 | |
| 62 6841 · Commissioner Education | 15,000 | 12,301 | (2,699) | 15,000 | 2,699 | Includes 2 retreats |
| 63 6842 · Conference Expenses | 7,500 | 4,854 | (2,646) | 7,500 | 2,646 | |
| 64 6990 · Miscellaneous Expense | 5,000 | 998 | (4,002) | 5,000 | 4,002 | |
| 65 Total Other Expenses | 84,900 | 68,049 | (16,851) | 84,225 | 16,176 | |
| 66 Total Operating Expense | 1,475,832 | 1,340,308 | (135,524) | 1,344,217 | 3,908 | |
| Programs | | | | | | |
| 67 7100 · Community Programs-External (Grant | 5,300,000 | 2,832,232 | (2,467,768) | 4,187,500 | 1,355,268 | |
| 68 7300 · Community Programs-Internal | 685,000 | 235,479 | (449,521) | 250,000 | 14,521 | |
| 69 7200 · Superintendent Discretionary Fund | 315,000 | 26,737 | (288,263) | 237,500 | 210,763 | 5% of program budget (not including BHC Fund) |
| 70 7400 · One-time Events | | | | 75,000 | 75,000 | |
| 71 7500 · Building Healthy Communities Fund | | | | 1,000,000 | 1,000,000 | |
| 72 Total Program Expense | 6,300,000 | 3,094,449 | (3,205,551) | 5,750,000 | 2,655,551 | |
| 73 Net Ordinary Income | 2,348,139 | 3,622,281 | 1,274,142 | 1,174,083 | (2,448,198) | |
| Non Operating Revenue | | | | | | |
| 74 5020 · M&O Tax Levy | 2,060,000 | 2,050,908 | (9,092) | 2,064,000 | 13,092 | No automatic increase |
| 75 8030 · 2003 GO Tax Levy | - | 14,474 | 14,474 | - | (14,474) | |
| 76 5781 · Investment Income | 1,080,000 | 1,097,761 | 17,761 | 1,104,000 | 6,239 | |
| 77 4035 · MI/CPE Payment | - | 11,615 | 11,615 | - | (11,615) | |
| 78 5030 · Unrealized G/L on Investment | - | (1,949,880) | (1,949,880) | - | 1,949,880 | |
| 79 5500 · Other Income (Expense) | - | (547,154) | (547,154) | 420 | 547,574 | Actual Includes w/loff of Assets & PFD Copies |
| 80 5996 · G/L on Extinguishment of Debt | - | (11,181) | - | (11,181) | 0 | |
| 81 Total Non Operating Revenue | 1,080,000 | (1,384,365) | (2,464,365) | 3,157,239 | 4,541,604 | |
| 82 Earnings before Depreciation | 3,428,139 | 4,336,196 | 908,057 | 4,331,322 | (4,874) | |
| Depreciation | | | | | | |
| 83 6710 · Depr - Land Improvements | 81,591 | 81,591 | - | 80,887 | (704) | |
| 84 6720 · Depr - Building | 1,218,561 | 1,218,561 | - | 1,203,740 | (14,821) | |
| 85 6730 · Depr - Fixed Equipment | 399,497 | 399,497 | - | 390,600 | (8,897) | |
| 86 6740 · Depr - Major Equipment | 2,492,362 | 2,451,212 | (41,150) | 1,373,608 | (1,077,604) | |
| 87 6750 · Depr - Minor Equipment | 23,720 | 23,310 | (410) | 18,736 | (4,574) | |
| 88 Total Depreciation | 4,215,730 | 4,174,170 | (41,560) | 3,067,571 | (1,106,599) | |
| 89 Net Income - including depreciation | (787,591) | 162,026 | 949,617 | 1,263,752 | 1,101,726 | |

| | 2013 Estimate | 2014 |
|---|---------------------|---------------------|
| Ongoing Programs under contract | \$ 2,770,360 | \$ 2,494,774 |
| Multi-year programs likely to reapply (80% of total)* | \$ 37,566 | \$ 702,830 |
| New multi-year program funding | \$ 200,000 | \$ 989,896 |
| One-time events | \$ 75,000 | \$ 75,000 |
| Internal Programs (ex. 6WHY, Needs Assessment) | \$ 237,150 | \$ 250,000 |
| Superintendent's discretionary fund (5%) | \$ 50,000 | \$ 237,500 |
| Building Healthy Communities Fund | \$ 100,000 | \$ 1,000,000 |
| Total | \$ 3,470,077 | \$ 5,750,000 |

| *Likely to reapply | 2013 | 2014 |
|--------------------------|------------------|-------------------|
| Enhanced Wellness | | \$ 13,554 |
| Move 60 | | \$ 157,333 |
| Swim Lessons | | \$ 15,000 |
| Healthy Habits | | \$ 37,313 |
| Care Coordination | \$ 33,625 | \$ 137,250 |
| Nurse Family Partnership | | \$ 264,000 |
| Project Access | \$ 13,333 | \$ 80,000 |
| CHC ER Diversion | | \$ 25,000 |
| PSSC Mobile Medical | | \$ 75,000 |
| Parent Trust | | \$ 20,833 |
| Red Cross CPR | | \$ 10,000 |
| Alzheimers | | \$ 43,255 |
| Total | \$ 46,958 | \$ 878,538 |

Reach \$62.7M by 2020

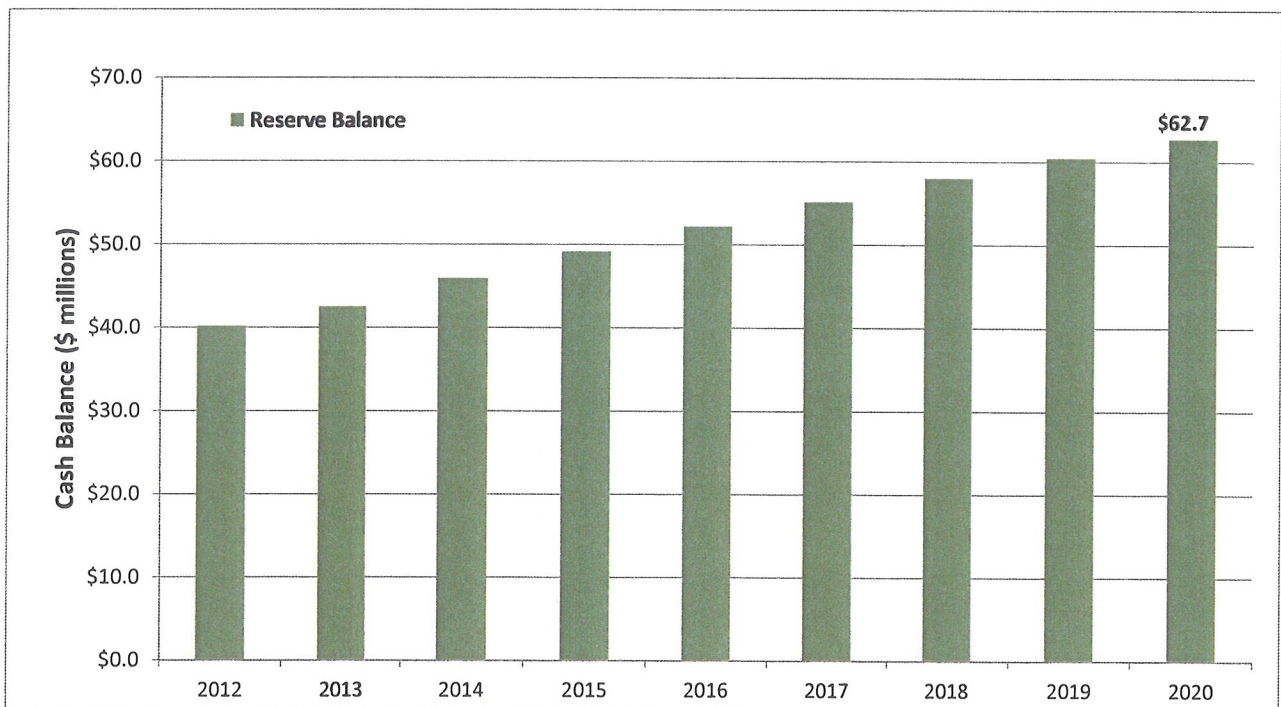
| | A | B | C | D | E | F | G | H | I | J |
|----|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1 | \$ Millions | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 2 | Revenue | | | | | | | | | |
| 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 | \$0.26 | \$0.26 | \$0.27 | \$0.28 | \$0.29 | \$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 | \$0.85 | \$0.92 | \$0.98 | \$1.04 | \$1.10 | \$1.16 | \$1.21 |
| 7 | Levy | \$2.04 | \$2.05 | \$2.05 | \$2.06 | \$2.06 | \$2.07 | \$2.07 | \$2.07 | \$2.08 |
| 8 | Total Revenue | \$10.97 | \$10.90 | \$11.16 | \$11.47 | \$11.79 | \$12.12 | \$12.46 | \$12.49 | \$12.82 |
| 9 | Expenses | | | | | | | | | |
| 10 | Regular Verdant Operating Expenses | \$1.04 | \$1.08 | \$1.19 | \$1.23 | \$1.28 | \$1.33 | \$1.39 | \$1.44 | \$1.50 |
| 11 | Total Program Expenses | \$1.87 | \$3.64 | \$5.73 | \$6.17 | \$6.58 | \$6.91 | \$7.25 | \$7.62 | \$8.00 |
| 12 | Hospital Legacy | \$0.13 | \$0.12 | \$0.10 | \$0.07 | \$0.07 | \$0.07 | \$0.07 | \$0.07 | \$0.07 |
| 13 | Ongoing Hospital | \$0.09 | \$0.09 | \$0.08 | \$0.06 | \$0.06 | \$0.06 | \$0.06 | \$0.06 | \$0.06 |
| 14 | Bond Principal Payments | \$1.81 | \$0.72 | \$0.75 | \$0.77 | \$0.81 | \$0.84 | \$0.88 | \$0.92 | \$0.96 |
| 15 | Total Expenses | \$5.97 | \$5.56 | \$7.76 | \$8.24 | \$8.74 | \$9.15 | \$9.58 | \$10.05 | \$10.53 |
| 16 | Cash Outlay for Building Purchase | | \$3.00 | | | | | | | |
| 17 | Net Operating Cash Flow | \$5.00 | \$2.33 | \$3.40 | \$3.22 | \$3.05 | \$2.97 | \$2.87 | \$2.45 | \$2.30 |
| 18 | Beginning Cash Balance* | \$35.12 | \$40.13 | \$42.46 | \$45.86 | \$49.08 | \$52.14 | \$55.11 | \$57.98 | \$60.43 |
| 19 | Net Cash Flow | \$5.00 | \$2.33 | \$3.40 | \$3.22 | \$3.05 | \$2.97 | \$2.87 | \$2.45 | \$2.30 |
| 20 | Ending Cash Balance* | \$40.13 | \$42.46 | \$45.86 | \$49.08 | \$52.14 | \$55.11 | \$57.98 | \$60.43 | \$62.72 |

| 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 10 assumes a one-time 10% increase in operating cost for 2014



Scenario 2: Reach \$54.2M by 2020

| | A | B | C | D | E | F | G | H | I | J |
|----|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1 | \$ Millions | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 2 | Revenue | | | | | | | | | |
| 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 | \$0.26 | \$0.26 | \$0.27 | \$0.28 | \$0.29 | \$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 | \$0.85 | \$0.90 | \$0.95 | \$1.00 | \$1.04 | \$1.07 | \$1.08 |
| 7 | Levy | \$2.04 | \$2.05 | \$2.05 | \$2.06 | \$2.06 | \$2.07 | \$2.07 | \$2.07 | \$2.08 |
| 8 | Total Revenue | \$10.97 | \$10.90 | \$11.16 | \$11.45 | \$11.76 | \$12.08 | \$12.40 | \$12.40 | \$12.69 |
| 9 | Expenses | | | | | | | | | |
| 10 | Regular Verdant Operating Expenses | \$1.04 | \$1.08 | \$1.19 | \$1.23 | \$1.28 | \$1.33 | \$1.39 | \$1.44 | \$1.50 |
| 11 | Total Program Expenses | \$1.87 | \$3.64 | \$6.58 | \$6.68 | \$7.15 | \$7.87 | \$8.65 | \$9.52 | \$10.00 |
| 12 | Hospital Legacy | \$0.13 | \$0.12 | \$0.10 | \$0.07 | \$0.07 | \$0.07 | \$0.07 | \$0.07 | \$0.07 |
| 13 | Ongoing Hospital | \$0.09 | \$0.09 | \$0.08 | \$0.06 | \$0.06 | \$0.06 | \$0.06 | \$0.06 | \$0.06 |
| 14 | Bond Principal Payments | \$1.81 | \$0.72 | \$0.75 | \$0.77 | \$0.81 | \$0.84 | \$0.88 | \$0.92 | \$0.96 |
| 15 | Total Expenses | \$5.97 | \$5.56 | \$8.60 | \$8.75 | \$9.31 | \$10.11 | \$10.99 | \$11.95 | \$12.53 |
| 16 | Cash Outlay for Building Purchase | | \$3.00 | | | | | | | |
| 17 | Net Operating Cash Flow | \$5.00 | \$2.33 | \$2.55 | \$2.70 | \$2.45 | \$1.97 | \$1.41 | \$0.46 | \$0.17 |
| 18 | Beginning Cash Balance* | \$35.12 | \$40.13 | \$42.46 | \$45.01 | \$47.71 | \$50.16 | \$52.13 | \$53.54 | \$54.00 |
| 19 | Net Cash Flow | \$5.00 | \$2.33 | \$2.55 | \$2.70 | \$2.45 | \$1.97 | \$1.41 | \$0.46 | \$0.17 |
| 20 | Ending Cash Balance* | \$40.13 | \$42.46 | \$45.01 | \$47.71 | \$50.16 | \$52.13 | \$53.54 | \$54.00 | \$54.17 |

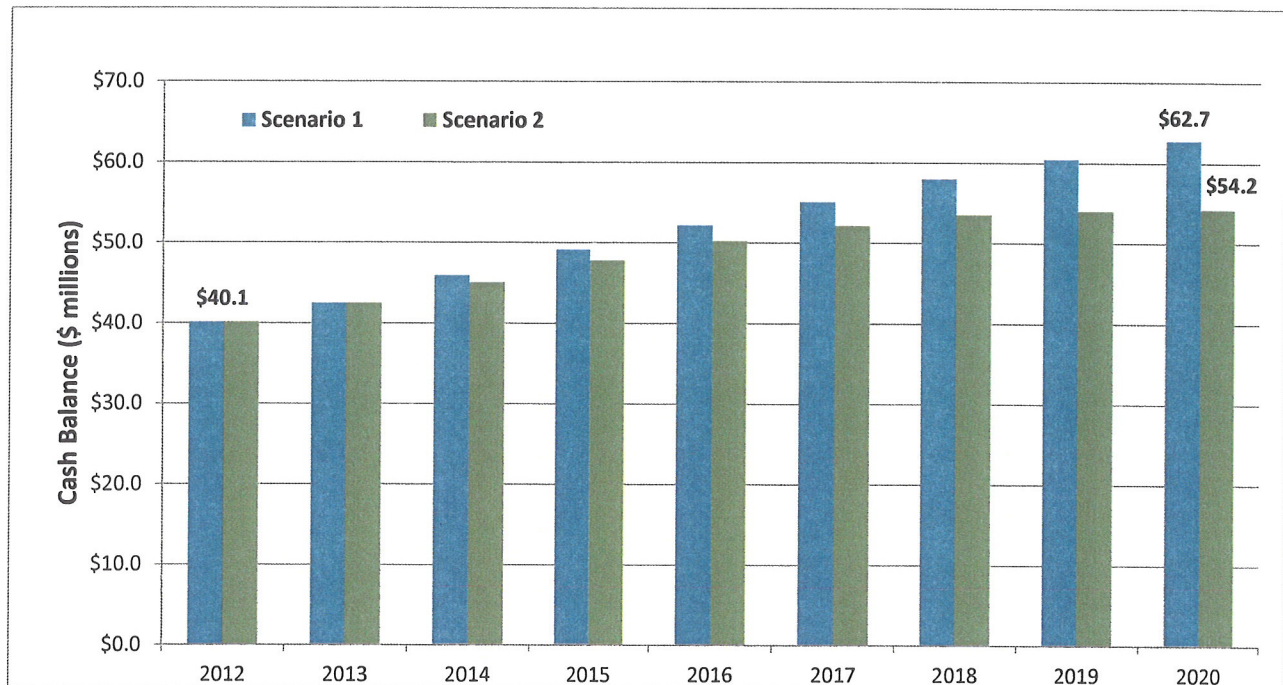
| Assumptions | |
|-------------------------------------|----|
| Growth Rate on Swedish Lease Income | 3% |
| Operating Expense Growth Rate | 4% |
| Earnings on Investment Portfolio | 2% |

Notes:

Line 4 assumes 5 year contract renewal for Value Village

Line 11 assumes a 10% increase per year (2017-2020) leveling off at \$10m

Line 10 assumes a one-time 10% increase in operating cost for 2014



Scenario 3: Reach \$50.5M by 2020

| | A | B | C | D | E | F | G | H | I | J |
|----|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 1 | \$ Millions | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
| 2 | Revenue | | | | | | | | | |
| 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 | \$0.26 | \$0.26 | \$0.27 | \$0.28 | \$0.29 | \$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 | \$0.85 | \$0.91 | \$0.96 | \$0.99 | \$1.01 | \$1.01 | \$1.01 |
| 7 | Levy | \$2.04 | \$2.05 | \$2.05 | \$2.06 | \$2.06 | \$2.07 | \$2.07 | \$2.07 | \$2.08 |
| 8 | Total Revenue | \$10.97 | \$10.90 | \$11.16 | \$11.46 | \$11.77 | \$12.07 | \$12.36 | \$12.34 | \$12.62 |
| 9 | Expenses | | | | | | | | | |
| 10 | Regular Verdant Operating Expenses | \$1.04 | \$1.08 | \$1.19 | \$1.23 | \$1.28 | \$1.33 | \$1.39 | \$1.44 | \$1.50 |
| 11 | Total Program Expenses | \$1.87 | \$3.64 | \$6.00 | \$7.00 | \$8.00 | \$9.00 | \$10.00 | \$10.00 | \$10.00 |
| 12 | Hospital Legacy | \$0.13 | \$0.12 | \$0.10 | \$0.07 | \$0.07 | \$0.07 | \$0.07 | \$0.07 | \$0.07 |
| 13 | Ongoing Hospital | \$0.09 | \$0.09 | \$0.08 | \$0.06 | \$0.06 | \$0.06 | \$0.06 | \$0.06 | \$0.06 |
| 14 | Bond Principal Payments | \$1.81 | \$0.72 | \$0.75 | \$0.77 | \$0.81 | \$0.84 | \$0.88 | \$0.92 | \$0.96 |
| 15 | Total Expenses | \$5.97 | \$5.56 | \$8.03 | \$9.07 | \$10.16 | \$11.24 | \$12.33 | \$12.43 | \$12.53 |
| 16 | Cash Outlay for Building Purchase | | \$3.00 | | | | | | | |
| 17 | Net Operating Cash Flow | \$5.00 | \$2.33 | \$3.13 | \$2.39 | \$1.61 | \$0.83 | \$0.03 | -\$0.09 | \$0.10 |
| 18 | Beginning Cash Balance* | \$35.12 | \$40.13 | \$42.46 | \$45.59 | \$47.98 | \$49.59 | \$50.42 | \$50.45 | \$50.36 |
| 19 | Net Cash Flow | \$5.00 | \$2.33 | \$3.13 | \$2.39 | \$1.61 | \$0.83 | \$0.03 | -\$0.09 | \$0.10 |
| 20 | Ending Cash Balance* | \$40.13 | \$42.46 | \$45.59 | \$47.98 | \$49.59 | \$50.42 | \$50.45 | \$50.36 | \$50.46 |

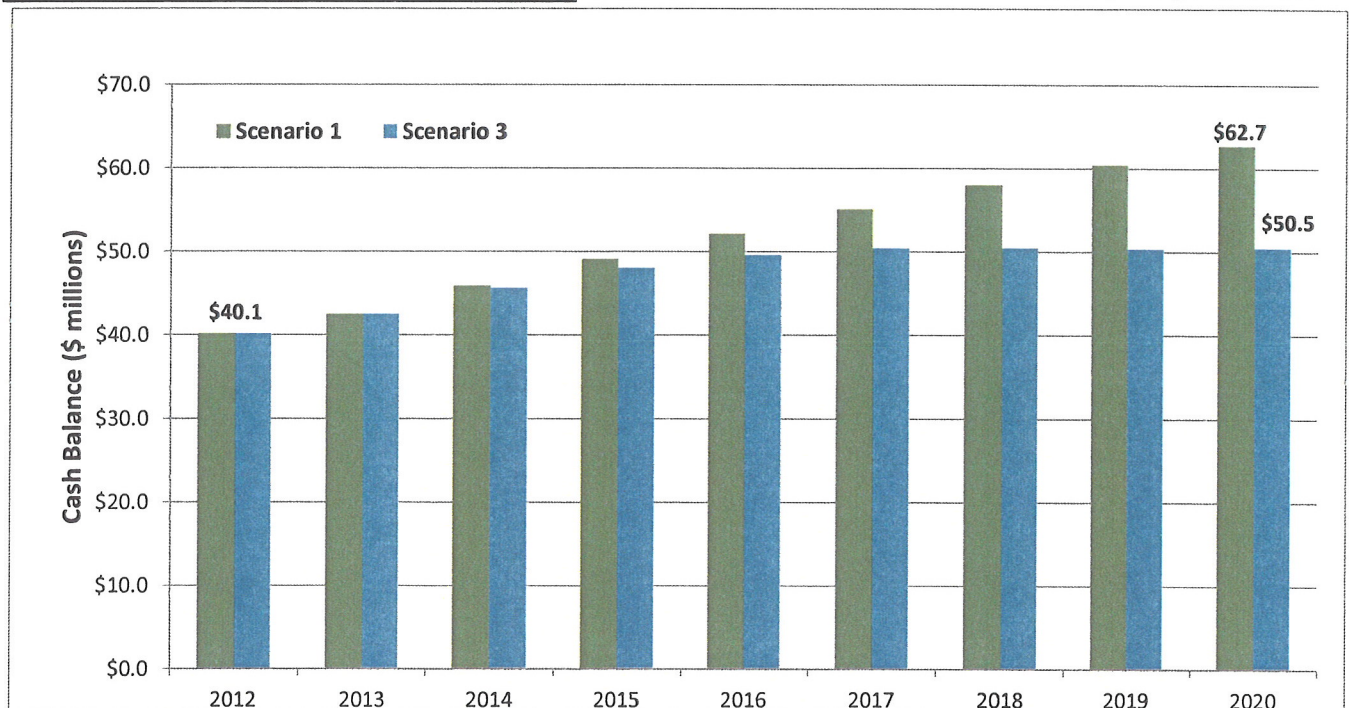
| Assumptions | |
|-------------------------------------|----|
| Growth Rate on Swedish Lease Income | 3% |
| Operating Expense Growth Rate | 4% |
| Earnings on Investment Portfolio | 2% |

Notes:

Line 4 assumes 5 year contract renewal for Value Village

Line 11 assumes a \$1m increase per year, leveling off at \$10m

Line 10 assumes a one-time 10% increase in operating cost for 2014



Hospital District Revenue / Financials Q & A



General message:

The hospital district's revenue is currently a combination of rental income (mostly from Swedish), tax revenue and interest income on reserves. Tax revenue collected is collateral for the 2012 Limited Tax General Obligation Bonds, and repealing the levy would result in the district needing to immediately pay off all the bonds in full and pay a penalty. These bonds will expire at the end of 2020.

To protect and preserve our community hospital, the district has a target for reserves of \$60 million, and it plans to reach that figure by 2020. This is the amount necessary to operate the hospital for at least three months should a catastrophe occur.

More details

Why is the hospital district collecting taxes and how much is collected?

The tax dollars collected are primarily paying off outstanding bonds.

These taxes total approximately \$2 million annually. This equates to \$0.11 per \$1,000 of assessed valuation, or roughly \$33 annually for a \$300,000 home. Another way to think of it is \$10 per person in our district annually.

How does this rate compare to nearby public hospital districts?

| Hospital Location | 2013 Tax Rate per \$1,000 of assessed value |
|-------------------|---|
| Edmonds | \$0.11 |
| Monroe | \$0.14 |
| Renton | \$0.50 |
| Kirkland | \$0.52 |
| Mount Vernon | \$0.98 |
| Arlington | \$1.43 |

What other revenue sources exist for the hospital district?

Lease revenue from Swedish Health Services and Value Village total nearly \$8 million in 2013, and these dollars go toward the Verdant Health Commission's operations and programming and increasing the district's reserves. The district also receives investment income from our reserves of roughly \$1 million annually.

If the hospital district has other revenue sources, why continue collecting taxes?

There are several reasons why we continue collecting taxes. First, the tax revenue secures the district's bonds. The 2013 Maintenance and Operations (M&O) Levy tax revenue collection is currently projected to be approximately \$2 million. This tax revenue is collateral for the 2012 Limited Tax General Obligation Bonds. If the district repealed its levy, it would be required to pay off the bonds in full (\$6,625,000), including an early payoff penalty. It is paying approximately 1.65% interest on these bonds, which come due on December 1, 2020.

Second, the taxpayers' continued investment into this district reinforces their public ownership of the hospital campus and the work of the hospital district. The \$2 million annually collected in taxes is leveraged by another \$8 million in lease revenue, strengthening the work we're able to do addressing health and wellness needs.

How long will the hospital district continue to collect taxes?

Outstanding bonds and debt will be repaid in the year 2020. The publicly elected Board of Commissioners at that time can reconsider the tax collection and may choose to change the amount collected.