Public Hospital District 2, Snohomish County
Verdant Health Commission

Special Board Meeting on the Superintendent's 2017 Proposed Budget Agenda

AMENDED October 7, 2016

October 11, 2016

Activity	Timeline
1. 2017 Budget Discussion	**5:30PM**
1.1. Background process information	
1.2. Draft 2017 budget by category	
1.3. Review long-term reserve plans and assumptions	
1.4. Possible budget contingencies	
1.5. Public comment	
1.6. Commissioner Discussion	
2. Executive Session	**6:20PM**
2.1. Discuss personnel matter	
3. Adjourn	**6:30PM**

PUBLIC HOSPITAL DISTRICT NO. 2 OF SNOHOMISH COUNTY, WASHINGTON

SPECIAL MEETING
October 11, 2016
5:30 p.m.
Verdant Community Wellness Center Cedar Room

Commissioners Present	Fred Langer, President Deana Knutsen, Secretary J. Bruce Williams, MD, Commissioner (5:40 p.m. arrival) Bob Knowles, Commissioner Karianna Wilson, Commissioner (5:38 p.m. arrival)
Staff	Carl Zapora George Kosovich Jennifer Piplic Lisa King Sue Waldin Karen Goto
Guests	Erica Ash, Consultant Ed Rogan, Waldron
Call to Order	The Special Meeting of the Board of Commissioners was called to order by President Langer at 5:33 p.m.
2017 Budget Discussion	Ms. King presented the draft 2017 budget including process, revenue, expenses, capital outlay, debt and long-term reserve plans (E:63:16). Mr. Kosovich spoke to the detailed program budget. Discussion occurred and questions were asked by the commissioners and answered by staff. President Langer asked for clarification on Professional Services vs. Purchased Services. Ms. King also noted that the state no longer allows public hospital districts to invest in mutual funds, so Verdant's investments will need to be adjusted. The finance committee is working on an investment policy revision. Ms. King clarified for commissioners that 2016 non-operating expenses include estimates for Medicare settlements from Stevens Hospital. The 2017 budget does not include a Medicare settlement expense because we are equally likely to receive a refund.
Public Comment	None
Commissioner Discussion	None
Executive Session	President Langer recessed the special board meeting at 6:10 p.m. into Executive Session to discuss qualifications of applicants for public employment. President Langer stated that the board would

reconvene in 15 minutes and no action would be taken in Executive Session.

Open Session

The board reconvened into Open Session at 6:20 p.m.

Adjourn

There being no further business to discuss, the meeting was adjourned at 6:20 p.m.

Attest By:

Fred Jaeger
President

Deana Knudsen
Secretary

Budget Proposal

Consideration by Board of Commissioners
October 11, 2016

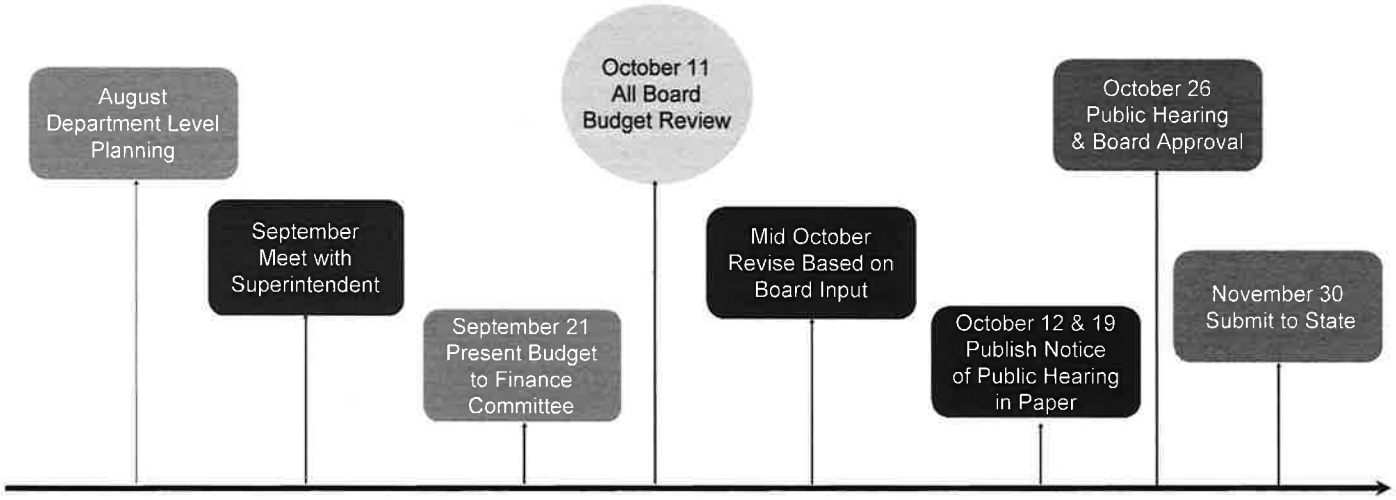
Outline

- Timeline & Purpose
- Overview and Assumptions
- Verdant Revenue
- Verdant Expenses
- Program Budget
- Capital Budget
- Debt Service and Reserves

Why do we do this?

- RCW 70.44.060 requires the Superintendent of the District to prepare a proposed budget of the contemplated financial transactions of the District for the ensuing year and to file the budget in the records of the Commission on or before the first day in November.

Budgeting Timeline

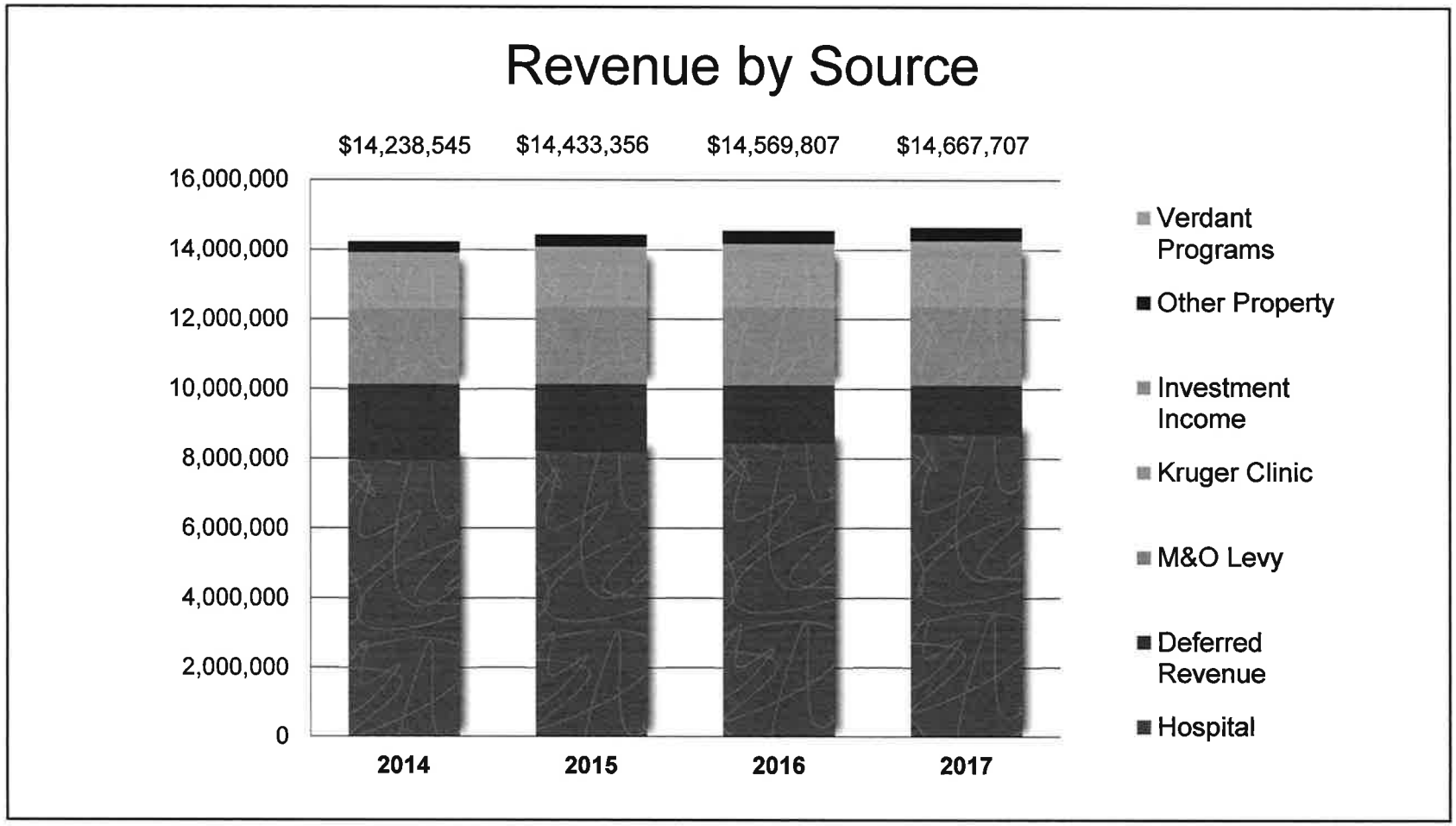


Public Hospital District 2 - Budget 2017	
Operating Revenue	$ 11,928,961
Salaries & Benefits	(863,400)
Professional Services	(463,839)
Interest Expense	(105,450)
Purchased Services	(361,301)
Utilities	(153,238)
Other Operating Expenses	(408,102)
Programs	(7,891,246)
Non Operating Revenue (Expenses)	2,738,746
Depreciation	(2,113,656)
Net Income	$ 2,307,474

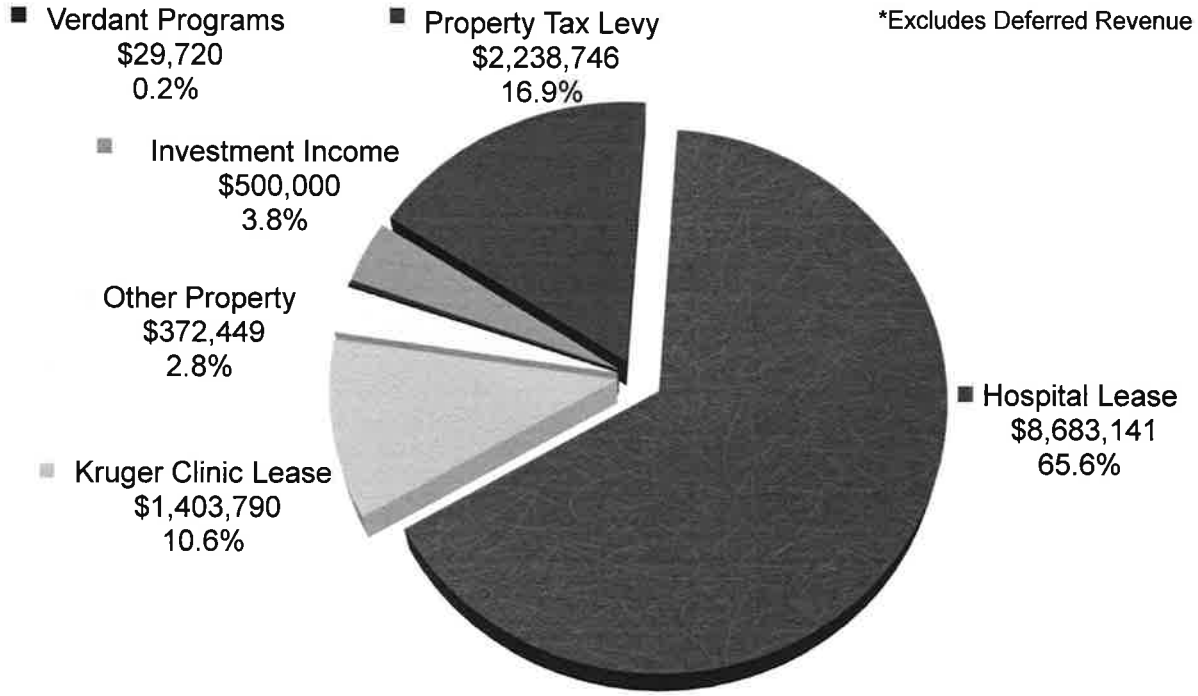
Verdant Revenue

Revenue Assumptions

- Verdant Healthier Communities Conference – assumes 280 attendees at $49/per ($13,720) plus $16,000 in sponsorship contributions
- Swedish Edmonds hospital, Kruger Clinic, Value Village and ground lease
- Healthcare Realty calculated tenant common area maintenance (CAM) recovery
- Levy includes automatic 0.953% annual increase or approximately $21k over 2016 plus new construction and refunds
- Investment Income based on 2016 trends


Revenue by Source
$14,238,545
$14,433,356
$14,569,807
$14,667,707
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
2014
2015
2016
2017
Verdant Programs
Other Property
Investment Income
Kruger Clinic
M&O Levy
Deferred Revenue
Hospital

2017 Revenue Sources



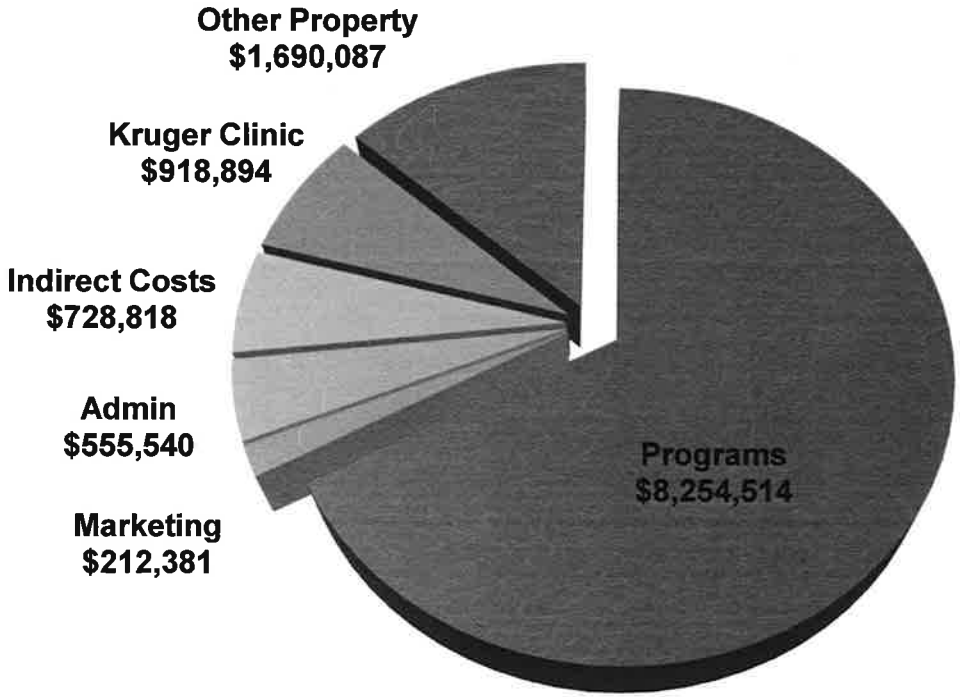
*Excludes Deferred Revenue

Expenses

Verdant Only Expenses	2016 Estimated Actual	2017 Budget	Change
Salaries & Benefits	$ 856,032	$ 863,400	$ 7,368
Professional Services	329,000	385,538	79,882
Interest Expense	129,688	105,450	(24,238)
Purchased Services	172,481	226,585	54,104
Utilities	35,575	34,382	(1,193)
Other Operating Expense	163,897	264,108	100,211
Programs	*5,151,710	7,891,246	2,739,536
Non Operating Expenses	445,178	0	(445,178)
Depreciation	165,138	162,918	(2,220)
Total	**$ 7,448,699**	**$ 9,933,627**	**$ 2,484,928**

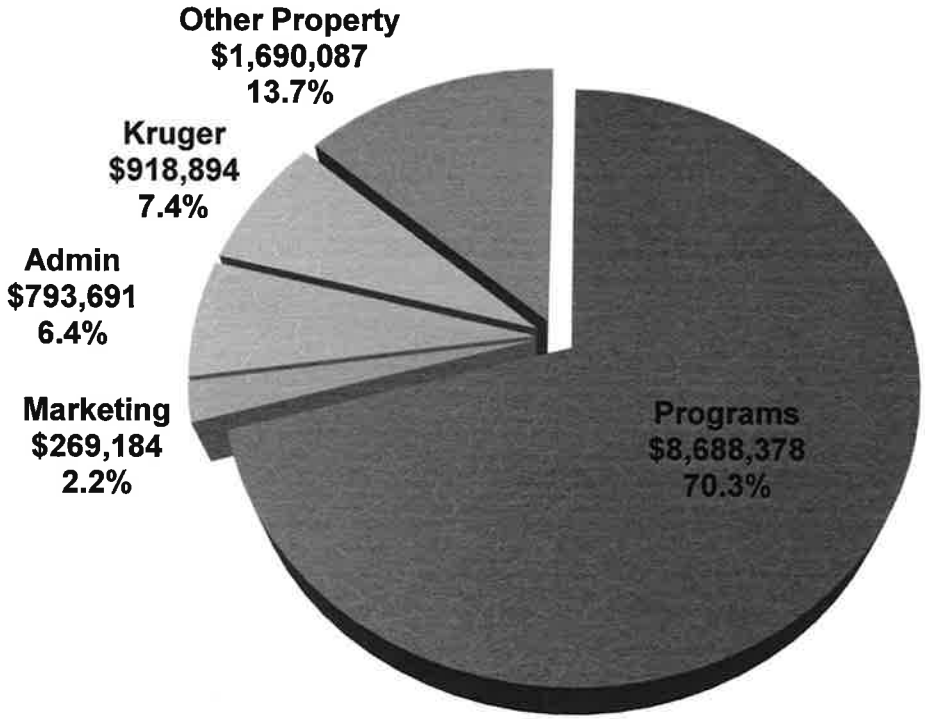
*** 2016 $1.35M BHCF not included**

2017 Operating Expenses by Department



Total budget
$12,360,234

2017 Allocated Total Expenses by Department



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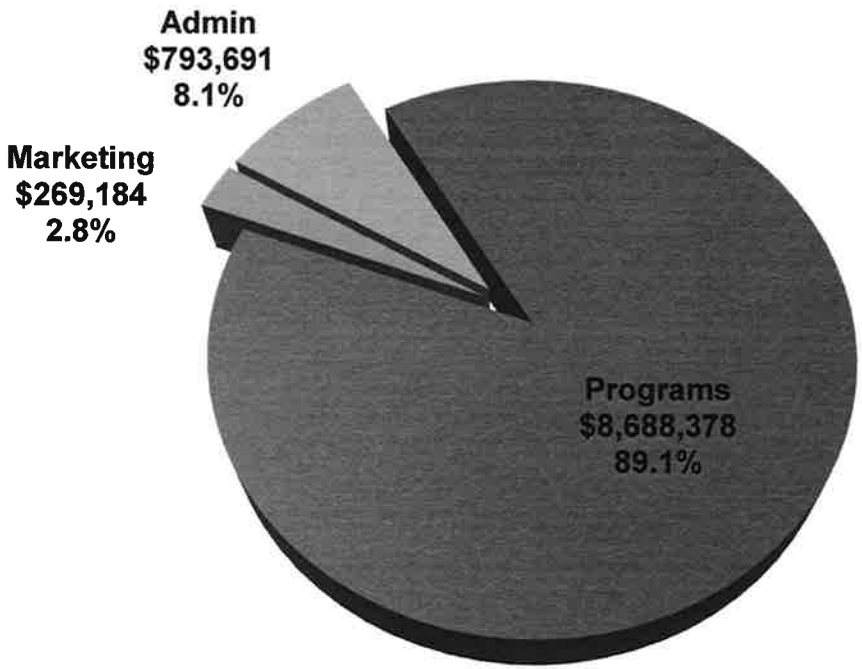
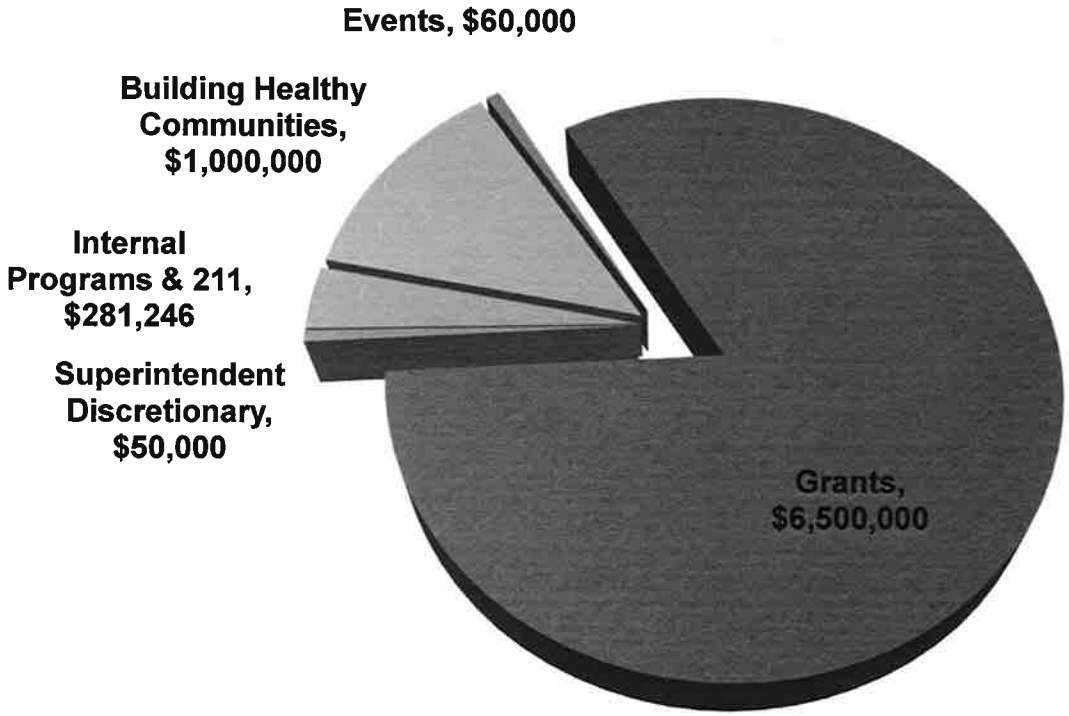
Verdant Only
2017 Allocated Total Expenses by Department



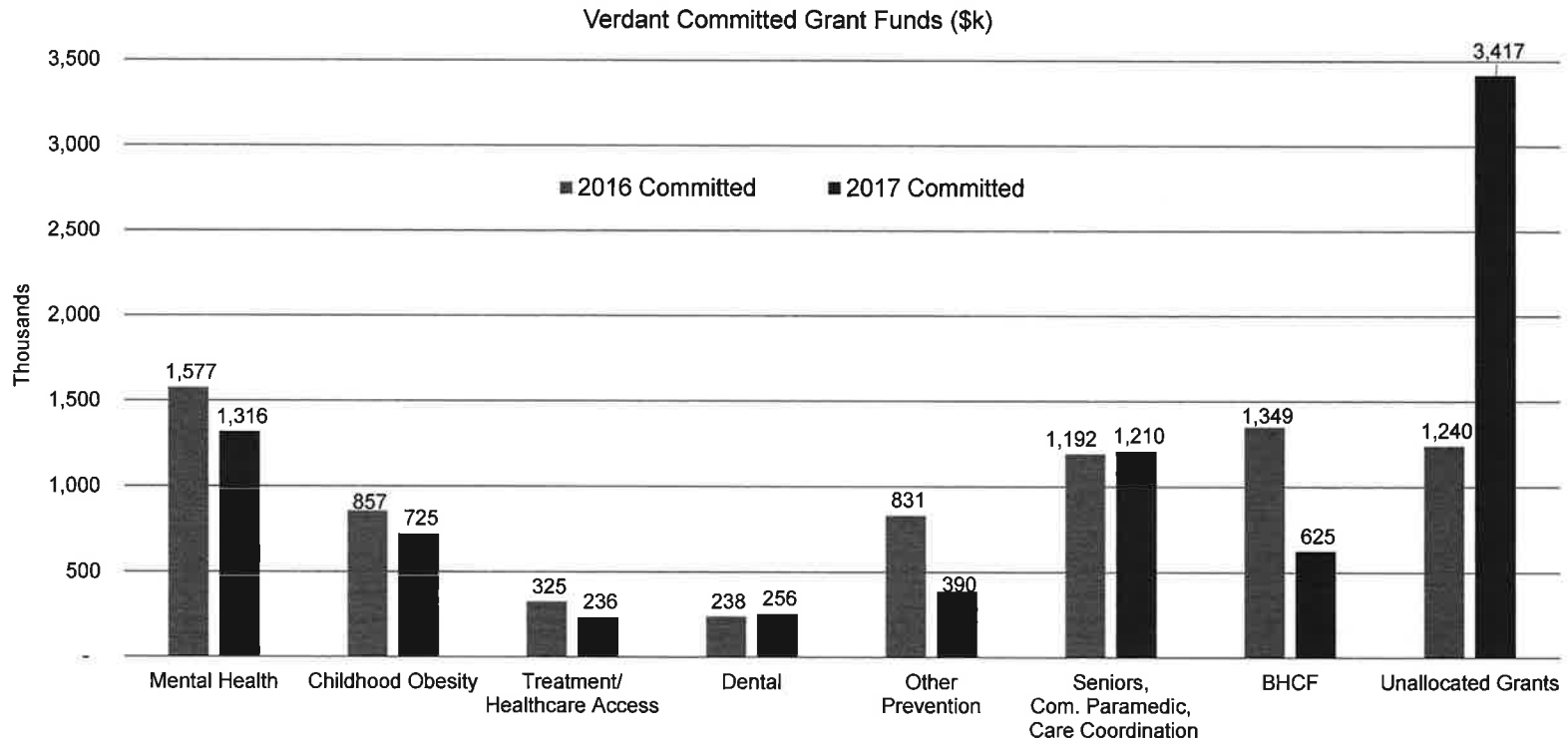
Total budget
$9,751,253

2017 Grants and Internal Programming Expenses



Total budget
$7,891,246

2017 Grant Funding by Priority Area

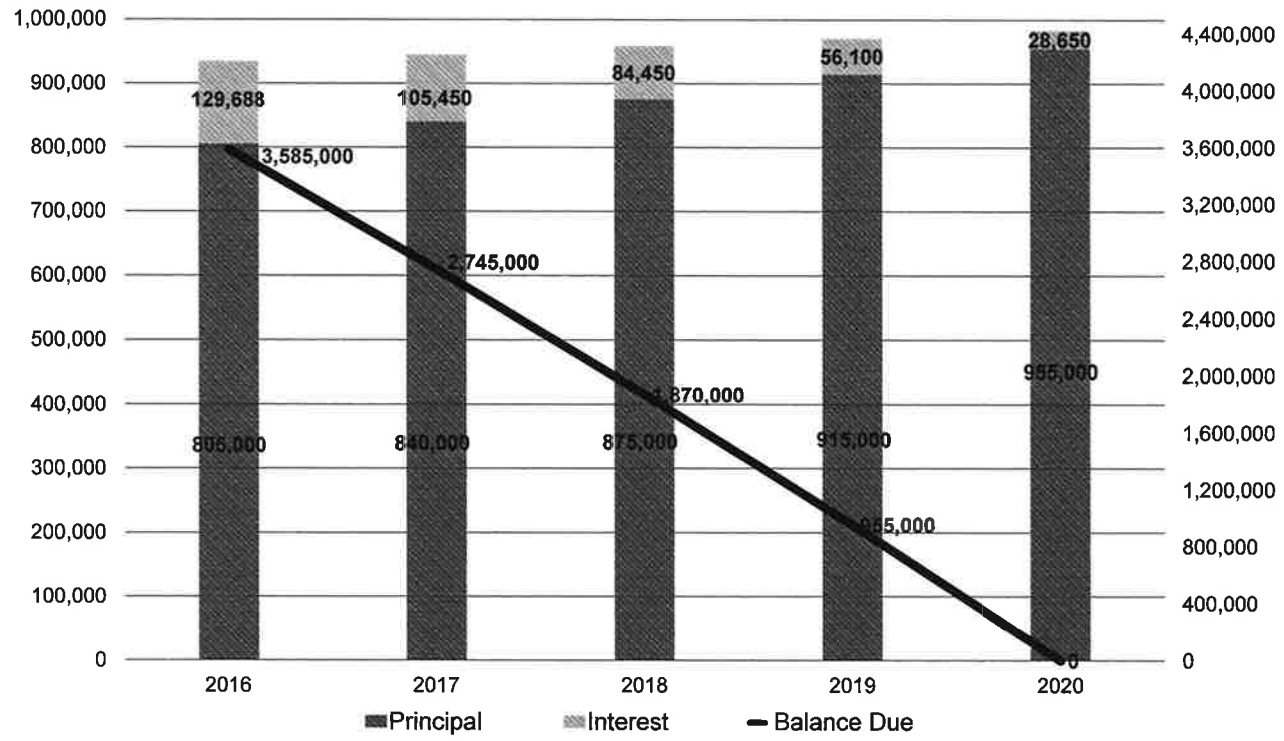


2017 Capital Expenditure

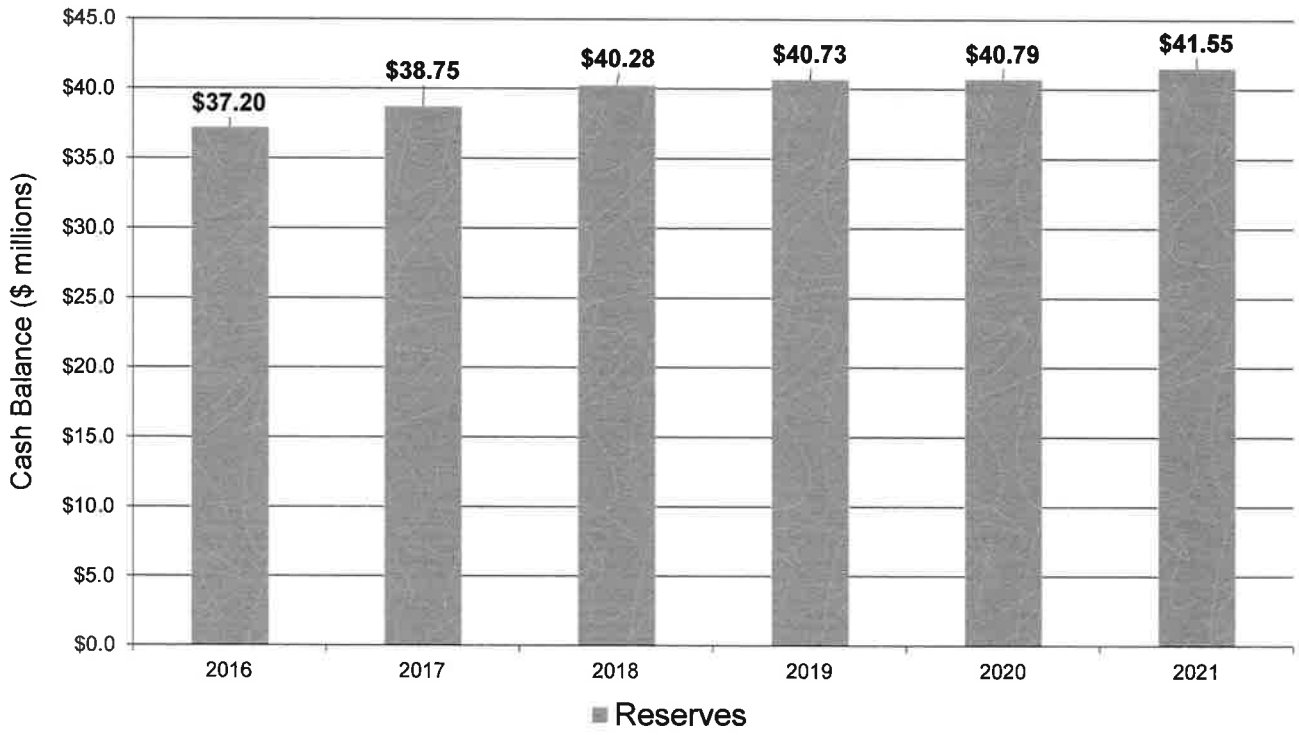
Verdant	
Reconfigure Rear Parking Lot*	$150,000
Basement Storage and Painting	15,000
Total	**$165,000**
Kruger Clinic	
Art for 2nd Floor Hallway	7,000
Furniture for 2nd Floor Lobby	15,000
Roof & Exterior Building Paint and Repairs	150,000
Total	**$172,000**
Grand Total	**$337,000**

*Only if necessary

Debt Service on 2012 LTGO Bonds



Reserve Investments



Public Hospital District 2 - Budget 2017	
Operating Revenue	$ 11,928,961
Programs	(7,891,246)
Other Operating Expenses	(2,355,330)
Depreciation	(2,113,656)
Maintenance and Operations Levy	2,238,746
Other Non-Operating Revenue	500,000
Net Income	$ 2,307,474
Capital Outlay	$337,000

Summary

- Strong financial position!
- Operating revenue increase of 1% over 2016 budget
- On target to meet our reserve goal of $40m
- Expense are stable
- Program budget 2.5% increase over 2016 budget
- Small capital budget

Questions & Commissioner Discussion

Program Pay Schedule
as of Oct. , 2016

A	B	C	2016 Committed Funding							
								Other		
	Budget 2016	Budget 2017	A. Mental Health	B. Childhood Obesity	C. Long-term Healthy Lifestyle	D. Treatment/ Healthcare Access	E. Dental	Other Prevention	Seniors, Comm. Para, Care Coord.	Program End
7100 . Grants										
Committed										
Center for Human Services Counseling	$ 165,000	$ 165,000	X							Dec-17
CHC Behavioral Health Integration	$ 300,000	$ 25,000	X							Feb-17
ChildStrive Nurse Family Partnership	$ 280,000	$ 280,000	X							Dec-18
Domestic Violence Services Teen Prevention	$ 22,266	$ 22,266	X							Jun-18
Edmonds Community College Veteran's Support	$ 52,756	$ 30,774	X							Jul-17
Edmonds Schools Student Support Advocate	$ 310,586	$ 395,000	X							Dec-19
PSCC Mental Health Counseling Program	$ 25,000	$ 25,000	X							Aug-19
Snohomish County Music Project	$ 26,583		X							Nov-16
Therapeutic Health Services Youth Behavioral	$ 200,000	$ 100,000	X							Jun-17
YWCA Children's Domestic Violence	$ 25,000	$ 25,000	X							Jul-18
YWCA Mental Health Counseling	$ 25,000	$ 25,000	X							Dec-18
Boys & Girls Club Healthy Habits	$ 164,226	$ 246,235		X						Aug-18
Compass Health CPIT Program	$ 144,435	$ 222,870	X							Jul-18
Campfire	$ 50,000	$ 50,000	X	X						Dec-17
City of Lynnwood Move 60: Teens!	$ 73,729	$ 73,729		X						Dec-17
Edmonds School District Move 60!	$ 518,637	$ 354,857		X						Aug-17
Snohomish County Health Leadership Coalition	$ 50,000			X						Mar-17
LCSNW Health Access for Underserved	$ 70,538					X				Complete
Prescription Drug Assistance Program	$ 50,000	$ 50,000				X				Jun-19
Project Access Northwest	$ 90,000	$ 90,000				X				Jun-18
PSCC Mobile Medical Clinic	$ 102,600	$ 96,000				X				Dec-17
CHC of Snohomish County Dental Program	$ 62,500						X			Jun-16
MTI Mobile Dental Program	$ 66,000	$ 66,000					X			Aug-18
PSCC Dental Clinic	$ 110,000	$ 190,000					X			Jun-19
3rd Grade Swim Lessons	$ 50,000	$ 50,000						X		Sep-17
Alzheimer's Association	$ 86,510							X		Dec-16
American Red Cross CPR Training	$ 7,500							X		Jul-16
Brain Injury Alliance Support Program	$ 42,500	$ 30,000						X		Jun-18
Cascade Bicycling Club Advanced Basics	$ 32,000	$ 32,000						X		Dec-18
City of Lynnwood Fire Mobile Integrated Care	$ (58,355)								X	Complete
Community Paramedic	$ 344,000	$ 344,000							X	Dec-18
FD1/OMF Veteran's Project	$ 22,310	$ 89,240							X	tbd
Korean Women's Association Everyday Prevention	$ 60,000	$ 60,000						X		Dec-17
EdCC Student Health & Wellness Program	$ 29,847							X		Jun-17
Edmonds Senior Center Enhanced Wellness	$ 110,000	$ 82,500							X	Sep-17
Kindering Early Intervention	$ 102,052	$ 138,206						X		Sep-18
MRC Training Program	$ 10,100							X		Jun-17
PEPS	$ 35,850							X		Dec-16
Puget Sound Kidney Center	$ 45,833							X		Nov-16
Seattle Visiting Nurses Flu Vaccines	$ 28,585	$ 30,000						X		Mar-18
Senior Services Center for Healthy Living	$ 560,240	$ 634,040							X	Sep-18
Senior Services Care Coordination	$ 135,000								X	Dec-16
Alpha Supported Living (formerly Smithwright)	$ 65,000							X		Dec-16
American Diabetes Association	$ 25,000	$ 15,000						X		Dec-18
Wonderland Development Center	$ 90,000							X		Aug-16
American Red Cross Family Fire Prevention	$ 5,000	$ 5,000						X		May-18
Cocoon House	$ -	$ 60,000						X		Dec-18
Total Committed	**$ 4,813,828**	**$ 4,102,717**	**$ 1,626,626**	**$ 856,592**	**$ -**	**$ 313,138**	**$ 238,500**	**$ 715,777**	**$ 1,113,195**	
Not Committed (Available to Spend)	**$ 1,173,526**	**$ 2,207,283**								

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HEALTH COMMISSION
SERVING SOUTH SNOHOMISH COUNTY

Public Hospital Dist
2017 D

		A 2015 Budget	B 2015 Actual	C 2016 Budget	D 2016 Projected Actual	E 2016 Actual v 2016 Budget Variance	F 2017 Marketing	G 2017 Programs
1	Income							
2	Operating Revenues							
3	5791 · Rental Income	-	-	-	-	-	-	-
4	5791.1 · S/E Hospital Rental Income	8,184,696	8,184,698	8,561,790	8,430,232	(131,559)	-	-
5	5791.2 · Kruger Clinic Rental Income	1,230,973	1,288,597	1,184,692	1,336,623	151,931	-	-
6	5791.3 · Value Village Rental Income	293,144	293,141	305,887	305,887	0	-	-
7	5791.4 · Deferred Rental Income	1,927,530	1,965,506	1,692,768	1,692,768	-	-	-
8	5792 · Pavilion Ground Lease Income	46,707	105,709	53,817	53,817	-	-	-
9	5793 · Other Operating Income	3,000	16,030	12,250	28,306	16,056	-	29,720
10	Total Operating Revenues	11,686,051	11,853,681	11,811,204	11,847,633	36,429	-	29,720
11	Expense							
12	Operating Expenses							
13	Salaries				-	-	-	-
14	6010 · Salaries	642,265	596,312	651,158	644,229	(6,929)	66,242	250,066
15	6011 · Payroll Tax Expense	48,379	41,744	47,415	43,841	(3,574)	5,068	19,130
16	6020 · Commissioners Wages	54,720	27,132	36,000	22,206	(13,794)	-	-
17	Total Salaries	745,364	665,188	734,573	710,276	(24,297)	71,309	269,196
18	Benefits				-	-	-	-
19	6111 · Accrued Vacation/Sick Leave	15,000	(2,920)	17,500	14,833	(2,667)	-	8,325
20	6155 · Health Insurance	39,224	40,009	47,378	50,657	3,279	3,747	30,253
21	6156 · Dental Insurance	6,288	5,590	6,601	4,685	(1,916)	435	2,298
22	6160 · 401(a) Retirement Expense	36,916	35,925	39,069	38,753	(316)	3,975	15,004
23	6190 · Other Employee Benefits	13,687	14,218	16,631	16,196	(435)	1,201	7,605
24	6130 · Workers Comp Self Insurance	12,000	(6,070)	6,000	2,783	(3,217)	-	-
25	6131 · Work Comp Service Fee-EV	15,836	15,560	16,026	16,120	93	-	-
26	6137 · Workers Comp - State fund	1,500	1,502	1,716	1,729	13	171	841
27	Total Benefits	140,451	103,814	150,923	145,756	(5,166)	9,529	64,325
28	Professional Services				-	-	-	-
29	6210 · Professional Fees	50,000	47,178	137,495	116,112	(21,383)	7,738	-
30	6220 · Property Management	37,446	40,903	56,895	66,495	9,600	-	-
31	6230 · Consulting	90,000	91,621	90,000	52,952	(37,048)	-	-
32	6240 · Legal	75,000	66,112	126,200	116,575	(9,625)	1,800	-
33	6250 · Accounting/Audit	75,000	73,830	50,000	53,589	3,589	-	-
34	Total Professional Services	327,446	319,645	460,590	405,723	(54,867)	9,538	-
35	Other Amortization		-		-	-	-	-
36	8969 · Amortization - 12 LTGO Premium	(62,030)	(62,030)	(62,030)	(62,030)	-	-	-
37	6966 · TI Amortization	50,620	98,781	104,331	110,722	6,391	-	-
38	Total Other Amortization	(11,409)	36,752	42,301	48,692	6,391	-	-
39	Interest Expense		-		-	-	-	-
40	6954 · 12 LTGO Interest Exp	152,875	152,875	129,688	129,688	-	-	-
41	Total Interest Expense	152,875	152,875	129,688	129,688	-	-	-
42	Purchased Services		-		-	-	-	-
43	6650 · Purchased Services	50,000	64,728	62,250	65,090	2,840	3,300	6,000
44	6650.2 · After Hours Staffing			15,140	14,482	(658)	-	16,440
45	6651.1 · Kruger Clinic Purchased Services	83,885	77,316	126,603	121,586	(5,017)	-	-
46	6675.0 · Marketing	25,000	14,999	14,400	7,579	(6,821)	6,000	-
47	6675.1 · Sponsorships	25,000	2,184	30,000	7,184	(22,816)	30,000	-
48	6675.2 · Printing	55,000	48,354	29,000	23,991	(5,009)	25,800	-
49	6675.3 · Website	17,640	15,979	17,640	15,668	(1,972)	18,000	-
50	~~6675.4 · Events~~	15,000	4,723	5,000	-	(5,000)	-	-
51	6675.5 · Advertising			9,131	6,285	(2,846)	8,200	-
52	6697 · Network Hosting	12,736	10,749	12,284	12,880	596	-	-
53	Total Purchased Services	284,261	239,032	321,448	274,745	(46,703)	91,300	22,440
54	Supplies				-	-	-	-
55	6300 · Supplies	6,000	10,756	7,380	5,740	(1,640)	-	-
56	6460 · Postage	3,000	617	27,704	26,432	(1,272)	28,600	-
57	6480 · Books and Publications	1,000	1,075	1,175	533	(642)	-	-
58	Total Supplies	10,000	12,448	36,259	32,706	(3,553)	28,600	-
59	Repairs and Maintenance				-	-	-	-
60	6620 · Repairs	15,000	10,519	12,000	11,269	(731)	-	-
61	6621 · Maintenance Contracts	6,000	8,480	40,878	21,062	(19,816)	-	-
62	6622 · Kruger Clinic Repairs	87,422	111,425	32,242	54,848	22,606	-	-
63	Total Repairs and Maintenance	108,422	130,424	85,120	87,178	2,058	-	-

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HEALTH COMMISSION
SERVING SOUTH SNOHOMISH COUNTY

Public Hospital Dist
2017 D

		A 2015 Budget	B 2015 Actual	C 2016 Budget	D 2016 Projected Actual	E 2016 Actual v 2016 Budget Variance	F 2017 Marketing	G 2017 Programs	A
64	Insurance				-	-	-	-	
65	6910 · Insurance	31,878	32,575	32,006	33,469	1,463	-	-	
66	~~6911 · Liability Claims Admin Fees~~	500	175	-	-	-	-	-	
67	Total Insurance	32,378	32,750	32,006	33,469	1,463	-	-	
68	Utilities				-	-	-	-	
69	~~6500 · Kruger Clinic Utilities~~	130,364	101,657	-	-	-	-	-	
70	6510 · Electricity	7,200	14,756	111,000	106,979	(4,021)	-	-	
71	6540 · Water/Sewer	11,000	2,871	36,596	26,230	(10,366)	-	-	
72	6550 · Garbage	2,400	3,617	19,392	19,063	(329)	-	-	
73	6560 · Natural Gas	4,000	713	1,080	721	(359)	-	-	
74	6570 · Telephone/Internet	9,680	10,188	10,044	10,975	931	-	-	
76	6580 · Security Monitoring	3,600	-	3,408	3,159	(249)	-	-	
77	Total Utilities	168,243	133,800	181,520	167,127	(14,393)	-	-	
78	Taxes				-	-	-	-	
79	6820 · License and Tax	55	25	1,189	25	(1,164)	-	-	
80	6821 · Leasehold Taxes	83,423	87,239	110,540	89,316	(21,224)	-	-	
81	6825 · B&O Tax	8,936	9,174	8,832	9,334	502	-	206	
82	Total Taxes	92,414	96,439	120,561	98,674	(21,886)	-	206	
83	Other Expenses				-	-	-	-	
84	~~6000 · Rent Expense~~	-	3,045	-	-	-	-	-	
85	6451 · Computer Expenses	5,000	4,298	5,000	7,144	2,144	-	-	
86	6829 · Meals and Entertainment	3,600	1,807	7,400	6,064	(1,336)	-	600	
87	6830 · Dues and Memberships	10,000	12,182	10,000	4,305	(5,695)	605	-	
88	6840 · Travel and Meetings	10,000	4,514	7,500	5,261	(2,239)	250	1,000	
89	6841 · Commissioner Education	15,000	8,904	12,000	9,500	(2,500)	-	-	
90	6842 · Professional Development/Conference	7,500	4,943	9,000	9,659	659	1,250	5,500	
91	~~6860 · Superintendent Discretionary~~			100,000	10,607	(89,393)	-	-	
92	6990 · Miscellaneous Expense	5,000	11,326	5,000	722	(4,278)	-	-	
93	~~6992 · Other Kruger Clinic~~	5,276	6,291	-	-	-	-	-	
94	Total Other Expenses	61,376	57,308	155,900	53,262	(102,638)	2,105	7,100	
95	Total Operating Expense	2,111,821	1,980,475	2,450,887	2,187,295	(263,593)	212,381	363,268	1,
96	Programs				-	-	-	-	
97	7100 · Community Programs-External (Grants)	5,115,550	4,693,539	5,987,354	4,850,000	(1,137,354)	-	6,500,000	
98	7200 · Superintendent Discretionary Fund	288,450	206,764	50,000	15,413	(34,587)	-	50,000	
99	7300 · Community Programs-Internal		-	-	-	-	-	-	
100	7300.1 · Healthier Community Conference	40,000	15,417	50,000	50,220	220	-	57,000	
101	7300.2 · Needs Assessment & Eval	30,000	5,000	20,000	20,000	0	-	20,000	
102	~~7300.3 · 6WHY~~	10,000	1,156	-	-	-	-	-	
103	7300.4 · VCWC Programming	133,645	76,389	105,000	95,000	(10,000)	-	125,600	
104	7300.5 · VOA 211	76,355	76,355	78,646	76,355	(2,291)	-	78,646	
105	7400 · One-time Events	75,000	55,660	60,000	45,000	(15,000)	-	60,000	
106	7500 · Building Healthy Communities Fund	1,331,000	2,891,000	1,349,000	(278)	(1,349,278)	-	1,000,000	
107	Total Program Expense	7,100,000	8,021,280	7,700,000	5,151,710	(2,548,290)	-	7,891,246	
108	Net Ordinary Income	2,474,230	1,851,926	1,660,317	4,508,628	2,848,311	(212,381)	(8,224,794)	(1,
109	Non Operating Revenue (Expense)		-		-	-	-	-	
110	8030 · 2003 GO Tax Levy	-	327	-	171	171	-	-	
111	5020 · M&O Tax Levy	2,185,157	2,166,429	2,217,610	2,168,307	(49,303)	-	-	2,
112	5030 · Unrealized G/L on Investment	-	(356,497)	-	255,016	255,016	-	-	
113	5781 · Investment Income	360,000	489,454	500,000	581,951	81,951	-	-	
114	4035 · MI/CPE Payment	-	211,004	-	(400,000)	(400,000)	-	-	
115	5500 · Other Income (Expense)	-	(224,917)	-	(45,178)	(45,178)	-	-	
116	Total Non Operating Revenue (Expense)	2,545,157	2,285,800	2,717,610	2,560,266	(157,344)	-	-	2,
117	Earnings before Depreciation	5,019,387	4,137,725	4,377,927	7,068,894	2,690,967	(212,381)	(8,224,794)	1,
118	Depreciation					-	-	-	
119	6710 · Depr - Land Improvements	80,376	92,171	95,811	101,541	5,729	-	-	
120	6720 · Depr - Building	1,656,577	1,602,273	1,596,632	1,575,619	(21,013)	-	-	
121	6730 · Depr - Fixed Equipment	379,538	421,447	395,693	391,649	(4,044)	-	-	
122	6740 · Depr - Major Equipment	520,856	502,153	323,610	315,939	(7,670)	-	-	
123	6750 · Depr - Minor Equipment	32,654	22,795	16,061	15,897	(164)	-	-	
124	Total Depreciation	2,670,001	2,640,840	2,427,807	2,400,645	(27,162)	-	-	
125	Net Income	2,349,386	1,496,886	1,950,120	4,668,250	2,718,130	(212,381)	(8,224,794)	1,