



## Regular Meeting Agenda

Tuesday-July 25, 2023

1:00 pm

75 Nielson Street, Watsonville, CA 95076- CR 2 & 3

Zoom: <https://us06web.zoom.us/j/81532952503>

Phone: +16694449171 Webinar ID: 81532952503# US

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PVHCDHC Finance Committee  
75 Nielson Street  
Watsonville, CA 95076

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Pajaro Valley Health Care District Hospital Corporation (PVHCDHC) Finance Committee

**Pajaro Valley Health Care District Hospital Corporation Finance Committee  
Regular Meeting Agenda- Tuesday- July 25, 2023**

**Call to Order**

**Roll Call**

**Agenda Modification Consideration**

**Public Comment on Matters Not on the Agenda**

Time is set aside for members of the public to address the Committee on any item not on the Agenda (not to exceed two minutes), which is within the subject matter jurisdiction of the Committee. Comments regarding items included on the Agenda will be heard before the item is discussed by the Committee. No action or discussion shall be taken on any item presented except that any Committee Member may respond to statements made or questions asked or may ask questions for clarification. All matters of an administrative nature will be referred to staff. All matters relating to the board will be noted in the minutes and may be scheduled for discussion at a future meeting or referred to staff for clarification and report.

**Comments from Committee Members**

**Consent**

**1. Minutes Approval**

**Recommendation:** Pass a **Motion** approving the Minutes for May 30, 2023.

**Contact:** Dawn Bullwinkel, Consultant Clerk of the Board

**Discussion**

**2. Financial Performance for June 2023**

**Recommendation:** Review and forward the Pajaro Valley Healthcare District Consolidated financial reports for June 2023 to the Pajaro Valley Healthcare District Hospital Corporation.

**Contact:** Julie Peterson, Chief Financial Officer

**3. Line of Credit-Santa Cruz County Bank**

**Recommendation:** Review and forward to the Pajaro Valley Health Care District Hospital Corporation (Hospital) board and the Pajaro Valley Health Care District (District) board to pass a **Motion** 1) authorizing staff to negotiate a \$5.0 million Line of Credit agreement between the Pajaro Valley Health Care District Hospital Corporation (the "Hospital") and Santa Cruz County Bank and 2) directing staff to place a Resolution approving the final agreement on a future District agenda.

**Contact:** Julie Peterson, Chief Financial Officer

**4. California Department of Health Care Access and Information (HCAI) Hospital Distressed Loan Program**

**Recommendation:** Review and forward to the Pajaro Valley Health Care District Hospital Corporation and the Pajaro Valley Health Care District boards a Resolution authorizing the submission of the application for borrowing an aggregate amount not to exceed \$6,500,000.00 from the California Health Facilities Financing Authority (the "Lender") under the Distressed Hospital Loan Program, with that loan to be funded with the proceeds in the Distressed Hospital Loan Program Fund.

**Contact:** Julie Peterson, Chief Financial Officer

## **5. 2024 Budget**

**Recommendation:** 1) Review and forward the Pajaro Valley Healthcare District Hospital Corporation 2024 Budget Calendar to the Pajaro Valley Healthcare District Hospital Corporation and 2) preview 2024 high level statistic projections.

**Contact:** Julie Peterson, Chief Financial Officer

## **Adjournment**



## Finance Committee Report

**Meeting Date:** July 25, 2023

**Report Type:** Consent

**Title:** Minutes Approval

**Recommendation:** Pass a motion approving the Minutes for May 30, 2023

**Contact:** Dawn Bullwinkel, Consultant Clerk of the Committee

### **Analysis**

After each Finance Committee meeting, the Committee Clerk composes the DRAFT minutes noting the action taken by the committee. Those DRAFT minutes are presented to the Committee Members for their approval as a permanent record of the meeting actions.

**Financial Impact:** None

### **Attachments:**

1. Draft Minutes for May 30, 2023

**Pajaro Valley Health Care District Hospital Corporation Finance Committee**

**Regular Meeting Minutes**

**Tuesday- May 30, 2023**

**Call to Order** at 5:05 pm

**Roll Call**

**Present:** Friel and Pimentel

**Agenda Modification Consideration-**None.

**Public Comment on Matters Not on the Agenda-**None

**Comments from Committee Members-**None

**Consent**

**1. Minutes Approval**

Moved/Friel Seconded/Pimentel

Yes: Friel and Pimentel

**Action:** Passed Motion 002-2023 approving the Minutes for January 25, 2023, March 28, 2023 and April 25,2023.

**Contact:** Dawn Bullwinkel, Consultant Clerk of the Board

**Discussion**

**2. Line of Credit**

**Action:** Received by the committee members with their support to inform the Pajaro Valley Health Care District Hospital Corporation Board of Directors regarding \$5,000,000 Commercial Revolving Line of Credit, secured by external agency(s) funding and present the opportunity to the Pajaro Valley Health Care District Hospital Corporation Board of Directors to provide Hospital with short term working capital.

**Contact:** Julie Peterson, Chief Financial Officer

**3. Short Term Loan Agreement-Letter of Credit**

Moved/Pimentel Seconded/Friel

Yes: Friel and Pimentel

**Action:** Passed **Motion 003-2023** to: 1) Inform the Pajaro Valley Health Care District Board of Directors regarding amendment to the short-term loan agreement between the County of Santa Cruz and the Pajaro Valley Healthcare District; and 2) recommend the Pajaro Valley Health Care District Board of Directors modify the repayment terms according to the schedule in Executive Summary with a modification to clarify that if the due date falls on a weekend or holiday that payment is due on the next business day.

**Contact:** Julie Peterson, Chief Financial Officer

**4. Financial Performance for April 2023**

**Action:** Reviewed the Pajaro Valley Healthcare District Consolidated financial reports for April 2023 and directed the CFO to forward it to the Pajaro Valley Healthcare District Hospital Corporation Board.

**Contact:** Julie Peterson, Chief Financial Officer

**Adjourn** at 5:55



## **Finance Committee Report**

**Meeting Date:** July 25, 2023

**Report Type:** Discussion

**Title:** Financial Performance for June 2023

**Recommendation:** Review and forward the Pajaro Valley Healthcare District Consolidated financial reports for June 2023 to the Pajaro Valley Healthcare District Hospital Corporation.

**Contact:** Julie Peterson, Chief Financial Officer

**Attachments:**

- A. Financial Reports
- B. Presentation (TBD)

**Watsonville Community Hospital  
Consolidated Income Statement  
For The Month of June, 30, 2023**

CURRENT PERIOD			
Jun-23	BUDGET	VARIANCE	% VARIANCE
30,546,468	35,733,376	(5,186,908)	-14.5%
55,987,005	53,458,883	2,528,122	4.7%
<b>86,533,473</b>	<b>89,192,259</b>	<b>(2,658,786)</b>	<b>-3.0%</b>
77,192,426	77,300,407	(107,981)	-0.1%
(1,599,179)	(1,599,179)		0.0%
(128,059)	(128,059)		0.0%
<b>75,465,188</b>	<b>75,573,169</b>	<b>(107,981)</b>	<b>-0.1%</b>
<b>11,068,285</b>	<b>13,619,090</b>	<b>(2,550,805)</b>	<b>-18.7%</b>
184,462	116,145	68,317	58.8%
<b>10,883,823</b>	<b>13,502,944</b>	<b>(2,619,121)</b>	<b>-19.4%</b>
84,476	132,138	(47,662)	-36.1%
<b>10,968,299</b>	<b>13,635,082</b>	<b>(2,666,783)</b>	<b>-19.6%</b>
5,314,821	6,303,459	(988,638)	-15.7%
1,730,221	2,028,835	(298,614)	-14.7%
594,517	506,000	88,517	17.5%
<b>7,639,559</b>	<b>8,838,294</b>	<b>(1,198,735)</b>	<b>-13.6%</b>
606,012	828,940	(222,928)	-26.9%
801,712	991,447	(189,735)	-19.1%
124,252	100,945	23,307	23.1%
156,209	161,358	(5,149)	-3.2%
886,998	1,185,825	(298,827)	-25.2%
154,162	210,739	(56,577)	-26.8%
203,964	290,020	(86,056)	-29.7%
825	4,167		
653,947	926,779	(272,832)	-29.4%
<b>11,227,640</b>	<b>13,538,515</b>	<b>(2,310,875)</b>	<b>-17.1%</b>
<b>(259,341)</b>	<b>96,568</b>	<b>(355,909)</b>	<b>-368.6%</b>
82,465	96,850	(14,385)	-14.9%
382,375	402,641	(20,266)	-5.0%
<b>464,840</b>	<b>499,491</b>	<b>(34,651)</b>	<b>-6.9%</b>
<b>(724,181)</b>	<b>(402,923)</b>	<b>(321,258)</b>	79.7%

**Operating Revenues**

YTD				
ACTUAL	BUDGET	VARIANCE	% VARIANCE	
176,653,428	211,562,780	(34,909,352)	-16.5%	
317,366,735	290,423,394	26,943,341	9.3%	
<b>494,020,163</b>	<b>501,986,174</b>	<b>(7,966,011)</b>	<b>-1.6%</b>	
Deductions From Revenue:				
Contractual Allowances	436,296,762	435,517,613	779,148	0.2%
QAF	(9,595,076)	(9,595,076)		0.0%
Disproportionate Share DSH	(768,351)	(768,351)		0.0%
<b>Total Deductions From Rev</b>	<b>425,933,335</b>	<b>425,154,187</b>	<b>779,148</b>	<b>0.2%</b>
<b>Net Revenue</b>	<b>68,086,828</b>	<b>76,831,987</b>	<b>(8,745,159)</b>	<b>-11.4%</b>
Provision for Bad Dbt	(345,805)	655,196	(1,001,001)	-152.8%
<b>Collectible Patient Revenue</b>	<b>68,432,633</b>	<b>76,176,791</b>	<b>(7,744,158)</b>	<b>-10.2%</b>
Other Revenue	3,394,488	797,232	2,597,256	325.8%
<b>Total Net Operational Revenue</b>	<b>71,827,121</b>	<b>76,974,023</b>	<b>(5,146,902)</b>	<b>-6.7%</b>

**Operating Expenses**

Salaries & Wages	34,753,947	34,982,411	(228,464)	-0.7%
Benefits	9,920,041	12,280,513	(2,360,472)	-19.2%
Contract Labor	3,432,256	3,356,000	76,256	2.3%
<b>Subtotal Salaries Wages &amp; Benefits</b>	<b>48,106,244</b>	<b>50,618,925</b>	<b>(2,512,681)</b>	<b>-5.0%</b>
Medical Spec Fees	3,977,817	5,022,317	(1,044,500)	-20.8%
Supplies	5,598,590	5,488,453	110,137	2.0%
Repairs & Maintenance	623,397	609,036	14,361	2.4%
Utilities	1,359,999	974,343	385,656	39.6%
Purchased Services	7,193,840	8,701,717	(1,507,877)	-17.3%
Lease Cost and Rent	946,084	1,254,928	(308,844)	-24.6%
Prop Taxes & Ins	1,119,267	1,656,035	(536,768)	-32.4%
Marketing	-	25,000		
Other Operating Exp	3,918,966	5,922,674	(2,003,708)	-33.8%
<b>Total Operating Exp</b>	<b>72,844,204</b>	<b>80,273,429</b>	<b>(7,429,225)</b>	<b>-9.3%</b>
<b>EBITDA</b>	<b>(1,017,083)</b>	<b>(3,299,406)</b>	<b>2,282,323</b>	<b>-69.2%</b>
Depreciation and Amortization	534,624	578,578	(43,954)	-7.6%
Interest	2,322,816	2,411,267	(88,451)	-3.7%
<b>Total Other Expenses</b>	<b>2,857,440</b>	<b>2,989,845</b>	<b>(132,405)</b>	<b>-4.4%</b>
<b>Net Income/Loss from Operations</b>	<b>(3,874,523)</b>	<b>(6,289,251)</b>	<b>2,414,728</b>	<b>-38.4%</b>

**Watsonville Community Hospital  
Income Statement  
For The Month of June, 30, 2023**

CURRENT PERIOD				YTD				
Jun-23	BUDGET	VARIANCE	% VARIANCE		ACTUAL	BUDGET	VARIANCE	% VARIANCE
				<b>Operating Revenues</b>				
30,546,468	35,733,376	(5,186,908)	-14.5%	Inpatient Revenue	176,653,428	211,562,780	(34,909,352)	-16.5%
55,408,782	52,946,847	2,461,935	4.6%	Outpatient Revenue	314,231,209	287,540,197	26,691,012	9.3%
<b>85,955,250</b>	<b>88,680,223</b>	<b>(2,724,973)</b>	<b>-3.1%</b>	<b>Total gross patient revenue</b>	<b>490,884,637</b>	<b>499,102,978</b>	<b>(8,218,341)</b>	<b>-1.6%</b>
				Deductions From Revenue:				
76,844,551	77,016,763	(172,212)	-0.2%	Contractual Allowances	434,374,037	433,910,018	464,019	0.1%
(1,599,179)	(1,599,179)	0.0%	0.0%	QAF	(9,595,076)	(9,595,076)	0.0%	0.0%
(128,059)	(128,059)	0.0%	0.0%	Disproportionate Share DSH	(768,351)	(768,351)	0.0%	0.0%
<b>75,117,313</b>	<b>75,289,525</b>	<b>(172,212)</b>	<b>-0.2%</b>	<b>Total Deductions From Rev</b>	<b>424,010,610</b>	<b>423,546,591</b>	<b>464,019</b>	<b>0.1%</b>
<b>10,837,937</b>	<b>13,390,698</b>	<b>(2,552,761)</b>	<b>-19.1%</b>	<b>Net Revenue</b>	<b>66,874,027</b>	<b>75,556,386</b>	<b>(8,682,359)</b>	<b>-11.5%</b>
180,002	113,562	66,440	58.5%	Provision for Bad Dbt	(340,689)	640,769	(981,458)	-153.2%
<b>10,657,935</b>	<b>13,277,136</b>	<b>(2,619,201)</b>	<b>-19.7%</b>	<b>Collectible Patient Revenue</b>	<b>67,214,716</b>	<b>74,915,617</b>	<b>(7,700,901)</b>	<b>-10.3%</b>
17,271	113,024	(95,753)	-84.7%	Other Revenue	2,978,031	681,912	2,296,119	336.7%
<b>10,675,206</b>	<b>13,390,160</b>	<b>(2,714,954)</b>	<b>-20.3%</b>	<b>Total Net Operational Revenue</b>	<b>70,192,747</b>	<b>75,597,529</b>	<b>(5,404,782)</b>	<b>-7.1%</b>
				<b>Operating Expenses</b>				
5,079,315	6,022,137	(942,822)	-15.7%	Salaries & Wages	33,262,012	33,326,059	(64,047)	-0.2%
1,690,574	1,971,538	(280,964)	-14.3%	Benefits	9,644,516	11,894,945	(2,250,429)	-18.9%
594,517	506,000	88,517	17.5%	Contract Labor	3,432,256	3,356,000	76,256	2.3%
<b>7,364,406</b>	<b>8,499,675</b>	<b>(1,135,269)</b>	<b>-13.4%</b>	<b>Subtotal Salaries Wages &amp; Benefits</b>	<b>46,338,784</b>	<b>48,577,004</b>	<b>(2,238,220)</b>	<b>-4.6%</b>
593,815	816,758	(222,943)	-27.3%	Medical Spec Fees	3,930,478	4,927,772	(997,294)	-20.2%
794,177	985,000	(190,823)	-19.4%	Supplies	5,558,264	5,450,914	107,350	2.0%
124,221	100,828	23,393	23.2%	Repairs & Maintenance	623,255	608,332	14,923	2.5%
155,231	160,394	(5,163)	-3.2%	Utilities	1,352,391	967,713	384,678	39.8%
1,050,958	1,152,275	(101,317)	-8.8%	Purchased Services	7,162,186	8,499,631	(1,337,445)	-15.7%
130,676	189,964	(59,288)	-31.2%	Lease Cost and Rent	801,262	1,146,115	(344,853)	-30.1%
192,534	263,544	(71,010)	-26.9%	Prop Taxes & Ins	1,072,357	1,590,050	(517,693)	-32.6%
825	-	825		Marketing	3,019	-	3,019	
-	-	-		Management Fees	-	150,000	(150,000)	-100.0%
650,775	924,419	(273,644)	-29.6%	Other Operating Exp	3,902,300	5,754,028	(1,851,728)	-32.2%
<b>11,057,618</b>	<b>13,092,857</b>	<b>(2,035,239)</b>	<b>-15.5%</b>	<b>Total Operating Exp</b>	<b>70,744,296</b>	<b>77,671,559</b>	<b>(6,927,263)</b>	<b>-8.9%</b>
<b>(382,412)</b>	<b>297,303</b>	<b>(679,715)</b>	<b>-228.6%</b>	<b>EBITDA</b>	<b>(551,549)</b>	<b>(2,074,030)</b>	<b>1,522,481</b>	<b>-73.4%</b>
-	-	-		Depreciation and Amortization	-	-	-	
3,936	16,183	(12,247)	-75.7%	Interest	37,788	92,515	(54,727)	-59.2%
<b>3,936</b>	<b>16,183</b>	<b>(12,247)</b>	<b>-75.7%</b>	<b>Total Other Expenses</b>	<b>37,788</b>	<b>92,515</b>	<b>(54,727)</b>	<b>-59.2%</b>
<b>(386,348)</b>	<b>281,120</b>	<b>(667,468)</b>	<b>-237.4%</b>	<b>Net Income/Loss from Operations</b>	<b>(589,337)</b>	<b>(2,166,546)</b>	<b>1,577,209</b>	<b>-72.8%</b>



**WATSONVILLE COMMUNITY HOSPITAL**  
**2023 CONSOLIDATED TRENDED BALANCE SHEET**  
(\$ in 000's)

	<b>Jan-23</b>	<b>Feb-23</b>	<b>Mar-23</b>	<b>Apr-23</b>	<b>May-23</b>	<b>Jun-23</b>
<b>Assets</b>						
Cash	\$ 5,982	\$ 6,078	\$ 1,916	\$ 3,958	\$ 3,576	\$ 2,081
A/R	43,166	43,452	42,474	39,084	39,504	41,108
Less: Allowance for BD	(8,134)	(7,325)	(6,587)	(6,365)	(7,298)	(7,420)
Prior yr Cost Report Settlement						
Supplies	2,079	2,073	2,118	2,069	2,058	2,056
Prepaid Expenses	1,185	1,209	1,104	1,096	1,028	831
Other Current Assets	722	1,195	2,551	2,271	2,217	2,757
<b>Total Current Assets</b>	<b>\$ 45,000</b>	<b>\$ 46,682</b>	<b>\$ 43,576</b>	<b>\$ 42,113</b>	<b>\$ 41,085</b>	<b>\$ 41,413</b>
Net PP&E	35,245	35,168	35,150	35,074	34,999	34,933
Operating Lease ROU, Net	1,676	1,634	1,491	1,449	1,408	1,367
Notes Receivable						
Deposits	5	5	5	5	5	5
Unamortized Loan Costs	50	50	50	50	50	50
Physician Recruitment Costs	-	-	-	-	-	-
Deferred MIS Charges	698	631	562	496	431	367
Goodwill (Placeholder)	(20,666)	(20,551)	(20,963)	(20,963)	(20,963)	(20,963)
<b>Total Other Assets</b>	<b>\$ (18,237)</b>	<b>\$ (18,231)</b>	<b>\$ (18,855)</b>	<b>\$ (18,963)</b>	<b>\$ (19,069)</b>	<b>\$ (19,174)</b>
<b>Total Assets</b>	<b>\$ 62,008</b>	<b>\$ 63,619</b>	<b>\$ 59,871</b>	<b>\$ 58,224</b>	<b>\$ 57,015</b>	<b>\$ 57,172</b>
<b>Liabilities and Equity</b>						
Current maturities of LTD	\$ (47)	\$ (57)	\$ (68)	\$ (79)	\$ (90)	\$ (105)
Accounts Payable	6,622	7,194	7,009	7,361	6,855	7,478
Accrued Emp. Comp.	9,401	10,052	7,793	8,535	8,112	8,160
Operating Lease - Current	30	20	319	324	307	448
Other Accrued Liabilities	5,844	7,716	7,006	5,955	6,073	6,350
<b>Total Current Liabilities</b>	<b>\$ 21,850</b>	<b>\$ 24,925</b>	<b>\$ 22,059</b>	<b>\$ 22,096</b>	<b>\$ 21,257</b>	<b>\$ 22,331</b>
Deferred Credits	6,935	6,880	6,405	6,318	6,133	6,116
Operating Lease Liabilities	1,693	1,655	1,194	1,159	1,124	940
Long Term Debt	39,836	39,847	40,358	40,369	40,379	40,388
<b>Total Liabilities</b>	<b>\$ 70,314</b>	<b>\$ 73,307</b>	<b>\$ 70,016</b>	<b>\$ 69,942</b>	<b>\$ 68,893</b>	<b>\$ 69,775</b>
<b>Stockholders' Equity</b>	<b>(8,306)</b>	<b>(9,688)</b>	<b>(10,145)</b>	<b>(11,718)</b>	<b>(11,878)</b>	<b>(12,603)</b>
<b>Total Liabilities and Equity</b>	<b>\$ 62,008</b>	<b>\$ 63,619</b>	<b>\$ 59,871</b>	<b>\$ 58,224</b>	<b>\$ 57,015</b>	<b>\$ 57,172</b>



## Finance Committee Report

**Meeting Date:** July 25, 2023

**Report Type:** Discussion

**Title:** Line of Credit-Santa Cruz County Bank

**Recommendation:** Review and forward to the Pajaro Valley Health Care District Hospital Corporation (Hospital) board and the Pajaro Valley Health Care District (District) board to pass a **Motion** 1) authorizing staff to negotiate a \$5.0 million Line of Credit agreement between the Pajaro Valley Health Care District Hospital Corporation (the “Hospital”) and Santa Cruz County Bank and 2) directing staff to place a Resolution approving the final agreement on a future District agenda.

**Contact:** Julie Peterson, Chief Financial Officer

### Executive Summary

The Pajaro Valley Health Care District Hospital Corporation desires a \$5,000,000 Commercial Revolving Line of Credit from Santa Cruz County Bank to provide short term working capital while the Hospital implements its various turnaround plan initiatives. Multiple external entities have expressed a willingness to secure the line of credit on behalf of the Hospital Corporation.

The Line of Credit is expected to mature one year from the initiation date. Interest only payments will be due monthly at a variable rate of US Prime + 1.0% margin. The origination fee will be \$1,000.00 plus all 3<sup>rd</sup> party fees (legal fees, reports, etc.). A deposit account relationship will be established at Santa Cruz County Bank to facilitate easy access and repayment for the Line of Credit.

Quarterly reporting to Santa Cruz County Bank will include balance sheet and income statements compared to budget.

A formal resolution and loan documents will be presented to the Hospital Corporation and District Boards to approve the Line of Credit in a future meeting.

### Background

The Hospital negotiated new payer contracts with all of it’s major insurance companies. The

contracts are being implemented in a staggered timeline to reduce the disruption of cashflow needed to cover daily operations. There were some delays by some payers in loading contract rates and/or other information into their claims payment systems which resulted in delays in payment to Watsonville Community Hospital.

The Hospital sought and received short term cash advances against claims from Kaiser Permanente (\$2.5 million) and Central California Alliance for Health (\$1.0 million) earlier in 2023. Both of the cash advances have been fully repaid to the respective payers.

The timing of the turnaround initiatives and full implementation of their benefits necessitates the larger dollar line of credit and longer one year term. The Hospital Corporation leadership has met with Santa Cruz County Bank and the external parties to present current progress on the turnaround plans and current YTD financial performance.

Given the limited asset base available to the Hospital Corporation to secure its own Line of Credit, it is believed that this is the best option to secure a commercial revolving line of credit with reasonable terms and fees.

### **Analysis**

A review of weekly Accounts Payable disbursements and bi-weekly payroll disbursements were compared to weekly cash collections. Given the timing to implement initiatives in the Turnaround Plan, Watsonville Community Hospital believes this revolving line of credit will provide a financial cushion for unforeseen circumstances or any further delays in reimbursements due to the Hospital Corporation.

### **Financial Impact**

The Hospital will have access to a \$5,000,000 commercial revolving line of credit. There is a \$1,000 loan origination fee plus 3<sup>rd</sup> party fees for legal and reporting services. The interest rate is variable at US Prime + 1% margin. Monthly payments are based on the amount of credit line in use. The current variable May US Prime rate of 8.25% plus 1%.



## Finance Committee Report

**Meeting Date:** July 25, 2023

**Report Type:** Discussion

**Title:** California Department of Health Care Access and Information (HCAI) Hospital Distressed Loan Program

**Recommendation:** Review and forward to the Pajaro Valley Health Care District Hospital Corporation and the Pajaro Valley Health Care District boards a Resolution authorizing the submission of the application for borrowing an aggregate amount not to exceed \$6,500,000.00 from the California Health Facilities Financing Authority (the “Lender”) under the Distressed Hospital Loan Program, with that loan to be funded with the proceeds in the Distressed Hospital Loan Program Fund.

**Contact:** Julie Peterson, Chief Financial Officer

### Summary

The Distressed Hospital Loan Program (Program) was established through Chapter 6, Statutes of 2023 (Assembly Bill 112). The legislation requires the Department of Health Care Access and Information (HCAI) and the California Health Facilities Financing Authority (CHFFA) to collaboratively develop the Distressed Hospital Loan Program to offer interest-free, working capital loans to non-profit and publicly-operated financially distressed hospitals, including hospitals that belong to integrated health care systems with no more than two separately licensed hospitals in California that are facing a risk of closure, while they implement turnaround strategies to regain financial viability.

HCAI will contract with CHFFA through an Inter-Agency Agreement to administer the loan program. HCAI and CHFFA are developing a loan application and criteria to make loans to financially distressed hospitals seeking assistance. Some details of the Program are as follows:

- The legislation authorizes up to \$150 million in one-time funding to implement the Program, including administrative costs. Loans will be offered at zero-percent interest.
- Loans are repayable over 72-months, with an initial 18-month grace period at the beginning of the loan term.
- Lending parameters will be focused on financially distressed hospitals in areas where demand for services and service adequacy are of concern.
- The Program will sunset on December 31, 2031. Loans are secured using Medi-Cal checkwrite payments for participating hospitals.

- The legislation also includes provisions for requiring hospitals to submit quarterly financial data to HCAI, for use in monitoring the financial health of hospitals throughout the state. This will enable HCAI to better prepare for and identify developing fiscal challenges at hospitals statewide.

### **Timeframe for Funding**

Based on stakeholder responses, applications will be open until July 31 to allow adequate time for hospitals to provide all the information. If you would like to determine program eligibility, you are encouraged to send all information except the turnaround plan by June 30. If eligibility is determined, applicants must submit a turnaround plan by July 31. Applications received after June 30 must contain a turnaround plan. We will likely fund the loans two-three weeks after applications are awarded.

### **Evaluation Methodology**

The application evaluation methodology will apply equally to all hospitals and all applications will be reviewed in aggregate after the application deadline.

Attachments:

A: Resolution

RESOLUTION NO. xx-xx

RESOLUTION OF **PAJARO VALLEY HEALTH CARE DISTRICT HOSPITAL CORPORATION** AUTHORIZING EXECUTION AND DELIVERY OF A PROMISSORY NOTE, LOAN AND SECURITY AGREEMENT, AND CERTAIN ACTIONS IN CONNECTION THEREWITH FOR A LOAN UNDER THE DISTRESSED HOSPITAL LOAN PROGRAM

**DISTRESSED HOSPITAL LOAN PROGRAM**

WHEREAS, Pajaro Valley Health Care District Hospital Corporation (the “Borrower”) is a not-for-profit hospital, as defined in Section 129381 of the Health and Safety Code;

WHEREAS, Borrower does not belong to an integrated health care system with more than two separately licensed hospital facilities.

WHEREAS, Borrower has determined that it is in its best interest to borrow an aggregate amount not to exceed \$6,500,000.00 from the California Health Facilities Financing Authority (the “Lender”) under the Distressed Hospital Loan Program, with that loan to be funded with the proceeds in the Distressed Hospital Loan Program Fund; and

WHEREAS, the Borrower intends to use the loan in order to prevent closure and further stabilize operations of the hospital;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Borrower as follows:

Section 1. The Board of Directors of Borrower hereby approves the submission of an application for a loan from the Distressed Hospital Loan Program.

Section 2. Julie L. Peterson (Chief Financial Officer), Matko Vranjes (Interim Chief Executive Officer), John Friel (Board Chairman), Marcus Pimentel (Board Treasurer) {each} an “Authorized Officer” are hereby authorized and directed, for and on behalf of the Borrower, to do any and all things and to execute and deliver any and all documents that the Authorized Officer(s) deem(s) necessary or advisable to consummate the borrowing of moneys from the Lender and otherwise to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 3. The proposed form of Loan and Security Agreement (the “Agreement”), which contains the terms of the loan, is hereby approved. The loan shall be in a principal amount not to exceed \$6,500,000.00, shall not bear interest, and shall mature 72 months from the date of the executed Loan and Security Agreement between the Borrower and the Lender. The {Each} Authorized Officer(s) is (are) hereby authorized and directed, for and on behalf of the Borrower, to execute the Agreement in substantially that form, which includes the Loan Funds Disbursement Certification, as well as the redirection of up to twenty percent (20%) of Medi-Cal reimbursements (checkwrite payments) to Lender in the event of default in accordance with Health and Safety Code section 129384, with those changes therein as the Authorized Officer(s) may require or approve, that approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The proposed form of Promissory Note (the “Note”) as evidence of the Borrower's obligation to repay the loan is hereby approved. The Authorized Officer is hereby authorized and directed, for and on behalf of the Borrower, to execute the Note in substantially said form, with those

changes therein as the Authorized Officer(s) may require or approve, that approval to be conclusively evidenced by the execution and delivery thereof.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of Pajaro Valley Health Care District Hospital Corporation held on the 26<sup>th</sup> day of July, 2023.



## Finance Committee Report

**Meeting Date:** June 27, 2023

**Report Type:** Discussion

**Title:** 2024 Budget

**Recommendation:** 1) Review and forward the Pajaro Valley Healthcare District Hospital Corporation 2024 Budget Calendar to the Pajaro Valley Healthcare District Hospital Corporation and 2) preview 2024 high level statistic projections.

**Contact:** Julie Peterson, Chief Financial Officer