

AGENDA
FINANCE COMMITTEE MEETING
OF THE EL CAMINO HOSPITAL BOARD

Monday, September 25th 2017 – 5:30 pm

El Camino Hospital | Conference Rooms A & B (ground floor)
 2500 Grant Road, Mountain View, CA 94040

William Hobbs will be participating via teleconference from 99 Degaris Avenue Dartmouth, MA 02748.

MISSION: To advise and assist the El Camino Hospital (ECH) Board of Directors (“Board”) in matters related to governance, board development, board effectiveness, and board composition, i.e., the nomination and appointment/reappointment process. The Governance Committee ensures the Board and Committees are functioning at the highest level of governance standards.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER / ROLL CALL	John Zoglin, Chair		5:30 – 5:32pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		5:32 – 5:33
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed 3 minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	John Zoglin, Chair		information 5:33 – 5:36
4. CONSENT CALENDAR <i>Any Committee Member or member of the public may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session of the Finance Committee Meeting (July 31, 2017) b. FY17 Period 12 Financials c. FY18 Period 1 Financials Information d. Article of Interest e. Progress Against Goals f. Follow-up Item – Finance Committee Meeting (July 31, 2017)	John Zoglin, Chair	<i>public comment</i>	motion required 5:36 – 5:38
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	John Zoglin, Chair		information 5:38 – 5:43
6. FY18 PERIOD 2 FINANCIALS ATTACHMENT 6	Iftikhar Hussain, CFO	<i>public comment</i>	motion required 5:43 – 5:53
7. REVIEW MAJOR CAPITAL PROJECTS ATTACHMENT 7	Ken King, CASO		information 5:53 – 6:13
8. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		motion required 6:13 – 6:14
9. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		6:14 – 6:15
10. CONSENT CALENDAR	John Zoglin, Chair		motion required

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AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<p><i>Any Committee Member may remove an item for discussion before a motion is made.</i></p> <p>Approval Gov't Code Section 54957.2.</p> <p>a. Minutes of the Closed Session of the Finance Committee Meeting (July 31, 2017)</p> <p>Information Health & Safety Code 32106(b).</p> <p>b. Payor Update c. Level II NICU Call Panel Agreement d. Physician Recruitment Loan</p>			6:15 – 6:16
<p>11. Health & Safety Code 32106(b) For a report & discussion involving health care facility trade secrets: - HVI</p>	Amy Maher, Director Service Line HVI Mick Zdeblick, Chief Operating Officer		information 6:16 – 6:51
<p>12. Health & Safety Code 32106(b) For a report & discussion involving health care facility trade secrets: - Summary of Physician Financial Arrangements</p>	Diane Wigglesworth, Director of Corporate Compliance		information 6:51 – 7:06
<p>13. Health & Safety Code 32106(b) For a report & discussion involving health care facility trade secrets: - Medical Staff Development Plan & Physician Recruitment Plan & Budget</p>	William Faber, MD, CMO		information 7:06 – 7:21
<p>14. Health & Safety Code 32106(b) For a report & discussion involving health care facility trade secrets: - Education Topic: Ambulatory Care Business Model</p>	William Faber, MD, CMO Jeff Gruer, Executive Director, Business Development		information 7:21 – 7:41
<p>15. ADJOURN TO OPEN SESSION</p>	John Zoglin, Chair		motion required 7:41 – 7:42
<p>16. RECONVENE OPEN SESSION/ REPORT OUT</p> <p>To report any required disclosures regarding permissible actions taken during Closed Session.</p>	John Zoglin, Chair		7:42 – 7:43
<p>17. PHYSICIAN CONTRACTS a. Level II NICU Call Panel Agreement b. Physician Recruitment Loan</p>	William Faber, MD, CMO	<i>public comment</i>	motion required 7:43 – 7:44
<p>18. MEDICAL STAFF DEVELOPMENT PLAN & PHYSICIAN RECRUITMENT BUDGET</p>	William Faber, MD, CMO	<i>public comment</i>	motion required 7:44 – 7:46
<p>19. FY18 COMMITTEE PACING PLAN ATTACHMENT 19</p>	John Zoglin, Chair		discussion 7:46 – 7:49
<p>20. CLOSING COMMENTS</p>	John Zoglin, Chair		information 7:49 – 7:51
<p>21. ADJOURNMENT</p>	John Zoglin, Chair		motion required 7:51 – 7:52 pm

Upcoming Meetings

- November 27, 2017
- January 29, 2018
- March 26, 2018
- May 29, 2018

Board and Committee Educational Sessions

- October 25, 2017
- April 25, 2018



Minutes of the Open Session of the Finance Committee
Monday, July 31st, 2017
El Camino Hospital | Conference Rooms A & B (ground floor)
2500 Grant Road, Mountain View, CA 94040

Members Present

John Zoglin, Chair
Joseph Chow
Boyd Faust
William Hobbs (via teleconference)
Richard Juelis
David Reeder

Members Absent

Others Present

Agenda Item	Comments/Discussion	Approvals/Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the “Committee”) was called to order at 5:31 pm by Chair John Zoglin. Mr. Zoglin asked staff and members present to introduce themselves, since it was the first Finance Committee meeting for FY18. William Hobbs participated via teleconference.	
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	Chair Zoglin asked if any Committee members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	<p>Chair Zoglin asked if any member of the Committee or the public wished to remove an item from the consent calendar. No items were removed.</p> <p>Motion: To approve the consent calendar: Minutes of the Open Session of the Joint Meeting of the Finance Committee and Hospital Board (May 30, 2017); Minutes of the Open Session of the Finance Committee Meeting (May 30, 2017); FY17 Period 11 Financials; and for information; Article of Interest; Progress Against Goals; and FY2018 Operating Budget.</p> <p>Movant: Faust Second: Juelis Ayes: Chow, Faust, Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<i>Consent calendar approved</i>
5. REPORT ON BOARD ACTIONS	Chair Zoglin briefly reviewed the on Board Actions as further detailed in the packet. He further reported on the expected arrival of Dan Woods, the new CEO as of end of August. It’s anticipated that Mr. Woods will validate and approve the proposed Strategic Plan and share his recommendations with all ECH Board committees.	
6. FY17 YEAR END FINANCIALS	Iftikhar Hussain, CFO, reviewed the Financial Dashboard with the committee members noting that El Camino Hospital had a very strong volume in June, and a great year overall. FY17 combined volume was 2% higher than budget with the growth coming primarily from Out Patient services. The net income is \$97 million ahead of target; \$47M from operations and \$50M in investment income. Operating income includes two years of IGT payments, strong volume and expense	

	<p>efficiencies, revenue cycle benefits of EPIC. The days in AR are ahead of target and improved in June to 44.8. Days will climb during the next 3 months due to Anthem bill hold and transcription malware disruption. Total cash on hand is at an all-time high.</p> <p>There was discussion about large variance in purchased services. Mr. Hussain explained that it was due to the 2017 bond issuance costs.</p> <p>Action: <i>Mr. Zoglin asked about the low investment income budget. Staff will follow-up and respond at the next meeting.</i></p> <p>Motion: No motion taken. Will be brought back to the consent calendar at the next Finance Committee Meeting.</p>	
<p>7. PATIENT PRICE ESTIMATOR</p>	<p>The new Patient Portal launched on May 8th 2017. The program is tailored to each person’s health plan and combines our payer contract information and our charge master data for our high volume, non-emergent most “shopable” services. Our patients and prospective patients can run their own estimate 24/7 from any digital or mobile device.</p> <ul style="list-style-type: none"> • Service selections at this time include EKG-EEG, Lab, Maternity, OT,PT,ST, PDC, Colonoscopy and Radiology/Imaging • Consumers can see all insurance plans we accept • Patients can pay their bill for Legacy, Epic HB, PB and collection agency accounts • Individuals can contact our financial counselors through e-mail to obtain a more complex estimate • Patients can call or e-mail our customer service team <p>The estimates and quick pay stats since launching 5/15 -7/31 <u>563</u> people ran an estimate for our services and 5/8 – 7/28 <u>1,465</u> patients made a quick pay payment. The results are just a beginning and staff plans to implement additional features moving forward (e.g., adding more services to select from such as high volume surgeries, tracking activity in more detail and by service line, researching if patients who ran estimates actually came in for service, and obtaining patient and community feedback on the tool).</p> <p>Action: <i>John Zoglin requested the Patient Portal URL be sent to each Finance Committee member. Also in 6 months provide another brief update for the Committee and the Board of Directors.</i></p>	
<p>8. UPDATE ON MAJOR CAPITAL PROJECTS</p>	<p>Ken King, CASO, stated that the solar panels on the North Parking Garage are completed and a battery storage facility will be added to manage power during peak times. The BHS building, IMOB and the Central Plant upgrades are progressing.</p>	
<p>9. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 6:34 pm pursuant to <i>Gov’t Code Section 54957.2.</i> for approved of the Minutes of the Closed Session of the Joint Meeting of the Finance Committee and the Hospital Board. (May 30, 2017) Minutes of the Closed Session of the Finance Committee Meeting (May 30, 2017); pursuant to <i>Health & Safety Code 32106(b)</i> for discussion of Neurointerventional Radiology – Physician Recruitment; Cardiothoracic ED Call Panel – MV; Pediatric Consultations ED Call Agreement- MV; General Surgery ED Call Panel – LG; Processional Service Agreement for Cancer Center- University Healthcare Alliance</p>	<p>Adjourned to closed session at 6:34 pm</p>

	<p>Movant: Faust Second: Chow Ayes: Ayes: Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>10. AGENDA ITEM 15: RECONVENE OPEN SESSION/ REPORT OUT</p>	<p>Open session was reconvened at 7:30pm. Agenda items 10-14 were covered in closed session. During the closed session the committee approved the Minutes of the Closed Session of the Joint Meeting Finance Committee and the Hospital Board (May 30th, 2017) and the Minutes of the Closed Session of the Finance Committee Meeting (May 30th, 2017) By a unanimous vote in favor by all committee members (Chow, Faust, Hobbs (by phone), Juelis, Reeder, and Zoglin).</p>	
<p>11. AGENDA ITEM 16: APPROVAL OF CONTRACTS</p>	<p>Motion: To recommend the Board approve physician contracts items 16 a-e. Movant: Reeder Second: Faust Ayes: Ayes: Chow, Faust, Hobbs, Juelis, Reeder, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	
<p>12. AGENDA ITEM 17: FY18 COMMITTEE PACING PLAN</p>	<p>Chair Zoglin requested that the Finance Committee hold another meeting in late April or early May of 2018, to provide additional time to review the proposed FY 19 budget, and to add an additional 30 minutes to the meeting scheduled for March 2018 to provide additional time to review the FY19 budget assumptions. Mr. Reeder requested that the staff prepare a more concise financial Dashboard with 5-6 bullet points for Board review. Chair Zoglin asked Mr. Hussain to provide a proposal.</p>	
<p>13. AGENDA ITEM 18: CLOSING COMMENTS</p>	<p>None</p>	
<p>14. AGENDA ITEM 19: ADJOURNMENT</p>	<p>Motion: To adjourn at 7:45pm Movant: Juelis Second: Reeder Ayes: Ayes: Chow, Faust, Hobbs, Zoglin Noes: None Abstentions: None Absent: None Recused: None</p>	<p><i>Meeting adjourned at 7:45pm</i></p>

Attest as to the approval of the foregoing minutes by the Finance Committee of El Camino Hospital:

 John Zoglin
 Chair, Finance Committee



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2017 – Period 12

7/1/2016 to 6/30/2017

	Annual				Month			YTD		
	2015	2016	2017 Proj.	2017 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	246	242	239	245	248	245	242	243	239	245
Adjusted Discharges	22,342	22,499	23,446	22,992	1,723	2,057	1,845	21,960	23,446	22,993
Total Discharges	19,637	19,367	19,646	19,781	1,548	1,680	1,583	19,169	19,660	19,790
Inpatient Cases										
MS Discharges	13,114	13,344	13,616	13,499	1,020	1,175	1,080	13,024	13,616	13,500
Deliveries	5,067	4,717	4,660	4,810	401	388	385	4,717	4,660	4,810
BHS	901	806	909	901	79	77	73	928	923	910
Rehab	555	500	461	570	48	40	46	500	461	570
Outpatient Cases										
ED	128,110	139,935	145,927	147,053	11,755	12,461	11,459	139,926	145,927	143,255
Procedural Cases	49,106	48,609	48,648	51,258	4,135	4,070	4,087	44,764	48,648	51,095
OP Surg	6,488	6,070	6,666	6,427	535	542	497	6,076	6,666	6,211
Endo	2,520	2,324	2,159	2,479	184	197	190	2,324	2,159	2,378
Interventional	1,998	2,021	1,963	2,323	165	112	182	2,023	1,963	2,281
All Other	67,998	80,911	86,491	84,566	6,736	7,540	6,503	84,739	86,491	81,290
Financial Perf.										
Net Patient Revenues	746,645	772,020	832,279	789,585	73,165	87,372	64,432	772,020	832,279	789,585
Total Operating Revenue	767,751	795,657	858,363	814,645	76,986	89,212	66,519	795,657	858,363	814,645
Operating Expenses	689,631	743,044	752,786	764,828	65,534	71,600	62,775	743,044	752,786	756,360
Operating Income \$	78,120	52,613	105,578	49,817	11,451	17,612	3,743	52,613	105,578	58,285
Operating Margin	10.2%	6.6%	12.3%	6.1%	14.9%	19.7%	5.6%	6.6%	12.3%	7.2%
EBITDA \$	128,002	108,554	157,631	109,890	17,319	21,766	8,560	108,554	157,631	116,511
EBITDA %	16.7%	13.6%	18.4%	13.5%	22.5%	24.4%	12.9%	13.6%	18.4%	14.3%
IP Margin ¹	-3.9%	-8.7%	-4.7%	-6.1%	-6.3%	7.3%	-6.1%	-9.4%	-4.7%	-6.1%
OP Margin ¹	26.7%	26.7%	34.0%	26.4%	26.3%	33.3%	26.4%	25.3%	34.0%	26.4%
Payor Mix										
Medicare	46.2%	46.6%	47.7%	46.4%	46.1%	47.7%	46.4%	46.6%	47.7%	46.4%
Medi-Cal	6.6%	7.4%	7.3%	6.5%	8.4%	7.0%	6.5%	7.4%	7.3%	6.5%
Commercial IP	24.2%	23.2%	22.3%	24.0%	23.9%	22.4%	24.0%	24.0%	22.3%	24.0%
Commercial OP	18.7%	18.7%	20.2%	19.0%	19.0%	20.6%	19.0%	19.3%	20.2%	19.0%
Total Commercial	42.9%	41.9%	42.5%	43.0%	42.8%	43.0%	43.0%	43.3%	42.5%	43.0%
Other	4.3%	4.1%	2.5%	4.1%	2.6%	2.4%	4.1%	2.8%	2.5%	4.1%
Cost										
Employees	2,452.4	2,542.8	2,510.0	2,549.8	2,524.2	2,585.3	2,527.8	2,584.9	2,510.0	2,549.8
Hrs/APD	30.5	30.4	30.3	30.6	29.8	30.1	30.6	29.2	30.3	30.6
Balance Sheet										
Net Days in AR	43.6	53.7	44.8	48.0	53.7	44.8	48.0	53.7	44.8	48.0
Days Cash	401	361	444	266	361	444	266	361	444	266
Affiliates - Net Income (\$000s)										
Hosp	94,787	43,043	246,038	67,032	14,336	19,942	4,472	43,043	164,026	67,032
Concern	1,202	1,823	2,087	2,604	(114)	142	233	1,823	1,391	2,604
ECSC	(41)	(282)	(158)	0	29	(14)	0	(282)	(105)	0
Foundation	710	982	3,645	(450)	62	253	27	982	2,430	(450)
SVMD	106	156	293	0	68	190	1	156	195	0

Volume

- Very strong volume in June. Combined volume, measured in adjusted discharges, was 11.5% higher than budget and 19% higher than prior year.
- For the year, combined volume was 2% higher than budget with the growth coming primarily from OP services.
- The OP volume growth is in Behavioral Health 33.3%, Oncology 26.7%, Rehab Services 11.6% and HVI 9.4%.
- The inpatient growth is mainly in general medicine, HVI, general surgery and spine surgery.

Financial Performance:

- June's operating income was very strong driven by high volume and \$8.1M in IGT and Medi-Cal supplemental funding.
- For the year, net income is \$97 million ahead of target; \$47M from operations and \$50M in investment income. Operating income includes two years of IGT, strong volume and expense efficiencies.

Payor Mix:

- Commercial mix is at budget for the month of June and within a percent for the year.

Cost:

- YTD FTEs are under budget by 39.8 FTEs.

Balance Sheet:

- Net days in AR are ahead of target and improved further in June to 44.8 from 47.5 in May. Total cash on hand is still at an all time high of 444 days in June.
- AR will climb during the next 3 months due to Anthem claims hold in July (required due to charge increase) and Nuance transcription malware disruption.

Budget Variances

Fiscal Year 2017 YTD (7/1/2016-6/30/2017) Waterfall

(in thousands)	Month to Date (MTD)			Year to Date (YTD)		
	Detail	Net Income Impact	% Net Revenue	Detail	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2017		3,743	5.6%		58,285	7.2%
Net Revenue		22,693	25.4%		43,718	5.1%
* Volume and Payor Mix	14,022			14,667		
* Rev cycle improvements	500			10,000		
* Insurance Payment Variances	579			1,698		
* Mcare Settlement	81			3,379		
* BPCI Settlement				(2,092)		
* Medi-Cal Supplemental				1,510		
* IGT Supplemental	6,823			13,358		
* AB 915 (Medi-Cal OP Supplemental payment)	880			880		
* Various Adjustments under \$250k	(192)			318		
Labor and Benefit Expense Change		759	0.9%		10,467	1.2%
* Benefits - No accrual in Pension and WC due low actuarial estimates	548			(855)		
* Accrued Time Off - Repricing PRN PTO.				1,146		
* Productivity, vacancies and volume mix	211			13,256		
* WC Reserve Update based on Favorable Exp				2,524		
* Pay for performance bonus				(3,204)		
* Ratification bonus				(2,400)		
Professional Fees & Purchased Services		(5,614)	-6.3%		(8,483)	-1.0%
* Physician Fees - Bonus Paid & VMOC 5 month reserve	(317)			1,243		
* Consulting Fee - Various Administration, Legal, FP&A and HR consultants	(2,058)			(6,834)		
* Purchased Services - Outside Labor (Informatics offset by lower labor from vacancies)	(2,895)			(6,992)		
* Maintenance Fees (Annual service contract renewals)	(344)			4,100		
Supplies		(4,262)	-4.8%		(4,204)	-0.5%
* Drug Expense - Offset by revenue	(1,353)			(4,112)		
* Medical Supplies - Year end inventory adjustment	(2,259)			(833)		
* Non Med Supplies - \$422k due to patient TV replacement.	(650)			741		
Other Expenses		(369)	-0.4%		(378)	0.0%
* Leases & Rental Fees (mainly mobile CT at LG during upgrade)	4			(268)		
* Bad Debt Expense	(73)			(73)		
* Utilities & Telephone	62			473		
* Other G&A	(362)			(511)		
Depreciation & Interest		662	0.7%		6,173	0.7%
* Depreciation (Under budget in Facilities Dev and Real Estate & ICARE depreciation and equipment)	492			4,923		
* Interest Expense - 2017 bonds & Capital Interest 2015 bonds	170			1,250		
Actual Hospital Operations FY2017		17,612	19.7%		105,578	12.3%

El Camino Hospital (\$000s)

12 months ending 6/30/2017

PERIOD 12	PERIOD 12	PERIOD 12	Variance			YTD	YTD	YTD	Variance	
FY 2016	FY 2017	Budget 2017	Fav (Unfav)	Var%	\$000s	FY 2016	FY 2017	Budget 2017	Fav (Unfav)	Var%
OPERATING REVENUE										
234,757	263,963	238,936	25,027	10.5%	Gross Revenue	2,755,387	3,018,494	2,900,812	117,682	4.1%
(161,592)	(176,591)	(174,504)	(2,086)	1.0%	Deductions	(1,983,367)	(2,186,216)	(2,111,227)	(74,989)	3.6%
73,165	87,372	64,432	22,940	35.6%	Net Patient Revenue	772,020	832,279	789,585	42,693	5.4%
3,820	1,840	2,087	(247)	-11.8%	Other Operating Revenue	23,636	26,085	25,059	1,025	4.1%
76,986	89,212	66,519	22,693	34.1%	Total Operating Revenue	795,657	858,363	814,645	43,718	5.4%
OPERATING EXPENSE										
38,368	37,480	38,239	759	2.0%	Salaries & Wages	435,988	448,696	459,163	10,467	2.3%
11,037	14,036	9,774	(4,262)	-43.6%	Supplies	117,988	122,290	118,085	(4,204)	-3.6%
7,664	13,420	7,806	(5,614)	-71.9%	Fees & Purchased Services	98,019	102,292	93,809	(8,483)	-9.0%
2,598	2,509	2,140	(369)	-17.3%	Other Operating Expense	35,109	27,455	27,077	(378)	-1.4%
1,618	278	448	170	38.0%	Interest	7,193	4,128	5,379	1,250	23.2%
4,249	3,876	4,368	492	11.3%	Depreciation	48,748	47,925	52,848	4,923	9.3%
65,534	71,600	62,775	(8,824)	-14.1%	Total Operating Expense	743,044	752,786	756,360	3,574	0.5%
11,451	17,612	3,743	13,869	370.5%	Net Operating Income/(Loss)	52,613	105,578	58,285	47,293	81.1%
2,885	2,330	729	1,601	219.7%	Non Operating Income	(9,570)	58,448	8,747	49,701	568.2%
14,336	19,942	4,472	15,470	345.9%	Net Income(Loss)	43,043	164,026	67,032	96,994	144.7%
22.5%	24.4%	12.9%	11.5%		EBITDA	13.6%	18.4%	14.3%	4.1%	
14.9%	19.7%	5.6%	14.1%		Operating Margin	6.6%	12.3%	7.2%	5.1%	
18.6%	22.4%	6.7%	15.6%		Net Margin	5.4%	19.1%	8.2%	10.9%	

Non Operating Items and Net Income by Affiliate

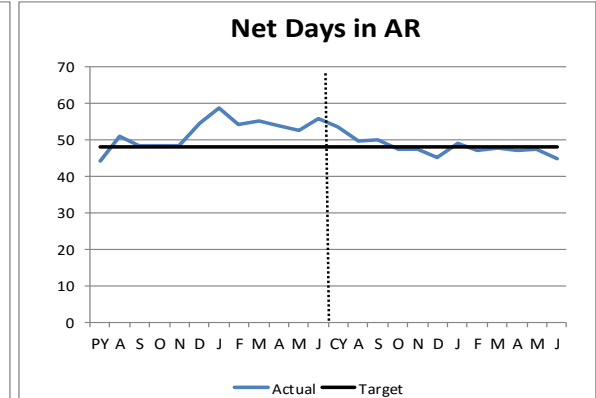
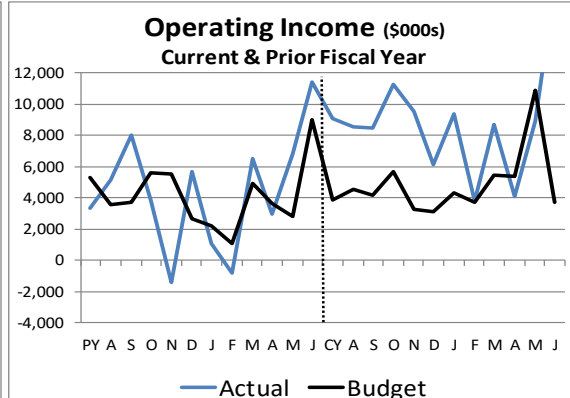
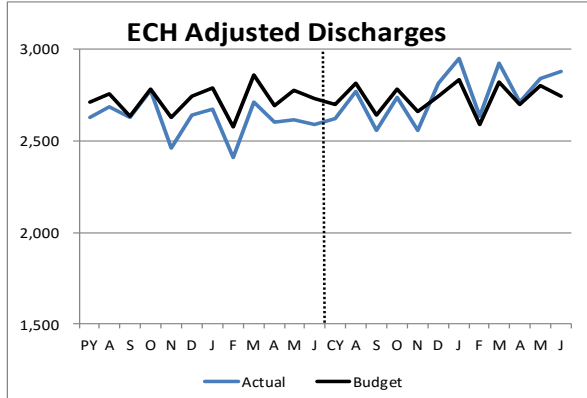
\$ in thousands

	Period 12 - Month			Period 12 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	15,586	2,820	12,765	100,039	46,483	53,555
Los Gatos	2,026	923	1,103	5,539	11,801	(6,262)
Sub Total - El Camino Hospital, excl. Affiliates	17,612	3,743	13,869	105,578	58,285	47,293
Operating Margin %	19.7%	5.6%		12.3%	7.2%	
El Camino Hospital Non Operating Income						
Investments	3,014	1,512	1,502	62,919	18,140	44,779
Swap Adjustments	399	0	399	3,429	0	3,429
Community Benefit	(50)	(283)	234	(3,131)	(3,400)	269
Other (IPECH / Foundation)	(1,033)	(499)	(533)	(4,769)	(5,993)	1,224
Sub Total - Non Operating Income	2,330	729	1,601	58,448	8,747	49,701
El Camino Hospital Net Income (Loss)	19,942	4,472	15,470	164,026	67,032	96,994
ECH Net Margin %	22.4%	6.7%		19.1%	8.2%	
Concern	142	233	(91)	1,391	2,604	(1,213)
ECSC	(14)	0	(14)	(105)	0	(105)
Foundation	253	27	226	2,430	(450)	2,880
Silicon Valley Medical Development	190	1	188	195	(0)	195
Net Income Hospital Affiliates	571	262	310	3,911	2,155	1,756
Total Net Income Hospital & Affiliates	20,513	4,734	15,779	167,936	69,186	98,750

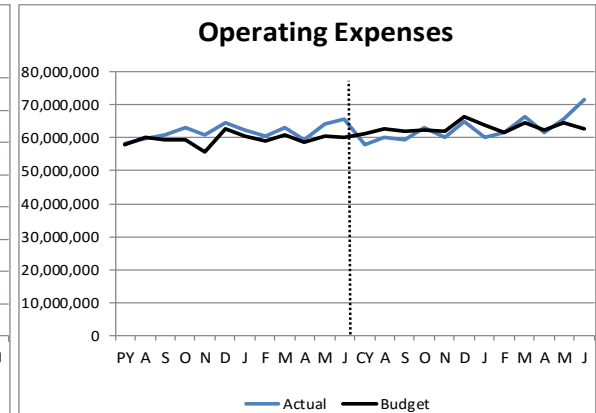
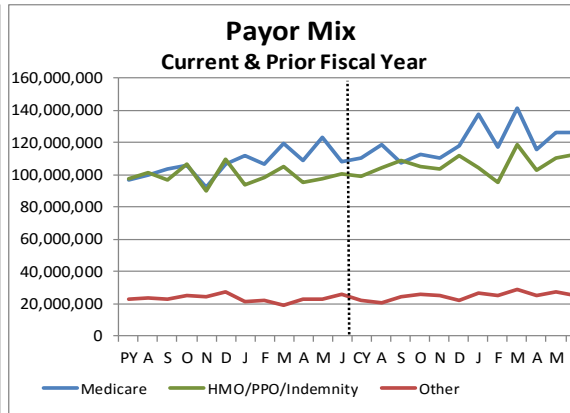
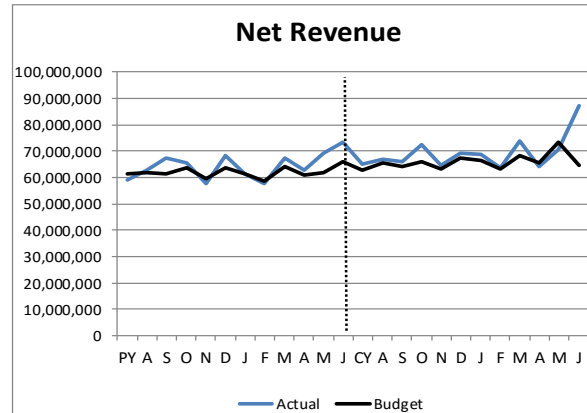
- Investments favorable for June and YTD
- Swap gain for the year due to rise in interest rates.
- Favorable other due to lower SVMD loss and Pathways investment income.

- Concern unfavorable - \$800 from ops and \$400 in investment due to requirement to invest in fixed income.
- Foundation favorable both June and YTD due to investment income.

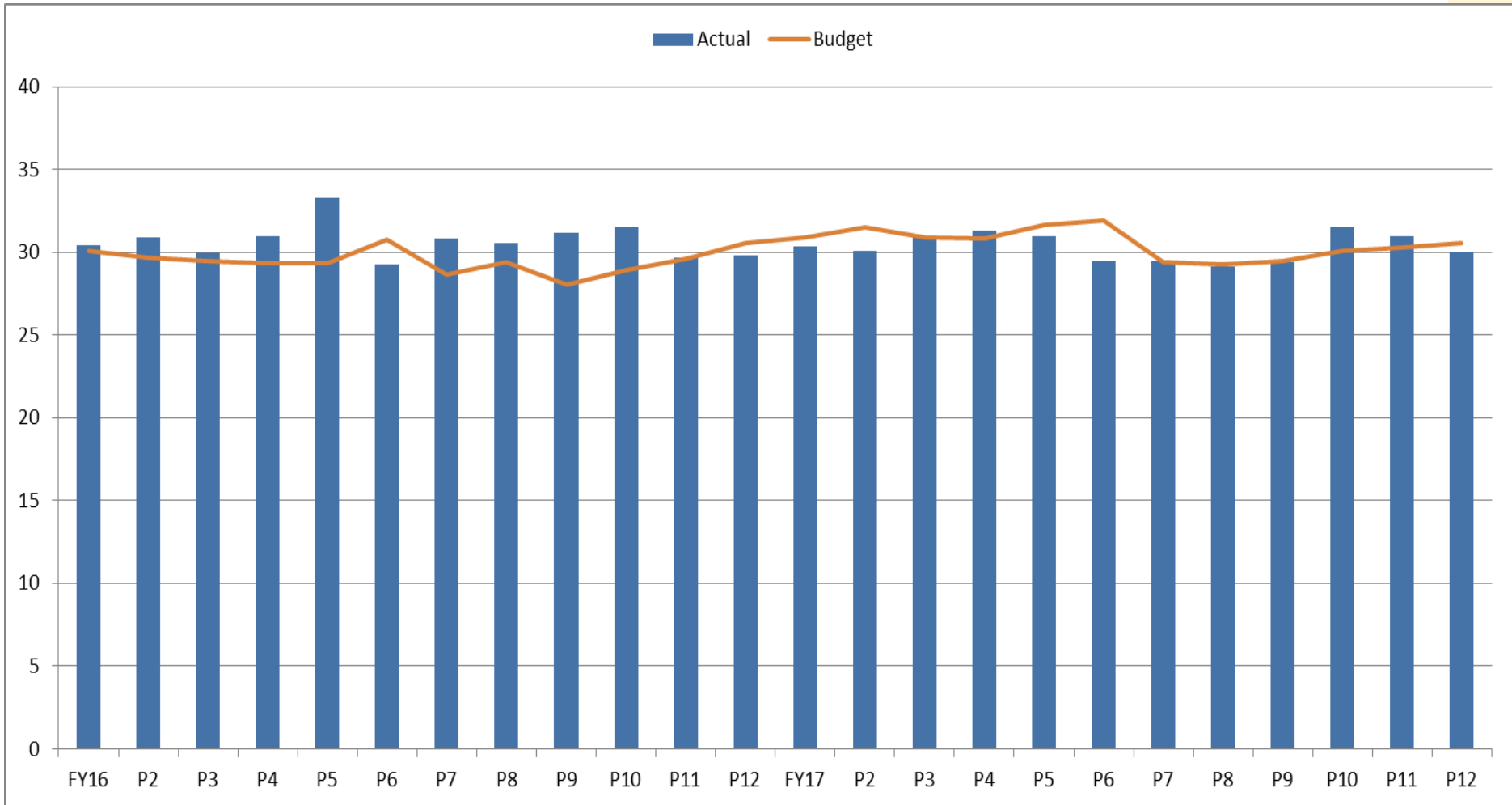
Monthly Financial Trends



June volume is higher than budgeted for the month by 4.9% and slightly higher YTD at 0.5%. Operating expenses are higher than budgeted in June due to higher volume and is \$3.6M favorable to budget YTD.

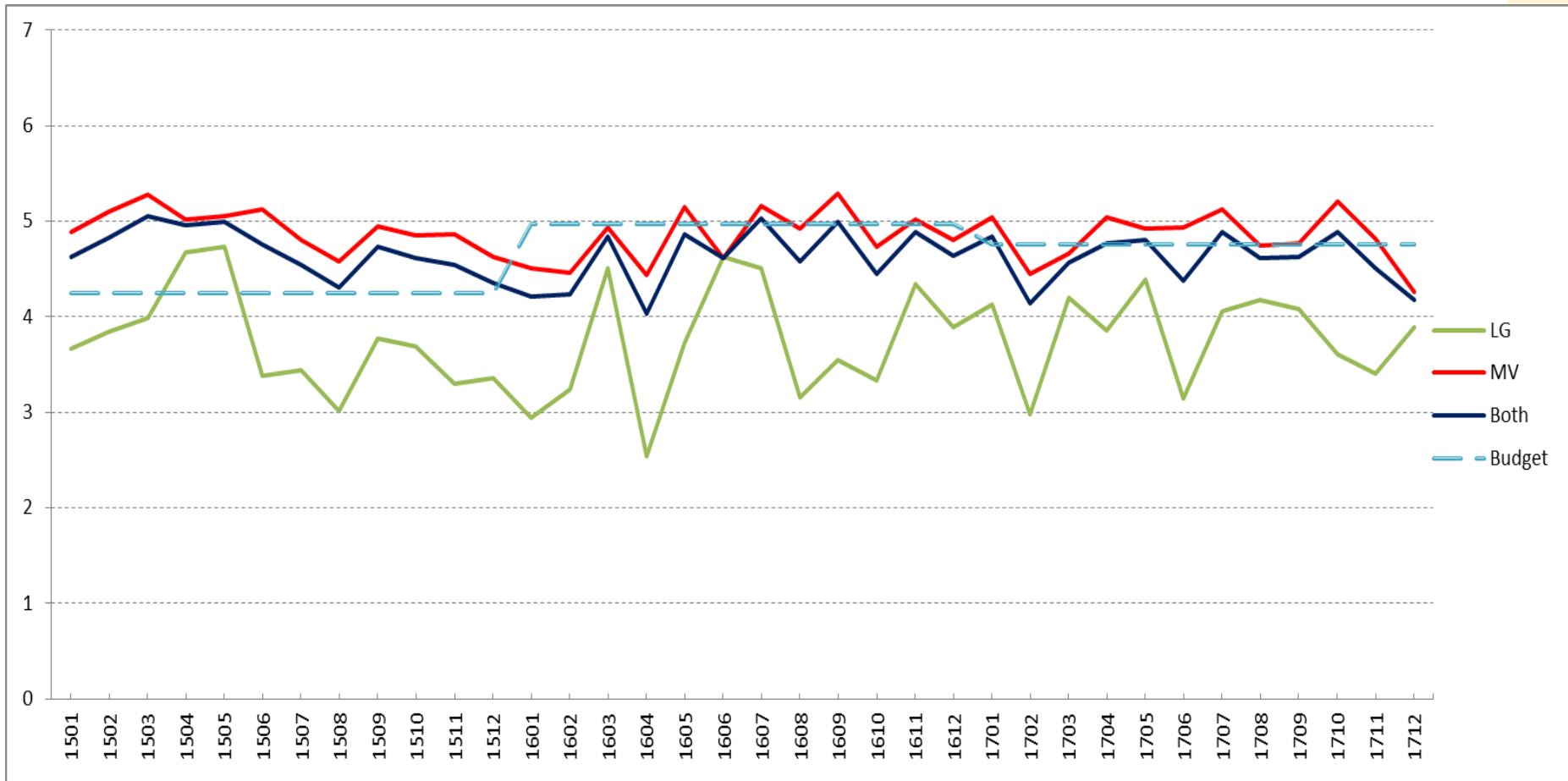


Worked Hours per Adjusted Patient Day



Work hours per adjusted patient day decreased in June, with a decrease in both IT and sitter hours. Overall the month of June is 30.1 worked hours per adjusted patient day and 30.3 average YTD.

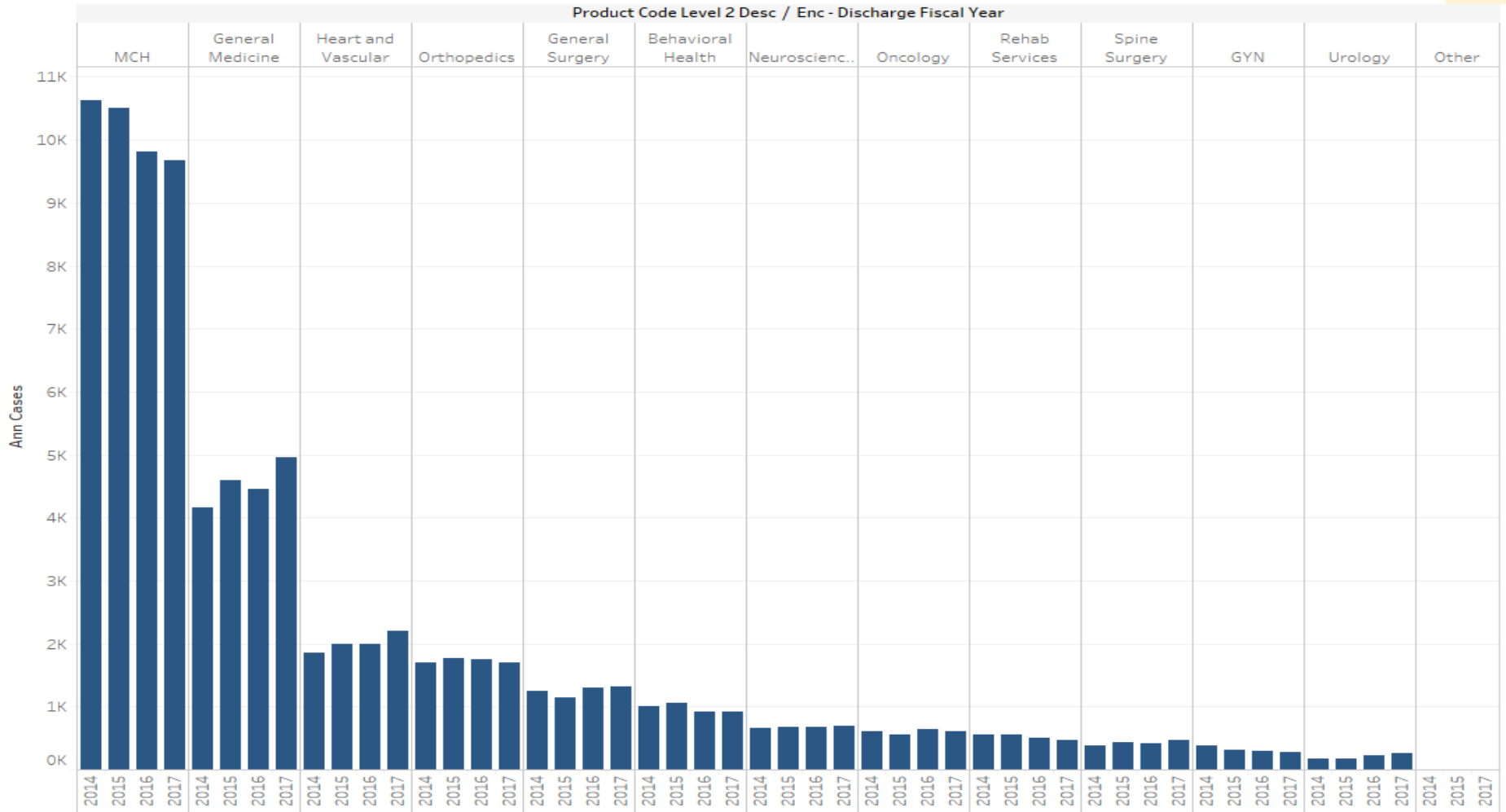
Medicare ALOS



•ALOS is ahead of target as of June. YTD ALOS (4.60) is below budget (4.76) by .16.

El Camino Hospital Volume Annual Trends – Inpatient

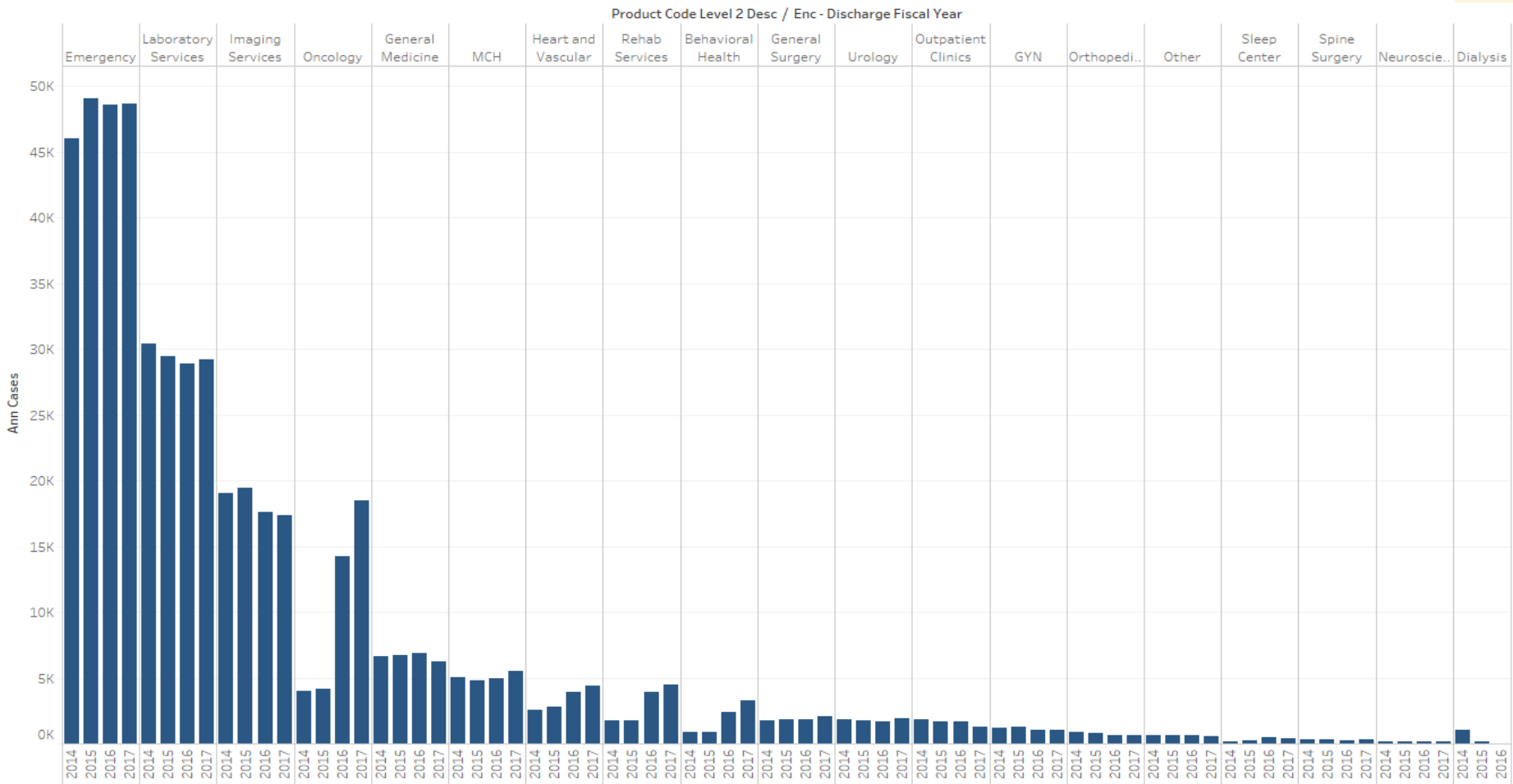
FY 2017 is annualized



- MCH volume shows a decreasing trend year-over-year and is currently at 96.8% YTD of budget.
- Both HVI, General Surgery, Neuroscience and Spine Surgery show an increasing trend year-over-year. HVI is ahead of budget by 8.5% YTD, General Surgery is ahead of budget by 3.1%, Neuroscience is slightly behind budget by 0.7% and Spine Surgery is ahead by 11.9%.

El Camino Hospital Volume Annual Trends – Outpatient

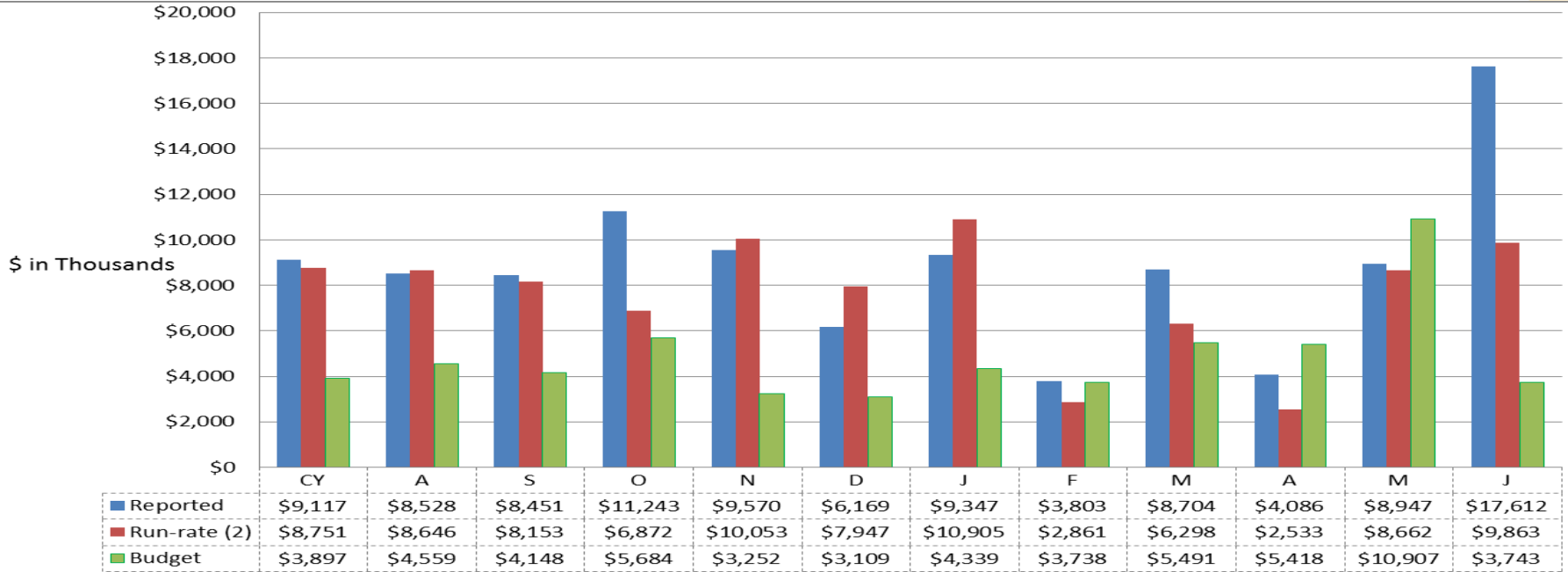
FY 2017 is annualized



- Comparing year-over-year, Emergency, Oncology, MCH, HVI, Behavioral Health and General Surgery shows an increasing trend in volume and Behavioral Health, Emergency, General Surgery, Heart & Vascular, Laboratory Service, MCH, Oncology, Orthopedics, Rehab Services and Urology are all ahead of budget YTD.

ECH Operating Margin

Run rate is booked operating income adjusted for material non-recurring transactions



FY 2017 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments		J	A	S	O	N	D	J	F	M	A	M	J	YTD
Insurance (Payment Variance)		335	-	61	145	36	-	-	-	544	-	-	579	1,698
Mcare Settlmt/Appeal/Tent Settlmt/PIP		100	(158)	74	67	67	100	67	947	27	1,953	54	81	3,379
BPCI Settlement		-	-	-	-	-	-	(2,167)	-	-	-	76	-	(2,092)
Medi-Cal Supplemental		-	-	-	-	-	312	814	240	-	-	144	-	1,510
IGT Supplemental		-	-	-	6,535	-	-	-	-	-	-	-	6,823	13,358
AB 915		-	-	-	-	-	-	-	-	-	-	-	880	880
Various Adjustments under \$250k		(69)	40	164	25	12	9	131	157	12	19	11	(192)	318
Total		366	(118)	299	6,771	115	421	(1,155)	1,344	582	1,972	284	8,171	19,052
Expense Adjustments														
Pay-For-Performance Bonus		-	-	-	-	-	(2,400)	(403)	(401)	-	-	-	-	(3,204)
Ratification Bonus		-	-	-	(2,400)	-	-	-	-	-	-	-	-	(2,400)
Purchases Below Capital Threshold		-	-	-	-	(598)	-	-	-	-	-	-	-	(598)
WC Reserve Updates Based on Fav. Experience		-	-	-	-	-	700	-	-	1,824	-	-	-	2,524
Other Purchased Services (Clinical Informatics)		-	-	-	-	-	(500)	-	-	-	-	-	-	(500)
Other Minor Equipment (TV replacements)		-	-	-	-	-	-	-	-	-	-	-	(422)	(422)
Accrued Time Off (Repricing of PRN PTO)		-	-	-	-	-	-	-	-	-	(419)	-	-	(419)
Total		-	-	-	(2,400)	(598)	(2,200)	(403)	(401)	1,824	(419)	-	(422)	(5,019)

El Camino Hospital Investment Committee Scorecard

June 30, 2017

Key Performance Indicator	Status	El Camino		Benchmark		El Camino		Benchmark		FY17 Year-end Budget	Expectation Per Asset Allocation
		2Q 2017		Fiscal Year-to-date		4y 8m Since Inception (annualized)		May 2016			
Investment Performance											
Surplus cash balance & op. cash (millions)		\$900.5	--	--	--	--	--	\$657.2	--		
Surplus cash return	Green	2.4%	2.1%	8.9%	8.7%	5.4%	5.3%	4.0%	5.2%		
Cash balance plan balance (millions)		\$243.8	--	--	--	--	--	\$220.6	--		
Cash balance plan return	Green	3.1%	2.4%	11.2%	10.3%	7.9%	7.2%	6.0%	5.8%		
403(b) plan balance (millions)		\$406.6	--	--	--	--	--	--	--		
Risk vs. Return											
Surplus cash Sharpe ratio	Green	0.83	0.86	--	--	1.26	1.24	--	0.55		
Net of fee return	Green	3.9%	4.1%	--	--	5.4%	5.3%	--	5.2%		
Standard deviation	Green	4.5%	4.5%	--	--	4.1%	4.1%	--	8.6%		
Cash balance Sharpe ratio	Green	0.84	0.79	--	--	1.37	1.31	--	0.49		
Net of fee return	Green	4.9%	4.5%	--	--	7.9%	7.2%	--	5.8%		
Standard deviation	Green	5.7%	5.6%	--	--	5.6%	5.3%	--	10.7%		
Asset Allocation											
Surplus cash absolute variances to target	Green	9.6%	< 10%	--	--	--	--	--	--		
Cash balance absolute variances to target	Green	9.4%	< 10%	--	--	--	--	--	--		
Manager Compliance											
Surplus cash manager flags	Yellow	19	< 19 Green < 23 Yellow	--	--	--	--	--	--		
Cash balance plan manager flags	Yellow	20	< 20 Green < 25 Yellow	--	--	--	--	--	--		

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	FY 17 YTD Spent
CIP	EPIC Upgrade		6.1	2.3	2.8
IT Hardware, Software, Equipment*			5.4	2.7	2.7
Medical & Non Medical Equipment FY 16**			4.3	4.2	4.2
Medical & Non Medical Equipment FY 17***			10.3	5.4	5.4
Facility Projects					
	1245 Behavioral Health Bldg	91.5	91.5	16.4	10.3
	1413 North Drive Parking Expansion	24.5	24.5	17.3	18.1
	1414 Integrated MOB	275.0	275.0	42.0	32.8
	1422 CUP Upgrade	9.0	9.0	2.1	1.2
	1430 Women's Hospital Expansion	91.0	6.0	0.4	0.5
	1425 IMOB Preparation Project - Old Main	3.0	3.0	2.6	1.9
	1502 Cabling & Wireless Upgrades	2.8	2.8	2.4	0.4
	1525 New Main Lab Upgrades	1.6	3.1	0.4	0.5
	1515 ED Remodel Triage/Psych Observation	1.6	0.0	0.0	0.0
	1503 Willow Pavilion Tomosynthesis	1.3	1.3	0.3	0.3
	1602 JW House (Patient Family Residence)	2.5	0.0	0.0	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.0
	IR Room #6 Development	2.6	0.0	0.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.0
	1707 Imaging Equipment Replacement (5 or 6)	20.7	0.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.0
	1709 ED Remodel / CT Triage - Other	5.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.0	0.0	0.0
	1219 LG Spine OR	4.1	4.1	3.3	2.2
	1313 LG Rehab HVAC System & Structural	3.7	3.7	3.7	1.9
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	7.1	6.7
	1307 LG Upgrades	19.3	19.3	13.4	3.1
	1519 LG Electrical Systems Upgrade	1.2	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.5	0.2	0.2
	1507 LG IR Upgrades	1.1	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	1.5	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	0.2	0.3
	All Other Projects under \$1M	26.4	4.8	40.4	2.7
		627.6	462.3	152.1	83.0
GRAND TOTAL			488.4	166.6	97.9

GRAND TOTAL

*Excluding EPIC

** Unspent Prior Year routine used as contingency

***Includes 2 robot purchases

2017 projected spend includes items to be presented for approval during the fiscal year

Balance Sheet (in thousands)

ASSETS

	Audited	
	June 30, 2017	June 30, 2016
CURRENT ASSETS		
(1) Cash	125,547	59,169
Short Term Investments	138,303	105,284
(2) Patient Accounts Receivable, net	109,443	120,960
Other Accounts and Notes Receivable	2,628	4,369
(3) Intercompany Receivables	1,519	2,200
(4) Inventories and Prepays	41,583	39,678
Total Current Assets	419,023	331,660
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	131,153	119,650
(5) Women's Hospital Expansion	9,298	-
Operational Reserve Fund	100,196	100,196
Community Benefit Fund	12,237	13,037
Workers Compensation Reserve Fund	21,434	22,309
Postretirement Health/Life Reserve Fund	19,880	18,256
PTO Liability Fund	23,268	22,984
Malpractice Reserve Fund	1,634	1,800
Catastrophic Reserves Fund	16,575	14,125
Total Board Designated Assets	335,675	312,358
(6) FUNDS HELD BY TRUSTEE	287,006	30,841
LONG TERM INVESTMENTS	257,391	207,597
INVESTMENTS IN AFFILIATES	32,864	31,627
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,188,826	1,171,372
Less: Accumulated Depreciation	(531,785)	(485,856)
Construction in Progress	121,031	46,009
Property, Plant & Equipment - Net	778,072	731,525
DEFERRED OUTFLOWS	29,213	29,814
RESTRICTED ASSETS - CASH	0	-
TOTAL ASSETS	2,139,245	1,675,422

LIABILITIES AND FUND BALANCE

	Audited	
	June 30, 2017	June 30, 2016
CURRENT LIABILITIES		
(7) Accounts Payable	25,886	28,519
Salaries and Related Liabilities	24,989	22,992
Accrued PTO	23,268	22,984
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,776	11,314
Intercompany Payables	84	105
Malpractice Reserves	1,634	1,936
Bonds Payable - Current	3,735	3,635
Bond Interest Payable	7,462	5,459
Other Liabilities	4,831	10,478
Total Current Liabilities	104,965	106,830
LONG TERM LIABILITIES		
Post Retirement Benefits	19,880	18,256
Worker's Comp Reserve	19,134	20,009
Other L/T Obligation (Asbestos)	3,746	3,637
Other L/T Liabilities (IT/Medl Leases)	-	-
(8) Bond Payable	527,311	225,857
Total Long Term Liabilities	570,071	267,759
DEFERRED REVENUE-UNRESTRICTED	567	
DEFERRED INFLOW OF RESOURCES	2,892	2,892
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,125,075	985,583
Board Designated	335,675	312,358
Restricted	0	-
(9) Total Fund Bal & Capital Accts	1,460,750	1,297,941
TOTAL LIABILITIES AND FUND BALANCE	2,139,245	1,675,422

El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The increase in cash is due allowing for immediate cash to be available for the recent significant construction projects that have started in MV campus. Note that we have in place a routine to seek repayment from the 2017 bond proceeds, we will be reducing this balance by at least \$40M and transfer it into various investments given upcoming recommendations from our investment consultant.
- (2) The decrease is primarily due to the significant cash payments the Patient Accounts team has brought in during the nine months, four months were in excess of \$70M where the projected budgeted was approximately \$63M per month.
- (3) The decrease is just a timing issue of intercompany payments from one quarter to another. Normally at a fiscal year end, they are higher due to the books being held open for a longer period of time in preparation for audit.
- (4) The increase is principally due to three quarterly pension contributions of \$2.6M each since July 1, 2016, less reserves for pension expense.
- (5) A new item, the District allocated its FY 2014 and FY 2015 Capital Appropriation Funds in support of future renovations to the Women's Hospital when the IMOB is completed and those floors become for patient care.
- (6) This reflects the 2017 Revenue Bonds that were issued in March. The total amount now reflects this new issue of \$292M, the bond premium on it of \$21M, less paybacks to the hospital of \$36M for prior construction costs on the 4 major MV projects. Also there still exists \$21M in the LG Project Fund from the 2015A proceeds.
- (7) The decrease is due to significant General Contractor payments being accrued at year end, that were subsequently relieved during the first quarter of fiscal year 2017.
- (8) The increase is due to the new 2017 debt added as of March 2017, along with the associated bond premium that will be amortized over the life of the new debt.
- (9) The increase is to this year's financial performance (\$105M from Operations and \$58M in Non-Operations income - primarily driven by significant incomes from unrealized investment gains).

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (1 OF 2)

Plant & Equipment Fund – original established by the District Board in the early 1960’s to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District’s Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.

Women’s Hospital Expansion – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women’s Hospital upon the completion of Integrated Medical Office Building currently under construction.

Operational Reserve Fund – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on projected budget) and only be used in the event of a major business interruption event and/or cash flow.

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$10 million within this fund is board designated endowment fund formed in 2015 to generate investment income to be used for grants and sponsorships, currently generating approximately \$400,000 a year.

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (2 OF 2)

Workers Compensation Reserve Fund – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.

Postretirement Health/Life Reserve Fund – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.

PTO (Paid Time Off) Liability Fund – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.

Malpractice Reserve Fund – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.

Catastrophic Loss Fund – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

El Camino Hospital – Mountain View (\$000s)

12 months ending 6/30/2017

PERIOD 12 FY 2016	PERIOD 12 FY 2017	PERIOD 12 Budget 2017	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
191,795	215,092	194,124	20,968	10.8%	Gross Revenue	2,261,921	2,477,374	2,362,401	114,973	4.9%
(130,619)	(142,084)	(142,067)	(17)	0.0%	Deductions	(1,629,121)	(1,788,602)	(1,721,776)	(66,826)	3.9%
61,176	73,008	52,057	20,951	40.2%	Net Patient Revenue	632,800	688,772	640,625	48,147	7.5%
3,639	1,676	1,872	(197)	-10.5%	Other Operating Revenue	21,332	24,080	22,483	1,596	7.1%
64,815	74,684	53,929	20,754	38.5%	Total Operating Revenue	654,131	712,851	663,108	49,743	7.5%
OPERATING EXPENSE										
31,699	30,922	31,825	904	2.8%	Salaries & Wages	362,688	372,813	382,275	9,462	2.5%
9,134	11,885	8,000	(3,885)	-48.6%	Supplies	96,500	99,976	96,619	(3,357)	-3.5%
6,405	11,778	6,562	(5,216)	-79.5%	Fees & Purchased Services	81,907	85,753	78,865	(6,888)	-8.7%
996	854	584	(270)	-46.2%	Other Operating Expense	16,267	8,341	7,849	(492)	-6.3%
1,618	278	448	170	38.0%	Interest	7,193	4,128	5,379	1,250	23.2%
3,732	3,382	3,690	308	8.4%	Depreciation	42,659	41,801	45,638	3,837	8.4%
53,584	59,098	51,109	(7,989)	-15.6%	Total Operating Expense	607,214	612,813	616,625	3,812	0.6%
11,231	15,586	2,820	12,765	452.6%	Net Operating Income/(Loss)	46,918	100,039	46,483	53,555	115.2%
2,885	2,330	729	1,601	219.7%	Non Operating Income	(9,544)	58,459	8,747	49,712	568.3%
14,116	17,916	3,549	14,366	404.8%	Net Income(Loss)	37,374	158,498	55,231	103,267	187.0%
25.6%	25.8%	12.9%	12.9%		EBITDA	14.8%	20.5%	14.7%	5.8%	
17.3%	20.9%	5.2%	15.6%		Operating Margin	7.2%	14.0%	7.0%	7.0%	
21.8%	24.0%	6.6%	17.4%		Net Margin	5.7%	22.2%	8.3%	13.9%	

El Camino Hospital – Los Gatos(\$000s)

12 months ending 6/30/2017

PERIOD 12 FY 2016	PERIOD 12 FY 2017	PERIOD 12 Budget 2017	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2016	YTD FY 2017	YTD Budget 2017	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
42,962	48,870	44,811	4,059	9.1%	Gross Revenue	493,466	541,121	538,411	2,710	0.5%
(30,973)	(34,506)	(32,437)	(2,069)	6.4%	Deductions	(354,245)	(397,614)	(389,451)	(8,163)	2.1%
11,989	14,364	12,375	1,989	16.1%	Net Patient Revenue	139,221	143,507	148,960	(5,454)	-3.7%
181	164	215	(51)	-23.5%	Other Operating Revenue	2,305	2,005	2,576	(571)	-22.2%
12,171	14,528	12,589	1,939	15.4%	Total Operating Revenue	141,526	145,512	151,536	(6,025)	-4.0%
OPERATING EXPENSE										
6,669	6,559	6,414	(145)	-2.3%	Salaries & Wages	73,300	75,883	76,888	1,005	1.3%
1,903	2,151	1,774	(377)	-21.3%	Supplies	21,488	22,314	21,467	(847)	-3.9%
1,259	1,642	1,244	(398)	-32.0%	Fees & Purchased Services	16,112	16,539	14,944	(1,595)	-10.7%
1,602	1,655	1,556	(99)	-6.4%	Other Operating Expense	18,842	19,114	19,227	114	0.6%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
517	495	678	184	27.1%	Depreciation	6,089	6,124	7,209	1,086	15.1%
11,950	12,502	11,666	(835)	-7.2%	Total Operating Expense	135,830	139,973	139,735	(238)	-0.2%
220	2,026	923	1,103	119.6%	Net Operating Income/(Loss)	5,695	5,539	11,801	(6,262)	-53.1%
(0)	0	0	0	0.0%	Non Operating Income	(26)	(10)	0	(10)	0.0%
220	2,026	923	1,103	119.6%	Net Income(Loss)	5,669	5,528	11,801	(6,273)	-53.2%
6.1%	17.4%	12.7%	13.0%		EBITDA	8.3% ▲	8.0% ▲	12.5%	-4.5%	
1.8%	13.9%	7.3%	6.6%		Operating Margin	4.0%	3.8%	7.8%	-4.0%	
1.8%	13.9%	7.3%	6.6%		Net Margin	4.0%	3.8%	7.8%	-4.0%	

* Due to a 5.8% lower in cases and 9.4% lower in patient days comparing to budget and a requirement to maintain core staffing, LG generated a less favorable operating margin (4% below budget) in FY17.

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2014	Actual FY2015	Actual FY2016	Actual FY2017	Budget FY2017	Budget FY2018
EPIC	6,838	29,849	20,798	2,755	6,137	1,922
IT Hardware / Software Equipment	2,788	4,660	6,483	2,659	5,391	12,238
Medical / Non Medical Equipment*	12,891	13,340	17,133	9,556	10,254	5,635
Non CIP Land, Land I , BLDG, Additions	22,292	-	4,189	-	-	-
Facilities	13,753	38,940	48,137	82,953	204,477	98,160
GRAND TOTAL	58,561	86,789	96,740	97,923	226,259	117,955

*Includes 2 robot purchases in projected FY 2017 & FY16 Medical/Non Medical Equipment spent in FY17

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2016

Category	2013	2014	2015	2016	2017	Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556	1404 - Park Pav HVAC	0	64	7	0	0
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
						1408 - New Main Accessibility Upgrades	0	0	7	46	501
						1415 - Signage & Wayfinding	0	0	0	106	58
						1416 - MV Campus Digital Directories	0	0	0	34	23
						1423 - MV MOB TI Allowance	0	0	0	588	369
Facilities Projects CIP						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
Mountain View Campus Master Plan Projects						1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323	1430 - Women's Hospital Expansion	0	0	0	0	464
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120	1432 - 205 South Dr BHS TI	0	0	8	15	0
1414 - Integrated MOB	0	0	2,009	8,875	32,805	1501 - Women's Hospital NPC Comp	0	0	4	0	223
1422 - CUP Upgrade	0	0	0	896	1,245	1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493	1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
						1504 - Equipment Support Infrastructure	0	0	61	311	0
Mountain View Capital Projects						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
9900 - Unassigned Costs	734	470	3,717	0	0	1525 - New Main Lab Upgrades	0	0	0	0	464
1108 - Cooling Towers	450	0	0	0	0	1526 - CONCERN TI	0	0	0	37	99
1120 - BHS Out Patient TI's	66	0	0	0	0	Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
1129 - Old Main Card Rehab	9	0	0	0	0	Los Gatos Capital Projects					
0817 - Womens Hosp Upgrds	645	1	0	0	0	0904 - LG Facilities Upgrade	2	0	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	0907 - LG Imaging Masterplan	244	774	1,402	17	0
1109 - New Main Upgrades	423	393	2	0	0	1005 - LG OR Light Upgrd	14	0	0	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1122 - LG Sleep Studies	7	0	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1225 - Rehab BLDG Roofing	7	241	4	0	0	1308 - LG Infrastructure	0	114	0	0	0
1227 - New Main eICU	96	21	0	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1230 - Fog Shop	339	80	0	0	0	1219 - LG Spine OR	0	214	323	633	2,163
1315 - 205 So. Drive TI's	0	500	2	0	0	1221 - LG Kitchen Refrig	0	85	0	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1248 - LG - CT Upgrades	0	26	345	197	6,669
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1249 - LG Mobile Imaging	0	146	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1345 - LG Lab HVAC	0	112	0	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1301 - Desktop Virtual	0	13	0	0	0	1421 - LG MOB Improvements	0	0	198	65	303
1304 - Rehab Wander Mgmt	0	87	0	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1318 - Women's Hospital TI	0	48	48	29	2	1603 - LG MOB Improvements	0	0	0	0	285
1327 - Rehab Building Upgrades	0	0	15	20	0	Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0	1550 - Land Acquisition	0	0	0	24,007	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0	1701 - 828 S Winchester Clinic TI	0	0	0	0	145
1341 - New Main Admin	0	32	103	0	0	Sub-Total Other Strategic Projects	0	0	0	24,007	145
1344 - New Main AV Upgrd	0	243	0	0	0	Subtotal Facilities Projects CIP	9,294	13,753	38,940	48,137	82,953
1400 - Oak Pav Cancer Center	0	0	5,208	666	52	Grand Total	27,598	58,561	86,789	96,740	97,923
						Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 1

7/1/2017 to 7/31/2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	242	239	238	245	230	233	230	230	233	230
Adjusted Discharges	22,499	23,446	31,411	23,359	1,806	2,644	2,448	1,806	2,618	2,448
Total Discharges	19,367	19,660	24,216	19,781	1,563	2,018	1,942	1,563	2,018	1,942
Inpatient Cases										
MS Discharges	13,344	13,616	17,760	13,499	1,052	1,495	1,414	1,052	1,480	1,414
Deliveries	4,717	4,660	4,752	4,810	383	396	407	383	396	407
BHS	806	923	1,332	901	82	96	78	82	111	78
Rehab	500	461	372	570	46	31	43	46	31	43
Outpatient Cases										
ED	139,935	145,927	142,788	147,053	11,456	11,899	11,459	11,456	11,899	11,459
Procedural Cases	48,609	48,648	48,372	51,258	4,073	4,031	4,087	4,073	4,031	4,087
OP Surg	6,070	6,666	5,676	6,427	496	473	497	496	473	497
Endo	2,324	2,159	2,196	2,479	136	183	190	136	183	190
Interventional	2,021	1,963	1,872	2,323	194	156	182	194	156	182
All Other	80,911	86,491	84,672	84,566	6,557	7,056	6,503	6,557	7,056	6,503
Financial Perf.										
Net Patient Revenues	772,020	832,279	836,148	832,066	65,187	69,679	72,444	65,187	69,679	72,444
Total Operating Revenue	795,657	858,363	860,213	855,195	66,889	71,684	74,291	66,889	71,684	74,291
Operating Expenses	743,044	752,786	714,496	778,105	57,772	59,541	63,950	57,772	59,541	63,950
Operating Income \$	52,613	105,578	145,717	77,090	9,117	12,143	10,342	9,117	12,143	10,342
Operating Margin	6.6%	12.3%	16.9%	9.0%	13.6%	16.9%	13.9%	13.6%	16.9%	13.9%
EBITDA \$	108,554	157,631	197,413	138,862	13,609	16,451	15,244	13,609	16,451	15,244
EBITDA %	13.6%	18.4%	22.9%	16.2%	20.3%	22.9%	20.5%	20.3%	22.9%	20.5%
IP Margin ¹	-8.7%	-6.2%	-13.9%	-14.7%	-9.9%	-13.9%	-14.7%	-9.9%	-13.9%	-14.7%
OP Margin ¹	26.7%	33.1%	29.0%	30.9%	32.6%	29.0%	30.9%	-32.6%	29.0%	30.9%
Payor Mix										
Medicare	46.6%	47.7%	46.0%	47.4%	47.7%	46.0%	47.4%	47.7%	46.0%	47.4%
Medi-Cal	7.4%	7.3%	6.9%	7.2%	7.0%	6.9%	7.2%	7.0%	6.9%	7.2%
Commercial IP	23.2%	22.3%	23.1%	22.6%	22.2%	23.1%	22.6%	22.2%	23.1%	22.6%
Commercial OP	18.7%	20.2%	21.0%	20.3%	20.6%	21.0%	20.3%	20.6%	21.0%	20.3%
Total Commercial	41.9%	42.5%	44.2%	42.9%	42.9%	44.2%	42.9%	42.9%	44.2%	42.9%
Other	4.1%	2.5%	2.9%	2.5%	2.5%	2.9%	2.5%	2.5%	2.9%	2.5%
Cost										
Employees	2,542.8	2,510.0	2,573.4	2,479.4	2,481.3	2,573.4	2,479.4	2,481.3	2,573.4	2,479.4
Hrs/APD	30.4	30.3	30.3	31.2	30.4	30.3	31.2	30.4	30.3	31.2
Balance Sheet										
Net Days in AR	53.7	44.8	47.4	48.0	44.8	47.4	48.0	44.8	47.4	48.0
Days Cash	361	444	480	266	444	480	266	444	480	266
Affiliates - Net Income (\$000s)										
Hosp	43,043	164,026	208,097	79,793	20,285	17,341	10,567	20,285	17,341	10,567
Concern	1,823	1,391	4,035	1,430	379	336	128	379	336	128
ECSC	(282)	(105)	(23)	0	(3)	(2)	0	(3)	(2)	0
Foundation	982	2,430	2,425	737	514	202	64	514	202	64
SVMD	156	195	(985)	(0)	191	(82)	(0)	191	(82)	(0)

Volume:

- Adjusted discharges were 7% ahead of budget but charges were lower due to lower inpatient procedural volume
- OP discharges over budget, specifically, OP MCH, Imaging, ER, and General Surgery
- Inpatient procedural volume was down in Spine Surgery, NICU, General Surgery, HVI Structural Heart, & Orthopedic Surgery

Financial Performance:

- July's operating income \$1.8M over budget, due to favorable favorable expenses in labor, purchased services, and other expenses

Payor Mix:

- Commercial insurance is 1.3% more than budget

Cost:

- Hrs/APD is July is 30.3 and favorable to budget, due to the July 4th holiday

Balance Sheet:

- Net days in AR are 47.4, .6 less than budget. Total cash on hand is at an all time high of 480 days in July.

Budget Variances

(in thousands)	Month to Date (MTD)		Year to Date (YTD)	
	Net Income Impact	% Net Revenue	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	10,342	13.9%	10,342	13.9%
Net Revenue - Unfavorable due to low procedural volume: specifically HVI, Spine Surgery, NICU, Sleep Center and General Surgery.	(2,607)	-3.6%	(2,607)	-3.6%
Labor and Benefit Expense - Favorable due to vacation taken during the 4th of July holidays	415	0.6%	415	0.6%
Professional Fees & Purchased Services - Favorable due lower IT and Rev cycle collection agency services	1,076	1.5%	1,076	1.5%
Supplies - Medical supplies favorable due to lower volumes in IP Structural Heart and IP Spine Surgery.	1,752	2.4%	1,752	2.4%
Other Expenses - Favorable due to no use of strategic discretionary fund.	571	0.8%	571	0.8%
Depreciation & Interest - Favorable as budget includes new parking garage extension, actual depreciation starts in P2.	594	0.8%	594	0.8%
Actual Hospital Operations FY2018	12,143	16.9%	12,143	16.9%

El Camino Hospital (\$000s)

1 month ending 7/31/2017

PERIOD 1 FY 2017	PERIOD 1 FY 2018	PERIOD 1 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
231,262	250,848	258,924	(8,076)	-3.1%	Gross Revenue	231,262	250,848	258,924	(8,076)	-3.1%
(166,076)	(181,169)	(186,480)	5,311	1.0%	Deductions	(166,076)	(181,169)	(186,480)	5,311	-2.8%
65,187	69,679	72,444	(2,765)	-3.8%	Net Patient Revenue	65,187	69,679	72,444	(2,765)	-3.8%
1,702	2,005	1,847	158	8.6%	Other Operating Revenue	1,702	2,005	1,847	158	8.6%
66,889	71,684	74,291	(2,607)	-3.5%	Total Operating Revenue	66,889	71,684	74,291	(2,607)	-3.5%
OPERATING EXPENSE										
35,514	38,215	38,630	415	1.1%	Salaries & Wages	35,514	38,215	38,630	415	1.1%
8,441	8,209	9,961	1,752	17.6%	Supplies	8,441	8,209	9,961	1,752	17.6%
6,998	7,035	8,111	1,076	13.3%	Fees & Purchased Services	6,998	7,035	8,111	1,076	13.3%
2,327	1,775	2,346	571	24.3%	Other Operating Expense	2,327	1,775	2,346	571	24.3%
462	418	725	307	42.3%	Interest	462	418	725	307	42.3%
4,030	3,890	4,177	287	6.9%	Depreciation	4,030	3,890	4,177	287	6.9%
57,772	59,541	63,950	4,408	6.9%	Total Operating Expense	57,772	59,541	63,950	4,408	6.9%
9,117	12,143	10,342	1,801	17.4%	Net Operating Income/(Loss)	9,117	12,143	10,342	1,801	17.4%
11,168	5,198	225	4,973	2207.4%	Non Operating Income	11,168	5,198	225	4,973	2207.4%
20,285	17,341	10,567	6,774	64.1%	Net Income(Loss)	20,285	17,341	10,567	6,774	64.1%
20.3%	22.9%	20.5%	2.4%		EBITDA	20.3%	22.9%	20.5%	2.4%	
13.6%	16.9%	13.9%	3.0%		Operating Margin	13.6%	16.9%	13.9%	3.0%	
30.3%	24.2%	14.2%	10.0%		Net Margin	30.3%	24.2%	14.2%	10.0%	

Non Operating Items and Net Income by Affiliate

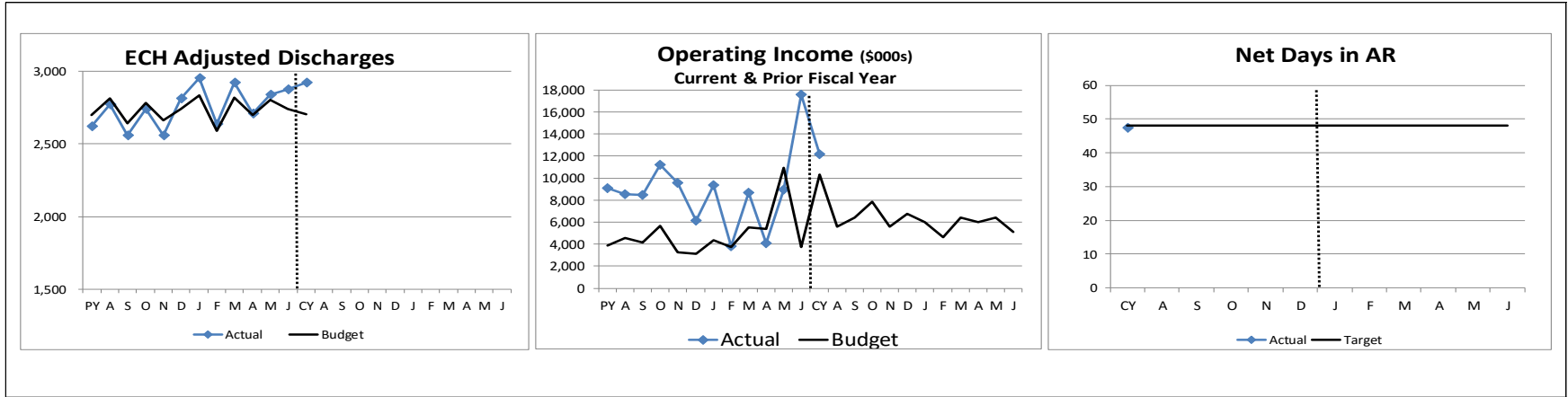
\$ in thousands

	Period 1 - Month			Period 1 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	11,944	9,161	2,783	11,944	9,161	2,783
Los Gatos	199	1,181	(982)	199	1,181	(982)
Sub Total - El Camino Hospital, excl. Affilates	12,143	10,342	1,801	12,143	10,342	1,801
Operating Margin %	16.9%	13.9%		16.9%	13.9%	
El Camino Hospital Non Operating Income						
Investments	7,712	1,516	6,196	7,712	1,516	6,196
Swap Adjustments	(20)	0	(20)	(20)	0	(20)
Community Benefit	(1,970)	(283)	(1,687)	(1,970)	(283)	(1,687)
Other (IPECH / Foundation)	(523)	(1,007)	484	(523)	(1,007)	484
Sub Total - Non Operating Income	5,198	225	4,973	5,198	225	4,973
El Camino Hospital Net Income (Loss)	17,341	10,567	6,774	17,341	10,567	6,774
ECH Net Margin %	24.2%	14.2%		24.2%	14.2%	
Concern	336	128	208	336	128	208
ECSC	(2)	0	(2)	(2)	0	(2)
Foundation	202	64	138	202	64	138
Silicon Valley Medical Development	(82)	(0)	(82)	(82)	(0)	(82)
Net Income Hospital Affiliates	454	192	262	454	192	262
Total Net Income Hospital & Affiliates	17,796	10,759	7,037	17,796	10,759	7,037

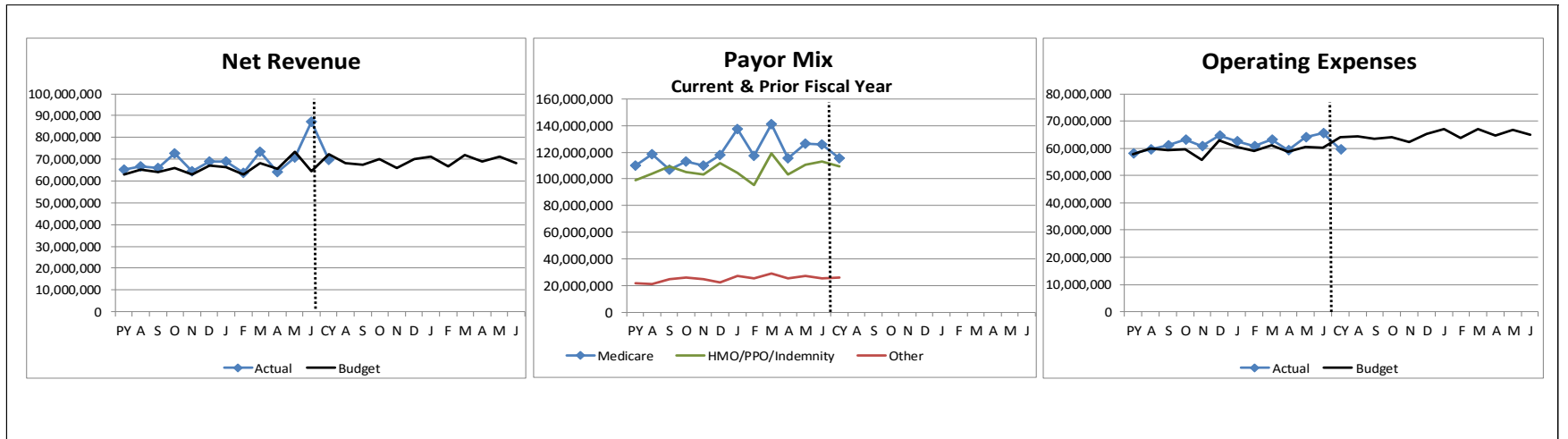
- Investment income favorable for July due to strong market

- Community Benefit variance due to timing

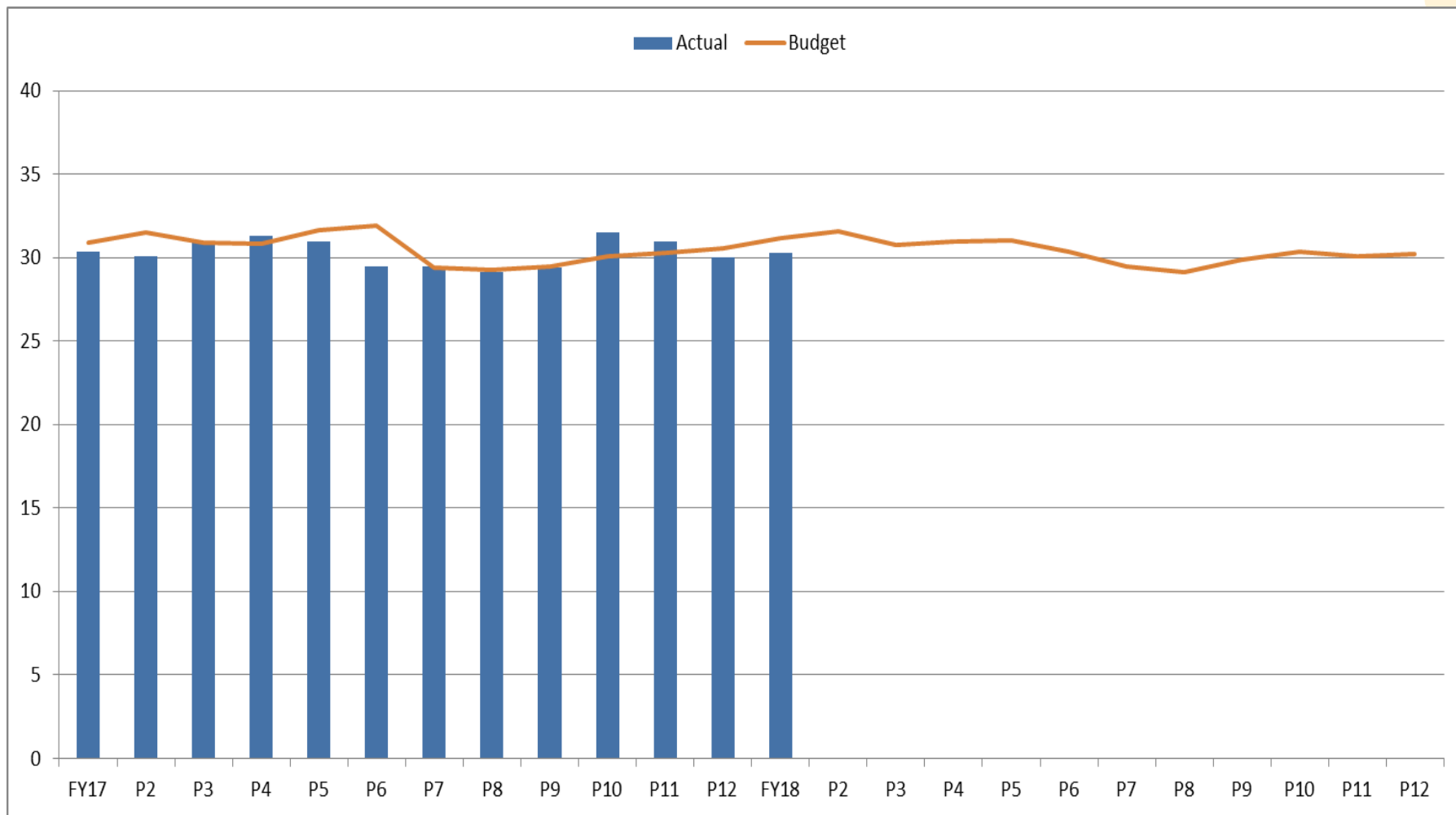
Monthly Financial Trends



Charges and net revenue are behind budget but operating income is ahead of budget due to low expenses

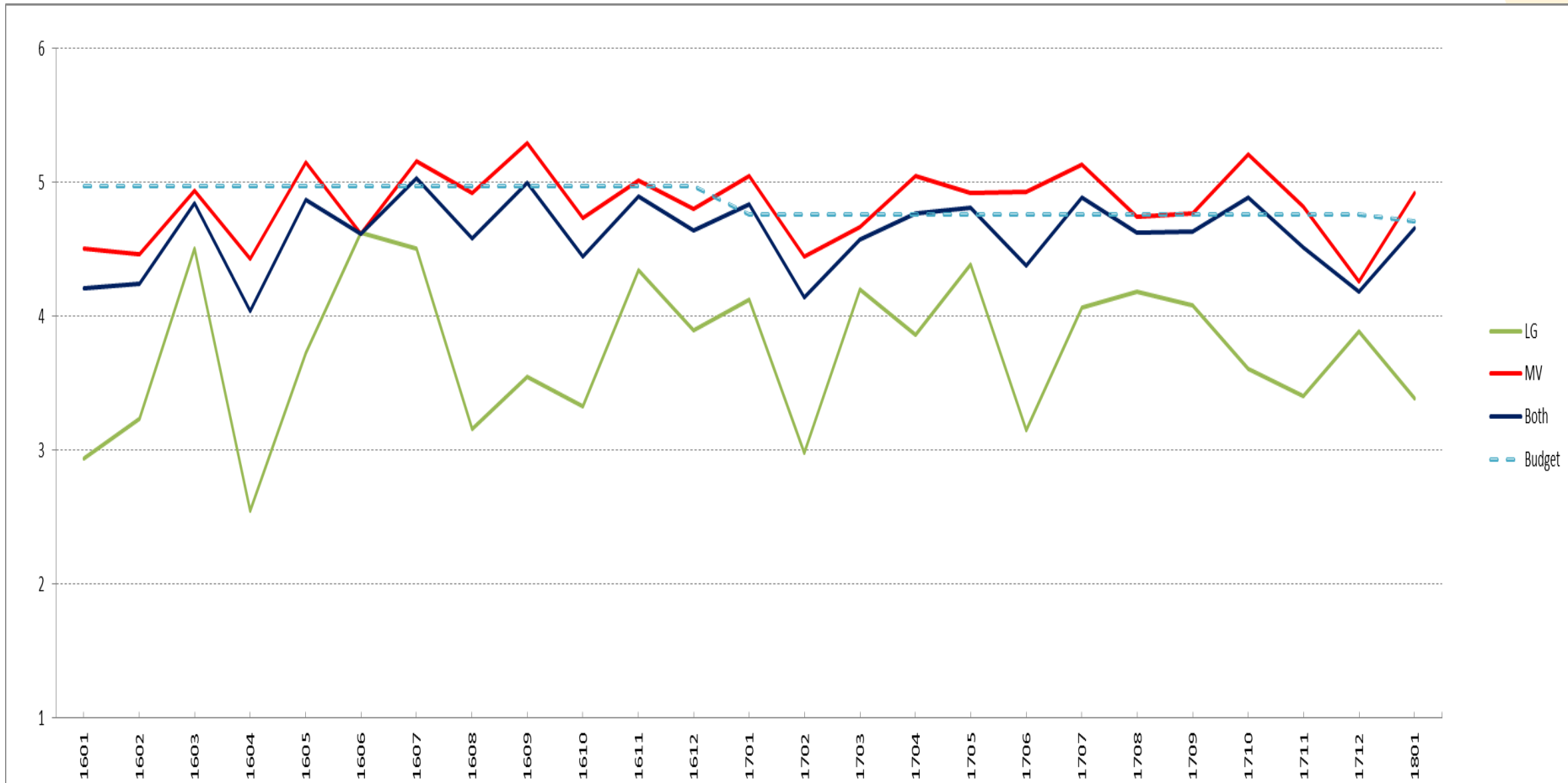


Worked Hours per Adjusted Patient Day



Work hours per adjusted patient day increased slightly in July but is lower than budget.

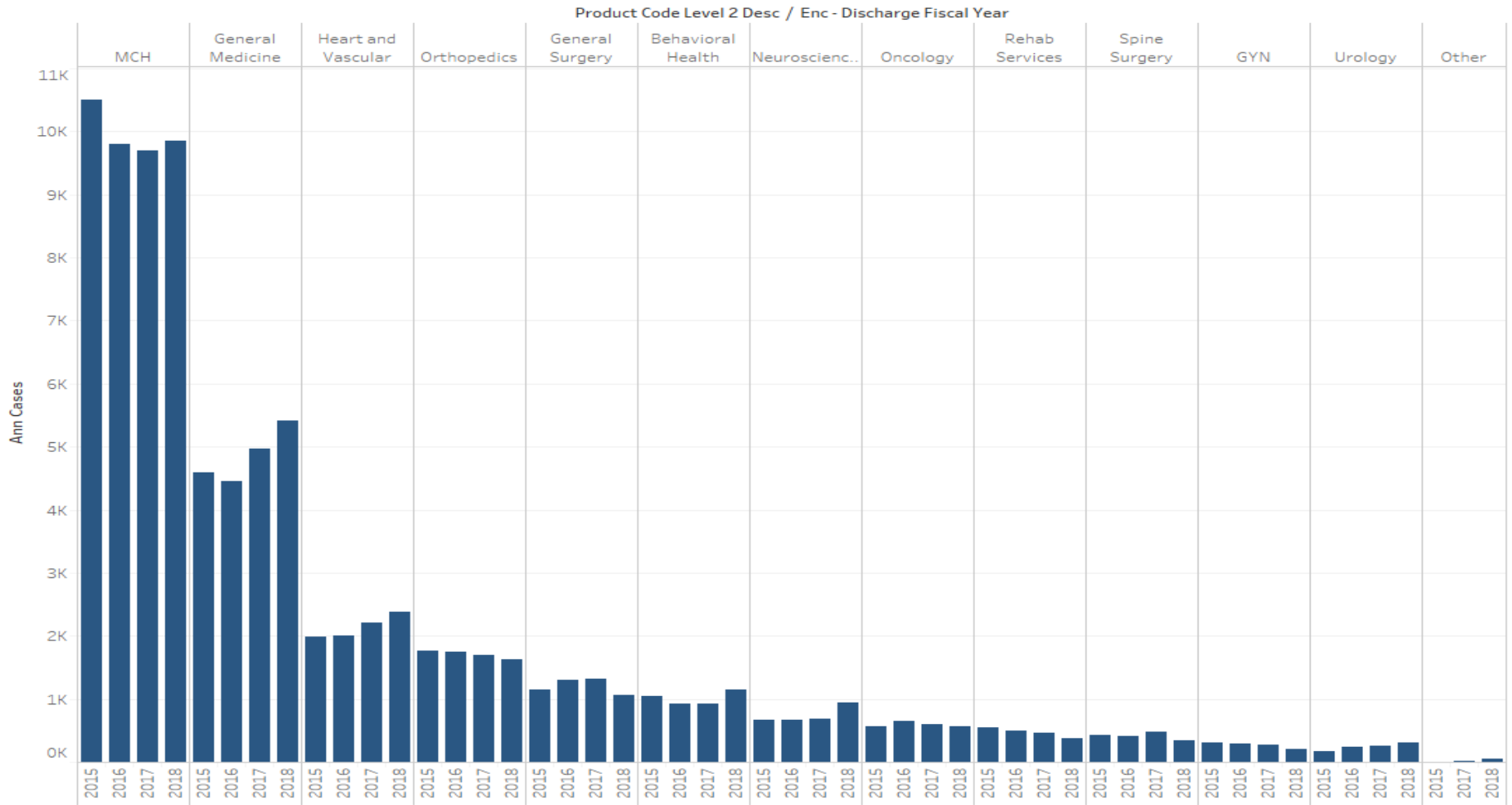
Medicare ALOS



• July ALOS is 4.66 and is lower by 0.05 compared to ALOS budget of 4.71.

El Camino Hospital Volume Annual Trends – Inpatient

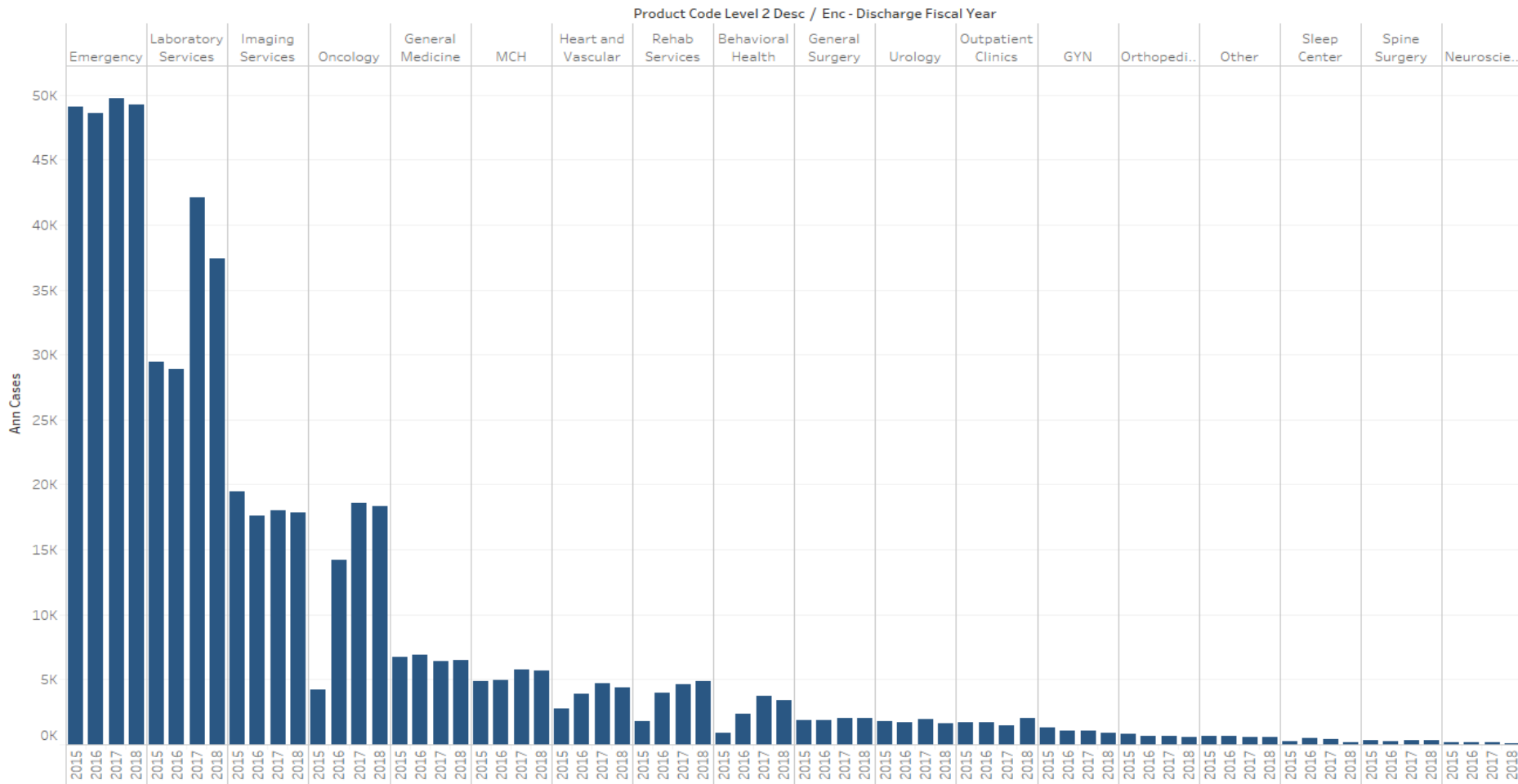
FY 2018 is annualized



- MCH, General Medicine, HVI, Behavioral Health , Neuroscience and Urology display an increasing trend year to year.
- Conversely, Orthopedics, General Surgery, Oncology, Rehab Services, Spine Surgery and GYN show a decreasing trend year to year.

El Camino Hospital Volume Annual Trends – Outpatient

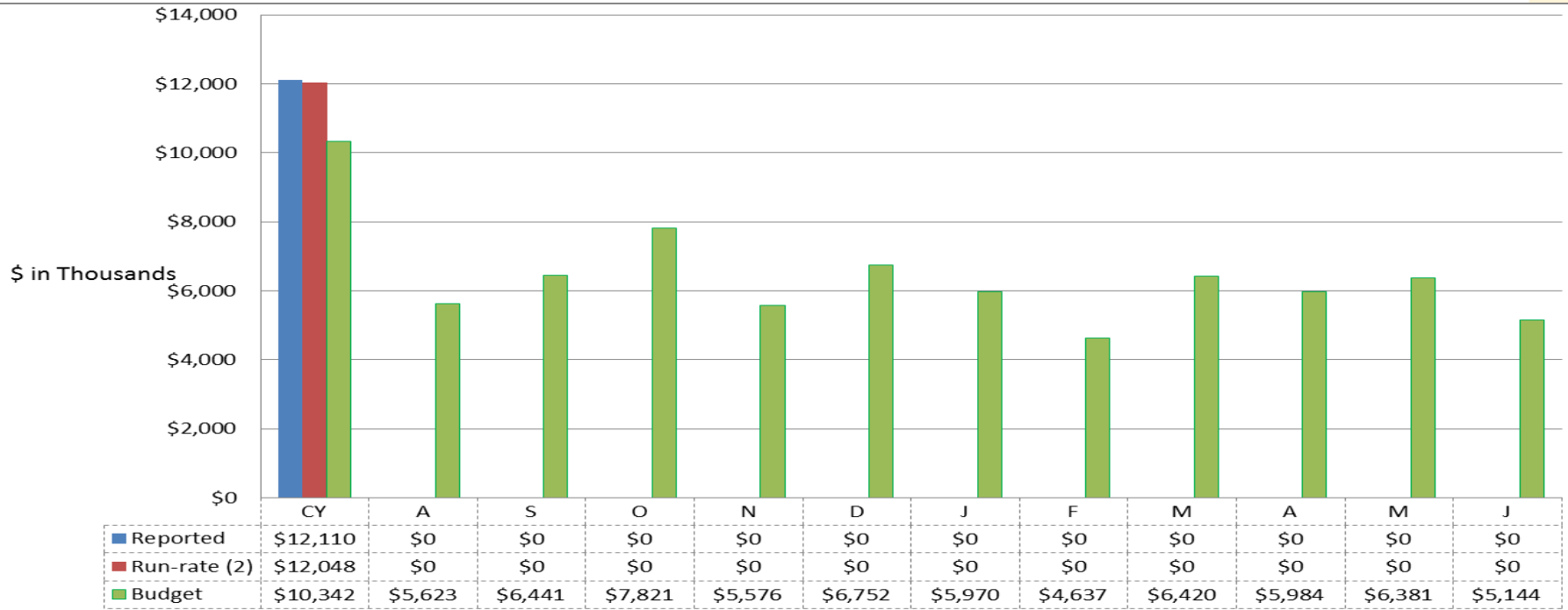
FY 2018 is annualized



- Comparing year-over-year MCH, Rehab Services, Behavioral Health, General Surgery, and Outpatient Clinics are all increasing in volume.

ECH Operating Margin

Run rate is booked operating income adjusted for material non-recurring transactions



FY2018 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments	J	A	S	O	N	D	J	F	M	A	M	J	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	-	-	-	-	-	-	-	-	-	-	-	54
Various Adjustments under \$250k	9	-	-	-	-	-	-	-	-	-	-	-	9
Total	63	-	-	-	-	-	-	-	-	-	-	-	63

El Camino Hospital Investment Committee Scorecard

June 30, 2017

Key Performance Indicator	Status	El Camino		Benchmark		El Camino		Benchmark		FY17 Year-end Budget	Expectation Per Asset Allocation
		2Q 2017		Fiscal Year-to-date		4y 8m Since Inception (annualized)		May 2016			
Investment Performance											
Surplus cash balance & op. cash (millions)		\$900.5	--	--	--	--	--	\$657.2	--		
Surplus cash return	Green	2.4%	2.1%	8.9%	8.7%	5.4%	5.3%	4.0%	5.2%		
Cash balance plan balance (millions)		\$243.8	--	--	--	--	--	\$220.6	--		
Cash balance plan return	Green	3.1%	2.4%	11.2%	10.3%	7.9%	7.2%	6.0%	5.8%		
403(b) plan balance (millions)		\$406.6	--	--	--	--	--	--	--		
Risk vs. Return											
Surplus cash Sharpe ratio	Green	0.83	0.86	--	--	1.26	1.24	--	0.55		
Net of fee return	Green	3.9%	4.1%	--	--	5.4%	5.3%	--	5.2%		
Standard deviation	Green	4.5%	4.5%	--	--	4.1%	4.1%	--	8.6%		
Cash balance Sharpe ratio	Green	0.84	0.79	--	--	1.37	1.31	--	0.49		
Net of fee return	Green	4.9%	4.5%	--	--	7.9%	7.2%	--	5.8%		
Standard deviation	Green	5.7%	5.6%	--	--	5.6%	5.3%	--	10.7%		
Asset Allocation											
Surplus cash absolute variances to target	Green	9.6%	< 10%	--	--	--	--	--	--		
Cash balance absolute variances to target	Green	9.4%	< 10%	--	--	--	--	--	--		
Manager Compliance											
Surplus cash manager flags	Yellow	19	< 19 Green < 23 Yellow	--	--	--	--	--	--		
Cash balance plan manager flags	Yellow	20	< 20 Green < 25 Yellow	--	--	--	--	--	--		

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade		1.9	0.0	1.9	0.0
IT Hardware, Software, Equipment & Imaging*			12.2	0.0	12.2	0.0
Medical & Non Medical Equipment FY 17**			10.3	8.4	3.0	3.0
Medical & Non Medical Equipment FY 18			5.6	0.0	5.6	0.0
Facility Projects						
	1245 Behavioral Health Bldg	91.5	91.5	17.7	51.4	0.1
	1413 North Drive Parking Expansion	24.5	24.5	21.2	3.4	1.4
	1414 Integrated MOB	275.0	275.0	48.6	130.1	2.7
	1422 CUP Upgrade	9.0	9.0	2.3	4.0	0.1
	1430 Women's Hospital Expansion	91.0	6.0	0.5	7.0	0.0
	1425 IMOB Preparation Project - Old Main	3.0	3.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	2.8	2.8	2.4	0.0	0.0
	1525 New Main Lab Upgrades	1.6	3.1	0.5	0.5	0.0
	1515 ED Remodel Triage/Psych Observation	1.6	0.0	0.0	1.0	0.0
	1503 Willow Pavilion Tomosynthesis	1.3	1.3	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	2.5	0.0	0.0	0.0	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.1	0.0
	IR Room #6 Development	2.6	0.0	0.0	2.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.0	0.0
	1707 Imaging Equipment Replacement (5 or 6)	20.7	0.0	0.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.0	0.0
	1709 ED Remodel / CT Triage - Other	5.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.0	0.0	0.0	0.0
	1219 LG Spine OR	4.1	4.1	3.4	0.0	0.0
	1313 LG Rehab HVAC System & Structural	3.7	3.7	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	7.8	0.7	0.4
	1307 LG Upgrades	19.3	19.3	13.9	5.0	0.1
	1519 LG Electrical Systems Upgrade	1.2	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.5	0.2	0.0	0.0
	1507 LG IR Upgrades	1.1	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	1.5	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	0.3	3.5	0.0
	All Other Projects under \$1M	26.4	4.8	51.3	3.2	0.1
		627.6	462.3	176.8	211.9	5.0
GRAND TOTAL			492.4	185.2	231.7	8.0

GRAND TOTAL

*Excluding EPIC

** Unspent Prior Year routine, subject to change as capital is purchased

Balance Sheet (in thousands)

ASSETS

	Un-Audited	
CURRENT ASSETS	July 31, 2017	June 30, 2017
(1) Cash	84,017	125,551
Short Term Investments	124,611	140,284
Patient Accounts Receivable, net	117,354	109,089
Other Accounts and Notes Receivable	2,564	2,628
(2) Intercompany Receivables	3,419	1,495
(3) Inventories and Prepays	54,783	50,657
Total Current Assets	386,749	429,705
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	137,072	131,153
Women's Hospital Expansion	9,298	9,298
(4) Operational Reserve Fund	127,908	100,196
Community Benefit Fund	17,766	12,237
Workers Compensation Reserve Fund	20,208	20,007
Postretirement Health/Life Reserve Fund	19,321	19,218
PTO Liability Fund	23,376	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	16,715	16,575
Total Board Designated Assets	373,298	333,727
FUNDS HELD BY TRUSTEE	274,165	287,052
LONG TERM INVESTMENTS	280,404	256,652
INVESTMENTS IN AFFILIATES	32,251	32,451
PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,192,167	1,192,047
Less: Accumulated Depreciation	(535,675)	(531,785)
Construction in Progress	131,474	138,017
Property, Plant & Equipment - Net	787,966	798,279
DEFERRED OUTFLOWS	28,910	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,163,743	2,166,825

LIABILITIES AND FUND BALANCE

	Un-Audited	
CURRENT LIABILITIES	July 31, 2017	June 30, 2017
(5) Accounts Payable	22,828	38,457
Salaries and Related Liabilities	28,278	25,109
Accrued PTO	23,376	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,886	10,438
Intercompany Payables	86	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,735	3,735
Bond Interest Payable	3,125	11,245
Other Liabilities	4,887	15,554
Total Current Liabilities	101,135	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,321	19,218
Worker's Comp Reserve	17,908	17,707
Other L/T Obligation (Asbestos)	3,756	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	527,391	527,371
Total Long Term Liabilities	568,376	568,042
DEFERRED REVENUE-UNRESTRICTED	561	567
(6) DEFERRED INFLOW OF RESOURCES	10,666	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,109,708	1,132,525
Board Designated	373,298	333,726
Restricted	0	0
(7) Total Fund Bal & Capital Accts	1,483,006	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,163,743	2,166,825

El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July (primarily Board Designated and Long Term investments), as currently having the 2017 Project Bond monies for payments of the major construction projects, the daily cash reserves did not need to be at amounts greater than \$100M.
- (2) The increase is due to that the District needed a short-term bridge loan in cash of \$2.5M from the Hospital to cover the significant Community Benefit expenditures made in July (\$4.1M), while they liquidated \$2.5M of their investments at no loss to cover these disbursements. This was repaid on August 4.
- (3) The increase is primarily driven by annual GASB 68 Pension entries booked at the final close of FY2017 to recognize the difference between projected and actual investment earnings (\$8.5M). This amount is offset in the Deferred Inflow of Resources on the liability side of the Balance Sheet. Also a quarterly \$2.6M pension contribution was made in July. Lastly at the beginning of July a number of significant annual insurance premiums (D&O, Property, Cyber, Auto) were paid that subsequently are amortized over the upcoming fiscal year.
- (4) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years.
- (5) The decrease is due to significant General Contractor payments being accrued at year end, that were subsequently relieved during the first quarter of fiscal year 2017.
- (6) The increase in Deferred Inflow of Resources – refer to Item # 3 above as it relates to GASB 68 Pension entries.
- (7) The increase is due to the first accounting period's performance in FY2018.

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (1 OF 2)

Plant & Equipment Fund – original established by the District Board in the early 1960’s to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District’s Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.

Women’s Hospital Expansion – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women’s Hospital upon the completion of Integrated Medical Office Building currently under construction.

Operational Reserve Fund – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on projected budget) and only be used in the event of a major business interruption event and/or cash flow.

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$10 million within this fund is board designated endowment fund formed in 2015 to generate investment income to be used for grants and sponsorships, which was added to by \$5 million the beginning of FY 2018.

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (2 OF 2)

Workers Compensation Reserve Fund – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.

Postretirement Health/Life Reserve Fund – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.

PTO (Paid Time Off) Liability Fund – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.

Malpractice Reserve Fund – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.

Catastrophic Loss Fund – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

El Camino Hospital – Mountain View (\$000s)

1 month ending 7/31/2017

PERIOD 1 FY 2017	PERIOD 1 FY 2018	PERIOD 1 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
193,631	207,481	212,098	(4,618)	-2.2%	Gross Revenue	193,631	207,481	212,098	(4,618)	-2.2%
(140,313)	(148,917)	(152,473)	3,556	-2.3%	Deductions	(140,313)	(148,917)	(152,473)	3,556	-2.3%
53,318	58,563	59,625	(1,061)	-1.8%	Net Patient Revenue	53,318	58,563	59,625	(1,061)	-1.8%
1,534	1,845	1,640	206	12.5%	Other Operating Revenue	1,534	1,845	1,640	206	12.5%
54,852	60,408	61,264	(856)	-1.4%	Total Operating Revenue	54,852	60,408	61,264	(856)	-1.4%
OPERATING EXPENSE										
29,540	31,696	32,291	595	1.8%	Salaries & Wages	29,540	31,696	32,291	595	1.8%
7,080	6,828	7,993	1,165	14.6%	Supplies	7,080	6,828	7,993	1,165	14.6%
5,652	5,851	6,806	955	14.0%	Fees & Purchased Services	5,652	5,851	6,806	955	14.0%
708	271	813	542	66.6%	Other Operating Expense	708	271	813	542	66.6%
462	418	725	307	42.3%	Interest	462	418	725	307	42.3%
3,489	3,400	3,475	75	2.1%	Depreciation	3,489	3,400	3,475	75	2.1%
46,931	48,465	52,104	3,639	7.0%	Total Operating Expense	46,931	48,465	52,104	3,639	7.0%
7,921	11,944	9,161	2,783	30.4%	Net Operating Income/(Loss)	7,921	11,944	9,161	2,783	30.4%
11,168	5,198	225	4,973	2207.4%	Non Operating Income	11,168	5,198	225	4,973	2207.4%
19,089	17,142	9,386	7,756	82.6%	Net Income(Loss)	19,089	17,142	9,386	7,756	82.6%
21.6%	26.1%	21.8%	4.3%		EBITDA	21.6%	26.1%	21.8%	4.3%	
14.4%	19.8%	15.0%	4.8%		Operating Margin	14.4%	19.8%	15.0%	4.8%	
34.8%	28.4%	15.3%	13.1%		Net Margin	34.8%	28.4%	15.3%	13.1%	

El Camino Hospital – Los Gatos(\$000s)

1 month ending 7/31/2017

PERIOD 1 FY 2017	PERIOD 1 FY 2018	PERIOD 1 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
37,631	43,367	46,826	(3,459)	-7.4%	Gross Revenue	37,631	43,367	46,826	(3,459)	-7.4%
(25,763)	(32,252)	(34,006)	1,755	-5.2%	Deductions	(25,763)	(32,252)	(34,006)	1,755	-5.2%
11,868	11,116	12,819	(1,704)	-13.3%	Net Patient Revenue	11,868	11,116	12,819	(1,704)	-13.3%
168	160	207	(47)	-22.7%	Other Operating Revenue	168	160	207	(47)	-22.7%
12,037	11,276	13,027	(1,751)	-13.4%	Total Operating Revenue	12,037	11,276	13,027	(1,751)	-13.4%
OPERATING EXPENSE										
5,974	6,519	6,339	(180)	-2.8%	Salaries & Wages	5,974	6,519	6,339	(180)	-2.8%
1,360	1,382	1,968	587	29.8%	Supplies	1,360	1,382	1,968	587	29.8%
1,347	1,184	1,304	121	9.3%	Fees & Purchased Services	1,347	1,184	1,304	121	9.3%
1,619	1,503	1,533	29	1.9%	Other Operating Expense	1,619	1,503	1,533	29	1.9%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
541	489	702	212	30.3%	Depreciation	541	489	702	212	30.3%
10,841	11,077	11,846	769	6.5%	Total Operating Expense	10,841	11,077	11,846	769	6.5%
1,196	199	1,181	(982)	-83.1%	Net Operating Income/(Loss)	1,196	199	1,181	(982)	-83.1%
0	0	0	0	0.0%	Non Operating Income	0	0	0	0	0.0%
1,196	199	1,181	(982)	-83.1%	Net Income(Loss)	1,196	199	1,181	(982)	-83.1%
14.4%	6.1%	14.5%	-8.3%		EBITDA	14.4%	6.1%	14.5%	-8.3%	
9.9%	1.8%	9.1%	-7.3%		Operating Margin	9.9%	1.8%	9.1%	-7.3%	
9.9%	1.8%	9.1%	-7.3%		Net Margin	9.9%	1.8%	9.1%	-7.3%	

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	1,922
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	5,635
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	211,886
GRAND TOTAL	86,789	96,740	97,923	231,681

*Includes 2 robot purchases in projected FY2017 & FY2016 Medical/Non Medical Equipment spent FY2017

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2017

Category	2013	2014	2015	2016	2017	Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556	1404 - Park Pav HVAC	0	64	7	0	0
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
						1408 - New Main Accessibility Upgrades	0	0	7	46	501
						1415 - Signage & Wayfinding	0	0	0	106	58
						1416 - MV Campus Digital Directories	0	0	0	34	23
						1423 - MV MOB TI Allowance	0	0	0	588	369
Facilities Projects CIP						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
Mountain View Campus Master Plan Projects						1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323	1430 - Women's Hospital Expansion	0	0	0	0	464
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120	1432 - 205 South Dr BHS TI	0	0	8	15	0
1414 - Integrated MOB	0	0	2,009	8,875	32,805	1501 - Women's Hospital NPC Comp	0	0	4	0	223
1422 - CUP Upgrade	0	0	0	896	1,245	1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493	1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
						1504 - Equipment Support Infrastructure	0	0	61	311	0
Mountain View Capital Projects						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
9900 - Unassigned Costs	734	470	3,717	0	0	1525 - New Main Lab Upgrades	0	0	0	0	464
1108 - Cooling Towers	450	0	0	0	0	1526 - CONCERN TI	0	0	0	37	99
1120 - BHS Out Patient TI's	66	0	0	0	0	Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
1129 - Old Main Card Rehab	9	0	0	0	0	Los Gatos Capital Projects					
0817 - Womens Hosp Upgrds	645	1	0	0	0	0904 - LG Facilities Upgrade	2	0	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	0907 - LG Imaging Masterplan	244	774	1,402	17	0
1109 - New Main Upgrades	423	393	2	0	0	1005 - LG OR Light Upgrd	14	0	0	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1122 - LG Sleep Studies	7	0	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1225 - Rehab BLDG Roofing	7	241	4	0	0	1308 - LG Infrastructure	0	114	0	0	0
1227 - New Main eICU	96	21	0	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1230 - Fog Shop	339	80	0	0	0	1219 - LG Spine OR	0	214	323	633	2,163
1315 - 205 So. Drive TI's	0	500	2	0	0	1221 - LG Kitchen Refrig	0	85	0	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1248 - LG - CT Upgrades	0	26	345	197	6,669
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1249 - LG Mobile Imaging	0	146	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1345 - LG Lab HVAC	0	112	0	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1301 - Desktop Virtual	0	13	0	0	0	1421 - LG MOB Improvements	0	0	198	65	303
1304 - Rehab Wander Mgmt	0	87	0	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1318 - Women's Hospital TI	0	48	48	29	2	1603 - LG MOB Improvements	0	0	0	0	285
1327 - Rehab Building Upgrades	0	0	15	20	0	Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0	1550 - Land Acquisition	0	0	0	24,007	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0	1701 - 828 S Winchester Clinic TI	0	0	0	0	145
1341 - New Main Admin	0	32	103	0	0	Sub-Total Other Strategic Projects	0	0	0	24,007	145
1344 - New Main AV Upgrd	0	243	0	0	0	Subtotal Facilities Projects CIP	9,294	13,753	38,940	48,137	82,953
1400 - Oak Pav Cancer Center	0	0	5,208	666	52	Grand Total	27,598	58,561	86,789	96,740	97,923
						Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000

To: Iftikhar Hussain
Subject: FW: LI Literature Service: Tenet selling 8 more hospitals as investors debate company breakup

Tenet selling 8 more hospitals as investors debate company breakup

Modern Healthcare

By [Dave Barkholz](#) | September 6, 2017

Tenet Healthcare Corp. expects to sell eight low-margin hospitals and its nine hospitals and clinics in the United Kingdom to reduce debt and focus on healthier operations, outgoing CEO Trevor Fetter said at an analyst conference Wednesday.

The facilities, which represent about \$1.8 billion in annual revenue, are expected to yield between \$900 million and \$1 billion in net proceeds and through lease cost reductions, Fetter [told the Baird 2017 Global Healthcare Conference](#).

Fetter also noted investors are arguing for or against breaking up Tenet around its three main business lines—hospitals, ambulatory surgery centers and revenue-cycle software—or leaving the company whole except for occasional hospital divestitures.

Weighing whether synergies of operating Tenet whole are greater than the breakup value of the company is giving rise to "a lively debate that will and should take place on that question," Fetter said.

He made the comments in light of activist investors pressuring the company for turnaround changes led by Glenview Capital Management.

The eight additional U.S. hospitals being sold include two in Philadelphia that Tenet announced last week it was selling to Paladin Healthcare for \$170 million.

Though Fetter previously said Tenet would divest additional hospitals beyond three in Houston recently sold to HCA, this is the first time he has said how many.

Fetter [announced](#) last week that he is stepping down as Tenet's CEO by March or sooner, depending on when his successor is named.

He came under pressure after hedge fund Glenview Capital Management, which owns 18% of Tenet's common shares, resigned board seats to fight for turnaround changes outside of the company.

Fetter noted that the hospitals it is selling in Philadelphia—Hahnemann University Hospital and St. Christopher's Hospital for Children—are losing money.

And he admitted to Baird analysts that the \$100 million Tenet invested in the market for a new hospital tower was a mistake given the way the market changed there in the six years it took from conception to completion.

Of the facilities being divested, they have a paltry margin of 4% combined on earnings before interest, taxes, depreciation and amortization.

Fetter reiterated that the divestitures would not only raise money to reduce debt, but allow Tenet to focus future capital and management resources in hospital markets where it has first- and second-place market share.

Tenet recently finished several big hospital construction projects, including in Detroit and El Paso and San Antonio, Texas.

Dallas-based Tenet is the nation's third-largest investor-owned hospital chain with 77 hospitals.

Of the \$900 million to \$1 billion that Tenet hopes to fetch from additional hospital divestitures, about \$600 million to \$700 million would be from cash proceeds, Fetter said. The company would also benefit from the buyers assuming \$280 million in annual leases, Fetter said.

Those sales would allow Tenet to reduce its outsized \$15 billion debt load to 5.9 times EBITDA vs. the 6.3 times it stands at today.

Meantime, Tenet plans to continue using cash to increase its ownership in United Surgical Partners International from 80% today to 95% by mid-2019, Fetter said.

USPI, one the nation's largest ambulatory surgery center chains, is growing as insurers shift patients wherever possible from hospital settings to outpatient facilities, Fetter said. Tenet bought a majority stake of USPI in 2015.

The sum of the three parts of Tenet is worth about \$24 per share, Jefferies & Co. healthcare analyst Brian Tanquilut said last week.

That's considerably more than the \$17.69 closing price of Tenet shares Tuesday.

But unlocking that value will be difficult, he said.

For example, the sale of Conifer—which relies on Tenet hospitals and a few other large customers for most of its revenue—would likely fetch just \$1 billion in net proceeds that could be used to pay down debt, Tanquilut said.

Mizuho Securities analyst Sheryl Skolnick calls USPI the crown jewel of Tenet. Yet, even if it was sold at a high 12 times USPI's annual earnings before interest, taxes, depreciation and amortization, that would leave about \$2 billion for debt reduction.

To get that 15% reduction in debt, Tenet would be giving up a division that generates about 21% of EBITDA, Skolnick said.

That leaves individual hospital sales—and the hard daily grind of improving hospital operations—as the best way for the next CEO to unlock value for hedge fund Glenview and other investors, she said.



FY18 COMMITTEE GOALS
Finance Committee

PURPOSE

The purpose of the Finance Committee is to provide oversight, information sharing, and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for El Camino Hospital (ECH) Board of Directors (“Board”). In carrying out its review, advisory and oversight responsibilities, the Finance Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

STAFF: Iftikhar Hussain, Chief Financial Officer

The CFO shall serve as the primary staff to support the Committee and is responsible for drafting the Committee meeting agenda for the Committee Chair’s consideration. Additional members of the Executive Team may participate in the meetings upon the recommendation of the CFO and at the discretion of the Committee Chair. The CEO is an ex-officio member of this Committee.

GOALS	TIMELINE by Fiscal Year (Timeframe applies to when the Board approves the recommended action from the Committee, if applicable)	METRICS
1. Develop and monitor industry benchmarks for operations and finance	<ul style="list-style-type: none"> Q2 FY18 	<ul style="list-style-type: none"> Receive report on operational and financial benchmarks
2. Review major capital projects	<ul style="list-style-type: none"> Q3 FY18 	<ul style="list-style-type: none"> Update on major capital projects in progress (7/31/17 Agenda)
3. Education Topic: Ambulatory Care Business Model	<ul style="list-style-type: none"> Q1 FY18 	<ul style="list-style-type: none"> Presentation at the August meeting (7/31/17 Agenda)
4. Epic Implementation Review	<ul style="list-style-type: none"> Q2 FY18 	<ul style="list-style-type: none"> Presentation at the November meeting
5. Review top three service lines (HVI, Oncology, BHS)	<ul style="list-style-type: none"> Q1 – Q2 FY18 	<ul style="list-style-type: none"> Presentations at September, November and January meetings

SUBMITTED BY:

John Zoglin
Iftikhar Hussain

Chair, Finance Committee
Executive Sponsor, Finance Committee



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Date: September 25, 2017

To: Finance Committee

From: Iftikhar Hussain, CFO

Subject **FY17 Investment Income Budget**

Presented below is the analysis of the FY 17 investment income budget. The investment advisor had recommended a 4% rate but we used only 2.9% in the budget. FY 18 budget has a similar error. We will use the rate from the advisor in the FY 19 budget.

	Budget
Beginning Surplus Cash	684,768
less capital spending	(212,000)
Add EBITDA	109,890
Other, net	
Ending balance	582,658
Average Balance	633,713
Rate	2.9%
	18,140

ECH BOARD COMMITTEE MEETING AGENDA ITEM COVER SHEET

Item:	Report on Board Actions Finance Committee September 25, 2017
Responsible party:	Cindy Murphy, Director of Governance Services
Action requested:	For Information
Background:	IN FY16 we added this item to each Board Committee agenda to keep Committee members informed about Board actions via a verbal report by the Committee Chair. This written report is intended to supplement the Chair's verbal report.
Other Board Advisory Committees that reviewed the issue and recommendation, if any:	None.
Summary and session objectives :	To inform the Committee about recent Board actions
Suggested discussion questions:	None.
Proposed Committee motion, if any:	None. This is an informational item.
LIST OF ATTACHMENTS:	Report on August and September 2017 Board Actions

August, and September 2017 ECH Board Actions*

1. August 9, 2017
 - a. Appointed Ms. Ina Bauman as patient advocate member of the Quality, Patient Care and Patient Experience Committee
 - b. Approved the FY18 Board Education Plan, including attendance at the Estes Park Institute Conference in San Francisco October 29 – November 1, 2017. All Board and Committee members are invited and encouraged to attend.
 - c. Approved the proposed FY18 Competency Matrix for use in evaluating gaps on the ECH Board. The Competency Matrix will be referred to the District Board for consideration.
 - d. FY 18 Executive Individual Incentive Goals approved.
 - e. FY 18 Executive Base Salaries approved as revised.
 - f. Director Peter Fung, MD, was appointed to serve on the Silicon Valley Medical Development LLC Board of Managers.
 - g. Approved the FY17 Period 12 Financials

2. September 13, 2017
 - a. Approved a revision to the Investment Committee's Goals
 - b. Approved additional funding over original approved budget for major construction projects at the Mountain View Campus: Behavioral Health Services Building (\$4.6 million) and Integrated Medical Office Building (\$27.1 Million).
 - c. Appointed new Board Member Neysa Fligor to the Executive Compensation Committee and the Corporate Compliance, Privacy and Internal Audit Committee.

August 2017 ECHD Board Actions*

1. August 16, 2017
 - a. After Interviewing 11 Applicants - Appointed Neysa Fligor to the El Camino Healthcare District Board of Directors

2. August 23, 2017
 - a. Elected Neysa Fligor to the El Camino Hospital Board of Directors

*This list is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.



El Camino Hospital

THE HOSPITAL OF SILICON VALLEY

Summary of Financial Operations

Fiscal Year 2018 – Period 2
7/1/2017 to 8/31/2017

	Annual				Month			YTD		
	2016	2017	2018 Proj.	2018 Bud/Target	PY	CY	Bud/Target	PY	CY	Bud/Target
Volume										
Licensed Beds	443	443	443	443	443	443	443	443	443	443
ADC	242	239	474	245	228	232	228	458	465	458
Adjusted Discharges	22,499	23,446	31,495	23,359	2,471	2,615	2,506	4,820	5,249	4,959
Total Discharges	19,367	19,660	24,048	19,781	1,948	1,990	1,969	3,827	4,008	3,911
Inpatient Cases										
MS Discharges	13,344	13,616	17,892	13,499	1,403	1,487	1,435	2,771	2,982	2,849
Deliveries	4,717	4,660	4,680	4,810	404	384	412	787	780	819
BHS	806	923	1,068	901	95	82	79	177	178	157
Rehab	500	461	408	570	46	37	43	92	68	86
Outpatient Cases	139,935	145,927	147,672	147,053	12,501	12,729	12,259	23,946	24,612	24,221
ED	48,609	48,648	48,120	51,258	4,122	3,988	4,023	8,034	8,020	8,045
Procedural Cases										
OP Surg	6,070	6,666	5,922	6,427	523	522	550	1,005	987	1,086
Endo	2,324	2,159	2,532	2,479	196	221	177	332	422	350
Interventional	2,021	1,963	1,932	2,323	162	157	172	349	322	339
All Other	80,911	86,491	89,166	84,566	7,498	7,841	7,337	14,226	14,861	14,401
Financial Perf.										
Net Patient Revenues	772,020	832,279	842,640	832,066	66,835	70,761	68,210	132,021	140,440	140,655
Total Operating Revenue	795,657	858,363	871,682	855,195	68,749	73,596	70,046	135,638	145,280	144,337
Operating Expenses	743,044	752,786	753,233	778,105	60,221	65,997	64,424	117,992	125,539	128,375
Operating Income \$	52,613	105,578	118,449	77,090	8,528	7,598	5,622	17,645	19,742	15,962
Operating Margin	6.6%	12.3%	13.6%	9.0%	12.4%	10.3%	8.0%	13.0%	13.6%	11.1%
EBITDA \$	108,554	157,631	169,657	138,862	13,081	11,825	10,498	26,690	28,276	25,741
EBITDA %	13.6%	18.4%	19.5%	16.2%	19.0%	16.1%	15.0%	19.7%	19.5%	17.8%
IP Margin ¹	-8.7%	-6.2%	-6.8%	-14.7%	-8.6%	0.3%	-14.7%	-8.7%	-6.8%	-14.7%
OP Margin ¹	26.7%	33.1%	33.3%	30.9%	30.1%	36.6%	30.9%	31.6%	33.3%	30.9%
Payor Mix										
Medicare	46.6%	47.7%	45.5%	47.4%	47.7%	45.0%	47.4%	48.2%	45.5%	47.4%
Medi-Cal	7.4%	7.3%	7.8%	7.2%	7.0%	8.8%	7.2%	6.8%	7.8%	7.2%
Commercial IP	23.2%	22.3%	23.1%	22.6%	22.2%	23.0%	22.6%	22.4%	23.1%	22.6%
Commercial OP	18.7%	20.2%	20.8%	20.3%	20.6%	20.5%	20.3%	20.5%	20.8%	20.3%
Total Commercial	41.9%	42.5%	43.9%	42.9%	42.9%	43.6%	42.9%	42.8%	43.9%	42.9%
Other	4.1%	2.5%	2.8%	2.5%	2.5%	2.7%	2.5%	2.3%	2.8%	2.5%
Cost										
Employees	2,542.8	2,510.0	2,229.2	2,238.9	2,114.6	2,229.2	2,238.9	2,174.5	2,229.2	2,238.9
Hrs/APD	30.4	30.3	30.8	31.4	30.1	31.3	31.6	30.2	30.8	31.4
Balance Sheet										
Net Days in AR	53.7	44.8	45.2	48.0	44.8	45.2	48.0	44.8	45.2	48.0
Days Cash	361	444	463	266	444	463	266	444	463	266
Affiliates - Net Income (\$000s)										
Hosp	43,043	164,026	171,552	79,793	13,276	11,251	5,847	33,562	28,592	16,413
Concern	1,823	1,391	2,537	1,430	125	87	125	504	423	253
ECSC	(282)	(105)	(32)	0	(0)	(3)	0	(3)	(5)	0
Foundation	982	2,430	1,053	737	126	(27)	31	640	175	95
SVMD	156	195	(897)	(0)	(47)	(67)	(1)	143	(149)	(1)

Volume:

- For the year, overall volume, measured in adjusted discharges was 5.8% higher than budget.
- IP Med-Surg cases were 4.7% over budget, specifically Neurosciences, HVI, BHS, Oncology and Urology. However deliveries are flat with prior year but 4.8% below budget
- OP discharges higher than budget in General Surgery, Imaging Services, MCH, Rehab and Urology.

Financial Performance:

- August's operating income is \$1.9M over budget, due to favorable revenue due to higher volume.
- EBITDA for August is favorable to budget by \$1.3M and \$2.5M YTD.

Payor Mix:

- Commercial insurance is 0.7% more of the Payor Mix in August than budget.

Cost:

- Hrs/APD for August is 31.3 and slightly better than budget .

Balance Sheet:

- Net days in AR is 45.2 which is 2.8 less than budget. Total cash on hand is high for August at 463 days.

Green - Equal to or better than budget; Yellow - Unfav by up to 5%; Red - Greater than 5% unfav

Budget Variances

(in thousands)	Month to Date (MTD)		Year to Date (YTD)	
	Net Income Impact	% Net Revenue	Net Income Impact	% Net Revenue
Budgeted Hospital Operations FY2018	5,623	8.0%	15,964	11.1%
Net Revenue - Favorable due to higher volume a favorable payor mix	3,550	4.8%	943	0.6%
Labor and Benefit Expense Change - Labor is close to budget after adjusting for higher volume	(668)	-0.9%	(253)	-0.2%
Professional Fees & Purchased Services - Unfavorable due to recruiting costs in Imaging, Clinical Education and EHS.	(512)	-0.7%	564	0.4%
Supplies - Unfavorable due to drug expense (cancer drugs offset by revenue), robotic supplies and new non-capital surgical instruments in OR.	(1,523)	-2.1%	229	0.2%
Other Expenses - Favorable due quarterly BETA (insurance) rebate, reduction in property taxes due to common area correction, and no strategic fund expenses.	479	0.7%	1,050	0.7%
Depreciation & Interest - Favorable due to delay in new parking structure. Will start depreciation in P3.	650	0.9%	1,244	0.9%
Actual Hospital Operations FY2018	7,598	10.3%	19,742	13.6%

El Camino Hospital (\$000s)

2 months ending 8/31/2017

PERIOD 2 FY 2017	PERIOD 2 FY 2018	PERIOD 2 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
243,585	275,719	264,194	11,525	4.4%	Gross Revenue	474,847	526,566	523,118	3,449	0.7%
(176,750)	(204,958)	(195,983)	(8,974)	1.0%	Deductions	(342,826)	(386,126)	(382,463)	(3,663)	1.0%
66,835	70,761	68,210	2,551	3.7%	Net Patient Revenue	132,021	140,440	140,655	(215)	-0.2%
1,914	2,835	1,835	1,000	54.5%	Other Operating Revenue	3,616	4,840	3,682	1,158	31.4%
68,749	73,596	70,046	3,550	5.1%	Total Operating Revenue	135,638	145,280	144,337	943	0.7%
OPERATING EXPENSE										
35,755	39,601	38,933	(668)	-1.7%	Salaries & Wages	71,269	77,816	77,563	(253)	-0.3%
9,838	11,460	9,937	(1,523)	-15.3%	Supplies	18,278	19,669	19,899	229	1.2%
7,463	8,333	7,821	(512)	-6.5%	Fees & Purchased Services	14,461	15,367	15,932	564	3.5%
2,612	2,377	2,856	479	16.8%	Other Operating Expense	4,940	4,152	5,202	1,050	20.2%
459	333	725	392	54.1%	Interest	921	751	1,451	699	48.2%
4,094	3,893	4,151	257	6.2%	Depreciation	8,124	7,783	8,327	544	6.5%
60,221	65,997	64,423	(1,574)	-2.4%	Total Operating Expense	117,992	125,539	128,373	2,834	2.2%
8,528	7,598	5,623	1,976	35.1%	Net Operating Income/(Loss)	17,645	19,742	15,964	3,777	23.7%
4,749	3,652	225	3,427	1521.0%	Non Operating Income	15,916	8,851	451	8,400	1864.2%
13,277	11,251	5,848	5,403	92.4%	Net Income(Loss)	33,562	28,592	16,415	12,177	74.2%
19.0%	16.1%	15.0%	1.1%		EBITDA	19.7%	19.5%	17.8%	1.6%	
12.4%	10.3%	8.0%	2.3%		Operating Margin	13.0%	13.6%	11.1%	2.5%	
19.3%	15.3%	8.3%	6.9%		Net Margin	24.7%	19.7%	11.4%	8.3%	

Non Operating Items and Net Income by Affiliate

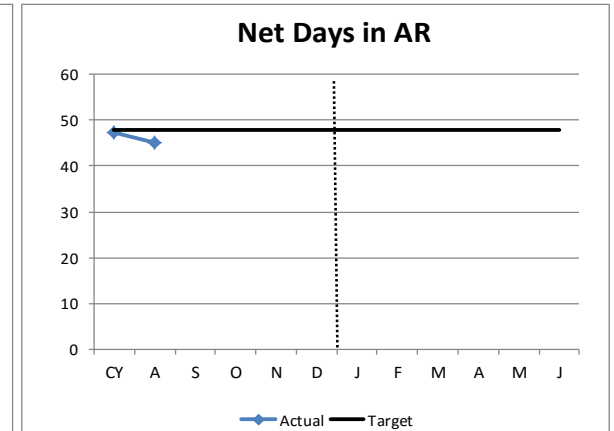
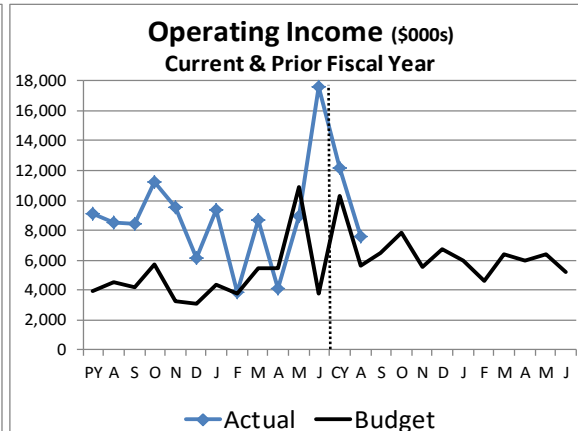
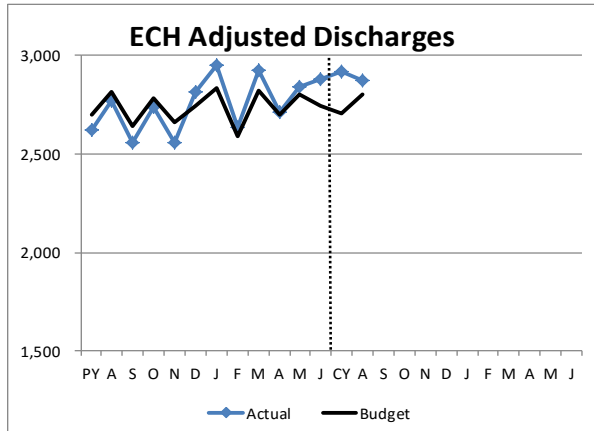
\$ in thousands

	Period 2 - Month			Period 2 - FYTD		
	Actual	Budget	Variance	Actual	Budget	Variance
El Camino Hospital Income (Loss) from Operations						
Mountain View	6,926	4,344	2,582	18,870	13,505	5,364
Los Gatos	673	1,278	(606)	872	2,459	(1,587)
Sub Total - El Camino Hospital, excl. Affiliates	7,598	5,623	1,976	19,742	15,964	3,777
Operating Margin %	10.3%	8.0%		13.6%	11.1%	
El Camino Hospital Non Operating Income						
Investments	4,292	1,516	2,776	12,004	3,031	8,973
Swap Adjustments	(499)	0	(499)	(519)	0	(519)
Community Benefit	(33)	(283)	250	(2,004)	(567)	(1,437)
Other (IPECH / Foundation)	(108)	(1,007)	899	(631)	(2,014)	1,383
Sub Total - Non Operating Income	3,652	225	3,427	8,851	451	8,400
El Camino Hospital Net Income (Loss)	11,251	5,848	5,403	28,592	16,415	12,177
ECH Net Margin %	15.3%	8.3%		19.7%	11.4%	
Concern	87	125	(38)	423	253	170
ECSC	(3)	0	(3)	(6)	0	(6)
Foundation	(27)	31	(57)	175	95	80
Silicon Valley Medical Development	(67)	(1)	(67)	(149)	(1)	(149)
Net Income Hospital Affiliates	(11)	155	(166)	444	347	96
Total Net Income Hospital & Affiliates	11,240	6,003	5,237	29,036	16,762	12,273

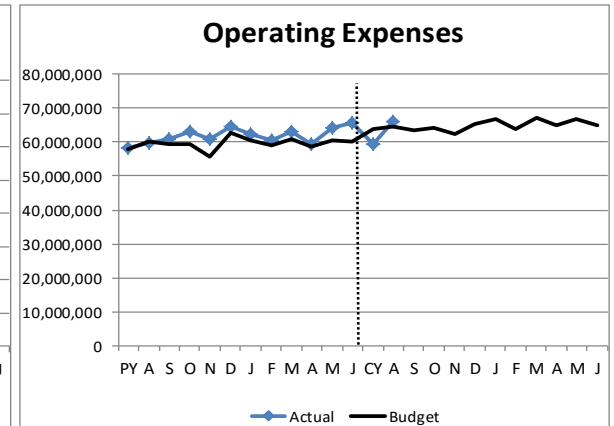
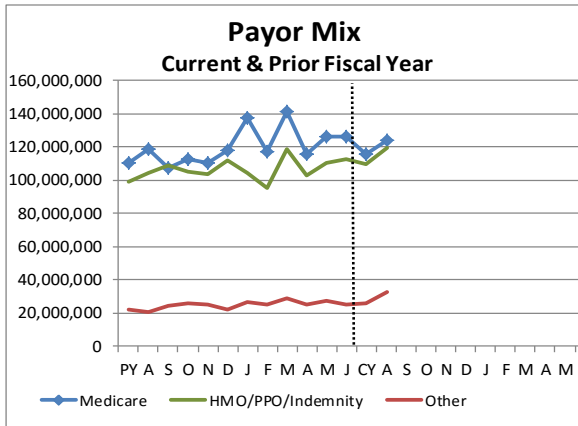
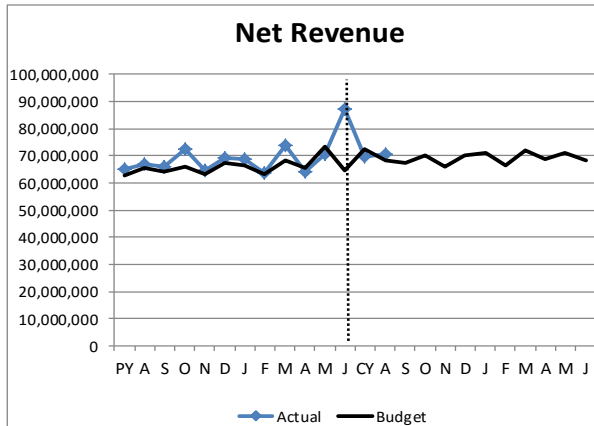
- Investment income favorable due to strong market

- Community Benefit variance due to timing of grants

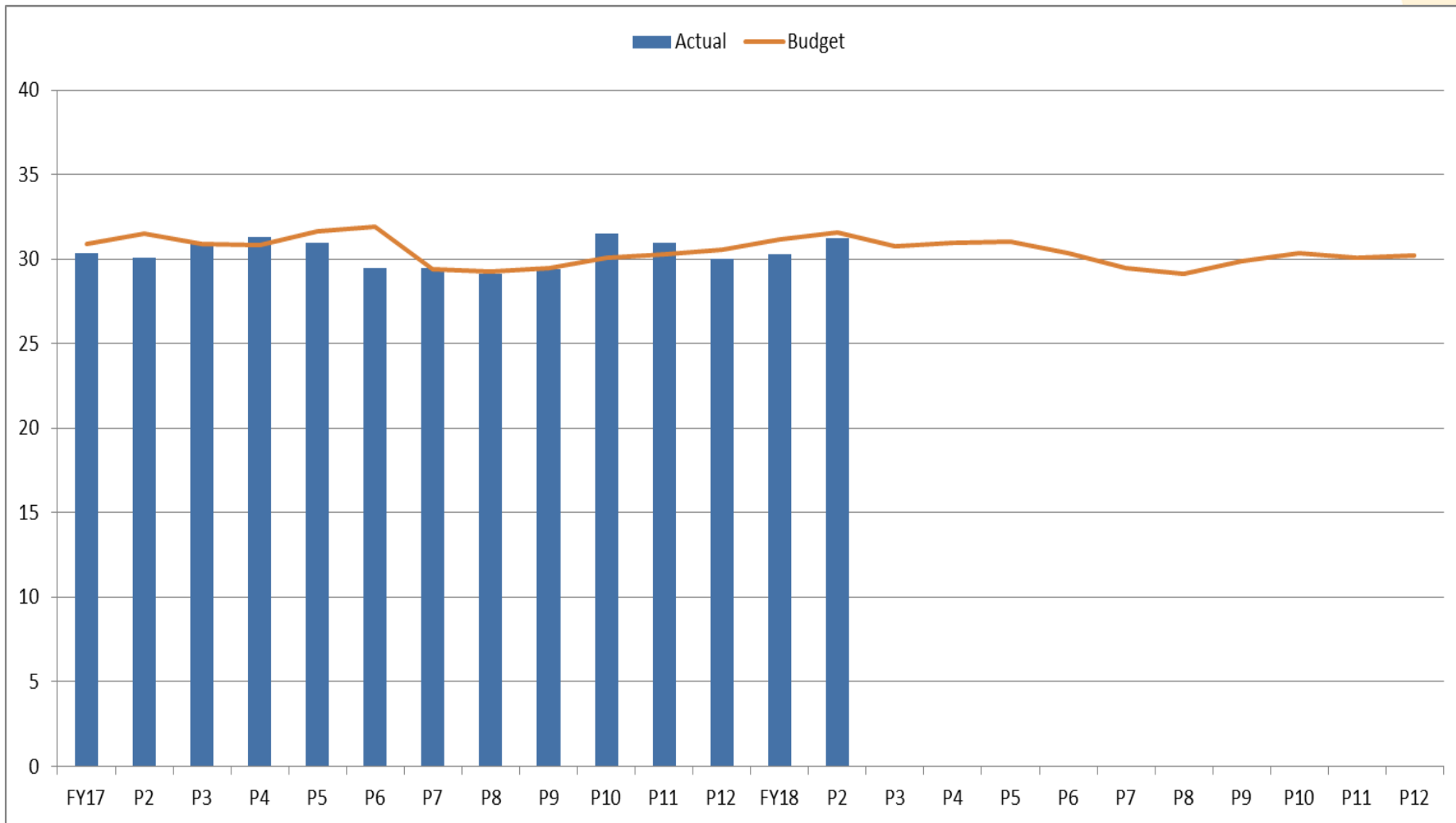
Monthly Financial Trends



Volume is higher than budgeted for the month and the year. High inpatient volume is in Inpatient Neurosciences, BHS, HVI, Oncology. High Outpatient volume is General Surgery, Imaging Services, MCH, Outpatient Clinics and Urology.

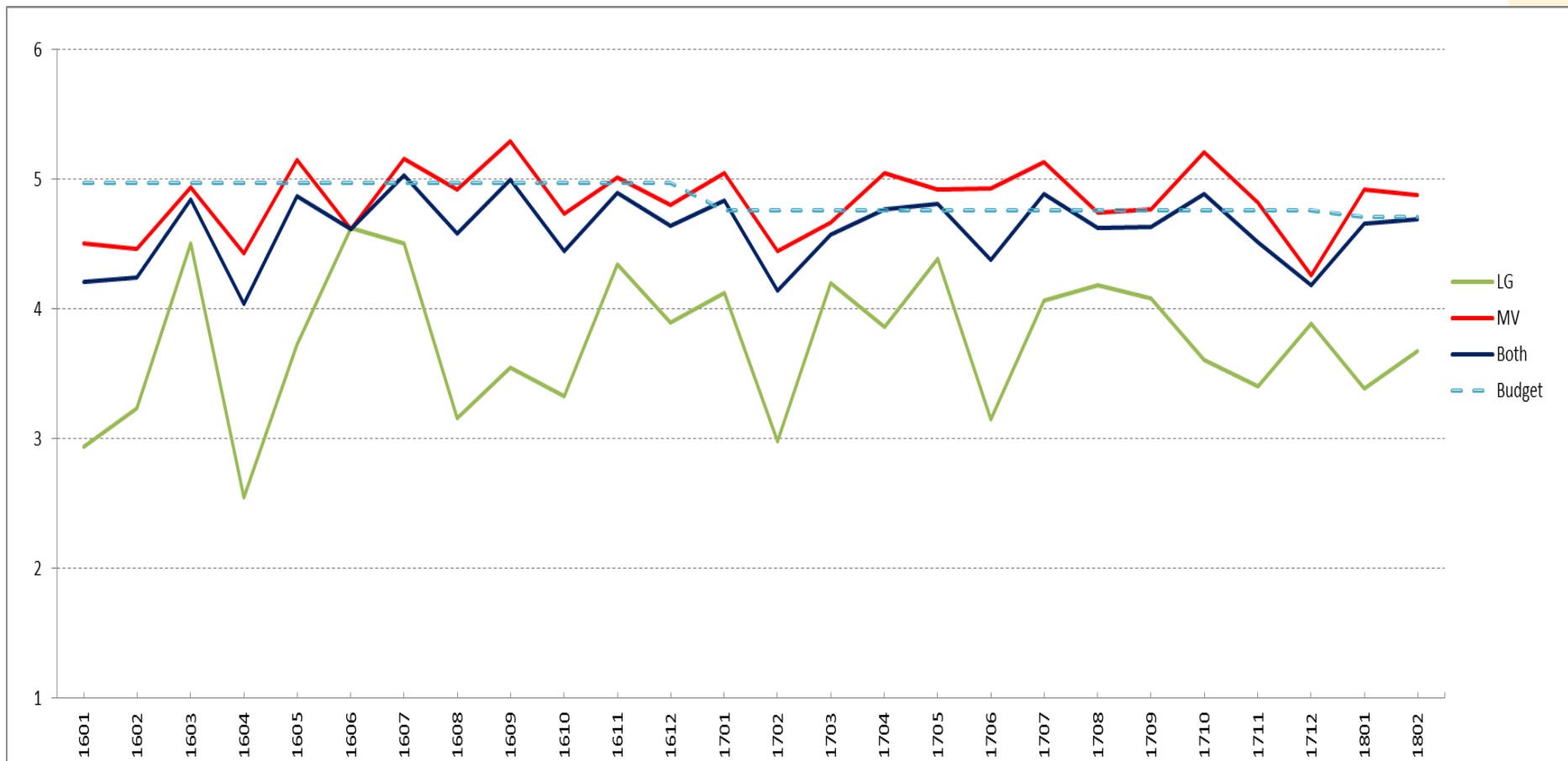


Worked Hours per Adjusted Patient Day



Work hours per adjusted patient day increased in August by 0.9. Overall the month of August is 31.2 worked hours per adjusted patient day.

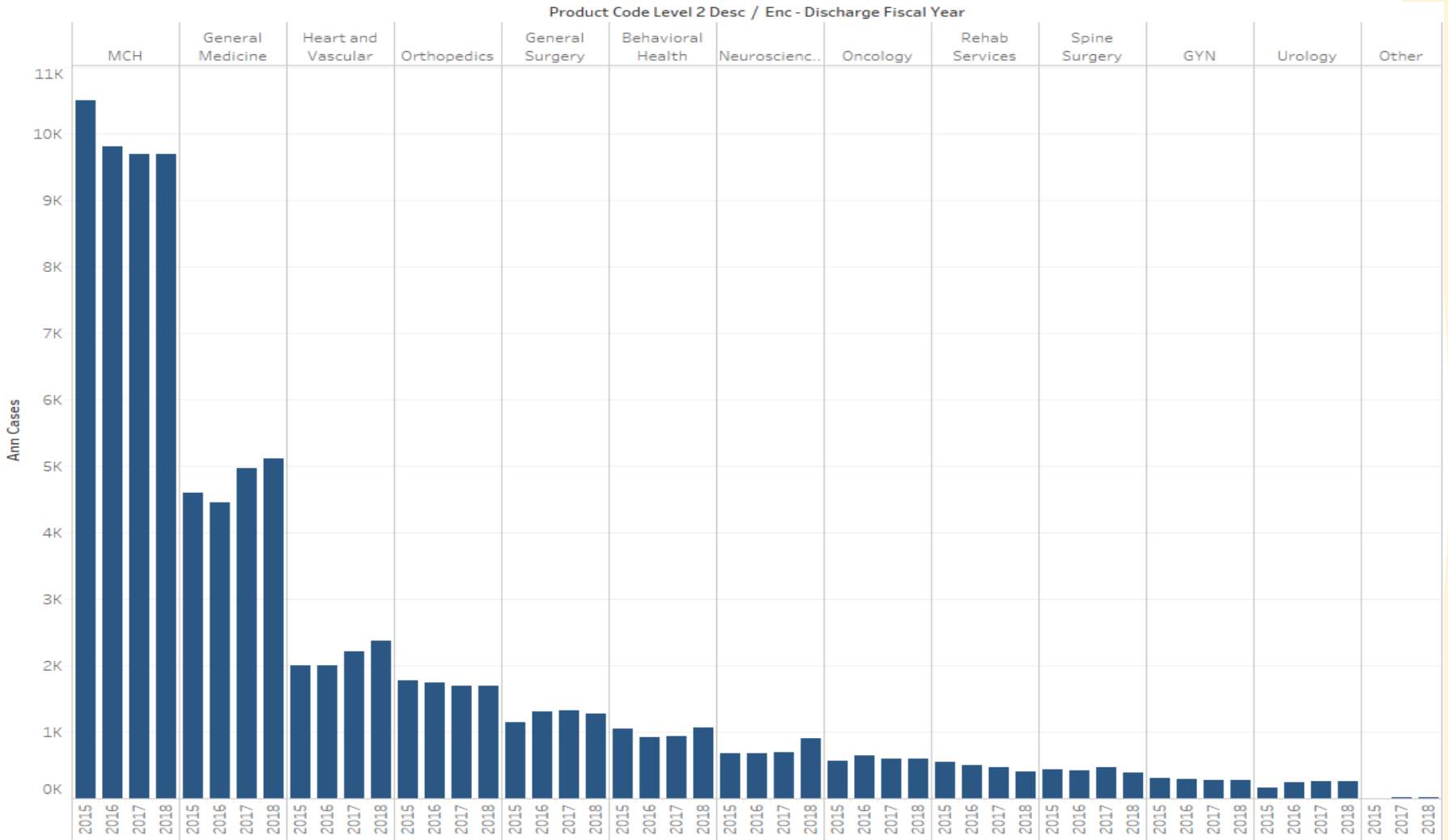
Medicare ALOS



• August ALOS is 4.69 and compared to ALOS budget of 4.71 is lower by 0.2.

El Camino Hospital Volume Annual Trends – Inpatient

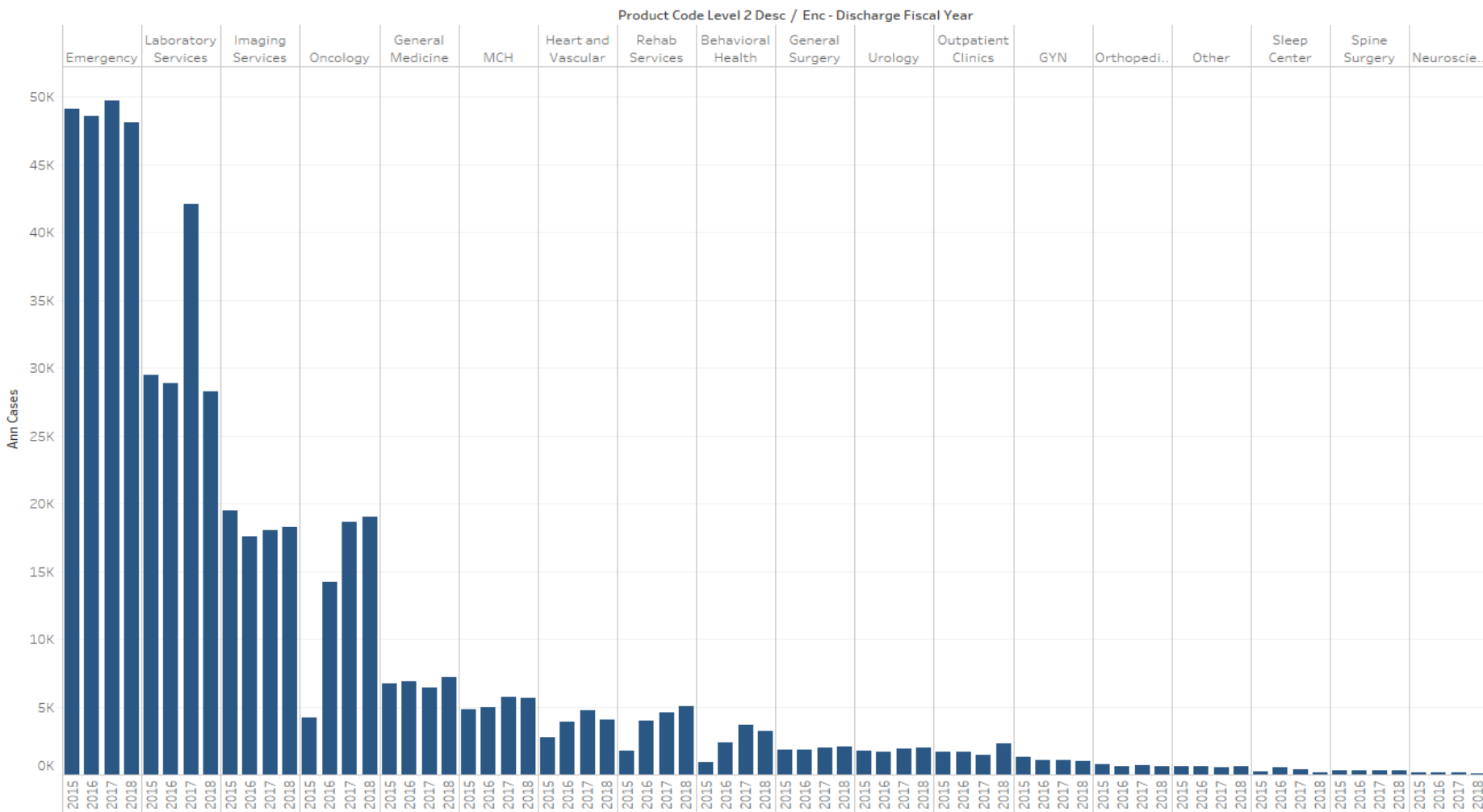
FY 2018 is annualized



- MCH, General Medicine, HVI, Orthopedics, Behavioral Health , Neuroscience and Urology display an increasing trend year to year.
- Conversely, General Surgery, Oncology, Rehab Services, Spine Surgery and GYN show a decreasing trend year to year.

El Camino Hospital Volume Annual Trends – Outpatient

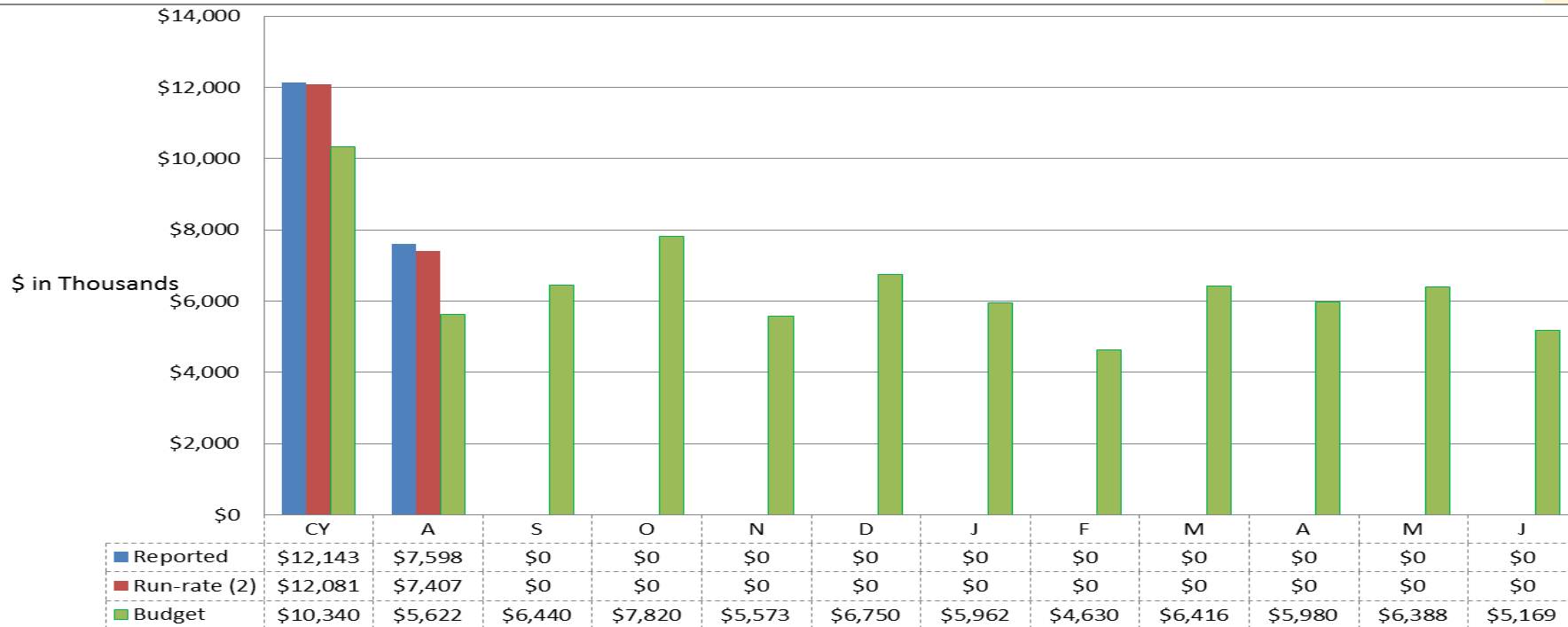
FY 2018 is annualized



- Comparing year-over-year Imaging Services, Oncology, General Medicine, MCH, Rehab Services, Behavioral Health, Urology, General Surgery, and Outpatient Clinics are all increasing in volume.

ECH Operating Margin

Run rate is booked operating income adjusted for material non-recurring transactions



FY 2018 Actual Run Rate Adjustments (in thousands) - FAV / <UNFAV>

Revenue Adjustments	J	A	S	O	N	D	J	F	M	A	M	J	YTD
Mcare Settlmt/Appeal/Tent Settlmt/PIP	54	155	-	-	-	-	-	-	-	-	-	-	209
Various Adjustments under \$250k	9	36	-	-	-	-	-	-	-	-	-	-	45
Total	63	191	-	-	-	-	-	-	-	-	-	-	254

El Camino Hospital Investment Committee Scorecard

June 30, 2017

Key Performance Indicator	Status	El Camino		Benchmark		El Camino		Benchmark		FY17 Year-end Budget	Expectation Per Asset Allocation
		2Q 2017		Fiscal Year-to-date		4y 8m Since Inception (annualized)		May 2016			
Investment Performance											
Surplus cash balance & op. cash (millions)		\$900.5	--	--	--	--	--	\$657.2	--		
Surplus cash return	Green	2.4%	2.1%	8.9%	8.7%	5.4%	5.3%	4.0%	5.2%		
Cash balance plan balance (millions)		\$243.8	--	--	--	--	--	\$220.6	--		
Cash balance plan return	Green	3.1%	2.4%	11.2%	10.3%	7.9%	7.2%	6.0%	5.8%		
403(b) plan balance (millions)		\$406.6	--	--	--	--	--	--	--		
Risk vs. Return											
Surplus cash Sharpe ratio	Green	0.83	0.86	--	--	1.26	1.24	--	0.55		
Net of fee return	Green	3.9%	4.1%	--	--	5.4%	5.3%	--	5.2%		
Standard deviation	Green	4.5%	4.5%	--	--	4.1%	4.1%	--	8.6%		
Cash balance Sharpe ratio	Green	0.84	0.79	--	--	1.37	1.31	--	0.49		
Net of fee return	Green	4.9%	4.5%	--	--	7.9%	7.2%	--	5.8%		
Standard deviation	Green	5.7%	5.6%	--	--	5.6%	5.3%	--	10.7%		
Asset Allocation											
Surplus cash absolute variances to target	Green	9.6%	< 10%	--	--	--	--	--	--		
Cash balance absolute variances to target	Green	9.4%	< 10%	--	--	--	--	--	--		
Manager Compliance											
Surplus cash manager flags	Yellow	19	< 19 Green < 23 Yellow	--	--	--	--	--	--		
Cash balance plan manager flags	Yellow	20	< 20 Green < 25 Yellow	--	--	--	--	--	--		

El Camino Hospital

Capital Spending (in millions)

Category	Detail	Total Estimated Cost of Project	Total Authorized Active	Spent from Inception	2018 Proj Spend	FY 18 YTD Spent
CIP	EPIC Upgrade		1.9	0.0	1.9	0.4
IT Hardware, Software, Equipment & Imaging*			12.2	0.0	12.2	0.0
Medical & Non Medical Equipment FY 17**			10.3	8.4	6.4	6.4
Medical & Non Medical Equipment FY 18			5.6	0.2	5.6	0.2
Facility Projects						
	1245 Behavioral Health Bldg	91.5	91.5	22.1	51.4	4.5
	1413 North Drive Parking Expansion	24.5	24.5	21.5	3.4	1.8
	1414 Integrated MOB	275.0	275.0	54.9	130.1	9.0
	1422 CUP Upgrade	9.0	9.0	2.5	4.0	0.2
	1430 Women's Hospital Expansion	91.0	6.0	0.5	7.0	0.0
	1425 IMOB Preparation Project - Old Main	3.0	3.0	2.6	0.0	0.0
	1502 Cabling & Wireless Upgrades	2.8	2.8	2.4	0.0	0.0
	1525 New Main Lab Upgrades	1.6	3.1	0.5	0.5	0.0
	1515 ED Remodel Triage/Psych Observation	1.6	0.0	0.0	1.0	0.0
	1503 Willow Pavilion Tomosynthesis	1.3	1.3	0.3	0.0	0.0
	1602 JW House (Patient Family Residence)	2.5	0.0	0.0	0.0	0.0
	Site Signage and Other Improvements	1.0	0.0	0.0	0.1	0.0
	IR Room #6 Development	2.6	0.0	0.0	2.0	0.0
	Nurse Call System Upgrades	2.4	0.0	0.0	0.0	0.0
	1707 Imaging Equipment Replacement (5 or 6)	20.7	0.0	0.0	0.0	0.0
	1708 IR/ Cath Lab Equipment Replacement	19.4	0.0	0.0	0.0	0.0
	1709 ED Remodel / CT Triage - Other	5.0	0.0	0.0	0.0	0.0
	Flooring Replacement	1.6	0.0	0.0	0.0	0.0
	1219 LG Spine OR	4.1	4.1	3.4	0.0	0.0
	1313 LG Rehab HVAC System & Structural	3.7	3.7	3.7	0.0	0.0
	1248 LG Imaging Phase II (CT & Gen Rad)	8.8	8.8	8.0	0.7	0.6
	1307 LG Upgrades	19.3	19.3	14.2	5.0	0.3
	1519 LG Electrical Systems Upgrade	1.2	0.0	0.0	0.0	0.0
	1508 LG NICU 4 Bed Expansion	0.0	0.5	0.2	0.0	0.0
	1507 LG IR Upgrades	1.1	0.0	0.0	0.0	0.0
	LG Building Infrastructure Upgrades	1.5	0.0	0.0	0.0	0.0
	1603 LG MOB Improvements (17)	5.0	5.0	0.4	3.5	0.2
	All Other Projects under \$1M	26.4	4.8	42.9	3.2	0.2
		627.6	462.3	180.0	211.9	16.7
GRAND TOTAL			492.4	188.6	231.7	23.6

*Excluding EPIC

** Unspent Prior Year routine, subject to change as capital is purchased

Balance Sheet (in thousands)

ASSETS

	Audited	
	August 31, 2017	June 30, 2017
CURRENT ASSETS		
(1) Cash	97,250	125,551
Short Term Investments	126,385	140,284
Patient Accounts Receivable, net	111,890	109,089
Other Accounts and Notes Receivable	2,605	2,628
(2) Intercompany Receivables	1,507	1,495
(3) Inventories and Prepays	54,402	50,657
Total Current Assets	394,039	429,705
BOARD DESIGNATED ASSETS		
Plant & Equipment Fund	139,638	131,153
Women's Hospital Expansion	9,298	9,298
(4) Operational Reserve Fund	127,908	100,196
(5) Community Benefit Fund	17,778	12,237
Workers Compensation Reserve Fund	20,352	20,007
Postretirement Health/Life Reserve Fund	19,424	19,218
PTO Liability Fund	23,205	23,409
Malpractice Reserve Fund	1,634	1,634
Catastrophic Reserves Fund	16,403	16,575
Total Board Designated Assets	375,640	333,727
(6) FUNDS HELD BY TRUSTEE	271,295	287,052
LONG TERM INVESTMENTS	280,400	256,652
INVESTMENTS IN AFFILIATES	32,450	32,451
(7) PROPERTY AND EQUIPMENT		
Fixed Assets at Cost	1,216,577	1,192,047
Less: Accumulated Depreciation	(536,344)	(531,785)
Construction in Progress	124,007	138,017
Property, Plant & Equipment - Net	804,241	798,279
DEFERRED OUTFLOWS	28,860	28,960
RESTRICTED ASSETS - CASH	0	0
TOTAL ASSETS	2,186,925	2,166,825

LIABILITIES AND FUND BALANCE

	Audited	
	August 31, 2017	June 30, 2017
CURRENT LIABILITIES		
(8) Accounts Payable	30,823	38,457
Salaries and Related Liabilities	29,323	25,109
Accrued PTO	23,205	23,409
Worker's Comp Reserve	2,300	2,300
Third Party Settlements	10,881	10,438
Intercompany Payables	83	84
Malpractice Reserves	1,634	1,634
Bonds Payable - Current	3,735	3,735
(9) Bond Interest Payable	5,534	11,245
Other Liabilities	4,814	4,889
Total Current Liabilities	112,332	121,299
LONG TERM LIABILITIES		
Post Retirement Benefits	19,424	19,218
Worker's Comp Reserve	18,052	17,707
Other L/T Obligation (Asbestos)	3,765	3,746
Other L/T Liabilities (IT/Medl Leases)	-	-
Bond Payable	527,890	527,371
Total Long Term Liabilities	569,131	568,042
DEFERRED REVENUE-UNRESTRICTED	540	567
DEFERRED INFLOW OF RESOURCES	10,666	10,666
FUND BALANCE/CAPITAL ACCOUNTS		
Unrestricted	1,118,617	1,132,525
Board Designated	375,640	333,726
Restricted	0	0
(10) Total Fund Bal & Capital Accts	1,494,256	1,466,251
TOTAL LIABILITIES AND FUND BALANCE	2,186,925	2,166,825

August 2017 El Camino Hospital Comparative Balance Sheet Variances and Footnotes

- (1) The decrease in cash is due to \$40M being moved into various investments during July (primarily Board Designated and Long Term investments), as currently having the 2017 Project Bond monies available for payments of the major construction projects, the daily cash reserves did not need to be at amounts greater than \$100M.
- (2) The increase over the 2017 fiscal year end is principally due a transfer into the 60-day Operational Reserve within the Board Designated Assets to adjust the balance to needed reserve for the 2018 fiscal. Note this balance hadn't been reset for a couple of years.
- (3) The increase is due a quarterly \$2.6M pension contribution was made in July. Also at the beginning of every July a number of significant annual insurance premiums (D&O, Property, Cyber, and Auto) were paid and classified as a Prepaid Expense that subsequently are amortized over the upcoming fiscal year.
- (4) The increase here is to reset the Operational Reserve (to cover 60 days of operating expenses) for FY2018. The prior year balance hadn't been reset in a couple of years. Refer to item #2 above.
- (5) The increase is due to an approved addition of \$5 million to the Community Benefit Board Designated Endowment as an outcome of the FY2018 budget process to generate additional investment income for the Community Benefits program.
- (6) The decrease is due to additional draws from the 2017 bond financing Project Funds in support of monthly payments to contractors involved with the construction projects at the Mountain View campus. As these projects are now in full progress greater amounts will be withdrawn in future periods.
- (7) The increase is due to the capitalization of the Parking Structure expansion that has been put in service, which in turn reduced amounts in the Construction in Progress category.
- (8) The decrease is due to the significant General Contractor construction payments being accrued at year end, along with associated retentions and other general accounts payable activity that were subsequently relieved in this first quarter of fiscal year 2018.
- (9) The decrease in bond interest payable was due to the semi-annual interest payment due August 1st of \$4.9 million.
- (10) The increase is attributable to the first two periods of financial performance producing an operating income of \$20 million and non-operating of \$8 million (mostly from unrealized gains on investments).

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (1 OF 2)

Plant & Equipment Fund – original established by the District Board in the early 1960’s to fund new capital expansion projects of building facilities or equipment (new or replacements). The funds came from the M&O property taxes being received and the funding depreciation expense at 100%. When at the end of 1992, the 501(c)(3) Hospital was performed by the District, the property tax receipts remained with the District. The newly formed Hospital entity continued on with funding depreciation expense, but did that funding at 130% of the depreciation expense to account for an expected replacement cost of current plant and property assets. It is to be noted that within this fund is an itemized amount of \$14 million for the Behavioral Health Service building replacement project. This amount came from the District’s Capital Appropriation Fund (excess Gann Limit property taxes) of the fiscal years of 2010 thru 2013 by various District board actions.

Women’s Hospital Expansion – established June 2016 by the District authorizing the amounts accumulated in its Capital Appropriation Fund (excess Gann Limit property taxes) for the fiscal years of 2014 and 2015 to be allocated for the renovation of the Women’s Hospital upon the completion of Integrated Medical Office Building currently under construction.

Operational Reserve Fund – originally established by the District in May 1992 to establish a fund equal to sixty (60) days of operational expenses (based on projected budget) and only be used in the event of a major business interruption event and/or cash flow.

Community Benefit Fund – following in the footsteps of the District in 2008 of forming its Community Benefit Fund using Gann Limit tax receipts, the Hospital in 2010 after opening its campus outside of District boundaries in Los Gatos formed its own Community Benefit Fund to provide grants/sponsorships in Los Gatos and surrounding areas. The funds come from the Hospital reserving \$1.5M a year from its operations, the entity of CONCERN contributing 40% of its annual income each year (an amount it would have paid in corporate taxes if it wasn’t granted tax exempt status), that generates an amount of \$800,000 or more a year. \$15 million within this fund is a board designated endowment fund formed in 2015 with a \$10 million contribution, and added to at the end of the 2017 fiscal year end with another \$5 million contribution, to generate investment income to be used for grants and sponsorships, currently anticipated to generate \$500,000 a year in investment income for the program.

EL CAMINO HOSPITAL - BOARD DESIGNATED FUND DESCRIPTIONS/HISTORY (2 OF 2)

Workers Compensation Reserve Fund – as the Hospital is self-insured for its workers compensation program (since 1978) this fund was originally formed in early 2000's by management to reserve cash equal to the yearly actuarially determined Workers Compensation amount. The thought being if the business was to terminate for some reason this is the amount in cash that would be needed to pay out claims over the next few years.

Postretirement Health/Life Reserve Fund – following the same formula as the Workers Compensation Reserve Fund this fund was formed in the early 2000's by management to reserve cash equal to the yearly actuarially determined amount to fund the Hospital's postretirement health and life insurance program. Note this program was frozen in 1995 for all new hires after that date.

PTO (Paid Time Off) Liability Fund – originally formed in 1993 as the new 501(c)(3) Hospital began operations, management thought as a business requirement of this vested benefit program that monies should be set aside to extinguish this employee liability should such a circumstance arise. This balance is equal to the PTO Liability on the Balance Sheet.

Malpractice Reserve Fund – originally established in 1989 by the then District's Finance Committee and continued by the Hospital. The amount is actuarially determined each year as part of the annual audit to fund potential claims less than \$50,000. Above \$50,000 our policy with the BETA Healthcare Group kicks in to a \$30 million limit per claim/\$40 million in the aggregate.

Catastrophic Loss Fund – was established in 1999 by the Hospital Board to be a "self-insurance" reserve fund for potential non-major earthquake repairs. Initially funded by the District transferring \$5 million and has been added to by the last major payment from FEMA for the damage caused the Hospital by the October 1989 earthquake. It is to be noted that it took 10 years to receive final settlement from FEMA grants that totaled \$6.8 million that did mostly cover all the necessary repairs.

APPENDIX

El Camino Hospital – Mountain View (\$000s)

2 months ending 8/31/2017

PERIOD 2 FY 2017	PERIOD 2 FY 2018	PERIOD 2 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
202,034	224,886	216,406	8,479	3.9%	Gross Revenue	395,665	432,366	428,505	3,862	0.9%
(146,835)	(167,199)	(161,279)	(5,920)	3.7%	Deductions	(287,148)	(316,116)	(313,752)	(2,364)	0.8%
55,198	57,687	55,128	2,559	4.6%	Net Patient Revenue	108,516	116,251	114,753	1,498	1.3%
1,741	2,675	1,629	1,046	64.2%	Other Operating Revenue	3,275	4,521	3,269	1,252	38.3%
56,939	60,363	56,757	3,606	6.4%	Total Operating Revenue	111,791	120,771	118,022	2,750	2.3%
OPERATING EXPENSE										
29,865	32,960	32,568	(392)	-1.2%	Salaries & Wages	59,405	64,656	64,859	203	0.3%
8,235	9,022	7,970	(1,051)	-13.2%	Supplies	15,316	15,849	15,963	114	0.7%
6,034	6,880	6,515	(365)	-5.6%	Fees & Purchased Services	11,686	12,731	13,321	590	4.4%
995	832	1,179	346	29.4%	Other Operating Expense	1,703	1,104	1,992	888	44.6%
459	333	725	392	54.1%	Interest	921	751	1,451	699	48.2%
3,558	3,410	3,456	46	1.3%	Depreciation	7,046	6,810	6,931	120	1.7%
49,146	53,437	52,413	(1,024)	-2.0%	Total Operating Expense	96,077	101,901	104,516	2,615	2.5%
7,793	6,926	4,344	2,582	59.4%	Net Operating Income/(Loss)	15,714	18,870	13,505	5,364	39.7%
4,759	3,697	225	3,471	1540.8%	Non Operating Income	15,927	8,895	451	8,445	1874.1%
12,553	10,623	4,570	6,053	132.5%	Net Income(Loss)	31,641	27,765	13,956	13,809	98.9%
20.7%	17.7%	15.0%	2.7%		EBITDA	21.2%	21.9%	18.5%	3.3%	
13.7%	11.5%	7.7%	3.8%		Operating Margin	14.1%	15.6%	11.4%	4.2%	
22.0%	17.6%	8.1%	9.5%		Net Margin	28.3%	23.0%	11.8%	11.2%	

El Camino Hospital – Los Gatos(\$000s)

2 months ending 8/31/2017

PERIOD 2 FY 2017	PERIOD 2 FY 2018	PERIOD 2 Budget 2018	Variance Fav (Unfav)	Var%	\$000s	YTD FY 2017	YTD FY 2018	YTD Budget 2018	Variance Fav (Unfav)	Var%
OPERATING REVENUE										
41,551	50,833	47,787	3,046	6.4%	Gross Revenue	79,183	94,200	94,613	(413)	-0.4%
(29,915)	(37,759)	(34,704)	(3,055)	8.8%	Deductions	(55,678)	(70,011)	(68,711)	(1,300)	1.9%
11,637	13,074	13,083	(9)	-0.1%	Net Patient Revenue	23,505	24,189	25,902	(1,713)	-6.6%
173	159	206	(47)	-22.6%	Other Operating Revenue	341	320	413	(94)	-22.7%
11,810	13,233	13,289	(55)	-0.4%	Total Operating Revenue	23,846	24,509	26,315	(1,806)	-6.9%
OPERATING EXPENSE										
5,890	6,641	6,365	(276)	-4.3%	Salaries & Wages	11,864	13,160	12,704	(456)	-3.6%
1,602	2,439	1,967	(471)	-24.0%	Supplies	2,962	3,820	3,935	115	2.9%
1,428	1,453	1,306	(147)	-11.2%	Fees & Purchased Services	2,775	2,637	2,611	(26)	-1.0%
1,617	1,545	1,677	132	7.9%	Other Operating Expense	3,237	3,048	3,210	162	5.0%
0	0	0	0	0.0%	Interest	0	0	0	0	0.0%
537	483	695	212	30.4%	Depreciation	1,077	973	1,397	424	30.4%
11,075	12,561	12,010	(550)	-4.6%	Total Operating Expense	21,915	23,637	23,856	219	0.9%
735	673	1,278	(606)	-47.4%	Net Operating Income/(Loss)	1,931	872	2,459	(1,587)	-64.5%
(10)	(45)	0	(45)	0.0%	Non Operating Income	(10)	(45)	0	(45)	0.0%
724	628	1,278	(650)	-50.9%	Net Income(Loss)	1,921	827	2,459	(1,632)	-66.4%
10.8%	8.7%	14.8%	-7.1%		EBITDA	12.6%	7.5%	14.6%	-7.1%	
6.2%	5.1%	9.6%	-4.5%		Operating Margin	8.1%	3.6%	9.3%	-5.8%	
6.1%	4.7%	9.6%	-4.9%		Net Margin	8.1%	3.4%	9.3%	-6.0%	

Capital Spend Trend & FY 18 Budget

Capital Spending (in 000's)	Actual FY2015	Actual FY2016	Actual FY2017	Projected FY2018
EPIC	29,849	20,798	2,755	1,922
IT Hardware / Software Equipment	4,660	6,483	2,659	12,238
Medical / Non Medical Equipment*	13,340	17,133	9,556	5,635
Non CIP Land, Land I , BLDG, Additions	-	4,189	-	-
Facilities	38,940	48,137	82,953	211,886
GRAND TOTAL	86,789	96,740	97,923	231,681

*Includes 2 robot purchases in projected FY2017 & FY2016 Medical/Non Medical Equipment spent FY2017

El Camino Hospital Capital Spending (in thousands) FY 2012 – FY 2017

Category	2013	2014	2015	2016	2017	Category	2013	2014	2015	2016	2017
EPIC	0	6,838	29,849	20,798	2,755	Facilities Projects CIP cont.					
IT Hardware/Software Equipment	8,019	2,788	4,660	6,483	2,659	1403 - Hosp Drive BLDG 11 TI's	0	86	103	0	0
Medical/Non Medical Equipment	10,284	12,891	13,340	17,133	9,556	1404 - Park Pav HVAC	0	64	7	0	0
Non CIP Land, Land I, BLDG, Additions	0	22,292	0	4,189	0	1405 - 1 - South Accessibility Upgrades	0	0	0	168	95
						1408 - New Main Accessibility Upgrades	0	0	7	46	501
						1415 - Signage & Wayfinding	0	0	0	106	58
						1416 - MV Campus Digital Directories	0	0	0	34	23
						1423 - MV MOB TI Allowance	0	0	0	588	369
Facilities Projects CIP						1425 - IMOB Preparation Project - Old Main	0	0	0	711	1,860
Mountain View Campus Master Plan Projects						1429 - 2500 Hospital Dr Bldg 8 TI	0	0	101	0	0
1245 - Behavioral Health Bldg Replace	0	1,257	3,775	1,389	10,323	1430 - Women's Hospital Expansion	0	0	0	0	464
1413 - North Drive Parking Structure Exp	0	0	167	1,266	18,120	1432 - 205 South Dr BHS TI	0	0	8	15	0
1414 - Integrated MOB	0	0	2,009	8,875	32,805	1501 - Women's Hospital NPC Comp	0	0	4	0	223
1422 - CUP Upgrade	0	0	0	896	1,245	1502 - Cabling & Wireless Upgrades	0	0	0	1,261	367
Sub-Total Mountain View Campus Master Plan	0	1,257	5,950	12,426	62,493	1503 - Willow Pavillion Tomosynthesis	0	0	0	53	257
						1504 - Equipment Support Infrastructure	0	0	61	311	0
Mountain View Capital Projects						1523 - Melchor Pavillion Suite 309 TI	0	0	0	10	59
9900 - Unassigned Costs	734	470	3,717	0	0	1525 - New Main Lab Upgrades	0	0	0	0	464
1108 - Cooling Towers	450	0	0	0	0	1526 - CONCERN TI	0	0	0	37	99
1120 - BHS Out Patient TI's	66	0	0	0	0	Sub-Total Mountain View Projects	8,145	7,219	26,744	5,588	5,535
1129 - Old Main Card Rehab	9	0	0	0	0	Los Gatos Capital Projects					
0817 - Womens Hosp Upgrds	645	1	0	0	0	0904 - LG Facilities Upgrade	2	0	0	0	0
0906 - Slot Build-Out	1,003	1,576	15,101	1,251	294	0907 - LG Imaging Masterplan	244	774	1,402	17	0
1109 - New Main Upgrades	423	393	2	0	0	1005 - LG OR Light Upgrd	14	0	0	0	0
1111 - Mom/Baby Overflow	212	29	0	0	0	1122 - LG Sleep Studies	7	0	0	0	0
1204 - Elevator Upgrades	25	30	0	0	0	1210 - Los Gatos VOIP	147	89	0	0	0
0800 - Womens L&D Expansion	2,104	1,531	269	0	0	1116 - LG Ortho Pavillion	177	24	21	0	0
1131 - MV Equipment Replace	216	0	0	0	0	1124 - LG Rehab BLDG	49	458	0	0	0
1208 - Willow Pav. High Risk	110	0	0	0	0	1247 - LG Infant Security	134	0	0	0	0
1213 - LG Sterilizers	102	0	0	0	0	1307 - LG Upgrades	376	2,979	3,282	3,511	3,081
1225 - Rehab BLDG Roofing	7	241	4	0	0	1308 - LG Infrastructure	0	114	0	0	0
1227 - New Main eICU	96	21	0	0	0	1313 - LG Rehab HVAC System/Structural	0	0	0	1,597	1,904
1230 - Fog Shop	339	80	0	0	0	1219 - LG Spine OR	0	214	323	633	2,163
1315 - 205 So. Drive TI's	0	500	2	0	0	1221 - LG Kitchen Refrig	0	85	0	0	0
0908 - NPCR3 Seismic Upgrds	1,302	1,224	1,328	240	342	1248 - LG - CT Upgrades	0	26	345	197	6,669
1125 - Will Pav Fire Sprinkler	57	39	0	0	0	1249 - LG Mobile Imaging	0	146	0	0	0
1211 - SIS Monitor Install	215	0	0	0	0	1328 - LG Ortho Canopy FY14	0	255	209	0	0
1216 - New Main Process Imp Office	19	1	16	0	0	1345 - LG Lab HVAC	0	112	0	0	0
1217 - MV Campus MEP Upgrades FY13	0	181	274	28	0	1346 - LG OR 5, 6, and 7 Lights Replace	0	0	285	53	22
1224 - Rehab Bldg HVAC Upgrades	11	202	81	14	6	1347 - LG Central Sterile Upgrades	0	0	181	43	66
1301 - Desktop Virtual	0	13	0	0	0	1421 - LG MOB Improvements	0	0	198	65	303
1304 - Rehab Wander Mgmt	0	87	0	0	0	1508 - LG NICU 4 Bed Expansion	0	0	0	0	207
1310 - Melchor Cancer Center Expansion	0	44	13	0	0	1600 - 825 Pollard - Aspire Phase II	0	0	0	0	80
1318 - Women's Hospital TI	0	48	48	29	2	1603 - LG MOB Improvements	0	0	0	0	285
1327 - Rehab Building Upgrades	0	0	15	20	0	Sub-Total Los Gatos Projects	1,150	5,276	6,246	6,116	14,780
1320 - 2500 Hosp Dr Roofing	0	75	81	0	0	1550 - Land Acquisition	0	0	0	24,007	0
1340 - New Main ED Exam Room TVs	0	8	193	0	0	1701 - 828 S Winchester Clinic TI	0	0	0	0	145
1341 - New Main Admin	0	32	103	0	0	Sub-Total Other Strategic Projects	0	0	0	24,007	145
1344 - New Main AV Upgrd	0	243	0	0	0	Subtotal Facilities Projects CIP	9,294	13,753	38,940	48,137	82,953
1400 - Oak Pav Cancer Center	0	0	5,208	666	52	Grand Total	27,598	58,561	86,789	96,740	97,923
						Forecast at Beginning of year	70,503	70,037	101,607	114,025	212,000



El Camino Hospital
THE HOSPITAL OF SILICON VALLEY

Memorandum Administration

Date: August 31, 2017
To: El Camino Hospital Board of Directors
From: Ken King, CASO
Re: Mountain View Campus Master Plan Projects - Revised Budget Request

Finance Committee
This is a copy of the
Request Approved by
the El Camino Hospital
Board on 09/13/17.
District Board Approval
is pending

2500 Grant Road
Mountain View, CA 94040-4378
Phone: 650-940-7000
www.elcaminohospital.org

Request: Following a preliminary review with the Finance Committee at their July 31, 2017 meeting I am requesting Board approval of the revised budgets for two of the Mountain View Campus Master Plan Projects.

	Current	Additional	Revised
Behavioral Health Services Building (BHS)	\$ 91,500,000	\$ 4,600,000	\$ 96,100,000
Integrated Medical Office Building (IMOB)	\$275,000,000	\$27,100,000	\$302,100,000

This request increases the budgets by a total of \$31.7 million.

Authority: As required by policy, capital projects exceeding \$500,000 require approval by the Board of Directors.

Problem / Opportunity Definition: The Board of Directors has previously authorized the development and funding of the Mountain View Campus Master Plan Projects. The budgets approved in August 2016 for both the BHS and IMOB projects were partially based on the estimated construction costs, but without the benefit of permitted plans and final bids and proposals. The complexity of multi-jurisdictional plan reviews and permits along with design changes resulting from agency code interpretations and the time it has taken to obtain agency approvals has led to higher construction costs.

Process Description: The final Guaranteed Maximum Price (GMP) proposals received from the contractors on both the BHS and IMOB projects with the plans and specifications now approved, exceeded the estimates in both budgets. For the past month we have been reviewing and challenging the proposals to ensure that we are receiving appropriate pricing and value for the permitted scope of work. We have also balanced the risks through the appropriate allocation of allowances and contingencies in order to finalize acceptable GMP agreements. We have also included incentives to reduce costs during the course of construction. Note that all savings from contract allowances, contingencies and incentives that are not spent come back to El Camino Hospital.

Due to the time sensitivity of needing to release the construction agreements, this request is being presented directly to the Board of Directors without a recommendation from the Finance Committee, however the information in hand on July 31st was reviewed by the Finance Committee without a request for action.

Alternative Solutions: After careful consideration of various alternative solutions it was determined that proceeding with the projects with increased budgets was the least risky alternative.

Concurrence for Recommendation: This request is supported by the Executive Leadership Team and the CEO. Note that the El Camino Healthcare District is required to approve the capital budgets which exceed \$25 million. The Healthcare District's approval will be requested at the regularly scheduled meeting in October.

Outcome Measures / Deadlines: The target timeline to complete the construction of both the BHS and IMOB Projects has been adjusted to March of 2019.

Legal Review: There has been no legal review for this request.

Compliance Review: None at this time.

Financial Review: The financial health of the organization is able to support the additional capital cost with cash reserves and the proceeds from the \$290 million in 2017 Revenue Bonds issued earlier this year.

Attached:

MV Master Plan Project Status Update & Budget Revision Presentation

Finance Committee
Only pertinent slides are
attached. Background
Slides are not included.



El Camino Hospital[®]
THE HOSPITAL OF SILICON VALLEY

Major Capital Projects Update

For Information

September 25, 2017

Ken King

Chief Administrative Services Officer

This presentation is a subset of what was presented to the Board of Directors on September 13th.

Mountain View Campus Development Projects Status Update – August 31, 2017

- North Parking Garage Expansion - \$24.5 m
 - This project is in the close out phase for the primary construction with only the scheduled installation of the battery system (under a separate agreement) to be completed.
- Behavioral Health Services (BHS) Building - ~~\$91.5m~~ - \$96.1
 - Foundation, underground utilities and the slab on grade are progressing on schedule and structural steel fabrication is in process. An increase the project budget has been requested as a result of higher than planned construction costs.
- Integrated Medical Office (IMOB) Building - ~~\$275 m~~ - \$302.1 m
 - The Demolition and Site Utilities Phases are complete. The installation of 318 foundation piles ranging from 40 to 80 feet deep is 98% complete and progressing on schedule. The plans have been approved and the primary permit for the building structure is expected has been issued by the City of Mountain View. An increase the project budget has been requested as a result of higher than planned construction costs.
- Central Utility Plant (CUP) Upgrades - \$9 m
 - Construction and equipment installation continues on schedule. There are currently no problems anticipated for completing the upgrades in time to support the new BHS and IMOB projects.

Project Cost Projections – August 31, 2017

Current Projection - Based on Final GMP Agreements				Updated 08/31	Forecasted to
Through August 31, 2017	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Budget Variance
North Drive Parking Structure Expansion	\$24,500,000	\$24,380,454	\$21,056,963	\$23,914,602	\$585,398
Behavioral Health Services Building	\$91,500,000	\$50,992,706	\$21,895,012	\$96,100,000	(\$4,600,000)
Integrated Medical Office Building & Parking Structure	\$275,000,000	\$148,484,028	\$54,587,014	\$302,100,000	(\$27,100,000)
Central Utility Plant Upgrade	\$9,000,000	\$8,544,116	\$2,492,023	\$8,924,720	\$75,280
Total All Projects	\$400,000,000	\$232,401,304	\$100,031,012	\$431,039,322	(\$31,039,322)

- To date we have obligated by contract 58% of the Total Project Budgets and paid 43% of the obligated amount, however at this time we are forecasting to spend 108% of the Currently Funded Project Budgets at completion.
- A request to increase the Project Budgets for both the BHS and IMOB Projects was approved by the ECH Board of Directors. District Board approval is pending.
- We have contracted for all of the work that is on the critical path and we are finalizing the GMP agreements with the contractors on both the BHS and IMOB Projects.

Board Approved On 09/13/17

Project Budgets

Request to Increase Budgets

Behavioral Health Services Project - \$ 4.6 million

Integrated Medical Office Building - \$27.1 million

Forecast History

Mountain View Master Plan Projects - Financial Summary & Forecasted Cost					
Through June 30, 2017					
	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Forecasted to Budget Variance
North Drive Parking Structure Expansion	\$24,500,000	\$24,380,454	\$18,722,153	\$23,861,747	\$638,253
Behavioral Health Services Building	\$91,500,000	\$47,953,284	\$16,864,789	\$89,592,794	\$1,907,206
Integrated Medical Office Building & Parking Structure	\$275,000,000	\$141,905,436	\$43,553,214	\$275,964,719	(\$964,719)
Central Utility Plant Upgrade	\$9,000,000	\$8,051,723	\$2,047,440	\$8,785,435	\$214,565
Total All Projects	\$400,000,000	\$222,290,897	\$81,187,596	\$398,204,695	\$1,795,305
Reviewed with Finance Committee - Based on Final GMP Proposals					
				Updated 07/31	
Through July 31, 2017					
	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Forecasted to Budget Variance
North Drive Parking Structure Expansion	\$24,500,000	\$24,380,454	\$18,722,153	\$23,993,238	\$506,762
Behavioral Health Services Building	\$91,500,000	\$47,953,284	\$16,864,789	\$96,053,658	(\$4,553,658)
Integrated Medical Office Building & Parking Structure	\$275,000,000	\$141,905,436	\$43,553,214	\$302,044,660	(\$27,044,660)
Central Utility Plant Upgrade	\$9,000,000	\$8,051,723	\$2,047,440	\$8,924,720	\$75,280
Total All Projects	\$400,000,000	\$222,290,897	\$81,187,596	\$431,016,276	(\$31,016,276)
Current Projection - Based on Final GMP Agreements					
				Updated 08/31	
Through August 31, 2017					
	Approved Funding	Total Obligated	Paid to Date	Forecasted Cost	Forecasted to Budget Variance
North Drive Parking Structure Expansion	\$24,500,000	\$24,380,454	\$21,056,963	\$23,914,602	\$585,398
Behavioral Health Services Building	\$91,500,000	\$50,992,706	\$21,895,012	\$96,100,000	(\$4,600,000)
Integrated Medical Office Building & Parking Structure	\$275,000,000	\$148,484,028	\$54,587,014	\$302,100,000	(\$27,100,000)
Central Utility Plant Upgrade	\$9,000,000	\$8,544,116	\$2,492,023	\$8,924,720	\$75,280
Total All Projects	\$400,000,000	\$232,401,304	\$100,031,012	\$431,039,322	(\$31,039,322)

Project Cost Projection – Summary Detail

Behavioral Health Services - Project			07/31/17 Projection - Based on Final GMP Proposal	08/31/17 Projection - Based on Negotiated GMP Agreement
	Approved Funding	Previous Projection		
Soft Costs				
Consultants	11,619,425	11,321,000	12,467,289	12,352,077
Permits/Fees	1,266,043	1,270,810	1,226,376	1,237,988
Inspection / Testing	1,363,365	1,363,365	2,485,365	3,046,124
Misc	315,760	315,760	315,760	273,450
Total Soft Costs	14,564,593	14,270,935	16,494,790	16,909,639
Construction	65,935,853	71,137,776	75,374,785	71,260,367
Furniture, Fixtures & Equipment	4,184,083	4,184,083	4,184,083	4,377,874
Project Contingency	6,815,471	0	0	3,552,120
Total Project Cost	91,500,000	89,592,794	96,053,658	96,100,000
Variance from Currently Approved Funding		1,907,206	(4,553,658)	(4,600,000)

Primary Factors for Cost Increase – BHS Project

- Structural System Changes during OSHPD Review
 - Significant code interpretation issues resulted in structural system changes late in the review process.
- Labor Increases impacted by schedule
 - Union negotiated wage increases adjust annually.
- Additional testing & inspection requirements of OSHPD
 - Additional Inspectors of Record required to meet requirements
- Increased Soft Costs due to schedule.

Cost Increase Details– BHS Project

	Jul-16	Sep-17	Variance
Earthwork, Foundations, Shoring & Concrete	5,295,823	5,507,468	(211,645)
Structure & Skin Systems	8,585,308	9,643,096	(1,057,788)
Plumbing & Mechanical Systems (Added Pt. Room Sinks)	11,040,170	11,570,230	(530,060)
Electrical & Low Voltage System	6,575,306	6,746,217	(170,911)
General Conditions & Requirments - Schedule Impact	6,531,885	7,976,485	(1,444,600)
Other Allowances	2,447,444	3,598,628	(1,151,184)
Various Other Construction Elements (Actual & Projected)	25,459,917	26,218,243	(758,326)
Designers / PM / Inspections	14,564,593	16,909,729	(2,345,136)
FF&E and Misc. Other Costs	4,184,083	4,377,784	(193,701)
Project Contingency	6,815,471	3,552,120	3,263,351
Total	91,500,000	96,100,000	(4,600,000)

Project Cost Projection – Summary Detail

Integrated Medical Office Building - Project				
	Approved Funding	Previous Projection	07/31/17 Projection - Based on Final GMP Proposal	08/31/17 Projection - Based on Negotiated GMP Agreement
Soft Costs				
Consultants	24,007,394	25,548,333	25,897,855	25,915,049
Permits/Fees	4,675,126	2,828,757	3,412,461	2,581,507
Inspection / Testing	2,000,814	1,900,814	2,632,339	2,872,580
Misc	2,716,950	2,385,854	2,716,950	981,096
Total Soft Costs	33,400,284	32,663,758	34,659,605	32,350,232
Construction	211,276,075	226,160,356	250,244,450	246,109,163
Furniture, Fixtures & Equipment	17,140,605	17,140,605	17,140,605	17,140,605
Project Contingency	13,183,036	0	0	6,500,000
Total Project Cost	275,000,000	275,964,719	302,044,660	302,100,000
Variance from Currently Approved Funding		(964,719)	(27,044,660)	(27,100,000)

Primary Factors for Cost Increase – IMOB Project

- Changes in Foundation & Structural Systems driven by OSHPD Examination Project.
 - Where new structures impact the “Zone of Influence” of existing OSHPD structures. (Central Plant & Utility Tunnels)
- Increased Testing and Inspections driven by OSHPD Examination Project
 - Extensive Test Pile Program & Additional Soils Inspections
- Labor Increases impacted by schedule
 - Union negotiated wage increases adjust annually.
- Increased Allowances for trade work (finishes) to be bid after the first of the year.
 - To ensure that there are sufficient funds within the GMP contract for all finish elements. (Savings from Allowances return to ECH)

Cost Increase Details– IMOB Project

	Jul-16	Sep-17	Variance
Earthwork, Foundations, Shoring & Concrete	23,564,010	29,241,050	(5,677,040)
Structure & Skin Systems	23,351,867	27,992,557	(4,640,690)
Elevators	2,604,895	3,029,895	(425,000)
Roofing & Waterproofing	1,492,667	2,054,804	(562,137)
Temp Construction Elements (Phasing/Sequence)	4,475,010	5,732,366	(1,257,356)
Finish Allowances	15,227,806	17,119,905	(1,892,099)
General Conditions & Requirements - Schedule Impact	12,598,035	16,526,364	(3,928,329)
Other Allowances	2,500,000	8,048,659	(5,548,659)
Various Other Construction Elements (Actual & Projected)	125,461,785	136,363,563	(10,901,778)
Designers / PM / Inspections	26,008,208	26,790,629	(782,421)
FF&E and Misc. Other Costs	19,857,555	20,067,869	(210,314)
Project Contingency	13,183,036	6,500,000	6,683,036
Permits & Fees	4,675,126	2,632,339	2,042,787
Total	275,000,000	302,100,000	(27,100,000)

**Board Approved
On 09/13/17**

Funding Request

09/13/17



Mountain View Master Plan Projects	Currently Approved Funding	Requested Additional Funding	Total Funding with Approved Additional Funding
North Drive Parking Structure Expansion	\$24,500,000		\$24,500,000
Behavioral Health Services Building	\$91,500,000	\$4,600,000	\$96,100,000
Integrated Medical Office Building & Parking Structure	\$275,000,000	\$27,100,000	\$302,100,000
Central Utility Plant Upgrade	\$9,000,000		\$9,000,000
Total All Projects	\$400,000,000	\$31,700,000	\$431,700,000

Requested Motion

To approve the increase in the BHS and IMOB Capital Project Budgets not to exceed \$4.6 million for BHS and \$27.1 million for IMOB.

Note that this request does not include a request to increase the FY-18 Capital Facilities Project Budget. The additional funds needed for the Major Projects will be offset by deferring other budgeted projects until a future year.

Finance Committee

Updated August 29, 2017

FY18 FC Pacing Plan – Q1		
July 31, 2017	August 2017	September 25, 2017
<ul style="list-style-type: none"> - Meeting Minutes (May 2017), any policies - Financial Report (FY17 Period 11, 12) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Physician Transaction Compliance Education - Year-End Financial Report 	<p><i>No scheduled meeting</i></p>	<ul style="list-style-type: none"> - Meeting Minutes (July 2017), any policies - Financial Report (FY18 Period 1, 2) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in Progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Payor Update - Summary of Physician Financial Arrangements (Year-End) - Service Line Review - Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot) - Medical Staff Development Plan - Education Topic: Ambulatory Care Business Model (presentation) - Consent Calendar – FY17 Year End Financials
FY18 FC Pacing Plan – Q2		
October 2017	November 27, 2017	December 2017
<p>10/25 – Board and Committee Education Session</p>	<ul style="list-style-type: none"> - Meeting Minutes (September 2017), any policies - Financial Report (FY18 Period 3,4) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Long-Term Financial Forecast - Epic Implementation Review (presentation) - Report on Financial and Operational Benchmarks - Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot) - Service Line Review 	<p><i>No scheduled meeting</i></p>

Finance Committee

Updated August 29, 2017

FY18 FC Pacing Plan – Q3		
January 29, 2018	February 2018	March 26, 2018
<p>**Joint Meeting with the Investment Committee</p> <ul style="list-style-type: none">- Meeting Minutes (November 2017), any policies- Financial Report (FY18 Period 5,6)- Physician Contracts- Capital Funding Requests- Review Major Capital Projects in progress- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions- Service Line Review	<p><i>No scheduled meeting</i></p>	<ul style="list-style-type: none">- Meeting Minutes (January 2018), any policies- Financial Report (FY18 Period 7,8)- Physician Contracts- Capital Funding Requests- Review Major Capital Projects in progress- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions- Preview FY19 Budget Part # 1- Discuss and recommend FY19 Committee Goals- Discuss FY19 Committee Dates- Biennial Review of Committee Charter- Payor Update- Summary of Physician Financial Arrangements (Mid-Year)- Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)- Update on Patient Portal Status (Price Estimator)
FY18 FC Pacing Plan – Q4		
April 2018	May 29, 2019	June 2018
<p>Late April or early May meeting being scheduled</p> <p>4/25 – Board and Committee Education Session</p>	<p>**Joint Meeting with the Hospital Board on the Operating & Capital Budget</p> <ul style="list-style-type: none">- Meeting Minutes (March 2018), any policies- Financial Report (FY18 Period 9,10)- Physician Contracts- Capital Funding Requests- Review Major Capital Projects in progress- Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions- Review and recommend FY19 Budget- Review and recommend FY19 Organizational Goals- Review Self-Assessment Results (FY18, FY20) <i>every two years</i>- Quarterly Report: ROI for LG Capital Spend (e.g. Surgical Robot)	<p><i>No scheduled meeting</i></p>