



**SONOMA VALLEY HEALTH CARE DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING AGENDA
Thursday, May 2, 2013
6:00 p.m. Regular Session**

**Location: Community Meeting Room
177 First Street West, Sonoma CA 95476**

AGENDA ITEM	RECOMMENDATION	
MISSION STATEMENT <i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i>		
1. CALL TO ORDER/ANNOUNCEMENTS	<i>Boerum</i>	
2. PUBLIC COMMENT SECTION <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. At all times please use the microphone.</i>	<i>Boerum</i>	
3. CONSENT CALENDAR: A. Board Minutes 4.4.13 B. Board Minutes 2.7.13 C. Board Minutes 12.6.12 D. Medical Staff Appointments 4.24.13	<i>Boerum</i>	Inform/Action
4. CITIZENS' BOND OVERSIGHT COMMITTEE ANNUAL REPORT 2013	<i>Ciocca</i>	Inform/Action
5. MARCH 2013 FINANCIAL REPORT	<i>Reid</i>	Inform
6. MARCH 2013 ADMINISTRATIVE REPORT	<i>Mather</i>	Inform
7. OFFICER & COMMITTEE REPORTS: <u>A. Chair Report</u> i. Appointment to the Audit Committee ii. Board position on AB 97/900 iii. Special Board Meeting on Strategic Plan, May 7, 2013 iv. Appointment to ACHD Board of Directors	<i>Boerum</i>	Inform/Action

<p>7. OFFICER & COMMITTEE REPORTS (continued):</p> <p><u>B. Quality Committee Report</u> i. Appointment to the Quality Committee</p> <p><u>C. Construction Committee Report</u> i. Project Status Report ii. Construction Contingency Funding Approval iii. Deferred Improvement Agreement</p> <p><u>D. Governance Committee Report</u> i. Memorandum of Understanding between SVHCD and SVH Foundation</p>	<p><i>Nevins</i></p> <p><i>Coss</i> <i>Coss</i> <i>Hohorst</i></p> <p><i>Hohorst</i></p>	
<p>8. REPORT ON ESTES PARK INSTITUTE CONFERENCE</p>	<p><i>All</i></p>	<p>Inform</p>
<p>9. ADJOURN</p>	<p><i>Boerum</i></p>	

3.

CONSENT CALENDAR



**SONOMA VALLEY HEALTH CARE DISTRICT
BOARD OF DIRECTORS
REGULAR MEETING MINUTES
Thursday, April 4, 2013
Community Meeting Room**

Board Members Present	Board Members Absent	Administrative Staff/Other Present
Bill Boerum, Chair Peter Hohorst Sharon Nevins Jane Hirsch	Kevin Carruth	Supervisor Susan Gorin Pat Gilardi, Supervisor Gorin's Office Kelly Mather, President & CEO Dr. Robert Cohen, CMO Leslie Lovejoy, CNO Rick Reid, CFO Paula Davis, HRO Richard Fogg, Finance Committee Chairman Gigi Betta, Board Clerk James Wilburn, Community Member Emily Charrier-Botts, Sonoma Index Tribune

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
MISSION AND VISION STATEMENTS	<i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community. The vision of the SVHCD is that: SVH will be a nationally recognized, compassionate place of healing and known for excellence in clinical quality. We serve as the guide and indispensable link for our community's health care journey.</i>		
1. CALL TO ORDER	<i>Bill Boerum</i>		
	5:10 p.m.		
2. STUDY SESSION WITH SUPERVISOR GORIN	<i>Bill Boerum</i>		
3. PUBLIC COMMENT SECTION	<i>Bill Boerum</i>	Comments	
<i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. At all times please use the microphone.</i>	6:20 p.m. Regular Session called to order. No public comment.		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
6. CONSENT CALENDAR:	<i>Bill Boerum</i>	Action	
<ul style="list-style-type: none"> A. Board Minutes 3.14.13 B. FC Minutes 1.22.13 C. FC Minutes 2.26.13 D. FC Charter 3.26.13 E. QC Minutes 1.23.13 F. QC Minutes 2.27.13 G. QC Charter 3.27.13 H. Medical Staff Appointments 3.27.13 		<p>MOTION: by Nevins and second by Hohorst to approve Items A-F and H. All in favor.</p> <p>MOTION: by Nevins and second by Hirsch to approve Item G <i>as amended</i>. All in favor.</p>	
5. COMMUNITY INPUT FOR STRATEGIC PLAN	<i>Bill Boerum</i>	Inform	
	<p><u>Claudia Mendoza-Carruth</u>, Board President, La Luz and <u>Michelle Alba</u>, Outreach Coordinator, La Luz. La Luz is very encouraged overall by the Hospital's Strategic Plan and La Luz is committed to supporting the Hospital and acting.</p> <p><u>Susan Idell</u>, formerly with ON LOK Lifeways a senior health care service in San Francisco for the most frail and ill seniors. Asking the Hospital to embrace the "live at home" model currently used at ON LOK.</p> <p><u>Norman Gilroy</u> spoke about the importance of meeting the needs of the Community, the need for more Outreach in the Sonoma Valley of a more personal nature. Mr. Gilroy requested that the Board create a checklist for what will be included in future strategic plans.</p>		
6. PUBLIC OPPORTUNITY FOR STREGIC PLAN AND RESPONSE	<i>Bill Boerum</i>	ACTION to be taken at the next SVH Board meeting.	
7. HUMAN RESOURCES ANNUAL REPORT 2012	<i>Paula Davis/Kelly Mather</i>	Inform	
	<p>Ms. Davis presented the 2012 SVH HR Annual Report, spoke about the goals and priorities of the HR department(s) at both Hospitals (SVH and Palm Drive).</p> <p>Ms. Mather presented the very positive Press Ganey Employee Partnerships Results (staff satisfaction) for 2013.</p>		
8. FINANCIAL REPORT FEBRUARY 2013	<i>Rick Reid</i>	Inform	
	Mr. Reid reviewed overall results including patient volumes, revenues, expenses, accounts receivable, cash flows and the		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	Capital Campaign donations for the month of February 2013.		
9. ADMINISTRATIVE REPORT	<i>Kelly Mather</i>	Inform	
	Ms. Mather presented the Administrative Report for February 2013 including patient satisfaction, inpatient/outpatient volumes, the Construction Project, FY 2014 strategic planning, marketing goals and the Capital Campaign. Ms. Mather added that with impending move into the Hospital's new building, SVH staff will be very busy over the next 6-months (and beyond).		
10. OFFICER & COMMITTEE REPORTS	<i>Bill Boerum/Sharon Nevins</i>	Inform	
A. Chair Report 1. N. Cal. Health Care Auth. (JPA) Report 2. Visit to <i>Aswan Heart Centre</i> B. Quality Committee Report/Announcements	A. Chair Report: Mr. Boerum summarized his meeting with the Northern California Health Care Authority Board meeting on March 20, 2013. Representing Sonoma Sister Cities, Mr. Boerum traveled to the Aswan Heart Centre in Aswan, Egypt. His impressions of the Centre and staff were first rate. B. Quality Committee announcement: Ms. Nevins, on behalf of the Quality Committee, announced the Education Seminar taking place on April 24, 2013 at 5:00PM at the Hospital.		
11. ADJOURN	<i>Bill Boerum</i>	Close	
	7:34 p.m.		



**SONOMA VALLEY HEALTH CARE DISTRICT
BOARD OF DIRECTORS
MEETING MINUTES
Thursday, February 7, 2013
Community Meeting Room**

Board Members Present	Administrative Staff Present
Bill Boerum, Chair Peter Hohorst Kevin Carruth Sharon Nevins Jane Hirsch	Kelly Mather, CEO Rick Reid, CFO Robert Cohen, MD Harmony Plenty Kevin Coss

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
MISSION AND VISION STATEMENTS	<p><i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i></p> <p><i>The vision of the SVHCD is that: We are a warm, comfortable, familial place of healing that is a nationally recognized best practice hospital.</i></p> <p><i>We are the heart of health for our community and we guide the Sonoma District residents through their healthcare journey.</i></p> <p><i>We inspire health improvement through education and compassionate support to help restore and maintain physical, mental, emotional and spiritual health.</i></p>		
1. CALL TO ORDER	<i>Bill Boerum</i>		
	6:00 p.m.		
2. PUBLIC COMMENT	<i>Bill Boerum</i>		
<i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or</i>	There was no public comment.		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
<p><i>acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. At all times please use the microphone.</i></p>			
<p>3. CONSENT CALENDAR:</p>	<p><i>Bill Boerum</i></p>		
<p>A. Board of Directors Minutes 01.10.13 B. Quality Committee Minutes 11.28.12 C. Governance Committee Minutes 11.26.12 D. Finance Committee Minutes 12.04.12 E. Medical Staff Appointments and Reappointments 12.20.12 F. Medical Staff Appointments and Reappointments 02.07.13</p>		<p>MOTION: by Nevins and seconded by Hirsch. All in favor.</p>	
<p>4. SONOMA VALLEY HOSPITAL CAPITAL CAMPAIGN UPDATE</p>	<p><i>Harmony Plenty, SVH Foundation Executive Director</i></p>		
	<p>Ms. Plenty reported that \$730,000 had been raised toward the first \$1 million match from the Vadasz family. The second million needed to be raised by the end of September. Active medical staff had 80% participation in the capital campaign. The employee campaign was going strong with 31% participation, and 100% of leadership had contributed.</p> <p>She also discussed the campaign executive team and steering committee focusing on \$500,000 gifts and above. A newly formed campaign cabinet was to focus on under \$500,000 donors. She was confident the Hospital would exceed its \$11 million goal. She thanked all involved for helping the Hospital arrive at this point.</p>		

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	Mr. Boerum said he would like to see the campaign budget and fundraising costs. Ms. Mather said the Hospital was well under benchmarks, and she would be happy to bring those figures in future.		
5. STRATEGIC PLANNING PROCESS UPDATE FOR FY2014	<i>Kelly Mather</i>		
	<p>This year's Strategic Plan would focus on six definitive strategies, and a draft plan would be brought back to the Board at a future meeting. Ms. Mather said there was more the Hospital needed to do over the next couple of years to be ready for the coming changes in health care. Referencing the accompanying CHA presentation, she saw MGH as the aggregator. SVH was part of the Health Manager with the physicians. Meritage ACO was approved January 1 as a physician-only ACO. She thought the majority of the hospitals in the nation would be Connectors; SVH did that now for about 25% of patients. This area is where the Strategic Plan would probably focus.</p> <p>The restrictions of Title 22 and the need for change were also discussed.</p> <p>Ms. Mather said 750 lives had signed up with Western Health Advantage in Sonoma County, with >400 of those SVH employees. The open enrollment period for most employers was missed last year since approval for the plan, expected in August, was not received until November.</p>		
6. SONOMA VALLEY HOSPITAL 2012 ANNUAL REPORT	<i>Kelly Mather</i>		
	The final draft of the annual report was completed February 6 th . Comments from Board Members were requested by next Thursday.		
7. FINANCE COMMITTEE RECOMMENDATION TO APPROVE FINANCING PLAN	<i>Dick Fogg</i>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
<p>FOR CONSTRUCTION PROJECT EXPANDED SCOPE</p>	<p>Mr. Fogg said the Finance Committee was charged to answer whether the Hospital could afford to expand the scope of the building project. It was the unanimous RECOMMENDATION of the Finance Committee to: <u>(1) approve the Funding Plan to cover the expanded project scope; (2) Move forward with a five- year Capital Lease for 2.2 million in equipment; and (3) obtain financing of donations using the Line of Credit (LOC).</u></p> <p>Mr. Reid discussed the current debt and proposed debt with principle payments lower in 2014 and succeeding years than in 2013. He indicated the Hospital was dedicated to not expand the scope of the project any further.</p> <p>Mr. Hohorst said the Hospital also had around \$400,000 of owner contingency not yet used, and around \$900,000 of builder contingency not used. The building was on schedule and the worst of the unknowns were behind. Mr. Carruth suggested a technical change in giving authority to the CEO, not the CFO.</p> <p>Mr. Reid discussed the pledges and line of credit in response to Mr. Boerum’s questions. Mr. Reid was hesitant to tie up the total line of credit in case it was needed elsewhere and would finance against the major pledges.</p> <p><u>Public Comment:</u> Norman Gilroy recommended approval.</p> <p>Ms. Mather said it would be beneficial to hear the Construction Committee recommendations before the Board gave its approval.</p>	<p>MOTION: by Nevins and seconded by Hirsch to approve: recommendation 1 from Finance Committee as is; authorize the CEO to move forward on recommendation 2; and authorize the CEO to move forward on recommendation 3. All in favor.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
8. CONSTRUCTION COMMITTEE UPDATE:	<i>Kevin Coss, Project Manager</i>		
A. Status Report B. Recommendation to Approve Budget Increase for Construction Project C. Recommendation to Approve Scope Increase for Construction Project	<p>The first recommendation had been seen previously. It was hoped that the oxygen and nitrous oxide supply system would not have to be touched, but in fact did need to be upgraded to meet code.</p> <p>Mr. Coss said the Two West recommendation corrects the functioning of that floor with six projects. He also reviewed the project status report.</p> <p>Mr. Boerum called for motions.</p>	<p>MOTION: by Hohorst and seconded by Hirsch to increase project scope by \$2,569,624 for a total budget of \$43,809,000. All in favor.</p> <p>The Finance Committee motion and approval is noted under Item 7 above.</p>	
9. FINANCIAL REPORT:	<i>Rick Reid</i>		
A. December 2012 Financial Report	Mr. Reid reviewed the December financial statements and patient volumes. The entire variance from budget revenue vs. expenses was due to NSH activity. Year-to-date variance relates to lower inpatient volume. This week SVH had the largest inpatient volume ever with 63 patients.		
10. ADMINISTRATIVE REPORT:	<i>Kelly Mather</i>		
A. Dashboard for December 2012	Ms. Mather reviewed the dashboard for December. A new OB-GYN, Dr. Diwata Bose, will be here March 1.		
11. OFFICER & COMMITTEE REPORTS:			
A. Chair Report	Mr. Boerum would bring the nomination of Dr. Keith Chamberlin to the Finance Committee next month. He suggested having a six-month evaluation of the CEO at the March or April meeting. He also recommended scheduling a study session with Supervisor Gorin for April 4 th at 5:00 p.m.		
B. Quality Committee	Ms. Nevins said the Quality Committee was planning a session for April 24 th inviting the Board, Hospital Administration, and the Medical Executive Committee. Ms. Hirsch said this would be a quality educational session with two guest lecturers.		

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C. Governance Committee	<p>Mr. Carruth said an issue came up with a legislative issue needing quick action, so he gave his approval. One change should reference Medi-Cal instead of Medicare.</p> <p>Ms. Mather said this is the manner in which legislative issues usually arise – requiring comment and/or action on a very quick turnaround.</p> <p>Mr. Boerum asked if the Governance Committee would revise the policy. Mr. Carruth said this would be discussed at the next GC meeting.</p>	MOTION: by Boerum and seconded by Nevins to approve the legislative response with change noted.	
D. JPA	Mr. Boerum said the next meeting was March 20 th with a report on what various CEOs required from the JPA.		
	Ms. Mather also reported the donor top-out event was scheduled for March 20 th with donors signing a steel beam. In addition, Asst. Administrator Michelle Donaldson would be leaving the Hospital with some reorganization of her duties.		
ADJOURN	8:00 p.m.		



**SONOMA VALLEY HEALTH CARE DISTRICT
NAME OF COMMITTEE
REGULAR MEETING MINUTES
Thursday, December 6, 2012
Community Meeting Room**

Committee Members Present	Administrative Staff Present
Bill Boerum, newly appointed Chair Peter Hohorst Madolyn Agrimonti Kevin Carruth Sharon Nevins Jane Hirsch, newly appointed Board Member	Kelly Mather, CEO Rick Reid, CFO Dr. Robert Cohen, Chief Medical Officer Dawn Kuwahara, Director of Professional Services

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
MISSION AND VISION STATEMENTS	<i>The mission of the SVHCD is to maintain, improve, and restore the health of everyone in our community.</i> <i>The vision of the SVHCD is that: SVH will be nationally recognized, compassionate place of healing and known for excellence in clinical quality. We serve as the guide and indispensable link for our community's health care journey.</i>		
1. CALL TO ORDER	6:03 p.m.		
2. PUBLIC COMMENT <i>At this time, members of the public may comment on any item not appearing on the agenda. It is recommended that you keep your comments to three minutes or less. Under State Law, matters presented under this item cannot be discussed or acted upon by the Board at this time. For items appearing on the agenda, the public will be invited to make comments at the time the item comes up for Board consideration. At all times please use the microphone.</i>			
3. CONSENT CALENDAR:		MOTION: by Agrimonti; second by Nevins to approve the Consent Calendar and carried. All in favor; none opposed.	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
A. Board Meeting Minutes 11.1.12 B. Board Special Meeting Minutes 11.7.12 C. Board Special Meeting Minutes 11.15.12 D. Quality Committee Minutes 10.24.12 E. Medical Staff Appointments and Reappointments 11.28.12			
4. SWEARING IN OF ELECTED BOARD MEMBERS	<i>Peter Hohorst</i>		
	<p>Mr. Hohorst announced that even though there was no election, there would be a swearing in for the four Directors that were up for election and were sworn in at the same time.</p> <p>Ms. Agrimonti made a brief parting statement. She was grateful for the opportunity of serving as SVHCD Board Member, welcomed Ms. Hirsch as a new Board Member and wished the new Board much success.</p> <p>Mr. Carruth also made a brief comment and expressed how he enjoyed serving with Ms. Agrimonti for the past two years and looked forward to working with her with the SVH Foundation.</p>		
5. ELECTION OF DISTRICT OFFICERS	<i>All</i>	<p>MOTION: by Carruth; seconded to approve the nomination of Mr. Boerum, as the new Board Chair and carried. All in favor; none opposed.</p> <p>MOTION: by Boerum; seconded to approve the nomination of Mr. Hohorst as First Vice Chair of the Board and carried. All in favor; none opposed.</p> <p>MOTION: by Carruth; second by Nevins to approve the nomination of Ms. Hirsch as Second Vice Chair of the Board and carried. All in favor; none opposed.</p> <p>MOTION: by Hohorst; second by Carruth to approve the nomination of</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
		<p>Ms. Nevins as Treasurer of the Board and carried. All in favor; none opposed.</p> <p>MOTION: by Boerum; second by Nevins to approve the nomination of Mr. Carruth as Secretary of the Board and carried. All in favor; none opposed.</p>	
	<p>Mr. Hohorst had nominated Mr. Boerum as the new Board Chair.</p> <p>Mr. Boerum had nominated Mr. Hohorst as the First Vice Chair.</p> <p>Mr. Carruth had nominated Ms. Hirsch as the Second Vice Chair.</p> <p>Mr. Hohorst had nominated Ms. Nevins as Treasurer of the Board.</p> <p>Mr. Boerum had nominated Mr. Carruth as Secretary of the Board.</p>		
<p>6. SOUTH LOT RECOMMENDATION</p>	<p><i>Peter Hohorst / Kelly Mather</i></p>		
	<p>Mr. Hohorst reported there was a Study Session with the Planning Commission on November 9, 2012 and presented a proposal for study to develop on the South Lot a medical office building, Wellness Center, and Aquatic Center with the involvement of Parkpoint. The result of the hearing was to revisit the project that would meet the zoning requirements and appease the neighbors' concerns.</p>		
<p>7. MARKET ASSESSMENT DATA</p>	<p><i>Kelly Mather, CEO</i></p>		
	<p>Ms. Mather discussed the market assessment data comes from OSHPD. The market share of SVH was decreased in 2011 of 45% compared to 2010 of 48%. Most of the inpatient additions went to MGH. The Hospital still had 50% from Gastroenterology, Gynecology, and Medicine. 48% from OB & Delivery and 92% from Skilled Nursing Facility.</p>		
<p>8. 2013 COMMUNICATIONS</p>	<p><i>Jamie Maites, MGH – Director of Communication</i></p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
PLAN			
	Ms. Maites presented the 2013 Communications Plan, including what was done in 2012. The marketing goals were general surgery (Bariatrics and Total Joint), which are the largest business opportunities. The objective was to build positive awareness in the community with patients, prospective patients, and influencers.		
9. LATINO NEEDS AND OUTREACH PLANS	<i>Dawn Kuwahara</i>		
	Ms. Kuwahara discussed the objective of the assessment for the Latino community was to provide health education, prevention, and screening to maintain, improve and restore the health of the whole community.		
10. CONSTRUCTION COMMITTEE UPDATE	<i>Kevin Coss</i>		
	Mr. Coss gave a brief update of the Dashboard with the budget schedule scope.		
11. SYSTEM INITIATIVES	<i>Rick Reid, CFO</i>		
	Mr. Reid discussed the affiliation items of cost savings and cost avoidance. The total savings for 2013 cost savings and avoidance was almost \$1.6 million. The biggest item was from the health insurance savings through Western Healthcare Advantage was \$500,000 from current costs. There were lower recruitment costs.		
12. FINANCIAL REPORT:	<i>Rick Reid, CFO</i>		
A. October 2012 Financial Report	Mr. Reid reported the volumes were decreased in inpatient and increased in outpatient. Gross charges were up \$1.5 million from prior year. The income statement for October was almost \$4 million of operating revenue. Over budget by \$2,000. In expenses were under budget by \$9,885. Net income before restricted contributions was \$54,000 on a budget of \$18,000 or \$35,000 better than budget. Net income with restricted contributions was \$67,000 on a budget of \$66,000 or \$706 over budget. The EBIDA before restricted contributions was 9% on a budget of 7%. On a year-to-date basis for total operating		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	revenue was \$15.5 million and \$53,000 under budget. Expenses were under budget of \$252,000. Net income before restricted contributions was \$159,000 on a budget of a loss of \$37,000 or \$196,000 better than budget. Net income with restricted contributions was \$290,000 on a budget of \$152,000 or \$138,000 better than budget.		
13. ADMINISTRATIVE REPORT	<i>Kelly Mather, CEO</i>		
A. Dashboard for October 2012	Ms. Mather reported SVH received a matching gift of \$2 million, in addition to the \$80,000 the Hospital had raised. \$11 million was the goal to raise by the end of Spring 2013. She added that the operating results from inpatient satisfaction were 75 th percentile in November.		
14. OFFICER & COMMITTEE REPORTS:	<i>Bill Boerum, new Chair</i>		
A. Chair Report		MOTION: by Boerum; seconded to change the date of the Board Meeting to January 10, 2013. All in favor; none opposed.	
1. January 2013 Meeting Date	Ms. Mather recommended changing the date of the January Board Meeting, due to holiday vacations.		
B. Quality Committee	<i>Kevin Carruth</i>	MOTION: by Nevins; second by Carruth to approve the contract process and carried. All in favor; none opposed.	
1. Contract Administration	Ms. Nevins briefly discussed the contract process of SVH.		
C. Governance Committee	<i>Kevin Carruth</i>		
1. Confidentiality Acknowledgement	Mr. Hohorst discussed that the wording of the document was misleading and was recommended to be revised. Mr. Carruth recommended to be brought back to the Governance Committee and then to the Board for final approval.		
2. Amendment of SVHCD Bylaws	Mr. Carruth briefly explained the amendments to the SVHCD Bylaws.	MOTION: by Hohorst; second by Nevins to adopt the amendments to the SVHCD Bylaws and carried. All in favor; none opposed.	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
D. JPA/Northern California Health Care Authority	<i>Bill Boerum</i>		
	Mr. Boerum quickly mentioned that the Committee continued to work on an Executive Director contract; therefore, there was no Executive Director in place. The next meeting would take place on December 18, 2012.		
15. ADJOURN	8:15 p.m.		

4.

CITIZEN'S BOND
OVERSIGHT
COMMMITTEE
ANNUAL REPORT
2013

**CITIZENS BOND
OVERSIGHT COMMITTEE**

ANNUAL REPORT

April 18, 2013

BACKGROUND

On November 3, 2008, the voters in the Sonoma Valley Health Care District approved the issuance and sale of \$35 million in general obligation bonds to pay for improvements to Sonoma Valley Hospital. In order to ensure that bond proceeds were spent in accordance with purposes described in the bond measure (the Project), a Citizens Bond Oversight Committee was appointed. The Committee was specifically called for in the Bond Measure and was appointed by the Board of Directors of the District in January of 2009.

The bonds were subsequently issued in two series: \$12,000,000 in April 2009 and \$23,000,000 in August 2010 (the Bonds). The proceeds of the Bonds have been on deposit and available to fund the Project since those times, and through March 31, 2013 \$26, 024,511 had been expended. Although there have been some delays in the Project schedule due primarily to delays in governmental approvals, it is currently anticipated that the Project will be completed and all bond proceeds expended in 2013.

MEMBERS OF THE COMMITTEE

The current members of the Committee are as follows:

Dennis G. Ciocca, Chairman, is a Senior Vice President in Public Finance at Stern Brothers & Co. a nationwide municipal securities firm with an office in Sonoma. Dennis has spent his 45-year career in public finance providing financial services to public agencies in the Western United States. His public financing activities have been principally directed to economic development/public-private partnership transactions. He has been involved in two successful military base closure/redevelopment issues. Between 2001 and 2007 he raised more than \$50 million for the Port of Stockton for the renovation of maritime infrastructure at Rough and Ready Island, a former U.S. Navy Base. In 2006 he completed a three phase Tax Increment – Mello Roos Bond series for the Hawthorne Redevelopment Agency that funded the public elements of funding a new Los Angeles Air Force Base (LAAFB) national headquarters for the U.S. Air Force Space and Missile Systems. LAAFB provides for the direct and indirect employment of 65,000 persons in Southwest Los Angeles County. Mr. Ciocca was recently also appointed to the Citizens Bond Oversight Committee by the Sonoma Valley Unified School District.

Stephen Berezin, Vice Chairman, is a Ph.D. Physicist (Stanford University, 1966), for the majority of the last 40 years he has been a real estate developer specializing in residential development mainly in the San Francisco Bay Area and has created over 4,000 residential units in that time period. During his career as a developer, he has developed expertise in construction management as well as financial analysis. Since moving to Sonoma in 2007, he has become active in various civic projects.

Pamela Gibson has had a 30-year career in local government during which she served as City Manager of Sonoma, La Palma and San Juan Capistrano, and is currently a consultant to public agencies in the area of economic development and historic preservation. She received her B.A. in History from the University of California, Riverside, and her M.P.A in Public Administration from Cal State Long Beach. She has provided oversight for the expenditure of bonds in several municipalities. She has served as a member of the steering committee for three successful parcel tax campaigns and the 2008 bond campaign. Previous service included stints on the Strategic

Planning Committee. She is past president of the Sonoma Community Center and the Sonoma Plaza Kiwanis Club and is a member of the Oversight Board for the former Sonoma Community Development Agency.

David Oster is a retired attorney. He and a partner operated their own firm from 1972 to 1977. He then became Assistant General Counsel for the Redevelopment Agency of the City and County of San Francisco from 1977 to 1989. From 1989 to 2004 he was a Partner in the law firm of Jones Hall, a firm practicing exclusively in the area of public finance. He received his B.A. from Santa Clara University, spending one year abroad at the University of Vienna in Austria. He received his law degree from Bolt Hall School of Law, University of California, Berkeley, in 1972. He has served in various volunteer positions in the community including the Sonoma County Civil Grand Jury and is currently a member of the SMART train Citizen's Oversight Committee.

Richard Conley

Richard Conley has had a 33 year career in the consumer beverage industry, the past 22 of which have been in the California Wine Industry. His experience has primarily been in operations management and financial management roles. He has been the Chief operating Officer for Sebastiani Vineyards, Inc., Don Sebastiani & Sons, and Kautz Family Vineyards and is currently engaged in consulting. In addition, since 1999, Mr. Conley has served as a Director of Oculus Innovative Sciences, a global healthcare company that designs, manufactures, and markets prescription and non-prescription products in over 20 countries. Mr. Conley received a B.S. in Finance and Accounting from Western Carolina University and an M.B.A. from St. Mary's College.

The current alternate members of the Committee are as follows:

Mary Dieter Smith

Is a native of Dallas, Texas and received her Bachelor of Science in Elementary Education in 1969 from the University of Tulsa. She entered the banking industry in the 1970s and was promoted through a variety of positions until she was hired as the Chief Financial Officer of Sonoma Valley Bank in 1988. While with Sonoma Valley Bank, she attended the Graduate School of Banking in Boulder, Colorado from 1991 to 1993.

Ms. Smith has served on several Boards including Western Independent Bankers Self Insurance Company as Board Chairman, WillMar Center for Bereaved Children as Board President, and Western Independent Bankers Service Corporation.

Currently, Ms Smith serves as Treasurer on the Board of Park Villas Association, is a Community Member on the Sonoma Valley Hospital Finance Committee and is an alternate Committee Member on the Sonoma Valley Hospital Citizens Bond Oversight Committee.

Eddie Barrett

Eddie Barrett, a new member of the Sonoma Valley Hospital Citizens Bond Oversight Committee, earned her MBA from San Jose State University while serving as marketing manager for a large firm. She also worked with volunteer organizations through the United States and Canada,

serving as a Professional Registered Parliamentarian. Ms. Barrett has also served as President of the California State Association of Parliamentarians.

DUTIES OF THE CITIZENS BOND OVERSIGHT COMMITTEE

The duties of the Committee are defined in the Citizen's Bond Oversight Committee Bylaws adopted January 15, 2009, by the Board of Directors. A copy of the complete document is appended as Attachment A.

Briefly, the duties of the Committee include the following:

- To inform the public concerning the District's expenditures.
- To review expenditure reports, project management reports, and project budgets produced by the Healthcare District to ensure that bond proceeds are expended only for the purposes set forth in the Bond Measure and to see that no bond proceeds are used for administrative salaries or other operating expenses.
- To produce an annual report which shall be presented to the Board in a public session which includes a statement indicating whether or not the District is in compliance with the objectives of the Bond Measure and a summary of the Committee's proceedings and activities for the preceding year.

In order to carry out these activities the Committee is authorized to do the following: receive and review copies of the District's annual independent financial audit; inspect facilities and grounds for which bond proceeds have been or will be expended; review copies of deferred maintenance proposals or plans; review efforts by the District to maximize bond proceeds by implementing cost saving measures; and, review copies of project management plans, budgets and expenditures.

There are also rules about membership, ethics, terms of service, and authority in addition to a list of ways in which the District shall provide technical support to the Committee.

ACTIVITIES OF THE COMMITTEE

In accordance with its established practice, the Committee held quarterly meetings on the third Thursday of April, July, October and January. In addition the Committee met on November 9 for the purpose of reviewing certain extraordinary expenses that the Board had submitted to be paid out of Bond proceeds. This subject is discussed in more detail below.

For the purposes of the Committee's annual report, and in keeping with historical practice, the year to be reported shall be the twelve months from April through March of any given year. The Bylaws state that the annual reorganization shall be done in the month of April, hence the selection of that month as the first month of the Committee's year.

Detailed minutes of each Committee meeting are available to the public upon request.

Actions taken at the April 19, 2012 meeting includes the following:

- The meeting was attended by Chairman David Oster, Vice Chair Dennis Ciocca, Stephen Berezin and Pam Gibson. Non-committee members at the meeting included Jeannette Tarver, Director of Finance, Shannon La Franchi and Steve Smith.

- The following expenditures from Bond funds were approved:
 1. Lease on the South Lot
 2. City of Sonoma permits
 3. PG&E Gas Line modifications
 4. Rosa Construction – Modifications to the mock surgery room
 5. SVUSD – Impact fee
 6. Otto Construction – Generators
- Other approvals included the 2012 Annual Report

Actions taken at the July 19, 2012, meeting includes the following:

- The meeting was attended by Chairman David Oster, Vice Chair Dennis Ciocca, Stephen Berezin and Pam Gibson. Non-committee members at the meeting included Jeannette Tarver, Director of Finance, and Steve Smith.
- Steve Smith provided a design build update on the project to the Committee.
- The following expenditures from Bond funds were approved:
 1. JTec fee
 2. OSHPOD fees

Actions taken at the October 18, 2012, meeting includes the following:

- The meeting was attended by Chairman David Oster, Vice Chair Dennis Ciocca and Stephen Berezin. Non-committee members at the meeting included Board Chairman Peter Hohorst and Jeannette Tarver.
- The first order of business was the election of new officers. Dennis Ciocca was elected Chairman and Stephen Berezin was elected Vice Chair.
- The next order of business was the submission of certain extraordinary expenses that had not previously been on the list of approved Bond issue costs including the following:

1. Skilled Nursing	\$500,000
2. Exterior Stucco	\$450,000
3. Clean/Soiled Utility Room	\$185,000
4. Miscellaneous	<u>\$365,000</u>
Total	<u>\$1,500,000</u>

After considerable discussion, the Committee deferred approval of these expenses pending the receipt of the following information:

1. Acknowledgement by Bond Counsel that these projects were eligible for funding under Federal Tax Law as well as the fact they could meet the purpose outlined in the original Bond proposition.
2. Some comfort that the expenditures had met the public bidding requirements as well as the prevailing wage requirements.

A special meeting to further discuss these matters was scheduled for November 9, 2012.

Actions taken at the November 9, 2012 special meeting of the Committee include the following:

- The meeting was attended by Chairman Dennis Ciocca, Vice-Chair Steve Berezin and David Oster. New members of the Committee (appointed by the Board) attending were Richard Conley, Mary Smith, Bert Nevins and Edie Barrett.
- The first part of the meeting was devoted to a description of the functions of the CBOC for the benefit of the new members. This was not a scheduled item on the agenda.
- We reviewed an exchange of e-mails between Rick Reid and Brian Quint (Bond Counsel) that satisfied our question of the legality of spending the new funds under 1) the Federal and State laws regarding the expenditure of bond proceeds; and 2) the terms of the Bond proposition approved by the voters. It was determined the expenditures did meet these tests.
- The Committee still had questions regarding the expenditure of these funds per the competitive bid statues and prevailing wage requirements. Because Rick Reid was not available to discuss these issues the approval of these expenses was once again deferred.
- The Committee was informed that the original request of \$1,500,000 from Bond funds included expenses that had not yet been incurred. The total request was now being reduced to \$938,116.

Actions taken at the January 17, 2013 regular meeting include the following:

- The meeting was attended by Committee members Dennis Ciocca, Chairman, Steve Berezin, Vice Chair, David Oster, Pam Gibson, Richard Conley, Mary Smith, Bert Nevins and Edie Barrett. Other persons in attendance included Jeannette Tarver and Rick Reid.
- It was announced that Project Manager Steve Smith will be moving to a new position and that we will meet with the new Project Manager at a future meeting.
- A new estimated Project Completion date of January, 2014 was announced.
- Rick Reid assured the Committee members that the requested additional expenditures from Bond funds had all met the public bidding and prevailing wage requirements. He further announced that the total amount of additional funding being requested from the Bond proceeds was being reduced from \$938,116 to \$290,000. The Committee approved the expenditure.

Subsequent to the January 17, 2013 meeting the Chairman was advised that Bert Nevins had resigned his membership on the Committee.

FINANCIAL REVIEW

In the Bond documents there are several clearly defined expenditure categories. These categories appear in each of the Financial Reports presented to the Committee and expenditures are allocated to the appropriate category by the CFO. The expenditures are cumulative and will increase in respective categories until all Bond money is spent. The current Report, which lists all Bond money spent through March 31, 2013, is attached for review as Attachment B, as are all of the quarterly Reports provided to the Committee since the date of the last Annual Report.

The categories and cumulative amounts allocated from the Bonds through March 31, 2013, are as follows:

Master Plan \$2,999,641; Central Utility Plant \$330,497; HVAC Upgrades \$230,701; West Wing Seismic Upgrades \$114,864; Electrical Panels \$150,045; Information Technology \$813,525;

Major Medical Equipment \$617,300; South Lot Rent and Option Payments \$959,149; Design Build \$14,405,566; Central Core \$154,515; East Wing \$105,200; Existing Facility Improvements \$292,810; Issuance cost of Bonds \$152,069; Retire Revenue Bonds \$4,000,000. In addition, \$698,629 remains unallocated.

While the Committee is not charged with approving expenditures, it does take its job seriously in reviewing the money spent. A memo entitled Criteria for Using General Obligation Bond Funds spells out how criteria are applied to expenditures and is listed as Attachment C.

Occasionally something appears not to fit a specific category, but if it is needed to facilitate the hospital improvements listed above, and does not fall into the category of administrative salaries, it has been deemed as appropriate by the Committee. One such expenditure was the rental of the Carinalli property which is needed for replacement parking and the staging of construction materials and equipment. It was rented early because it had to be locked down sooner than was technically needed for the purpose stated above. The Committee has continued to monitor this expense and to discuss the difference in its treatment in various reports and audits of the District.

Since November of 2010, District staff has provided Committee members with copies of a Weekly Review sheet that it updates and distributes. This can serve to give Committee members an early alert about the issues that may come before it, and to answer questions that they may have between meetings.

To date, all expenditures of bond funds as of March 31, 2013, have been deemed appropriate by the Committee.

CONCLUSION

The Committee's activities and actions have been in accordance with the Bylaws adopted by the Board of Directors. Financial reviews have taken place at each of the Committee's meetings. The Committee has been apprised of the plans for the hospital as they relate to expenditure of bond funds, and all expenditures have been found to be in order.

**CITIZENS' BOND OVERSIGHT COMMITTEE
BYLAWS
1/15/09**

Section 1. **Committee Established.** The Sonoma Valley Health Care District (“the District”) was successful at the election conducted on November 4, 2008 (the “Election”), in obtaining authorization from the District’s voters to issue up to \$35,000,000 aggregate principal amount of the District’s general obligation bonds (the “bond measure”). Pursuant to the terms of the Bond Measure, the District is now obligated to establish the Committee in order to satisfy the accountability requirements of the Bond Measure. The Board of Directors of the Sonoma Valley Health Care District Board (the “Board”) hereby establishes the Citizens’ Bond Oversight Committee (the “Committee”) which shall have the duties and rights set forth in these Bylaws. The Committee does not have independent legal capacity from the District.

Section 2. **Purposes.** The purposes of the Committee are to ensure that bond funds are expended only for the purposes described in the bond measure and in a fiscally responsible manner. The Committee shall be deemed to be subject to the *Ralph M. Brown Public Meetings Act* of the State of California and shall conduct its meetings in accordance with the provisions thereof. The District shall provide necessary administrative support to the Committee as shall be consistent with the Committee’s purposes.

The proceeds of the general obligation bonds issued pursuant to the Election are hereinafter referred to as “bond proceeds.” The Committee shall confine itself specifically to bond proceeds generated under the Bond Measure. Regular and deferred maintenance projects and all monies generated under other sources shall fall outside the scope of the Committee’s review.

Section 3. **Duties.** To carry out its stated purposes, the Committee shall perform the duties set forth in Sections 3.1, 3.2, and 3.3 below and shall refrain from those activities set forth in Sections 3.4 and 3.5 below:

- 3.1 **Inform the Public.** The Committee shall inform the public concerning the District’s expenditure of bond proceeds.
- 3.2 **Review Expenditures.** The Committee shall review expenditure reports, project management reports, and project budgets produced by the District to ensure that (a) bond proceeds are expended only for the purposes set forth in the Bond Measure; (b) no bond proceeds are used for any administrative salaries or other operating expenses.
- 3.3 **Annual Report.** The Committee shall present to the Board, in public session, an annual written report which shall include the following:
 - (a) A statement indicating whether or not the District is in compliance with the objectives of the Bond Measure.
 - (b) A summary of the Committee’s proceedings and activities for the preceding year.

3.4 Duties of the Board/President & CEO. Either the Board or the President & CEO as the Board shall determine, shall have the following powers reserved to it, and the Committee shall have no jurisdiction over the following types of activities:

- (i) Approval of construction contracts,
- (ii) Approval of construction change orders,
- (iii) Appropriation of construction funds,
- (iv) Handling of all legal matters,
- (v) Approval of construction plans and schedules, and
- (vi) Approval of the sale of bonds.

3.5 Voter-Approved Projects Only. In recognition of the fact that the Committee is charged with overseeing the expenditure of bond proceeds, the Board has not charged the Committee with responsibility for:

- (a) Projects financed through the other funding sources.
- (b) The establishment of priorities and order of construction for the bond projects shall be made by the President & CEO in his sole discretion.
- (c) The selection of architects, engineers, soils engineers, construction managers, project managers, California Environmental Quality Act consultants and such other professional service firms as are required to complete the project based on District criteria established by the Board in its sole discretion.
- (d) The approval of the design for each project including exterior materials, paint color, interior finishes, site plan and construction methods (modular vs. permanent) by the Board in its sole discretion and shall report to the Committee on any cost saving techniques considered or adopted by the Board.
- (e) The selection of independent audit firm(s), performance audit consultants and such other consultants as are necessary to support the activities of the Committee.
- (f) The approval of an annual budget for the Committee that is sufficient to carry out the activities included herein.
- (g) The adoption of a plan for publicizing the activities of the Committee and the determination as to whether a mailer, a newspaper notice or website materials would best suit the distribution of the Committee's findings and recommendations.
- (h) The amendment or modification of the Bylaws for the Committee as provided herein.
- (i) The appointment or reappointment of qualified applicants to serve on the Committee, subject to legal limitations, and based on criteria adopted in the Board's sole discretion.

Section 4. Authorized Activities.

4.1 In order to perform the duties set forth in Section 3.0, the Committee may engage in the following authorized activities:

- (a) Receive and review copies of the District’s annual independent financial audit.
- (b) Inspect facilities and grounds for which bond proceeds have been or will be expended, in accordance with any access procedure established by the District’s President & CEO, or his/her designee.
- (c) Review copies of deferred maintenance proposal or plans developed by the District.
- (d) Review efforts by the District to maximize bond proceeds by implementing various cost-saving measures.
- (e) Review copies of project management plans and budgets and expenditure reports.

Section 5. **Membership.**

5.1 Number.

The committee shall consist of five (5) active and three (3) alternate members appointed by the Board of Directors from a list of candidates submitting written applications, and based on the following criteria:

- Residence in the District.
- Cannot be an employee, District official or any vendor of the District.
- Demonstrated interest in supporting community enterprises in Sonoma Valley.
- Demonstrated trustworthiness.
- Experience with overseeing the expenditure of funds for major capital projects similar to those being undertaken by SVH.
- Financial expertise—accounting, financing, project budgeting and cost accounting.

5.2 Ethics: Conflicts of Interest. By accepting appointment to the Committee, each member agrees to comply with Articles 4 (commencing with Section 1090 and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000 *et seq.*). Additionally, each member shall comply with the Committee Ethics Policy attached as “Attachment A” to these Bylaws.

5.3 Term. Except as otherwise provided herein, each member shall serve a term wherein (a) all bond proceeds are spent, or (b) all projects funded by bond proceeds are completed.

5.4 Appointment. Members of the Committee shall be appointed by the Board of Directors through the following process: (a) advertise for applications in local newspapers; (b) interview qualified candidates; (c) or by another process that the Board of Directors may establish.

- 5.5 Removal/Vacancy. The Board may remove any Committee member for any reason including failure to attend two consecutive meetings without reasonable excuse or for failure to comply with the Committee Ethics Policy. Upon a member's removal, his or her seat shall be declared vacant. The Board, in accordance with the established appointment process shall fill any vacancies on the Committee.
- 5.6 Compensation. The Committee members shall not be compensated for their services.
- 5.7 Authority of Members. (a) Committee members shall not have the authority to direct staff of the District unless a majority of the members of the District Board have voted express authority to do so. (b) Individual members of the Committee retain the right to address the Board, either on behalf of the Committee or as an individual.

Section 6. **Meetings of the Committee.**

- 6.1 Regular Meetings. The Committee is required to meet at least once a year including an annual organizational meeting to be held in April.
- 6.2 Location. All meetings shall be held within the Sonoma Valley Health Care District, located in Sonoma County, California.
- 6.3 Procedures. All meetings shall be open to the public in accordance with the *Ralph M. Brown Act*, Government Code Section 54950 *et seq.* Meetings shall be conducted according to such additional procedural rules as the Committee may adopt. A majority of the number of Committee members shall constitute a quorum for the transaction of any business except adjournment.

Section 7. **District Support.**

- 7.1 The District shall provide to the Committee necessary technical and administrative assistance as follows:
- (a) preparation of and posting of public notices as required by the Brown Act, ensuring that all notices to the public are provided in the same manner as notices regarding meetings of the District Board;
 - (b) provision of a meeting room, including any necessary audio/visual equipment;
 - (c) preparation and copies of any documentary meeting materials, such as agendas and reports; and
 - (d) retention of all Committee records, and providing public access to such records on an internet website maintained by the District.
- 7.2 District staff and/or District consultants shall attend all Committee proceedings in order to report on the status of projects and the expenditures of bond proceeds.
- 7.3 No bond proceeds shall be used to provide District support to the Committee.

Section 8. **Reports.** In addition to the Annual Report required in Section 3.2, the Committee may report to the Board at least semiannually in order to advise the Board on

the activities of the Committee. Such report shall be in writing and shall summarize the proceedings and activities conducted by the Committee.

Section 9. **Officers.** The Chairman of the SVHCD Board of Directors shall select a ProTem Chair. Thereafter, the Committee shall elect a Chair and a Vice Chair. The Vice Chair shall act as chair only when the chair is absent. Either position may be for a term of one year or two years.

Section 10. **Amendment of Bylaws.** Any amendment to these Bylaws shall be approved by a two-thirds vote of the entire Board.

Section 11. **Termination.** The Committee shall terminate and disband after (a) all bond proceeds are spent, or (b) all projects funded by bond proceeds are completed, and after it has completed its final report to the Board.

**CITIZENS' BOND OVERSIGHT COMMITTEE
ETHICS POLICY STATEMENT**

This Ethics Policy Statement provides general guidelines for Committee members to follow carrying out their roles. Not all ethical issues that Committee members face are covered in this Statement. However, this Statement captures some of the critical areas that help define ethical and professional conduct for Committee members. The provisions of this Statement were developed from existing laws, rules, policies and procedures as well as from concepts that define generally accepted good business practices. Committee members are expected to strictly adhere to the Provisions of this Ethics Policy.

POLICY

CONFLICT OF INTEREST. A Committee member shall not make or influence a District decision related to: (1) any contract funded by bond proceeds or (2) any construction project which will benefit the committee member's outside employment, business or a personal finance or benefit an immediate family member, such as a spouse, child or parent.

OUTSIDE EMPLOYMENT. A Committee member shall not use his or her authority over a particular matter to negotiate future employment with any person or organization that relates to: (1) any contract funded by bond proceeds, or (2) any construction project. A Committee member shall not make or influence a District decision related to any construction project involving the interest of a person with whom the member has an agreement concerning current or future employment, or remuneration of any kind. For a period of two (2) years after leaving the Committee, a former Committee member may not represent any person or organization for compensation in connection with any matter pending before the District that, as a Committee member, he or she participated in personally and substantially. Specifically, for a period of two (2) years after leaving the Committee, a former Committee member and the companies and businesses for which the member works shall be prohibited from contracting with the District with respect to: (1) bidding on projects funded by the bond proceeds; and (2) any construction project.

COMMITMENT TO UPHOLD LAW. A Committee member shall uphold the federal and California Constitutions, the laws and regulations of the United States and the State of California and all other applicable government entities, and the policies, procedures, rules and regulations of the Sonoma Valley Health Care District.

COMMITMENT TO DISTRICT. A Committee member shall place the interests of the District above any personal or business interest of the member.

CBOC Report: Date Ending March 31, 2013

Summary Information

	Restated Balance -		
	Last Report 12/31/2012	Current Activity	Current Balance 3/31/2013
Project Management & Planning to Allocate	610,091.71	88,537.30	698,629.01
South Lot Rental	626,791.70	69,662.10	696,453.80
South Lot Option	262,695.20	-	262,695.20
Master Plan			
Project Management	1,473,389.61	52,125.68	1,525,515.29
Master Plan	1,460,338.31	13,787.60	1,474,125.91
Design Build			
Equip & Construction	11,019,225.53	3,386,340.05	14,405,565.58
Central Utility Plant			
Planning & Project Management	322,608.50	-	322,608.50
Equip & Construction	7,888.65	-	7,888.65
HVAC			
Planning & Project Management	25,878.36	-	25,878.36
Equip & Construction	204,822.82	-	204,822.82
West Wing			
Planning & Project Management	46,297.38	3,304.37	49,601.75
Equip & Construction	65,262.48	-	65,262.48
Central Core			
Planning & Project Management	66,579.35	-	66,579.35
Equip & Construction	87,935.45	-	87,935.45
East Wing			
Planning & Project Management	38,525.80	-	38,525.80
Equip & Construction	66,673.89	-	66,673.89
Electrical Panels	150,045.46	-	150,045.46
Major Medical Equipment	617,299.83	-	617,299.83
Information Technology			
Planning & Project Management	218,293.68	-	218,293.68
Equip & Construction	595,231.54	-	595,231.54
Existing Facility Improvements	290,059.74	2,750.00	292,809.74
Sub Total	18,255,934.99	3,616,507.10	21,872,442.09
Retire Revenue Bonds	4,000,000.00		4,000,000.00
Issue Costs	152,068.93		152,068.93
Unallocated	-		-
Sub Total	4,152,068.93	-	4,152,068.93
Total	22,408,003.92	3,616,507.10	26,024,511.02

Cash Balances	LAIF	WestAmerica	Total
Beginning Balance at - 12/31/2012	12,618,094	1,275,395	13,893,488
Deposits		648,056	648,056
Interest Income Received	10,236	988	11,223
Bank Service Charges			0
Transfers Between Accounts	(7,000,000)	7,000,000	0
Withdrawal for Prior Qtr Expenditures		(1,918,208)	(1,918,208)
Withdrawal for Current Qtr Expenditures		(2,225,305)	(2,225,305)
Ending Balance at - 03/31/2012	5,628,329	4,780,925	10,409,254

CBOC Report: Date Ending March 31, 2013

Current Activity

		GO Bond Expenditures - Source of Funds			
Category	Vendor	Non Capital Expenditure	Operations	Capital Expenditure	Total
	North Valley Bank	39,459.84	-	-	39,459.84
	Sonoma County Tax Collector	30,202.26			30,202.26
South Lot Rental		<u>69,662.10</u>	<u>-</u>	<u>-</u>	<u>69,662.10</u>
	Jtec HCM			52,125.68	52,125.68
Prjct Mgmt - Master Plan		<u>-</u>	<u>-</u>	<u>52,125.68</u>	<u>52,125.68</u>
	Fugro West, Inc			13,787.60	13,787.60
Master Plan		<u>-</u>	<u>-</u>	<u>13,787.60</u>	<u>13,787.60</u>
	ITS Enterprises			32,000.00	32,000.00
	Matriscope Engineering			31,264.30	31,264.30
	Kevin Coss			25,273.00	25,273.00
Planning - to allocate		<u>-</u>	<u>-</u>	<u>88,537.30</u>	<u>88,537.30</u>
	Labor Compliance Specialists			3,054.37	3,054.37
	OSHDP			250.00	250.00
Planning & Proj Mgmt - East Wing		<u>-</u>	<u>-</u>	<u>3,304.37</u>	<u>3,304.37</u>
	Otto Construction			3,386,340.05	3,386,340.05
Design Build - Equip & Const		<u>-</u>	<u>-</u>	<u>3,386,340.05</u>	<u>3,386,340.05</u>
	OSHDP			2,750.00	2,750.00
Existing Facility Improvements		<u>-</u>	<u>-</u>	<u>2,750.00</u>	<u>2,750.00</u>
Grand Total		<u>69,662.10</u>	<u>-</u>	<u>3,546,845.00</u>	<u>3,616,507.10</u>

Sonoma Valley Hospital

SONOMA VALLEY HEALTH CARE DISTRICT

To: CBOC Members, Carl Gerlach, David Hill & Gina Moll

From: Jim McSweeney

Date: April 8, 2009

Subject: Criteria for Using General Obligation Bond Funds

Last week we sent a memorandum to Brian Quint, bond counsel, outlining our understanding of the criteria we must follow in using these funds. On April 6, David Hill, Gina Moll and I held a phone conference with Brian, during which he confirmed that the understanding we outlined was correct and answered several questions that we had. For your information I have documented the substance of the memo and our questions below.

In general, if the expenditure is necessary to accomplish the Project (as defined in the ballot measure), then we may spend bond funds on it. Looked at another way, any expenditure that we would not make absent the Project qualifies. This includes 'soft' costs such as fees for master planning, architectural work, project management and the like, as well as the 'hard' costs such equipment purchases and construction costs. All of these costs will either be directly for an asset with a useful life greater than one year or (as is the case with the 'soft' costs) necessary to acquire such an asset. Such eligible soft costs can include consulting and legal fees expended in formulating requests for proposals for qualifying soft costs such as the project management costs. From an accounting perspective, the majority of the 'soft' costs will be capitalized, allocated to the 'hard' asset or assets that required their expenditure and depreciated over the useful life of those assets. However, should our auditor determine that some portion of the required 'soft' costs cannot be capitalized, that will not disqualify them from being funded with bond proceeds.

There are also some specific requirements related to the equipment component of the Project that must be met as well. We cannot use bond proceeds for application software or for equipment that is not effectively part of the facility. Generally, equipment such as fixed imaging units, operating tables and lights, and major lab analyzers would qualify, while items such as beds, and personal computers, and furniture would not.

Finally, because our ballot language expressly prohibits it, we cannot use bond proceeds for an expenditure that would otherwise qualify if it is for an employee's salary.

We sent the attorney the following recap of the budget that the Board reviewed in determining that a \$35 million bond issue was the appropriate amount:

	Debt	Master Plan	Project Mgmt	Const/Equip	Total
Master Plan		600,000			600,000
Central Utility Plant			900,000	19,500,000	20,400,000
HVAC Upgrades			100,000	2,200,000	2,300,000
West Wing Seismic Upgrades			300,000	1,700,000	2,000,000
Electrical Panels				700,000	700,000
Information Technology			100,000	900,000	1,000,000
Major Medical Equipment				4,000,000	4,000,000
Retire Revenue Bonds	4,000,000				4,000,000
Total	4,000,000	600,000	1,400,000	29,000,000	35,000,000

We then noted that these estimates were based on preliminary assumptions that were made without the benefit of a master plan and that these components *were not* outlined in the ballot language. Based on this information, Brian concurred that we were not constrained by these spending constraints on an individual basis. In other words, as long as we kept *total* spending below \$35 million (plus funds provided by the bond premium and interest earned on unexpended bond funds) we could spend more on one component and less on another.

We also reviewed with Brian the possibility that we may need to purchase land to accommodate parking that is displaced from our current site and lease land temporarily for construction staging. He said there were no legal impediments to either type of expenditure.

We should also note that Brian confirmed that the interest earnings on unexpended bond proceeds are subject to precisely the same rules as the funds generated from the principal.

As the project goes forward, we will consult with Brian about the appropriateness of using bond proceeds for any specific purpose where we have any question at all that it meets the criteria outlined above.

For reference, here are those portions of the full ballot measure that relate to the spending criteria.

To preserve essential emergency services by upgrading existing outdated buildings and equipment, meet state-mandated earthquake safety standards, upgrade energy, electrical, surgical and information technology systems, rebuild the hospital's central utility plant and refinance debt incurred to retrofit the west wing of the main hospital building, shall the Sonoma Valley Health Care District issue \$35 million in bonds, none of which will pay staff salaries ?

Purpose of the Bonds. Facility improvements resulting from this bond will preserve or enhance the quality of healthcare available to the residents of the Sonoma Valley Health Care District and patients requiring medical care in the region. Proceeds from this bond may be used to upgrade, improve, equip and renovate the existing health facilities of the District, and to provide for retirement of up to \$4 million of existing debt incurred to retrofit the west wing of the main hospital building.

CITIZENS BOND OVERSIGHT COMMITTEE
REVIEW PROCEDURES
4/16/09

PURPOSE: Provide guidelines that assure bond funds are expended only for purposes described in the approved Bond Measure P in a fiscally responsible manner.

PRIMARY OBJECTIVES: To familiarize Committee Members with Bond Provisions, Hospital Renewal Program and Hospital Expenditures. To provide a mechanism for Committee Members to use in completing their oversight responsibilities.

To become familiar, through review of management documentation and discussion with them, with the criteria that govern the appropriate use of bond funds. Consider meeting with bond counsel to review the criteria.

The responsibility for authorizing contracts in accordance with the approved bond uses rests with the District's Board of Directors, acting on recommendations from management. To review Board minutes and compare these authorizations to expenditure reports.

AUTHORIZED ACTIVITIES: The following activities are to ensure bond proceeds are expended only for the purposes set forth in the Bond Measure:

1. Receive and Review copies of the District's annual independent financial audit.
2. As determined by the CEO, review the facilities and grounds for which bond proceeds will be expended.
3. Review deferred maintenance plans developed by the District.
4. Review District cost-saving measures which maximize bond funds.
5. Review project plans, project budgets and project expenditure reports.

REVIEW PROCEDURES:

1. Review the initial Bond documents.
2. Review the initial Project Budget.
3. Receive an initial orientation from Legal Counsel on appropriate uses of bond funds.
4. Receive periodic reports of project expenditures which identify how funds are expended and to which sub-accounts of the overall project these expenses are assigned.
5. Compare expenditures to the original bond document budgets to ensure funds are appropriately classified and expended.

REPORTING REQUIREMENTS:

1. Committee Members will meet semi-annually and as needed to review project information.
2. Committee Members will provide an annual statement to the SVHCD Board of Directors that identifies levels of compliance or non-compliance by the hospital in expending bond funds.

5.

MARCH 2013
FINANCIAL REPORT

**Sonoma Valley Hospital
Sonoma Valley Health Care District
March 31, 2013 Financial Report**

District Board

May 2, 2013

March's Patient Volumes

	Actual	Budget	Variance	Prior Year
Acute Discharges	122	142	-20	128
Acute Patient Days	447	505	-58	435
SNF Patient Days	725	721	4	672
Outpatient Gross Revenue (in thousands)	\$8,167	\$8,836	-\$669	\$8,707
Surgical Cases	131	132	-1	154

Summary Statement of Revenues and Expenses Month of March 31, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 4,201,352	\$ 4,222,324	\$ (20,972)	0%	\$ 3,935,948
2 Total Operating Expenses	\$ 4,577,334	\$ 4,542,915	\$ (34,419)	-1%	\$ 4,372,499
3 Operating Margin	\$ (375,982)	\$ (320,591)	\$ (55,391)	-17%	\$ (436,551)
4 NonOperating Rev/Exp	\$ 490,651	\$ 459,942	\$ 30,709	7%	\$ 461,161
5 Net Income before Restricted Cont.	\$ 114,669	\$ 139,351	\$ (24,682)	-18%	\$ 24,610
6 Restricted Contribution	\$ 136,471	\$ 47,500	\$ 88,971	187%	\$ -
7 Net Income with Restricted Contributions	\$ 251,140	\$ 186,851	\$ 64,289	34%	\$ 24,610
8 EBIDA before Restricted Contributions	\$ 319,580	\$ 394,715	\$ (75,135)		\$ 261,643
9 EBIDA before Restricted Cont. %	8%	9%	-1%		7%
10 Net Income without GO Bond Activity	\$ 127,584	\$ 58,529	\$ 69,055		\$ (98,946)

Summary Statement of Revenues and Expenses Year to Date March 31, 2013

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>	<u>Percentage</u>	<u>Prior Year</u>
1 Total Operating Revenue	\$ 35,838,418	\$ 35,463,329	\$ 375,089	1%	\$ 34,983,096
2 Total Operating Expenses	\$ 39,475,812	\$ 39,365,699	\$ (110,113)	0%	\$ 37,996,464
3 Operating Margin	\$ (3,637,394)	\$ (3,902,370)	\$ 264,976	7%	\$ (3,013,368)
4 NonOperating Rev/Exp	\$ 4,202,146	\$ 4,282,561	\$ (80,415)	-2%	\$ 3,205,230
5 Net Income before Restricted Cont.	\$ 564,752	\$ 380,191	\$ 184,561	49%	\$ 191,862
6 Restricted Contribution	\$ 635,815	\$ 427,500	\$ 208,315	49%	\$ -
Net Income with Restricted					
7 Contributions	<u>\$ 1,200,567</u>	<u>\$ 807,691</u>	<u>\$ 392,876</u>	<u>49%</u>	<u>\$ 191,862</u>
8 EBIDA before Restricted Contributions	\$ 2,714,397	\$ 2,678,467	\$ 35,930		\$ 2,178,861
9 EBIDA before Restricted Cont. %	8%	8%	0%		6%
10 Net Income without GO Bond Activity	\$ (547,252)	\$ (774,707)	\$ 227,455		\$ (920,142)



To: SVH Finance Committee
From: Rick Reid, CFO
Date: April 23, 2013
Subject: Financial Report for the Month Ending March 31, 2013

Overall Results for March 2013

Overall for March, SVH has net income of \$251,366 on budgeted income of \$186,850, for an favorable difference of \$64,516. Total net patient service revenue was over budget by \$31,914. Risk contracts were under budget by (\$52,306), bringing the total operating revenue to \$4,201,578 or (\$20,745) under budget. Expenses were \$4,577,334 on a budget of \$4,542,915 or (\$34,419) over budget. The EBIDA prior to the restricted donations for the month was \$319,580 or 7.6%.

Patient Volumes - March

	ACTUAL	BUDGET	VARIANCE	PRIOR YEAR
Acute Discharges	122	142	-20	128
Acute Patient Days	447	505	-58	435
SNF Patient Days	725	721	4	672
OP Gross Revenue	\$8,167	\$8,836	-\$669	\$8,707
Surgical Cases	131	132	-1	154

Overall Payer Mix - March

	ACTUAL	BUDGET	VARIANCE	YTD ACTUAL	YTD BUDGET	VARIANCE
Medicare	48.5%	47.3%	1.2%	49.3%	47.4%	1.9%
Medi-Cal	17.4%	13.2%	4.2%	13.4%	13.3%	0.1%
Self Pay	1.0%	3.3%	-2.3%	3.7%	3.4%	0.3%
Other:						
Commercial	17.9%			20.1%		
Managed MC	6.4%			5.0%		
Workers Comp	3.9%			3.5%		
Capitated	4.9%			5.0%		
Total Other	33.1%	36.2%	-3.1%	33.6%	35.9%	-2.3%
Total	100%	100%		100%	100%	

Total Operating Revenues

Total operating revenues for March were \$4.2 million on a budget of \$4.2 million or (\$20,745) under budget.

Inpatient Net Revenue is under budget by (\$423,436) or 24%, due to the following:

- Medicare discharges under budget by 9, with a favorable rate variance for a total impact of (\$8,720)
- Medi-Cal patient days over budget by 5, with an unfavorable rate variance for a total impact of (\$43,544)
- Other patient days under budget by 13, with an unfavorable rate variance for a total impact of (\$166,749). The self pay discount of approximately \$173,000 is included in this category.
- Commercial patient days under budget by 38, with an unfavorable rate variance for a total impact of (\$204,423)

Skilled Nursing Home:

- Volume was over budget by 4 days and patient acuity was under budget, net impact \$11,114

Outpatient:

- Volume was under budget and rates were over budget by \$21,647

Home Care:

- Volume was over budget by 135 visits or \$29,267 over budget

Risk Contract Revenue:

- Napa State was under budget by (\$53,208), due to the removal of income for a Napa state patient in December, who had insurance. Purchase services reflects the removal of the expense for this patient.

Bad Debts and Charity Care:

- Bad Debt and charity care are favorable to budget by \$393,095. This is the result of the new Self pay discount policy implemented after the budget was completed. The self pay discounts are reflected in the contractual number for approximately \$173,000.

Expenses

March's expenses were \$4.6 million on a budget of \$4.5 million or over budget by (\$34,419).

The following is a summary of the operating expense variances for the month of March:

- Total productivity FTE's were under budget at 291, on a budget of 295. Total salaries and Agency Fees were over budget by a total of (\$4,952). This reflects the higher use of agency personnel while permanent replacements are being recruited.
- Employee benefits were over budget by (\$97,369), of this health insurance was over budget by (\$38,673) and paid time off was over budget by (\$33,951).
- Supplies are over budget by (\$19,046) due to the cost of a patient transferred to Memorial Hospital.
- Purchase services are over budget by (\$36,766) due to Information Systems related to the Electronic Health Records that was previously budgeted in as capital and an unbudgeted operating lease for the Electronic Health Records.



Capital Campaign Summary:

For the month of March the Hospital received \$136,471 in capital campaign donations. The total amount received from the Capital Campaign to date is \$2,561,245, offset with spending of \$648,056. The funds are included on line 16, Specific Funds on the Balance Sheet. Included on line 16 is also \$21,779 for miscellaneous restricted funds and \$114,420 received from the Foundation for the X-ray machine.

	Receipts	Spending	Balance
Emergency Dept.	\$1,001,000	\$0	\$1,001,000
Operating Room	\$0	\$0	\$0
General	\$1,570,245	\$648,056	\$922,189
Total Capital Campaign	\$2,571,245	\$648,056	\$1,923,189
X-Ray Machine	\$114,420	\$0	\$114,420
Misc. Restricted Funds	\$21,779	\$0	\$21,779
Total Specific Funds	\$2,707,444	\$648,056	\$2,059,388

These comparisons are for actual FY 2013 compared to actual FY 2012. These are not budget comparisons.

ER Visits

	ER – Inpatient				ER - Outpatient			
	CY	PY	Change	%	CY	PY	Change	%
July	109	114	-5	-4.4%	729	772	-43	-5.6%
Aug	106	105	1	.9%	778	718	60	8.4%
Sept	111	107	4	3.1%	677	693	-16	2.3%
Oct	95	108	-13	-12%	706	679	27	4.0%
Nov	101	107	-6	-5.6%	631	632	-1	-0.2%
Dec	100	119	-19	-16%	693	622	71	11.4%
Jan	141	93	48	51.6%	711	698	13	1.9%
Feb	112	94	18	19.1%	598	598	0	0.0%
Mar	97	121	-24	-19.8%	660	662	-2	-0.3%
YTD	972	968	4	0.4%	6,183	6,074	109	1.8%

**Sonoma Valley Health Care District
Statement of Revenue and Expenses
Comparative Results
For the Period Ended March 2013**

	Month				Year-To-Date				YTD Prior Year
	This Year		Variance		This Year		Variance		
	Actual	Budget	\$	%	Actual	Budget	\$	%	
Volume Information									
1 Acute Discharges	122	142	(20)	-14%	1,092	1,152	(60)	-5%	1,174
2 SNF Days	725	721	4	1%	5,927	6,157	(230)	-4%	5,455
3 Home Care Visits	1,067	932	135	14%	8,839	8,261	578	7%	8,585
4 Gross O/P Revenue (000's)	8,167	8,836	(669)	-8%	\$ 76,076	\$ 75,241	834	1%	\$ 71,171
Financial Results									
Gross Patient Revenue									
5 Inpatient	\$ 5,428,187	\$ 5,786,031	(357,844)	-6%	\$ 47,982,032	\$ 47,144,057	837,975	2%	\$ 44,169,014
6 Outpatient & Emergency	7,861,574	8,560,892	(699,318)	-8%	73,498,874	72,810,905	687,969	1%	68,850,122
7 SNF	2,228,761	2,140,508	88,253	4%	19,236,701	18,127,645	1,109,056	6%	17,250,121
8 Home Care	304,993	274,696	30,297	11%	2,576,692	2,430,587	146,105	6%	2,320,486
9 Total Gross Patient Revenue	\$ 15,823,515	\$ 16,762,127	(938,612)	-6%	\$ 143,294,299	\$ 140,513,194	2,781,105	2%	\$ 132,589,743
Deductions from Revenue									
10 Contractual Discounts	\$ (11,724,898)	\$ (12,302,329)	577,431	5%	\$ (107,110,788)	\$ (103,249,692)	(3,861,096)	-4%	\$ (96,357,773)
11 Bad Debt	(60,000)	(359,157)	299,157	83%	(2,060,000)	(3,010,736)	950,736	32%	(2,710,000)
12 Charity Care Provision	(93,076)	(187,014)	93,938	50%	(1,353,952)	(1,567,701)	213,749	14%	(1,267,592)
13 Prior Period Adjustments	-	-	-	0%	-	-	-	0%	-
14 Total Deductions from Revenue	\$ (11,877,974)	\$ (12,848,500)	970,526	-8%	\$ (110,524,740)	\$ (107,828,129)	(2,696,611)	3%	\$ (100,335,365)
15 Net Patient Service Revenue	\$ 3,945,541	\$ 3,913,627	31,914	1%	\$ 32,769,559	\$ 32,685,065	84,494	0%	\$ 32,254,378
16 Risk contract revenue	\$ 244,352	\$ 296,658	(52,306)	-18%	\$ 2,910,092	\$ 2,669,922	240,170	9%	\$ 2,621,740
17 Net Hospital Revenue	\$ 4,189,893	\$ 4,210,285	(20,392)	0%	\$ 35,679,651	\$ 35,354,987	324,664	1%	\$ 34,876,118
18 Other Operating Revenue	\$ 11,685	\$ 12,038	(353)	-3%	\$ 158,993	\$ 108,342	50,651	47%	\$ 106,981
19 Total Operating Revenue	\$ 4,201,578	\$ 4,222,323	(20,745)	0%	\$ 35,838,644	\$ 35,463,329	375,315	1%	\$ 34,983,099
Operating Expenses									
20 Salary and Wages and Agency Fees	\$ 2,149,752	\$ 2,144,800	(4,952)	0%	\$ 17,638,355	\$ 17,806,285	167,930	1%	\$ 16,695,901
21 Employee Benefits	775,206	677,837	(97,369)	-14%	6,624,282	6,224,555	(399,727)	-6%	6,002,766
22 Total People Cost	\$ 2,924,958	\$ 2,822,637	(102,321)	-4%	\$ 24,262,637	\$ 24,030,840	(231,797)	-1%	\$ 22,698,667
23 Med and Prof Fees (excl Agency)	\$ 365,686	\$ 390,004	24,318	6%	\$ 3,441,636	\$ 3,519,716	78,080	2%	\$ 4,116,959
24 Supplies	575,860	556,814	(19,046)	-3%	4,636,459	4,444,955	(191,504)	-4%	4,479,793
25 Purchased Services	365,632	328,866	(36,766)	-11%	3,606,196	3,378,472	(227,724)	-7%	2,643,535
26 Depreciation	162,079	199,672	37,593	19%	1,622,791	1,797,048	174,257	10%	1,453,306
27 Utilities	53,638	82,610	28,972	35%	680,900	743,490	62,590	8%	694,141
28 Insurance	19,001	20,374	1,373	7%	176,475	183,366	6,891	4%	201,528
29 Interest	12,821	25,681	12,860	50%	256,755	231,129	(25,626)	-11%	263,596
30 Other	97,659	116,257	18,598	16%	791,963	1,036,683	244,720	24%	1,444,939
31 Operating expenses	\$ 4,577,334	\$ 4,542,915	(34,419)	-1%	\$ 39,475,812	\$ 39,365,699	(110,113)	0%	\$ 37,996,464
32 Operating Margin	\$ (375,756)	\$ (320,592)	(55,164)	-17%	\$ (3,637,168)	\$ (3,902,370)	265,202	7%	\$ (3,013,365)
Non Operating Rev and Expense									
33 Electronic Health Records & Misc. Rev.	\$ 145,248	\$ 147,250	(2,002)	-1%	\$ 1,423,777	\$ 1,468,333	(44,556)	-3%	\$ 337,164
34 Donations	42,459	-	42,459	0%	52,459	-	52,459	0%	53,712
35 Professional Center/Phys Recruit	-	-	-	0%	-	-	-	0%	(1,527)
36 Physician Practice Support-Prima	(65,630)	(65,630)	-	0%	(590,670)	(590,670)	-	0%	(500,894)
37 Parcel Tax Assessment Rev	245,018	250,000	(4,982)	-2%	2,204,576	2,250,000	(45,424)	-2%	2,204,771
38 GO Bond Tax Assessment Rev	153,567	158,333	(4,766)	-3%	1,382,103	1,424,997	(42,894)	-3%	1,382,101
39 GO Bond Interest	(30,011)	(30,011)	-	0%	(270,099)	(270,099)	-	0%	(270,097)
40 Total Non-Operating Rev/Exp	\$ 490,651	\$ 459,942	30,709	7%	\$ 4,202,146	\$ 4,282,561	(80,415)	-2%	\$ 3,205,230
41 Net Income / (Loss) prior to Restricted Contributor	\$ 114,895	\$ 139,350	(24,455)	-18%	\$ 564,978	\$ 380,191	184,787	49%	\$ 191,865
42 Capital Campaign Contribution	\$ 136,471	\$ 47,500	88,971	187%	\$ 521,481	\$ 427,500	93,981	22%	\$ -
43 Restricted Foundation Contributions	\$ -	\$ -	-	0%	\$ 114,334	\$ -	114,334	100%	\$ -
44 Net Income / (Loss) w/ Restricted Contributions	\$ 251,366	\$ 186,850	64,516	35%	\$ 1,200,793	\$ 807,691	393,102	49%	\$ 191,865
45 Net Income w/o GO Bond Activity	\$ 127,810	\$ 58,528	69,282	-118%	\$ (547,026)	\$ (774,707)	227,681	29%	\$ (920,139)

Sonoma Valley Health Care District
Balance Sheet
For The Period Ended
As of March 31, 2013

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year</u>
Assets			
Current Assets:			
1	\$ 2,168,776	\$ 1,357,810	\$ 2,118,352
2	479,531	479,531	276,368
3	8,394,847	8,818,822	7,738,424
4	2,860,569	2,949,821	1,684,390
5	(1,313,456)	(1,432,617)	(1,816,973)
6	536,404	390,130	877,425
7	-	-	-
8	916,924	946,336	897,028
9	1,047,371	1,264,571	1,327,781
10	<u>\$ 15,090,966</u>	<u>\$ 14,774,404</u>	<u>\$ 13,102,795</u>
11	\$ 186,333	\$ 186,333	\$ 253,764
12	10,381,842	10,463,235	11,085,926
13	23,209,142	23,111,277	13,097,712
14	10,409,254	10,408,934	19,495,322
15	-	-	36,984
16	2,059,388	1,922,917	586,344
17	266,767	310,357	425,529
18	<u>\$ 61,603,692</u>	<u>\$ 61,177,457</u>	<u>\$ 58,084,376</u>
Liabilities & Fund Balances			
Current Liabilities:			
19	\$ 4,122,329	\$ 5,757,184	\$ 4,685,680
20	3,426,076	3,271,862	3,418,310
21	285,705	142,852	285,750
22	275,966	299,771	109,577
23	1,329,892	1,346,916	596,372
24	1,182,053	1,580,637	1,195,751
25	1,173,343	1,237,728	1,483,429
26	2,041,107	83,036	267,156
27	<u>\$ 13,836,471</u>	<u>\$ 13,719,986</u>	<u>\$ 12,042,025</u>
28	\$ 37,667,636	\$ 37,609,592	\$ 38,325,162
Fund Balances:			
30	\$ 7,325,060	\$ 7,209,825	\$ 7,648,345
31	2,774,525	2,638,054	68,844
32	<u>\$ 10,099,585</u>	<u>\$ 9,847,879</u>	<u>\$ 7,717,189</u>
33	<u>\$ 61,603,692</u>	<u>\$ 61,177,457</u>	<u>\$ 58,084,376</u>

Sonoma Valley Hospital
Statistical Analysis
FY 2013

Statistics	ACTUAL	BUDGET	ACTUAL												
	Mar-13	Mar-13	Feb-13	Jan-13	Dec-12	Nov-12	Oct-12	Sep-12	Aug-12	Jul-12	Jun-12	May-12	Apr-12	Mar-12	Feb-12
Acute															
Acute Patient Days	447	505	449	613	456	351	443	347	432	396	354	363	436	435	399
Acute Discharges	122	142	128	159	117	104	121	109	117	115	107	116	129	128	145
SNF Days	725	721	678	707	671	638	576	617	682	633	688	729	618	672	567
HHA Visits	1,067	932	1,001	1,076	940	921	1,043	802	1,052	937	941	989	997	1,023	950
Emergency Room Visits	757	783	710	852	793	732	801	788	884	838	810	863	717	783	692
Gross Outpatient Revenue (000's)	\$8,167	\$8,836	\$8,065	\$8,805	\$8,302	\$8,485	\$8,935	\$8,151	\$9,014	\$8,153	\$7,667	\$8,120	\$7,880	\$8,707	\$7,983
Equivalent Patient Days	2,422	2,593	2,314	2,594	2,353	2,213	2,214	2,202	2,509	2,202	2,355	2,362	2,236	2,451	2,214
Births	16	17	11	19	13	14	9	11	16	9	15	6	23	11	10
Surgical Cases - Inpatient	35	38	33	38	32	35	37	37	40	41	28	37	38	37	31
Surgical Cases - Outpatient	96	94	80	78	94	95	91	97	98	82	92	99	99	117	84
Total Surgical Cases	131	132	113	116	126	130	128	134	138	123	120	136	137	154	115
Medicare Case Mix Index	1.55	1.40	1.36	1.52	1.51	1.47	1.29	1.49	1.40	1.61	1.50	1.64	1.36	1.29	1.40
Income Statement															
Net Revenue (000's)	3,945	3,914	3,938	4,006	4,085	3,679	3,963	3,707	3,926	3,822	4,832	3,741	3,739	3,925	3,867
Operating Expenses (000's)	4,577	4,573	4,353	4,632	4,482	4,235	4,407	4,221	4,312	4,257	5,278	4,686	4,413	4,372	4,160
Net Income (000's)	251	187	114	237	134	174	67	65	127	31	889	343	(14)	24	36
Productivity															
Total Operating Expense Per Equivalent Patient Day	\$1,890	\$1,764	\$1,881	\$1,786	\$1,905	\$1,914	\$1,990	\$1,917	\$1,719	\$1,933	\$2,241	\$1,984	\$1,974	\$1,784	\$1,879
Productive FTEs	291	295	290	284	284	266	281	291	284	281	285	285	274	271	272
Non-Productive FTE's	31	30	32	37	33	47	36	39	37	41	34	28	28	28	26
Total FTEs	322	325	322	321	317	313	316	330	321	322	318	313	302	303	299
FTEs per Adjusted Occupied Bed	4.12		3.77	3.84	4.24	4.24	4.43	4.37	3.97	4.53	4.05	4.11	4.05	3.84	3.80
Balance Sheet															
Days of Expense In General Operating Cash	15		9	9	14	7	12	14	13	14	13	15	20	16	20
Net Days of Revenue in AR	51		53	51	53	52	53	50	50	50	48	47	46	45	44

Sonoma Valley Hospital
Statement of Cash Flows
For the Period Ended

	<u>Current Month</u>	<u>Year To Date</u>
Operating Activities		
Net Income (Loss)	251,366	1,200,793
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	162,079	1,624,157
Net changes in operating assets and liabilities:		
(Increase)/Decrease Patient accounts receivable - net	304,814	(1,149,805)
(Increase)/Decrease Other receivables and other assets	(13,432)	4,656,701
(Increase)/Decrease Prepaid expenses	217,200	(477,891)
(Increase)/Decrease in Inventories	29,412	(52,787)
(Decrease)/Increase in Deferred revenues	(415,608)	(3,207,616)
(Decrease)/Increase in Accounts payable, accrued expenses	596,818	616,226
Net Cash Provided/(Used) by operating activities	<u>1,132,649</u>	<u>3,209,778</u>
Investing Activities		
Net Purchases of property, plant and equipment - Other Fixed Assets	(80,686)	(730,550)
Net Purchases of property, plant and equipment - GO Bond Purchases	(97,865)	(9,266,825)
Net Proceeds and Distributions from investments	-	36,839
Net Book Value of Assets Disposed	-	(1,462)
Change in Restricted Funds	-	-
Change in Limited Use Cash	(136,791)	8,161,163
(Payment)/Refund of Deposits	-	-
Net cash Provided/(Used) by investing activities	<u>(315,342)</u>	<u>(1,800,835)</u>
Financing Activities		
Proceeds (Repayments) from Borrowings - Banks & Carriers	(6,341)	(1,031,016)
Proceeds (Repayments) from Borrowings - Other		
Net Intercompany Borrowings/(Repayments)		
Change in Post Retirement Obligations & Other Net Assets	-	-
Net Equity Transfers to related entities (Cash and Non-Cash)		
Net cash Provided/(Used) by financing activities	<u>(6,341)</u>	<u>(1,031,016)</u>
Net increase/(Decrease) in cash and cash equivalents	<u>810,966</u>	<u>377,927</u>
Cash and Equivalents at beginning of period	<u>1,357,810</u>	<u>1,790,849</u>
Cash and Equivalents at March 31, 2013	<u><u>2,168,776</u></u>	<u><u>2,168,776</u></u>

6.

MARCH 2013
ADMINISTRATIVE
REPORT



To: Sonoma Valley Healthcare District Board of Directors
From: Kelly Mather
Date: 4/25/13
Subject: Administrative Report

Summary: We have ended the first nine months of the fiscal year ahead of budget at a net income of \$564,978 before restricted contributions. Budgeting for FY 2014 is underway and we continue to work on finding efficiencies. We are looking forward to a cost accounting system to help us manage through the many reimbursement and payment changes underway with every healthcare payer.

Leadership and Organizational Results (Dashboard)

As you can see from the March dashboard, our results for patient satisfaction are now staying about the same. We are working on a new 90 day plan to take it to the next level and improve our HCAHPS scores (which is how we get rewarded by Medicare.) Our staff satisfaction action plan was completed and based on the feedback from our 2013 survey. FY 2014 plans include a focus on increasing the opportunities for staff education, improving the performance evaluations and process and working to improve our messages/communications to enhance staff perception of our community reputation. Staff forums will be held the next two weeks to go through the results and action plan with staff members directly. Inpatient volumes are still less than the prior year and 60 less than budget but this change is not unexpected. Outpatient, Home Care and Skilled Nursing volumes are way above the prior year. We are on track to meet every other goal. Community hours have exceeded goal and we are very lucky to have such committed and community oriented leaders.

Phase 1 Construction Project & Campus Expansion Plans

The construction is on budget and on time. Major changes are underway on the 2nd floor as we prepare for med/surg to move to the other end of the hallway and we break through to the new surgery center. We continue to work with the community leaders to raise \$11 million for this project to avoid any debt for the new building. We have met the first \$1 million of the Vadasz match and have now raised over \$7 million for the project.

Strategic Planning & Marketing

The FY 2014 rolling strategic plan is ready for final review with the board. The major strategies proposed are: Quality and Efficiency for affordable inpatient care, Connector hospital for the region including partnerships with physicians and health plans, Community Health Improvement and to Re-introduce Sonoma Valley Hospital to the community with our new wing. Our first annual Women's Health Fair will be held at Ramekins on May 4th and this will launch "Spirit of Women" month. Weight loss and Total Joint Replacement surgery marketing continues. Dr. Petit, ENT, is interested in coming to Sonoma a few days a week and will start soon. Two great spine surgeons are also committed to coming up from Marin two times per month. The website continues to be upgraded and a new home page has been approved which will highlight the hospital as a place for "active aging" and "health and wellness."



MARCH 2013 DASHBOARD

PERFORMANCE GOAL	OBJECTIVE	METRIC	ACTUAL RESULT	GOAL LEVEL
Service Excellence	High In-Patient Satisfaction	Press Ganey percentile ranking of current mean score	Inpatient 87.1 mean at 50th percentile	>70th = 5 (stretch) >60th = 4 >50th = 3 (Goal) >40th = 2 <40th=1
	High Out-Patient Satisfaction	Press Ganey monthly mean score	Outpatient 93.4% Surgery 93.2 % Emergency 89.1%	>93% = 5 (stretch) >92%=4 >91% =3 (Goal) >90%=2 <90%=1
Quality	Excellent Clinical Outcomes	Value Based Purchasing Clinical Score	100%	100% for 12 mos= 5 100% 6/12 mos=4 100% 3/12 mos =3 >90%=2 <80%=1
People	Highly Engaged and Satisfied Staff	Press Ganey percentile ranking of current mean score	2012 77% mean score at 80 th percentile	>70th = 5 (stretch) >65th=4 >60th=3 (Goal) >55th=2 <55 th =1
Finance	Financial Viability	YTD EBIDA	8% (before restricted contributions)	>10% (stretch) >9%=4 >8% (Goal) <7%=2 <6%=1
	Efficiency and Financial Management	FY 2013 Budgeted Expenses	\$39,475,812 (actual) \$39,365,699 (budget)	<2% =5 (stretch) <1% = 4 <Budget=3 (Goal) >1% =2 >2% = 1
Growth	Inpatient Volumes	1% increase (acute discharges over prior year)	1092 YTD FY20 13 1174 YTD FY 2012	>2% (stretch) (Outpt) >1%=4 >0% (Goal) <0%=2 <1%=1 (Inpatient)
	Outpatient Volumes	2% increase (gross outpatient revenue over prior year)	\$76 million YTD \$71 million in 2012	
Community	Community Benefit Hours	Hours of time spent on community benefit activities	1150 hours in just 9 months	>1000 = 5 >800 = 4 >600 = 3 >400 = >200 = 1



FY 2012 TRENDED RESULTS

MEASUREMENT	Goal	Jul 2012	Aug 2012	Sep 2012	Oct 2012	Nov 2012	Dec 2012	Jan 2013	Feb 2013	Mar 2013	Apr 2012	May 2012	Jun 2012
Inpatient Satisfaction	>86%	86.3	85.6	85.2	84.2	88.8	88.1	86.9	86.6	87.1	87.5	87.9	86.9
Outpatient Satisfaction	>92%	91.	94.2	94.4	92	93.7	91.7	94	93.5	91.6	93.4	91	90.9
Surgery Satisfaction	>92%	90.2	91.9	90.8	93.8	91.9	87.5	94.5	93.7	92.9	93.2	90.1	90.5
Emergency Satisfaction	>85%	87.3	88.2	82.5	84.5	87.2	90.1	90.7	89.4	87.8	89.1	88.7	88.2
Value Based Purchasing Clinical Score	>75	100	90	90	91	91	100	100	100	100	100	100	100
Staff Satisfaction	75%	75	75	75	75	75	75	77	77	77	75	75	75
Turnover	<12%	7.9	7.9	7.6	7.6	7.6	8.6	8.6	8.6	8.6	7.9	7.9	7.9
EBIDA	>8%	9	9	8	8	7	7	8	8	8	6	7	9
Net Revenues	>3.9m	3.83	3.98	3.7	3.96	3.7	4.09	4.3	3.9	4.2	3.76	3.76	4.85
Expense Management	<4.3m	4.2	4.3	4.2	4.4	4.4	4.5	4.3	4.3	4.5	4.4	4.7	5.2
Net Income	>50	29	125	65	55	174	90	219	61	114	-15	342	889
Days Cash on Hand	>35	16	13	14	12	7	14	9	9	15	18	15	13
A/R Days	<55	50	50	50	53	52	53	51	53	51	59	59	60
Total FTE's	<321	322	321	330	316	313	317	321	322	322	302	313	318
FTEs/AOB	<4.5	4.53	4.53	4.37	4.43	4.24	4.24	3.84	3.7	4.12	4.05	4.1	4.06
Inpatient Discharges	>148	115	117	109	121	104	117	159	128	122	129	116	107
Outpatient Revenue	\$7.5m	8.1	9.0	8.1	8.9	8.5	8.3	8.8	8.0	8.1	7.8	8.1	7.7
Surgeries	>130	123	138	97	128	130	126	116	113	131	137	136	120
Home Health	>900	937	1052	802	1043	921	940	1076	1001	1067	997	989	941
Births	>15	9	16	11	9	14	13	19	11	16	23	6	15
SNF days	>630	633	682	617	576	638	671	707	678	725	618	729	688
MRI	>120	84	95	82	130	99	100	83	82	107	94	149	83
Cardiology (Echos)	>70	78	56	74	72	67	75	86	68	74	74	77	68
Laboratory	>12.5	12.6	12.9	11.7	13.7	12.2	11.9	14.2	11.8	12.2	14.5	12.5	12.6
Radiology	>850	892	876	811	931	819	811	940	902	900	1143	899	790
Rehab	>2587	2612	2798	2455	2471	2175	2051	2502	2526	2690	2674	2697	2520
CT	>356	304	326	281	327	295	279	345	324	277	293	419	301
ER	>775	838	823	788	801	732	741	852	804	757	717	863	810
Mammography	>475	404	487	472	629	556	475	431	431	494	458	539	481
Ultrasound	>300	312	352	275	336	287	290	348	295	298	336	314	321
Occupational Health	>550	585	538	465	521	451	405	538	574	521	462	615	567

7.

**OFFICER AND
COMMITTEE
REPORTS**



Meeting Date: May 2, 2013

Prepared by: Bill Boerum, Board Chair

Agenda Item Title: Board Position on AB 97/900

Recommendation: District Board should Support AB 900 to reverse provisions of AB 97 by writing to appropriate legislative leaders and executive department heads

Background and Reasoning:

An important component of the care provided to the Sonoma Valley community is our Skilled-Nursing Facility (SNF). It fits the demographics of our community which increasingly needs access to care for seniors and the elderly. It is a transition from acute hospital care to discharge and home care. Most community and district hospitals do not have a SNF. Therefore our SNF is a unique facility. In addition to patient care, the SNF has been a positive contributor to operating income as well as supporting overhead.

AB 97 enacts cuts in Medi-Cal reimbursements which are harmful for Distinct-Part Skilled-Nursing Facilities (DP/SNF) in California. Passage of AB 900 would reverse those cuts.

According to the California Hospital Association (CHA), the AB 97 cuts would result in an effective rate decrease of 25% from current levels, and will cause many DP/SNFs to close or reduce services.

CHA reports that during the last five years approximately one-third of California's DP/SNFs (approximately 40 facilities) have been closed due to financial pressures. Though Sonoma Valley is not technically a "rural area," the envisioned cuts from AB 97 will undermine the financial viability of rural hospitals and will result in hospital closures. Passage of AB 900 would restore DP/SNF rates to levels adequate to support access to care. Supporting AB 900 is one of CHA's top three legislative priorities.

Likewise, according to the Association of Health Care Districts (ACHD), in vulnerable rural hospitals, the AB 97 cuts will not only close much needed skilled nursing facilities (DP/SNFs) and cause residents to be moved far from home, family, and friends, it will likely cause the closure of the hospitals that support them. SNF and hospital closures in

rural, isolated areas will mean the end to local health care, including essential emergency services. Also, as these hospitals are often the largest community employer, it will likely mean the beginning of the end of many communities these hospitals serve.

ACHD reports that over 1,400 people have signed in support of AB 900.

Therefore, both of our hospital industry organizations, CHA and ACHD recognize the dangers to patient care and to hospitals in the reimbursement rate cuts of AB 97 and strongly support AB 900 to restore rates.

Consequences of Negative Action/Alternative Actions: If implemented by AB 97 and not restored by AB 900, the reimbursement rate to our SNF would be substantially reduced, reducing revenues and causing services to be constrained and access to care by our community's most vulnerable patients to be reduced. We know from experience when SNF patient revenues are reduced substantially this affects the Hospital directly. This was the case last year when the SNF was closed temporarily.

Financial Impact: Reimbursement rate reduction for our SNF will not only affect the department's service revenues but also will reduce the Hospital's overall patient revenues increasing the negative operating margin.

Selection Process: Consideration and ratification by the District Board

Board Committee: None Required

Attachments: None

Sonoma Valley Hospital - Phase 1 - Expansion.

Project Update/ Dashboard - Increment 1 & 3

Monday, April 15, 2013

Schedule	Target	Actual
MRI relocation	9/26/2012	9/26/2012
Complete New Entrance	9/27/2012	9/27/2012
Start New Building	9/27/2012	9/27/2012
Install Footings	12/31/2012	12/27/2012
Steel Top Out	2/13/2013	2/13/2013
Deck Pour Completion	4/9/2013	3/7/2013
Enclose Building Exterior	7/8/2013	
Interior Wall Close Up	6/28/2013	
Permanent Power	8/23/2013	

Budget	
Total Approved Budget	\$43,809,000
Current Project Contingency	\$550,487
Current Commitments to 2-15-13	-\$85,627
Project Contengency Remaining	\$464,860
Potential Project Risks	Est Dollar Amount
Donor Wall & Fountain Design	\$10,000
Donor Wall & Fountain Final Design & Construction	\$90,000
4th Street light	In Progress
PG&E Contract Variance	\$58,335

Substantial Completion	10/28/2013	
Final Completion	11/12/2013	On Schedule
Generator On Line	5/31/2013	
Chillers On Line	5/13/2013	

Contract	Target	Actual
Medical Equipment	Ongoing	Lease
PG&E Contracts	4/4/2013	In Review
Signage Contract	3/31/2013	Complete

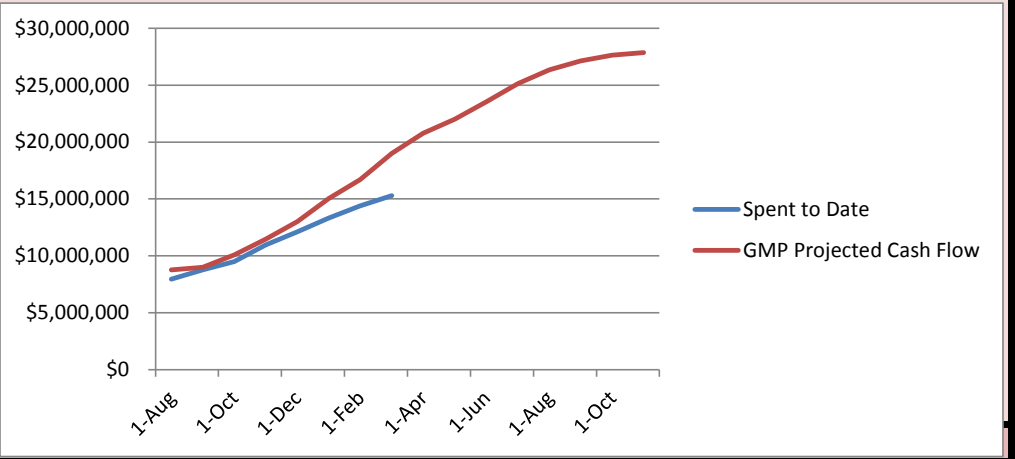
Critical Issues	Comments
Review Contractor Contingency use	4/25/2013 Review CEO Committee
NPC-3 Extention	4/1/2013 Pending OSHPD Approval
Potential Weather Delay	Ongoing On Schedule
PG&E Pole install	4/15/2013 Pricing
DIA for South Parking Lot	In progress

Facility Impacts	Target Date	Actual
ADA Ramp Install	5/1/2013	Temp Egress Impact
SNF Courtyard Shutdown	4/30/2013	Maintain Egress
2 West Construction Coordination		Complete

Upcoming Activites	Target Date	Actual
PG&E Conduit Install	4/15/2013	PG&E on going
2 West Construction IS West	3/25/2013	In Progress
2 West Construction Nurse Station	4/1/2013	Approved

Critical or High Impact	Potential Risk / Unresolved/ Medium Impact	On Track
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Otto GMP Cash Flow (Inc CO#1-7) vs Spent to Date



Owner Decisions	Target Date	Completion Date
Data Service - Comcast coordination	5/15/2013	In Progress
Voice IP / vs. Tele Switch - RFP evaluation	2/1/2013	4/15/2013
Medical Equipment Project QA	5/15/2013	In Progress
Donor Wall and Fountain - Final Design	5/15/2013	In Progress
PBX - Coordination verification	5/15/2013	In Progress
4th Street Light	2/28/2013	In Progress
Two West Construction Plan	3/15/2013	3/11/2013
Interior Signage	8/1/2013	In Progress
Furniture	8/1/2013	In Progress





Meeting Date: May 2, 2013
Prepared by: Kevin D. Coss
Agenda Item Title: Donor Wall and Fountain Funding

Recommendation:

From the CEO Construction Committee on April 25, 2013 to approve \$90,000 of Owner Contingency Funds from the Phase I Project for the completion of Design and Construction of the Donor Wall and Fountain.

Background:

Previous approval of \$10,000 of Owner Contingency Funds for Design only of the Donor Wall and Fountain Phase 1 Project. Sonoma Valley Hospital is requesting funding for modifications to the Hospitals Entry courtyard located at the west end of the property adjacent to the new wing construction. Modifications will include the addition of a water feature (fountain) and a donor wall with capacity for up to 300 donor placards to honor their charitable contribution. The current landscape design will be re-arranged to emphasize the new feature elements and additional hard-scape will be added to improve accessibility. The existing MRI trailer will receive a new mural to simulate a “Sonoma Valley View” and additional trees will be added to enhance the murals aesthetic appeal and further diminish the visual impact of the trailer.

Consequences of Negative Action/Alternative Actions:

Schedule Impact – To be coordinated with the Opening of the New Wing – Delay will cause added costs for General Conditions and disappointed donors.

Financial Impact:

Phase 1 Approved Budget - Contingency Funding of \$90,000. Note: Within the Approved Project Budget.

Attachment: None



Meeting Date: May 2, 2013

Prepared by: Peter Hohorst, Board Member

Agenda Item Title: Deferred Approval Agreement with the City of Sonoma

Recommendation:

That the Board approve the Deferred Approval Agreement with the City of Sonoma for the future street improvements to 4th and Hayes Streets adjacent to the new 81 space parking lot on the South lot.

Background and Reasoning:

It is the standard practice of the City of Sonoma to require owners of property that is being developed to improve the street and sidewalk on the frontage of the property. It is also standard practice to defer these improvements until all of the frontage on that block is under development.

As part of the use permit process for the GO Bond project the City Planning Commission required the District to provide an 81 space parking lot on the South lot. This lot has been completed and is being used on a temporary use permit while the details of a deferred improvement agreement were being worked out between the North Valley Bank (the owner of the property), the District (the lessee of the property) and the City of Sonoma.

The deferred improvement agreement that has been accepted by the City would limit the District's obligation to provide street and sidewalk improvements to the 200 feet of frontage of the property improved by the parking lot. The improvements will be deferred until the south end of the property is developed.

An agreement is also required with the North Valley Bank to absolve the North Valley Bank of any responsibility for the cost of the future improvements.

Consequences of Negative Action/Alternative Actions:

The City could revoke the temporary use permit for the parking lot until the deferred improvement agreement was approved by the Board, thereby requiring employees and visitors to park on the street.

The City could require the street improvements to be made before a use permit for the parking lot would be issued. Again requiring employees and visitors to park on the street.

The City could withdraw their approval of the deferred improvement agreement and instead require the street improvements be made to the entire length of both 4th and Hayes Streets.

Financial Impact:

The deferred improvement agreement commits the District to an estimated \$500,000 to provide the street and sidewalk improvements sometime in the future. It does not commit the District to an estimated cost of \$2,000,000 to provide street and sidewalk improvements the full length of both 4th and Hayes streets.

Attachments:

Deferred Improvement Agreement between the City and the North Valley Bank

Performance and Indemnity Agreement between the North Valley Bank and the District

Conditions of Approval for the development of the South Lot

Drawing of the South Lot showing the limit of the required street and sidewalk improvements

Recording requested by and when recorded mail to:
City Clerk
City of Sonoma
No. 1 The Plaza
Sonoma, CA 95476

OFFICIAL BUSINESS: Exempt from Recording Fees Pursuant to California Government Code §6103.

Space above this Line for Recorder's Use

A.P. No. 018-392-001 and 018-392-045

Location: 851-853 Fourth Street West, Sonoma, CA 95476

DEFERRED IMPROVEMENT AGREEMENT

THIS AGREEMENT is made by and between the City of Sonoma ("City") and North Valley Bank ("Owner").

WHEREAS, Owner desires to develop or improve a certain parcel or real property (hereinafter described as the "subject property"), located in the City of Sonoma, State of California, described as follows: APN 018-392-001 and 018-393-045 and leases said property to the Sonoma Valley Health Care District, a political subdivision of the State of California ("Developer").

WHEREAS, City Planning Commission, by its approval of a Use Permit for the Developer's project on October 13, 2011, has approved a project on the subject property ("project") consisting of expansion of Sonoma Valley Hospital and construction of the South Parking Lot, subject to certain conditions which have not been fully completed; and

WHEREAS, Owner owns the subject property and consents to the development of the proposal and agrees with said conditions; and

WHEREAS, Owner and Developer wish to proceed with the project without prior completion of such conditions.

NOW, THEREFORE, City and Owner agree as follows:

1. Owner shall satisfy all conditions and perform all the work (referred to hereinafter as "work", "work of improvement" or "conditions") described below:

Improve adjacent roadway to full width, including installation of additional pavement, curb, gutter and sidewalk along that portion of the property frontage on Fourth Street West and Hayes Street that has been improved by the South Parking Lot. The portion of the frontage that has been

improved shall be that area beginning 25 feet south of the north edge of AP No. 018-392-045 and continuing south for 200 feet (see Exhibit A).

The construction of the additional pavement, curb, gutter and sidewalk shall commence upon future development of the south portion of AP 018-392-001 and within 60 days after receipt of City's "demand to construct" said improvements. Said "demand to construct" shall mean written notice from the City to Owner that the development of the south portion of AP 018-392-001 have been approved by the City and that the street and sidewalk improvements are deemed necessary or desirable as determined by the Public Works Director in his/her sole discretion.

Upon said "demand to construct", Owner shall construct the improvements specified above. Said construction shall be completed within 90 days after written notice from City.

Satisfaction of said conditions is deferred in accordance with the provisions of this Agreement.

2. A. Owner shall complete the above identified conditions in a workmanlike and professional manner and in accordance with the applicable provisions of the development standards and standard specifications of the City and as specified in its City's Municipal Code, as the same may be revised from time to time.

B. Owner understands that work in the public right of way may not be commenced until an encroachment permit is obtained from and the required insurance submitted to the City.

C. Owner shall submit detailed plans and specifications for the work of improvement prepared by a civil engineer licensed in the State of California necessary to complete the condition(s) set forth in paragraph 1. Such plans and specifications shall be completed and submitted to the City for its review within 30 days after Owner's receipt of said notification. Said plans and specifications shall be subject to the approval of the City Engineer. After approval of same, construction shall commence in accordance with the directions of the Director of Public Works as specified in the notice set forth in Paragraph 3(A). At the time plans and specifications are submitted to City, Owner shall pay all the required inspection fees then in effect and pay all deposits required to cover actual costs in reviewing and checking Owner's plans and specifications and administering the design and construction of the work. Owner shall be responsible for paying all costs the City incurs in reviewing the plans and specifications, administering the design and construction of the work and inspecting the work, all in accordance with the cost recovery/fee program then in effect. The Department of Public Works shall be the responsible department for review and approval of such plans and any revisions as well as for inspection of the work. However, the City has not and will not make an independent investigation of the job site, soils conditions and other conditions which might affect the design and construction of any improvements to be made to satisfy the conditions. It is the responsibility of the Owner to design and construct all required work in such a manner as to ensure reasonable accomplishment of their purposes and satisfaction of the conditions. In the event that job conditions require changes in the approved plans and specifications, a request for such deviation must be submitted in writing by Owner along with checking and inspection costs for prior approval by the City; no deviation will be allowed without such approval.

D. Wherever the word "Owner" is used in this Agreement, it means not only the person/entity executing this Agreement as "Owner", but also every successor-in-interest to the Owner.

3. A. When the Public Works Director determines that there is no further reason to defer construction of the work because its construction is necessary for orderly development of the area, s/he shall notify the Owner in writing to commence the work's design, installation and construction. The notice shall be mailed to the Owner and the then current owner or owners of the subject property as shown on the latest adopted County Assessment roll and as specified in Paragraph 16. The notice shall describe the work to be done by the Owner, the time within which the work shall commence and the time within which the work shall be completed.

B. If the Owner disagrees with the requirements set forth in any notice to commence design and installation of the work s/he shall, within 20 days of the date the notice was mailed, request a review of the requirements by the City Manager. The decision of the City Manager shall be binding upon the Owner.

4. Owner shall, in accordance with the plans described in Paragraph 2, including all details and notes shown thereon, promptly complete or cause to be completed the required work to the satisfaction of the City within the time specified by the Director of Public Works. The completion date may be extended by the mutual written consent of the parties to this Agreement; any such extension will be conditioned on an increase in the amount of any performance security posted to the City pursuant to this agreement and inspection fees to reflect current costs as well as such other conditions as may be imposed by the City. Such extension shall constitute a waiver of any of the obligations of the Owner as contained herein.

5. Owner shall allow City's duly authorized representatives access to the work at all times and shall furnish them with every reasonable facility for ascertaining that the methods, materials and workmanship comply with the requirements and intent of the approved plans. The Owner is required to give at least one day's advance notice of the date upon which work is commenced and the date upon which the work is to be completed. City may reject defective work and require its repair, replacement or removal by Owner, all at no expense to City.

6. The estimated cost of completing the condition(s) described in Paragraph 1 will be determined when the plans described in Paragraph 2 are approved.

7. Immediately after the estimate described in Paragraph 6 is made and that estimate is conveyed to the Owner, Owner shall deliver to the City security in a form satisfactory to the City Attorney: either a cash deposit, performance and payment bonds or another instrument of credit acceptable to the City Attorney each with a face value equal to one hundred per cent (100%) of the estimate set forth in Paragraph 6 and sufficient to assure City that the condition(s) described in Paragraph 1 will be satisfactorily completed and that all laborers and material shall be paid. The surety for such security shall be currently admitted to transact surety insurance by the California Department of Insurance and shall carry a Best's rating of no less than A+. Along with any non-cash bond submitted by the Owner to satisfy this Paragraph 7, the Owner shall deliver to the City the certificate described in Cal. Code of Civil Procedure §995.640. The content and manner of

posting bonds, instruments of credit or cash shall be done to the satisfaction of the City Attorney. Certificates of deposit shall not be deemed to be satisfactory security unless such certificates provide that the City is the owner of record of such funds. City shall be the sole obligee named on any instrument required by this Agreement. In addition to the full amount of the security, there shall be included costs and reasonable expenses and fees including attorney's and expert's fees incurred in enforcing the obligation secured.

8. City shall not be required to exonerate any surety, release any security relating to satisfactory completion of the condition(s) or issue occupancy permits until acceptance of the works of improvements by the City Engineer or, in the case of improvements which will not be dedicated and accepted by City, until the improvements have passed final inspection by City Engineer. In addition, release of security, exoneration of sureties and issuance of occupancy permit will be predicated upon the receipt of required maintenance and/or warranty Agreements and security therefor. No work of improvement shall be accepted by the City unless and until it is free of all liens and encumbrances, free of all material defects and conditions which may create a hazard to the public health, safety or welfare, until City has received a full set of photomylar reproduced "as-built" plans, and until the City has received one year warranty and maintenance agreements and security therefor. Upon completion of the improvements described herein, the Owner shall notify the City and request inspection and acceptance of the improvements.

9. In the event that the condition(s) are not timely commenced or completed to the satisfaction of City within the time specified by this Agreement, City, in addition to any other remedy at law or equity, may complete such work with its own forces or by contract. By execution of this Agreement, Owner grants City permission to enter onto the subject property as may be necessary or convenient to construct such works of improvements and perform the work. In the event of such default by Owner, the surety and any person, firm, partnership, entity, corporation or association claiming any interest in the subject property hereinabove described and each of them shall totally reimburse City for the entire cost and expense incurred by the City in performing said work, including interest thereon at the maximum rate allowed by law from the date of notification of such cost and expense until paid (collectively, said costs, expenses and interest shall be referred to as "Reimbursables"). Such obligation of reimbursement shall be unlimited by the amount of the estimates hereinabove set forth or by such security as may have been provided to City in connection with this Agreement. Owner acknowledges and agrees that if the conditions are not completed to the satisfaction of the City within the time specified by this Agreement, the City, in addition to any other remedy at law or equity or in this Agreement, may withhold occupancy, building and zoning permits until the improvements have been satisfactorily completed.

10. A. All Reimbursables and all costs incurred by the City in enforcing and/or exercising its rights under the provisions of this Agreement, together with interest thereon at the rate of 10% per annum, costs of collection and reasonable attorney's fees, shall be a continuing lien upon the subject property. The personal obligation for payment of costs as herein provided shall pass to the Owner's successors in title, and upon transfer of the subject property the lien shall remain in effect and, if unpaid, it may be foreclosed as herein provided.

B. Recordation of this Agreement shall constitute a present lien on the subject property and every portion thereof to secure Owner's performance hereunder and the payment of any and all Reimbursables and other costs and expenses incurred by the City in exercising and/or

enforcing its rights under the provisions of this instrument together with interest thereon at the rate of 10% per annum, costs of collection, and reasonable attorney's fees. No action shall be brought to foreclose the lien for any such unpaid charge until notice of the amount due and the lien claimed signed by the City Manager has been delivered to the Owner and a copy of such notice recorded in the Office of the Recorder of Sonoma County, California. The notice shall state the amount of the charges together with the interest, costs and reasonable attorney's fees, a description of the property against which the lien is claimed, and the name or names of the record owner. The notice shall be in substantially the same form as that shown in Exhibit "C" attached hereto. After the expiration of 30 days from the date the notice has been recorded and delivered to such Owner during which time the noticed arrearages are not fully paid, an action may be commenced to foreclose the lien.

C. Any lien upon the subject property, arising out of the provisions of this instrument, shall be subject and subordinated to, and shall not affect the rights of, a holder of any indebtedness secured by any mortgage or deed of trust upon the subject property made in good faith or for value; provided said mortgage or deed of trust is recorded prior to the recording of the notice of claim of lien as provided in Paragraph 10(B).

11. It is the intention of the parties hereto that this Agreement bind themselves, their heirs, assigns and successors in interest and for the obligations to run with the land. In addition, the parties agree that this Agreement shall be recorded by the City and by recordation of this Agreement, it is the intention of the parties to give notice to all future purchasers of this intent to bind as described above. Upon sale or division of the subject property, the terms hereof shall apply separately to each parcel, and the Owner of each parcel shall succeed to the obligations imposed on Owner by this Agreement. Notwithstanding the above, this Agreement shall not be assigned by Owner without the written consent of City. The consent of City to any assignment shall not be unreasonably withheld, provided the proposed assignee ("Successor") can demonstrate its ability to perform and complete the obligations of Owner under this Agreement, as determined by objective standards of financial capability, creditworthiness and experience required for such performance. The City shall have the right to compel the Successor to disclose all documents, information and other material which, in the City's reasonable discretion, may establish or tend to establish that the proposed Successor meets the standards specified hereinabove. No assignment permitted hereunder shall be complete until substitute security is provided by the Successor to fulfill its obligations hereunder. Provided that Owner provides the City at least forty-five (45) days advance written notice of Owner's intent to assign this Agreement and delivers that notice as well as all documents, information and other material requested by the City and sufficient to enable the City to exercise the discretion vested in it pursuant to this Section 11. No later than thirty (30) calendar days after the City receives the materials submitted by the Owner, the City shall deliver to the Owner a written determination whether the submitted materials are complete. If the City's written determination is not delivered within said thirty (30) day period, the submission shall be deemed complete. If within said thirty (30) day period, the City delivers a notice to the Owner that the submitted materials are incomplete, the Owner shall have thirty (30) calendar days to submit the necessary, additional information and after timely submittal thereof, the City shall have thirty (30) calendar days within which to, again, deliver notice to the Owner whether the submitted materials are complete. If the Owner does not submit additional materials within thirty (30) calendar days after receiving the City's determination of incompleteness, it shall be conclusively deemed that the Owner has withdrawn its request for consent to the assignment in question. Not later than forty-five (45) days after the Owner's submittal is determined or deemed complete, the City shall accept or reject the

proposed assignment. The existence of any legitimate dispute between City and Owner over the acceptance by City of any proposed Successor may, in City's unfettered discretion, result in an extension of the time for performance of Owner's obligations hereunder, equal to the amount of time required for resolution of such dispute. If the City consents to an assignment, this Agreement shall be deemed to have been amended to provide: (1) that Successor shall be acknowledged by City to be the Owner hereunder; (2) that Successor shall assume all obligations of Owner hereunder; (3) that all Work and Improvements to which this Agreement relates shall be completed by Successor as required hereunder; (4) that all cash security deposited with the City shall be retained by the City pursuant to the terms hereof and any balance owing to the Owner shall be paid to the Successor; and (5) Owner shall remain jointly and severally responsible with the Successor for all of the Owner's obligations hereunder. This Section 11 shall survive termination of this Agreement for any reason.

12. Owner warrants s/he/it is the sole owner of the subject property. Owner shall bear the cost of recordation of this Agreement or a sufficient memorandum hereof and no City permit shall be issued until proof of recordation is provided to the City.

13. Owner hereby warrant that the design and construction of any improvements required by the condition(s) will not adversely affect any portion of adjacent properties and that all work will be performed in a proper manner and in accordance with all applicable laws and regulations. To the full extent permitted by law, Owner agrees to indemnify, defend, release and save harmless City, its officers and employees from and against any and all claims, suits, liabilities, actions, damages, failure to comply with any current or prospective laws, penalties or causes of actions by any person including Owner, their employees and agents for any personal injury, death or damage to property from any cause whatsoever arising out of or in connection with this Agreement or the actions and obligations hereunder or approval of Owner's project. Owner shall so indemnify City regardless of: City's passive negligence, City's approval of plans or inspection, approval or acceptance of improvements or any limitation on the amount or type of damages or compensation payable by or for Owner under Workers' Compensation, Disability or other employee benefit acts, or acceptance of insurance certificates required under this Agreement, or the terms, applicability or limitations of any insurance held by Owner.

14. In the event any party to this Agreement brings an action to enforce or interpret the provisions of this Agreement, the prevailing party in such action shall be entitled to recover reasonable attorney's fees from the other party. This provision shall be in addition to any provisions regarding attorney's fees set forth in the bonds securing this Agreement.

15. Upon notice by City, Owner agrees to cooperate with other property owners, the City and other public entities to provide the work of improvements described herein under a joint plan including participation in the formation of a local improvement district to secure the construction of such improvements. Owner agrees to and do hereby waive all rights to protest the formation of a district including the rights of protest under the Special Investigation, Limitation and Majority Protest Act of 1931. In the event such district is formed or such joint project is consummated, Owner shall receive a credit against (i) Owner's share of the costs of such project and/or (ii) assessments levied against the subject property in an amount no more than the costs incurred by the Owner in designing and constructing the work, depending upon the scope of the joint project or

district project and the extent to which the work is included in that joint or district project, all of which shall be determined in the reasonable judgment of the City.

16. Notice required to be given hereunder is considered given upon the first of the following to occur: (a) when delivered in person to the recipient named as below, (b) on the date shown when the notice is sent by facsimile device to the recipient as named below, or (c) on the date shown on the return receipt after deposit in the United States mail in a sealed envelope, either registered or certified mail, return receipt requested, postage and postal charges prepaid, addressed by name and address to the party or person intended as follows:

Notice to the Owner:
North Valley Bank
836 E. Cypress Avenue
Redding, CA 96002

Notice to the City of Sonoma:
Attn: City Clerk
No. 1 The Plaza
Sonoma, CA 95476

Either party may, by notice given at any time, require subsequent notices to be given to another individual person or party to a different address. Notices given before actual receipt of notice of change shall not be invalidated by the change.

17. This Agreement represents the entire understanding of the parties pertaining to the subject matters addressed herein and supersedes all other prior or contemporaneous written or oral agreements pertaining to the subject matter of this Agreement. This Agreement may be modified only in writing and signed by the authorized representatives of both the City and the Owner. All modifications of this Agreement must be approved by the City Council of the City of Sonoma.

18. Except as otherwise expressly stated, time is of the essence in the performance of each and every action required pursuant to this Agreement.

19. The City and the Owner agree that this Agreement is the product of mutual negotiations and is an arms-length transaction. Each party has negotiated this Agreement with the advice and assistance of legal counsel of its own choosing or has freely and voluntarily chosen to forego the advice and assistance of legal counsel in negotiating this Agreement.

It is further agreed that the terms of this Agreement shall be construed in accordance with the meaning of the language and shall not be construed for or against either party by reason of authorship and the rule that ambiguities in a document shall be construed against the drafter of the document shall have no application to this Agreement. In construing and interpreting this Agreement, the finder of fact shall give effect to the mutual intention of the parties, notwithstanding such ambiguity, and may refer to the facts and circumstances under which this Agreement is made

and such other extraneous evidence as may assist the finder of fact in ascertaining the intent of the parties.

20. Each party signing this Agreement on behalf of a party which is not a natural person hereby represents and warrants to the other party that all necessary legal prerequisites to that party's execution of this Agreement have been satisfied and that he/she has been authorized to sign this Agreement and bind the party on whose behalf he/she signs.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed on the date first written above.

Dated this ____ day of _____, 20__.

OWNER

By: _____

By:

APPROVED AS TO FORM:

_____ ATTORNEY

(Include authorization by signatory to bind Owner)

APPROVED AS TO CONTENT:

(Signatures Must be Notarized)

Recording requested by:
City Clerk
City of Sonoma
No. 1 The Plaza
Sonoma, CA 95476

When recorded mail to:
City of Sonoma
Attention: City Clerk

Space above this Line for Recorder's Use

NOTICE OF LIEN CLAIM
[To be Mailed to Applicant and Owner and Recorded]

TO: _____ [name of record owner and applicant]

FROM: _____

RE: The subject real property against which this Notice of Lien Claim shall be recorded is described as: _____

PLEASE BE ADVISED that the _____ asserts that pursuant to the Deferred Improvement Agreement into which you entered on _____ pertinent to the development project entitled _____ and located on the real property which is described above, you are in default under said Agreement and by virtue thereof you owe to the _____ the following amounts:

	Principal:	\$ _____
	Interest:	\$ _____
	Attorneys' Fees:	\$ _____
	Costs:	\$ _____
TOTAL		\$ _____

PLEASE BE FURTHER ADVISED that the _____ claims a lien against said subject property and, pursuant to the said Agreement, shall forthwith record this Notice of Lien Claim in the records of the County Recorder's Office, County of _____, California, and that should the total amount specified above not be paid within 30 days of your receipt of this Notice of Lien Claim, the _____ shall proceed to foreclose said lien.

DATED: _____

By: _____

[Attach Acknowledgment]

EXHIBIT “C”

PERFORMANCE AND INDEMNITY AGREEMENT

This Performance and Indemnity Agreement (“**Agreement**”) is entered into on May 2, 2013 (“**Execution Date**”) by and between North Valley Bank, a California banking corporation (“**NVB**”) and the Sonoma Valley Health Care District, dba Sonoma Valley Hospital, a political subdivision of the State of California (the “**District**”).

RECITALS

A. NVB owns that certain real property, commonly known as 851-853 Fourth Street West, Sonoma, California, APN 018-392-001 and 018-392-045, and described in more detail in Exhibit A attached to this Agreement (the “**Property**”). NVB leases the Property to the District, pursuant to that certain Lease and Option to Purchase, dated August 30, 2012 (the “**Lease**”).

B. The District has obtained a Use Permit from the City of Sonoma (the “**City**”) to make certain improvements to parking facilities on the Property, subject to certain conditions as set forth in the document entitled Conditions of Project Approval, dated October 13, 2011, a copy of which is attached to this Agreement as Exhibit B (the “**Conditions of Approval**”). Condition of Approval #4 requires NVB, as owner of the Property, to enter into a Deferred Improvement Agreement with the City for the future construction of certain improvements to the streets adjacent to the Property.

C. The District and NVB have agreed with the City on the form of the Deferred Improvement Agreement, which is attached to this Agreement as Exhibit C (the “**DIA**”).

D. NVB will only agree to enter into the DIA with the City if the District agrees to fully perform, and indemnify NVB against, all of the obligations of NVB under the DIA. The District agrees to do so, as without NVB’s agreement to enter into the DIA with the City, the District will not be able to complete and use the parking improvements the District is constructing on the Property pursuant to the Use Permit.

E. In light of the above, the parties desire to enter into this Agreement to provide for the District’s performance of all of NVB’s obligations under the DIA and for the District’s indemnification of NVB with respect to any and all obligations arising under DIA. Accordingly, the parties now hereby agree as follows.

AGREEMENT

1. Performance of DIA Obligations. The District shall, at its own cost and expense, fully and timely perform all obligations of the “Owner” as set forth in the DIA, including without limitation the planning, designing and construction of the improvements required thereunder and the payment of all fees and costs required thereunder.

2. NVB Cooperation. NVB shall reasonably cooperate with the District with respect to the performance of the obligations of the “Owner” under the DIA; provided, however, that NVB’s cooperation shall be at the District’s cost and expense and the District shall

reimburse NVB for all reasonable costs and expenses NVB incurs to cooperate with the District with respect to the DIA and the obligations of the “Owner” thereunder. NVB’s cooperation shall include, without limitation, promptly forwarding to the District all communications NVB receives from the City under or with respect to the DIA and signing, as the owner of the Property, all applications, submittals, drawings, plans and other documents that the District desires to submit to the City with respect to the DIA and/or the improvements required thereunder.

3. Approval/Execution of DIA. The District and NVB approve the form of the DIA attached hereto as Exhibit C. When the City is ready to execute the DIA, NVB shall do so and the parties shall concurrently execute this Agreement. This Agreement shall only be effective if and when NVB and the City execute the DIA. NVB shall not agree to any amendment or modification of the DIA without the District’s prior written approval, which the District may withhold, condition, or delay in its sole discretion.

4. Indemnity. The District hereby agrees to indemnify, defend and hold harmless NVB and its trustees, beneficiaries, officers, members, partners, employees, attorneys, agents, invitees, contractors, subcontractors, representatives, and affiliates (for purposes of this Section 3, collectively “**NVB**”) in connection with the defense, prosecution, satisfaction, settlement, or compromise, including the reasonable cost and expense of litigation (including reasonable attorneys’ fees and accountants fees, travel expense, judgments, court costs, and related litigation expenses and such other actual and reasonable costs in connection with the defense, prosecution, satisfaction, settlement or compromise) of any claims, demands, controversies, actions, causes of action, obligations, expenses, fees, charges, damages, fines, penalties and liabilities of any nature whatsoever, whether at law or in equity (collectively “**Claims**”), to the extent arising out of, contributed to by, based upon, and/or related to, the DIA, the obligations of the “Owner” under the DIA, or the failure or delay of the District to timely and fully perform any of the obligations of the “Owner” under the DIA; provided, however, that the District shall have no obligation to indemnify, defend or hold harmless NVB with respect to any Claim to the extent same is caused or contributed to by any act or omission of NVB, including the failure of NVB to perform its obligations under this Agreement. The terms of this Section 4 and the parties’ rights and obligations hereunder, shall survive the termination or expiration of this Agreement.

5. Term. This Agreement shall be effective as of the later of (i) Execution Date, or (ii) the date the City and NVB execute the DIA. The term hereof shall terminate or expire upon the first to occur of the following: (a) the City has confirmed in writing that all of the obligations of the “Owner” under the DIA have been fully performed; (b) the City has released NVB from its obligations as “Owner” under the DIA; (c) the City has terminated the DIA or replaced it with another agreement that does not contain any obligations of NVB; or (d) the District has acquired from NVB fee title to the Property and the City has consented to the assignment to the District of the DIA and all of the obligations of the “Owner” under the DIA.

6. Miscellaneous.

a. Notices. All notices and other communications between the parties under this Agreement shall be sent in accordance with the notice provisions of the Lease.

b. Integration/Amendment. This instrument constitutes the entire agreement between the parties relating to the DIA. Any prior agreements, promises, negotiations, or representations regarding the DIA or this Agreement not expressly set forth in this Agreement are of no force and effect; provided, however, that nothing in this Agreement shall amend, alter, or modify the Lease or the parties' respective rights and obligations thereunder. Any amendment to this Agreement will be of no force and effect unless it is in writing and signed by all parties.

c. Binding Agreement. This Agreement shall bind and inure to the benefit of the parties to this Agreement and their employees, agents, representatives, heirs, personal representatives, successors, and assigns, except as otherwise provided in this Agreement.

d. Choice of Law/Interpretation. This Agreement shall be construed and governed in accordance with laws of the State of California. All of the parties to this Agreement have participated fully in the negotiation and preparation hereof and accordingly, this Agreement shall not be more strictly construed against any one of the parties hereto. In construing this Agreement, the singular shall be deemed to include the plural, the plural shall be deemed to include the singular and the use of any gender shall include every other gender and all captions and Section headings shall be discarded.

e. Severability. In the event any interpretation of a provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or reconstrued as deleted as such authority determines and the remainder of this Agreement shall be construed to be in full force and effect.

f. Attorneys' Fees. If either party hereto institutes an action or proceeding (including arbitration) for a declaration of the rights of the parties under this Agreement, for injunctive relief, for an alleged breach or default of, or any other action arising out of, this Agreement, or the transactions contemplated hereby, or in the event any party is in default of its obligations pursuant thereto, whether or not suit is filed or prosecuted to final judgment, the non-defaulting party or prevailing party shall be entitled to its actual attorneys' fees and to any court costs incurred in addition to any other damages or relief awarded.

g. Execution/Counterparts. This Agreement may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original, all of which shall be deemed to be one and the same instrument. Facsimile transmission signatures shall be deemed original signatures if followed by hard copy delivery.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

THE DISTRICT:

Sonoma Valley Health Care District
dba Sonoma Valley Hospital,
a political subdivision of the State of California

By: _____
Kelly Mather, President and CEO

NVB:

National Valley Bank,
a California banking corporation

By: _____
Its: _____

LIST OF EXHIBITS

- Exhibit A Legal Description of the Property
- Exhibit B Conditions of Approval
- Exhibit C Form of Deferred Improvement Agreement

City of Sonoma Planning Commission
CONDITIONS OF PROJECT APPROVAL
Sonoma Valley Hospital South Parking Lot Expansion
851 & 853 Fourth Street West
(APN 018-392-001 and 018-392-045)

October 13, 2011

1. Expansion of the south parking lot and provisions for temporary parking shall be constructed and implemented in conformance with the project narrative dated October 10, 2011 and approved revised site plan, except as modified by these conditions, and the following:
 - a. The temporary, 50-vehicle, gravel parking lot to be installed directly south of the "south parking lot" shall be removed upon completion of the hospital upgrade project.
 - b. The permanent lot shall provide a total of 81 parking spaces.
 - c. A flow through planter drainage system shall be required for the permanent parking lot.
 - d. The berms to the north and west of the parking lot shall be four feet in height as measured from finished grade, and an additional four-foot tall green screen shall be placed on top of the west berm.

Enforcement Responsibility: *Planning Department; Building Department; Public Works Department*
Timing: *Expansion of the south lot prior to final of grading permit; Removal of temporary parking lot upon completion of hospital upgrade project.*

2. A grading and drainage plan and an erosion and sediment control plan shall be prepared by a registered civil engineer and submitted to the City Engineer and the Sonoma County Water Agency for review and approval. The required plans shall be approved prior to the issuance of a grading permit and commencement of grading/construction activities. The erosion control measures specified in the approved plan shall be implemented during construction prior to the first rains or October 1st. Grade differences between lots will not be permitted unless separated by properly designed concrete or masonry retaining walls. This requirement may be modified or waived at the discretion of the City Engineer. An NPDES permit shall be required and the plans shall conform to the 2005 SUSMP Guidelines and the City of Sonoma Grading Ordinance (Chapter 14.20 of the Municipal Code). Applicable erosion control measures shall be identified on the erosion control plan and shall be implemented throughout the construction phase of the project: soil stabilization techniques such as hydroseeding and short-term biodegradable erosion control blankets or wattles, silt fences and/or some kind of inlet protection at downstream storm drain inlets, post-construction inspection of all facilities for accumulated sediment, and post-construction clearing of all drainage structures of debris and sediment. Applicant shall submit a preliminary Stormwater Mitigation Plan (SMP) in accordance with the 2005 SUSMP Guidelines with the grading plans. The improvement plans (see Condition #3 below) will not be accepted by the City Engineer for review without first reviewing and approving the preliminary SMP.

Enforcement Responsibility: *City Engineer; SCWA; Public Works Department*
Timing: *Prior to issuance of the grading permit*

3. The following improvements shall be required and shown on the improvement plans and are subject to the review of the City Engineer, Planning Administrator and Fire Chief. Public improvements shall meet City standards. The improvement plans shall be prepared by a registered civil engineer and approved by the City Engineer prior to issuance of a grading permit or building permit. All drainage improvements shall be designed in accordance with the Sonoma County Water Agency "Flood Control Design Criteria." Plans and engineering calculations for any drainage improvements, and plans for sanitary sewer facilities (if any), shall be submitted to the Sonoma County Water Agency (and copy of submittal packet to the City Engineer) for review and approval.

- a. The portion of Fourth Street West located directly east of and fronting the south parking lot shall be widened to a total AC pavement width of 24 feet.
- b. Existing frontage improvements along the east side of Fourth Street West (i.e., curb, gutter, and sidewalk) shall be repaired, widened, replaced and/or improved as necessary to meet City and ADA standards from Arroyo Way to its intersection with Bettencourt Street. The telephone guy wire within this section of frontage shall be relocated for compliance with ADA standards and the driveway located at the creek access shall be replaced in conformance with the City's standard plan for commercial driveways.
- c. ADA compliant crosswalks shall be provided from the south parking lot across Fourth Street West and at the east leg of Fourth Street West/Bettencourt Street.
- d. Retaining walls shall not be permitted on City right-of-way.
- e. Storm drains and related facilities, including off-site storm drain facilities as necessary to connect to existing storm drain facilities, including the ditch on the north side of the parking lot which may require acquiring permit from various resource agencies. Any necessary permits from the Army Corps of Engineers and/or Regional Water Quality Control Board and/or other, shall be obtained prior to issuance of the grading permit.
- f. Stormwater BMPs and other stormwater-related features as shown on the stormwater mitigation plan (SMP) shall be shown on the drainage and improvement plans.
- g. Grading plans shall be included in the improvement plans and are subject to the review and approval of the City Engineer, Planning Administrator and the Building Official.
- h. New water service/connection for landscape irrigation, including a separate water meter. The location of the new water meter shall be subject to the review and approval of the City Engineer. The location of water meters and backflow assemblies shall be identified on the plans and the locations approved by the City Engineer and Fire Chief. Applicant shall install State-approved backflow devices, as required, consistent with the City's Cross Connection Control Ordinance.
- i. Signing and striping plans shall be submitted to the City Engineer and Planning Administrator (for the parking lot striping) for review and approval. Said plans shall include the striping of cross-walks from the south parking lot across Fourth Street West and at the east leg of Fourth Street West/Bettencourt Street.
- j. Parking and drives shall be surfaced with an all-weather surface material as approved by the Building Department and the structural section of the parking lot shall be in conformance with the geotechnical engineer's recommendations.
- k. All public sidewalk, street, storm drainage, water, sewer, access and public utility easements shall be dedicated to the City of Sonoma or to other affected agencies of jurisdiction, as required.
- l. The applicant shall show proof of payment of all outstanding engineering plan check fees within thirty (30) days of notice for payment and prior to the approval of the improvement plans, whichever occurs first.
- m. All grading, including all swales, etc., shall be performed between April 1st and October 15th of any year, unless otherwise approved by the City Engineer.

Enforcement Responsibility: City Engineer; Public Works Department; Building Department; Planning Department; Fire Department; SCWA

Timing: Prior to issuance of the grading permit

4. As provided for under Section 12.14.051 of the Sonoma Municipal Code, the property owner shall enter into a Deferred Improvement Agreement with the City to improve adjacent roadway to full width, including installation of additional pavement, curb, gutter and sidewalk along the property frontage on Fourth Street West and Hayes Street, upon future development of the parcel. The agreement shall be subject to the approval of the City Attorney.

Enforcement Responsibility: City Attorney; City Engineer; City Manager; Planning Department

Timing: Prior to finaling any grading/building permit

5. The applicant shall be required to pay for all inspections prior to the acceptance of public improvements, or within 30 days of receipt of invoice; all plan checking fees at the time of the plan checks; and any other fees charged by the City of Sonoma, the Sonoma County Water Agency or other affected agencies with reviewing authority over this project, except those fees from which any designated affordable units are specifically exempted.

Enforcement Responsibility: Public Works Dept.; Building Department; City Engineer; Affected agency

Timing: Prior to the acceptance of public improvements, or plan check, or within 30 days of receipt of invoice, as specified above

6. No structures of any kind shall be constructed within the public easements dedicated for public use, except for structures for which the easements are intended.

Enforcement Responsibility: City Engineer; Public Works Department; Planning Department

Timing: Prior to the issuance of any grading/building permit; Ongoing

7. The project shall comply with the applicable standards set forth in the 2005 SUSMP Guidelines (i.e., the City-adopted document entitled "Guidelines for the Standard Urban Storm Water Mitigation Plan" for the Santa Rosa Area and Unincorporated Areas around Petaluma and Sonoma, dated June 3, 2005) herein referred to as SUSMP guidelines. Applicant shall submit a preliminary and final Stormwater Mitigation Plan (SWP) in accordance with the SUSMP guidelines to the City's Stormwater Coordinator and City Engineer for review and approval. Said SMP shall identify specific BMPs and include the BMPs in the project drainage and improvement plans.

Enforcement Responsibility: City Engineer; Public Works Department

Timing: Prior to the issuance of any grading/building permit

8. The project applicant/developer shall comply with all applicable Phase II NPDES requirements. A Notice of Intent (NOI) and Storm Water Pollution Prevention Plan (SWPPP) shall be prepared and submitted to the State Water Resource Control Board (SWRCB) Division of Water Quality.

Enforcement Responsibility: SWRCB; City Engineer; Public Works Dept.; Stormwater Coordinator

Timing: Prior to the issuance of any grading/building permit; Ongoing through construction

9. A soils and geotechnical investigation and report, prepared by a licensed civil engineer, shall be required for the south parking lot expansion prior to the issuance of a grading permit and/or approval of the grading and improvement plans. Recommendations identified in the geotechnical investigation and report, including recommendations for structural section of pavements, shall be incorporated into the construction plans for the project and into the building permits.

Enforcement Responsibility: City Engineer; Building Department
Timing: Prior to issuance of any grading/building permit

10. The following agencies must be contacted by the applicant to determine permit or other regulatory requirements of the agency prior to issuance of a building permit, including the payment of applicable fees:
- Sonoma County Water Agency [For grading, drainage, and erosion control plans];
 - Sonoma County Department of Environmental Health [For abandonment of wells]
 - Army Corps of Engineers, Regional Water Quality Control Board, and/or Department of Fish & Game [For discharge into potential waters of the U.S.]

Enforcement Responsibility: Building Department; Public Works Department
Timing: Prior to the issuance of any grading/building permit

11. The following dust control measures shall be implemented as necessary during the construction phase of the project: 1) all exposed soil areas (i.e. building sites, unpaved access roads, parking or staging areas) shall be watered at least twice daily or as required by the City's construction inspector; 2) exposed soil stockpiles shall be enclosed, covered, or watered twice daily; and 3) the portions of Fourth Street West Lyon and/or Hayes Street providing construction vehicle access to the project site shall be swept daily, if visible soil material is deposited onto the road.

Enforcement Responsibility: Building Inspector; Public Works Inspector; Stormwater Coordinator
Timing: Ongoing during construction

12. In the event that any artifacts or cultural soil deposits are unexpectedly discovered during future grading and underground excavation, all work shall stop in the vicinity of the find and an archaeologist shall be contacted to assess the find and make further recommendations. Artifacts that are typically found associated with prehistoric sites include humanly modified stone, shell, bone or other cultural materials such as charcoal, ash and burned rock indicative of food procurement or processing activities. Prehistoric domestic features include hearths, firepits, or house floor depressions whereas typical mortuary features are represented by human skeletal remains. Historic artifacts potentially include all by-products of human land use greater than 50 years of age.

Enforcement Responsibility: Planning Department; Building Department; Public Works Department
Timing: Throughout project construction

13. If human remains are encountered, all work shall stop in the immediate vicinity of the discovered remains and the County Coroner and a qualified archaeologist shall be notified immediately so that an evaluation can be performed. If the remains are deemed to be Native American and prehistoric, the Native American Heritage Commission shall be contacted by the Coroner so that a "Most Likely Descendant" can be designated.

Enforcement Responsibility: Planning Department; Building Department; County Coroner
Timing: Throughout project construction

14. If paleontological resources are identified during construction activities, all work in the immediate area will cease until a qualified paleontologist has evaluated the finds in accordance with the standard guidelines established by the Society of Vertebrate Paleontology. If the paleontological resources are considered to be significant, a data recovery program will be implemented in accordance with the guidelines established by the Society of Vertebrate Paleontology.

Enforcement Responsibility: Planning Department; Building Department; Public Works Department
Timing: Throughout project construction

15. A landscape plan for the expanded south parking lot shall be prepared by a licensed landscape architect. The plan shall be subject to the review and approval of the Design Review Commission (DRC). The landscape plan shall comply with City of Sonoma's Water Efficient Landscaping Ordinance (Municipal Code §14.32) and Development Code Sections 19.40.100 (Screening and Buffering), 19.48.090 (Landscaping of Parking Facilities), and 19.40.060 (Landscape Standards).

Enforcement Responsibility: Planning Department; DRC
Timing: Prior to issuance of any grading permit

16. Onsite lighting shall be addressed through a lighting plan, subject to the review and approval of the Design Review Commission (DRC). All proposed exterior lighting for the south parking lot shall be indicated on the lighting plan and specifications for light fixtures shall be included. The lighting shall conform to the standards and guidelines contained under Section 19.40.030 of the Development Code (Exterior Lighting). No light or glare shall be directed toward, or allowed to spill onto any offsite areas. All exterior light fixtures shall be shielded to avoid glare onto neighboring properties, and shall be the minimum necessary for site safety and security.

Enforcement Responsibility: Planning Department, Design Review Commission
Timing: Prior to the issuance of any grading permit



Meeting Date: May 2, 2013

Prepared by: Peter Hohorst

Agenda Item Title: MEMORANDUM OF UNDERSTANDING AND GIFT ACCEPTANCE POLICY WITH SONOMA VALLEY HOSPITAL FOUNDATION

Recommendations:

That the Board approve and accept the Memorandum of Understanding and Gift Acceptance Policy with the Sonoma Valley Hospital Foundation

Background:

Prior to the restructuring of the Foundation Board, there was no formal written agreement between the Foundation and the Health Care District or Hospital. Over the years, there was discussion of creating such an agreement; however, none was ever finalized or approved. Early in 2012 it was proposed by the Governance Committee that these documents be drafted and adopted. Since that time extensive research and work has been done to compose these documents, and in November of 2012 drafts of the Memorandum of Understanding and the Gift Acceptance Policy, were approved by the Foundation Board. These documents, which have been revised by the Governance Committee, outline the relationship between the two organizations and their respective roles and responsibilities regarding fund development.

Consequences of Negative Action/Alternative Actions:

Not having a written agreement leaves both the Health Care District and the Foundation at risk for misunderstandings or misinterpretation that could potentially jeopardize fundraising. Not having a clear process for fundraising activities can cause confusion for the donors which may affect contributions. The documents provide consistent expectations for all parties involved.

Financial Impact:

None other than identified in the section 3 Funding Costs of Foundation Operations.

Selection Process and Contract History:

Reviewed MOU and GAP policies from numerous from other District hospitals and Foundations.

Board Committee:

Governance Committee

Attachment:

Memorandum of Understanding and Gift Acceptance Policy

**MEMORANDUM OF UNDERSTANDING BETWEEN THE
SONOMA VALLEY HEALTH CARE DISTRICT
AND THE
SONOMA VALLEY HOSPITAL FOUNDATION
FOR FUND RAISING ACTIVITIES**

This Agreement is made and executed in Sonoma, California, on May 2, 2013, by and between the Sonoma Valley Health Care District (hereinafter referred to as “District”), a District duly organized and existing under the Local Health Care District Law of the State of California (California Health and Safety Code, Division 23, Sections 3200-32492), with its principal place of business at Sonoma, California and the Sonoma Valley Hospital Foundation, a hospital foundation organized and operating as a tax-exempt 501(c)(3) corporation with its principal place of business at Sonoma, California (hereinafter referred to as “Foundation”). The District and the Foundation may be referred to herein as “Party” or “Parties.” The District and the Foundation desire to enter into this Agreement for fund raising activities with respect to the following:

RECITALS

Whereas, the District and the Foundation agree that significant philanthropic support is needed to continue to provide patient-focused, state-of-the-art health care and health-related programs to residents and visitors in its service area; and

Whereas, the District and the Foundation agree that such support can most effectively be garnered through a hospital foundation operated as a 501(c)(3) corporation, and as such an organization, the Foundation is best suited to provide and develop philanthropic support for the District; and

Whereas, the District and the Foundation agree that in order to provide and develop philanthropic support for the District, the Foundation will develop and implement a fund-development program in support of health care for residents and visitors of the District.

Now therefore, in consideration of the promises and the mutual covenants herein contained, and for other good and valuable consideration, it is agreed:

1. Responsibilities and Mutual Expectations

A. Responsibilities of the Foundation

- i. The Foundation will develop, implement and refine a rolling three-year philanthropic strategic plan to maximize community support for the health care of the residents and visitors of the District. A Development Plan that outlines the programs and associated tasks of the three-year plan will be submitted to the District Board with the proposed Foundation budget no later than the May District Board meeting beginning with the 2014 fiscal year.

- ii. The Foundation will continue to work with the Hospital and District leadership to determine annual and longer-term goals and mission.
- iii. The Foundation agrees to support the capital, program, and other needs of District-owned facilities and District-operated programs.
- iv. The Foundation shall ensure there are three (3) ex-officio directors on the Foundation Board. Ex-officio directors shall be selected as follows: one shall be selected by the Board of Directors of the District; one shall be selected by the CEO of the Hospital; and one shall be selected by the Board of Directors of the Sonoma Valley Hospital Auxiliary.
- v. The Foundation will accept and process all gifts in accordance with all applicable laws and regulations.
- vi. The Foundation shall operate according to fundraising best practices and ethical standards.
- vii. The Foundation shall make its books and records available to the District and its agents for review and inspection upon reasonable written notice and at reasonable times
- viii. The Foundation shall inform the District Board of proposed changes to the Foundation's bylaws prior to their submission to the Foundation Board for approval.

B. Responsibilities of the District.

- i. The District will direct all charitable contributions in support of the District to the Foundation for acceptance and gift processing. If unusual circumstance requires a gift to be accepted directly by the District, the District will do so in accordance with the Foundation's Gift Acceptance Policy. (see attachment)
- ii. The District agrees to honor donor instructions by using the restricted funds it receives from the Foundation only for the purposes intended by the donor.
- iii. The District shall select one (1) ex-officio director on the Foundation Board, as described in Section 1.A.iv above.
- iv. The District agrees to make all books and records pertinent to the Foundation available to the Foundation for review and inspection upon reasonable notice and at reasonable times.
- v. The District shall be responsible for funding independent audits of the Foundation's financial statements. The District shall determine when and if these audits are to be conducted.

2. Request for and Transfer of Funds

- A. All requests for funding by the Foundation must be submitted by the Hospital's President/CEO in writing, after approval by the District Board, to the Foundation for consideration for approval by the Board of Directors of the Foundation.
- B. The Foundation agrees to review grant requests submitted by the District within sixty (60) calendar days of receipt.
- C. If a grant is approved by the Foundation Board, the Foundation will notify the primary project contact, as indicated on the grant application, within seven (7) calendar days of approval.
- D. If a grant is denied by the Foundation Board, explanation of the Board's decision will be submitted in writing to the Hospital President/CEO within seven (7) calendar days.
- E. Grants approved by the Foundation Board will be paid within thirty (30) days of receiving request for payment, which shall be submitted in writing by the Hospital President/CEO District and shall be accompanied by the invoice or purchase order showing the equipment and/or services.

3. Funding Cost of Foundation Operations

- A. Based on a budget approved by the Foundation Board and the District Board, the District will fund operating expenses of the Foundation.
- B. Allowable expenses that the District may fund will include:
 - a. Foundation staff compensation, including salaries and benefits
 - b. Expenses related to the donor database. The database content will be owned by both the District and the Foundation.
 - c. Certain overhead expenses, including office space, computer and telephone systems, utilities, office supplies, Human Resources services, payroll services, and at times other such services that may be necessary or required to fulfill its responsibilities and obligations.
 - d. Additional operating expenses, including but not limited to, postage, design, or other professional services, subject to the approval of the Hospital President/CEO.
- C. The Foundation will fund all other operating expenses not funded by the District.

4. Terms and Termination

- A. *Term.* The term of this Agreement shall expire at midnight on June 30, 2014.
 - B. *Termination.* This Agreement may be terminated by either Party, with or without cause, by giving sixty (60) days written notice as provided in Paragraph 12 of this Agreement.
 - C. *Dissolution and Distribution of Assets.* In the event that this MOU is terminated or the Foundation be dissolved by the Foundation Board, all properties, monies, and assets will be distributed as outlined in the Fourth section of the Foundation's Articles of Incorporation.
5. **Negotiation and Mediation Clause.** In the event of disagreement or dispute between the Parties arising out of or connected with this Agreement, the disputed matter shall be resolved as follows:

A. *Negotiation.*

- i. The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between District and Foundation Board Chairs. Any party may give the other party written notice of any dispute not resolved in the normal course of business. Within 15 days after delivery of the notice, the receiving party shall submit to the other a written response. The notice and response shall include with reasonable particularity (a) a statement of each party's position and a summary of arguments supporting that position, and (b) the name and title of the executive who will represent that party and of any other person who will accompany the executive. Within 30 days after delivery of the notice, the chairs of both parties shall meet at a mutually acceptable time and place.
- ii. Unless otherwise agreed in writing by the negotiating parties, the above-described negotiation shall end at the close of the first meeting of chairs described above ("First Meeting"). Such closure shall not preclude continuing or later negotiations, if desired.
- iii. All offers, promises, conduct and statements, whether oral or written, made in the course of the negotiation by any of the parties, their agents, employees, experts and attorneys are confidential, privileged and inadmissible for any purpose, including impeachment, in arbitration or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the negotiation.
- iv. At no time prior to the First Meeting shall either side initiate an arbitration or litigation related to the Agreement except to pursue a provisional remedy that is authorized by law or by agreement of the parties. However, this limitation is inapplicable to a party if the other party refuses to comply with the requirements of Paragraph i above.

- v. All applicable statutes of limitation and defenses based upon the passage of time shall be tolled while the procedures specified in Paragraphs i and ii above are pending and for 15 calendar days thereafter. The parties will take such action, if any, required to effectuate such tolling.

B. Mediation.

- i. If the matter is not resolved by negotiation pursuant to paragraphs i – v above, then the matter will proceed to mediation as set forth below.
- ii. The parties agree that any and all disputes, claims or controversies arising out of or relating to this Agreement shall be submitted for mediation.
- iii. Either party may commence mediation by providing the other party a written request for mediation, setting forth the subject of the dispute and the relief requested.
- iv. The parties will cooperate in selecting a mediator and in scheduling the mediation proceedings. The parties agree that they will participate in the mediation in good faith and that they will share equally in its costs.
- v. All offers, promises, conduct and statements, whether written or oral, made in the course of the mediation by any of the parties, their agents, employees, experts and attorneys, and by the mediator, are confidential, privileged and inadmissible for any purpose, including impeachment, in any arbitration or other proceeding involving the parties, provided that evidence that is otherwise admissible or discoverable shall not be rendered inadmissible or non-discoverable as a result of its use in the mediation.

- 6. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of California.
- 7. **Forum.** Any mediation to enforce or interpret the provisions of this Agreement or the Parties' rights and liabilities arising out of this Agreement or the performance hereunder shall be maintained only in the County of Sonoma, California, or within one of such County's incorporated cities.
- 8. **Severability.** If any provision of the Agreement is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remaining provisions shall nevertheless continue in full force and effect without being impaired or invalidated in any way.
- 9. **Integration.** This Agreement contains the entire agreement among the Parties and supersedes all prior and contemporaneous oral and written agreements, understandings, and representations among the Parties. No amendments to this Agreement shall be binding unless executed in writing by all of the Parties.
- 10. **Waiver.** No waiver of any of the provisions of this Agreement shall be deemed, or shall constitute a waiver of any other provision, nor shall any waiver constitute a

continuing waiver. No waiver shall be binding unless executed in writing by the Party making the waiver.

11. **Notices.** Any notice required by this Agreement shall be effective only if sent by certified or registered mail, postage prepaid, as follows:

If to District:

Chair, Board of Directors and President/CEO
Sonoma Valley Hospital, 347 Andrieux St, Sonoma, CA 95476

If to Foundation:

Chair, Board of Directors and Executive Director
Sonoma Valley Hospital Foundation, 347 Andrieux St, Sonoma, CA 95476

For the purposes of determining compliance with any time limit in this Agreement, a notice shall be deemed to have been duly given on the second business day after mailing, if mailed to the Party to whom notice is to be given in the manner provided in this Section. Either Party may, at any time, change its address designated above by giving to the other Party thirty (30) days' written notice of the new address to be used for the purposes of this Section.

12. **Assignability.** Neither this Agreement nor any duties or obligations hereunder shall be assignable by any Party hereto without the prior written consent of the other Parties.

In witness whereof, the Parties have executed this Agreement as of the date first above written.

Sonoma Valley Hospital Foundation

By: _____
Sharon Nevins, Chair, Board of Directors

Sonoma Valley Health Care District

By: _____
Bill Boerum, Chair, Board of Directors

**SONOMA VALLEY HOSPITAL
FOUNDATION**

GIFT ACCEPTANCE POLICY

Adopted on: December 7, 2012

TABLE OF CONTENTS

I. Overview.....	3
II. Types of Gifts	3
III. Receiving Personal Items.....	6
IV. Gift Appraisal and/or Valuation	6

I. OVERVIEW

The purpose of this Gift Acceptance policy is to give guidance and counsel to those concerned with soliciting or receiving gifts. To prevent misunderstandings, these guidelines should be viewed as flexible and realistic in order to accommodate unpredictable fundraising situations and donor expectations. Such situations and expectations, however, must be consistent with the spirit of this policy.

The Sonoma Valley Hospital Foundation accepts gifts for the following purposes: Capital expenditures, renovation and new construction of hospital buildings, equipment purchases, medical and other professional health care education, community health education, specific health care programs, medical research, patient care and hospital operations. In addition, the Foundation may raise funds to underwrite new programs and services, or underwrite campaigns.

A gift is defined as a voluntary transfer of assets from a person or organization to a Foundation where no goods or services are expected, implied or forthcoming for the donor. The gift is motivated by charitable intent and can be designated for unrestricted or restricted general areas of use. Once the Foundation accepts a gift, it becomes Foundation property.

The Foundation reserves the right to review all gifts prior to acceptance to determine the appropriateness of the gift, and to determine whether the Foundation may comply with the donor's wishes regarding restricted uses.

II. TYPES OF GIFTS

Gifts can be: unrestricted **or** restricted.

An unrestricted gift is made with no stipulation as to its purpose and is credited to "area of most need" within the Foundation's records. The Foundation transmits donations to the District in accordance with the Foundation's Memorandum of Understanding with the Sonoma Valley Health Care District. All endowment funds will be held by the Foundation and invested per the policies and guidelines of the Foundation.

Restricted gifts are gifts made with a stipulation by the donor as to its specific purpose or use. The Foundation will accept gifts for specific programs and purposes stipulated by the donor, provided that such gifts are consistent with the stated mission, purposes and priorities of the District. Such gifts may be:

- Temporarily restricted, which means the gift will be expended for the designated purpose or used within a reasonable period from the date of the gift; or
- Permanently restricted, which means the gift will be placed in the Foundation's Endowment Fund.

The Executive Director of the Foundation, in consultation with the CEO of the Hospital, will also determine if that gift would require a major capital expenditure, creation of a new program, or other burden on the part of the hospital to comply with the donor's

restriction, or if the restriction is in conflict with any known laws or with the District's strategic plans for the Hospital, and make recommendation to the Foundation's Board of Directors for final decision.

In the case of restricted gifts that cannot be accepted, the Foundation's Executive Director will make every effort to work with the donor to complete the gift in an acceptable manner. If no agreement can be made, the gift will be returned or declined in its entirety.

The Foundation accepts the following gifts:

- **Cash Gifts:** Cash, checks, money orders, cashier's checks currency and charges to approved credit cards. These can be an outright gift or pledge over a specified time period.
- **Non-Cash Gifts:** Bonds, securities, trusts, bequests, real property, personal property, gifts in kind to be used in the form in which given; royalties, copyrights, trademark rights, insurance policies naming the Foundation as beneficiary in whole or in part, or other forms of non-cash or non-cash equivalents. Gifts of tangible property both real and personal shall be immediately sold unless the Foundation Board of Directors or its advisors determines that it is in the Foundation's best interest to retain the property.
 - **Securities:** The Foundation accepts gifts of marketable securities unless they cannot be assigned, have no apparent value or could create a liability for the hospital.
 - **Gifts in Trust/Endowment Funds:** The Foundation accepts gifts in trust and other planned gifts such as annuities, insurance, bequests and restricted special gifts that are put into an endowment fund to generate income for future use.
 - **Real estate:** Real estate will be accepted only after consultation with Foundation attorneys, and agreement with the Foundation's Board and the Hospital CEO. The property's condition, clear title, marketability, carrying costs, pending sale, and other relevant financial and environmental considerations will be evaluated through an inspection. Property value must be determined by an unrelated third-party licensed appraiser. The fees incurred are the obligation of the donor, although the Foundation staff will likely work with the donor to ameliorate the costs. Note: these guidelines are also applicable to gifts of a personal residence from a donor's life estate.
 - **Gifts in kind:** An in-kind or non-cash charitable donation is a gift that is to be used in the form it is given, such as equipment, supplies or services. The Foundation requires all of the same information regarding a gift-in-kind that it does for cash or tangible donations: i.e., donor's name, mailing address, contact information, description of gift, etc.

- **Tangible personal property:** Tangible personal property, such as artwork or collectibles, will be received only on approval of the Foundation. The property's condition, marketability, potential liabilities and other relevant financial considerations will be evaluated through an unrelated third-party certified appraiser. Title to gift property should be transferred to the Foundation unencumbered and properly documented. The Foundation will sell or liquidate any gift property as soon as a value is established.
- **Automobiles and other vehicles:** The Foundation accepts gifts of vehicles that are in working order and salable. The Foundation may sell the donated car, may donate it to a District department in need of a vehicle or may use a third-party auction house to liquidate the vehicle. (Note: IRS regulations require that the use/disposition of the vehicle be determined at the time of transfer to the Foundation. Foundation staff will work with the donor to establish the anticipated use of the vehicle).
- **Life Insurance:** The Board of Directors of the Foundation will determine if a gift of insurance is acceptable, taking into account the rating of the issuing company and other terms of the policy. The Foundation must be named as both beneficiary and irrevocable owner of any insurance policy before a life insurance policy can be recorded as a gift. The gift is valued at its interpolated terminal reserve value, or cash surrender value, upon receipt. The policy should be "paid-up," with no additional premiums required; a policy with outstanding loans against it will be refused.
- **Anonymous Gifts:** Donors may elect to make any gift anonymously. Such gifts may be made personally by the donor with a request that s/he remain anonymous, or they may be made with the assistance of the donor's advisor (e.g. attorney). *However, "anonymous" is not to be misconstrued as unknown to the Foundation.* In order to properly acknowledge the donor and for IRS tax reporting purposes, all donor data must be made available to the Foundation.
- **Tribute or Memorial Gifts:** Memorial gifts enable donors to honor a special person or occasion. Commemorative gifts are considered unrestricted unless restricted by the donor.
- **Employee Gifts via Payroll Deduction:** Employees may arrange through Human Resources to have a pledge deducted from their paycheck to be directed to a gift fund. This may be an ongoing commitment or an annual or one-time pledge. Payroll pledges are recorded as annual pledges, with durations of not more than one year. The deductions will automatically be canceled upon employment termination.
- **Other Forms of Gifts:** The Foundation may accept other forms of gifts not listed here with the approval of the Board of Directors of the Foundation.

All gifts made in support of the Hospital District shall be made payable to Sonoma Valley Hospital Foundation, including checks and other negotiable instruments. Title to

other types of assets given in support of the Foundation, shall be conveyed to the Foundation, including real and personal property, securities and life insurance. Gifts of tangible property, both real and personal, shall be immediately sold unless the Foundation Board determines that it is in the Foundation's best interest to retain the property.

III. RECEIVING PERSONAL ITEMS

All personal property accepted by the Foundation will be held in a secure manner under dual control, with security protocols established with the Hospital President/CEO at the time of acceptance. Because each gift will vary significantly, it is impossible to anticipate the proper storage needs for every possible donation (i.e. jewelry versus automobiles). However, it is critical that all departments adhere to the following procedure:

- On receipt of any donation, the receiving department must contact the Foundation on the day of receipt, but in any case no later than the first business day following the day of receipt. The Foundation will work with the Hospital President/CEO to ensure proper credit for the donor and proper disposition of the item.
- On receipt of any individual item* valued at \$500 or more, the Foundation office must be contacted by the next business day to evaluate the donation and determine proper next steps. An initial valuation is based on either the donor's claim of value, or the Foundation's estimation, whichever is higher. The Foundation office will take necessary steps to obtain possession of the physical item from the department or work with the donor to obtain possession.
- The item will be appraised and sold per the above policies.
- The Foundation will supply the donor with all necessary receipts and IRS paperwork.
- The funds will be held for the District with proper credit to the program, service, endowment, or capital needs of the District as directed by the donor. Should the donor not specify a preference, the funds will be credited to unrestricted funds.

**Note: an "individual" gift or item includes collections or sets*

IV. GIFT APPRAISAL AND/OR VALUATION

Current IRS regulations will be observed when calculating the charitable contribution deduction value of gifts. It is the donor's responsibility to obtain any appraisals needed for tax purposes. Non-cash contributions with an estimated value over \$500 shall comply with IRS Form 8283 (Non-Cash Charitable Contributions). Fees incurred for the advice and assistance of specialists during this process are the obligation of the donor, or will be deducted from the fair market value of the donation as recorded by the Foundation.