

Board of Commissioner's Meeting

October 7, 2020

Superintendent's Report

Board Education Topic - Foundations and Public Hospital Districts

In communication with Matt at the AWPHD, he stated that in general, PHDs in WA use their foundation first as a fundraising arm, but secondly as a political advocate for the District, particularly in times of bond/levy elections. He also indicated that they often use Foundation Boards to "build a bench" of individuals who may become commissioners later on.

Fundraising through the PHDs directly may be limiting as contributions to a public entity are only tax deductible if they are "[exclusively for public purposes](#)." A non-profit foundation has much greater discretion in accepting contributions. The following article discusses donations to local governments.

Are Donations to Local Governments Tax Deductible?

March 27, 2013 by [Bob Meiniq](#)

Local governments may accept donations, but are those donations deductible from the donor's federal income taxes? In most cases, yes.

A gift to a local government entity is tax deductible if it is solely for "public purposes." The IRS Code, at [26 U.S.C. §170\(c\)\(1\)](#), defines "charitable contribution" (which is tax deductible) to include "a contribution or gift to or for the use of": A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes. Note that a local government – a city, county, or special purpose district – is considered to be a "political subdivision" of the state.

So, when would a gift to a local government not be "for exclusively public purposes"? I'm not a tax expert, but I would think that most gifts to local governments would be given only for public purposes. The IRS code does not specifically define "public purpose," but it has been interpreted in part to mean that the contribution or gift must not be intended to benefit any particular individual. If a donor has any question about this, he or she should consult a tax expert.

MRSC is a private nonprofit organization serving local governments in Washington State. Eligible government agencies in Washington State may use our free, one-on-one [Ask MRSC service](#) to get answers to legal, policy, or financial questions.

Sea Mar Contract Negotiations

Wendy joined me for a discussion with Sea Mar on a couple of operational topics and draft contract language last week. On the call for Sea Mar was their in-house Counsel, COO, VP, CFO and Medical Director. We did discuss how the VHCD could assure feedback from the community to Sea Mar regarding any service concerns, and also how VHCD could fulfill its fiduciary role to the public to provide oversight on the expenditure of tax dollars. Sea Mar described their grievance process to investigate complaints about care and access, which we would direct patients to follow. The draft contract includes language for Sea Mar to provide monthly operations and financial reports that include clinic financial performance metrics, statistics and clinical and patient satisfaction outcomes.

Sea Mar submitted their changes in scope application required as a FQHC to HRSA for approval. HRSA received it Sept. 23. Typical approval timeframes are 4 weeks, although it can take longer. Approval by HRSA is required for them to be reimbursed at the higher FQHC rate for Medicaid patients. HRSA approval also allows for the providers to be covered by federal liability insurance.

I encouraged Dr. Jimenez, Sea Mar's Medical Director, to reach out to the providers at the clinic as soon as possible. Regarding behavioral health, Sea Mar typically schedules a psych provider with prescribing authority at least one day per week. Regarding bilingual providers, Sea Mar attempts to mirror the diversity in the local community with staff including languages needed.

Regarding Kaiser, Sea Mar is excited about the opportunity to contract with them for care of patients on Vashon. I connected them with Dr. Marc Mora, Kaiser VP for network development.

Sea Mar Projected Financials

Included in your packet is a financial projection prepared by Sea Mar based on the July 2020 YTD financials from Neighborcare for the Vashon Neighborcare Health Clinic. Based on a loss of about \$-226,000 through 7 months and factoring out grant revenue, which is Neighborcare specific, Sea Mar's projected annual loss is **(\$1,547,593)**. This is the basis for their proposed 1st year subsidy. Sea Mar's projection assumes comparable overhead allocations to Neighborcare's and is based on current year clinic revenues, which they refer to a "program service revenue." As we have previously discussed, their projected subsidy is conservative but reasonable based on the uncertainty about 2021 given the ongoing pandemic.

Agreement for Legal Services

Included in your board materials is a copy of the legal services engagement agreement I signed with Jay Rodne, an attorney with significant public hospital district experience. Jay was previously the in-house legal counsel at King County Public Hospital District No. 4, dba Snoqualmie Valley Hospital. Jay offered to work either on an hourly basis or retainer. I opted

for an hourly agreement at this point. The agreement provides for an hourly rate of \$250 per hour, which is quite reasonable.

Communications

Message: Hello Health Care team,

I know there was discussion several meetings ago about possibly contracting independently with Labcorp. Labcorp is now actively working on finding a new assignment for Lisa our excellent lab tech. If working with Labcorp is a possibility I think it is important for the commission to reach out to them now to let them know.

Answer: Thank you for your note. I'm not sure who Sea Mar uses for their reference lab. My guess is if Labcorp had a contract with Sea Mar, they would not be looking to find a new place for Lisa. Sea Mar would not utilize a different Lab company for Vashon than the rest of their clinics, so this is not something we have the ability to influence.

Message: Thank you for the response. There was discussion at one of the health commissioner meetings about the health care district contracting directly with Labcorp (separate from Sea Mar), that is why I was asking. It sounds like that is no longer being considered.

Answer: You must have misunderstood the conversation. There is no way the District would be contracting with a lab company unless we were the ones who were going to operate the clinic.

Message: What are the commissioners doing to oversee the operations of an organization they are giving so much money to?

Answer: The Board will see at least quarterly reports on clinic performance and we will have the opportunity to have ongoing dialogue with clinic management on concerns that may come up regarding service, access, etc.

Message: Thanks for the 9/30 community meeting. It was helpful. I'm concerned that SeaMar's income model is not an improvement over NeighborCare's. My understanding is that this is why Neighborcare support failed. Can you explain how our demographic matches SeaMar? How is SeaMar's income model different from NeighborCare's? With our older population, how well does this fit (or not) with SeaMar's?

Secondly, I am concerned about our family healthcare. Reluctantly, I have stopped using island doctors due to poorer choices and now exclusively use Kaiser Permanente docs. I am very happy with the marked improvement in all services. It is a burden to go off island, but the care and services is so much better I put up with it. How will SeaMar's quality of service match off island services?

Answer: To answer your first question, Sea Mar would be similar to Neighborcare in terms of the level of reimbursement they receive from Medicaid and Medicare for those patients. The number of Medicaid patients on the island will obviously be the same as well. Both Sea Mar and Neighborcare do well serving the Medicaid population. In both cases, the Medicaid population is smaller than they see in most of their communities. The difference is that Neighborcare Health was receiving no financial support for providing services at the Vashon Clinic until July, 2020 when the District started providing a monthly subsidy of \$110,000.

Neighborcare Health made their decision to leave the island long before an agreement was made with the District to financially support their operation. This is a sustainable clinic when a subsidy from the Vashon Health Care District is factored in, assuming historical clinic volume levels going forward.

I can't speak exactly to how Sea Mar's quality and service might compare since this depends on the systems they have in place and the individual providers. I do believe their approach to local scheduling on clinic appointments should make a difference in responsiveness to patients.

Committee Reports and Old Business

Finance

Vouchers Approval – Request approval for any VHCD vouchers.

King County Relief Funds - Commissioner Wolczko initiated a contact with King County regarding the possible availability of Corona relief funds for VHCD to mitigate the higher than expected subsidy for Neighborcare.

External Relations

Levy Update – Eric will give an update on assessed value for Vashon from the King County Assessor's office. He doesn't yet all of the information needed to understand how high our levy rate can be to avoid exceeding the \$5.90 cap.

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LEGAL SERVICES ENGAGEMENT AGREEMENT

READ THIS AGREEMENT CAREFULLY BEFORE SIGNING. Once signed, the parties to this Agreement will be bound by its terms. The parties are advised that they should make sure they understand the Agreement before signing. Because the practice of law can be complex, this Agreement cannot completely disclose every interpretation of legal concepts. By signing, the parties indicate that they agree to the terms of the Agreement.

PARTIES TO THIS AGREEMENT: This Agreement is entered into by and between Jay R. Rodne, Attorney, (hereinafter "Attorney") and Public Hospital District No. 5, King County dba Vashon Health Care District. (hereinafter "Client") on this _____ day of October, 2020.

FEES FOR SERVICES: There is no law that set specific fees for legal services. However, the Rules of Professional Conduct (RPC) mandate that Attorney's fee will be reasonable. Professional services by Attorney are charged at an hourly rate of \$250.00 per hour. Attorney will send client an invoice for the preceding month's fees for professional services on the 1st of each month. Client agrees that Attorney will have earned the entire preceding month's fee for professional services once payment has been tendered regardless of Attorney's performance of any services for Client. Hourly rates are revised periodically and prospectively, but generally on an annual basis. Revised rates will apply to services rendered after the date of revision.

CONFIDENTIALITY BY ATTORNEY: Unless waived by the Client or impliedly authorized in order for Attorney to represent Client or required by law or ethics, Attorney will keep confidential all matters disclosed by Client or discovered by Attorney during the course of representation and, when necessary, will invoke the client-attorney privilege to protect the confidentiality of such matters.

DUTIES OF ATTORNEY TO CLIENT: Attorney is bound by the applicable Rules of Professional Conduct (RPC) as promulgated by the Supreme Court of the State of Washington.

DUTIES OF CLIENT TO ATTORNEY: Client will be honest and cooperate with Attorney, informing Attorney of new developments or changes that could affect the Client's case, particular any changes in Client's address, telephone number, and/or how to reach Client. Client will make any and all payments according to this Agreement on or before the date due. Client will not use the services of Attorney to commit any crime or fraud against any court, tribunal, person or other entity. Such abuse of the services of Attorney may be a basis for waiver of client-attorney confidentiality.

COSTS: Client will pay all "costs" in relationship to Attorney's legal services under this Agreement. Costs include, but are not limited to, travel costs, court filing fees, deposition costs, expert fees and expenses, investigation costs, mileage charges, parking, messenger service fees, photocopying expenses, process server fees and any other related expenses incurred by Attorney to provide services to Client.

PAYMENT OF ATTORNEY'S FEES OR COSTS BY ANOTHER PARTY: Client agrees that the Court may order or the opposing parties may agree that another party will pay for part or all of Attorney's fees or costs or both. Such order or agreement will not change Client's obligations to Attorney, but receipt of such payment will be credited to Client's account.

CLIENT'S PROPERTY: Except for Attorney's work products, Client's legal file, and the documents therein, are Client's property. Attorney will retain Client's property obtained or generated during the pendency of the legal services rendered. Upon the completion thereof, or upon the earlier request by Client, Client's property will be promptly released to Client. If Client does not accept such property, Attorney may retain or dispose of such property at Attorney's reasonable discretion. Client will pay any storage costs thereof.

SETTLEMENT: If the legal services rendered pertain to a claim, suit, litigation or other similar action, Attorney will immediately notify Client of any offer received by Attorney to settle Client's matter. Attorney will not accept any offer to settle without first obtaining the approval of Client. Client has the unequivocal right to accept or reject any settlement offer.

DISCHARGE OF ATTORNEY: Client may, at any time, discharge Attorney for any reason or no reason by written notice, which will become effective upon receipt by Attorney. Upon receipt, Attorney will cease providing any services to Client, unless otherwise agreed upon by Attorney and Client. Client will execute and return a substitution of attorney form immediately on its receipt from Attorney if Attorney is Client's attorney of record in any litigation. Client agrees that following such termination, Client will remain obligated to pay for all attorney's fees and costs owed to Attorney as required by the terms of this Agreement. If Attorney has substantially performed, Attorney may have earned Attorney's entire fee even if Attorney is discharged before completion of subject matter of representation.

WITHDRAWAL OF ATTORNEY: In accordance with the Rules of Professional Conduct, Attorney may stop representing Client at any time for any reason or no reason.

NO GUARANTY OF ANY PARTICULAR OUTCOME: Client agrees that Attorney makes no guaranty regarding the outcome or success with regards to Client's matter. Attorney does not have or hold any power to guarantee any certain outcome in favor of Client.

ENTIRE AGREEMENT: This Agreement contains the entire agreement of the parties, except for separately executed Conflict of Interest Disclosures, which, if executed, is incorporated with this Agreement. There are no other promises or conditions in any other agreement whether oral or written. This Agreement supersedes all other verbal or written agreements made prior to or concurrent with this Agreement.

SEVERABILITY: If any provision of this Agreement shall be held to be invalid or unenforceable for any reason, the remaining provisions shall continue to be valid and enforceable. If a court finds that any provision of this Agreement is invalid or unenforceable, but that by limiting such provision it would become valid and enforceable, then such provision shall be deemed to be written, construed, and enforced as so limited.

MODIFICATIONS: This Agreement may be modified only by the execution of a written agreement signed by Attorney and Client. If Client wants any additional services that have not been included in this Agreement, a separate agreement will be necessary.

APPLICABLE LAW: The laws of the State of Washington govern this Agreement.

ARBITRATION OF DISPUTES BETWEEN CLIENT AND ATTORNEY: If there is any dispute between Client and Attorney, such dispute will be resolved by binding arbitration. Disputes subject to arbitration include, but are not limited to, those involving fees, costs, and alleged malpractice by Attorney.

ATTORNEY FEES AND COLLECTION COSTS: If actions are needed to enforce the terms of this Agreement, the losing party agrees to pay the prevailing party reasonable attorney's fees, court costs and any other fees incurred in enforcing the terms of this Agreement.

EFFECTIVE DATE AND SIGNING OF THIS AGREEMENT: This Agreement will become effective when signed by Client and Attorney. However, in the event this Agreement requires the payment of a retainer fee to Attorney, this Agreement will not become effective, and Attorney will have no duty to act on behalf of Client, until the full payment of such retainer fee.

The undersigned below have read and agree to be bound by this Agreement. Executed as of the date first written above.

Jay R. Rodne, Attorney

By: _____
Jay R. Rodne, Attorney at Law

Vashon Health Care District

By: _____
Eric Jensen, Superintendent

10/2/20

PRELIMINARY

LEVY LIMIT WORKSHEET – 2021 Tax Roll

TAXING DISTRICT: Vashon Hospital Hospital District # 5

The following determination of your regular levy limit for 2021 property taxes is provided by the King County Assessor pursuant to RCW 84.55.100.

(Note 1)

| Using Limit Factor For District | Calculation of Limit Factor Levy | Using Implicit Price Deflator |
|--------------------------------------|--|-------------------------------|
| 0 | Levy basis for calculation: (0 Initial Levy) (Note 2) | 0 |
| 1.0100 | x Limit Factor | 1.0060 |
| 0 | = Levy | 0 |
| 20,049,473 | Local new construction | 20,049,473 |
| 0 | + Increase in utility value (Note 3) | 0 |
| 20,049,473 | = Total new construction | 20,049,473 |
| 0.00000 | x Last year's regular levy rate | 0.00000 |
| 0 | = New construction levy | 0 |
| 0 | Total Limit Factor Levy | 0 |
| Annexation Levy | | |
| 0 | Omitted assessment levy (Note 4) | 0 |
| 0 | Total Limit Factor Levy + new lid lifts | 0 |
| 3,285,926,505 | ÷ Regular levy assessed value less annexations | 3,285,926,505 |
| 0.00000 | = Annexation rate (cannot exceed statutory maximum rate) | 0.00000 |
| 0 | x Annexation assessed value | 0 |
| 0 | = Annexation Levy | 0 |
| Lid lifts, Refunds and Total | | |
| 0 | + First year lid lifts | 0 |
| 0 | + Limit Factor Levy | 0 |
| 0 | = Total RCW 84.55 levy | 0 |
| 0 | + Relevy for prior year refunds (Note 5) | 0 |
| 0 | = Total RCW 84.55 levy + refunds | 0 |
| | Levy Correction: Year of Error _____ (+or-) | |
| 2,464,445 | ALLOWABLE LEVY (Note 6) | 2,464,445 |
| Increase Information (Note 7) | | |
| 0.75000 | Levy rate based on allowable levy | 0.75000 |
| 0 | Last year's ACTUAL regular levy | 0 |
| 2,464,445 | Dollar increase over last year other than N/C – Annex | 2,464,445 |
| 0.00% | Percent increase over last year other than N/C – Annex | 0.00% |
| Calculation of statutory levy | | |
| | Regular levy assessed value (Note 8) | 3,285,926,505 |
| | x Maximum statutory rate | 0.75000 |
| | = Maximum statutory levy | 2,464,445 |
| | +Omitted assessments levy | 0 |
| | =Maximum statutory levy | 2,464,445 |
| | Limit factor needed for statutory levy | 0.0000 |

ALL YEARS SHOWN ON THIS FORM ARE THE YEARS IN WHICH THE TAX IS PAYABLE.

Please read carefully the notes on the reverse side.

Notes:

- 1) Rates for fire districts and the library district are estimated at the time this worksheet is produced. Fire district and library district rates affect the maximum allowable rate for cities annexed to them. These rates *will* change, mainly in response to the actual levy requests from the fire and library districts. Hence, affected cities may have a higher or lower allowable levy rate than is shown here when final levy rates are calculated.
- 2) This figure shows the maximum *allowable levy*, which may differ from any actual prior levy if a district has levied less than its maximum in prior years. The maximum allowable levy excludes any allowable refund levy if the maximum was based on a limit factor. The maximum allowable levy excludes omitted assessments if the maximum was determined by your district's statutory rate limit. If your district passed a limit factor ordinance in the year indicated, that limit factor would help determine the highest allowable levy. However, if the statutory rate limit was more restrictive than your stated limit factor, the statutory rate limit is controlling.
- 3) Any increase in value in state-assessed property is considered to be new construction value for purposes of calculating the respective limits. State-assessed property is property belonging to inter-county utility and transportation companies (telephone, railroad, airline companies and the like).
- 4) An omitted assessment is property value that should have been included on a prior year's roll but will be included on the tax roll for which this worksheet has been prepared. Omitted assessments are assessed and taxed at the rate in effect for the year omitted (RCW 84.40.080-085). Omitted assessments tax is deducted from the levy maximum before calculating the levy rate for current assessments and added back in as a current year's receivable.
- 5) Administrative refunds under RCW 84.69.020 were removed from the levy lid by the 1981 legislature.
- 6) A district is entitled to the lesser of the maximum levies determined by application of the limit under RCW 84.55 and the statutory rate limit. Levies may be subject to further proration if aggregate rate limits set in Article VII of the state constitution and in RCW 84.52.043 are exceeded.
- 7) This section is provided for your information, and to assist in preparing any Increase Ordinance that may be required by RCW 84.55.120. The increase information compares the allowable levy for the next tax year with your ACTUAL levy being collected this year. The actual levy excludes any refund levy and expired temporary lid lifts, if applicable. New construction, annexation and refund levies, as well as temporary lid lifts in their initial year, are subtracted from this year's *allowable* levy before the comparison is made.
- 8) ***Assessed valuations shown are subject to change from error corrections and appeal board decisions recorded between the date of this worksheet and final levy rate determination.***