The Regular Meeting of the Finance Committee of the San Gorgonio Memorial Hospital Board of Directors was held on Tuesday, June 28, 2016 in the Administration Boardroom, Banning, California.

**Members Present:** Olivia Hershey (Chair), Jerilynn Kaibel, Ron Rader, Irwin Reeves

**Members Absent:** None

**Guests:** Lynn Baldi (Healthcare District Board Chair)

**Staff:** Mark Turner (CEO), Dave Recupero (CFO), Bobbi Duffy (Executive Assistant)

### AGENDA ITEM

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<td>Call To Order</td>
<td>Committee Chair Olivia Hershey called the meeting to order at 9:03 am.</td>
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<tr>
<td>Public Comment</td>
<td>None</td>
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<tr>
<td><strong>OLD BUSINESS</strong></td>
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<td>Proposed Action - Approve Minutes</td>
<td>Chair Hershey asked for any changes or corrections to the minutes of the May 31, 2016 regular meeting. There were none.</td>
<td>The minutes of the May 31, 2016 regular meeting will stand as presented.</td>
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<td>May 31, 2016 - Regular Meeting</td>
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<td>Proposed Action - Approve Monthly Financial Report – May 2016</td>
<td>Dave Recupero referred Committee members to page 2 of the May financial report. Dave reviewed the Concluding Summary at the bottom of the page. Positive takeaways for the month: 1. Line of Credit payments on pace for year-end payoff (LOC was paid off yesterday) 2. Improved IGT revenues 3. High EBIDA in May pushing YTD Actual over $5.0 million (Budget for the year is $5,019,000) Negative takeaways for the month: 1. Higher contract labor expense 2. Higher over-all expenses (+3.8% YTD)</td>
<td>M.S.C. (Rader/Kaibel), the SGMH Finance Committee approved the May 2016 Financial Statements as presented and hereby recommends approval of same by the SGMH Board of Directors.</td>
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3. Higher Benefits expense

Dave referred Committee members to page 3, “Patient Statistics”, noting that as shown on line 11, Average Daily Census – Acute shows over budget for YTD by 3.66%.

On line 4, Newborn at 21 for the month was 18 under budget for the month of May and down -7.11% compared to the prior year.

He noted that on line 16, Total ED Visits, were 2.57% above last year. Line 17, % of ER Visits Admitted, was up by 3.35% over last year.

Dave noted that line 23, IP Surgeries, was down -7.73% from last year. However, Outpatient Scopes increased 10.29% over last year.

Dave referred Committee members to page 5, “Key Financial Ratios”, line 18, “Gross Days in Accounts Receivable”, noting that we hit a new record low of 56.44.

Dave referred Committee members to page 8, “Statement of Revenue and Expense – Current Month”, total Gross Patient Revenue was $24,612,527, a 0.26% improvement over the prior year.

On line 14, “IGT/DSH Revenues”, he noted that we were a little better than the budgeted $1,735,363.

On line 44, “EBIDA”, Dave noted that actual was $1,184,588, an increase over the prior year of $90,853.

Dave referred Committee members to page 9, “Statement of Revenue and Expense – Year-to-Date”, noting that line 33, EBIDA at $5,650,517 was better than budget and the prior year.

Dave referred Committee members to page 14, “AR Report”, noting that as shown on line 37, “Total Gross Days in AR”, FY16 May 2016 was at 56.4 which was lower than the 3 prior months FY16 and lower than budgeted.

ROLL CALL:

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<tr>
<th>Hershey</th>
<th>Yes</th>
<th>Rader</th>
<th>Yes</th>
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<tbody>
<tr>
<td>Kaibel</td>
<td>Yes</td>
<td>Reeves</td>
<td>Yes</td>
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Motion carried.
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<td>Informational – Healthcare District Measure A expenditures – April 2016</td>
<td>This item was placed in the packet as informational. Healthcare District Measure A funds spent during the month of May were $21,932, a total of $113,449,572 spent on the project thus far and a balance of $489,787 remaining (includes earned Interest Income of $5,897,994).</td>
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| Approve FY2017 Operating Budget Recommendations | Dave Recupero referred Committee members to page 2 of the FY17 Budget Presentation as included on the board tablets. **“Overall Objectives in 2017”:**  
A. Renew IGTs (at same level or higher vs historical)  
B. EBIDA remains at over $4.0 million  
C. LOC Balances begin and end fiscal year at zero  
D. Exceed bond/debt financial covenant ratios  
Dave referred Committee members to page 3, “Assumptions”. He reviewed the “yellowed” items and the challenges as shown on line 14. The combined reductions of the IT Medicare Stimulus Funds and IGTs compared to FY16 was a $1,750,000 “hit to the bottom line”.  
As shown on line 2, “EBIDA”, Dave is projecting a FY17 budget EBIDA of $4,401,434, a reduction of $1,173,000 from the projected FY16 EBIDA.  
On line 12, “$$ earmarked for Wage rate increase”, Mark explained that we will need to increase wages for several staffing categories above the usual 3% annual increase as we are not paying competitively. The plan is to increase a little in salaries to decrease contract labor costs.  
On line 20, “Paid FTEs per adjusted occupied bed”, Dave noted that productivity at 5.18 per adjusted occupied bed compares favorably and in the ballpark to prior year information.  
On line 16, “Capital Projects”, Dave noted that we have budgeted new capital projects at up to $2,250,000.  
Dave referred Committee members to page 4, “Budget FY 2017 Narrative”. He reviewed the Assumption Highlights:  
**Key Financial Factors**  
• Continued increased costs for physician on call ED coverage | M.S.C. (Kaibel/Reeves), the SGMH Finance Committee approved the FY2017 Operating Budget Recommendations as presented and hereby recommends approval of same by the SGMHD Board of Directors and the SGMH Board of Directors. |
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| • Higher labor costs (FTEs +17) for continued growth  
• Medicaid Expansion Funding, two year program expires 2016 resulting in $1.3 million reduction in supplemental payments in FY 17 |

Dave referred Committee members to page 5, “Patient Volumes”, noting that line 6, “I/P surgeries”, has been budgeted conservatively at a 0% growth rate.

Line 10, “ED Admits % of Visits”, has been budgeted at a 3.00% increase.

Dave referred Committee members to page 6, “Profit/Loss (Income Statement)”. At this time he distributed a handout to replace this page. Dave noted that the only thing changed in the handout was the far right column variance.

Dave pointed out on Line 20 that IT stimulus goes from $480,482 in FY 16 to zero in FY17.

Dave referred Committee members to page 7, “EBIDA (Operating Cash Flow)”, noting that since fiscal 2011, our average has been $4,814,252. This should keep us on a track with a safe level of cash on hand.

Dave referred Committee members to page 8, “Balance Sheet”, line 1, “Cash” noting that FY 17 is projected at $4,957,422.

Dave referred Committee members to page 9, “Balance Sheet Improvements”, which show the FY08 versus FY17, an improvement of $22,039,732.

Dave referred Committee members to page 10, “Budget Assumptions FY 2017”, noting that as shown as the bottom FY 17 capital is projected at $2,250,000.

Mark Turner noted that the capital budget will be brought for approval at the July Finance Committee meeting.

Dave referred Committee members to page 11, “District Budget”. He noted that interest expense is projected much lower than the prior year mostly due to not having to pay interest on the line of credit. Mark noted that this report shows revenue and expenses that the Healthcare District alone incurs.

Dave referred Committee members to page 12, “Ratio Trends”, | ACTION / FOLLOW-UP |
Finance Committee  
June 28, 2016 Regular Meeting

AGENDA ITEM | DISCUSSION | ACTION / FOLLOW-UP  
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and briefly reviewed whether favorable as higher or lower.  
Dave referred Committee members to page 13, “System Covenants”, noting that the DSC Ratios must be higher than 1.5.  
ROLL CALL:  
| Hershey | Yes | Kaibel | Yes |  
| Rader | Yes | Reeves | Yes |  
Motion carried.  
Future Agenda Items | None |  
Next Meeting | It was noted that the next regular meeting will be held on July 26, 2016. |  
The meeting was adjourned at 10:02 am.  

In accordance with The Brown Act, Section 54957.5, all reports and handouts discussed during this Open Session meeting are public records and are available for public inspection. These reports and/or handouts are available for review at the Hospital Administration office located at 600 N. Highland Springs Avenue, Banning, CA 92220 during regular business hours, Monday through Friday, 8:00 am - 4:30 pm.

Minutes respectfully submitted by Bobbi Duffy, Executive Assistant