

Board of Commissioner's Meeting

January 6, 2020

Superintendent's Report

Committee Structure

Clinic Relations – I heard from Jesus Sanchez regarding Sea Mar participating on the Committee. He suggests that Kerry Barnes, Clinic Administrator, would be the best person to participate in this committee. He is willing to serve as her alternate.

King County Interfund Loan Modification

Commissioner Wolzcko and I met with the King County Executive Finance Committee on Dec. 17 and presented our loan application requesting that the loan be modified to provide for a maximum of \$1.5 million in borrowing and extending the loan repayment period to 7 years from the date of the original loan. This borrowing will be through issuance by the District of an interest-bearing tax warrant to King County in an aggregate principal amount not to exceed \$1.5 million. The Committee approved our request.

State Legislature Capital Allocation

As we have discussed in the past, we would like to ask that the \$3 million capital appropriation to Neighborcare for a new clinic be re-appropriated to the Vashon Health Care District in the State's 2021-2023 biennial capital budget. I discovered last week that Neighborcare had sent a letter requesting that the funds be re-appropriated to Sea Mar. I have spoken to the Department of Commerce about this and they indicated they would need a letter from Neighborcare requesting instead that it be re-appropriated to VHCD. I sent a communication to Sea Mar about this last week with my explanation on why we would like this done. I have not yet heard back from them. My reasons are as follows:

- 1) our agreement with Sea Mar is a year-to-year agreement, meaning there is no contractual guarantee that Sea Mar will be the long-term provider for Vashon;
- 2) there may be advantages to having a clinic building owned and developed by the District that may have capacity to provide more than medical services; and
- 3) the District would more likely be able to raise charitable capital contributions for the additional funding needed to build the clinic, if the asset is community-owned.

In addition, in speaking with the capital programs supervisor at the Department of Commerce, they would not be able to contract with Sea Mar for these capital dollars given that the agreement for operating the clinic is only a year-to-year agreement.

Committee Reports

Finance

3rd Quarter Financial Statement

Included in your materials is the 3rd Quarter YTD financial statement prepared by Barb Huff at Lake Kennedy McCulloch. This is the first quarterly financial report for the District. The fund shows a **-\$385,019.73** fund deficit as the end of the 3rd Quarter of 2020. This is based on revenue of \$7879.92 from donations, and \$385,019.73 in expenditures, of which, \$330,000 was for clinic subsidies.

Communications

The following are a series of responses to Abby Antonelis with the Parks District regarding our budget.

Thank you for your question. The financial projections assume a levy of \$1,945,073 in 2021, which is approximately \$.588 per thousand of assessed valuation. For purposes of this projection, the \$.50 levy rate is utilized in the years 2024-2027. The \$.588 levy rate in 2021 is necessary for the District to support the clinic subsidy and to start repaying money borrowed from King County. Our debt to King County is projected to reach approximately \$1.1 million during 2021. The projection shows significant negative cash balances into 1st Quarter of 2026. Seven-year financial projections are likely to be significantly off in the later years because there is so much that can change due to unknowns. It was done because this is what King County required for our loan.

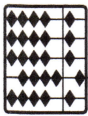
*The information I tried to convey to you is that our borrowing from King County will reach about **-\$1.1 million** during 2021 with a tax rate of \$.588. If the tax rate were \$.04 less per thousand, we would have \$132,000 less in tax revenue in 2021 and would need to borrow even more from King County. Our year-end cash balances for the years from 2021-2024 are as follows:*

| 2021 | 2022 | 2023 | 2024 |
|------------|------------|------------|----------|
| -\$642,529 | -\$556,233 | -\$264,082 | \$18,227 |

By not taking the extra 4 cents per thousand means we would have incurred additional borrowing and run a negative cash balance with King County further into 2025. I have developed a 4-year summary of our budget projections, which is attached. This projection

shows that at the end of 4 years, our cash in the bank is only \$18,000 to cover 1st Quarter 2025 operating expenses.

With what you have shared with me, your cash position is clearly better than ours over the next 3 years, although I recognize that your financial circumstances are getting tighter over time. At this point nothing will change what we are levying in 2021. The levy rate and dollars in subsequent years are not a given, since those are decisions to be made by our board in the future.



To the Board of Commissioners
King County Public Hospital District #5
Vashon, Washington

Management is responsible for the accompanying Fund Balance Report of the King County Public Hospital District #5 as of September 30, 2020 and the related Revenue and Expenditure Accounts for the nine months then ended, and for determining that the BARS basis of accounting is an acceptable financial reporting framework. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The District prepares its financial statements on the basis of accounting that demonstrates compliance with Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The Board has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared in accordance with the BARS basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the District's cash receipts and disbursements. Accordingly, these financial statements are not designed for those who are not informed about such matters.

We are not independent with respect to King County Public Hospital District #5.

Lake Kennedy McCulloch

Lake Kennedy McCulloch
Certified Public Accountants
December 16, 2020

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King County Public Hospital District #5
Fund Balance
As of September 30, 2020

| | Total |
|-------------------------------------|-----------------------|
| Fund | |
| Cash | |
| 308.80 Cash - Unreserved | -385,019.73 |
| Total Cash | -\$ 385,019.73 |
| Total Fund | -\$ 385,019.73 |
| TOTAL Fund | -\$ 385,019.73 |
| LIABILITIES AND EQUITY | |
| Liabilities | |
| Total Liabilities | - |
| Fund Balance | |
| Fund Balance | |
| Fund Excess/(Deficit) | -385,019.73 |
| Total Fund Balance | -\$ 385,019.73 |
| TOTAL LIABILITIES AND EQUITY | -\$ 385,019.73 |

See accountant's compilation report

King County Public Hospital District #5
Revenue and Expenditures
January - September, 2020

| | Total |
|---|-----------------------|
| Fund Revenue | |
| 361.11.0001 Investment Interest | -192.08 |
| 361.19.0001 Investment Fee Contra | -0.13 |
| 361.19.0002 Cash Mgmt Svcs Fee Contra | -0.19 |
| 367.00.11.0010 Community Donations | 8,072.32 |
| Total Fund Revenue | \$ 7,879.92 |
| Fund Revenue | \$ 7,879.92 |
| | |
| Expenditures | |
| 561.00.10.0010 Superintendent | 19,295.21 |
| 561.00.10.0020 Admin | 4,221.25 |
| 561.00.20.0020 Federal Payroll Taxes (SS, Medicare) | 2,123.49 |
| 561.00.41.0010 Accounting Services | 2,016.00 |
| 561.00.41.0030 Clinic Services | 330,000.00 |
| 561.00.41.0040 Professional Consulting Services | 24,384.65 |
| 561.00.41.50 Advertising/Promotional | 1,232.34 |
| 561.00.46.0010 Insurance | 5,530.00 |
| 561.00.49.0010 Bank Svc Fee | 101.10 |
| 561.00.49.0020 Dues & subscriptions | 1,074.27 |
| 594.61.60 Capital Expenditures | 2,921.34 |
| Total Expenditures | \$ 392,899.65 |
| | |
| Fund Excess/(Deficit) | -\$ 385,019.73 |
| Fund Excess/(Deficit) | -\$ 385,019.73 |

See accountant's compilation report