

April 22, 2021

TO: Legal Counsel

News Media

Salinas Californian
El Sol
Monterey County Herald
Monterey County Weekly
KION-TV
KSBW-TV/ABC Central Coast
KSMS/Entravision-TV

The next regular meeting of the **FINANCE COMMITTEE – COMMITTEE OF THE WHOLE** of the Salinas Valley Memorial Healthcare System will be held **MONDAY, APRIL 26, 2021, AT 12:00 P.M., IN THE DOWNING RESOURCE CENTER, ROOMS A, B & C AT SALINAS VALLEY MEMORIAL HOSPITAL, 450 E. ROMIE LANE, SALINAS, CALIFORNIA, OR BY PHONE OR VIDEO (Visit svmh.com/virtualboardmeeting for Access Information).**

Please note: Pursuant to Executive Order N-25-20 issued by the Governor of the State of California in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.



Pete Delgado
President/Chief Executive Officer

Committee Members: Richard Turner – Chair; Juan Cabrera – Vice Chair; Pete Delgado – President/Chief Executive Officer; Augustine Lopez – Chief Financial Officer; Clement Miller – Chief Operating Officer; Harry Wardwell – Community Member; Michael Wilson – Community Member; and Orlando Rodriguez, M.D. – Medical Staff Member

**FINANCE COMMITTEE MEETING – APRIL 2021
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, APRIL 26, 2021
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
OR BY PHONE OR VIDEO
(Visit svmh.com/virtualboardmeeting for Access Information)**

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AGENDA

1. Approval of Minutes from the Finance Committee Meeting of March 22, 2021 (DELGADO)
 - Motion/Second
 - Action by Committee/Roll Call Vote
2. Consider Recommendation to Board of Directors to Adopt the Initial Study and the Mitigated Negative Declaration and Approve the Mitigation Monitoring and Reporting Program for the Downing Resource Center Parking Garage Annex and Ancillary Improvements (DELGADO/STROTMAN/SULLIVAN)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote
3. Consider Recommendation for Board Approval of the Three-Year Licensing and Support Agreement Renewal of DrFirst as Sole Source Justification and Contract Award (LOPEZ/PARKS/KASTING)
 - Staff Report
 - Committee Questions to Staff
 - Motion/Second
 - Public Comment
 - Committee Discussion/Deliberation
 - Action by Committee/Roll Call Vote
4. Review Balanced Scorecard – February 2021 (LOPEZ)
5. Financial and Statistical Review (LOPEZ)

6. Public Input

This opportunity is provided for members of the public to make a brief statement, not to exceed three (3) minutes, on issues or concerns within the jurisdiction of this District Board which are not otherwise covered under an item on this agenda.

7. Closed Session

(See Attached Closed Session Sheet information)

8. Reconvene Open Session/Report on Closed Session

9. Consider Recommendation for Board Approval of Lease with the Lugo Family Living Trust for 650 Work Street Suite B Salinas, CA (LOPEZ/MELTON)

- Staff Report
- Committee Questions to Staff
- Motion/Second
- Public Comment
- Committee Discussion/Deliberation
- Action by Committee/Roll Call Vote

10. Adjournment – The May 2021 Finance Committee Meeting is scheduled for **Monday, May 24, 2021, at 12:00 p.m.**

Notes: This Committee meeting may be attended by Board Members who do not sit on this Committee. In the event that a quorum of the entire Board is present, this Committee shall act as a Committee of the Whole. In either case, any item acted upon by the Committee or the Committee of the Whole will require consideration and action by the full Board of Directors as a prerequisite to its legal enactment.

Requests for a disability related modification or accommodation, including auxiliary aids or services, in order to attend or participate in a meeting should be made to the Executive Assistant during regular business hours at 831-755-0741. Notification received 48 hours before the meeting will enable the District to make reasonable accommodations.

The Committee packet is available at the Committee Meeting, at www.svmh.com, and in the Human Resources Department of the District. All items appearing on the agenda are subject to action by the Committee.

FINANCE COMMITTEE MEETING OF THE BOARD OF DIRECTORS – COMMITTEE OF THE WHOLE

AGENDA FOR CLOSED SESSION

Pursuant to California Government Code Section 54954.2 and 54954.5, the board agenda may describe closed session agenda items as provided below. No legislative body or elected official shall be in violation of Section 54954.2 or 54956 if the closed session items are described in substantial compliance with Section 54954.5 of the Government Code.

CLOSED SESSION AGENDA ITEMS

[] **LICENSE/PERMIT DETERMINATION**
(Government Code §54956.7)

Applicant(s): (Specify number of applicants) _____

[X] **CONFERENCE WITH REAL PROPERTY NEGOTIATORS**
(Government Code §54956.8)

Property: (Specify street address, or if no street address, the parcel number or other unique reference, of the real property under negotiation): 650 Work Street, Suite B, Salinas, CA

Agency negotiator: (Specify names of negotiators attending the closed session): Pete Delgado

Negotiating parties: (Specify name of party (not agent): Lugo Family

Under negotiation: (Specify whether instruction to negotiator will concern price, terms of payment, or both): Both

[] **CONFERENCE WITH LEGAL COUNSEL-EXISTING LITIGATION**
(Government Code §54956.9(d)(1))

Name of case: (Specify by reference to claimant's name, names of parties, case or claim numbers): _____, or

Case name unspecified: (Specify whether disclosure would jeopardize service of process or existing settlement negotiations): _____

[] **CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION**
(Government Code §54956.9)

Significant exposure to litigation pursuant to Section 54956.9(d)(2) or (3) (Number of potential cases): _____

Additional information required pursuant to Section 54956.9(e): _____

Initiation of litigation pursuant to Section 54956.9(d)(4) (Number of potential cases): _____

[] **LIABILITY CLAIMS**

(Government Code §54956.95)

Claimant: (Specify name unless unspecified pursuant to Section 54961): _____

Agency claimed against: (Specify name): _____

[] **THREAT TO PUBLIC SERVICES OR FACILITIES**

(Government Code §54957)

Consultation with: (Specify name of law enforcement agency and title of officer): _____

[] **PUBLIC EMPLOYEE APPOINTMENT**

(Government Code §54957)

Title: (Specify description of position to be filled): _____

[] **PUBLIC EMPLOYMENT**

(Government Code §54957)

Title: (Specify description of position to be filled): _____

[] **PUBLIC EMPLOYEE PERFORMANCE EVALUATION**

(Government Code §54957)

Title: (Specify position title of employee being reviewed): _____

[] **PUBLIC EMPLOYEE DISCIPLINE/DISMISSAL/RELEASE**

(Government Code §54957)

(No additional information is required in connection with a closed session to consider discipline, dismissal, or release of a public employee. Discipline includes potential reduction of compensation.)

[] **CONFERENCE WITH LABOR NEGOTIATOR**

(Government Code §54957.6)

Agency designated representative: (Specify name of designated representatives attending the closed session): _____

Employee organization: (Specify name of organization representing employee or employees in question): _____, or

Unrepresented employee: (Specify position title of unrepresented employee who is the subject of the negotiations): _____

[] **CASE REVIEW/PLANNING**
(Government Code §54957.8)

(No additional information is required to consider case review or planning.)

[] **REPORT INVOLVING TRADE SECRET**
(Government Code §37606 & Health and Safety Code § 32106)

Discussion will concern: (Specify whether discussion will concern proposed new service, program, or facility): _____

Estimated date of public disclosure: (Specify month and year): _____

[] **HEARINGS/REPORTS**
(Government Code §37624.3 & Health and Safety Code §§1461, 32155)

Subject matter: (Specify whether testimony/deliberation will concern staff privileges, report of medical audit committee, or report of quality assurance committee):

[] **CHARGE OR COMPLAINT INVOLVING INFORMATION PROTECTED BY FEDERAL LAW** (Government Code §54956.86)

(No additional information is required to discuss a charge or complaint pursuant to Section 54956.86.)

ADJOURN TO OPEN SESSION

**MINUTES OF THE MARCH 2021 FINANCE COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**MONDAY, MARCH 22, 2021
12:00 P.M. – DOWNING RESOURCE CENTER, ROOMS A, B & C
SALINAS VALLEY MEMORIAL HOSPITAL
450 E. ROMIE LANE, SALINAS, CALIFORNIA
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(Visit svmh.com/virtualboardmeeting for Access Information)**

Pursuant to Executive Order N-25-20 issued by the Governor of the State of California in response to concerns regarding COVID-19, Board Members of Salinas Valley Memorial Healthcare System, a local health care district, are permitted to participate in this duly noticed public meeting via teleconference and certain requirements of The Brown Act are suspended.

Committee Members Present: Richard Turner, Chair; Juan Cabrera, Vice Chair; Augustine Lopez, Harry Wardwell, Michael Wilson by teleconference; Pete Delgado, Orlando Rodriguez, MD, and Clement Miller in person.

Other Board Members Present, Constituting Committee of the Whole: Victor Rey, Jr., Regina M. Gage, and Joel Hernandez Laguna by teleconference, constituting Committee of the Whole.

Also Present: Adrienne Laurent, Clint Hoffman, Dave Sullivan, Earl Strotman, Christianna Kearns, Annette Lindeman, Judi Melton, Scott Cleveland, John Choi, Derek Bogaard, Karen Schroeder, Derek Ames, in person; Audrey Parks, Rolf Norman, and Renee Jaenicke by teleconference.

A quorum was present and the meeting was called to order at 12:01 p.m. by Richard Turner, Committee Chair.

**APPROVAL OF MINUTES FROM THE FINANCE COMMITTEE MEETING OF
FEBRUARY 22, 2021**

Pete Delgado, President/Chief Executive Officer, recommended the Finance Committee approve the minutes of the Finance Committee Meeting of February 22, 2021. This information was included in the Committee packet.

No Public Comment.

MOTION: The Finance Committee approves the minutes of the Finance Committee Meeting of February 22, 2021, as presented. Moved/Seconded/Roll Call Vote: Ayes: Turner, Cabrera, Delgado, Lopez, Wilson, Wardwell, Rodriguez; Noes: None; Abstentions: None; Absent: Miller; Motion Carried.

Clement Miller joined the meeting at 12:04 p.m.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE UNIFIED COMMUNICATIONS SYSTEM MANAGED SERVICES AGREEMENT FROM CAROUSEL INDUSTRIES, INC. AS COMPETITIVE SOLICITATION AND CONTRACT AWARD

Audrey Parks, Chief Information Officer, reviewed the recommendation for Board approval of the Unified Communications System Managed Services Agreement from Carousel Industries, Inc. as competitive solicitation and contract award, in the amount of \$392,477 over a three-year contract term. This information was included in the Committee packet.

The intent of SVMHS Information Technology is to procure managed services to best support and maintain its current Cisco Unified Communications Management or Cisco VOIP Telephone System. Full-time support is increasingly essential with the transition off of the legacy-analog telephone system. And as Salinas Valley Medical Clinic locations continue to integrate onto the Cisco telecommunications platform, it is imperative to have the “safety net” of support and maintenance to provide high availability of all communications.

No Public Comment.

There was brief discussion among the Committee and Executive Leadership regarding migration from the legacy-analog telephone system to Cisco, operational budget for the new phone system, and the separate request for Unified Communications System Managed Services Agreement from Carousel Industries, Inc. It was noted that new Salinas Valley Medical Clinic locations continue to transition to the new system which is an important step toward centralized scheduling.

MOTION: The Finance Committee recommends that the Board of Directors approve the Unified Communications System Managed Services Agreement from Carousel Industries, Inc. as competitive solicitation and contract award in the amount of \$392,477, over a three-year contract term, as presented. Moved/Seconded/Roll Call Vote: Ayes: Turner, Cabrera, Delgado, Lopez, Miller, Wilson, Wardwell, Rodriguez; Noes: None; Abstentions: None; Absent: None; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF THE HELP DESK SERVICES AGREEMENT FOR CLOUDWAVE AS COMPETITIVE SOLICITATION AND CONTRACT AWARD

Audrey Parks, Chief Information Officer, reported on the recommendation for Board approval of the Help Desk Services Agreement for CloudWave as competitive solicitation and contract award. This information was included in the Committee packet.

The intent of SVMHS is to augment its current help desk services to better support the current and anticipated needs for tier 1 technical support services. The proposal recommended for approval for the CloudWave OpSus Cloud Care Technical Service Desk powered by GuideIT will also help meet the growing demands on the Information Technology help desk services, at a cost of \$1,003,561 over a four-year term. This proposal is expected to be budget neutral as the vacant position will not be back-filled, and on-call and overtime pay will be reduced.

No Public Comment.

The Committee and Executive Leadership briefly discussed levels of support which are in the process of being identified and defined. GuideIT services will be provided remotely by a team of 7-10 dedicated personnel. The project budget is based on projected utilization. A smooth transition of services is expected.

MOTION: The Finance Committee recommends that the Board of Directors approve the Help Desk Services Agreement from CloudWave as competitive solicitation and contract award in the amount of \$1,003,561, over a four-year term, as presented. Moved/Seconded/Roll Call Vote: Ayes: Turner, Cabrera, Delgado, Lopez, Miller, Wilson, Wardwell, Rodriguez; Noes: None; Abstentions: None; Absent: None; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF PROJECT BUDGET AUGMENTATION AND AWARD OF CONSTRUCTION CONTRACT TO DMC COMMERCIAL, INC. FOR THE LAB ANALYZERS REPLACEMENT PROJECT

Earl Strotman, Sr. Administrative Director of Plant Operations and Construction, and Dave Sullivan, Facilities Management, provided an overview of the recommendation for Board approval of project budget augmentation and award of construction contract to DMC Commercial, Inc. for the Lab Analyzers Replacement Project. This information was included in the Committee packet.

SVMHS is pursuing equipment replacement activities within the main Hospital Laboratory to replace two chemistry analyzers that are at their end of useful life with two Siemens' Atellica Solution packaged units which feature chemistry analyzers that are automated and scalable. In addition to the equipment replacement, renovations include code required upgrades to the existing heating, ventilation and air conditioning system, upgrades to the high purity water system, and optimization of workflow.

In October 2020, the Board approved capital funding to complete design, permitting and equipment procurement for the SVMH Lab Analyzer Replacement Project. Executive Leadership is seeking Board approval of the total estimated project costs of \$2,220,000, and award of the construction contract to DMC Commercial, Inc., who submitted the lowest responsive and responsible bid for the project, in the amount of \$875,000.

No Public Comment.

The Committee Chair inquired about the original capital funding approved in October. Mr. Sullivan responded that the total project costs approved by the Board in October 2020 was \$1,900,000. Since that time, additional components were required, mainly to the antiquated heating, ventilation and air conditioning distribution systems. Through the planning process with the engineers, a split system was designed that will provide direct air conditioning areas to the Laboratory.

MOTION: The Finance Committee recommends that the Board of Directors (i) approve the total estimated project costs for the SVMH Lab Analyzers Replacement Project in the amount of \$2,220,000; and (ii) award construction contract to DMC Commercial, Inc. for the SVMH Lab Analyzers Replacement Project in the amount of \$875,000, as presented. Moved/Seconded/Roll Call Vote: Ayes: Turner, Cabrera, Delgado, Lopez, Miller, Wilson, Wardwell, Rodriguez; Noes: None; Abstentions: None; Absent: None; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF PROJECT BUDGET AND AWARD OF CONSTRUCTION CONTRACTS TO VAL'S PLUMBING AND HEATING, INC. AND CENTRAL ELECTRIC FOR THE SVMH HEART CENTER AIR HANDLER UNIT UPGRADE PROJECT

Earl Strotman, Sr. Administrative Director of Plant Operations and Construction, and Dave Sullivan, Facilities Management, reviewed the recommendation for Board approval of the project budget and award of construction contracts to Val's Plumbing and Heating, Inc. and Central Electric for the SVMH Heart Center Air Handler Unit Upgrade Project. This information was included in the Committee packet.

SVMHS is pursuing activities to install and commission a new rooftop air handler unit that will feed the heating, ventilation, and air conditioning needs of the Heart Center nursing unit located on the first floor of the main hospital. Approved plans and permitting have been secured by the Office of Statewide Health Planning and Development.

Fiscal year 2021 capital budgeting allocated funding for this project in the amount of \$600,000. Additional funding in fiscal year 2021 and 2022 is requested to complete the project primarily due to the structural capacity of the building and the requirement to build an additional structural steel service platform, including roofing replacement to install the platform. Total comprehensive capital funding required to complete construction, implementation and administration required for the project is estimated at \$1,700,000.

Construction contracts recommended for Board approval are: Val's Plumbing and Heating, Inc., the lowest responsive, responsible bidder for Bid Package #1 (HVAC/Plumbing/Controls), in the amount of \$1,048,681; and Central Electric, the lowest responsive, responsible bidder for Bid Package #2 (Electrical), in the amount of \$56,992.

No Public Comment.

MOTION: The Finance Committee recommends that the Board of Directors (i) approve the total estimated project costs for the SVMH Heart Center Air Handler Unit Upgrade Project in the amount of \$1,700,000; (ii) award construction contract for Bid Package #1 (HVAC/Plumbing/Controls) to Val's Plumbing and Heating, Inc., for the SVMH Heart Center Air Handler Unit Upgrade Project in the amount of \$1,048,681; and (iii) award construction contract for Bid Package #2 (Electrical) to Central Electric for the SVMH Heart Center Air Handler Unit Upgrade Project in the amount of \$56,992, as presented. Moved/Seconded/Roll Call Vote: Ayes: Turner, Cabrera, Delgado, Lopez, Miller, Wilson, Wardwell, Rodriguez; Noes: None; Abstentions: None; Absent: None; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF PROJECT BUDGET FOR THE OB CESAREAN CONVERSION PROJECT

Clement Miller, Chief Operating Officer/Chief Interim Nursing Officer; Annette Lindeman, Director of Women's and Children's Services; and Dave Sullivan, Facilities Management, reported on the recommendation for Board approval of the project budget for the OB Cesarean Conversion Project. This information was included in the Committee packet.

Salinas Valley Memorial Hospital's main operating and recovery room to perform cesarean delivery is located on the second floor of the main hospital. Amid the COVID-19 pandemic, the District is pursuing activities to convert the existing recovery room into a second cesarean delivery room to mitigate exposure and the risk of the spread from patients affected with the virus.

To facilitate the conversion, upgrades to the existing infrastructure are required, including (i) new electrical panel and distribution; (ii) modifications to the existing medical gas and heating, ventilation and air conditioning system; (iii) installation of a new surgical light and general room lighting and (iv) procurement and installation of a new anesthesia system, medication dispensing unit, fetal monitoring system and surgical table. Capital funding to complete design, permitting, construction and equipment procurement is estimated at a total project cost of \$1,030,202. Award of construction contracts would be presented to the Committee following approval from the Office of Statewide Health Planning and Development and the advertisement for bid process.

No Public Comment.

There was brief discussion among the Committee regarding recovery of patients which will occur in the Labor, Delivery, Recovery, and Postpartum (LDRP) rooms.

MOTION: The Finance Committee recommends that the Board of Directors approve the total estimated project costs in the amount of \$1,030,202 for the SVMH OB Cesarean Conversion Project, as presented. Moved/Seconded/Roll Call Vote: Ayes: Turner, Cabrera, Delgado, Lopez, Miller, Wilson, Wardwell, Rodriguez; Noes: None; Abstentions: None; Absent: None; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL FOR THE PURCHASE OF CARDIAC ULTRASOUND EQUIPMENT

Christianna Kearns, Director of Sr. Administrative Director, Cardiovascular, Pulmonary, and Sleep Medicine Services, reviewed the recommendation for Board approval for the purchase of cardiac ultrasound equipment. This information was included in the Committee packet.

Current cardiac ultrasound systems have reached their end of life require replacement. The machines are critical to the Heart program and Structural Heart program as well as others that require cardiac testing including research and oncology. This project will be completed in two phases with hospital units replaced first, followed by the remaining three units at the outpatient centers in next fiscal year. Costs for the capital equipment purchase total \$771,375 and the five-year service agreement from GE Healthcare is \$261,390.

No Public Comment.

There was brief discussion among the Committee regarding the equipment purchase recommended this year and an additional request that will be presented to the Committee in 2022 for Board approval for three additional machines.

MOTION: The Finance Committee recommends that the Board of Directors (i) approve the capital equipment purchase from GE Healthcare in the amount of \$771,375; and (ii) approve the GE Healthcare Services Agreement in the amount of \$261,390, over the five-year contract term, as presented. Moved/Seconded/Roll Call Vote: Ayes: Turner, Cabrera, Delgado, Lopez, Miller, Wilson, Wardwell, Rodriguez; Noes: None; Abstentions: None; Absent: None; Motion Carried.

CONSIDER RECOMMENDATION FOR BOARD APPROVAL OF PROJECT FUNDING FOR THE SVMHS RETAIL PHARMACY PROJECT

Clement Miller, Chief Operating Officer/Interim Chief Nursing Officer; John Choi, Director of Pharmacy; and Dave Sullivan, Facilities Management, reported on the recommendation for Board approval of project funding for the SVMHS Retail Pharmacy Project. This information was included in the Committee packet.

SVMHS is pursuing tenant improvements to the first level portion of the parking structure located at 446 E Romie Lane, Salinas, CA. The planned renovations include architectural finish replacements (flooring, paint, drywall finishes), low voltage cabling, office furniture, technology equipment, office equipment, and furnishings necessary to facilitate the retail pharmacy use of the space.

Executive Leadership requested Board approval of capital funding to complete renovations and procure furnishings, furniture and equipment. The total estimated cost for the project planning, design, permitting, construction, and equipment is \$450,000. The primary objectives of the retail pharmacy are to (i) enhance customer care; (ii) support employees and covered lives prescription program, (iii) fulfill discharge prescriptions and medications to hospital beds, (iv) support 340B contract pharmacy to SVMH and qualifying clinics; and (v) support SVMH Infusion Center and specialty medications.

Several sites for the Retail Pharmacy were evaluated and a location currently being used for storage in the Gift Shop was identified as the preferred location as it would provide minimal impact to Hospital operations. Approvals from the City of Salinas Building Department are required. The estimated timeline to begin operations is November 2021.

No Public Comment.

There was discussion among the Committee regarding anticipated expenses and revenues, and the benefits this project would provide to support patients and employees as well as a specialty pharmacy. While the Committee felt this project was a good idea, review of a financial proforma in April was requested and the recommendation for Board approval of project funding for the SVMHS Retail Pharmacy Project was tabled to the April Finance Committee meeting.

INFORMATIONAL UPDATE REGARDING PROJECT PLANNING FOR THE SVMH ELEVATOR MODERNIZATION PROJECT

Earl Strotman, Sr. Administrative Director of Plant Operations and Construction; and Dave Sullivan, Facilities Management, provided an informational update regarding project planning for the SVMH Elevator Modernization Project. This information was included in the Committee packet.

SVMHS is seeking to modernize the existing high-speed elevator bank to meet the current and future needs of the Hospital. Functional areas to be covered by the proposed modernization include, but are not limited to, leveraging and supporting existing elevator systems, code blue system override in each elevator car, infant security integration, and fire alarm integrations. The existing system was installed in 1994. A Request for Proposal (RFP) for design and construction services to qualified local and regional elevator vendors was circulated by SVMHS. In accordance with the RFP procedures, SVMHS intends to engage with Otis Elevators for a design-assist agreement (Stage 1 of the procurement process for construction services). Upon completion of the design and permitting process with OSHPD, SVMHS will finalize the construction services (Stage 2) and review the construction contract award and the proposed budget which will be included in the Fiscal Year 2022 capital budgeting process with the Committee for Board approval. This project will provide the latest technology for patients and staff, and improve performance.

The Committee requested the Finance Team provide an updated reconciliation of budgeted items at an upcoming Committee meeting.

REVIEW BALANCED SCORECARD – JANUARY 2021

Augustine Lopez, Chief Financial Officer, reviewed the Balanced Scorecard Summary for fiscal year 2021, year-to-date January 2021, which provided an overview of the metrics and performance of the SVMHS organizational goals for Service, People, Quality, Finance, Growth, and Community. This information was included in the Committee packet.

FINANCIAL AND STATISTICAL REVIEW

Augustine Lopez, Chief Financial Officer, provided a financial and statistical performance review for the month ending February 28, 2021. This information was included in the Committee packet.

Key highlights of the consolidated financial summary for February were: (1) income from operations was \$3.3 million with an operating margin of 6.1%, including \$5.8 million total normalizing items (net); (2) gross revenues overall were favorable to budget; (3) payor mix was unfavorable to budget; (4) total normalized net patient revenues were favorable to budget; (5) average daily census was above budget; (6) the Hospital experienced stronger than expected patient volumes in infusion therapy and cardiology; (7) inpatient and outpatient surgeries were lower than expected; (8) labor productivity was unfavorable to budget; (9) the total acute average length of stay and the Medicare average length of stay case mix index adjusted were unfavorable

to budget; (10) days cash on hand was at 344; and (11) overtime declined; (12) days of net accounts receivable was at 55; and (13) total capital expenditures were \$1,254,714. The case mix index for all discharges with and without COVID-19 cases for July 2020 thru February 2021, was also reviewed.

There was discussion among the Committee regarding revenues and expenses per adjusted patient day and labor. The Chief Financial Officer reminded the Committee that the Hospital has done a good job to continue on the course of financial stability as hospitals nationwide are struggling financially.

PUBLIC INPUT

None.

NO CLOSED SESSION

ADJOURNMENT

There being no other business, the meeting was adjourned at 1:20 p.m. The April 2021 Finance Committee Meeting is scheduled for **Monday, April 26, 2021, at 12:00 p.m.**

Richard Turner
Chair, Finance Committee

**RECOMMENDATIONS OF THE MARCH 2021
FINANCE COMMITTEE MEETING
COMMITTEE OF THE WHOLE
SALINAS VALLEY MEMORIAL HEALTHCARE SYSTEM**

**March Committee Meeting
Meeting of March 22, 2021
To the Board of Directors**

1. **RECOMMEND BOARD APPROVAL OF THE UNIFIED COMMUNICATIONS SYSTEM MANAGED SERVICES AGREEMENT FROM CAROUSEL INDUSTRIES, INC. AS COMPETITIVE SOLICITATION AND CONTRACT AWARD**

RECOMMENDATION: Recommends that the Board of Directors approve the Unified Communications System Managed Services Agreement from Carousel Industries, Inc. as competitive solicitation and contract award in the amount of \$392,477, over a three-year contract term, as presented.

2. **RECOMMEND BOARD APPROVAL OF THE HELP DESK SERVICES AGREEMENT FOR CLOUDWAVE AS COMPETITIVE SOLICITATION AND CONTRACT AWARD**

RECOMMENDATION: Recommends that the Board of Directors approve the Help Desk Services Agreement from CloudWave as competitive solicitation and contract award in the amount of \$1,003,561, over a four-year term, as presented.

3. **RECOMMEND BOARD APPROVAL OF PROJECT BUDGET AUGMENTATION AND AWARD OF CONSTRUCTION CONTRACT TO DMC COMMERCIAL, INC. FOR THE LAB ANALYZERS REPLACEMENT PROJECT**

RECOMMENDATION: Recommends that the Board of Directors (i) approve the total estimated project costs for the SVMH Lab Analyzers Replacement Project in the amount of \$2,220,000; and (ii) award construction contract to DMC Commercial, Inc. for the SVMH Lab Analyzers Replacement Project in the amount of \$875,000, as presented.

4. **RECOMMEND BOARD APPROVAL OF PROJECT BUDGET AND AWARD OF CONSTRUCTION CONTRACTS TO VAL'S PLUMBING AND HEATING, INC. AND CENTRAL ELECTRIC FOR THE SVMH HEART CENTER AIR HANDLER UNIT UPGRADE PROJECT**

RECOMMENDATION: Recommends that the Board of Directors (i) approve the total estimated project costs for the SVMH Heart Center Air Handler Unit Upgrade Project in the amount of \$1,700,000; (ii) award construction contract for Bid Package #1 (HVAC/Plumbing/Controls) to Val's Plumbing and Heating, Inc., for the SVMH Heart Center Air Handler Unit Upgrade Project in the amount of \$1,048,681; and (iii) award construction contract for Bid Package #2 (Electrical) to Central Electric for the SVMH Heart Center Air Handler Unit Upgrade Project in the amount of \$56,992, as presented.

5. **RECOMMEND BOARD APPROVAL OF PROJECT BUDGET FOR THE OB CESAREAN CONVERSION PROJECT**

RECOMMENDATION: Recommends that the Board of Directors approve the total estimated project costs in the amount of \$1,030,202 for the SVMH OB Cesarean Conversion Project, as presented.

6. **RECOMMEND BOARD APPROVAL FOR THE PURCHASE OF CARDIAC ULTRASOUND EQUIPMENT**

RECOMMENDATION: Recommends that the Board of Directors (i) approve the capital equipment purchase from GE Healthcare in the amount of \$771,375; and (ii) approve the GE Healthcare Services Agreement in the amount of \$261,390, over the five-year contract term, as presented.

7. **RECOMMEND BOARD APPROVAL OF PROJECT FUNDING FOR THE SVMHS RETAIL PHARMACY PROJECT**

This item was tabled to the April Finance Committee Meeting.

Board Paper: Finance Committee

Agenda Item: Consider Recommendation to Board of Directors to Adopt the Initial Study and the Mitigated Negative Declaration and Approve the Mitigation Monitoring and Reporting Program for the Downing Resource Center Parking Garage Annex and Ancillary Improvements

Executive Sponsor: Pete Delgado, President / Chief Executive Officer
Earl Strotman, Director Facilities Management and Construction
Dave Sullivan, Facilities Management

Date: March 30, 2021

Executive Summary

As the lead agency for the construction project identified as the Downing Resource Center Parking Garage Annex and Ancillary Improvements (“DRC Annex”), SVMHS’ Board of Directors is responsible for compliance with the California Environmental Quality Act (CEQA).

In compliance with the California Environmental Quality Act (CEQA), SVMHS has undertaken environmental review for the proposed Parking Garage Annex Project (Conditional Use Permit 2019-022). An Initial Study and Mitigated Negative Declaration (IS/MND) was prepared to identify the potential environmental effects of the project. While most environmental issues were found to be less than significant, the IS/MND identified mitigation measures for cultural and tribal resources (in the event of inadvertent discovery of resources), noise (to minimize sources of construction noise), and a requirement to secure additional offsite parking spaces during construction.

The IS/MND was circulated and made available for public review from April 8, 2020 to May 8, 2020 at the SVMHS Human Resources Department and the City of Salinas Community Development Department. The Notice of Intent to Adopt a Mitigated Negative Declaration (NOI) was published in the Salinas Californian, posted with the Monterey County Clerk, direct mailed to local agencies and organizations and made available on the SVMHS website. A project information flyer was also distributed throughout the immediate neighborhood.

At the end of the public review period, one request for consultation on the IS/MND was received by the Tribal Chairwoman of the Ohlone/Costanoan-Esselen Nation. Ms. Louise Miranda Ramirez has requested additional information pursuant to AB52/SB18 with the lead agency, SVMHS. SVMHS has requested a consultation to update the Tribal Chairwoman with project specific information relative to the current project plans.

Prior to taking action to approve the project, the Board of Directors must adopt the IS/MND and approve the Mitigation Monitoring and Reporting Program. Following action by the Board, the City of Salinas Planning Commission must also consider the adopted IS/MND prior to issuing planning approvals and permits.

CEQA Findings

The Initial Study identified potentially significant effects on the environment. However, this project has been mitigated (see mitigation measures of the MND which avoid or mitigate the effects) to a point where no significant effects would occur. There is no substantial evidence that the project may have a significant effect on the environment. The following reasons support these findings: 1. The proposal is a logical component of SVMHS campus, consistent with the objectives of the SVMHS Master Plan, and consistent with existing land uses of the immediate project area. 2. Identified adverse impacts are proposed to be mitigated by construction best practices, pre-construction surveys and other standard conditions as identified in the Initial Study. 3. The proposed project is consistent with the adopted goals, policies and land uses of the City of Salinas General Plan and Municipal Code. 4. With the application of mitigation measures, the proposed project will not have any significant impacts on the environment.

With respect to cultural and tribal cultural resources, implementation of mitigation measures would address inadvertently discovered resources by ceasing work, contacting tribal representatives and implementation of a mitigation plan specific to the resource. With respect to construction noise, equipment must be maintained and used to minimize unwanted noise and vibration at adjacent land uses. Regarding traffic, mitigation is provided to ensure that additional parking is provided during the construction phase of the parking structure.

Recommendation

The Finance Committee recommends that the SVMHS Board of Directors adopt the Initial Study and the Mitigated Negative Declaration and approve the Mitigation Monitoring and Reporting Program for the Downing Resource Center Parking Garage Annex and Ancillary Improvements.

Project Scope

The DRC Annex project calls for the design and construction of a new 4-level parking structure immediately adjacent to the existing Downing Resource Center parking structure (“DRC”) which will serve as an extension, or annex to the DRC. The new garage will provide a net increase of 166 parking stalls and will connect to the existing structure’s circulation system, functioning as a single larger garage. A new south entrance/exit will be provided from San Jose Street. New exterior stairways and pedestrian access will be provided to direct garage users to the main hospital entrance. Upon completion the annex would be the same height as the DRC, 37 feet above existing grade including a 5-foot parapet, and will be designed to have a consistent appearance. The lowest (basement) level will include 20,000 square feet of office and hospital support uses, connecting to the basement uses in the existing DRC structure.

Attachments

1. Mitigation Monitoring and Reporting Program
2. Hyperlink to the Initial Study and Mitigated Negative Declaration:
<https://www.svmh.com/betterparking>

1 DRAFT MITIGATION MONITORING AND REPORTING PROGRAM

1.1 PUBLIC RESOURCES CODE

When approving projects that identify significant impacts, the California Environmental Quality Act (CEQA) requires public agencies to adopt monitoring and reporting programs or conditions of project approval to mitigate or avoid the identified significant effects (Public Resources Code Section 21081.6(a)(1)). A public agency adopting measures to mitigate or avoid the significant impacts of a proposed project is required to ensure that the measures are fully enforceable, through permit conditions, agreements, or other means (Public Resources Code Section 21081.6(b)). The program must be designed to ensure project compliance with mitigation measures during project implementation.

The Mitigation Monitoring and Reporting Program (MMRP) is organized in a table format (see **Table 1-1: Mitigation Monitoring and Reporting Program for the Downing Resource Center Parking Garage Annex and Ancillary Improvements [CUP 2019-022]**), keyed to each significant impact and each mitigation measure. Only mitigation measures adopted to address significant impacts are included in this program. Each mitigation measure is set out in full, followed by a tabular summary of monitoring requirements. The column headings in the tables are defined as follows:

- **Mitigation Measures:** This column presents the mitigation measure identified in the environmental document.
- **Responsible Agency/Department:** This column references any public agency/City Department with which coordination is required to satisfy the identified mitigation measure and/or confirm compliance. The agency or department listed is responsible for clearing the mitigation measure.
- **Monitoring/Reporting Responsibility:** This column contains an assignment of responsibility for the monitoring and reporting tasks will be implemented, which may include the project applicant, contractor, or responsible agency.
- **Timing of Implementation:** This column refers to when the measure is required to be implemented.
- **Staff/Notes:** This column will be used by the lead and/or responsible agency to document the person who verified the implementation of the mitigation measure and the date on which this verification occurred.

1.2 ENFORCEMENT

All mitigation measures for significant impacts must be carried out to fulfill the requirements of project approval. A number of the mitigation measures would be implemented during the course of the development review process. These measures would be checked on plans, in reports, and in the field prior to construction. Most of the remaining mitigation measures would be implemented during the construction, or project implementation phase.

Table 1-1: Mitigation Monitoring and Reporting Program for the Downing Resource Center Parking Garage Annex and Ancillary Improvements

Mitigation Number	Mitigation Measure	Responsible Agency/Department	Monitoring/Reporting Responsibility	Timing of Implementation	Staff Notes; Initials/Date when Completed
MM CUL-1	<p>Cultural and Tribal Resources. During project construction, if any archeological, paleontological or tribal resources (e.g., evidence of past human habitation or fossils) are found, the project applicant and/or its contractor shall cease all work within 50 feet of the discovery and notify the City of Salinas Planning Division immediately. The project applicant and/or its contractor shall retain a qualified archaeologist, paleontologist and Native American representative to evaluate the finds and recommend appropriate mitigation measures for the inadvertently discovered resources. The City and the applicant shall consider the mitigation recommendations and agree on implementation of the measure(s) that are feasible and appropriate. Such measures may include avoidance, preservation in place, excavation, documentation, curation, or other appropriate measures. (Health and Safety Code Section 7050.5).</p>	City of Salinas Planning Division	Project Applicant/Contractor	During construction	

Mitigation Number	Mitigation Measure	Responsible Agency/Department	Monitoring/Reporting Responsibility	Timing of Implementation	Staff Notes; Initials/Date when Completed
MM CUL-2	<p>Cultural and Tribal Resources. If human remains or cultural resources associated with a burial (i.e. grave goods) are discovered during construction, the project applicant and/or its contractor shall cease all work within 50 feet of the find and notify the City of Salinas Planning Division and the County Coroner, according to California Health and Safety Code Section 7050.5. If the remains are determined to be Native American, the coroner shall notify the Native American Heritage Commission and shall follow the procedures outlined in CEQA Guidelines Section 15064.5(d) and (e) regarding treatment and disposition of recovered cultural items. The Commission will designate a Most Likely Descendant (MLD) who will be authorized to provide recommendations for management of the Native American human remains and any associated materials or objects (Public Resourced Code Section 5097.98 and Health and Safety Code Section 7050.5).</p>	City of Salinas Planning Division	Project Applicant/Contractor, Monterey County Coroner	During construction	

Mitigation Number	Mitigation Measure	Responsible Agency/Department	Monitoring/Reporting Responsibility	Timing of Implementation	Staff Notes; Initials/Date when Completed
MM NOI-1	<p>Prior to the initiation of construction, the City of Salinas City Engineer shall ensure that all project plans and specifications stipulate that:</p> <ul style="list-style-type: none"> • All construction equipment, fixed or mobile, shall be equipped with properly operating and maintained mufflers; • The project shall implement construction noise reduction methods such as shutting off idling equipment, installing temporary acoustic barriers around stationary construction noise sources, maximizing the distance between construction equipment staging areas and occupied residential areas, and use of electric air compressors and similar power tools, rather than diesel equipment, shall be used where feasible; • During construction, stationary construction equipment shall be placed such that emitted noise is directed away from sensitive noise receivers; 	City of Salinas Public Works Department	City of Salinas City Engineer; Contractor	Prior to the initiation of construction and during construction	

Mitigation Number	Mitigation Measure	Responsible Agency/Department	Monitoring/Reporting Responsibility	Timing of Implementation	Staff Notes; Initials/Date when Completed
	<ul style="list-style-type: none"> • During construction, stockpiling and vehicle staging areas shall be located as far as practical from noise sensitive receptors; and • Operate earthmoving equipment on the construction site, as far away from vibration sensitive sites as possible. 				

Board Paper: Finance Committee

Request: Consider Recommendation for Board Approval of the Three-Year Licensing and Support Agreement Renewal of DrFirst as Sole Source Justification and Contract Award

Executive Sponsor: Augustine Lopez, CFO
Audrey Parks, CIO
David Kasting, MD, CMIO

Date: April 6, 2021

Executive Summary

DrFirst is our platform for e-prescribing of all controlled and non-controlled substances. The software is directly embedded into the Meditech ecosystem. This provides physicians with a seamless experience in prescribing medications for their patients upon discharge from the hospital, completion of an outpatient procedure, or the conclusion of an outpatient clinic visit.

DrFirst collects an external medication history based on prior prescription activity for each patient. This information is compiled from multiple data sources: medication orders from participating retail pharmacies, and the nationwide e-prescribing network, Surescripts. This network electronically connects prescribers, pharmacies, and third party payers. The External Medication History is then verified with the patient upon admission and used for reconciliation of the home medications at that time.

Background/Situation/Rationale

DrFirst has developed two additional enhancements: My Benefit Check and Electronic Prior Authorization. My Benefit Check will provide information to the physician while in the prescribing process as to whether the drug being prescribed is covered under patients' formulary benefits. It will also offer up to three alternative drug treatments for consideration, guidance for alternative therapies, and patient out of pocket costs for each option.

Electronic Prior Authorization enables the physician to electronically initiate prior authorization for medications that require it. Both enhancements are being offered to us at no cost.

Sole source Justification is based on the fact that DrFirst is Meditech's only fully integrated e-prescribing software and has provided excellent service in ensuring our patients electronic prescriptions are managed safely and efficiently.

Meeting our Mission, Vision, Goals

Strategic Plan Alignment:

The electronic process streamlines physician workflow and greatly expedites patients' access to medications needed for their treatment thereby enabling improved physician efficiency and promoting enhanced patient satisfaction.

Pillar/Goal Alignment:

Service People Quality Finance Growth Community

Financial/Quality/Safety/Regulatory Implications: Finance

Key Contract Terms	Vendor: DrFirst
1. Proposed effective date	March 23, 2021
2. Term of agreement	December 23, 2021 – December 22, 2024 (3-year term)
3. Renewal terms	One-year auto-renewal
4. Termination provision(s)	60 days' written notice
5. Payment Terms	Net 30
6. Annual cost(s)	\$ 161,445
7. Cost over life of agreement	\$ 484,335
8. Budgeted (indicate y/n)	Yes.
9. Contract	1001.1251

Recommendation

Request the Finance Committee to recommend to the Board of Directors the approval of the three-year licensing and support renewal of DrFirst as sole source justification and contract award in the amount of \$484,335 over the three-year term.

Attachments:

1. Sole Source Justification
2. DrFirst Renewal Addendum

Justification for Sole Source Form

To: Proposal Evaluation Panel

From: David Kasting, MD, CMIO; Audrey Parks, CIO

Type of Purchase: (check one)

- Materials/Supplies
- Data Processing/Telecommunication Goods > \$25,000
- Medical/Surgical – Supplies/Equipment > \$25,000
- Purchased Services

Cost Estimate (\$):	\$484,335.
Vendor Name:	Dr First
Item Title:	Renewal Amendment to the Master Agreement of 2010

Statement of Need: My department's recommendation for sole source is based upon an objective review of the product/service required and appears to be in the best interest of the SVMHS. I know of no conflict of interest on my part or personal involvement in any way with this request. No gratuities, favors or compromising action have taken place. Neither has my personal familiarity with particular brands, types of equipment, materials or firms been a deciding influence on my request to sole source this purchase when there are other known suppliers to exist.

Describe how this selection results in the best value to SVMHS. See typical examples below.

- Licensed or patented product or service. No other vendor provides this. Warranty or defect correction service obligations of the consultant. **Describe why it is mandatory to use this licensed or patented product or service:**
- Existing SVMHS equipment, inventory, custom-built information system, custom built data inventory system, or similar products or programs. **Describe. If product is off-the-shelf, list efforts to find other vendors (i.e. web site search, contacting the manufacturer to see if other dealers are available to service this region, etc.).**
- Uniqueness of the service. **Describe.**

We have been using DrFirst for e-Prescribing of controlled and non-controlled medications for over 10 years now. DrFirst is Meditech's vendor of choice for e-prescribing and the fact that it is embedded within Meditech streamlines physician workflow. Dr. First continues to be a great partner, always working to maximize our utilization of their product to improve efficiency and effectiveness of this important aspect of patient care.
- SVMHS has established a standard for this manufacturer, supplier or provider and there is only one vendor. **Attach documentation from manufacturer to confirm that only one dealer provides the product.**
- Factory-authorized warranty service available from only this single dealer. Sole availability at the location required. **Describe.**
- Used item with bargain price (describe what a new item would cost). **Describe.**
- Other -The above reasons are the most common and established causes for an eligible sole source. If you have a different reason, **Describe:**

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By signing below, I am attesting to the accuracy and completeness of this form.

Submitter Signature:

David Kasting MD CMIO

Date: 3/24/2021


David Kasting (Apr 8, 2021 10:02 PDT)



AMENDMENT TO MASTER AGREEMENT

This Amendment (the "Amendment") is hereby made a part of a certain Master Agreement dated December 23, 2010 (the "Agreement"), by and between DrFirst.com, Inc., a Delaware corporation having its principal place of business at 9420 Key West Avenue, Suite 101, Rockville, Maryland 20850 ("DrFirst") and Salinas Valley Memorial Healthcare System, a corporation having its principal place of business at 450 East Romie Lane, Salinas, CA 93901 ("Company") (collectively, the "Parties").

WHEREAS the parties have a preexisting Agreement with Company to provide its services and products to certain MEDITECH partner hospitals within Company's healthcare system, the parties now desire and agree to modify said Agreement to extend the term; and

WHEREAS, the Parties agree to certain modifications to the terms and conditions of the Agreement as set forth below, and

NOW, THEREFORE, intending to be legally bound hereby, the Parties do hereby agree to, and do hereby, amend the Agreement, as follows:

1. The Parties agree to add Exhibit B-1 to the Agreement, attached hereto, which will memorialize the billing for Rcopia AC services from 2020 – 2023.
2. The Parties agree to modify Section 9.1 to extend the Agreement by an additional three (3) year term, therefore the new end date of the term of the Agreement will be December 22, 2023.
3. The Parties agree that all other terms and conditions of the Agreement shall remain unchanged and in force. The Company agrees to remain, and to cause all of its authorized End Users to remain, bound by any and all obligations and restrictions set forth in any Business Associate Agreement ("BAA"), Terms of Use ("TOU"), and Service License Agreement ("SLA") previously agreed to under the prior existing agreement between the Parties.

COMPANY: Salinas Valley Memorial Healthcare System DRFIRST.COM, INC.

By:

By: *Edward C. Lee*

Printed Name:

Printed Name: Edward C. Lee

Title:

Title: Chief Administrative Officer

Date:

Date: Mar 23, 2021



Exhibit B-1
Renewal Pricing Rcopia AC

1. **Pricing.**

9 th Year License Fee	10 th Year License Fee	11 th Year License Fee
\$161,445	\$161,445	\$161,445

2. **Payment.**

- a. The initial payment of \$161,445 will be invoiced on March 31, 2021 for the 9th year license fee. Company agrees to remit full payment of the invoice no later than thirty (30) days from the date the invoice is received. All other payment terms from the original Agreement shall remain in effect.
- b. Annual Renewal: Company shall be invoiced \$161,445 for the 10th and 11th year license fees at each anniversary of the 9th year invoice date. These invoices will cover the following services: Rcopia AC.
- c. Should DrFirst's costs of obtaining Medication History increase by 5% or more during the term of this agreement, DrFirst shall have the right to increase the license fees.



AMENDMENT TO THE RCOPIA AC SERVICE EXHIBIT

This Amendment to the Rcopia AC Service Exhibit (the “Amendment”) is hereby made this Mar 23, 2021 (“Effective Date”) a part of the Rcopia AC Service Exhibit (“RcopiaAC Exhibit”) to the Master Agreement dated December 23, 2010 (the “Agreement”) by and between DrFirst.com, Inc., a Delaware corporation having its principal place of business at 9420 Key West Avenue, Suite 101, Rockville, Maryland 20850 (“DrFirst”) and Salinas Valley Memorial Healthcare System, a corporation having its principal place of business at 450 East Romie Lane, Salinas, CA 93901 (“Company”).

RECITALS

WHEREAS, DrFirst and Company previously entered into the Agreement for e-prescribing and medication management services, including the RcopiaAC Exhibit thereto pursuant to which DrFirst integrated the Application into the Company Software; and

WHEREAS, Company wishes to add, and DrFirst agrees to integrate, DrFirst’s Patient Engagement Services feature into the Application and Integrated Offering;

NOW, THEREFORE, the Parties agree as follows:

1. Definitions.

- A. “Notification” shall mean an SMS text message related to an e-prescribing event originating in the Company Software.
- B. “Patient Engagement Service” shall mean DrFirst’s solution which, when integrated with the Company Software as part of the Integrated Offering, provides Notifications to patients of Authorized End Users.
- C. “Patient Engagement APIs” shall mean the application programming interfaces which allow for the connection to Patient Engagement Services.

2. DrFirst Responsibilities.

- A. DrFirst will integrate the Patient Engagement APIs with the Company Software so that Authorized End Users of the Integrated Offering are able to send Notifications to patients using Patient Engagement Services. Notifications will include a link to a secure website (URL) through which the patient may access cost savings, educational, and other information.
- B. Additionally, as part of the Patient Engagement Services, DrFirst may at DrFirst’s discretion report to Company whether the prescription triggering the Notification was filled so that Company may use the information to manage and support the treatment of the patient. Any such reporting will be carried out by populating the fill information in the Company Software.



3. Company Representations and Warranties for use of Patient Engagement Services.

- A. Company represents and warrants that Company meets all HIPAA and other applicable regulatory requirements related to sending Notifications using Patient Engagement Services, including, but not limited to, updating its Notification of Privacy Practices, as necessary, so that PHI may be used to send Notifications to Company’s patients.
- B. Company acknowledges that it is solely responsible for ensuring that the phone numbers appearing in the Application and Integrated Offering are complete and accurate, and represents and warrants that Notifications will only be sent to those patients for whom Company has verified that the phone number is correct and which correspond to the patient for whom the Notification is intended.
- C. Company represents and warrants that Company shall obtain (and acknowledges that Company is solely responsible for obtaining) any and all consents, opt-ins, and authorizations (including but not limited to as required by the Telephone Consumer Protection Act of 1991) from patients required for the Integrated Offering to send Notifications to patients on behalf of the Authorized End Users.
- D. Company agrees to indemnify, defend, and hold DrFirst harmless for any claims, actions, or liabilities against DrFirst arising from a violation of this Section 3 by Company or its Authorized End Users.

4. No Additional Changes. Except as otherwise expressly provided in this Amendment, all terms and conditions of the Agreement and the RcopiaAC Exhibit remain unchanged and in full force and effect. Capitalized terms not otherwise defined in this Amendment will have the meanings ascribed to them in the Agreement or the RcopiaAC Exhibit, as applicable. The recitals are hereby incorporated into this Amendment by reference.

IN WITNESS WHEREOF, the undersigned Parties acting as duly authorized agents of their organizations intend to bind their organizations to the foregoing terms:

DrFirst.com, Inc.

Company: Salinas Valley Memorial Healthcare System

By: *Edward C. Lee*

By: _____

Name: Edward C. Lee

Name: _____

Title: Chief Administrative Officer

Title: _____

Date: Mar 23, 2021

Date: _____



AMENDMENT TO THE RCOPIA AC SERVICE ADDENDUM

This Amendment to the Rcopia AC Service Exhibit (the "Amendment") is hereby made this Mar 23, 2021 ("Effective Date") a part of the Rcopia AC Services Exhibit within the Master Agreement dated December 23, 2010 (the "Agreement") by and between DrFirst.com, Inc., a Delaware corporation having its principal place of business at 9420 Key West Avenue, Suite 101, Rockville, Maryland 20850 ("DrFirst") and Salinas Valley Memorial Healthcare System, a corporation having its principal place of business at 450 East Romie Lane, Salinas, CA 93901 ("Company").

RECITALS

WHEREAS, DrFirst and Company previously entered into the Agreement for e-prescribing and medication management services, including the Rcopia Exhibit thereto pursuant to which DrFirst integrated the Application into the Company Software; and

WHEREAS, Company wishes to add, and DrFirst agrees to integrate DrFirst's my Benefit Check and Electronic Prior Authorization Services feature into the Application and Integrated Offering;

NOW, THEREFORE, the Parties agree as follows:

5. Definitions.

- A. "Electronic Prior Authorization" or "ePA" means DrFirst's service which enables the electronic transmission of information to determine and complete the applicable prior authorization(s).
- B. "myBenefitCheck" or "mBC" means DrFirst's services which enables real time price transparency and coverage information.
- C. Go-Live is defined as the initiation of myBenefitCheck inquiry transaction in production environment within MEDITECH.

6. DrFirst Responsibilities.

- A. Assist in the deployment, verification & rollout of the mBC and ePA services within the Rcopia AC.
- B. DrFirst agrees to provide Company with the required technical and implementation documentation for enabling the ePA and mBC services

7. Company Responsibilities

- A. Company agrees to follow all DrFirst technical and implementation documentation provided, and abide by the DrFirst requirements for the ePA and mBC implementation.
- B. Assist in the deployment, verification & rollout of the mBC and ePA services within Rcopia AC, activating the functionality in the MEDITECH platform.
- C. DrFirst shall be free to use, at its discretion, such Feedback for any purpose whatsoever, including but not limited to developing, and marketing, in DrFirst's sole discretion, products incorporating such ideas, concepts, or techniques.



D. Company agrees to connect to all pharmacy benefit managers and other sources of benefit information supported by the mBC Application.

8. **Pricing and Payment.** Pricing for the ePA and mBC services is specified in table 1.

Table 1

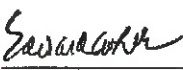
Service	Unit Price	Extended Price
ePA transaction services	Complimentary	Complimentary
mBC transaction services	Complimentary	Complimentary
ePA/mBC configuration	\$15,000	Waived (\$0)
ePA/mBC training services	\$2,500/15 hours	Waived (\$0)

9. **Term and Termination.** The services under this amendment require the utilization of the Rcopia AC services. Therefore, this amendment shall be subject to the termination provisions of the MSA, and is co-terminus with the Rcopia AC Services Exhibit.

10. **No Additional Changes.** Except as otherwise expressly provided in this Amendment, all terms and conditions of the Agreement and the Rcopia Exhibit remain unchanged and in full force and effect. Capitalized terms not otherwise defined in this Amendment will have the meanings ascribed to them in the Agreement or the Rcopia Exhibit, as applicable. The recitals are hereby incorporated into this Amendment by reference.

IN WITNESS WHEREOF, the undersigned Parties acting as duly-authorized agents of their organizations intend to bind their organizations to the foregoing terms:

DrFirst.com, Inc.

By: 

Name: Edward C. Lee

Title: Chief Administrative Officer

Date: Mar 23, 2021

Company: Salinas Valley Memorial Healthcare System

By: _____

Name: _____

Title: _____

Date: _____

SVMH Balanced Scorecard



FY 2021 YTD February



Organizational Goals by Pillar		FY 2021 Act/Proj	TARGET	Var %		FY 2020 Baseline	
Weight 30%	I. Service						
	Average of Inpatient HCAHPS Scores	74.4	74.2	0.3%		73.7	
	Emergency Room Press Ganey Score	60.3	59.7	1.1%		59.2	
20%	Average of Ambulatory HCAHPS Scores	90.1	91.8	-1.8%		91.3	
	III. Quality & Safety Processes						
	Emergency Room Efficiencies						
	Median length of stay for non-admits (in minutes)	161.0	153.0	-5.2%		154.0	
	Median time from admit decision to time of admission to nursing unit (in minutes)	96.0	85.0	-12.9%		88.0	
	Operating Room Efficiencies						
	Turnover Time (Wheels out / Wheels in) (in minutes)	30.6	29.5	-3.7%		29.0	
	Percentage of 1st Case On Time Start Time	88.4%	89.0%	-0.7%		90.4%	
	Hospital Acquired Conditions Average	0.45	0.49	7.3%		0.44	
	20%	IV. Finance					
Income from Operations (Normalized) (\$ in Millions)		\$90,127	\$50,933	77.0%		\$113,306	
Operating Margin (Normalized)		15.1%	9.9%	51.9%		19.2%	
10%	V. Growth						
	I. Increase Aspire Health Plan Medicare Advantage membership to →	5,816	6,069	-4.2%		5,459	
	II. Increase % of patients adopting of EPIC MyChart to →	32.4%	30.0%	8.1%		14.7%	
0%	VI. Community						
	Community activity hours by SVMHS Staff	1,390	-			12,644	

Monthly Scorecard

IP Service (15%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	FY 2021 Act/Proj	TARGET	Var %
I. Service											
1. Communication with Nurses	81.7	80.1	75.3	81.6	82.2	86.2	84.1	81.8	81.6	82.6	-1.1%
# of Reponses	161	145	138	125	115	155	113	95			
2. Communication with Doctors	79.6	82.0	78.5	81.1	80.1	82.6	87.7	86.6	82.3	81.8	0.6%
# of Reponses	159	145	137	125	115	155	112	95			
3. Responsiveness of Hospital Staff	69.9	63.8	68.4	75.3	67.2	72.1	72.0	65.9	69.3	68.2	1.6%
# of Reponses	156	134	135	114	108	148	109	89			
4. Communication About Medicines	68.8	66.9	64.9	71.6	71.7	67.4	69.2	70.5	68.9	69.7	-1.2%
# of Reponses	107	98	88	83	78	98	88	60			
5a. Cleanliness of hospital environment	86.1	73.4	75.7	79.2	77.7	85.0	78.6	77.9	79.2	81.5	-2.8%
# of Reponses	158	143	136	125	112	153	112	95			
5b. Quietness of hospital environment	58.2	59.6	53.6	55.3	50.0	50.0	52.3	52.6	53.9	48.7	10.8%
# of Reponses	158	141	138	123	112	152	111	95			
6. Discharge Information	86.1	89.8	89.2	91.8	89.6	91.6	92.2	88.7	89.9	90.3	-0.4%
# of Reponses	153	136	127	116	107	151	110	93			
7. Care Transitions	54.1	61.3	53.9	56.0	56.2	62.2	65.0	60.5	58.6	57.0	3.0%
# of Reponses	162	144	137	125	115	154	112	95			
8. Overall Rating of Hospital	78.2	73.6	74.8	76.8	77.2	79.6	77.7	85.4	77.9	78.6	-0.9%
# of Reponses	156	140	135	125	114	152	112	96			
Average of Inpatient HCAHPS Scores	73.8	73.0	71.2	75.2	73.5	76.1	76.7	75.6	74.4	74.2	0.3%
# of Total Reponses - IP	162	145	138	125	115	155	113	96			

Notes / Assumptions:

- Source: Press Ganey
- Based on monthly **received date**
- Based on top box scores (highest response possible on the survey scale: Yes, Definitely Yes, Always)
- IP HCAHPS Score FY 2020 Baseline was 73.7. Rationale: Baseline = Threshold is based on 7 month Pre-Covid Average (Aug19 to Feb20; Jul19 not included due to sterilizer event) = 73.7. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline.
- ER Press Ganey Score FY 2020 Baseline was 59.2. Rationale: Baseline = Threshold is based on average of July 2020 Actual, MTD August 18, 2020 Actual, September estimated Average of Jul and Aug, and remainder of the year using 8 month Pre-Covid Average (Jul19 to Feb20) = 59.2. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline
- Ambulatory HCAHPS Score FY 2020 Baseline was 91.3. Rationale: Baseline = Threshold is based on 8 month Pre-Covid Average excluding August 2019 (anomaly) = 91.3. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline

Monthly Scorecard

ER Service (10%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	FY 2021 Act/Proj	TARGET	Var %
I. Service											
Emergency Room Press Ganey Score	56.4	57.9	59.7	64.5	57.7	60.6	62.0	63.7	60.3	59.7	1.1%
# of Total Responses - ER	269	204	201	177	110	194	207	144			

Notes / Assumptions:

- Source: Press Ganey
- Based on monthly **received date**
- Based on top box scores (highest response possible on the survey scale: Yes, Definitely Yes, Always)
- IP HCAHPS Score FY 2020 Baseline was 73.7. Rationale: Baseline = Threshold is based on 7 month Pre-Covid Average (Aug19 to Feb20; Jul19 not included due to sterilizer event) = 73.7. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline.
- ER Press Ganey Score FY 2020 Baseline was 59.2. Rationale: Baseline = Threshold is based on average of July 2020 Actual, MTD August 18, 2020 Actual, September estimated Average of Jul and Aug, and remainder of the year using 8 month Pre-Covid Average (Jul19 to Feb20) = 59.2. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline
- Ambulatory HCAHPS Score FY 2020 Baseline was 91.3. Rationale: Baseline = Threshold is based on 8 month Pre-Covid Average excluding August 2019 (anomaly) = 91.3. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline

Monthly Scorecard

Ambulatory Service (5%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	FY 2021 Act/Proj	TARGET	Var %
I. Service											
1. Communication	81.1	87.6	82.9	93.6	91.5	86.5	87.5	90.1	87.6	90.3	-2.9%
# of Reponses	65	66	52	64	63	55	40	33			
2. Discharge	91.9	94.0	91.4	95.9	92.2	93.2	92.1	94.0	93.1	94.6	-1.6%
# of Reponses	64	66	53	64	62	55	39	33			
3. Facility rating	72.3	87.3	86.8	96.8	82.3	80.0	89.5	78.8	84.2	85.6	-1.6%
# of Reponses	65	63	53	62	62	55	38	33			
4. Facility/Personal Treatment	89.7	97.2	97.5	98.4	96.2	96.3	93.1	97.0	95.7	96.8	-1.2%
# of Reponses	65	66	53	64	62	55	39	33			
Average of Ambulatory HCAHPS Scores	83.7	91.5	89.6	96.2	90.5	89.0	90.5	90.0	90.1	91.8	-1.8%
# of Total Reponses - Ambulatory	65	66	53	64	63	55	40	33			

Notes / Assumptions:

- Source: Press Ganey
- Based on monthly **received date**
- Based on top box scores (highest response possible on the survey scale: Yes, Definitely Yes, Always)
- Includes Departments: Cath Lab, Endoscopy, Angio/Special Procedures Radiology, Outpatient Surgery
- IP HCAHPS Score FY 2020 Baseline was 73.7. Rationale: Baseline = Threshold is based on 7 month Pre-Covid Average (Aug19 to Feb20; Jul19 not included due to sterilizer event) = 73.7. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline.
- ER Press Ganey Score FY 2020 Baseline was 59.2. Rationale: Baseline = Threshold is based on average of July 2020 Actual, MTD August 18, 2020 Actual, September estimated Average of Jul and Aug, and remainder of the year using 8 month Pre-Covid Average (Jul19 to Feb20) = 59.2. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline
- Ambulatory HCAHPS Score FY 2020 Baseline was 91.3. Rationale: Baseline = Threshold is based on 8 month Pre-Covid Average excluding August 2019 (anomaly) = 91.3. The Target is 0.5 point improvement from the Baseline, and the Max is 1.0 point improvement from the Baseline

Monthly Scorecard

Quality & Safety Processes – ER (8%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	FY 2021 Act/Proj	TARGET	Var %
III. Quality & Safety Processes											
Emergency Room Efficiencies											
Median length of stay for non-admits (in minutes)	124.0	141.0	158.0	172.0	167.0	179.0	181.0	176.0	161.0	153.0	-5.2%
Median time from admit decision to time of admission to nursing unit (in minutes)	87.0	87.0	86.0	87.0	94.0	120.0	115.5	98.5	96.0	85.0	-12.9%

Source: Meditech

ER - LOS for Non-Admits in Minutes: Data Criteria: Calculate the median LOS in minutes for ER Outpatients for each month & YTD for cases in ER (excludes inpatients and patients leaving against medical advice or left without being seen.) The Baseline for FY20 was 154.0 minutes; Rationale: Baseline = Threshold is based on FY 2020 Actuals. The Target is a 1 minute improvement from the Baseline, and the Max is a 2 minute improvement from the Baseline.

ER - Time to Admit in Minutes: Data Criteria: Calculate the median time for inpatients from admit decision to time of admission to nursing unit in minutes (includes observation cases). Actuals for FY 2020 was 81.0 minutes. However, Baseline used to determine Threshold for FY 2021 is 88.0, based on July 2020 Actual and MTD 8-18-20 Actual. Rationale: It is expected that Flu & Covid will generate more complexity for ER admissions. The isolation rooms in the ER are limited. When a patient leaves the isolation room, there is a need for terminal cleaning for at least 1 hour which causes a delay to flow of patients. The admission process has become more complicated with patients going to COVID & isolation rooms because of the need for more resources for transport depending on patient's need. Also, COVID testing can take up to an hour so a patient cannot leave ER until COVID results are available to place a patient in proper rooms. FY21 Threshold is a 2.0 minutes improvement from Baseline = 86.0 minutes; FY21 Target = 85.0 minutes; FY21 Max = 84.0 minutes.

Monthly Scorecard

Quality & Safety Processes – OR (8%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	FY 2021 Act/Proj	TARGET	Var %
III. Quality & Safety Processes											
Operating Room Efficiencies											
Turnover Time (Wheels out / Wheels in) (in minutes)	30.7	28.7	29.3	30.3	31.3	33.1	31.6	29.9	30.6	29.5	-3.7%
Percentage of 1st Case On Time Start Time	92.2%	86.7%	94.2%	83.5%	89.5%	75.9%	87.0%	98.1%	88.4%	89.0%	-0.7%

Turnover Time Measurement: New Methodology FY 2021 - Calculate minutes elapsed between the PICIS OR Nurse Record wheels out & wheels in of the next case. Historically based on predictive anesthesia end time by the circulating RN in the OR record, this metric was updated to use the anesthesia actual documented end time as a more precise variable to capture and measure data more accurately. The PICIS 8.6 Upgrade in March 2020 prevents modification of time in the Nurse Record and requires the Anesthesia End Time to be documented in the PACU as the patient begins the recovery process rendering it no longer an accurate capture of the TOT wheels out data point. Only cases where the time difference is less than or equal to 60 minutes will be included because breaks are often scheduled in a day. Due to MD availability, cases that exceed 60 threshold minutes will not count as a turnover. Excludes non-scheduled cases. Measurement applies to cases for the same physician and same room only. Data will be partition by actual date rather than previously scheduled date. **National benchmarks range from 25 to 38 minutes.** FY 20 Baseline = 29.0 under the new methodology. Rationale: FY 2021 Goals are: Threshold = 30.5, Target = 29.5, Max = 28.5 in order to achieve sustainability.

Percentage of 1st case On Time Start Time

- 1st scheduled case of the day in each OR room where the scheduled time is between 07:00 AM and 08:59 AM
- Cases in which the patient is Wheeled In at least zero minutes prior to the case
- FY20 Baseline was 90.4%. FY 2021 Goals are: Threshold = 87.0%. Target = 89.0%. Max = 91.0%. Rationale: Increased targets from prior year by 1 percentage point in order to achieve sustainability and maintain patient safety as the priority focus for Perioperative Services.
- **National benchmark goals range from 70% to 80%**

Monthly Scorecard

Quality & Safety Processes – HAC (4%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	FY 2021 Act/Proj	TARGET	Var %
III. Quality & Safety Processes									
Hospital Acquired Conditions									
CLABSI SIR (Standard Infection Ratio)	0.00			0.44			0.22	0.41	46.4%
# of CLABSI EVENTS	0	0	0	0	1	0	1		
CAUTI SIR (Standard Infection Ratio)	0.91			0.81			0.86	0.43	-101.8%
# of CAUTI EVENTS	1	0	1	1	0	1	4		
CDI SIR (Standard Infection Ratio)	0.54			0.00			0.27	0.62	56.2%
# of CDI EVENTS	0	2	1	0	0	0	3		
Hospital Acquired Conditions Average	0.49			0.42			0.45	0.49	7.3%

- **Source:** NHSN & Medline Interface
- Hospital Acquired Conditions will be measured **quarterly**
- **Rationale for Targets:** The FY 2021 Target is set to meet Leapfrog requirements, which will then align with CMS requirements.
- **Acronyms:**
 1. **CLABSI (Central Line Associated Bloodstream Infection).**
 2. **CAUTI (Catheter Associated Urinary Tract Infection).**
 3. **CDI (Clostridium Difficile Infection).**

Monthly Scorecard

Finance (20%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	FY 2021 Act/Proj	TARGET	Var %
IV. Finance											
Income from Operations (Normalized) (\$ in Millions)	\$7,663	\$8,131	\$7,328	\$6,224	\$8,606	\$10,189	\$10,275	\$1,670	\$90,127	\$50,933	77.0%
Operating Margin (Normalized)	15.3%	16.7%	15.4%	12.9%	17.6%	19.3%	19.3%	4.1%	15.1%	9.9%	51.9%

- Target Methodology is based on SVMH's 100% of FY 2021 Board Approved Annual Operating Budget

Monthly Scorecard

Growth (10%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	FY 2021 Act/Proj	TARGET	Var %
V. Growth											
I. Increase Aspire Health Plan Medicare Advantage membership to →	5,497	5,529	5,545	5,559	5,571	5,591	5,815	5,816	5,816	6,069	-4.2%
II. Increase % of patients adopting of EPIC MyChart to →	-	-	21.1%	21.8%	22.7%	24.7%	28.6%	32.4%	32.4%	30.0%	8.1%

- **Aspire:** Our target for FY21 is based on detail provided by the executive team at Aspire Health Plan. We are using the current Aspire sales goals for the Special Election Period (SEP) and Annual Election Period (AEP) in line with our current business plan and bid targets. The projected increase of 610 members from our baseline of 5,459 in June is less than our prior year target of a 949 member increase. The primary driver behind the reduction in member growth projection is major changes in the plan design (benefits) to all of the plans, but to the Plus Plan in particular. The changes reflect a desire to improve plan profitability and mitigate risk. Our corridor for minimum and maximum thresholds is proportional to our targets last year with a +/- 20% of the targeted increase in members or 122 members over or under the target. The final result will be based on CMS paid members for the month of June in the July report from CMS.
- **Epic MyChart:** Our target for FY21 is based on benchmarks provided by Epic when compared to our peers that are using Epic MyChart and the recommendations from Epic Ambulatory Advisory Council. The middle 50% of Epic installations from our peer group ranges from 28% to 48% with a median of 38%, our current performance is 14.7% and is improving as we continue to push adoption and implement strategies to engage our patients through MyChart as our primary telemedicine platform. The 30% target was set by the Epic Ambulatory Advisory Council on February 20, 2020. The corridor for minimum and maximum thresholds is +/- 5% for a range from 25% to 35%. The final result will be based on patients with visits in FY21 that have an active MyChart account.

Monthly Scorecard

Community (0%)



Organizational Goals by Pillar	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	FY 2021 Act/Proj	TARGET	Var %
VI. Community											
Community activity hours performed by SVMH Staff	164	120	41	264	96	77	109	56	1,390	-	-
Increase participation in the Blue Zones Project									NA	844	0.0%

Notes / Assumptions:

- **Community Activity Hours Performed by SVMHS Staff:** Source: SVMH Activity Tracker Application. As a result of the challenging times during the pandemic, there will not be an established target for FY 2021 to dismiss the pressures of performing community activity hours.

Questions / Comments?



Financial Performance Review

March 2021

Augustine Lopez
Chief Financial Officer

Consolidated Financial Summary

For the Month of March 2021

Profit/Loss Statement

\$ in Millions	For the Month of March 2021				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 55.3	\$ 52.5	\$ 2.8	5.3%	
Operating Expense	\$ 51.4	\$ 51.4	\$ -	0.0%	
Income from Operations*	\$ 3.9	\$ 1.1	\$ 2.8	254.5%	
<i>Operating Margin %</i>	7.1%	2.1%	5.0%	238.10%	
Non Operating Income**	\$ 1.2	\$ 0.7	\$ 0.5	71.4%	
Net Income	\$ 5.1	\$ 1.8	\$ 3.3	183.3%	
<i>Net Income Margin %</i>	9.3%	3.5%	5.8%	165.7%	

*** Income from Operations includes:**

\$0.4M AB113 Intergovernmental Transfer Payment
Related to FY16 (ACA Pop Health Supplement)

\$0.4M Total Normalizing Items, Net

**Favorable variance in non-operating income is predominantly due to higher than expected returns on investments in subsidiaries

Favorable results due to:

- Higher than expected inpatient and outpatient volumes
- Improvement in labor productivity and overtime management

Consolidated Financial Summary

For the Month of March 2021 - Normalized

Profit/Loss Statement

\$ in Millions	For the Month of March 2021				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 54.9	\$ 52.5	\$ 2.4	4.6%	
Operating Expense	\$ 51.4	\$ 51.4	-	0.0%	
Income from Operations	\$ 3.5	\$ 1.1	\$ 2.4	218.2%	
<i>Operating Margin %</i>	6.4%	2.1%	4.3%	204.8%	
Non Operating Income	\$ 1.2	\$ 0.7	\$ 0.5	71.4%	
Net Income	\$ 4.7	\$ 1.8	\$ 2.9	161.1%	
<i>Net Income Margin %</i>	8.7%	3.5%	5.2%	148.6%	

Consolidated Financial Summary

Year-to-Date March 2021

Profit/Loss Statement

\$ in Millions	FY 2021 YTD March				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 502.0	\$ 435.6	\$ 66.4	15.2%	
Operating Expense	\$ 461.6	\$ 438.5	\$ (23.1)	-5.3%	
Income from Operations*	\$ 40.4	\$ (2.9)	\$ 43.3	1493.1%	
<i>Operating Margin %</i>	8.0%	-0.6%	8.6%	1433.3%	
Non Operating Income**	\$ 9.9	\$ 7.2	\$ 2.7	37.5%	
Net Income	\$ 50.3	\$ 4.3	\$ 46.0	1069.8%	
<i>Net Income Margin %</i>	10.0%	1.0%	9.0%	900.0%	

*** Income from Operations includes:**

- \$0.2M** Prior Year Medicare Cost Report Settlement
- \$1.4M** AB113 Intergovernmental Transfer Payment
Related to FY18 & FY19 (ACA Pop Health Supplement)
- \$5.8M** Hospital Quality Assurance Fee, net
- \$0.4M** AB113 Intergovernmental Transfer Payment
Related to FY16 (ACA Pop Health Supplement)

\$7.8M Total Normalizing Items, Net

Favorable results due to:

- Higher than expected inpatient and outpatient volumes, coupled with favorable labor productivity in the first two months of the year and favorable payor mix in Nov and Dec

**Favorable variance in non-operating income is predominantly due to higher than expected returns on investments in subsidiaries

Consolidated Financial Summary

Year-to-Date March 2021 - Normalized

Profit/Loss Statement

\$ in Millions	FY 2021 YTD March				
			Variance fav (unfav)		
	Actual	Budget	\$VAR	%VAR	
Operating Revenue	\$ 494.2	\$ 435.6	\$ 58.6	13.5%	
Operating Expense	\$ 461.6	\$ 438.5	\$ (23.1)	-5.3%	
Income from Operations	\$ 32.6	\$ (2.9)	\$ 35.5	1224.1%	
<i>Operating Margin %</i>	6.6%	-0.6%	7.2%	1200.0%	
Non Operating Income**	\$ 9.9	\$ 7.2	\$ 2.7	37.5%	
Net Income	\$ 42.5	\$ 4.3	\$ 38.2	888.4%	
<i>Net Income Margin %</i>	8.6%	1.0%	7.6%	760.0%	

SVMH Financial Highlights March 2021

Gross Revenues were favorable

- **Gross Revenues** were **12% favorable** to budget
- **IP gross revenues** were **12% favorable** to budget
 - **ED gross revenues** were **14% unfavorable** to budget
 - **OP gross revenues** were **22% favorable** to budget in the following areas:
 - Infusion Therapy
 - Other OP Pharmacy
 - Cardiology
 - Surgery
 - Other OP Services

- **Commercial:** on budget
- **Medicaid:** 6% **above** budget
- **Medicare:** 23% **above** budget

Payor Mix - **unfavorable** to budget

Total Normalized Net Patient Revenues were \$47.0M, which was **favorable** to budget by \$3.0M or 6.7%

COVID Inpatient Discharge Cases Payor Mix Analysis April 2020 thru March 2021

Payor	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21	Mar 21
Medicare	42	28	17	21	36	105	150	50	9
Medi-Cal	35	34	19	22	28	62	84	23	12
Commercial	29	22	22	10	27	48	53	13	5
Other	2	5		2	2	7	2	3	1
Grand Total	108	89	58	55	93	222	289	89	27

COVID Inpatient cases decreased during March compared to prior months.

Note: COVID Criteria is based on any DX U07.1 diagnosis code

Financial Summary – March 2021



1) Higher than expected Inpatient business:

- Average daily census was at 116, 2% above budget of 113

2) Total admissions were 3% or 28 admits above budget.

- ER admissions were 5% above budget (29 admits)
- ER admissions (including OB ED) were 82% of total acute admissions

3) Inpatient Surgeries were 16% (24 cases) above budget at 175

4) Strong Outpatient business:

- Stronger than expected patient volumes in Infusion Therapy, Cardiology and Other OP services

5) Outpatient Surgeries were 8% (20 cases) above budget at 268

6) Total Acute ALOS was 1% favorable at 4.0 vs 4.1 days budgeted



7) ER Outpatient visits were below budget by 13% (399 visits);

- Compared to July, visits decreased from 4,456 to 2,709 (a 39% decline)

8) Deliveries were 15% (23 deliveries) below budget at 134

9) OP Observation cases were 20% (29 cases) above budget at 173

10) Medicare ALOS CMI adjusted was 2% unfavorable at 2.5 days with a Case Mix Index of 1.8



CMI – All Discharges (with & without COVID)

Based on Discharges

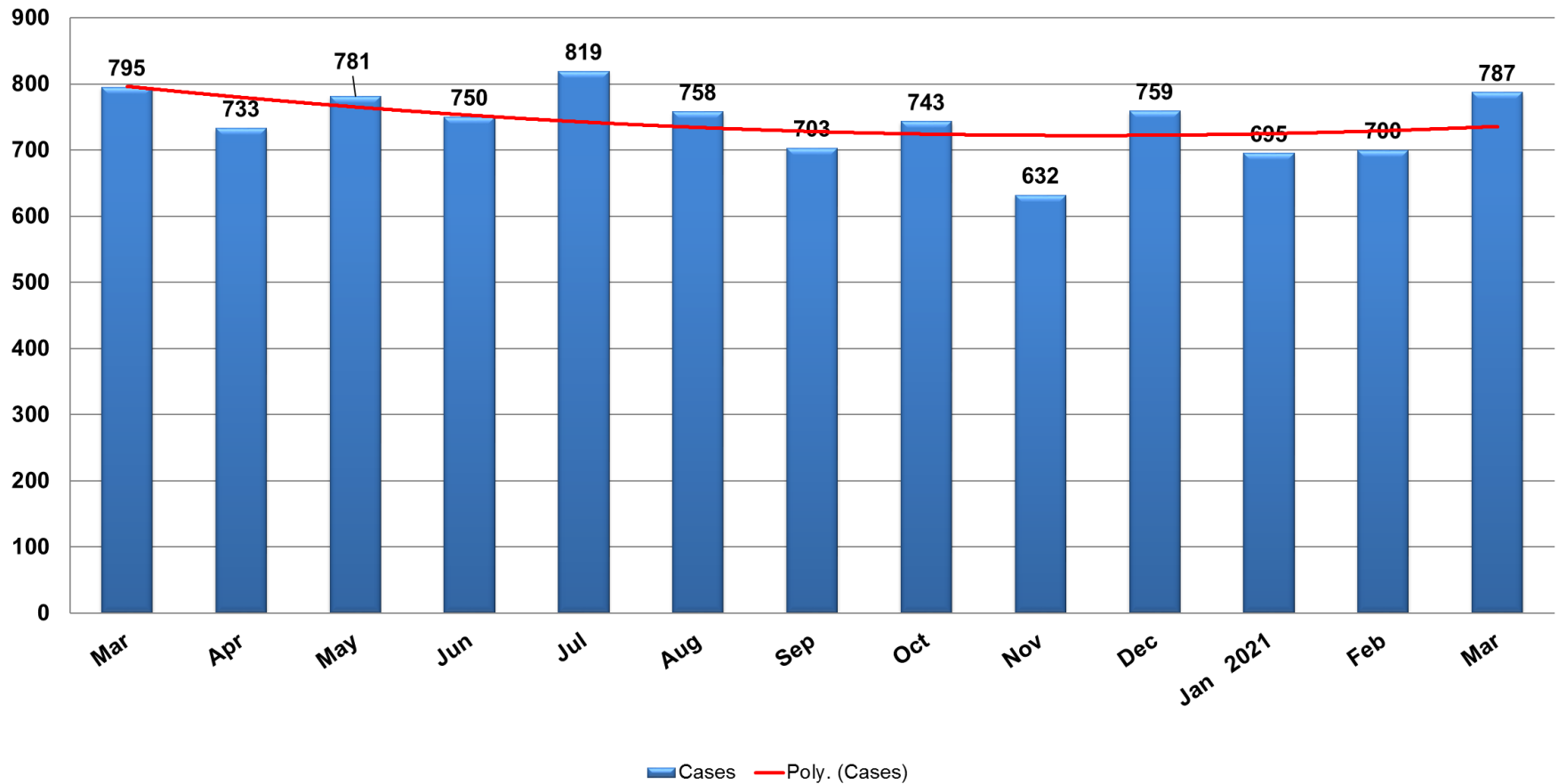
July 2020 thru March 2021

All Payors	All Discharges				COVID Discharges Only				Discharges Excluding COVID			
Month	All Payor CMI	Discharges	ADC	ALOS	All Payor CMI	Discharges	ADC	ALOS	All Payor CMI	Discharges	ADC	ALOS
7/31/2020	1.58	906	118	4.0	2.08	108	17	4.8	1.51	798	101	3.9
8/31/2020	1.68	859	117	4.2	2.32	89	18	6.4	1.60	770	99	4.0
9/30/2020	1.71	818	112	4.1	2.27	58	15	7.7	1.66	760	98	3.8
10/31/2020	1.64	864	115	4.1	2.39	55	13	7.5	1.59	809	102	3.9
11/30/2020	1.76	784	110	4.2	2.32	93	18	5.7	1.68	691	92	4.0
12/31/2020	1.76	852	121	4.4	2.15	222	45	6.2	1.62	630	77	3.8
1/31/2021	1.81	891	139	4.8	2.33	289	65	7.0	1.56	602	74	3.8
2/28/2021	1.78	767	119	4.4	2.36	89	27	8.4	1.70	678	92	3.8
3/31/2021	1.73	876	116	4.1	3.11	27	11	12.8	1.69	849	105	3.8
Total	1.72	7,617	119	4.3	2.37	1,030	26	6.8	1.63	6,587	93	3.9

Medicare	Medicare Discharges				Medicare COVID Discharges Only				Medicare Discharges Excluding			
Month	Medicare CMI	Discharges	ADC	ALOS	Medicare CMI	Discharges	ADC	ALOS	Medicare CMI	Discharges	ADC	ALOS
7/31/2020	1.69	334	44	4.1	1.82	32	5	5.0	1.68	302	39	4.0
8/31/2020	1.82	315	51	5.1	2.41	27	7	8.1	1.76	288	44	4.8
9/30/2020	1.90	285	45	4.7	2.11	16	4	7.9	1.89	269	41	4.5
10/31/2020	1.80	332	47	4.4	2.45	19	4	7.1	1.76	313	43	4.2
11/30/2020	1.88	302	47	4.7	2.29	30	8	7.9	1.83	272	39	4.3
12/31/2020	1.96	322	51	4.9	1.97	95	16	5.3	1.96	227	35	4.8
1/31/2021	1.97	358	65	5.6	2.31	133	30	6.9	1.77	225	35	4.8
2/28/2021	1.96	277	50	5.0	2.42	40	12	8.7	1.88	237	37	4.4
3/31/2021	1.83	337	50	4.6	4.62	7	5	22.9	1.77	330	45	4.2
Total	1.87	2,862	50	4.8	2.49	399	10	7.0	1.81	2,463	40	4.4

OP Infusion Service Line

OP Infusion
Cases Trend - Mar 2020 thru Mar 2021

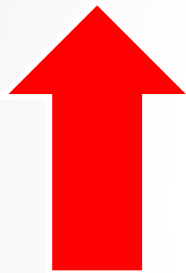


Cardiac Diagnostic O/P Center (CDOC)

Cases - Rolling 12 Month Trend
Apr 2020 thru Mar 2021



Labor Productivity – March 2021



1) **Worked FTEs** on a PAADC basis were 9.4% **unfavorable** to budget at **(7.00 actual vs. 6.39 budget)**; however, this compares favorably to the prior month variance of 13.2%

2) **Paid FTEs** on a PAADC basis were 13.0% **unfavorable** to budget at **(8.06 actual vs. 7.13 budget)**; however, this compares favorably to the prior month variance of 16.0%

✓ *When reviewed on a unit by unit level, the value of the negative variance for salaries, wages and benefits for **March** was **114 FTEs and \$1.8M**. This was driven by higher than expected staffing levels to support the increase in leave of absences, sick calls, and additional resources needed to support the Covid environment and readiness.*

✓ *Additionally, management is continuing to address the opportunities to flex staff relative to patient volumes, including a reduction of contracted staff.*

Contract Labor FTE By Pay Period

Contract Labor - FTE By Pay Period

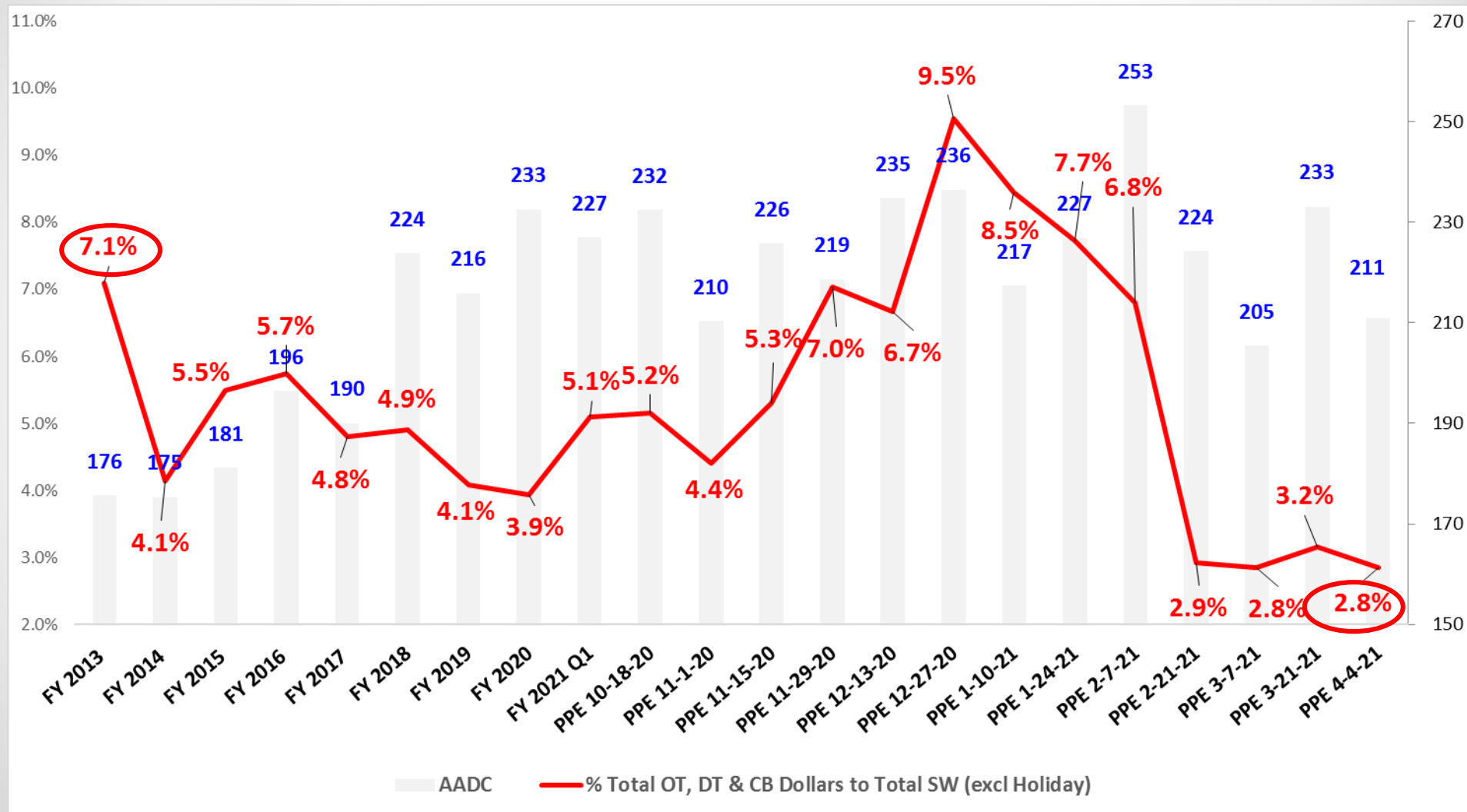
Traveler RN Non-RN Contract Labor



The total contract labor FTE has increased from approximately 19 FTE at the beginning of the FY to about 52 FTE over the last few pay periods as a result of the sharp increase in Covid cases and patient acuity.

% of Total OT, DT & CB Dollars to Total S&W

Updated Thru PPE 4-4-21



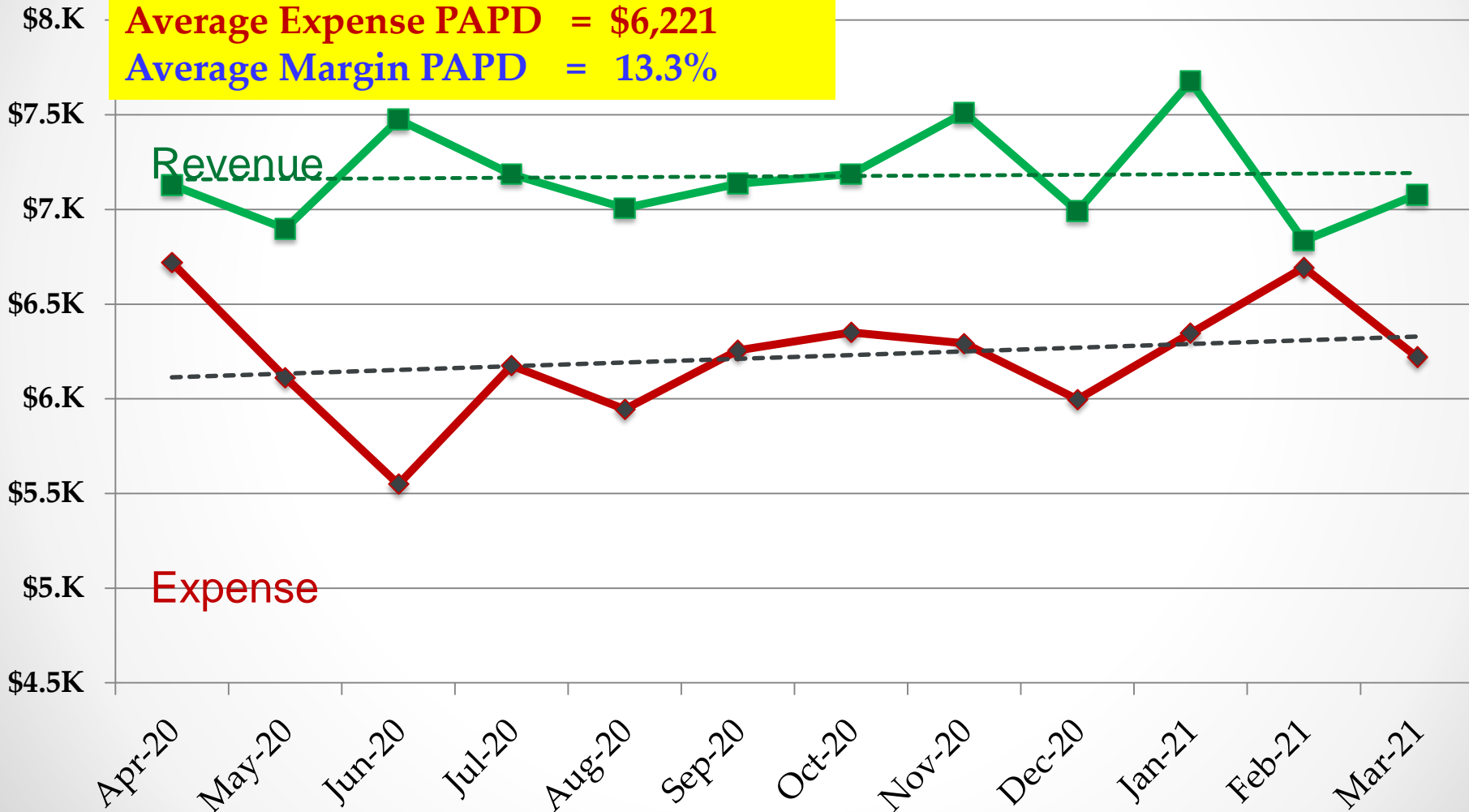
SVMH Revenues & Expenses Per Adjusted Patient Day (Normalized)

Rolling 12 Months: April 20 to March 21

Average Revenue PAPD = \$7,176

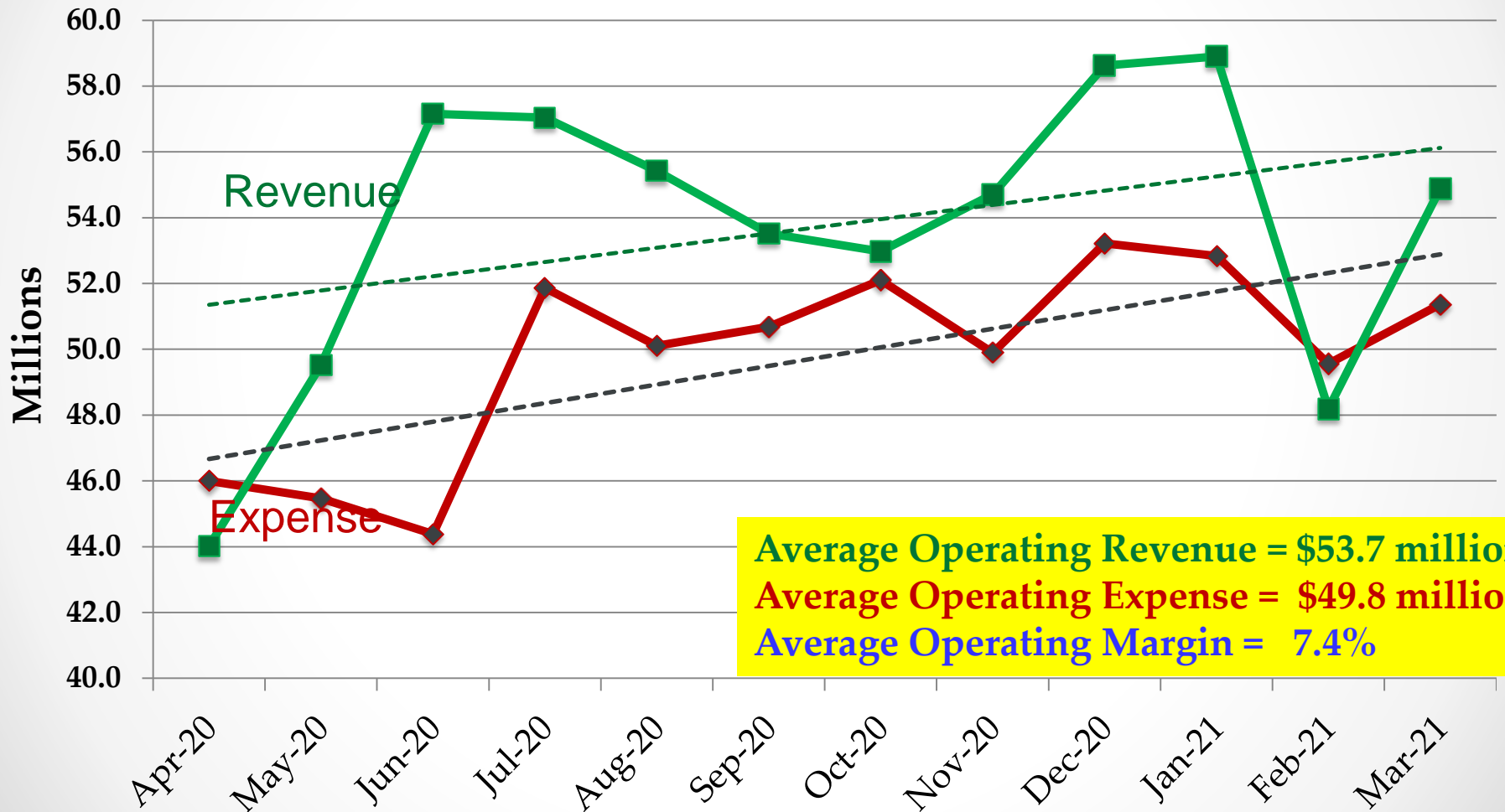
Average Expense PAPD = \$6,221

Average Margin PAPD = 13.3%



SVMHS Operating Revenues & Expenses (Normalized)

Rolling 12 Months: April 20 to March 21



Average Operating Revenue = \$53.7 million
Average Operating Expense = \$49.8 million
Average Operating Margin = 7.4%

SVMHS Key Financial Indicators

	YTD	SVMHS		S&P A+ Rated		YTD	
Statistic	Mar-21	Target	+/-	Hospitals	+/-	Mar-20	+/-
Operating Margin*	6.6%	9.0%		4.0%		13.3%	
Total Margin*	8.6%	10.8%		6.6%		15.8%	
EBITDA Margin**	10.7%	13.4%		13.6%		16.6%	
Days of Cash*	350	305		249		324	
Days of Accounts Payable*	44	45		-		50	
Days of Net Accounts Receivable***	52	45		49		46	
Supply Expense as % NPR	12.8%	15.0%		-		12.1%	
SWB Expense as % NPR	53.1%	53.0%		53.7%		50.3%	
Operating Expense per APD*	6,243	4,992		-		5,316	

*These metrics have been adjusted for normalizing items

**Metric based on Operating Income (consistent with industry standard)

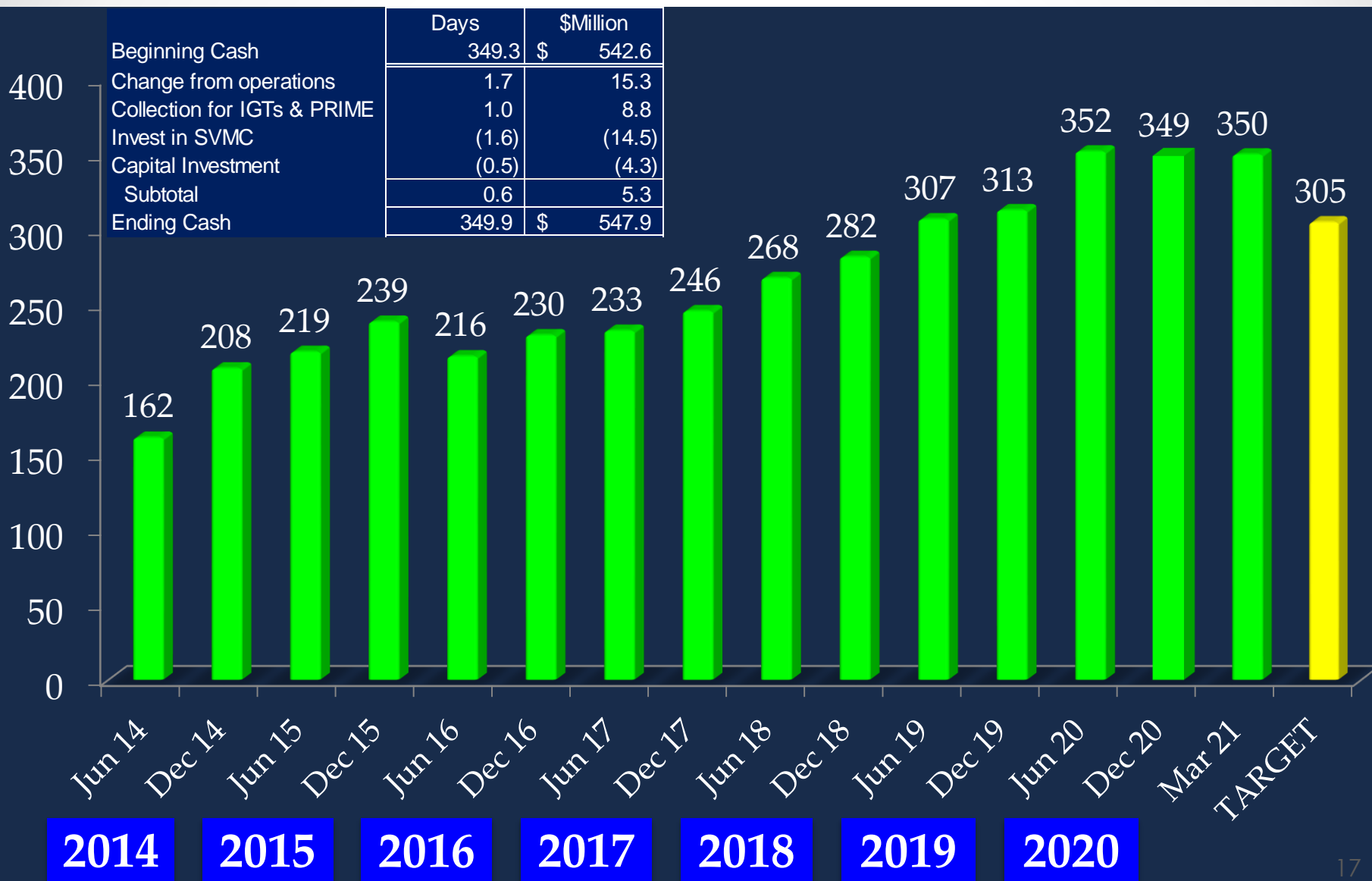
***Metric based on 90 days average net revenue (consistent with industry standard)

Days of Cash and Accounts Payable metrics have been adjusted to **exclude** accelerated insurance payments (COVID-19 assistance)

Salinas Valley Memorial Healthcare System

Days Cash on Hand = 350 Days (\$548M)

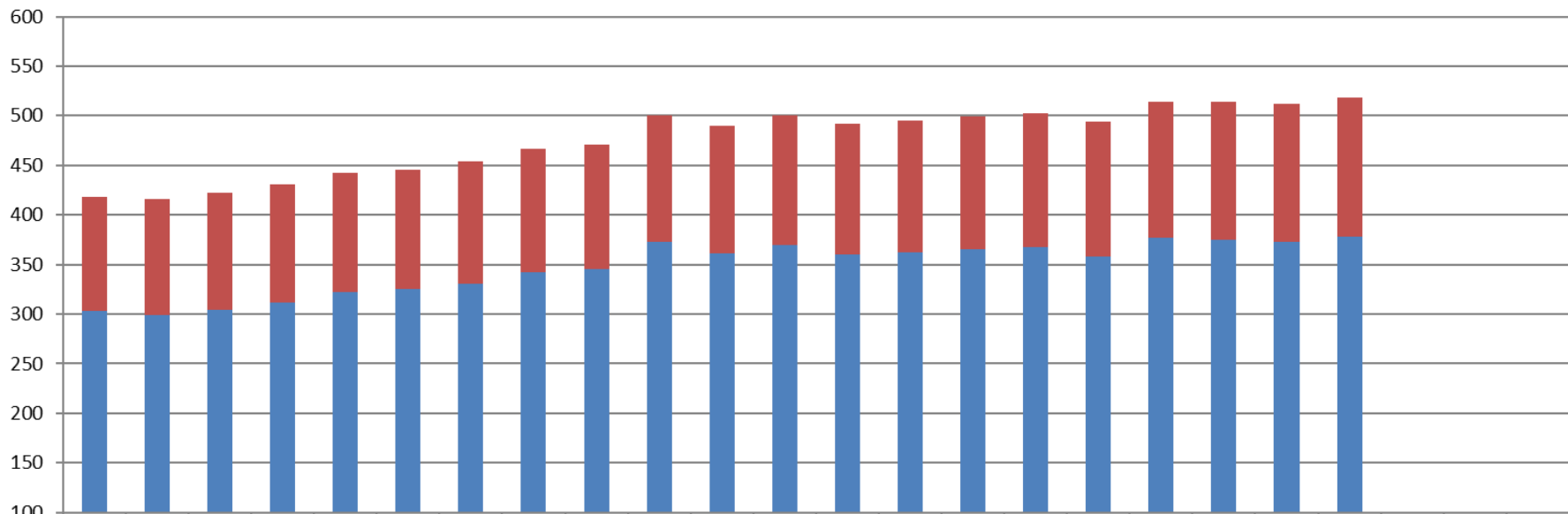
March 2021



SVMH - Cash and Investments

Hospital Cash and Investments

in millions



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Total	418	416	422	431	442	446	454	467	471	500	490	500	492	495	499	502	494	514	514	512	518	0	0	0
■ Restricted	115	117	118	119	120	121	123	125	126	127	129	130	132	133	134	135	136	137	139	139	140			
■ Operating	303	299	304	312	322	325	331	342	345	373	361	370	360	362	365	367	358	377	375	373	378			

ASSETS WHOSE USE IS LIMITED

		<u>March-21</u>		<u>YTD</u>
Beginning balance	\$	139,025,488	\$	130,408,693
Investment income or (loss)		(407,994)		208,801
Transfer		1,000,000		9,000,000
Ending balance	\$	139,617,494	\$	139,617,494

ROUTINE CAPITAL EXPENDITURES Through March 2021

Fiscal Month	2020-21 Approved Budget *	Total Purchased Expenditures	Remaining	Project	Amount
July	1,825,000	123,919	1,701,081		
August	1,825,000	1,370,100	2,155,981	Telecom/PBX Relocation Project	255,021
September	1,825,000	306,189	3,674,792	XRay Room Remodel	46,360
October	1,825,000	1,048,209	4,451,583	Second Obstetrical Operating Room	17,745
November	1,825,000	1,731,024	4,545,559	Other CIP	42,694
December	1,825,000	2,282,165	4,088,394	Total Improvements	361,820
January	1,825,000	1,234,713	4,678,681		
February	1,825,000	1,254,714	5,248,967	Remote Controlled Fluoroscopy System	648,644
March	1,825,000	1,231,051	5,842,916	Infant Phototherapy System	45,088
April	1,825,000		7,667,916	Cardiology Generator Replacement	29,498
May	1,825,000		9,492,916	Other Equipment	146,002
June	1,825,000		11,317,916	Total Equipment	869,231
YTD TOTAL	21,900,000	10,582,084	11,317,916	Grand Total	1,231,051

QUESTIONS / COMMENTS

SALINAS VALLEY MEMORIAL HOSPITAL
SUMMARY INCOME STATEMENT
March 31, 2021

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Operating revenue:				
Net patient revenue	\$ 47,429,916	\$ 43,753,598	\$ 435,302,557	\$ 430,001,316
Other operating revenue	870,880	616,162	10,855,026	11,352,489
Total operating revenue	<u>48,300,796</u>	<u>44,369,760</u>	<u>446,157,583</u>	<u>441,353,805</u>
Total operating expenses	41,323,854	40,847,753	371,725,173	350,868,753
Total non-operating income	<u>(1,866,340)</u>	<u>(3,154,278)</u>	<u>(26,451,935)</u>	<u>(13,507,659)</u>
Operating and non-operating income	<u>\$ 5,110,601</u>	<u>\$ 367,729</u>	<u>\$ 47,980,475</u>	<u>\$ 76,977,392</u>

SALINAS VALLEY MEMORIAL HOSPITAL
 BALANCE SHEETS
 March 31, 2021

	<u>Current year</u>	<u>Prior year</u>
ASSETS:		
Current assets	\$ 405,963,920	\$ 288,416,691
Assets whose use is limited or restricted by board	139,617,493	125,582,447
Capital assets	257,044,326	252,911,769
Other assets	194,234,762	188,343,238
Deferred pension outflows	<u>83,379,890</u>	<u>62,468,517</u>
	<u>\$ 1,080,240,391</u>	<u>\$ 917,722,662</u>
LIABILITIES AND EQUITY:		
Current liabilities	145,331,779	80,716,772
Long term liabilities	14,780,904	16,674,336
	126,340,336	108,929,468
Net assets	<u>793,787,372</u>	<u>711,402,086</u>
	<u>\$ 1,080,240,391</u>	<u>\$ 917,722,662</u>

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF NET PATIENT REVENUE
March 31, 2021**

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Patient days:				
By payer:				
Medicare	1,769	1,697	15,372	17,097
Medi-Cal	944	1,045	9,510	9,692
Commercial insurance	730	665	7,118	7,307
Other patient	162	107	1,139	1,063
Total patient days	<u>3,605</u>	<u>3,514</u>	<u>33,139</u>	<u>35,159</u>
Gross revenue:				
Medicare	\$ 96,464,718	\$ 82,680,167	\$ 745,058,744	\$ 769,528,313
Medi-Cal	54,106,484	53,021,874	478,023,577	478,603,821
Commercial insurance	47,268,300	43,912,761	438,642,073	432,415,141
Other patient	9,020,049	6,939,807	74,375,095	75,992,094
Gross revenue	<u>206,859,551</u>	<u>186,554,609</u>	<u>1,736,099,489</u>	<u>1,756,539,370</u>
Deductions from revenue:				
Administrative adjustment	258,412	805,989	2,953,436	3,380,683
Charity care	1,618,702	783,283	8,746,858	8,615,907
Contractual adjustments:				
Medicare outpatient	29,474,721	23,956,942	217,956,379	231,528,863
Medicare inpatient	41,477,237	39,055,238	335,532,532	358,731,447
Medi-Cal traditional outpatient	2,399,664	2,336,861	18,414,714	26,329,398
Medi-Cal traditional inpatient	5,153,618	6,452,548	66,320,197	54,911,303
Medi-Cal managed care outpatient	20,173,907	19,781,060	161,765,154	184,143,967
Medi-Cal managed care inpatient	20,050,924	18,016,253	165,420,438	157,067,186
Commercial insurance outpatient	16,947,025	15,089,383	139,560,458	131,343,156
Commercial insurance inpatient	17,166,458	13,195,855	144,151,005	129,312,700
Uncollectible accounts expense	3,616,920	3,322,176	31,781,522	31,144,409
Other payors	1,092,047	5,423	8,194,239	10,029,035
Deductions from revenue	<u>159,429,635</u>	<u>142,801,011</u>	<u>1,300,796,932</u>	<u>1,326,538,054</u>
Net patient revenue	<u>\$ 47,429,916</u>	<u>\$ 43,753,598</u>	<u>\$ 435,302,557</u>	<u>\$ 430,001,316</u>
Gross billed charges by patient type:				
Inpatient	\$ 111,767,856	\$ 100,042,803	\$ 966,010,712	\$ 934,678,901
Outpatient	74,010,669	63,933,230	581,827,837	585,961,158
Emergency room	21,081,026	22,578,576	188,260,939	235,899,311
Total	<u>\$ 206,859,551</u>	<u>\$ 186,554,609</u>	<u>\$ 1,736,099,488</u>	<u>\$ 1,756,539,370</u>

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES
March 31, 2021

	Month of March,		Nine months ended March 31,	
	current year	prior year	current year	prior year
Operating revenue:				
Net patient revenue	\$ 47,429,916	\$ 43,753,598	\$ 435,302,557	\$ 430,001,316
Other operating revenue	870,880	616,162	10,855,026	11,352,489
Total operating revenue	48,300,796	44,369,760	446,157,583	441,353,805
Operating expenses:				
Salaries and wages	15,513,674	15,537,679	142,970,822	131,858,773
Compensated absences	2,509,569	2,566,847	23,575,957	23,366,167
Employee benefits	6,604,461	7,254,714	65,354,877	66,354,532
Supplies, food, and linen	6,064,210	6,355,218	55,792,814	51,369,122
Purchased department functions	3,585,883	3,161,255	28,560,584	27,568,052
Medical fees	1,947,201	1,909,711	15,590,221	15,408,170
Other fees	1,975,660	1,058,398	13,119,636	9,456,125
Depreciation	1,798,937	1,731,412	16,100,727	15,222,514
All other expense	1,324,259	1,272,519	10,659,535	10,265,298
Total operating expenses	41,323,854	40,847,753	371,725,173	350,868,753
Income from operations	6,976,942	3,522,007	74,432,410	90,485,052
Non-operating income:				
Donations	166,667	166,667	2,000,000	1,504,200
Property taxes	333,333	333,333	3,000,000	3,000,000
Investment income	(558,512)	(334,430)	140,225	3,698,185
Taxes and licenses	0	0	0	0
Income from subsidiaries	(1,807,828)	(3,319,848)	(31,592,160)	(21,710,044)
Total non-operating income	(1,866,340)	(3,154,278)	(26,451,935)	(13,507,659)
Operating and non-operating income	5,110,601	367,729	47,980,475	76,977,392
Net assets to begin	788,676,770	711,034,357	745,806,898	634,424,693
Net assets to end	\$ 793,787,372	\$ 711,402,086	\$ 793,787,372	\$ 711,402,086
Net income excluding non-recurring items	\$ 4,700,157	\$ (38,002)	\$ 40,199,331	\$ 76,747,018
Non-recurring income (expense) from cost report settlements and re-openings and other non-recurring items	410,444	405,731	7,781,144	230,374
Operating and non-operating income	\$ 5,110,601	\$ 367,729	\$ 47,980,475	\$ 76,977,392

**SALINAS VALLEY MEMORIAL HOSPITAL
SCHEDULES OF INVESTMENT INCOME
March 31, 2021**

	<u>Month of March,</u>		<u>Nine months ended March 31,</u>	
	<u>current year</u>	<u>prior year</u>	<u>current year</u>	<u>prior year</u>
Detail of other operating income:				
Dietary revenue	\$ 133,139	\$ 153,010	\$ 1,196,487	\$ 1,517,378
Discounts and scrap sale	238,710	77,234	755,218	1,374,150
Sale of products and services	9,523	16,365	179,090	180,422
Clinical trial fees	56,016	0	102,144	0
Stimulus Funds	0	0	0	0
Rental income	173,421	145,983	1,443,620	1,290,273
Other	260,071	223,570	7,178,467	6,990,266
Total	\$ 870,880	\$ 616,162	\$ 10,855,026	\$ 11,352,489
Detail of investment income:				
Bank and payor interest	\$ 155,425	\$ 295,827	\$ 1,070,171	\$ 2,200,410
Income from investments	(724,438)	(630,257)	(968,440)	1,491,118
Gain or loss on property and equipment	10,500	0	38,494	6,657
Total	\$ (558,512)	\$ (334,430)	\$ 140,225	\$ 3,698,185
Detail of income from subsidiaries:				
Salinas Valley Medical Center:				
Pulmonary Medicine Center	\$ (254,874)	\$ (915,500)	\$ (1,679,829)	\$ (1,660,188)
Neurological Clinic	42,495	(21,342)	(615,676)	(646,077)
Palliative Care Clinic	(99,836)	(47,739)	(685,930)	(507,054)
Surgery Clinic	(126,805)	(310,470)	(1,500,414)	(1,040,290)
Infectious Disease Clinic	(45,391)	16,050	(259,486)	(225,061)
Endocrinology Clinic	(139,673)	(195,763)	(1,603,861)	(1,258,496)
Early Discharge Clinic	0	0	0	0
Cardiology Clinic	(112,628)	(286,152)	(4,286,539)	(3,929,076)
OB/GYN Clinic	(167,826)	(396,168)	(3,107,049)	(1,701,371)
PrimeCare Medical Group	(230,374)	(587,060)	(7,667,455)	(5,366,542)
Oncology Clinic	(261,270)	(216,333)	(2,465,264)	(1,954,234)
Cardiac Surgery	(68,360)	(137,581)	(1,465,452)	(971,252)
Sleep Center	18,928	(52,263)	(516,695)	(660,862)
Rheumatology	(102,569)	(4,225)	(454,445)	(201,704)
Precision Ortho MDs	(78,584)	(214,425)	(3,285,799)	(2,448,465)
Precision Ortho-MRI	(55)	(6,563)	(1,570)	(10,678)
Precision Ortho-PT	(62,364)	(22,824)	(439,341)	(49,494)
Dermatology	(32,555)	10,316	(277,359)	8,879
Hospitalists	0	1	0	0
Behavioral Health	(96,071)	(63,642)	(674,405)	(451,366)
Pediatric Diabetes	(63,171)	(32,451)	(305,803)	(284,317)
Neurosurgery	(10,773)	(23,072)	(260,061)	(172,879)
Multi-Specialty-RR	14,638	27,174	34,311	115,226
Radiology	(104,926)	0	(1,755,971)	0
Salinas Family Practice	(13,982)	0	(13,982)	0
Total SVMC	(1,996,026)	(3,480,032)	(33,288,075)	(23,415,301)
Doctors on Duty	(53,246)	(205,859)	127,825	332,725
Assisted Living	(6,987)	(4,736)	(61,346)	(48,222)
Salinas Valley Imaging	0	(2,712)	(19,974)	19,904
Vantage Surgery Center	11,410	9,819	176,761	163,415
LPCH NICU JV	0	0	0	0
Central Coast Health Connect	0	0	0	0
Monterey Peninsula Surgery Center	87,646	258,662	792,671	1,214,968
Aspire/CHI/Coastal	64,579	374,566	(60,579)	(410,244)
Apex	33,824	(222,762)	70,531	109,878
21st Century Oncology	15,768	19,289	(56,516)	159,858
Monterey Bay Endoscopy Center	35,206	(66,084)	726,543	162,975
Total	\$ (1,807,828)	\$ (3,319,848)	\$ (31,592,160)	\$ (21,710,044)

**SALINAS VALLEY MEMORIAL HOSPITAL
BALANCE SHEETS
March 31, 2021**

	<u>Current year</u>	<u>Prior year</u>
A S S E T S		
Current assets:		
Cash and cash equivalents	\$ 301,377,642	\$ 199,142,464
Patient accounts receivable, net of estimated uncollectibles of \$20,603,346	87,793,712	68,465,174
Supplies inventory at cost	8,406,686	5,998,899
Other current assets	<u>8,385,880</u>	<u>14,810,154</u>
Total current assets	<u>405,963,920</u>	<u>288,416,691</u>
Assets whose use is limited or restricted by board	<u>139,617,493</u>	<u>125,582,447</u>
Capital assets:		
Land and construction in process	48,483,144	61,031,768
Other capital assets, net of depreciation	<u>208,561,182</u>	<u>191,880,002</u>
Total capital assets	<u>257,044,326</u>	<u>252,911,769</u>
Other assets:		
Investment in Securities	148,035,498	146,015,591
Investment in SVMC	13,147,740	13,091,623
Investment in Aspire/CHI/Coastal	4,712,439	4,450,428
Investment in other affiliates	24,968,716	21,691,849
Net pension asset	<u>3,370,369</u>	<u>3,093,747</u>
Total other assets	<u>194,234,762</u>	<u>188,343,238</u>
Deferred pension outflows	<u>83,379,890</u>	<u>62,468,517</u>
	<u>\$ 1,080,240,391</u>	<u>\$ 917,722,662</u>
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 53,306,670	\$ 53,333,810
Due to third party payers	74,164,402	9,846,735
Current portion of self-insurance liability	<u>17,860,707</u>	<u>17,536,227</u>
Total current liabilities	145,331,779	80,716,772
Long term portion of workers comp liability	<u>14,780,904</u>	<u>16,674,336</u>
Total liabilities	<u>160,112,683</u>	<u>97,391,108</u>
Pension liability	<u>126,340,336</u>	<u>108,929,468</u>
Net assets:		
Invested in capital assets, net of related debt	257,044,326	252,911,769
Unrestricted	<u>536,743,046</u>	<u>458,490,317</u>
Total net assets	<u>793,787,372</u>	<u>711,402,086</u>
	<u>\$ 1,080,240,391</u>	<u>\$ 917,722,662</u>

SALINAS VALLEY MEMORIAL HOSPITAL
STATEMENTS OF REVENUE AND EXPENSES - BUDGET VS. ACTUAL
March 31, 2021

	Month of March,				Nine months ended March 31,			
	Actual	Budget	Variance	% Var	Actual	Budget	Variance	% Var
Operating revenue:								
Gross billed charges	\$ 206,859,551	\$ 184,763,895	22,095,656	11.96%	\$ 1,736,099,489	\$ 1,526,413,700	209,685,789	13.74%
Deductions from revenue	159,429,635	140,699,523	18,730,112	13.31%	1,300,796,932	1,159,108,643	141,688,289	12.22%
Net patient revenue	47,429,916	44,064,372	3,365,544	7.64%	435,302,557	367,305,057	67,997,500	18.51%
Other operating revenue	870,880	919,590	(48,710)	-5.30%	10,855,026	8,276,306	2,578,720	31.16%
Total operating revenue	48,300,796	44,983,962	3,316,834	7.37%	446,157,583	375,581,363	70,576,220	18.79%
Operating expenses:								
Salaries and wages	15,513,674	15,380,308	133,366	0.87%	142,970,822	127,155,117	15,815,705	12.44%
Compensated absences	2,509,569	2,140,282	369,287	17.25%	23,575,957	24,247,303	(671,346)	-2.77%
Employee benefits	6,604,461	7,928,583	(1,324,122)	-16.70%	65,354,877	66,015,595	(660,718)	-1.00%
Supplies, food, and linen	6,064,210	5,336,595	727,615	13.63%	55,792,814	45,752,350	10,040,464	21.95%
Purchased department functions	3,585,883	3,121,212	464,671	14.89%	28,560,584	27,978,448	582,136	2.08%
Medical fees	1,947,201	1,678,265	268,936	16.02%	15,590,221	15,271,865	318,356	2.08%
Other fees	1,975,660	835,523	1,140,137	136.46%	13,119,636	7,617,773	5,501,863	72.22%
Depreciation	1,798,937	1,789,255	9,682	0.54%	16,100,727	16,103,298	(2,571)	-0.02%
All other expense	1,324,259	1,420,874	(96,615)	-6.80%	10,659,535	12,633,993	(1,974,458)	-15.63%
Total operating expenses	41,323,854	39,630,897	1,692,957	4.27%	371,725,173	342,775,742	28,949,431	8.45%
Income from operations	6,976,942	5,353,064	1,623,878	30.34%	74,432,410	32,805,621	41,626,789	126.89%
Non-operating income:								
Donations	166,667	166,667	0	0.00%	2,000,000	1,500,000	500,000	33.33%
Property taxes	333,333	333,333	(0)	0.00%	3,000,000	3,000,000	0	0.00%
Investment income	(558,512)	160,094	(718,606)	-448.87%	140,225	1,440,842	(1,300,617)	-90.27%
Income from subsidiaries	(1,807,828)	(4,214,462)	2,406,634	-57.10%	(31,592,160)	(34,545,269)	2,953,109	-8.55%
Total non-operating income	(1,866,340)	(3,554,369)	1,688,029	-47.49%	(26,451,935)	(28,604,428)	2,152,493	-7.53%
Operating and non-operating income \$	5,110,602	\$ 1,798,695	3,311,907	184.13%	\$ 47,980,475	\$ 4,201,194	43,779,281	1042.07%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	<u>Month of Mar</u>		<u>Nine months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2019-20</u>	<u>2020-21</u>	
<u>NEWBORN STATISTICS</u>					
Medi-Cal Admissions	38	42	400	392	(8)
Other Admissions	95	93	979	851	(128)
Total Admissions	133	135	1,379	1,243	(136)
Medi-Cal Patient Days	61	67	651	590	(61)
Other Patient Days	147	169	1,671	1,390	(281)
Total Patient Days of Care	208	236	2,322	1,980	(342)
Average Daily Census	6.7	7.6	8.5	7.2	(1.2)
Medi-Cal Average Days	1.6	1.7	1.7	1.6	(0.2)
Other Average Days	0.7	1.8	1.7	1.6	(0.1)
Total Average Days Stay	1.6	1.7	1.7	1.6	(0.1)
<u>ADULTS & PEDIATRICS</u>					
Medicare Admissions	333	351	3,519	2,867	(652)
Medi-Cal Admissions	270	247	2,301	2,126	(175)
Other Admissions	378	277	2,907	2,498	(409)
Total Admissions	981	875	8,727	7,491	(1,236)
Medicare Patient Days	1,486	1,522	15,368	1,344	(14,024)
Medi-Cal Patient Days	1,037	1,025	9,832	1,048	(8,784)
Other Patient Days	830	1,038	8,904	30,729	21,825
Total Patient Days of Care	3,353	3,585	34,104	33,121	(983)
Average Daily Census	108.2	115.6	124.5	120.9	(3.6)
Medicare Average Length of Stay	4.3	4.4	4.4	0.5	(3.9)
Medi-Cal Average Length of Stay	3.7	3.5	3.7	0.4	(3.2)
Other Average Length of Stay	2.2	2.9	2.3	9.3	7.0
Total Average Length of Stay	3.4	3.6	3.4	3.8	0.4
Deaths	18	28	236	348	112
Total Patient Days	3,561	3,821	36,426	35,101	(1,325)
Medi-Cal Administrative Days	6	1	66	165	99
Medicare SNF Days	0	0	0	0	0
Over-Utilization Days	0	0	0	0	0
Total Non-Acute Days	6	1	66	165	99
Percent Non-Acute	0.17%	0.03%	0.18%	0.47%	0.29%

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	Month of Mar		Nine months to date		Variance
	2020	2021	2019-20	2020-21	
<u>PATIENT DAYS BY LOCATION</u>					
Level I	344	321	2,620	2,409	(211)
Heart Center	358	341	3,177	3,062	(115)
Monitored Beds	782	621	8,074	7,622	(452)
Single Room Maternity/Obstetrics	340	359	3,686	3,124	(562)
Med/Surg - Cardiovascular	645	811	6,836	6,690	(146)
Med/Surg - Oncology	242	104	2,276	1,471	(805)
Med/Surg - Rehab	297	471	3,706	3,925	219
Pediatrics	96	142	975	888	(87)
Nursery	208	236	2,322	1,980	(342)
Neonatal Intensive Care	160	115	1,041	1,154	113
<u>PERCENTAGE OF OCCUPANCY</u>					
Level I	85.36%	79.65%	73.29%	67.38%	
Heart Center	76.99%	73.33%	77.02%	74.23%	
Monitored Beds	93.43%	74.19%	108.74%	102.65%	
Single Room Maternity/Obstetrics	29.64%	31.30%	36.23%	30.70%	
Med/Surg - Cardiovascular	46.24%	58.14%	55.24%	54.06%	
Med/Surg - Oncology	60.05%	25.81%	63.66%	41.15%	
Med/Surg - Rehab	36.85%	58.44%	51.83%	54.90%	
Med/Surg - Observation Care Unit	0.00%	56.93%	0.00%	59.38%	
Pediatrics	17.20%	25.45%	19.70%	17.94%	
Nursery	40.66%	46.14%	25.59%	21.82%	
Neonatal Intensive Care	46.92%	33.72%	34.41%	38.15%	

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	<u>Month of Mar</u>		<u>Nine months to date</u>		<u>Variance</u>
	<u>2020</u>	<u>2021</u>	<u>2019-20</u>	<u>2020-21</u>	
<u>DELIVERY ROOM</u>					
Total deliveries	139	140	1,364	1,230	(134)
C-Section deliveries	37	52	429	381	(48)
Percent of C-section deliveries	26.62%	37.14%	31.45%	30.98%	-0.48%
<u>OPERATING ROOM</u>					
In-Patient Operating Minutes	21,470	22,919	200,554	179,549	(21,005)
Out-Patient Operating Minutes	22,858	28,721	240,150	199,416	(40,734)
Total	44,328	51,640	440,704	378,965	(61,739)
Open Heart Surgeries	10	13	105	103	(2)
In-Patient Cases	159	172	1,510	1,272	(238)
Out-Patient Cases	241	271	2,520	2,147	(373)
<u>EMERGENCY ROOM</u>					
Immediate Life Saving	23	34	278	298	20
High Risk	496	509	5,649	4,563	(1,086)
More Than One Resource	2,221	2,113	24,315	18,972	(5,343)
One Resource	1,646	855	14,178	10,974	(3,204)
No Resources	38	23	445	327	(118)
Total	<u>4,424</u>	<u>3,534</u>	<u>44,865</u>	<u>35,134</u>	<u>(9,731)</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	Month of Mar		Nine months to date		Variance
	2020	2021	2019-20	2020-21	
CENTRAL SUPPLY					
In-patient requisitions	13,710	17,314	136,023	134,042	-1,981
Out-patient requisitions	9,969	10,715	94,812	86,558	-8,254
Emergency room requisitions	1,696	1,232	27,170	13,929	-13,241
Interdepartmental requisitions	6,364	6,718	64,138	62,303	-1,835
Total requisitions	<u>31,739</u>	<u>35,979</u>	<u>322,143</u>	<u>296,832</u>	<u>-25,311</u>
LABORATORY					
In-patient procedures	31,452	36,166	314,737	322,515	7,778
Out-patient procedures	8,799	11,769	93,176	98,332	5,156
Emergency room procedures	8,268	8,755	91,736	78,032	-13,704
Total patient procedures	<u>48,519</u>	<u>56,690</u>	<u>499,649</u>	<u>498,879</u>	<u>-770</u>
BLOOD BANK					
Units processed	<u>333</u>	<u>275</u>	<u>2,583</u>	<u>2,592</u>	<u>9</u>
ELECTROCARDIOLOGY					
In-patient procedures	896	1,044	9,489	8,393	-1,096
Out-patient procedures	346	488	4,251	3,572	-679
Emergency room procedures	744	877	8,578	7,867	-711
Total procedures	<u>1,986</u>	<u>2,409</u>	<u>22,318</u>	<u>19,832</u>	<u>-2,486</u>
CATH LAB					
In-patient procedures	79	89	765	682	-83
Out-patient procedures	72	100	777	763	-14
Emergency room procedures	0	0	0	1	1
Total procedures	<u>151</u>	<u>189</u>	<u>1,542</u>	<u>1,446</u>	<u>-96</u>
ECHO-CARDIOLOGY					
In-patient studies	278	352	2,757	2,652	-105
Out-patient studies	159	205	1,792	1,630	-162
Emergency room studies	0	1	12	18	6
Total studies	<u>437</u>	<u>558</u>	<u>4,561</u>	<u>4,300</u>	<u>-261</u>
NEURODIAGNOSTIC					
In-patient procedures	150	165	1,561	1,410	-151
Out-patient procedures	24	15	198	216	18
Emergency room procedures	0	0	1	0	-1
Total procedures	<u>174</u>	<u>180</u>	<u>1,760</u>	<u>1,626</u>	<u>-134</u>

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	Month of Mar		Nine months to date		Variance
	2020	2021	2019-20	2020-21	
SLEEP CENTER					
In-patient procedures	0	0	0	1	1
Out-patient procedures	171	204	1,840	1,705	-135
Emergency room procedures	0	0	0	0	0
Total procedures	171	204	1,840	1,706	-134
RADIOLOGY					
In-patient procedures	1,296	1,349	12,083	12,232	149
Out-patient procedures	357	452	3,928	5,183	1,255
Emergency room procedures	1,322	950	13,117	9,817	-3,300
Total patient procedures	2,975	2,751	29,128	27,232	-1,896
MAGNETIC RESONANCE IMAGING					
In-patient procedures	117	146	1,220	1,127	-93
Out-patient procedures	75	145	758	1,248	490
Emergency room procedures	4	9	95	98	3
Total procedures	196	300	2,073	2,473	400
MAMMOGRAPHY CENTER					
In-patient procedures	2,647	3,420	32,375	27,186	-5,189
Out-patient procedures	2,649	3,396	32,260	27,023	-5,237
Emergency room procedures	0	0	7	3	-4
Total procedures	5,296	6,816	64,642	54,212	-10,430
NUCLEAR MEDICINE					
In-patient procedures	14	19	168	114	-54
Out-patient procedures	81	70	765	641	-124
Emergency room procedures	0	2	4	7	3
Total procedures	95	91	937	762	-175
PHARMACY					
In-patient prescriptions	81,007	84,864	809,995	800,458	-9,537
Out-patient prescriptions	15,455	15,955	148,026	128,427	-19,599
Emergency room prescriptions	6,097	5,223	70,382	47,240	-23,142
Total prescriptions	102,559	106,042	1,028,403	976,125	-52,278
RESPIRATORY THERAPY					
In-patient treatments	15,486	15,205	144,654	189,600	44,946
Out-patient treatments	386	500	4,991	4,182	-809
Emergency room treatments	295	166	3,854	1,539	-2,315
Total patient treatments	16,167	15,871	153,499	195,321	41,822
PHYSICAL THERAPY					
In-patient treatments	2,196	2,507	22,081	20,806	-1,275
Out-patient treatments	260	356	2,430	2,335	-95
Emergency room treatments	0	0	0	0	0
Total treatments	2,456	2,863	24,511	23,141	-1,370

SALINAS VALLEY MEMORIAL HOSPITAL
PATIENT STATISTICAL REPORT
For the month of Mar and nine months to date

	Month of Mar		Nine months to date		Variance
	2020	2021	2019-20	2020-21	
OCCUPATIONAL THERAPY					
In-patient procedures	1,422	1,697	13,193	12,628	-565
Out-patient procedures	119	188	1,149	1,131	-18
Emergency room procedures	0	0	0	0	0
Total procedures	<u>1,541</u>	<u>1,885</u>	<u>14,342</u>	<u>13,759</u>	<u>-583</u>
SPEECH THERAPY					
In-patient treatments	393	467	3,363	3,493	130
Out-patient treatments	11	34	215	252	37
Emergency room treatments	0	0	2	0	-2
Total treatments	<u>404</u>	<u>501</u>	<u>3,580</u>	<u>3,745</u>	<u>165</u>
CARDIAC REHABILITATION					
In-patient treatments	1	0	1	0	-1
Out-patient treatments	405	581	4,218	3,715	-503
Emergency room treatments	0	0	0	1	1
Total treatments	<u>406</u>	<u>581</u>	<u>4,219</u>	<u>3,716</u>	<u>-503</u>
CRITICAL DECISION UNIT					
Observation hours	<u>250</u>	<u>295</u>	<u>2,761</u>	<u>2,462</u>	<u>-299</u>
ENDOSCOPY					
In-patient procedures	96	117	819	842	23
Out-patient procedures	50	29	303	209	-94
Emergency room procedures	0	0	0	0	0
Total procedures	<u>146</u>	<u>146</u>	<u>1,122</u>	<u>1,051</u>	<u>-71</u>
C.T. SCAN					
In-patient procedures	563	611	5,755	4,937	-818
Out-patient procedures	247	452	2,376	4,471	2,095
Emergency room procedures	445	482	5,427	4,122	-1,305
Total procedures	<u>1,255</u>	<u>1,545</u>	<u>13,558</u>	<u>13,530</u>	<u>-28</u>
DIETARY					
Routine patient diets	16,765	19,048	178,269	147,660	-30,609
Meals to personnel	23,772	20,635	225,167	182,826	-42,341
Total diets and meals	<u>40,537</u>	<u>39,683</u>	<u>403,436</u>	<u>330,486</u>	<u>-72,950</u>
LAUNDRY AND LINEN					
Total pounds laundered	<u>120,758</u>	<u>97,852</u>	<u>1,151,969</u>	<u>900,319</u>	<u>-251,650</u>

PUBLIC INPUT

CLOSED SESSION

*(Report on Item to be
Discussed in Closed Session)*

*RECONVENE OPEN SESSION/
REPORT ON CLOSED SESSION*

Finance Committee Board Paper

Agenda Item: **Consider Recommendation for Board Approval of Lease with the Lugo Family Living Trust for 650 Work Street Suite B Salinas, CA**

Executive Sponsor: Augustine Lopez, Chief Financial Officer
Judi Melton, Director Materials Management

Date: April 19, 2021

Executive Summary

During an Emergency/Disaster/Pandemic, our system needs to be ready for the next crisis, this is not a financial decision, but rather a focus on caring for our caregivers and community.

The Legislative Assembly Bill #2537, Personal Protective Equipment bill – Beginning April 1, 2021, an employer shall maintain a stockpile of the following equipment in the amount equal to three months of normal consumption: N95 masks, PAPR, Surgical masks, Isolation gowns, Eye protection, and shoe coverings.

Our current storage spaces are at 7 different locations, the campus locations will not be available to us as we move forward with the Endoscopy (212 building) and Parking garage projects.

Along with the 96 Hour pandemic supply, and now the AB#2537, we need better/closer access to the Pandemic supply and equipment. The location is primary, as these supplies need weekly rotation for expiration date management.

Basis for recommendation: Life Safety Measures, Regulatory, hazard vulnerability analysis and operations impact.

The property includes 9,400 square feet of warehouse/mezzanine space and 2,000 square feet of administrative office space. The lease is proposed to be a five (5) year lease with option one (1) five (5) year option for renewal that requires one hundred twenty (120) days written notice and includes annual increases based on the Consumer Price Index and capped at 2.75% annually.

The SVMHS executive team has negotiated with the building owners to secure the terms as outlined below.

Timeline

April 26, 2021 – SVMHS Board Finance Committee Considers Recommendation for Approval

April 29, 2021 – SVMHS Board of Directors Consider Approval

May 1, 2021 – Lease Commencement Date

Strategic Plan Alignment:

This lease agreement is aligned with our goals for the community, quality and people pillars. This space will be utilized to support an Emergency/Disaster/Pandemic, as our system needs to be ready for the next crisis.

Pillar/Goal Alignment:

Service People Quality Finance Growth Community

Financial/Quality/Safety/Regulatory Implications

1. Proposed Effective Date	May 1, 2021
2. Term of agreement	Five (5) Years
3. Renewal terms	Five (5) Year Option with 120 Days' Notice
4. Security Deposit	Waived
5. Termination provision(s)	None
6. Payment Terms	Monthly, in advance
7. Building Operating & Tax Expenses	Modified Gross Lease (Tenant Covers pro rata Gas/Water)
8. Annual Rent Cost	\$201,000 (\$1.47/psf/monthly/Modified Gross)
9. Cost Over Initial Five (5) Year Option	\$1,061,816 (excluding CAM, including 2.75% increases)
10. Budgeted	No

Recommendation

Consider Recommendation for Board Approval of Lease with the Lugo Family Living Trust for 650 Work Street Suite B Salinas, CA

Attachments

- Lease between Salinas Valley Memorial Healthcare System and the Lugo Family Living Trust for 650 Work Street Suite B, Salinas, CA

LEASE

THIS LEASE, is made and entered into effective May 1, 2021 by and between KERRY R. LUGO and CHERYL A. LUGO, as Trustees of the LUGO FAMILY LIVING TRUST u/d/d October 5, 2006 (Landlord) and Salinas Valley Memorial Healthcare System, a California Public Health Care District (Tenant).

WITNESSETH:

1. **USE.** The Landlord hereby leases to Tenant and Tenant hereby hires from Landlord, the premises described below, for purposes of conducting thereon the following activities: storage of medical equipment and supplies.

Tenant represents to Landlord that prior to execution of this Lease, Tenant has determined what, if any, city or other governmental permits or other requirements are needed for Tenant to use the premises as herein indicated and has obtained or is obtaining any required permits and agrees to comply with such requirements, at its expense.

2. **PREMISES.** The premises leased to Tenant, together with appurtenances, are hereinafter referred to as the "premises" are a portion of the building commonly known as 650 Work Street, Suite B, Salinas, California, and are the premises outlined in red on the plot of the premises attached hereto as Exhibit A. Included in the premises are approximately 7,000 square feet of warehouse space, 2,000 square feet of office space, and 2,400 square feet of mezzanine. Tenants shall also have exclusive use of the parking spaces and parking areas as described in Paragraph 9. Tenant accepts responsibility for ensuring that the square footage is accurate and acceptable for its purposes and is not relying on any representation made by Landlord or Landlord's agents.

3. **TERM AND POSSESSION.** The term of this lease shall be for a period of five (5) years. The term of this lease, and Tenant's obligation to pay rent, shall commence on May 1, 2021 ("Commencement Date") and shall terminate on April 30, 2026 subject to options to renew, if any, as stated herein.

4. **RENTAL.**

A. **Base Rent.** Tenant shall pay to Landlord during the term of this lease as Base Rent for the premises the sum of sixteen thousand seven hundred fifty dollars (\$16,750) per month due on the first day of each month, which sum shall be paid in lawful money of the United States of America and shall be paid without deduction or offset, prior to notice or demand, at the address designated for the Landlord herein. Any rent payment not paid within ten (10) days of its due date shall be subject to a six (6%) percent late charge.

B. **Rent During Option Period.** The rent for each year of the term of the Option shall be determined as follows: The rent paid for the prior year shall be increased as provided in subparagraph C "Base Rent Adjustment" of this section, which sum shall become the new Base Rent. Thereafter, the rent shall continue to be adjusted under such subparagraph each year of the option term.

C. **Base Rent Adjustment.** The Base Rent shall be adjusted two and three quarters percent (2.75%) annually on the first day of January, beginning on January 1, 2023. Tenant shall pay

the increased rent whether or not Tenant receives notice of the increase. This adjustment applies to the Base Rent only.

D. Security Deposit. Landlord agrees to waive the Security Deposit.

5. **DIRECT EXPENSES(CAM, ETC.).**

In addition to Base Rent, Tenant shall pay to Landlord its share of water and gas which is common to the entire building. Tenant's share of water shall be 41%. Tenant's share of gas shall be anything in excess of \$1,638 per year. The water and gas expense may be billed annually, and shall be paid within 30 days of receipt of the billing.

6. **REAL ESTATE TAXES.** Landlord shall pay all annual real estate taxes and assessments levied upon the premises and the parking and common areas of the property. For purposes of this agreement "annual real estate taxes and assessments" means all federal, state, county, or local government or municipal taxes, fees, charges, or other impositions of every kind (whether general, special, ordinary or extraordinary) that are paid or incurred by Landlord because of or in connection with the ownership, leasing and operation of the Premises. These expenses include taxes, fees, and charges such as real property taxes, general and special assessments, transit taxes and fees, leasehold taxes (if any), and or taxes based on the receipt of rent.

7. **PERSONAL PROPERTY TAXES.** During the term hereof, Tenant shall pay, prior to delinquency, all taxes assessed against and levied upon fixtures, furnishings, equipment and all other personal property of tenant contained in the premises, and when possible Tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the real property of Landlord. In the event any or all of the Tenant's fixtures, furnishings, equipment and other personal property shall be assessed and taxed with the Landlord's real property, the Tenant shall pay to Landlord its share of such taxes within ten (10) days after delivery to Tenant by Landlord of a statement in writing setting forth the amount of the taxes applicable to the Tenant's property.

8. **USE OF MEZZANINE.** Tenant agrees that Landlord, from time to time, may enter to premises in order to access Landlord's storage space that must be entered from the mezzanine in the premises and/or utility room located near restrooms. Landlord shall give Tenant prior notice of its intention to access and enter the premises and shall arrange a time with Tenant so as to not unduly disturb Tenant.

9. **PARKING AND COMMON FACILITIES.** Landlord covenants that 11 parking places in the front of the premises and all other parking places designated as Tenant's on Exhibit A shall be available for the exclusive use of Tenant during the full term of this lease or any extension of the term hereof. Tenant and its invitees shall not use any other parking areas on the property without obtaining the advance consent of Landlord. Landlord reserves the right to change the entrances, exits, traffic lanes and the boundaries and locations of such parking area or areas.

A. Landlord shall keep and maintain the parking and common areas that include the 11 parking spaces in front of the premises, driveway and gates and Tenant shall keep and maintain, at its cost and expense, the parking places designated for Tenant's exclusive use. The respective

responsible party shall keep or cause to be kept said parking and common areas in a neat, clean and orderly condition and shall repair any damage to the facilities thereof.

B. Tenant, for the use and benefit of Tenant, its agents, employees, customers, licensees and subtenants, shall have the non-exclusive right in common with Landlord, and other present and future owners, tenants and their agents, employees, customers, licensees and subtenants, to use the driveway during the entire term of this lease, or any extension thereof, for ingress and egress, and roadway purposes.

C. Tenant, in the use of any common driveways, agrees to comply with such reasonable rules and regulations as the Landlord may adopt from time to time for the orderly and proper operation of said common driveways.

D. Landlord shall permit Tenant reasonable access to Landlord's security camera footage, and permit Tenant's security personnel to patrol the area for purposes of monitoring the Premises. Tenant's security personnel shall not have access to any areas which are not part of the defined Premises.

10. **USES PROHIBITED.** Tenant shall not use, or permit said premises, or any part thereof, to be used for any purpose or purposes other than the purpose or purposes for which said premises are hereby leased and no use shall be made or permitted to be made of said premises, nor acts done, which will increase the existing rate of insurance upon the building in which said premises may be located once said rate is established or cause a cancellation of any insurance policy covering said building or any part thereof, nor shall Tenant sell or permit to be kept, used or sold in or about said premises, any article which may be prohibited by a standard form of fire insurance policies. Tenant shall, at his sole cost, comply with any and all requirements, pertaining to the use of said premises, of any insurance organization or company necessary for the maintenance of reasonable fire and public liability insurance, covering said building and appurtenances. In the event Tenant's use of the premises, as recited in Article 1 hereof, results in a rate increase for the building of which the premises are a part, Tenant shall pay annually on the anniversary date of this lease, as additional rent, a sum equal to that of the additional premium occasioned by said rate increase.

11. **ALTERATIONS AND FIXTURES.** Tenant shall not make, or suffer to be made, any alterations of the premises, or any part thereof, without the prior written consent of Landlord. Any additions to, or alterations of, said premises, except movable furniture, shall become at once a part of the realty and belong to Landlord, including trade fixtures. If Landlord agrees to allow Tenant to make any alterations, Tenant shall, at its sole cost and expense, prepare construction drawings, in accordance with all governmental requirements, which shall be submitted to Landlord for Landlord's written approval. If approved by the Landlord, Tenant shall obtain proper permits and other governmental approvals and shall install such improvements at Tenant's sole cost and expense. Landlord may require as a condition of approval that Landlord approve of the contractor hired to install the improvements. Tenant shall not cause any mechanic's or materialman's lien to be placed on the property and premises. Tenant shall indemnify, defend, and hold harmless Landlord from any such lien. Landlord shall have the right to post a notice of non-responsibility on the premises before or after the commencement of any work of improvement.

12. **MAINTENANCE AND REPAIR.** Tenant shall, subject to Landlord's obligations hereinafter provided, at all times during the term hereof, and at Tenant's sole cost and expense, keep, maintain and repair the premises in good and sanitary order and condition (except as

hereinafter provided) including without limitation, the maintenance and repair of any store front, doors, window casements, glazing, plumbing, pipes, electrical wiring and conduits. Tenant shall also at its sole cost and expense be responsible for any alterations or improvements to the premises necessitated as a result of the requirement of any municipal, state or federal authority due to Tenant's specific use of the premises. Tenant hereby waives all right to make repairs at the expense of Landlord. By entering into the premises Tenant shall be deemed to have accepted the premises as being in good and sanitary order, condition and repair and Tenant agrees on the last day of said term or any extensions or sooner termination of this lease to surrender the premises with appurtenances, in the same condition as when received, reasonable use and wear excepted.

Landlord shall maintain in good repair the exterior walls, roof and HVAC. Tenant agrees that it will not, nor will it authorize any person to access the roof of the building of which the premises are a part without the prior written consent of Landlord. Said consent will be given only upon Landlord's satisfaction that any repairs necessitated as a result of Tenant's action will be made by Tenant at Tenant's expense and will be made in such a manner so as not to invalidate any guarantee relating to said roof. Landlord shall not be required to make any repairs to the exterior walls, roof and HVAC unless and until Tenant has notified Landlord in writing of the need for such repairs and Landlord shall have had a reasonable period of time thereafter to commence and complete said repairs.

13. **COMPLIANCE WITH LAWS.** Tenant shall, at his sole cost and expense, comply with all of the requirements of all municipal, state and federal authorities now in force or which may hereafter be in force pertaining to the use of said premises, and shall faithfully observe in said use all municipal ordinances and state and federal statutes now in force or which shall hereinafter be in force. The judgment of any court of competent jurisdiction, or the admission of Tenant in any action or proceeding against Tenant, whether Landlord be a party thereto or not, that Tenant has violated any such order or statute in said use, shall be conclusive of that fact as between the Landlord and Tenant.

Tenant acknowledges and agrees that neither Landlord or Landlord's agents have made any representation to Tenant about what may be required by any governmental agency in order for Tenant to use the premises as Tenant desires. Tenant is responsible for determining whether zoning or other requirements are appropriate for Tenant's use and understands that past uses of the premises may no longer be allowed. Tenant assumes responsibility for paying for the cost of compliance for any governmental regulations required in order to use the premises as intended by Tenant.

Tenant shall not commit, or suffer to be committed, any waste upon the premises, or any nuisance or other act or thing which may disturb the quiet enjoyment of any other tenant in the building in which the premises may be located.

14. **INSURANCE.** Landlord shall maintain fire and extended coverage insurance throughout the term of this lease in an amount equal to at least ninety (90%) percent of the value of the building which includes the premises, together with such other insurance, including but not limited to, loss of rents, earthquake, flood insurance, all liability insurance, and such other insurance as Landlord deems necessary or that may be required by Landlord's lender or by any governmental agency. Tenant hereby waives any right of recovery from Landlord, its officers and employees, and Landlord hereby waives any right of recovery from Tenant, its officers or employees, for any loss or damage (including consequential loss) resulting from any of the perils insured against in the standard form fire insurance policy with extended coverage endorsement.

Tenant shall be billed its pro-rata share for such insurance as a Direct Expense.

15. INDEMNIFICATION OF LANDLORD - LIABILITY INSURANCE BY TENANT. Tenant, as a material part of the consideration to be rendered to Landlord under this lease, hereby waives all claims against Landlord for damage to personal property, goods, wares and merchandise, in, upon or about said premises and for injuries to persons in or about said premises, to the extent proximately caused by Tenant's occupation of the premises or caused by Tenant's agents, invitees, employees, licensees and contractors. Tenant will indemnify and hold Landlord and the property of Landlord exempt and harmless from any and all claims, liability, loss, expenses, damage or injury resulting from Tenant's use and occupation of the premises, including, but not limited to, any claim, liability, loss, or damage arising by reason of the death or injury of any person, the damage to or destruction of any property of any person, and any work performed on said premises or materials furnished to said premises at the instance or request of Tenant or its agents or employees.

During the entire term of this lease, the Tenant shall, at the Tenant's sole cost and expense, but for the mutual benefit of Landlord and Tenant, maintain general public liability and property damage insurance including contractual liability insurance against claims for personal injury, death, or property damage occurring in, upon or about the premises and on any sidewalks directly adjacent to the premises. The limitation of liability of such insurance shall be not less than Two million dollars (\$2,000,000.00) in respect to any one occurrence, and to the limit of not less than Five hundred thousand dollars (\$500,000.00) in respect to Property Damage.

All such policies of insurance shall be issued in the name of Tenant, with Landlord named as an additional insured, and such policies of insurance shall include a provision requiring that the insurer give Landlord at least ten (10) days written notice before any cancellation, decrease in coverage or other material change is effective. Copies of the policy or a certificate of Insurance thereof shall be delivered to the Landlord within fifteen (15) days after the rent commencement date of this lease and before each renewal date. If Tenant fails to deliver adequate proof that it has obtained and kept in force and effect the insurance required by this paragraph, Landlord shall have the right, at its option and after notice to Tenant, to effect such insurance and charge the cost of the premiums to Tenant's account.

16. ABANDONMENT OF PERSONAL PROPERTY. Tenant shall not vacate or abandon the premises at any time during the term of this lease; and if Tenant shall abandon, vacate or surrender the premises or be dispossessed by process of law, or otherwise, any personal property belonging to Tenant and left on the premises shall be deemed to be abandoned, at the option of Landlord, except such property as may be mortgaged to Landlord.

17. SIGNS AND AUCTIONS. Tenant shall not place or permit to be placed any sign upon the exterior or in the windows of the premises without Landlord's prior written consent, nor shall Tenant change the color or exterior appearance of the premises without Landlord's prior written consent. If Tenant seeks to install or modify its signs, Tenant shall, at its sole cost and expense, prepare sign construction drawings, in accordance with all governmental requirements, which shall be submitted to Landlord for Landlord's written approval. If approved by the Landlord, Tenant shall obtain proper permits and other governmental approvals and shall install such signs at Tenant's sole cost and expense. Landlord may require as a condition of approval that Landlord approve of the contractor who creates or installs the signs. Such signs shall become the property of the Landlord on expiration or earlier termination of this lease.

Tenant shall not without Landlord's prior written consent display or sell merchandise outside the defined exterior walls and permanent doorways of the premises. Tenant shall not conduct or permit to be conducted any sale by auction in, upon or from the premises, whether said auction be voluntary, involuntary, pursuant to any assignment for the payment of creditors or pursuant to any bankruptcy or other solvency proceeding.

18. **UTILITIES.** Landlord shall pay for water and sewer. Tenant shall pay before delinquency all charges for garbage, gas, heat, electricity, power, telephone service and all other services or utilities used in, upon, or about the premises by Tenant or any of its subtenants, licensees, or concessionaires during the term of this lease. Further, Tenant agrees that Landlord may use electricity for its 600 square foot of warehouse space retained by Landlord, without charge, until a sub-meter is installed by Landlord, so long as such use does not cause a significant increase in cost to Tenant.

19. **ENTRY AND INSPECTION.** Tenant shall permit Landlord and his agents to enter into and upon the premises at all reasonable times after notice, except in case of an emergency, for the purpose of inspecting the same or for the purpose of maintaining the building in which said premises are situated, or for the purpose of making repairs, alterations or additions to any other portion of said building, including the erection and maintenance of such scaffolding, canopy, fences and props as may be required, or for the purpose of posting notices of non-liability for alterations, additions or repairs, or for the purpose of placing upon the property in which the premises are located any usual or ordinary "For Sale" signs. Landlord shall be permitted to do any of the above without any rebate of rent and without any liability to Tenant for any loss of occupation or quiet enjoyment of the premises thereby occasioned. Tenant shall permit Landlord, at any time within thirty (30) days prior to the expiration of this lease, to place upon said premises any usual or ordinary "For Lease" signs and during such thirty (30) day period Landlord or his agents may, during normal business hours, enter upon said premises and exhibit same to prospective Tenants.

20. **DAMAGE AND DESTRUCTION OF PREMISES.** In the event of (a) partial destruction of said premises or the building containing same during the term of this lease or any extensions thereof, which requires repairs to either said premises or said building, or (b) said premises or said building being declared unsafe or unfit for occupancy by any authorized public authority for any reason other than Tenant's act, use or occupation, which declaration requires repairs to either said premises or said building, Landlord shall forthwith make said repairs provided Tenant gives to Landlord thirty (30) days written notice of the necessity therefor. No such partial destruction (including any destruction necessary in order to make repairs required by any declaration made by any public authority) shall in any way annul or void this lease except that Tenant shall be entitled to a proportionate reduction of minimum guaranteed rent while such repairs are being made, such proportionate reduction to be based upon the extent to which the making of such repairs shall interfere with the business carried on by Tenant in said premises. However, if during the last four years of the term of this lease the building is damaged as a result of fire or any other insured casualty to an extent in excess of twenty-five (25%) percent of its then replacement cost (excluding foundation(s)), Landlord may, within thirty (30) days following the date such damage occurs, terminate this lease by written notice to Tenant. If Landlord, however, elects to make said repairs, and provided Landlord uses due diligence in making said repairs, this lease shall continue in full force and effect and the minimum guaranteed rent shall be proportionately reduced as provided above. If Landlord elects to terminate this lease all rents shall be prorated between Landlord and Tenant as of the date of such destruction.

The foregoing to the contrary notwithstanding, if the building is damaged or destroyed at any time during the term hereof to an extent of more than twenty- five (25%) percent of its then replacement cost (excluding foundation(s)) as a result of a casualty not insured against, Landlord may within thirty (30) days following the date of such destruction terminate this lease upon written notice to Tenant. If Landlord does not elect to so terminate because of said uninsured casualty, Landlord shall promptly rebuild and repair said premises and Tenant's rental obligation shall be proportionately reduced as provided above.

In respect to any partial destruction (including any destruction necessary in order to make repairs required by any authorized public authority) which Landlord is obligated to repair and may elect to repair under the terms of this Article, Tenant waives any statutory right it may have to cancel this lease as a result of such destruction.

21. ASSIGNMENT AND SUBLETTING. Tenant shall not assign this lease, or any interest therein , and shall not sublet the premises or any part thereof, or any right or privilege appurtenant thereto, or permit any other person (the agents and servants of Tenant excepted) to occupy or use the premises, or any portion thereof, without first obtaining the written consent of Landlord, which consent shall not be unreasonably withheld. Any transfer of twenty-five percent or more in interest in an entity that is a Tenant shall be considered an assignment subject to the terms of this section. Consent by Landlord to one assignment, subletting, occupation or use by another person shall not be deemed to be a consent to any subsequent assignment, subletting, occupation or use by another person. Consent to an assignment shall not release the original named Tenant from liability for the continued performance of the terms and provisions on the part of Tenant to be kept and performed, unless Landlord specifically releases the original named Tenant from said liability. Any assignment or subletting without the prior written consent of Landlord shall be void, and shall, at the option of Landlord, terminate this lease. Neither this lease nor any interest therein shall be assignable, as to the interest of Tenant, by operation of law, without the prior written consent of Landlord. Landlord may charge Tenant for any costs and fees it incurs related to the review of a proposed Assignment or sublet or preparation or review of any documents related to a proposed Assignment or sublet.

If Tenant proposes to assign the lease to any person or entity who shall have made a good faith offer to accept an assignment of this lease on terms acceptable to the Tenant, the notice of such proposed assignment, setting forth (a) the name and address of such person, (b) all the terms and conditions of such offer, and (c) the adequate assurance to be provided Landlord to assure such persons future performance under the lease, shall be given to Landlord by Tenant no later than ten (10) days after receipt by the Tenant. Landlord shall then have the right and option, to be exercised by a notice to Tenant given at any time prior to the effective date of such proposed assignment, to accept a different assignment of this lease on the same terms and conditions and for the same consideration, if any, as the offer made to the Tenant, less any brokerage commissions which may be payable out of the consideration to be paid to such person for the assignment of this lease. In the event any approved sublease provides for payment of rent or other consideration in excess of the rent payable hereunder, Landlord shall receive all such excess, upon receipt by Tenant.

22. DEFAULT. If Tenant fails to make any payment required by the provisions of this lease when due, or fails within thirty (30) days after written notice thereof to correct any breach or default of the other covenants, terms or conditions of this lease, or if Tenant breaches this lease and abandons the property before the end of the term, Landlord shall have the right at any time thereafter to elect to terminate said lease and Tenant's right to possession thereunder. Upon such termination, Landlord shall have the right to recover against Tenant:

A. The worth at the time of award of the unpaid rent which had been earned at the time of termination;

B. The worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that the Tenant proves could have been reasonably avoided;

C. The worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Tenant proves could be reasonably avoided; and

D. Any other amount necessary to compensate the Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under the lease or which in the ordinary course of things would be likely to result therefrom.

The "worth at the time of award" of the amounts referred to in subparagraphs A and B above shall be computed by allowing interest at ten (10%) percent per annum. The worth at the time of award of the amount referred to in subparagraph C shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one (1%) percent.

Such efforts as Landlord may make to mitigate the damages caused by Tenant's breach of this lease do not constitute a waiver of Landlord's right to recover damages against Tenant hereunder, nor shall anything contained herein affect Landlord's right to indemnification against Tenant for any liability arising prior to termination of this lease for personal injuries or property damage, and Tenant hereby agrees to indemnify and hold Landlord harmless from any such injuries and damages, including all attorney's fees and costs incurred by Landlord in defending any action brought against Landlord for any recovery thereof, and in enforcing the terms and provisions of this indemnification provision against Tenant.

If Landlord elects to terminate this lease and gives Tenant notice of such termination, upon the giving of such notice, the term of this lease and the estate hereby granted shall expire and terminate on the effective date of the notice as fully and completely and with the same effect as if such date were the date herein fixed for the expiration of the term of this lease and all rights of Tenant shall hereunder expire and terminate, but Tenant shall remain liable as here before provided.

In the event Tenant abandons the premises, this lease shall terminate if the Landlord gives written notice of his belief of abandonment pursuant to Civil Code Sections 1951.2 and 1951.3.

Notwithstanding any of the following, the breach of this lease by Tenant, or an abandonment of the premises by Tenant, shall not constitute a termination of this lease, or of Tenant's right of possession hereunder, unless and until Landlord elects to do so, and until such time Landlord shall have the right to enforce all of its rights and remedies under this lease, including the right to recover rent, and all other payments to be made by Tenant hereunder, as it becomes due; provided, however, that until such time as Landlord elects to terminate this lease, and Tenant's right of possession hereunder, Tenant shall have the right to sublet the premises or to assign its interest in this lease, or both, subject to the written consent of Landlord, which consent shall not be unreasonably withheld.

As security for the performance by Tenant of all of its duties and obligations hereunder, Tenant does hereby assign to Landlord the right, power and authority, during the continuance of this lease, to collect the rents, issues and profits of the premises, reserving unto Tenant the right, prior to any breach or default by it hereunder, to collect and retain said rents, issues and profits as they become due and payable. Upon any such breach or default, Landlord shall have the right at any time thereafter, without notice except as provided for above, either in person, by agent or by a receiver to be appointed by a court, to enter and take possession of said premises and collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Landlord may determine. The parties hereto agree that acts of maintenance or preservation or efforts to re-lease the premises, or the appointment of a receiver upon the initiative of the Landlord to protect its interests under this lease shall not constitute a termination of Tenant's right of possession for the purposes of this Article unless accompanied by a written notice from Landlord to Tenant of Landlord's election to so terminate. Nothing contained in this Article shall in any way diminish or be construed as waiving any of the Landlord's other remedies as provided elsewhere in this lease or by law or in equity.

23. **INSOLVENCY OF TENANT.** Tenant agrees that in the event all or substantially all of its assets be placed in the hands of a receiver or trustee, and in the event such receivership or trusteeship continues for a period of ten (10) days, or should Tenant make an assignment for the benefit of creditors, or be adjudicated a bankrupt, or should Tenant institute any proceedings under any state or federal bankruptcy act wherein Tenant seeks to be adjudicated a bankrupt, or seeks to be discharged of its debts, or should any involuntary proceeding be filed against such Tenant under such bankruptcy laws and Tenant consents thereto or acquiesces therein by pleading or default, then this lease or any interest in and to the premises shall not become an asset in any of such proceedings and, in any of such events and in addition to any and all rights or remedies of Landlord hereunder or as provided by law, it shall be lawful for Landlord at his option to declare the term hereof ended and to re-enter the premises and take possession thereof and remove all persons therefrom and Tenant shall have no further claim therein or hereunder.

24. **SURRENDER OF LEASE.** The voluntary or other surrender of this lease by Tenant, or a mutual cancellation thereof, shall not work a merger, and shall, at the option of Landlord, terminate all or any existing subleases or subtenancies, or may, at the option of the Landlord, operate as an assignment to him of any such subleases or subtenancies.

25. **OFFSET STATEMENT.** Tenant shall at any time and from time to time upon not less than ten (10) days prior written notice from Landlord execute, acknowledge and deliver to Landlord a statement in writing, (a) certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying that this Lease as so modified, is in full force and effect), and the date to which the rental and other charges are paid in advance, if any, and (b) acknowledging that there are not, to Tenant's knowledge, any uncured defaults on the part of the Landlord hereunder, or specifying such defaults if any are claimed. Any such statement may be relied upon by any prospective purchaser or encumbrancer of all or any portion or the real property of which the Premises are a part.

26. **WAIVER.** The waiver by Landlord and/or Tenant of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition on any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of rent hereunder by Landlord shall not be deemed to be a waiver of any

preceding breach by Tenant of any term, covenant or condition of this Lease, other than the failure of the Tenant to pay the particular rental so accepted, regardless of Landlord's knowledge of such preceding breach at the time of the acceptance of such rent.

27. **NOTICES.** Wherever in this lease it shall be required or permitted that notice and demand be given or served by either party to this lease to or on the other, such notice or demand shall be given or served and shall not be deemed to have been duly given or served unless in writing and forwarded by certified mail, addressed as follows:

LANDLORD: 650 Work Street, Ste. A, Salinas, California 93901

TENANT: Salinas Valley Memorial Healthcare System
Attn: CEO/President, 450 East Romie Lane
Salinas, CA 93901

Either party may change such address by written notice by certified mail to the other.

28. **SUCCESSORS AND ASSIGNS.** The covenants and conditions herein contained, subject to the provisions as to assignment, apply to and bind their heirs, successors, executors, administrators and assigns of the parties hereto.

29. **RECORDATION.** Neither Landlord nor Tenant shall record this Lease or a short form memorandum hereof without the prior written consent of the other party.

30. **QUIET POSSESSION.** Upon Tenant paying the rent reserved here- under and observing and performing all of the covenants, conditions and provisions on Tenant's part to be observed and performed hereunder, Tenant has quiet possession of the Premises for the entire term hereof, subject to all the provisions of this Lease.

31. **PRIOR AGREEMENTS.** This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreements or understanding pertaining to any such matter shall be effective for any purpose. No provisions of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest. This Lease shall not be effective or binding on any party until fully executed by both parties hereto.

32. **INABILITY TO PERFORM.** This Lease and the obligations of the Tenant hereunder shall not be affected or impaired because the Landlord is unable to fulfill any of its obligations hereunder or is delayed in doing so, if such inability or delay is caused by reason of strike, labor troubles, acts of God, or any other cause beyond the reasonable control of the Landlord.

33. **ATTORNEY'S FEES.** In the event of any action or proceeding brought by either party against the other under this Lease, the prevailing party shall be entitled to recover all costs and expenses including the fees of its attorneys in such action or proceeding in such amount as the court may adjudge reasonable as attorney's fees. Landlord shall be entitled to recover all attorney's fees and costs of collection incurred by it due to Tenant's default, whether or not suit is brought.

34. **SALE OF PREMISES BY LANDLORD.** In the event of any sale of the Building,

Landlord shall be and is hereby entirely freed and relieved of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act, occurrence or omission occurring after the consummation of such sale; and the purchaser, at such sale or any subsequent sale of the Premises shall be deemed, without further agreement between the parties or their successors in interest or between the parties and any such purchaser, to have assumed and agreed to carry out any and all of the covenants and obligations of the Landlord under this Lease. No sale of the Building by Landlord shall operate in any way to terminate this Lease, or Tenant's right to extend same pursuant to the option set forth in this Lease or to otherwise alter or modify the terms and provisions hereof, and Landlord shall not enter into any sale of the Building without giving the Buyer notice of this provision.

35. **SUBORDINATION, ATTORNMENT.** Upon request of the Landlord, Tenant will in writing subordinate its rights hereunder to the lien of any first mortgage, or first deed of trust to any bank, insurance company or other lending institution, now or hereafter in force against the land and Building of which the Premises are a part of, and upon any building hereafter placed upon the land of which the Premises are a part, and to all advances made or hereafter to be made upon the security thereof. In the event any proceedings are brought for foreclosure, or in the event of the exercise of the power of sale under any mortgage or deed of trust made by the Landlord covering the Premises, the Tenant shall attorn to the purchaser upon any such foreclosure or sale and recognize such purchaser as the Landlord under this Lease. The provisions of this Article to the contrary notwithstanding, so long as the Tenant is not in default hereunder, this Lease shall remain in full force and effect for the full term hereof.

36. **SEPARABILITY.** Any provision of this Lease which shall prove to invalid, void, or illegal shall in no way affect, impair, or invalidate any other part or provision hereof and such other provision shall remain in full force and effect.

37. **CHOICE OF LAW.** This Lease and all matters arising under the Lease or related to the parties relationship as Landlord and Tenant shall be governed by the laws of the State of California and venue for all legal actions shall be in Monterey County, California.

38. **HAZARDOUS MATERIALS.**

A. Landlord is not aware of any asbestos or any other hazardous material on, in or under the Premises or Building.

B. If Tenant knows or has reasonable cause to believe that any release of a hazardous substance has come or will come to be located on or beneath said Premises, Tenant shall, within a reasonable period of time, either prior to the release or following the discovery by the Tenant of the presence or believed presence of a hazardous substance release, give written notice of that condition to Landlord.

C. If Tenant has knowledge of the presence of a release of a material amount of a hazardous substance, or of a hazardous substance release, that is required to be reported to a state or local agency pursuant to law, on or under the Premises and knowingly and willfully fails to provide written notice to the Landlord, the failure is deemed to constitute a default, upon Landlord's written notice to Tenant.

D. Tenant may cure a default under this section by promptly commencing and completing the removal of, or taking other appropriate remedial action with respect to, the hazardous

substance release. Tenant shall conduct removal or remedial action in accordance with all applicable laws and regulations and in a manner which is reasonably acceptable to, and which is approved in writing by, Landlord. A cure does not relieve Tenant of any liability for actual damages or for any civil penalty for a violation of this provision.

E. "Hazardous waste" means a waste, or combination of wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may either cause, or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness or pose a substantial present or potential hazard to human health or environment when improperly treated, stored, transported, or disposed of, or otherwise managed. The term "hazardous waste" also includes "extremely hazardous waste" which means any hazardous or mixture of hazardous wastes which, if human exposure should occur, may likely result in death, disabling personal injury or serious illness because of its quantity, concentration, or chemical characteristics. The term "hazardous waste" shall include oil, lubricants, and similar wastes.

F. Tenant agrees to indemnify, defend and hold the Landlord harmless from any and all claims related to hazardous waste release and disposal.

39. **MOLD DISCLOSURES.** Landlord hereby represents that it does not know of any toxic, as defined by the California Health Department, mold present that affects the premises. Tenant acknowledges that it received and reviewed this disclosure prior to executing this Lease. If Tenant becomes aware that mold is present in the building, heating system, ventilating or air-conditioning system, or appurtenant structures, or that there is a condition of chronic water intrusion or flood, Tenant shall inform the landlord of this knowledge in writing within a reasonable period of time. Landlord shall be responsible for remediation if any toxic mold is determined to have existed at the date of this Lease or otherwise, Tenant is responsible. Tenant shall make the property available to the Landlord or its agents for appropriate assessment or remedial action as soon as is reasonably practicable after giving notice of the mold. The responsible party shall remediate the toxic mold as soon as practical after discovery.

40. **OPTION TO RENEW.** Should Tenant fully and faithfully perform all of the terms and conditions of this lease for the full term specified herein, Tenant shall have the option to renew this lease for one (1) consecutive five (5) year term after the expiration of the full terms specified herein. Tenant may extend this lease for the option term by giving Landlord written notice of Tenant's desire to do so at least one hundred twenty (120) days prior to the expiration of the term then in effect. Except for the change in amount of initial Base Rent and the option provision, all other terms and conditions of this lease shall continue in effect during each renewal term.

41. **JOINT AND SEVERAL LIABILITY.** Each Tenant or guarantor hereto agrees to be jointly and severally liable for any breaches hereunder.

42. **AUTHORITY OF THE PARTIES.** Tenant represents and warrants that it is a California public healthcare district, and that the individual executing this agreement has been authorized by Tenant's Board of Directors to enter into such agreement at a duly called public meeting of the District. .

43. **SIGNATURE BY COUNTERPARTS OR FACSIMILE.** This Lease may be executed in counterparts by the Parties. All counterparts shall be binding on all parties, notwithstanding that all Parties are not signatory to the original or same counterpart. The Parties

agree to accept signatures by facsimile or digital scan.

44. **CERTIFIED ACCESS SPECIALIST REPRESENTATION.** In accordance with Civil Code § 1938, Landlord represents that the premises have not undergone inspection by a Certified Access Specialist (CASp) and states the following as required by the Code: A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises.

45. **ACCESSIBILITY COMPLIANCE.** The parties agree that the expense of a CASp inspection and the cost of making any repairs necessary to correct violations of accessibility standards for the premises shall be borne by Tenant. Tenant understands and agrees that the premises leased hereunder are for private use and may not be ADA compliant.

EXECUTED in Monterey County, California.

Dated: _____

Dated: _____

LANDLORD:

TENANT:

LUGO FAMILY LIVING TRUST

SALINAS VALLEY MEMORIAL
HEALTH CARE SYSTEM

By: _____
Kerry R. Lugo, Trustee

By: _____
Pete Delgado, President/CEO

By: _____
Cheryl A. Lugo, Trustee

*ADJOURNMENT – THE MAY 2021
FINANCE COMMITTEE MEETING
IS SCHEDULED FOR MONDAY,
MAY 24, 2021, AT 12:00 P.M.*