



Finance and Management Committee Meeting Notice & Agenda

Wednesday, April 27, 2011
7:30 a.m. – 9:00 a.m.
Dal Cielo Conference Room

Office of the Clerk: (510) 814-4001

Members of the public who wish to comment on agenda items will be given an opportunity before or during the consideration of each agenda item. Those wishing to comment must complete a speaker card indicating the agenda item that they wish to address.

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|------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| I. | Call To Order | Michael McCormick |
| II. | Action Items | |
| A. | Acceptance of March 30, 2011 Minutes [enclosure] | Michael McCormick |
| B. | Recommendation to Accept March 2011 Financial Statements [enclosure] | David A. Neapolitan |
| C. | Recommendation to Accept the FY 2012 Volume Assumptions [to be distributed] | David A. Neapolitan |
| D. | Recommendation to Approve Bank of Alameda Modification of Loan Terms for Wound Care Program [enclosure] | David A. Neapolitan |
| E. | Recommendation to Approve Audit Engagement Letter [enclosure] | David A. Neapolitan |
| F. | Recommendation to Approve Outsourcing Long-Term Care Rehabilitation Services through Select Therapies <i>DEFERRED UNTIL MAY 25 MEETING (4/25/11)</i> | Kerry Easthope |
| III. | Chief Financial Officer's Report | David A. Neapolitan |
| A. | AB5 / AB1183 Potential Financial Impact | |
| IV. | Chief Executive Officers Report | Deborah E. Stebbins |
| A. | State and Federal Budget and Funding Changes | |
| V. | Board / Committee / Staff Comments | |
| VI. | Adjournment | |

Next Meeting Scheduled for: Wednesday, May 25, 2011

This is being noticed as a Board Meeting as a quorum of Directors may be present. Ex-officio members and non-committee members cannot vote on any item, whether or not a quorum of the Board is present.

Finance and Management Committee Minutes
March 30, 2011

Members Present: Mike McCormick, Chair Ann Evans Jim Yeh, DO
(Voting) Robert Deutsch, MD James Oddie William Sellman, MD

Management Present: Deborah E. Stebbins Kerry J. Easthope Tony Corica
David A. Neapolitan Mary Bond, RN

Ex Officio/Guests:

Absent: Ed Kofman Jordan Battani

Submitted by: Kristen Thorson

Topic	Discussion	Action / Follow-Up
I. Call to Order	Mike McCormick called the meeting to order at 7:37 a.m. noting that a quorum of voting members was present.	
II. Action Items	<p>A. March 20, 2011</p> <p>B. Recommendation to Accept February 2011 Financial Statements</p> <p>Mr. Neapolitan presented the February 2011 Financial Statements noting the following key points:</p> <p>February's Acute Average Daily Census (ADC) was below budget by 16.7%. Subacute census was greater than budget by 0.5% and the SNF census was also greater than budget by 2.2%. Through March 26th the Acute Care Program ADC was 35.6, 15.2% greater than the budgeted census of 30.9 for March. In February, the overall case mix and Medicare case mix decreased from January's levels to 1.3331 and 1.3811 respectively. Surgery cases increased from January volumes 138 to 166 cases in February but were still below budget of 186 cases for the month. ECC cases were 2.6% below budget at 47.1 visits per day. Overall, due to the lower than budgetd acute census, gross revenues for inpatient programs were less than budget by \$1,542 or 10.9%. Outpatient Programs were less than budget by \$765,000 or 10.9%. Net patient revenues were unfavorable to budget by \$414,000 or 8.3%. Expenses were \$113,000 favorable to the fixed budget but were \$61 unfavorable on an adjusted patient day basis. On a year-to-date basis we have a loss of \$337,000 versus a budgeted profit of \$564,000. Cash collections for February were \$5.4M compared to \$4.6M in January.</p>	<p>Dr. Deutsch made a motion to accept the minutes as presented. Mr. Oddie seconded the motion. The motion carried.</p> <p>Ms. Evans made a recommendation to accept the February Financial Statements as presented. Dr. Deutsch seconded the motion. The motion carried.</p>

	<p>C. Recommendation to Renew Angelica Textile Services Agreement</p> <p>Mr. Easthope presented a recommendation to renew the Angelica Textile Services Agreement. The 4 year contract, ending in 2015 has an annual cost estimated at \$350,000. The agreement includes purchasing and replacing worn and torn linen as needed as well as, all linen laundry services. Due to limited options for hospital commercial laundry services in the Bay Area and the overall satisfaction of the service provided, Mr. Easthope recommended that the hospital renew the agreement. The committee discussed the terms of the agreement including the rate increases associated with the CPI Medical Care Services Index at the end of each year of the contract.</p>	<p>Dr. Deutsch made a motion to recommend renewing the Angelica Textile Services Agreement. Dr. Sellman seconded the motion. The motion carried.</p>
<p>III. Chief Financial Officer's Report</p>	<p>A. FYE 2011 Year End Projections and Action Plan</p> <p>A memorandum was distributed at the meeting that pertained to FY 2011 financial projections. As stated in the memo, the projection is based on the first 8 months of actual financial performance with the remaining 4 months of operations projected using the first 7 months of financial results. As a result, Management projected that revenue in excess of expenses will be approximately \$196,000 for FY 2011. Significant modifications that were incorporated into the projections included:</p> <ul style="list-style-type: none"> • Removal of one half of the estimated Fiscal Year 2011 Intergovernmental Transfer (IGT), \$1,098,000 from the budget. • Removal of the budgeted Wound Care program, \$59,000 net income, that was budgeted to begin operations in January 2011 as the program will not begin operations until January 2012. • Inclusion of the write-off of a third party liability of \$1,451,000 that has reached the statute of limitations. <p>In addition to the modifications, there were material variances from budget in gross revenues, salaries and registry expenses, benefits and supply costs as outlined in the memo.</p>	<p>No action taken.</p>
	<p>B. FY2012 Operating Budget Calendar</p> <p>Mr. Neapolitan presented for the committee's information the FY 2012 Operating Budget Calendar which outlined key dates in the budgeting process for the upcoming fiscal year.</p>	<p>No action taken.</p>
	<p>C. 1206(b) Clinic Performance Update</p> <p>Mr. Neapolitan presented the 1206(b) clinic performance recapping the original clinic projections, monthly visit activity, overall clinic performance and spin-off revenues associated with the clinic.</p>	<p>No action taken.</p>

	<p>D. Update of the Banc of America Master Lease</p> <p>Mr. Neapolitan reviewed the memorandum and summary of the Master Lease agreement with Banc of America Leasing and Capital LLC. The lease allows up to \$2.5 million for medical and information technology equipment, which includes PACS, GE Digital Equipment, Nihon Kohden Telemetry Equipment and Mobile Computer Equipment for EHR. Total draws on the lease equal \$776,653.35 for PACS and GE Digital Equipment related to the Radiology Department upgrade. The estimated monthly lease payment will be approximately \$38,770 per month assuming that no other equipment items are added and the committed project costs remain the same. Mr. Easthope stated that there have been some delays in the radiology project due to delays in OSPHD approval of plans.</p>	No action taken.
IV. Chief Executive Officer's Report	<p>A. State Budget Reduction for DP Skilled Nursing</p> <p>Management updated the committee on recent legislation that would cut distinct part SNF reimbursement to 10% below the 2008-2009 rates. Management has been informed that CHA has filed an injunction to the rate cuts, and also that CMS would have to approve the cuts before putting into effect. Ms. Stebbins stated that if the cuts went into effect, it would potentially mean a \$2.1 million loss in net revenue for the Hospital. Management continues to convey the significant impact this would have on the hospital to CHA leadership, Governor Jerry Brown, Senator Loni Hancock, and Assemblyman Sandre Swanson.</p>	No action taken.
V. Board / Committee / Staff Comments	No Board / Committee / Staff comments.	
VI. Adjournment	Being no further business, the meeting was adjourned at 9:00 a.m.	

THE CITY OF ALAMEDA HEALTH CARE DISTRICT

ALAMEDA HOSPITAL

UNAUDITED FINANCIAL STATEMENTS

FOR THE PERIOD ENDING MARCH 31, 2011

**CITY OF ALAMEDA HEALTH CARE DISTRICT
ALAMEDA HOSPITAL
MARCH 31, 2011**

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ALAMEDA HOSPITAL

MANAGEMENT DISCUSSION AND ANALYSIS

MARCH, 2011

The management of the Alameda Hospital (the “Hospital”) has prepared this discussion and analysis in order to provide an overview of the Hospital’s performance for the period ending March 31, 2011 in accordance with the Governmental Accounting Standards Board Statement No. 34, *Basic Financials Statements; Management’s Discussion and Analysis for State and Local Governments*. The intent of this document is to provide additional information on the Hospital’s financial performance as a whole.

Financial Overview as of March, 2011

- For the nine months ended March 31, 2011, combined expense over revenues (loss) is \$689,000 before the inclusion of \$1,451,000 of other non-operating income. This additional other non-operating income, which was recorded in March 2011, was the result of the elimination of a liability that was established in fiscal year 2006. The liability was the result of a dispute over contractual language related to the amounts due under the terms of an insurance contract. After inclusion of the elimination of this liability the year to date revenue over expense (profit) is \$762,000 versus budgeted revenue over expenses (profit) of \$646,000.
- Gross patient revenue for the month of March was greater than budget by \$890,000 or 4.0%. This favorable variance was the result of a favorable variance of \$1,434,000 in inpatient programs offset by an unfavorable variance of \$543,000 from outpatient services. On adjusted patient day basis gross patient revenue was 8.2% greater than budgeted at \$5,883 compared to a budgeted amount of \$5,437 for the month of March.
- Total patient days for the month were 2,747 compared to the prior month’s total patient days of 2,380 and the prior year’s 2,742 total patient days. The average daily acute care census was 35.0 compared to a budget of 30.9 and an actual average daily census of 27.8 in the prior month; the average daily Sub-Acute census was 33.3 versus a budget of 33.5 and 33.7 in the prior month and the Skilled Nursing program had an average daily census of 20.3 versus a budget of 23.0 and prior month census of 23.5, respectively.
- Emergency Care Center (ECC) visits were 1,461 or 3.8% less than the budgeted 1,519 visits and were only 0.3% less than the prior year’s visits of 1,466.
- Total surgery cases were greater than budgeted expectations for the month at 186 cases versus the budgeted 182 cases. The current month’s surgical volume was 19.2% greater than the same month prior year’s 156 cases.
- Outpatient registrations were 12.0% below budgeted targets at 21,197 and at 70.9 visits per day were 6.4% greater than the prior month’s 66.6 visits per day.
- Combined excess revenue over expenses (profit) for March was \$1,099,000 versus a budgeted excess of revenue over expenses (profit) of \$82,000 and include in other non-operating income the elimination of a \$1,451,000 liability.

Total assets decreased by \$446,000 from the prior month as a result of increases in current assets of \$284,000, net fixed assets of \$153,000 and restricted contributions of \$9,000. The following items make up the decrease in current assets:

- Total unrestricted cash and cash equivalents for March increased by \$1,035,000 and days cash on hand including restricted use funds increased to 14.1 days on hand in March from 8.5 days on hand in February.

- Net patient accounts receivable decreased in March by \$429,000 compared to a decrease of \$937,000 in February. Day's in outstanding receivables decreased to 58.5 at March 31, 2011 from 59.7 at February 28, 2011. Collections in March totaled \$5.5 million compared to \$5.4 million in February.

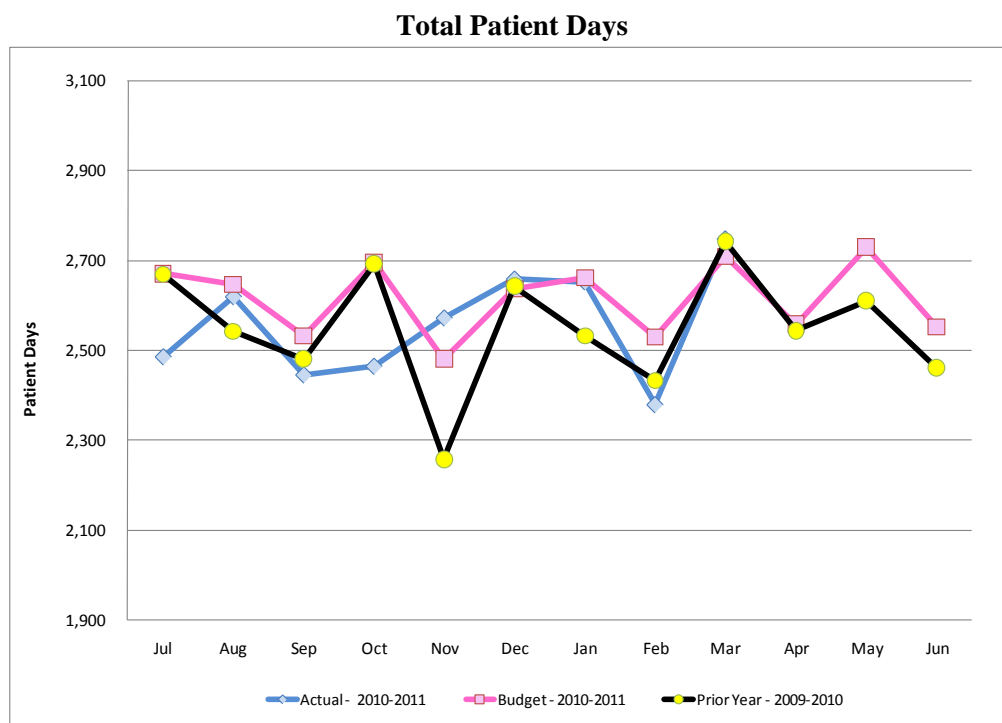
Total liabilities decreased by \$662,000 compared to an increase of \$179,000 in the prior month. This decrease in the current month was the result of the following:

- Accounts payable and accrued expenses decreased by \$486,000. This decrease was primarily driven by the elimination of the \$1,451,000 liability discussed previously offset by an increase in trade payables. As a result of this decrease the average payment period decreased in March to 68.0 from 69.4 as of February 28, 2011.
- Payroll related accruals increased by \$280,000 from the prior month primarily as a result of three additional days of payroll accruals resulting from the timing of the organizations bi-weekly payroll periods.
- Deferred revenues decreased by \$478,000 as a result of the amortization of one-twelfth of the annual parcel tax revenues for the 2011 fiscal year.
- Long term debt decreased by \$37,000 as a result of the monthly payment of the principle portion of the note payable to the Bank of Alameda.

Volumes

The combined actual daily census was 88.6 versus a budget of 87.4 or a favorable variance of 1.4%. The current month's overall favorable variance from the budgeted census was the result of an acute care services average daily census that was favorable to budget in the acute care areas by 4.3 patients per day or 13.8%. The Sub-Acute and Skilled Nursing programs were unfavorable to budgeted expectations with an average daily census of 33.3 versus the budgeted 33.5 and 20.3 versus the budgeted average daily census of 23.0, respectively.

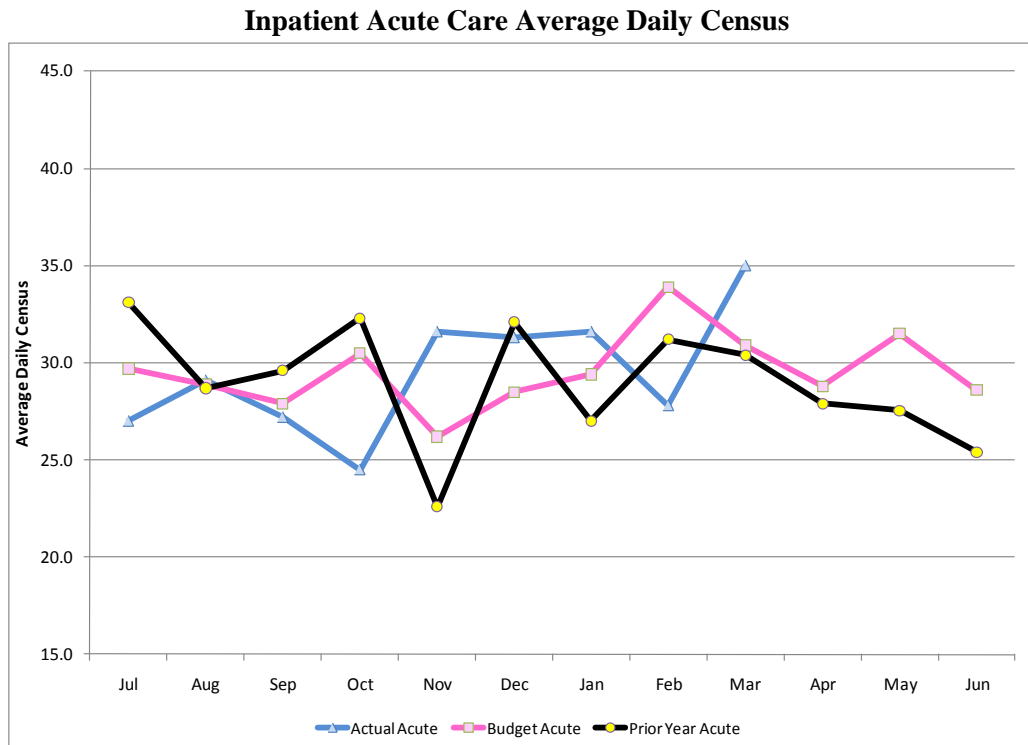
The graph below shows the total patient days by month for fiscal year 2011 compared to the operating budget and fiscal year 2010 actual.



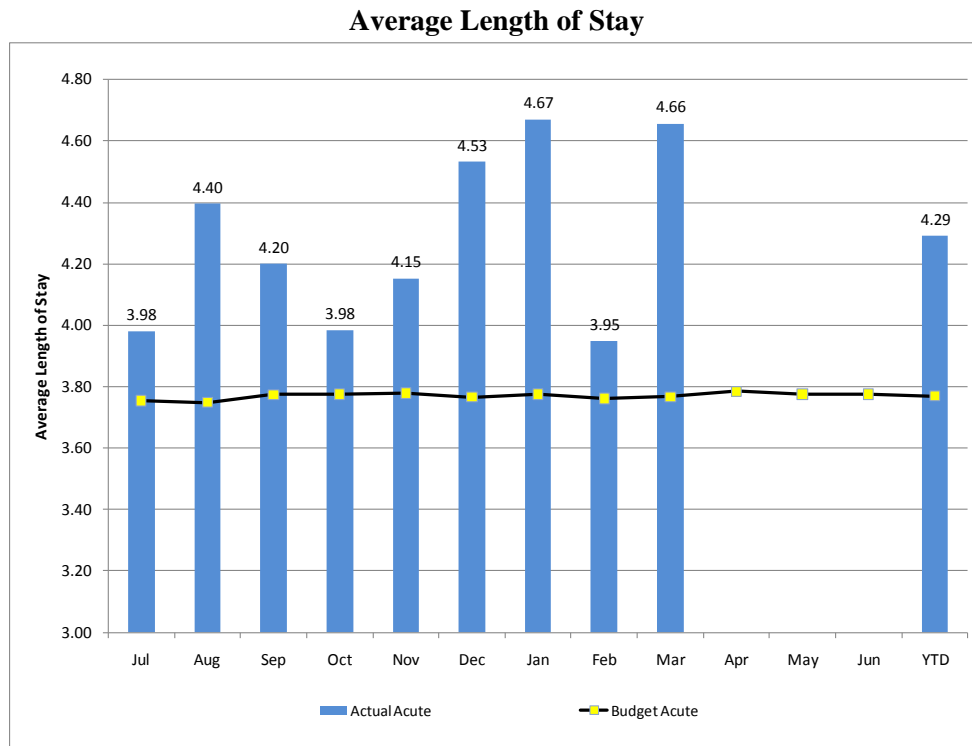
The various inpatient components of our inpatient volumes for the month of March are discussed in the following sections.

Acute Care

The acute care patient days were 13.4% (128 days) greater than budgeted and were 15.3% greater than the prior year's average daily census of 30.4 for March. The acute care program is comprised of the Critical Care Unit (5.2 ADC, 15.7% favorable to budget), Definitive Observation Unit (9.7 ADC, 18.9% unfavorable to budget) and Med/Surg Units (20.1 ADC, 39.9% favorable to budget). The graph below shows the inpatient acute care census by month for the current fiscal year, the operating budget and prior fiscal year actual.

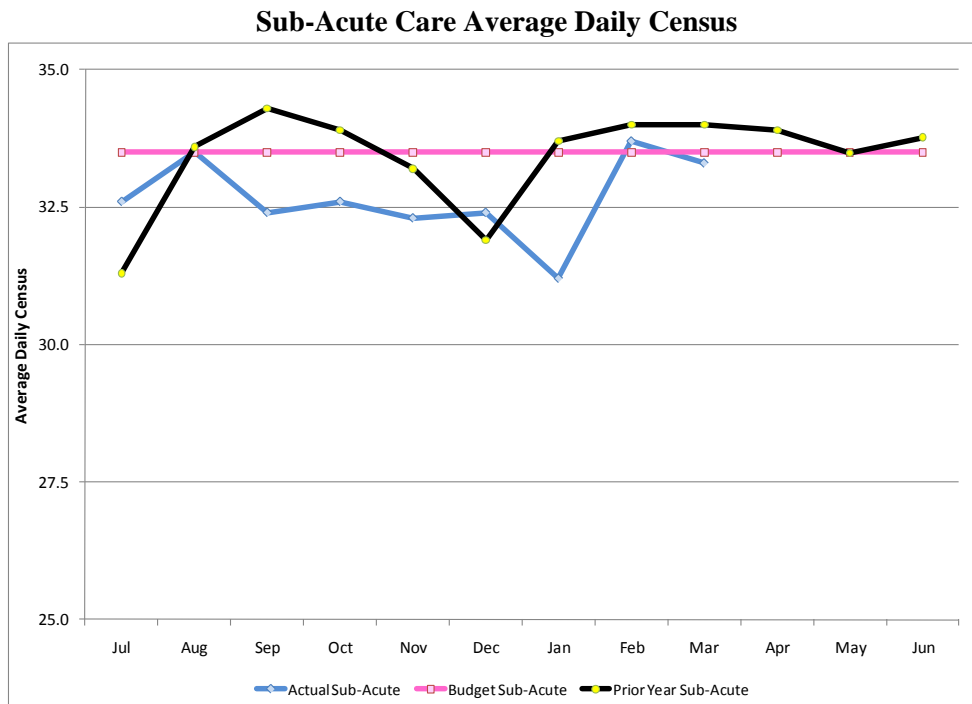


The average length of stay (ALOS) increased from that of the prior month to 4.66 days for the month of March bringing the year-to-date average to 4.29 versus the budgeted FY 2011 average of 3.77. The graph on the following page shows the ALOS by month and the budgeted ALOS for fiscal year 2011.



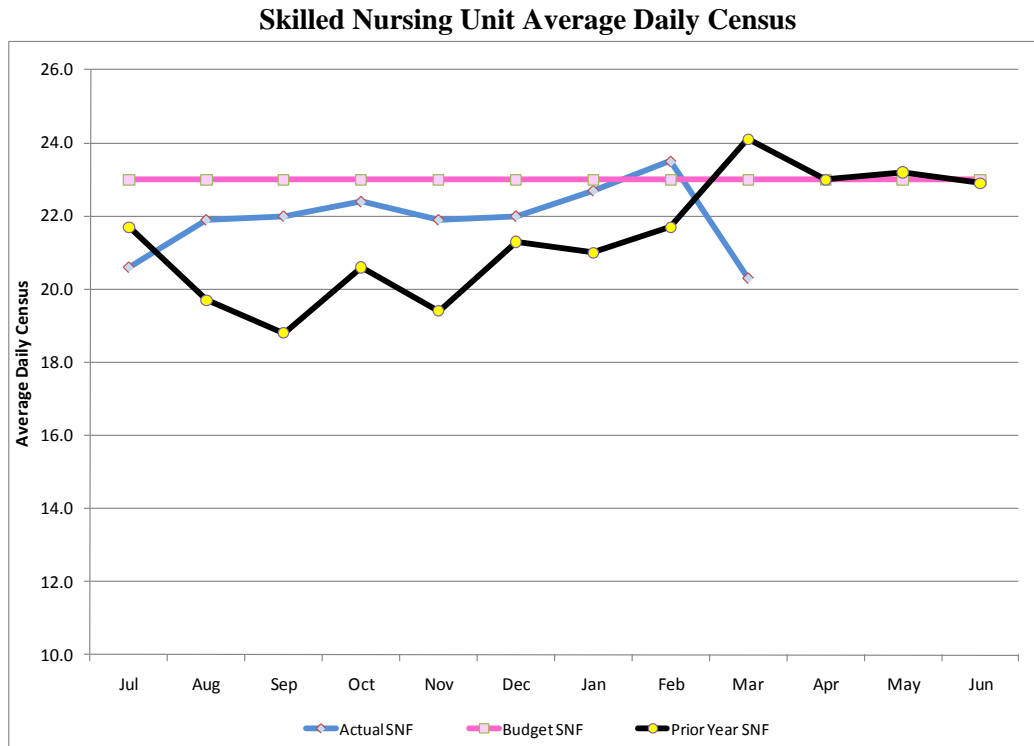
Sub-Acute Care

The Sub-Acute program patient days were slightly less than budgeted projections with an average daily census of 33.3 for the month of March which was budgeted for an average daily census of 33.5. The graph below shows the Sub-Acute programs average daily census for the current fiscal year as compared to budget and the prior year.



Skilled Nursing Care

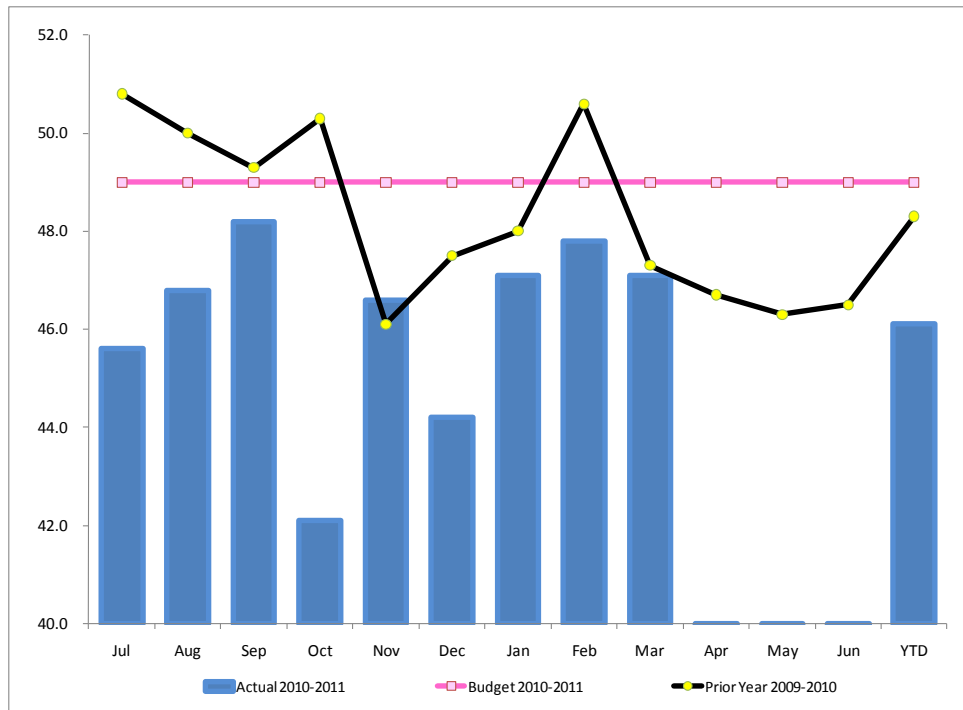
The Skilled Nursing Unit (South Shore) patient days were 11.6% or 83 patient days less than budgeted for the month of March. Comparing performance to the prior year this programs volume remains greater than the prior year's performance for the first nine months of fiscal year 2011 that has had an average daily census of 21.9 versus 20.9 in fiscal year 2010. The following graph shows the Skilled Nursing Unit monthly average daily census as compared to budget and the prior year.



Emergency Care Center (ECC)

Emergency Care Center visits in March totaled 1,461 and were 3.8% or only 58 visits less than budgeted for the month with 16.2% of these visits resulting in inpatient admissions versus 15.6% in February. In March there were 318 ambulance arrivals versus 267 in the prior month, on a per day basis this represents an increase of 8.4% over the prior months daily average. Of the 318 ambulance arrivals in the current month 187 or 58.8% were from Alameda Fire Department (AFD) ambulances. The graph on the following page shows the Emergency Care Centers average visits per day for fiscal year 2011 as compared to budget and the prior year performance.

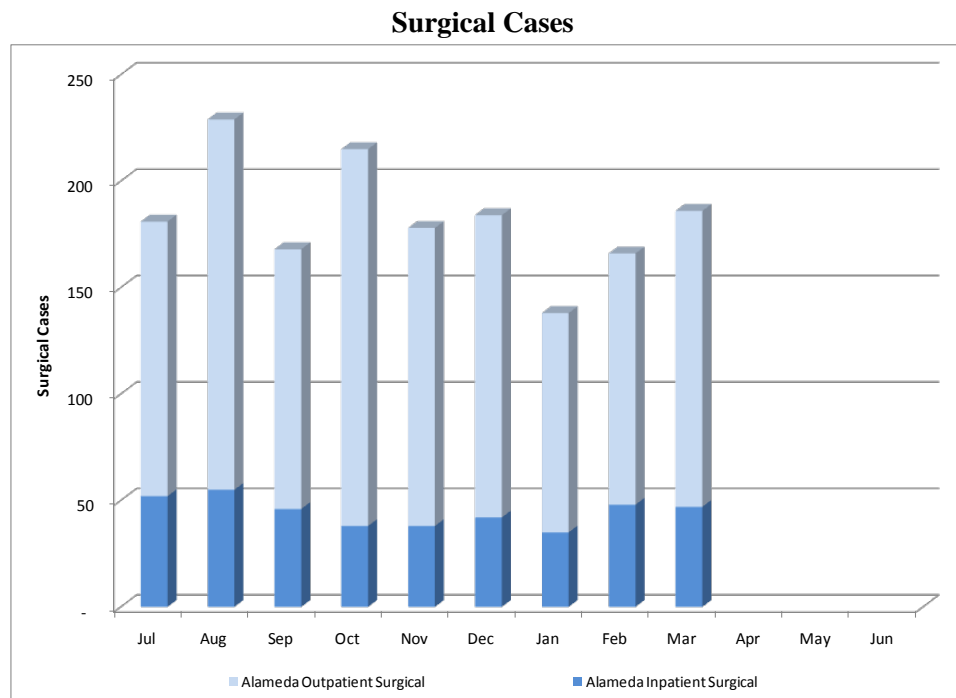
Emergency Care Center Visits per Day



Surgery

Surgery cases were 186 versus the 182 budgeted cases and 156 cases in the prior year. In March, surgery cases increased over the prior month by 12.0%. The increase of 20 cases over the prior month was the result primarily of an increase of 21 outpatient cases, respectively. Inpatient and outpatient cases totaled 47 and 139 versus 48 and 118 in March and February, respectively. The increase in cases from the prior month was driven by increases in Ophthalmology (21), Gynecology (9) and Orthopedic (4) cases offset by decreases in Gastrointestinal (8), Plastics (3), General (2) and Vascular (1) cases.

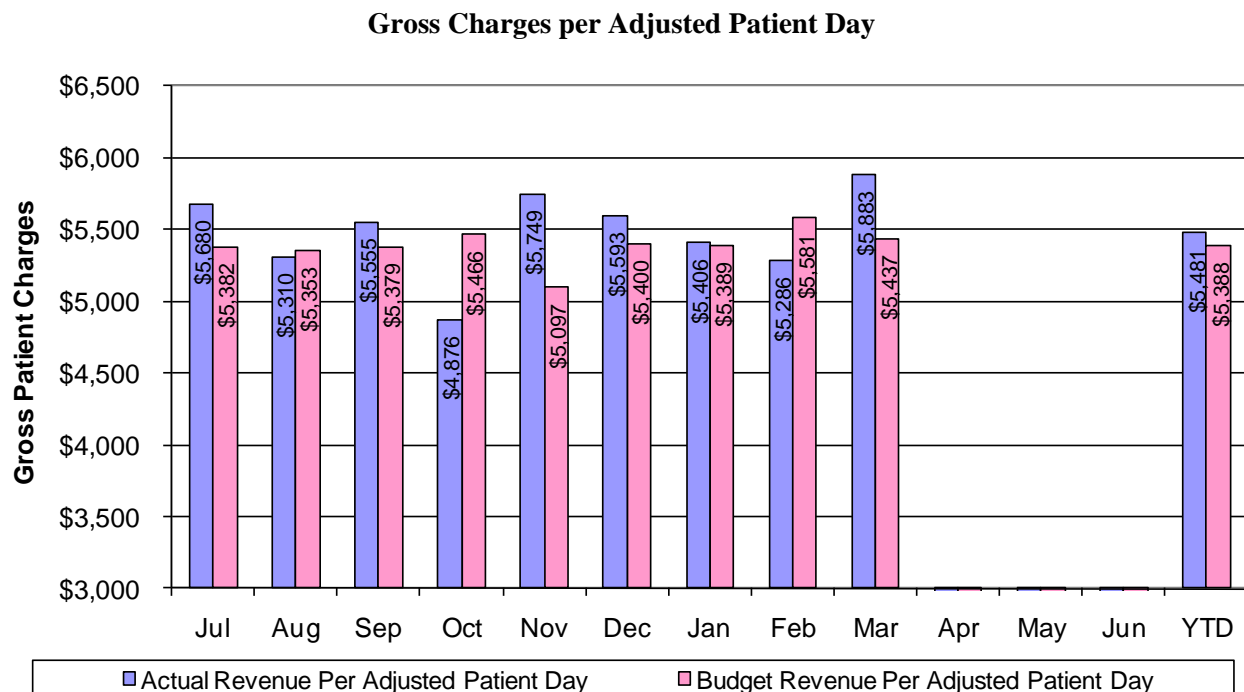
The graph on the following page shows the number of inpatient and outpatient surgical cases by month for fiscal year 2011.



Income Statement

Gross Patient Charges

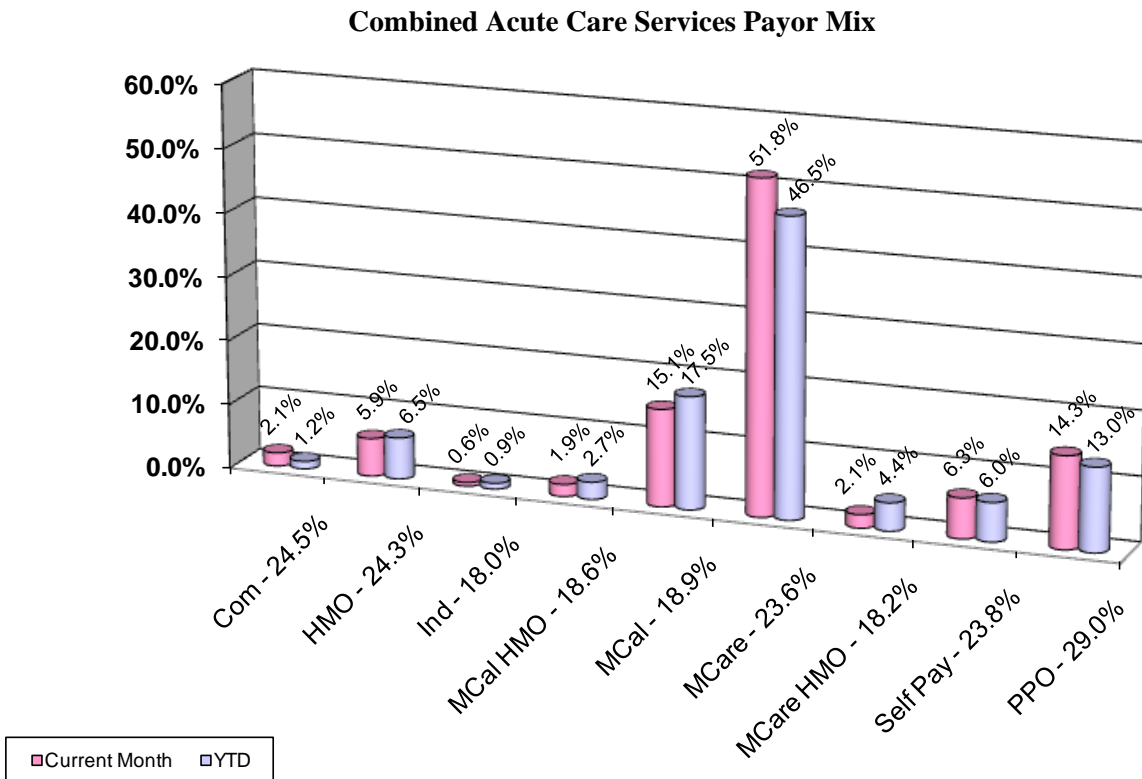
Gross patient charges in March were greater than budgeted by \$890,000. This favorable variance was comprised of a favorable variance of \$1,434,000 and an unfavorable variance of \$543,000 in inpatient and outpatient revenues, respectively. On an adjusted patient day basis total patient revenue was \$5,883 versus the budgeted \$5,437 for the month of March. The following table shows the hospitals monthly gross revenue per adjusted patient day by month and year-to-date for fiscal year 2011 compared to budget.



Payor Mix

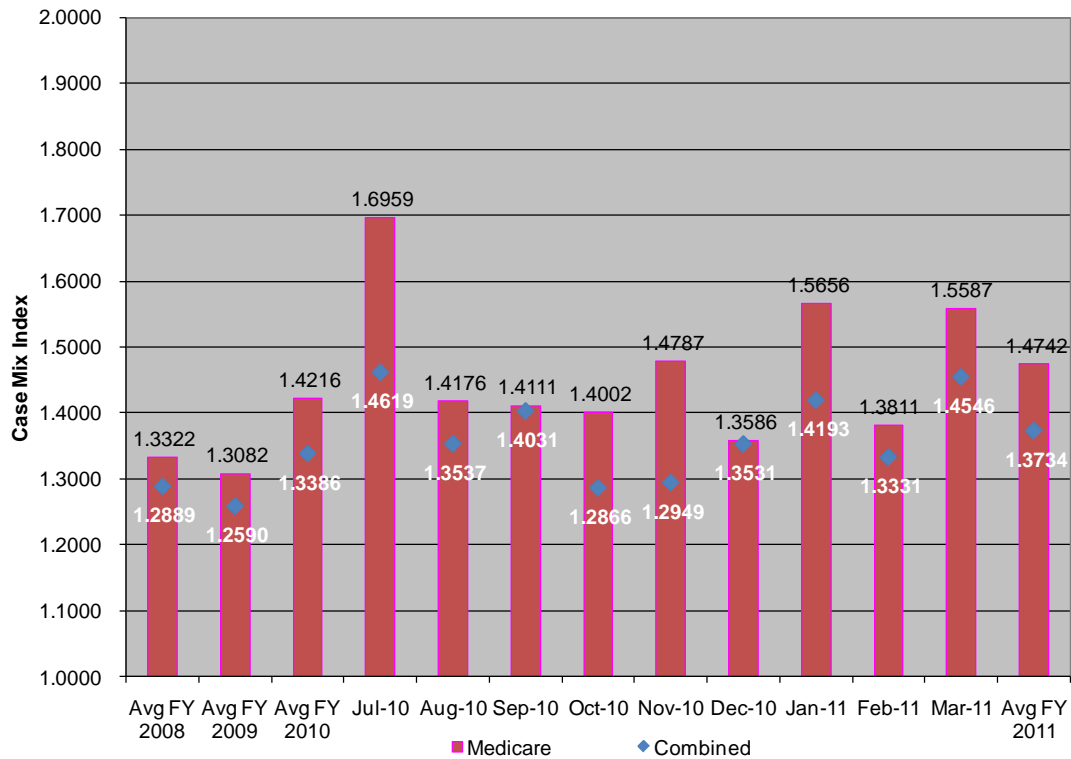
Combined inpatient and outpatient acute care Medicare and Medicare Advantage total gross revenue in March made up 53.9% of the months total gross patient revenue. Combined Medicare revenue was followed by HMO/PPO utilization at 20.2, Medi-Cal Traditional and Medi-Cal HMO utilization at 17.0% and self pay at 6.3%.

The graph below shows the percentage of gross revenues generated by each of the major payors for the current month and fiscal year to date as well as the current months estimated reimbursement for each payor for the combined inpatient and outpatient acute care services.



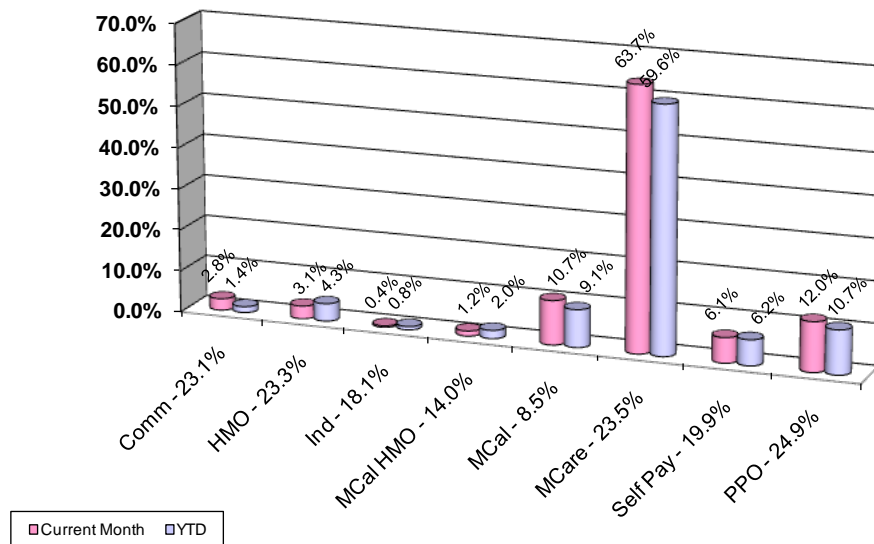
The inpatient acute care current month gross Medicare and Medicare Advantage charges made up 63.7% of our total inpatient acute care gross revenues followed by HMO/PPO at 15.1%, Medi-Cal and Medi-Cal HMO at 11.9% and Self Pay at 6.1% of the inpatient acute care revenue. The hospitals overall Case Mix Index (CMI) increased to 1.4546 from 1.3331 in the prior month and the Medicare CMI increased over the prior month from 1.3811 in February to 1.5587 in March. In March there were (2) outlier cases in the month. The estimated Medicare reimbursement decreased to 23.6% in March versus 27.1% in February. The graph on the following page shows the CMI for the hospital during the current fiscal year as compared to the prior three fiscal years.

Case Mix Index Comparison

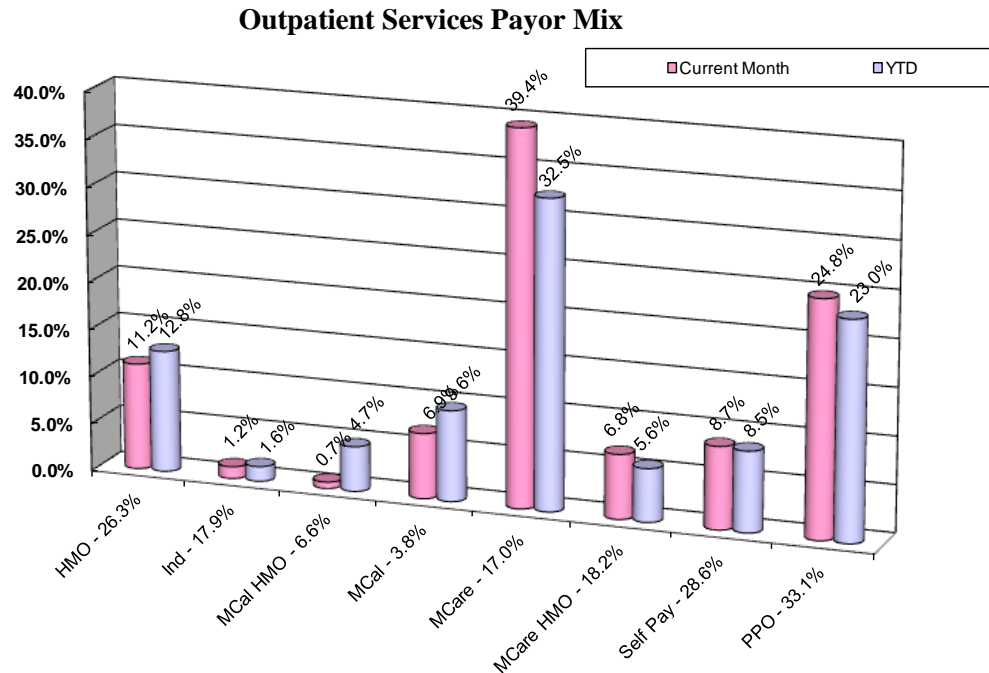


The overall net inpatient revenue percentage decreased from the prior month to 21.7% in March versus 23.7% in February. The graph below shows inpatient acute care current month and year to date payor mix and current month estimated net revenue percentages for fiscal year 2011.

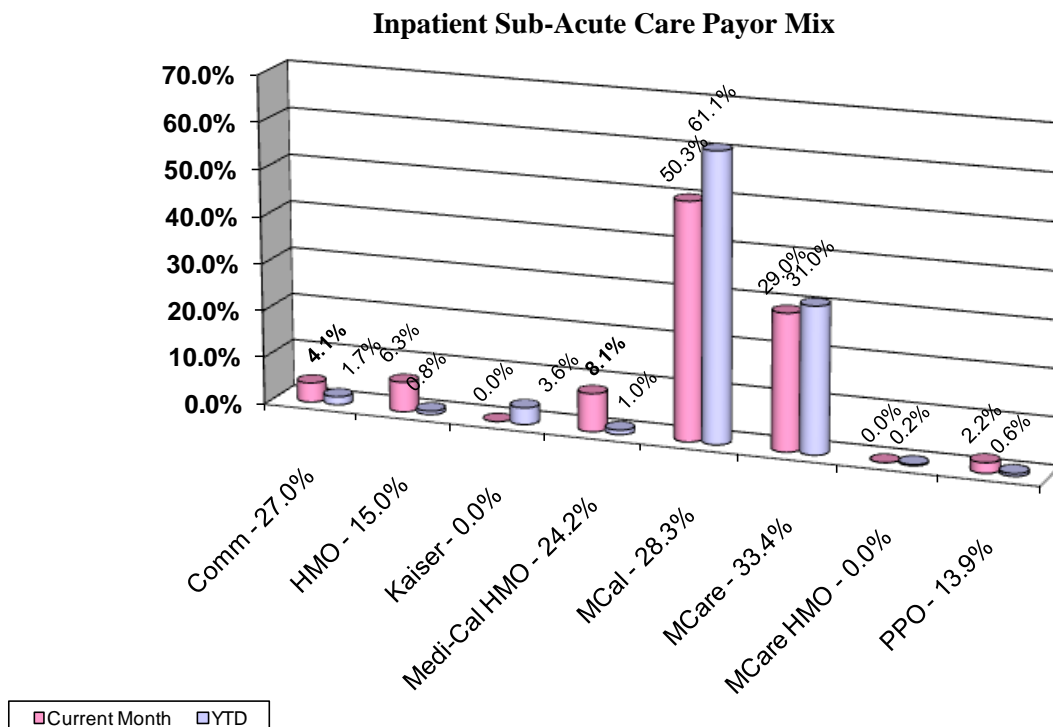
Inpatient Acute Care Payor Mix



The outpatient gross revenue payor mix for March was comprised of 45.2% Medicare and Medicare Advantage, 36.0% HMO/PPO, 6.9% Medi-Cal and Medi-Cal HMO, and 8.7% self pay. The graph below shows the current month and fiscal year to date outpatient payor mix and the current months estimated level of reimbursement for each payor.

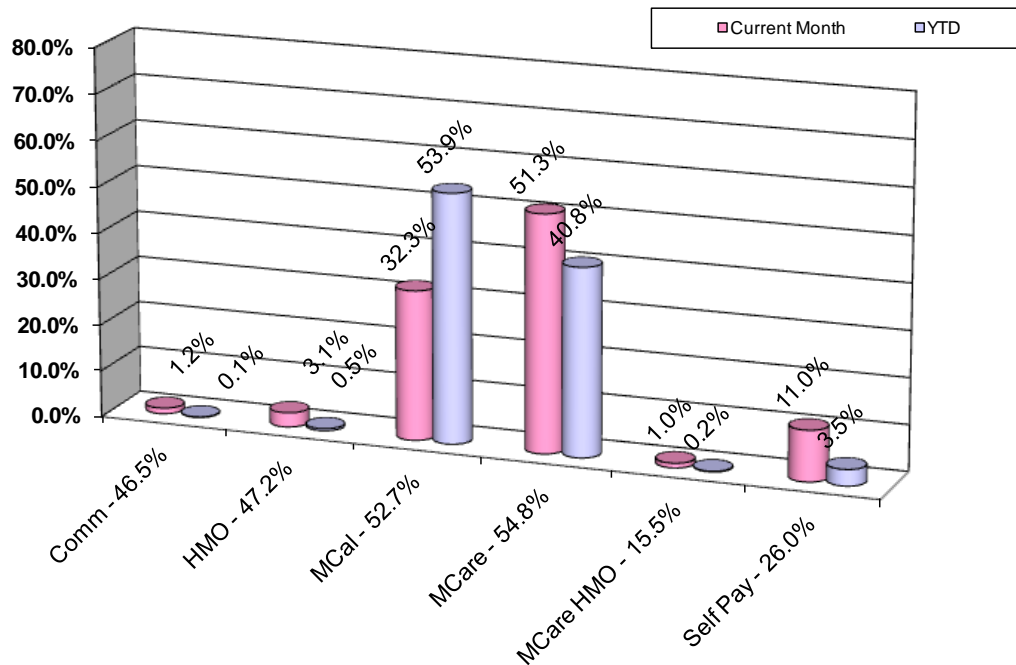


In March the Sub-Acute care program again was dominated by Medi-Cal utilization of 58.4% versus 60.9% in February. The graph below shows the payor mix for the current month and fiscal year to date and the current months estimated reimbursement rate for each payor.



In March the Skilled Nursing program was again comprised primarily of Medicare at 52.3% and Medi-Cal at 32.3%. The graph below shows the current month and fiscal year to date skilled nursing payor mix and the current months estimated level of reimbursement for each payor.

Inpatient Skilled Nursing Payor Mix



Deductions from Revenue

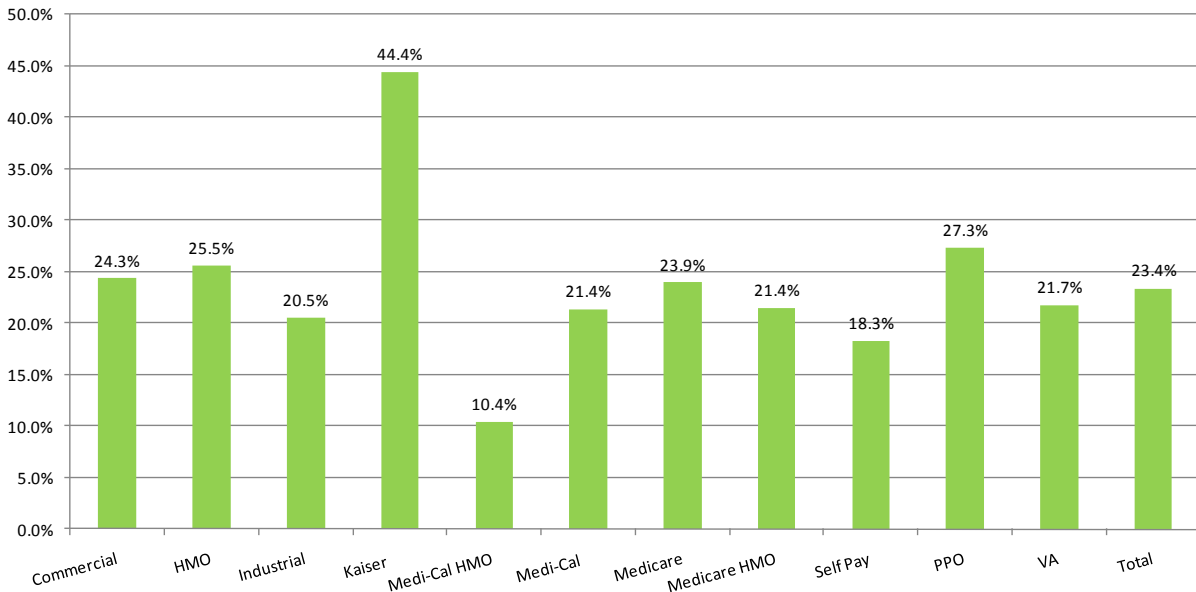
Contractual allowances are computed as deductions from gross patient revenues based on the difference between gross patient charges and the contractually agreed upon rates of reimbursement with third party government-based programs such as Medicare, Medi-Cal and other third party payors such as Blue Cross. In the month of March contractual allowances, bad debt and charity adjustments (as a percentage of gross patient charges) were 78.1% versus the budgeted 75.9%. A major factor causing this increase in this percentage were higher bad debt write-offs in the month which exceeded budget by \$228,000 and greater than budgeted charity care write-offs that also exceeded budget by \$24,000.

Net Patient Service Revenue

Net patient service revenues are the resulting difference between gross patient charges and the deductions from revenue. This difference reflects what the anticipated cash payments the Hospital is expecting to receive for the services provided. In addition, included in year to date net patient service revenue are the estimated amounts to be received from participation in the State of California's FY 2011 Intergovernmental Transfer (IGT) Program, \$180,000 per month and \$1,080,000 for the six month ended December 31, 2010. As a result of the inclusion of all forty-six (46) California district hospitals in the fiscal year 2011 IGT program no additional accruals have been included since December 2010 as it is estimated that the amount accrued through December 31, 2010 will approximate the ultimate amount to be received in fiscal year 2011.

The graph on the following page shows the level of reimbursement that the Hospital has estimated for fiscal year 2011 by major payor category.

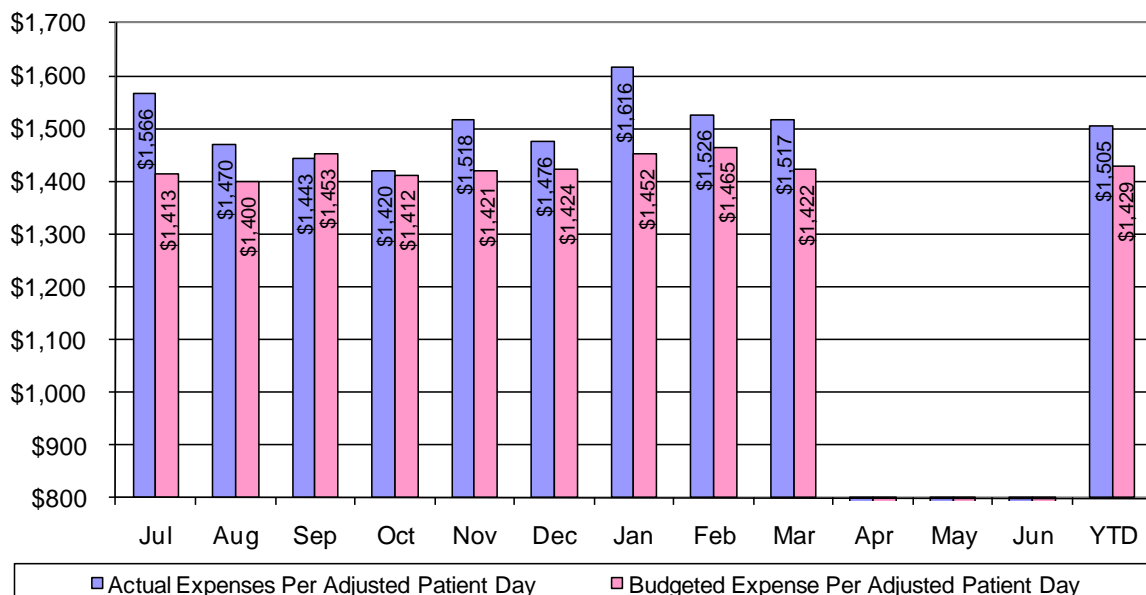
Average Reimbursement % by Payor March FY 2011 Year-to-Date



Total Operating Expenses

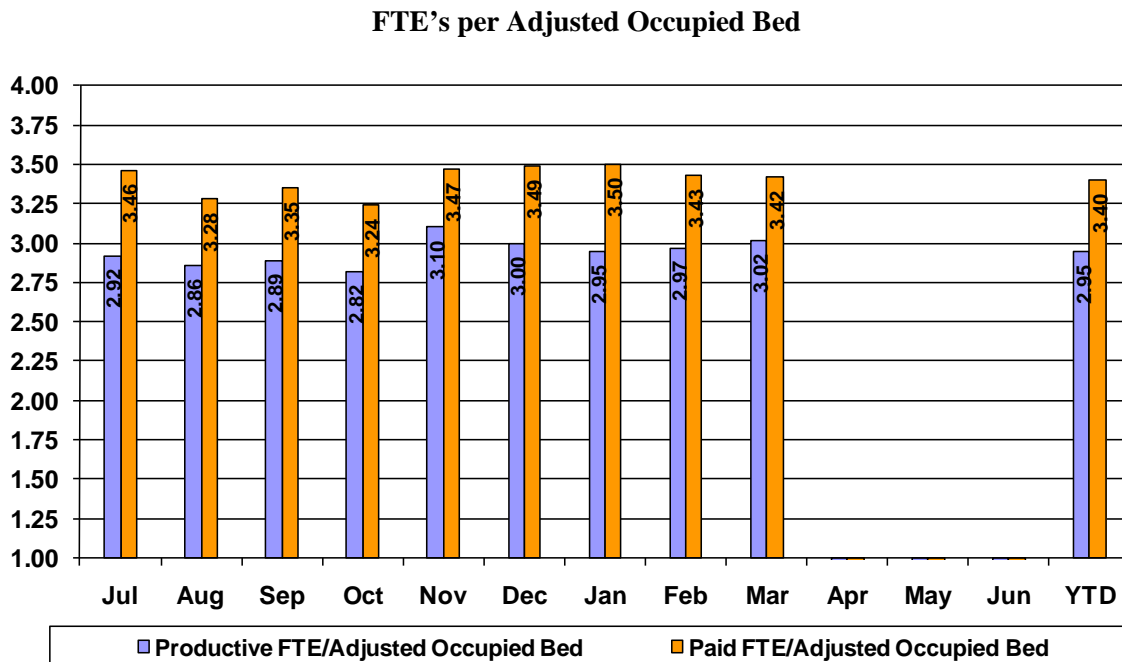
Total operating expenses were greater than the fixed budget by \$148,000 or 2.5%. On an adjusted patient day basis, our cost per adjusted patient day was \$1,517 which was \$96 per adjusted patient day unfavorable to budget. This variance in expenses per adjusted patient day was primarily the result of an unfavorable variance in salaries benefit and registry costs of \$99 per adjusted patient day. The graph below shows the actual hospital operating expenses on an adjusted patient day basis for the 2011 fiscal year by month as compared to budget and is followed by explanations of the significant areas of variance that were experienced in the current month.

Expenses per Adjusted Patient Day



Salary and Registry Expenses

Salary and registry costs combined were unfavorable to the fixed budget by \$217,000 and were unfavorable to budgeted levels on a per adjusted patient day basis by \$85 or 11.3%. This unfavorable variance was the result of unfavorable variances in salary costs of \$125,000 and greater than budgeted registry utilization in several hospital departments of \$92,000. On an adjusted occupied bed basis, productive FTE's were unfavorable to budget by 9.6% at 3.05 FTE's versus the budgeted 2.78 FTE's. The graph below shows the productive and paid FTE's per adjusted occupied bed for FY 2011 by month.



Benefits

Benefits were unfavorable to the fixed budget by \$20,000 or 2.2% and \$14 or 6.4% on an adjusted patient day basis. This unfavorable variance was the result of unfavorable variances in health benefit costs of \$42,000, paid time off accruals \$13,000 and payroll taxes of \$11,000. These unfavorable variances were offset by favorable variances in workers compensation insurance of \$25,000 and lower pension contributions of \$20,000.

Supplies

Supplies were unfavorable to budget by \$31,000 or \$15 per adjusted patient day in March. This unfavorable variance was the result of greater than budgeted medical supplies expense of \$22,000 which was comprised of unfavorable supply variances in surgery (\$48,000) and radiology (\$4,000). These were offset by a favorable supply variance in pharmaceuticals (\$17,000). Non-medical supplies were unfavorable to budget by \$9,000.

Rents and Leases

Rents and leases were \$38,000 favorable to the fixed budget and \$8 per adjusted patient day favorable to budget for the month of March. This favorable variance was primarily the result of lower than budgeted rental expense related to the PACS and Digital Radiology upgrade project (\$31,000). This project will not be completed until the end of the fiscal year due to Office of Statewide Health Planning delays.

The following pages include the detailed financial statements for the nine (9) months ended March 31, 2011, of fiscal year 2011.

**ALAMEDA HOSPITAL
KEY STATISTICS
MARCH 2011**

	ACTUAL MARCH 2011	CURRENT FIXED BUDGET	VARIANCE (UNDER) OVER	%	MARCH 2010	YTD MARCH 2011	YTD FIXED BUDGET	VARIANCE	%	YTD MARCH 2010
Discharges:										
Total Acute	233	254	(21)	-8.3%	264	1,882	2,146	(264)	-12.3%	2,169
Total Sub-Acute	2	2	-	0.0%	-	18	14	4	28.6%	11
Total Skilled Nursing	19	12	7	58.3%	9	79	110	(31)	-28.2%	96
	<u>254</u>	<u>268</u>	<u>(14)</u>	<u>-5.2%</u>	<u>273</u>	<u>1,979</u>	<u>2,270</u>	<u>(291)</u>	<u>-12.8%</u>	<u>2,276</u>
Patient Days:										
Total Acute	1,085	957	128	13.4%	941	8,074	8,084	(10)	-0.1%	8,127
Total Sub-Acute	1,032	1,039	(7)	-0.7%	1,054	8,946	9,179	(233)	-2.5%	9,127
Total Skilled Nursing	630	713	(83)	-11.6%	747	6,005	6,302	(297)	-4.7%	5,738
	<u>2,747</u>	<u>2,709</u>	<u>38</u>	<u>1.4%</u>	<u>2,742</u>	<u>23,025</u>	<u>23,565</u>	<u>(540)</u>	<u>-2.3%</u>	<u>22,992</u>
Average Length of Stay										
Total Acute	4.66	3.77	0.89	23.6%	3.56	4.29	3.77	0.52	13.9%	3.75
Average Daily Census										
Total Acute	35.00	30.87	4.27	13.8%	30.35	29.47	29.50	(0.04)	-0.1%	29.66
Total Sub-Acute	33.29	33.52	(0.23)	-0.7%	34.00	32.65	33.50	(0.85)	-2.5%	33.31
Total Skilled Nursing	20.32	23.00	(2.77)	-12.0%	24.10	21.92	23.00	(1.08)	-4.7%	20.94
	<u>88.61</u>	<u>87.39</u>	<u>1.27</u>	<u>1.4%</u>	<u>88.45</u>	<u>84.03</u>	<u>86.00</u>	<u>(0.89)</u>	<u>-1.0%</u>	<u>83.91</u>
Emergency Room Visits	1,461	1,519	(58)	-3.8%	1,466	12,640	13,429	(789)	-5.9%	13,390
Outpatient Registrations	2,197	2,496	(299)	-12.0%	2,650	17,881	19,982	(2,101)	-10.5%	23,078
Surgery Cases:										
Inpatient	47	51	(4)	-7.8%	64	401	450	(49)	-10.9%	541
Outpatient	139	131	8	6.1%	459	1,244	1,270	(26)	-2.0%	3,838
	<u>186</u>	<u>182</u>	<u>4</u>	<u>2.2%</u>	<u>523</u>	<u>1,645</u>	<u>1,720</u>	<u>(75)</u>	<u>-4.4%</u>	<u>4,379</u>
Kaiser Inpatient Cases	-	-	-	-	13	-	-	-	-	91
Kaiser Eye Cases	-	-	-	-	194	-	-	-	-	1,461
Kaiser Outpatient Cases	-	-	-	-	160	-	-	-	-	1,417
Total Kaiser Cases	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,969</u>
% Kaiser Cases	0.0%	0.0%			70.2%	0.0%	0.0%			67.8%
Adjusted Occupied Bed	126.87	133.53	6.66	5.0%	154.55	124.69	129.88	(5.19)	-4.0%	146.79
Productive FTE	386.79	371.53	(15.26)	-4.1%	401.84	368.67	367.57	(1.10)	-0.3%	393.41
Total FTE	438.55	422.48	(16.07)	-3.8%	449.52	425.48	418.24	(7.24)	-1.7%	449.12
Productive FTE/Adj. Occ. Bed	3.05	2.78	(0.27)	-9.6%	2.60	2.96	2.83	(0.13)	-4.5%	2.68
Total FTE/ Adj. Occ. Bed	3.46	3.16	(0.29)	-9.3%	2.91	3.41	3.22	(0.19)	-6.0%	3.06

City of Alameda Health Care District
Statements of Financial Position
March 31, 2011

	<u>Current Month</u>	<u>Prior Month</u>	<u>Prior Year End</u>
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 1,756,993	\$ 721,546	\$ 3,480,668
Patient Accounts Receivable, net	10,092,275	10,520,865	9,558,147
Other Receivables	4,406,065	4,349,139	6,654,035
Third-Party Payer Settlement Receivables	581,670	683,455	374,557
Inventories	1,158,531	1,155,112	1,149,706
Prepays and Other	<u>393,075</u>	<u>674,119</u>	<u>453,872</u>
Total Current Assets	18,388,609	18,104,236	21,670,985
Assets Limited as to Use, net	567,899	558,398	476,630
Property, Plant and Equipment, net	<u>7,813,368</u>	<u>7,660,831</u>	<u>6,993,735</u>
Total Assets	<u>\$ 26,769,876</u>	<u>\$ 26,323,465</u>	<u>\$ 29,141,350</u>
Liabilities and Net Assets			
Current Liabilities:			
Current Portion of Long Term Debt	\$ 416,000	\$ 416,000	\$ 450,831
Accounts Payable and Accrued Expenses	6,948,676	7,434,886	6,112,296
Payroll Related Accruals	5,109,484	4,829,367	4,351,133
Deferred Revenue	1,434,503	1,912,349	5,736,951
Employee Health Related Accruals	554,371	562,840	645,750
Third-Party Payer Settlement Payable	<u>357,474</u>	<u>290,000</u>	<u>500,000</u>
Total Current Liabilities	14,820,508	15,445,442	17,796,961
Long Term Debt, net	<u>931,024</u>	<u>967,720</u>	<u>1,236,831</u>
Total Liabilities	<u>15,751,532</u>	<u>16,413,162</u>	<u>19,033,792</u>
Net Assets:			
Unrestricted	10,322,869	9,224,329	9,560,928
Temporarily Restricted	<u>695,475</u>	<u>685,974</u>	<u>546,630</u>
Total Net Assets	<u>11,018,344</u>	<u>9,910,303</u>	<u>10,107,558</u>
Total Liabilities and Net Assets	<u>\$ 26,769,876</u>	<u>\$ 26,323,465</u>	<u>\$ 29,141,350</u>

City of Alameda Health Care District

Statements of Operations

March 31, 2011

\$'s in thousands

	Current Month					Year-to-Date				
	Actual	Budget	\$ Variance	% Variance	Prior Year	Actual	Budget	\$ Variance	% Variance	Prior Year
Patient Days	2,747	2,709	38	1.4%	2,742	23,025	23,565	(540)	-2.3%	22,992
Discharges	254	268	(14)	-5.2%	273	1,979	2,268	(289)	-12.7%	2,275
ADC (Average Daily Census)	88.6	87.4	1.23	1.4%	88.5	84	86.0	(1.97)	-2.3%	83.9
CMI (Case Mix Index)	1.4546				1.3156	1.3734				1.3193
Revenues										
Gross Inpatient Revenues	\$ 16,162	\$ 14,728	\$ 1,434	9.7%	\$ 14,911	\$ 126,322	\$ 126,973	\$ (650)	-0.5%	\$ 125,814
Gross Outpatient Revenues	7,206	7,750	(543)	-7.0%	11,161	61,083	64,544	(3,461)	-5.4%	94,219
Total Gross Revenues	23,368	22,478	890	4.0%	26,072	187,405	191,517	(4,111)	-2.1%	220,033
Contractual Deductions	17,161	16,224	(937)	-5.8%	19,931	134,157	137,722	3,564	2.6%	163,950
Bad Debts	891	663	(228)	-34.3%	461	5,845	5,716	(128)	-2.2%	4,820
Charity and Other Adjustments	190	166	(24)	-14.5%	103	1,447	1,429	(17)	-1.2%	527
Net Patient Revenues	5,127	5,425	(298)	-5.5%	5,577	45,957	46,649	(693)	-1.5%	50,736
Net Patient Revenue %	21.9%	24.1%			21.4%	24.5%	24.4%			23.1%
Net Clinic Revenue	45	28	17	61.8%	14	303	251	52	20.6%	95
Other Operating Revenue	10	14	(4)	-28.2%	49	91	125	(33)	-26.8%	420
Total Revenues	5,182	5,467	(285)	-5.2%	5,640	46,351	47,025	(674)	-1.4%	51,251
Expenses										
Salaries	3,048	2,923	(125)	-4.3%	3,163	26,756	25,424	(1,333)	-5.2%	28,505
Registry	271	179	(92)	-51.2%	203	1,876	1,547	(329)	-21.2%	1,551
Benefits	948	928	(20)	-2.2%	895	7,255	7,985	730	9.1%	8,526
Professional Fees	342	367	25	6.7%	332	2,715	2,946	231	7.9%	2,687
Supplies	744	713	(31)	-4.3%	802	6,589	6,293	(296)	-4.7%	7,687
Purchased Services	369	394	25	6.3%	399	3,331	3,492	161	4.6%	3,483
Rents and Leases	74	111	38	33.8%	82	618	744	126	16.9%	618
Utilities and Telephone	64	73	9	12.9%	65	566	646	80	12.4%	637
Insurance	31	36	5	12.9%	47	285	323	37	11.6%	400
Depreciation and amortization	77	74	(3)	-4.5%	79	719	658	(61)	-9.3%	895
Other Operating Expenses	58	79	21	26.9%	47	763	737	(27)	-3.6%	730
Total Expenses	6,026	5,878	(148)	-2.5%	6,114	51,472	50,794	(678)	-1.3%	55,719
Operating gain (loss)	(844)	(411)	(433)	-105.4%	(474)	(5,122)	(3,769)	(1,353)	35.9%	(4,468)
Non-Operating Income / (Expense)										
Parcel Taxes	479	479	(1)	-0.1%	477	4,307	4,316	(9)	-0.2%	4,314
Investment Income	0	-	0	0.0%	7	9	-	9	0.0%	20
Interest Expense	(9)	(8)	(1)	-11.0%	(8)	(80)	(100)	20	-20.3%	(76)
Other Income / (Expense)	1,473	22	1,451	6540.7%	23	1,648	200	1,449	725.6%	205
Net Non-Operating Income / (Expense)	1,943	493	1,450	293.9%	499	5,884	4,415	1,468	33.3%	4,463
Excess of Revenues Over Expenses	\$ 1,099	\$ 82	\$ 1,016	1238.3%	\$ 26	\$ 762	\$ 646	\$ 116	17.9%	\$ (5)

City of Alameda Health Care District
Statements of Operations - Per Adjusted Patient Day
March 31, 2011

	Current Month					Year-to-Date				
	Actual	Budget	\$ Variance	% Variance	Prior Year	Actual	Budget	\$ Variance	% Variance	Prior Year
Revenues										
Gross Inpatient Revenues	\$ 4,069	\$ 3,562	\$ 507	14.2%	\$ 3,110	\$ 3,698	\$ 3,572	\$ 126	3.5%	\$ 3,129
Gross Outpatient Revenues	1,814	1,874	(60)	-3.2%	2,328	1,788	1,816	(28)	-1.5%	2,343
Total Gross Revenues	5,883	5,437	447	8.2%	5,438	5,486	5,388	98	1.8%	5,472
Contractual Deductions	4,321	3,924	(397)	-10.1%	4,157	3,927	3,875	(53)	-1.4%	4,077
Bad Debts	224	160	(64)	-39.8%	96	171	161	(10)	-6.4%	120
Charity and Other Adjustments	48	40	(8)	-19.2%	21	42	40	(2)	-5.3%	13
Net Patient Revenues	1,291	1,312	(21)	-1.6%	1,163	1,345	1,312	33	2.5%	1,262
Net Patient Revenue %	21.9%	24.1%			21.4%	24.5%	24.4%			23.1%
Net Clinic Revenue	11	7	5	68.4%	3	9	7	2	25.5%	2
Other Operating Revenue	3	3	(1)	-25.2%	10	3	4	(1)	-23.9%	10
Total Revenues	1,305	1,322	(18)	-1.3%	1,176	1,357	1,323	34	2.6%	1,275
Expenses										
Salaries	767	707	(60)	-8.5%	660	783	715	(68)	-9.5%	709
Registry	68	43	(25)	-57.4%	42	55	44	(11)	-26.1%	39
Benefits	239	225	(14)	-6.4%	187	212	225	12	5.5%	212
Professional Fees	86	89	3	2.9%	69	79	83	3	4.1%	67
Supplies	187	173	(15)	-8.6%	167	193	177	(16)	-8.9%	191
Purchased Services	93	95	2	2.5%	83	98	98	1	0.7%	87
Rents and Leases	19	27	8	31.1%	17	18	21	3	13.6%	15
Utilities and Telephone	16	18	2	9.3%	14	17	18	2	8.9%	16
Insurance	8	9	1	9.3%	10	8	9	1	8.0%	10
Depreciation and Amortization	19	18	(2)	-8.8%	16	21	19	(3)	-13.8%	22
Other Operating Expenses	15	19	5	23.9%	10	22	21	(2)	-7.8%	18
Total Expenses	1,517	1,422	(96)	-6.7%	1,275	1,507	1,429	(78)	-5.4%	1,386
Operating Gain / (Loss)	(213)	(99)	(113)	-113.8%	(99)	(150)	(106)	(44)	41.5%	(111)
Non-Operating Income / (Expense)										
Parcel Taxes	121	116	5	4.0%	100	126	121	5	3.8%	107
Investment Income	0	-	0	0.0%	2	0	-	0	0.0%	1
Interest Expense	(2)	(2)	(0)	-15.6%	(2)	(2)	(3)	0	-17.1%	(2)
Other Income / (Expense)	371	5	366	6812.5%	5	48	6	43	759.1%	5
Net Non-Operating Income / (Expense)	489	119	370	310.1%	104	172	124	48	38.7%	111
Excess of Revenues Over Expenses	\$ 277	\$ 20	\$ 257	1293.1%	\$ 5	\$ 23	\$ 18	\$ 4	22.4%	\$ 0

City of Alameda Health Care District
Statement of Cash Flows
For the Nine Months Ended March 31, 2011

	<u>Current Month</u>	<u>Year-to-Date</u>
Cash flows from operating activities		
Net Income / (Loss)	\$ 1,098,540	\$ 761,942
Items not requiring the use of cash:		
Depreciation and amortization	76,866	\$ 719,149
Changes in certain assets and liabilities:		
Patient accounts receivable, net	428,590	(534,128)
Other Receivables	(56,926)	2,247,970
Third-Party Payer Settlements Receivable	169,259	(349,639)
Inventories	(3,419)	(8,825)
Prepays and Other	281,044	60,797
Accounts payable and accrued liabilities	(486,210)	836,380
Payroll Related Accruals	280,117	758,351
Employee Health Plan Accruals	(8,469)	(91,379)
Deferred Revenues	(477,846)	(4,302,448)
Cash provided by (used in) operating activities	<u>1,301,546</u>	<u>98,170</u>
Cash flows from investing activities		
(Increase) Decrease in Assets Limited As to Use	(9,501)	(91,269)
Additions to Property, Plant and Equipment	(229,403)	(1,538,782)
Other	-	(1)
Cash provided by (used in) investing activities	<u>(238,904)</u>	<u>(1,630,052)</u>
Cash flows from financing activities		
Net Change in Long-Term Debt	(36,696)	(340,638)
Net Change in Restricted Funds	9,501	148,845
Cash provided by (used in) financing and fundraising activities	<u>(27,195)</u>	<u>(191,793)</u>
Net increase (decrease) in cash and cash equivalents	1,035,447	(1,723,675)
Cash and cash equivalents at beginning of period	721,546	3,480,668
Cash and cash equivalents at end of period	<u><u>\$ 1,756,993</u></u>	<u><u>\$ 1,756,993</u></u>



DATE: April 25, 2011

TO: City of Alameda Health Care District, Board of Directors

FROM: Deborah E. Stebbins
Kerry Easthope
David A. Neapolitan

SUBJECT: Initial Projected Volumes – Fiscal Year 2012 Operating Budget

Attached to this memorandum are the initial volume projections that will be used as the starting point for the development of the FY 2012 Operating Budget.

Inpatient Acute Care Services

The hospitals acute average daily census (ADC) is projected to increase by 4% over the census levels experienced in FY 2011 (29.0) as a result of two factors:

1. The implementation of the physician advisory program. This new program through consultation with a firm specializing in assisting clinicians appropriately identify patients that should be admitted to inpatient status rather than being classified as an observation status is anticipated to convert approximately 35% of our current observation level patients to inpatient status increasing our average daily census by 1.6.
2. The addition of the Wound Care Center, expected opening January 2012, will also provide some marginal increase in inpatient admissions and have been projected to increase our average daily census by 0.1 patients per day beginning in January 2012.

Inpatient surgical volumes have been projected to decline by 4.4% as continued medical management of patient care is anticipated to cause a decline in the number of surgical procedures required through an inpatient stay.

Inpatient Long Term Care Services

The South Shore Skilled Nursing Unit is projected to have an ADC of 22.0 which approximates the levels experienced in fiscal year 2011. The 35 bed Sub-Acute unit is projected to have an ADC of 33.0 which is also consistent with the current fiscal year's performance. Both programs are limited by the number of available beds in each of these units.

Outpatient Services

Total outpatient registrations are expected to increase by 2.1% over fiscal year 2011 levels. These change in outpatient registrations are driven by the following:

1. Increases in radiology and rehabilitation services are projected to increase by 2% as a result of the new digital radiology equipment coming on line in July 2011 and increased services in outpatient therapies. Outpatient therapy patient visits are down about 10% from prior years and with more focused management of the staff's time and scheduling, combined with increased promotion of these services, volumes will increase in the 2012 fiscal year.
2. Beginning in January 2012, an additional 125 registrations from the Wound Care Center will be added to the outpatient volume for the last six months of the fiscal year. In addition to the registrations at the Wound Care Clinic, an additional 223 registrations have been added for patients that will require other related services such as laboratory, radiology and rehab related services.
3. Outpatient surgeries generated by Alameda surgeons have been projected to remain consistent with that of fiscal year 2011 levels.
4. Observation visits is projected to decrease by 29% as a result of the physician advisory program as described above in the Inpatient Acute Care Services section.

Emergency Care Services

Emergency visits have been projected to remain consistent with the same levels as experienced during fiscal year 2011 which have averaged 46.0 visits per day.

Alameda Medical Offices

The Alameda Medical Offices is budgeted to increase its visit activity in fiscal year 2012 by over 500 visits or 25% from fiscal year 2011 levels as a result of the addition of a new neurologist and continued efforts to market and promote referrals to the physicians providing services at this location.

Other Business Initiatives

There are a number of other business initiatives that are in progress that may contribute additional outpatient and inpatient volumes during the next fiscal year. Many of these have been previously discussed at board committee meetings and include the following.

1. Expand the hospital's presence in long term care. In particular, skilled nursing and sub acute.
2. Develop new relationships and strengthen existing relationship with the physician groups and IPA's that provide primary care and specialty care services to the residents of Alameda.
 - Through these relationships identify unmet needs of these physicians and the community that will result in increased referrals to Alameda Hospital.
3. Continue to look for a physician or physician group on which the hospital can establish a comprehensive Orthopedic Surgery program.
4. Continue to have discussions with business partners, such as Alameda County Medical Center and Alameda Alliance.

Initial Projected Volumes – Fiscal Year 2012 Operating Budget
April 26, 2011

5. Continue to establish and foster working relationships with long term care facilities in Alameda and the surrounding primary service area to promote inpatient referrals to Alameda when needed. Involvement of the AIM hospitalist group has and will continue to be, an important component of these relationships.

It is very difficult to predict exact patient volume increases that each of these initiatives will have, but we believe that our continued efforts with each of these opportunities will make a positive impact.

**ALAMEDA HOSPITAL
FISCAL YEAR 2012 ASSUMPTIONS
OPERATING STATISTICS**

	FY 2011						FY 2012	
				Mar - 11				Var from
	FY 2008	FY 2009	FY 2010	YTD	Apr - Jun	YTD	Proposed	Proj. FY
	Actual	Actual	Actual	Actual	Projected	Projected	Budget	2011
PATIENT DAYS								
CCU	1,279	1,320	1,406	1,247	375	1,622	1,682	3.70%
DOU	4,179	4,379	4,445	2,977	1,195	4,172	4,238	1.58%
Medical/Surgical	5,818	6,087	4,728	3,850	1,141	4,991	5,293	6.05%
Total Acute	11,276	11,786	10,579	8,074	2,711	10,785	11,213	3.97%
Sub-Acute	10,789	12,010	12,196	8,946	2,952	11,898	12,078	1.51%
SNF	622	6,666	7,832	6,005	1,996	8,001	8,052	0.64%
Total Long Term Care	11,411	18,676	20,028	14,951	4,948	19,899	20,130	1.16%
Grand Total	22,687	30,462	30,607	23,025	7,659	30,684	31,343	2.15%
DISCHARGES								
CCU	-	166	168	123	37	160	178	11.25%
DOU	-	1,047	1,191	705	283	988	1,102	11.54%
Medical/Surgical	-	1,598	1,443	1,054	312	1,366	1,523	11.49%
Total Acute	2,885	2,811	2,802	1,882	632	2,514	2,803	11.50%
Sub-Acute	24	34	14	18	3	21	17	-19.05%
SNF	60	112	127	79	36	115	106	-7.83%
Total Long Term Care	84	146	141	97	39	136	123	-9.56%
Grand Total	2,969	2,957	2,943	1,979	671	2,650	2,926	10.42%

**ALAMEDA HOSPITAL
FISCAL YEAR 2012 ASSUMPTIONS
OPERATING STATISTICS**

	FY 2011						FY 2012	
	FY 2008	FY 2009	FY 2010	Mar - 11	Apr - Jun	YTD	Proposed	Var from
				YTD				
	Actual	Actual	Actual	Actual	Projected	Projected	Budget	2011
AVG. LENGTH OF STAY								
Acute	3.9	4.2	3.8	4.3	4.3	4.3	4.0	-6.75%
AVG. DAILY CENSUS								
CCU	3.5	3.6	3.9	4.6	4.1	4.4	4.6	4.55%
DOU	11.4	12.0	12.2	10.9	13.1	11.4	11.6	1.75%
Medical/Surgical	<u>15.9</u>	<u>16.7</u>	<u>13.0</u>	<u>14.1</u>	<u>12.5</u>	<u>13.7</u>	<u>14.5</u>	<u>5.84%</u>
Total Acute	<u>30.8</u>	<u>32.3</u>	<u>29.1</u>	<u>29.6</u>	<u>29.7</u>	<u>29.5</u>	<u>30.7</u>	<u>4.07%</u>
Sub-Acute	29.6	32.9	33.4	32.6	32.4	32.6	33.0	1.23%
SNF	<u>1.7</u>	<u>18.3</u>	<u>21.5</u>	<u>21.9</u>	<u>21.9</u>	<u>21.9</u>	<u>22.0</u>	<u>0.46%</u>
Total Long Term Care	<u>31.3</u>	<u>51.2</u>	<u>54.9</u>	<u>54.5</u>	<u>54.3</u>	<u>54.5</u>	<u>55.0</u>	<u>0.92%</u>
Grand Total	<u>62.1</u>	<u>83.5</u>	<u>84.0</u>	<u>84.1</u>	<u>84.0</u>	<u>84.0</u>	<u>85.7</u>	<u>2.02%</u>
OUTPATIENT VISITS								
Outpatient Registrations	27,634	26,044	26,204	17,881	6,212	24,093	24,594	2.08%
Observation Days	588	602	795	617	129	746	532	-28.69%
Emergency	17,922	17,338	17,624	12,640	4,165	16,805	16,836	0.18%
IP Surgeries-Non Kaiser	629	588	592	401	149	550	526	-4.36%
IP Surgeries - Kaiser	<u>73</u>	<u>102</u>	<u>91</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>
Total IP Surgeries	702	690	683	401	149	550	526	-4.36%

**ALAMEDA HOSPITAL
FISCAL YEAR 2012 ASSUMPTIONS
OPERATING STATISTICS**

				FY 2011			FY 2012	
	FY 2008	FY 2009	FY 2010	Mar - 11	Apr - Jun	YTD	Proposed	Var from
	Actual	Actual	Actual	YTD	Projected	Projected	Budget	Proj. FY
				Actual				2011
OP Surgeries - Non Kaiser	1,249	1,206	1,224	1,141	404	1,545	1,555	0.65%
OP Surgeries - Kaiser Eye	1,665	1,976	1,461	-	-	-	-	0.00%
OP Surgeries - Kaiser Amb.	1,644	1,931	1,417	-	-	-	-	0.00%
Total OP Surgeries	<u>4,558</u>	<u>5,113</u>	<u>4,102</u>	<u>1,141</u>	<u>404</u>	<u>1,545</u>	<u>1,555</u>	<u>0.65%</u>
Minor Procedures	<u>150</u>	<u>82</u>	<u>127</u>	<u>103</u>	<u>30</u>	<u>133</u>	<u>130</u>	<u>-2.26%</u>
Total Surgeries	<u><u>5,410</u></u>	<u><u>5,885</u></u>	<u><u>4,912</u></u>	<u><u>1,645</u></u>	<u><u>583</u></u>	<u><u>2,228</u></u>	<u><u>2,211</u></u>	<u><u>-0.76%</u></u>
Total Surgeries without Kaiser	<u><u>2,028</u></u>	<u><u>1,876</u></u>	<u><u>1,943</u></u>	<u><u>1,645</u></u>	<u><u>583</u></u>	<u><u>2,228</u></u>	<u><u>2,211</u></u>	<u><u>-0.76%</u></u>
ALAMEDA MEDICAL OFFICES								
Physician Clinic - Total Vists			1,112	1,642	546	2,188	2,735	25.00%
Physician Clinic - New Patients			376	438	147	585	878	50.00%



DATE: April 27, 2011

TO: City of Alameda Health Care District,
Finance and Management Committee

FROM: David A. Neapolitan, Chief Financial Officer

SUBJECT: Recommendation to Approve Bank of Alameda Modification of Loan
Terms

Recommendation:

Management of the City of Alameda Health Care District is recommending that the Finance and Management Committee recommend to the District Board of Directors the acceptance of the Bank of Alameda's modifications to the terms and conditions of the proposed line of credit agreement and the proposed construction loan to fund the development of the Hospitals Wound Care Center at Marina Village.

Additionally, management is requesting that the organizations Chief Executive Officer and Chief Financial Officer are authorized to execute the final agreements on behalf of the District.

Background:

On March 9, 2011 the City of Alameda Health Care Board of Directors approved management to enter into loan agreements with the Bank of Alameda to renew an existing line of credit and a new \$900,000 construction and equipment loan to provide financing for the construction and equipping of a Wound Care Center in Marina Village.

The terms of these loans as originally presented included the following:

Specific Terms	Wound Care Center Construction Loan	Revolving Line of Credit (RLOC)
Rate	During the construction period (up to 1 year), interest only at Prime + 1% with a minimum rate of 5.5%. At construction completion conversion to a fixed rate based upon the then current Prime Rate + 1% with a minimum rate of 5.5%.	Variable rate of Prime + 1% with a minimum rate of 5.5%.

Bank of Alameda Modification of Loan Terms
April 25, 2011

Term	<p>Up to a one (1) year draw period or until construction is complete, whichever is sooner.</p> <p>Upon completion the outstanding balance converts to a fixed five (5) year term loan.</p>	Line of credit available through February 2012.
Payments	<p>During the construction period interest only payments.</p> <p>Upon completion equal installments of principal and interest until loan is paid in full.</p>	Interest only during term with outstanding principal balance due prior to expiration of the line of credit.
Covenants & Conditions	<ol style="list-style-type: none"> 1. Borrower to submit: <ol style="list-style-type: none"> a. Annual CPA audited financial statements within 120 days of fiscal year end. b. Annual company prepared financial statements due within 180 days of fiscal year end. c. Quarterly company prepared financial statements due within 60 days of quarter ends. d. Company prepared receivables and payables reports due within 60 days of fiscal year end. e. Company prepared receivables and payables reports due within 60 days of quarter ends. f. Company prepared budgeted financials for succeeding years due within 60 days of fiscal year end. 2. Compliance with the following covenants: <ol style="list-style-type: none"> a. Proforma Debt Service Coverage Ratio (DSCR) Test per occurrence of 1.75:1.00 b. Minimum actual DSCR (quarterly) of 1.00:1.00 c. Minimum Actual DSCR (annually) of 1.20:1.00 d. Minimum Actual Net Income (annually) of \$1.00. e. RLOC includes 30 day out of debt provision. 3. Negative Pledge at all times. 4. Borrower must maintain primary operating accounts with the Bank of Alameda. 	

	<p>5. For any new additional indebtedness that exceeds \$1 million (per occurrence) that the Borrower wishes to incur after closing, Borrower must demonstrate to the Bank a proforma DSCR of 1.75x based on the proforma indebtedness (existing and new) for the succeeding rolling four (4) quarters and actual total cash flow for the latest historical rolling four (4) quarters.</p> <p>6. Security interest in the Accounts Receivable and other assets that do not already have an existing security interest.</p>
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Subsequent to the Boards approval the Bank reviewed an attorney opinion letter prepared by the District's legal counsel, Thomas Driscoll, related to the banks concern about its security interest in the District's annual parcel taxes as security for these loans. As a result of this review the Bank identified two areas that required modification to the loan agreements in order for the Bank to perfect its security interest in the parcel taxes in the event of a default on the loan(s). These modifications included:

1. A specific reference to the banks security interest in the annual parcel tax receivables for both of these debt instruments.
2. The total term of the construction period loan and the related term loan could not exceed a five (5) year total term.

As a result the terms of these loans will be modified (changes identified in red) in order to finalize these loans with the Bank of Alameda.

Specific Terms	Wound Care Center Construction Loan	Revolving Line of Credit (RLOC)
Rate	<p>During the construction period (up to 1 year), interest only at Prime + 1% with a minimum rate of 5.5%.</p> <p>At construction completion conversion to a fixed rate based upon the then current Prime Rate + 1% with a minimum rate of 5.5%.</p>	Variable rate of Prime + 1% with a minimum rate of 5.5%.
Term	Up to a one (1) year draw period or until construction is complete, whichever is	Line of credit available through February 2012.

Specific Terms	Wound Care Center Construction Loan	Revolving Line of Credit (RLOC)
	<p>sooner.</p> <p>Upon completion the outstanding balance converts to a fixed five (5) year term loan that does not exceed a total of five (5) years including the construction period loan.</p>	
Payments	<p>During the construction period interest only payments.</p> <p>Upon completion equal installments based on a five (5) year amortization of principal and interest paid over a four (4) term until loan is paid in full with the balance due in a balloon payment at the end of the fourth year.</p>	Interest only during term with outstanding principal balance due prior to expiration of the line of credit.
Covenants & Conditions	<p>1. Borrower to submit:</p> <ol style="list-style-type: none"> Annual CPA audited financial statements within 120 days of fiscal year end. Annual company prepared financial statements due within 180 days of fiscal year end. Quarterly company prepared financial statements due within 60 days of quarter ends. Company prepared receivables and payables reports due within 60 days of fiscal year end. Company prepared receivables and payables reports due within 60 days of quarter ends. Company prepared budgeted financials for succeeding years due within 60 days of fiscal year end. <p>2. Compliance with the following covenants:</p> <ol style="list-style-type: none"> Proforma Debt Service Coverage Ratio (DSCR) Test per occurrence of 1.75:1.00 	

Specific Terms	Wound Care Center Construction Loan	Revolving Line of Credit (RLOC)
	<ul style="list-style-type: none"> b. Minimum actual DSCR (quarterly) of 1.00:1.00 c. Minimum Actual DSCR (annually) of 1.20:1.00 d. Minimum Actual Net Income (annually) of \$1.00. e. RLOC includes 30 day out of debt provision. <ul style="list-style-type: none"> 3. Negative Pledge at all times. 4. Borrower must maintain primary operating accounts with the Bank of Alameda. 5. For any new additional indebtedness that exceeds \$1 million (per occurrence) that the Borrower wishes to incur after closing, Borrower must demonstrate to the Bank a proforma DSCR of 1.75x based on the proforma indebtedness (existing and new) for the succeeding rolling four (4) quarters and actual total cash flow for the latest historical rolling four (4) quarters. 6. Security interest in the Accounts Receivable including the annual parcel tax revenues and other assets that do not already have an existing security interest. 	



DATE: April 27, 2011

TO: City of Alameda Health Care District,
Finance and Management Committee

FROM: David A. Neapolitan, Chief Financial Officer

SUBJECT: Recommendation to Approve FY 2011 Auditor Engagement

Recommendation:

Management is recommending that the Finance and Management Committee recommend to the City of Alameda Health Care District Board of Directors the acceptance of the attached engagement letter of TCA Partners, LLP to provide audit services for the fiscal year ending June 30, 2011.

Background:

TCA Partners, LLP was selected to conduct the annual financial statement audit for the City of Alameda Health Care District beginning with the 2008 fiscal year. At that time in addition to TCA Partners, LLP, we considered the audit services of Stonefield Josephson, Inc. and Thomas Camp, CPA. Mr. Camp had been the Hospitals auditor for the prior three (3) fiscal years.

After evaluating each firms experience in the auditing field, their knowledge of the hospital district environment, their approach to working with their clients and the cost of their respective services, management recommended that the District award the FY 2008 audit engagement to TCA Partners, LLP.

TCA Partners, LLP

A Certified Public Accountancy Limited Liability Partnership

1111 East Herndon Avenue, Suite 211, Fresno, California 93720
Voice: (559) 431-7708 Fax: (559) 431-7685 Email: rjctcpa@aol.com

March 30, 2011

David Neopolitan, CFO
City of Alameda Health Care District
2070 Clinton Avenue
Alameda, CA 94501

RE: City of Alameda Health Care District Audit Engagement for June 30, 2011

We are pleased to confirm our understanding of the services we are to provide for the City of Alameda Health Care District (the Hospital) for the year ended June 30, 2011. We will audit the balance sheet of the City of Alameda Health Care District as of June 30, 2011 and the related statements of revenues, expenses and changes in net assets, and cash flows for the year then ended.

Our audit will be made in accordance with U.S. generally accepted auditing standards and will include tests of the accounting records of the Hospital and other procedures we consider necessary to enable us to express an unqualified opinion that the financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. If our opinion is other than unqualified, we will fully discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit, we will not issue a report as a result of the respective year and engagement.

Our procedures will include tests of documentary evidence that support the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of cash, investments, and certain other assets and liabilities by correspondence with customers, creditors, and financial institutions. Also, we will request written representations from your attorneys as part of the engagement, and they may bill you for responding to that inquiry. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Our audit is designed to provide reasonable, not absolute, assurance about whether the financial statements are free of material misstatement, whether due to

error, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Because of this concept of reasonable assurance and because we will not examine all transactions, there is a risk that material misstatements may exist and may not be detected by us. The Hospital's management is responsible for establishing and maintaining a sound system of internal controls, which is the best means of preventing or detecting errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

Our audit is not specifically designed to provide assurance on internal controls and cannot be relied on to disclose reporting conditions; that is, significant deficiencies in the design or operation of the internal controls. However, during the audit, if we become aware of such reportable conditions or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you. This management responsibility includes: (a) establishing and maintaining adequate records and related internal control policies and procedures, (b) selecting and applying accounting principles, (c) safeguarding assets, and (d) identifying and ensuring that the entity complies with applicable laws and regulations applicable to its activities.

Management is also responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements, resulting from errors or fraud, aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, management is responsible for: (a) the design and implementation of programs and controls to prevent and detect fraud, (b) for informing us about any fraud or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements, and (c) for informing us about allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, short sellers, or others.

We understand that your employees will locate any documents or invoices selected by us for testing.

If you intend to publish or otherwise reproduce the financial statements and make reference to our firm, you agree to provide us with printers' proofs or masters for our review and approval before printing. You also agree to provide us with a copy of the final reproduced material for our approval before it is distributed.

The timing of our audit may be scheduled for performance for the year and completion as follows:

	<u><i>Begin</i></u>	<u><i>Complete</i></u>
Document internal controls and preliminary tests	May	June
Mail confirmations	June	June
Perform year-end audit procedures	July	August
Issue audit report	September	September

Our fees are based on the amount of time required at various levels of responsibility, plus actual out-of-pocket expenses. Invoices will be rendered periodically and are payable upon presentation. Based upon the proposal accepted, our fees for the June 30, 2011 audit will be \$32,000. All travel and out-of-pocket expenses, estimated at \$4,500 for the June 30, 2011 audit, will be billed separately.

We will notify you immediately of any circumstances we encounter that could significantly affect these fees. Whenever possible, we will attempt to use the Hospital's personnel to assist in the preparation of schedules and analyses of accounts. This effort helps to reduce time requirements and facilitate the timely conclusion of the audit.

During the course of the audit we may observe opportunities for economy in, or improved controls over, your operations. We will bring such matters to the attention of appropriate level of management, either orally or in writing.

If the foregoing is in accordance with your understanding, please indicate your agreement by signing the final page of this letter and returning it to us. If you have any questions, please let us know.

We appreciate the opportunity to be your certified public accountants and look forward to working with you and your staff.

Very truly yours,

TCA Partners, LLP

TCA Partners, LLP

RESPONSE:

This letter correctly sets forth the understanding of the City of Alameda Health Care District.

Approved by:_____

Title:_____

Date:_____