

Public Hospital District #2 Special Meeting Agenda

MAY 1, 2014
8:30 A.M.

Verdant Health Commission
Board Room

1. Call to Order
2. Discuss 2014 program budget and organizational financial forecasting
3. Adjournment

Public Hospital District 2, Snohomish County 2014 Budget

	A 2013 Actual	B 2014 Budget	C Adjustment	D 2014 Revised Budget	E Notes
Income					
Operating Revenues					
1 5791 · Rental Income	10,390,858	8,206,093	1,282,162	9,488,255	Add Kruger Clinic & VV Leasehold Tax Income
2 5791 · Deferred Rental Income			2,203,526	2,203,526	Annual Adj for straight-line of Swedish Leases
3 5792 · Pavilion Ground Lease Income	46,707	46,707	0	46,707	
4 5793 · Other Operating Income	11,752	15,500	(6,577)	8,923	
5 Total Operating Revenues	10,449,317	8,268,300	3,479,112	11,747,412	
Expense					
Operating Expenses					
Salaries					
6 6010 · Salaries	504,001	567,649	0	567,649	
7 6011 · Payroll Tax Expense	34,061	42,769	(570)	42,199	3 months of reduced commissioner costs
8 6020 · Commissioners Wages	29,246	54,720	(7,500)	47,220	3 months of reduced commissioner costs
9 Total Salaries	567,308	665,138	(8,070)	657,067	
Benefits					
10 6111 · Accrued Vacation/Sick Leave	835	10,000	0	10,000	
11 6155 · Health Insurance	34,313	44,089	4,817	48,905	Pre Regence
12 6156 · Dental Insurance	3,571	4,565	(560)	4,005	Pre Regence
13 6160 · 401(a) Retirement Expense	30,373	34,059	0	34,059	
14 6190 · Other Employee Benefits	10,003	11,771	0	11,772	
15 6130 · Workers Comp Self Insurance	11,947	36,000	(18,000)	18,000	Over estimated State of WA
16 6131 · Workers Comp Service Fee	15,000	15,750	(375)	15,375	Per contract
17 6137 · Workers Comp - State fund	1,343	1,500	(31)	1,469	
18 Total Benefits	107,385	157,734	(14,148)	143,586	
Professional Services					
19 6210 · Professional Fees	10,877	10,000	0	10,000	
20 6220 · Kruger Clinic Property Management (New)			39,041	39,041	Kruger Clinic - Property Management Fees
21 6230 · Consulting	162,079	75,000	13,350	88,350	Increase due to HT work on Kruger
22 6240 · Legal	54,153	75,000	0	75,000	
23 6250 · Accounting/Audit	40,202	65,000	(15,000)	50,000	SAO changed to two year audit
24 Total Professional Services	267,311	225,000	37,391	262,391	
Interest Expense					
26 6954 · 12 LTGO Interest Exp	181,195	175,700	(7,242)	168,458	Per schedule
27 6955 · 12 LTGO Bond Fees	599	-	0	-	
28 Total Interest Expense	181,795	175,700	(7,242)	168,458	
Other Amortization					
30 6969 · Amortization - 12 LTGO Bonds	14,988	14,988	(14,988)	-	Removed per GASB change
31 8969 · Amortization - 12 LTGO Premium	(62,030)	(62,030)	0	(62,030)	
32 Total Other Amortization	14,988	(47,042)	(14,988)	(62,030)	
Purchased Services					
33 6650 · Purchased Services	18,845	20,000	0	20,000	
34 6651 · Purchased Services Kruger Clinic (New)			74,597	74,597	Kruger Clinic - Security/Janitorial
35 6675 · Marketing/Advertising	46,029	15,000	0	15,000	
36 6675.1 · Sponsorships	25,000	25,000	0	25,000	
37 6675.2 · Newsletter		50,000	0	50,000	
38 6675.3 · Website		12,000	5,640	17,640	Add for Aukema ongoing maintenance of website
39 6697 · Network Hosting	602	600	9	609	
40 Total Purchased Services	90,475	122,600	80,246	202,846	
Supplies					
41 6300 · Supplies	2,997	6,000	0	6,000	
42 6460 · Postage	904	3,000	0	3,000	
43 6480 · Books and Publications	158	1,000	0	1,000	
44 Total Supplies	4,060	10,000	0	10,000	
Repairs and Maintenance					
45 6620 · Repairs		15,000	0	15,000	
46 6621 · Maintenance Contracts		6,000	0	6,000	
47 6622 · R&M Kruger Clinic (New)			133,914	133,914	Kruger Clinic - Maint & Personnel Maint
48 Total Repairs and Maintenance	-	21,000	133,914	154,914	
Insurance					
49 6910 · Professional Insurance	12,130	15,017	16,860	31,878	Kruger Clinic - Insurance
50 6911 · Liability Claims Admin Fees	2,817	2,000	0	2,000	
51 Total Insurance	14,946	17,017	16,860	33,878	

Public Hospital District 2, Snohomish County
2014 Budget

	A 2013	B 2014	C	D 2014 Revised Budget	E
	Actual	Budget	Adjustment	Budget	Notes
Utilities					
52 6500 · Utilities Kruger Clinic (New)			113,391	113,391	Kruger Clinic - Utilities
53 6510 · Electricity	953	7,200	0	7,200	
54 6540 · Water/Sewer		2,640	0	2,640	
55 6550 · Garbage/Janitorial	3,783	2,750	0	2,750	
56 6560 · Natural Gas	1,062	2,400	0	2,400	
57 6570 · Telephone	2,834	3,600	0	3,600	
58 6575 · Internet	1,399	1,480	0	1,480	
59 6580 · Security Monitoring	-	-	0	-	
60 Total Utilities	10,302	20,070	113,391	133,461	
Taxes					
61 6820 · License and Tax			55	55	
62 6821 · Leasehold Taxes (New)			83,423	83,423	Kruger Clinic and Value Village Leasehold Tax
63 6825 · B&O Tax	10,879	10,061	0	10,061	
64 Total Taxes	10,879	10,061	83,478	93,539	
Other Expenses					
65 6000 · Rent Expense	35,960	15,225	21,315	36,540	Extend lease thru December
66 6451 · Computer Expenses	1,096	17,900	0	17,900	
67 6829 · Meals and Entertainment	2,832	3,600	0	3,600	
68 6830 · Dues and Subscriptions	4,965	10,000	0	10,000	
69 6840 · Travel and Meetings	3,875	10,000	0	10,000	
70 6841 · Commissioner Education	11,909	15,000	0	15,000	
71 6842 · Conference Expenses	5,337	7,500	0	7,500	
73 6990 · Miscellaneous Expense	51,395	5,000	0	5,000	
72 6992 · Other Kruger Clinic (New)		-	5,360	5,360	Kruger Clinic - Other
74 Total Other Expenses	117,368	84,225	26,675	110,900	
75 Total Operating Expense	1,386,817	1,461,503	411,445	1,909,010	
Programs					
76 7100 · Community Programs-External (Grants)	2,883,020	4,187,500	0	4,187,500	TBD
77 7300 · Community Programs-Internal	239,020	250,000	0	250,000	TBD
78 7200 · Superintendent Discretionary Fund	1,607	237,500	0	237,500	TBD
79 7400 · One-time Events		75,000	0	75,000	TBD
80 7500 · Building Healthy Communities Fund		1,000,000	0	1,000,000	TBD
81 Total Program Expense	3,123,648	5,750,000	0	5,750,000	
82 Net Ordinary Income	5,938,852	1,056,797	3,081,563	4,088,402	
Non Operating Revenue (Expense)					
83 8030 · 2003 GO Tax Levy	11,161	-	974	974	Per county receipts
84 5020 · M&O Tax Levy	2,052,019	2,104,000	0	2,104,000	
85 5030 · Unrealized G/L on Investment	(1,944,581)	-	0	-	
86 5781 · Investment Income	1,030,727	1,104,000	(554,000)	550,000	Decrease due to Cash purchase of Kruger Clinic
87 4035 · MI/CPE Payment	74,155	-	0	-	
88 5500 · Other Income (Expense)	(890,595)	420	304	724	PFD Copies
89 5996 · G/L on Extinguishment of Debt	(66,153)	(11,181)	11,181	-	Removed per GASB Change
90 Total Non Operating Revenue (Expense)	266,733	3,197,239	(541,541)	2,655,698	
91 Earnings before Depreciation	6,251,837	4,254,036	2,564,897	6,744,100	
Depreciation					
92 6710 · Depr - Land Improvements	81,590	80,887	0	80,887	
93 6720 · Depr - Building	1,237,546	1,203,740	370,101	1,573,840	Includes Kruger & Estimate of Wellness Center
94 6730 · Depr - Fixed Equipment	399,497	390,600	(7,130)	383,470	Includes surplus Swedish Assets
95 6740 · Depr - Major Equipment	2,456,397	1,323,537	764	1,324,301	
96 6750 · Depr - Minor Equipment	24,428	21,976	(30)	21,946	
97 Total Depreciation	4,199,458	3,020,740	363,705	3,384,445	
98 Net Income - including depreciation	2,052,380	1,233,296	2,201,193	3,359,655	

Program Payout Forecast

	A	B	C	D
		Budget 2014	Budget 2015	Budget 2016
	7100 . Grants			
1	Committed	\$ 3,924,103	\$ 2,835,712	\$ 2,868,988
2	Likely to Reapply (75% of total)	\$ 194,963	\$ 749,940	\$ 1,483,897
3	Not Committed (Available to Spend)	\$ 263,397	\$ -	
4	Total Grants	\$ 4,382,463	\$ 3,585,652	\$ 4,352,885
	7300 . Internal Programs			
5	Committed	\$ 106,370	\$ -	
6	Not Committed (Available to Spend)	\$ 143,630	\$ 250,000	\$ 250,000
7	Total Internal Programs	\$ 250,000	\$ 250,000	\$ 250,000
	7200 . Discretionary			
8	Committed	\$ 7,000	\$ -	
9	Not Committed (Available to Spend)	\$ 230,500	\$ -	
10	Total Discretionary Programs	\$ 237,500	\$ 237,500	\$ 237,500
	7500 . Building Healthy Communities Fund			
11	Committed	\$ 1,099,858	\$ 1,372,666	\$ 1,390,666
12	Not Committed (Available to Spend)	\$ (99,858)	\$ -	
13	Total BHCF Programs	\$ 1,000,000	\$ 1,372,666	\$ 1,390,666
	7400 . One time Events			
14	Committed	\$ 40,735	\$ -	
15	Not Committed (Available to Spend)	\$ 34,265	\$ -	
16	Total One Time Events Programs	\$ 75,000	\$ 75,000	\$ 75,000
17	TOTAL	\$ 5,750,000	\$ 5,520,818	\$ 6,306,051

Scenario 1: Program Expenses building to \$10M by 2020

PRIORITY: PROGRAM EXPENSES

	\$ Millions	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue												
1	Lease Income	\$2.50	\$7.59	\$7.82	\$8.07	\$9.58	\$9.87	\$10.13	\$10.41	\$10.77	\$10.71	\$11.05
2	Investment Earnings	\$0.22	\$1.07	\$1.68	\$1.03	\$0.58	\$0.59	\$0.60	\$0.61	\$0.62	\$0.63	\$0.65
3	Levy	\$1.40	\$3.20	\$2.04	\$2.06	\$2.10	\$2.11	\$2.11	\$2.12	\$2.12	\$2.13	\$2.13
4	Total Revenue	\$4.12	\$11.85	\$11.53	\$11.17	\$12.26	\$12.56	\$12.85	\$13.14	\$13.52	\$13.47	\$13.82
Expenses												
5	Operating Expenses	\$0.76	\$1.30	\$1.19	\$1.34	\$1.90	\$1.96	\$2.02	\$2.08	\$2.14	\$2.21	\$2.27
6	Program Expenses	\$0.00	\$0.30	\$1.87	\$3.12	\$5.75	\$6.46	\$7.17	\$7.88	\$8.58	\$9.29	\$10.00
7	Total Expenses	\$0.76	\$1.59	\$3.06	\$4.47	\$7.65	\$8.42	\$9.19	\$9.96	\$10.73	\$11.50	\$12.27
8	Hospital Legacy	\$13.04	\$13.63	\$0.01	-\$0.44	-\$0.14	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9	Bond Payments	-\$3.02	-\$2.16	-\$1.38	-\$0.72	-\$0.75	-\$0.77	-\$0.81	-\$0.84	-\$0.88	-\$0.92	-\$0.96
10	Capital Outlay	\$0.00	\$0.00	\$0.00	-\$15.91	-\$3.08	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10
11	Net Cash Flow	\$13.39	\$21.73	\$7.10	-\$10.36	\$0.64	\$3.28	\$2.75	\$2.25	\$1.81	\$0.96	\$0.49
12	Beginning Cash Balance*	\$0.00	\$13.39	\$35.12	\$42.22	\$31.85	\$32.49	\$35.77	\$38.52	\$40.77	\$42.58	\$43.54
13	Net Cash Flow	\$13.39	\$21.73	\$7.10	-\$10.36	\$0.64	\$3.28	\$2.75	\$2.25	\$1.81	\$0.96	\$0.49
14	Ending Cash Balance*	\$13.39	\$35.12	\$42.22	\$31.85	\$32.49	\$35.77	\$38.52	\$40.77	\$42.58	\$43.54	\$44.03
15	Days Cash on Hand	20.1	52.7	63.3	47.8	48.7	53.7	57.8	61.2	63.9	65.3	66.0

Assumptions	
Operating Expense Growth Rate	3%
Earnings on Investment Portfolio	2%

Assumes 3% increase on Kruger Clinic for NW Derm & PSG space (2016-2020)

Assumes Value Village does not renew after 2018

Assumes \$100k per year reserve from 2015 to 2020 for capital improvements



TOTAL PROGRAM SPENDING 2014 - 2020

\$55.13

Scenario 2: Program Expenses at \$5.75M 2014 thru 2020

PRIORITY: CASH RESERVES

	\$ Millions	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue												
1	Lease Income	\$2.50	\$7.59	\$7.82	\$8.07	\$9.58	\$9.87	\$10.13	\$10.41	\$10.77	\$10.71	\$11.05
2	Investment Earnings	\$0.22	\$1.07	\$1.68	\$1.03	\$0.58	\$0.59	\$0.60	\$0.61	\$0.62	\$0.63	\$0.65
3	Levy	\$1.40	\$3.20	\$2.04	\$2.06	\$2.10	\$2.11	\$2.11	\$2.12	\$2.12	\$2.13	\$2.13
4	Total Revenue	\$4.12	\$11.85	\$11.53	\$11.17	\$12.26	\$12.56	\$12.85	\$13.14	\$13.52	\$13.47	\$13.82
Expenses												
5	Operating Expenses	\$0.76	\$1.30	\$1.19	\$1.34	\$1.90	\$1.96	\$2.02	\$2.08	\$2.14	\$2.21	\$2.27
6	Program Expenses	\$0.00	\$0.30	\$1.87	\$3.12	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75	\$5.75
7	Total Expenses	\$0.76	\$1.59	\$3.06	\$4.47	\$7.65	\$7.71	\$7.77	\$7.83	\$7.89	\$7.96	\$8.02
8	Hospital Legacy	\$13.04	\$13.63	\$0.01	-\$0.44	-\$0.14	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9	Bond Payments	-\$3.02	-\$2.16	-\$1.38	-\$0.72	-\$0.75	-\$0.77	-\$0.81	-\$0.84	-\$0.88	-\$0.92	-\$0.96
10	Capital Outlay	\$0.00	\$0.00	\$0.00	-\$15.91	-\$3.08	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10
11	Net Cash Flow	\$13.39	\$21.73	\$7.10	-\$10.36	\$0.64	\$3.98	\$4.17	\$4.37	\$4.65	\$4.50	\$4.74
12	Beginning Cash Balance*	\$0.00	\$13.39	\$35.12	\$42.22	\$31.85	\$32.49	\$36.48	\$40.65	\$45.02	\$49.66	\$54.16
13	Net Cash Flow	\$13.39	\$21.73	\$7.10	-\$10.36	\$0.64	\$3.98	\$4.17	\$4.37	\$4.65	\$4.50	\$4.74
14	Ending Cash Balance*	\$13.39	\$35.12	\$42.22	\$31.85	\$32.49	\$36.48	\$40.65	\$45.02	\$49.66	\$54.16	\$58.91
15	Days Cash on Hand	20.1	52.7	63.3	47.8	48.7	54.7	61.0	67.5	74.5	81.2	88.4

Assumptions	
Operating Expense Growth Rate	3%
Earnings on Investment Portfolio	2%

Assumes 3% increase on Kruger Clinic for NW Derm & PSG space (2016-2020)

Assumes Value Village does not renew after 2018

Assumes \$100k per year reserve from 2015 to 2020 for capital improvements



TOTAL PROGRAM SPENDING 2014 - 2020

\$40.25

Scenario 3: Program Expenses at \$6.75M in 2014 increase by \$500k thru 2020

PRIORITY: PROGRAM EXPENSES

	\$ Millions	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue												
1	Lease Income	\$2.50	\$7.59	\$7.82	\$8.07	\$9.58	\$9.87	\$10.13	\$10.41	\$10.77	\$10.71	\$11.05
2	Investment Earnings	\$0.22	\$1.07	\$1.68	\$1.03	\$0.58	\$0.59	\$0.60	\$0.61	\$0.62	\$0.63	\$0.65
3	Levy	\$1.40	\$3.20	\$2.04	\$2.06	\$2.10	\$2.11	\$2.11	\$2.12	\$2.12	\$2.13	\$2.13
4	Total Revenue	\$4.12	\$11.85	\$11.53	\$11.17	\$12.26	\$12.56	\$12.85	\$13.14	\$13.52	\$13.47	\$13.82
Expenses												
5	Operating Expenses	\$0.76	\$1.30	\$1.19	\$1.34	\$1.90	\$1.96	\$2.02	\$2.08	\$2.14	\$2.21	\$2.27
6	Program Expenses	\$0.00	\$0.30	\$1.87	\$3.12	\$6.75	\$7.25	\$7.75	\$8.25	\$8.75	\$9.25	\$9.75
7	Total Expenses	\$0.76	\$1.59	\$3.06	\$4.47	\$8.65	\$9.21	\$9.77	\$10.33	\$10.89	\$11.46	\$12.02
8	Hospital Legacy	\$13.04	\$13.63	\$0.01	-\$0.44	-\$0.14	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9	Bond Payments	-\$3.02	-\$2.16	-\$1.38	-\$0.72	-\$0.75	-\$0.77	-\$0.81	-\$0.84	-\$0.88	-\$0.92	-\$0.96
10	Capital Outlay	\$0.00	\$0.00	\$0.00	-\$15.91	-\$3.08	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10
11	Net Cash Flow	\$13.39	\$21.73	\$7.10	-\$10.36	-\$0.36	\$2.48	\$2.17	\$1.87	\$1.65	\$1.00	\$0.74
12	Beginning Cash Balance*	\$0.00	\$13.39	\$35.12	\$42.22	\$31.85	\$31.49	\$33.98	\$36.15	\$38.02	\$39.66	\$40.66
13	Net Cash Flow	\$13.39	\$21.73	\$7.10	-\$10.36	-\$0.36	\$2.48	\$2.17	\$1.87	\$1.65	\$1.00	\$0.74
14	Ending Cash Balance*	\$13.39	\$35.12	\$42.22	\$31.85	\$31.49	\$33.98	\$36.15	\$38.02	\$39.66	\$40.66	\$41.41
15	Days Cash on Hand	20.1	52.7	63.3	47.8	47.2	51.0	54.2	57.0	59.5	61.0	62.1

Assumptions	
Operating Expense Growth Rate	3%
Earnings on Investment Portfolio	2%

Assumes 3% increase on Kruger Clinic for NW Derm & PSG space (2016-2020)

Assumes Value Village does not renew after 2018

Assumes \$100k per year reserve from 2015 to 2020 for capital improvements



TOTAL PROGRAM SPENDING 2014 - 2020

\$57.75

Scenario 4: Program Expenses at \$7M 2014 thru 2020

PRIORITY: COMBINED PROGRAM EXPENSES & CASH RESERVES

	\$ Millions	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue												
1	Lease Income	\$2.50	\$7.59	\$7.82	\$8.07	\$9.58	\$9.87	\$10.13	\$10.41	\$10.77	\$10.71	\$11.05
2	Investment Earnings	\$0.22	\$1.07	\$1.68	\$1.03	\$0.58	\$0.59	\$0.60	\$0.61	\$0.62	\$0.63	\$0.65
3	Levy	\$1.40	\$3.20	\$2.04	\$2.06	\$2.10	\$2.11	\$2.11	\$2.12	\$2.12	\$2.13	\$2.13
4	Total Revenue	\$4.12	\$11.85	\$11.53	\$11.17	\$12.26	\$12.56	\$12.85	\$13.14	\$13.52	\$13.47	\$13.82
Expenses												
5	Operating Expenses	\$0.76	\$1.30	\$1.19	\$1.34	\$1.90	\$1.96	\$2.02	\$2.08	\$2.14	\$2.21	\$2.27
6	Program Expenses	\$0.00	\$0.30	\$1.87	\$3.12	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00	\$7.00
7	Total Expenses	\$0.76	\$1.59	\$3.06	\$4.47	\$8.90	\$8.96	\$9.02	\$9.08	\$9.14	\$9.21	\$9.27
8	Hospital Legacy	\$13.04	\$13.63	\$0.01	-\$0.44	-\$0.14	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9	Bond Payments	-\$3.02	-\$2.16	-\$1.38	-\$0.72	-\$0.75	-\$0.77	-\$0.81	-\$0.84	-\$0.88	-\$0.92	-\$0.96
10	Capital Outlay	\$0.00	\$0.00	\$0.00	-\$15.91	-\$3.08	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10	-\$0.10
11	Net Cash Flow	\$13.39	\$21.73	\$7.10	-\$10.36	-\$0.61	\$2.73	\$2.92	\$3.12	\$3.40	\$3.25	\$3.49
12	Beginning Cash Balance*	\$0.00	\$13.39	\$35.12	\$42.22	\$31.85	\$31.24	\$33.98	\$36.90	\$40.02	\$43.41	\$46.66
13	Net Cash Flow	\$13.39	\$21.73	\$7.10	-\$10.36	-\$0.61	\$2.73	\$2.92	\$3.12	\$3.40	\$3.25	\$3.49
14	Ending Cash Balance*	\$13.39	\$35.12	\$42.22	\$31.85	\$31.24	\$33.98	\$36.90	\$40.02	\$43.41	\$46.66	\$50.16
15	Days Cash on Hand	20.1	52.7	63.3	47.8	46.9	51.0	55.3	60.0	65.1	70.0	75.2

Assumptions	
Operating Expense Growth Rate	3%
Earnings on Investment Portfolio	2%

Assumes 3% increase on Kruger Clinic for NW Derm & PSG space (2016-2020)
 Assumes Value Village does not renew after 2018
 Assumes \$100k per year reserve from 2015 to 2020 for capital improvements



TOTAL PROGRAM SPENDING 2014 - 2020

\$49.00