

CALAVERAS COUNTY

BOARD OF SUPERVISORS

891 Mountain Ranch Road

San Andreas, California 95249

(209) 754-6370

FAX (209) 754-6316

August 11, 2015

Peter Yribarren, Community Programs Specialist
USDA Rural Development
920 East Stowell Road
Santa Maria, CA 93454

RE: Mark Twain Health Care District's Valley Springs Medical Center

Dear Mr. Yribarren:

The Mark Twain Health Care District has identified the Valley Springs region, which represents about 20,000 individuals, as having a strong need for additional medical services. As such, the Mark Twain Health Care District is proposing the development of a new medical center to meet the growing needs of the Valley Springs region.

The new Valley Springs Medical Center will be located at the intersection of Vista Del Lago, West and Highway 26 on 3.5 acres purchased by the Mark Twain Health Care District. The new Valley Springs Medical Center will be 18,512 square feet and will replace the current 5,000-square foot medical office, which is outdated and overcrowded.

In addition to the existing family medical center services, the new Valley Springs Medical Center will have telemedicine capabilities, radiology, diagnostics, and behavioral health consulting rooms and will provide woman's health services. The new medical center will be licensed as a Rural Health Clinic (RHC) and will have twelve family practice exam rooms.

The Calaveras County Board of Supervisors supports the Mark Twain Health Care District's proposal for a new Valley Springs Medical Center. The Board believes this project is crucial for the continued and growing health care needs in the western portion of Calaveras County. The variety and depth of diagnostic and therapeutic services that will be offered will enhance the ability to receive care within our local community, eliminating the extensive driving time now required to obtain such medical services.

The Calaveras County Board of Supervisors fully supports the need for a new Valley Springs Medical Center.

Sincerely,

Clifford W. Edson
Chair, Calaveras Board of Supervisors

Cliff Edson
District 1
754-6370

Chris Wright
District 2
304-3729

Michael C Oliveira
District 3
754-6308

Debbie Ponte
District 4
754-6309

Steve Kearney
District 5
754-6310



Mark Twain Health Care District

Mission & Vision

Mission Statement

“Through community collaboration, we serve as the stewards of a community health system that ensures our residents have the dignity of access to care that provides high quality, professional and compassionate health care”.

Vision

The Mark Twain Health Care District (MTHCD), is a public agency which owns the Mark Twain Medical Center building and grounds, and leases its operations to Mark Twain Medical Center Corporation.

The Mark Twain Health Care District is dedicated to the health and well being of the individuals and communities of Calaveras County.

Establish and maintain identity of the MTHCD.

Accountability
Communication
Collaboration
Education
Stewardship
Service

The cumulative effect of these values is the focus on **ACCESS** to health care in Calaveras County.

To support these values we have developed a series of **Goals** and **Objectives** that will assist the MTHCD board and community in monitoring our process and progress.

Goals

Goal #1

Mark Twain Medical Center is a high quality hospital serving all residents of Calaveras County.

- Partner with Mark Twain Medical Center and Dignity Health to optimize physician development through recruitment and retention.
- Review and evaluate the lease agreement with Mark Twain Medical Center Corporation.
- Execute a new lease with MTMC Corporation

Goal #2

Collaborate with the Mark Twain Medical Center Foundation to establish it as the foundation of choice for health services in Calaveras County.

- Assist Fundraising for the new Angel's Camp and Valley Springs clinics.
- Identify new capital improvements for the Mark Twain Medical Center.
- Support community health education services.
- Golden Health Awards

Goal #3

Develop with Mark Twain Medical Center and The Dignity Health System decision criteria for the provision of comprehensive Medical/Health services

- Improve and implement the Regional Health needs assessment to identify specific areas of focus Calaveras County.
- Support and expand Telemedicine/Telehealth

Goal #4

Establish the public identity of the Mark Twain Health Care District.

- Publish annual report of the MTHCD for the community.
- Maintain highly functional web site that allows the community we serve to understand our services and meeting process.
- Increase over all visibility of the MTHCD through its activities throughout Calaveras County.
- Maintain Scholarship awards to motivate medical/health careers.

Goal #5

Support access to care

- Fund Health Fairs in multiple communities noting programs supported.
- Facilitate discussions about Community Education. Safety Net Project.
- Medical clinics in multiple communities.
- Safety net programs and services.
- Partner with Calaveras County Public Health Programs

Goal #6

Development and completion of Valley Springs Project.

- Valley Springs Medical Center
- Access community needs for development of adjacent properties for future use.
- Establish business plan for management of this project.

POLICY NO. 23 REQUESTS FOR PUBLIC FUNDS, COMMUNITY GRANTS AND SPONSORSHIPS

A. Under the law, the District may provide assistance to health care programs, services, and activities at any location within the District for the benefit of the District and the people served by the District and to non-profit provider groups and clinics functioning in Calaveras County in order to provide for adequate health services to communities served by the District. (California Health and Safety Code Sections 32121(j) and 32126.5)

B. The community's health needs are served not only by traditional acute care hospitals, but also by a broad array of other health-related programs and initiatives. These include local health and wellness programs, community-based clinics, health provider educational programs, and other programs and organizations that promote physical, emotional, and psychological well-being.

C. As allowed by the District's financial condition, the District shall have a Golden Health Awards and Community Grants program to address identified community healthcare needs as envisioned by the Mission Statement and the Strategic Plan. In conjunction with setting the District's annual budget each year, the District shall determine whether to fund these programs for that budget year and, if so, in what amount. District staff shall administer the programs with the District Board making the final decision regarding grant recipients.

1. Requests for emergency or interim funding that fall outside the normal Community Grants application cycle may be presented to the Board after review by the Board President and Executive Director.

2. The Mark Twain Healthcare District will not sponsor fundraising events but may sponsor health education events.

D. Process for Approving Golden Health and Community Grants and Eligibility Requirements:

1. The Board President shall appoint an ad hoc Golden Health and Community Grants Committee to review grant applications and make recommendations to the Board. The Committee shall include two Board Members, District staff, and community members who shall serve without compensation. The committee will screen/review all Golden Health applicants Community Grant applicants and emergency funding applicants then make recommendations to the Board.

a. Previous recipients of the Golden Health Award are not eligible for nomination in the year following their receipt of the award. Nominees for the Golden Health Award may be nominated three consecutive years. They are not eligible for nomination in the fourth year.

b. Information regarding the availability of the Community Grants and the application process shall be posted on the Districts website and publicized appropriately so that eligible programs may make timely applications.

pursuant to Section 23556 of the Elections Code, and the director elected at the election receiving the greater number of votes shall hold office until a successor elected at the general election two years thereafter takes office. After the expiration of the initial terms as provided in the previous sentence, the terms of directors elected to fill each of the additional vacancies shall be as provided in Section 32100.

32101. Qualified electors. All registered voters residing within the territory comprising a district organized under this division are qualified electors.

32103. Compensation and expenses of board members. The board of directors shall serve without compensation except that the board of directors, by a resolution adopted by a majority vote of the members of the board, may authorize the payment of not to exceed one hundred dollars (\$100) per meeting not to exceed five meetings a month as compensation to each member of the board of directors.

Each member of the board of directors shall be allowed his or her actual necessary traveling and incidental expenses incurred in the performance of official business of the district as approved by the board.

32104. Powers of board. The board of directors shall provide for the time and place of holding its regular meetings and the manner of calling the same, and shall establish rules for its proceedings and may adopt such rules and regulations not inconsistent with law as may be necessary for the exercise of the powers conferred and the performance of the duties imposed upon the board.

32106. Sessions of board open to public; Quorum.

(a) Except as provided in this section, Section 32155, or the Ralph M. Brown Act (Chapter 9 (commencing with Section 54950) of Part 1 of Division 2 of Title 5 of the Government Code) all of the sessions of the board of directors, whether regular or special, shall be open to the public, and a majority of the members of the board shall constitute a quorum for the transaction of business.

(b) The board of directors may order that a meeting held solely for the purpose of discussion or deliberation, or both, of reports involving district trade secrets be held in closed session. Except as provided in this subdivision, the closed session shall meet all applicable requirements of Chapter 9 (commencing

Qualified electors

Compensation and expenses of board members

Powers of board

Sessions of board open to public;

Quorum

POLICY NO. 15 REMUNERATION AND REIMBURSEMENT

15.1 Directors shall receive no fee for attending meetings of the District Board of Directors.

15.2 The District shall pay the premiums for health care and dental insurance for the Directors and their spouses and dependents (or reimburse Directors for their payment of such premiums) up to \$1,200 per month, while Directors are on the District Board. Such payments shall cease effective at the end of the month the Director leaves the Board. Effective 7/1/2013 premiums for health care and dental insurance for newly elected Directors and their spouses is increased to a maximum of \$1,500 per month and Directors are required to reimburse the District for 10% of their premiums.

15.3 The District shall reimburse Directors for actual necessary traveling and incidental expenses incurred in the performance of official duties as Directors, subject to the requirements of these Policies and Procedures and the law.

15.4 The following types of occurrences qualify for reimbursement if attended in the performance of official duties as Directors of the board and if prior approval is obtained as set forth in Policy 16.2:

- a. Training workshops, seminars, and conferences.
- b. Educational workshops, seminars, and conferences.
- c. Meetings of or sponsored by ACHD (the Association of California Health Care Districts), by CSDA (the California Special Districts Association), and by other state or national organizations relevant to the purposes of the District.
- d. Meetings of local governmental entities and bodies and Ad Hoc committees thereof.
- e. Meetings of local nonprofit organizations.
- f. Meetings of community or civic groups or organizations.
- g. Meetings of advisory groups and Ad Hoc committees organized or conducted by District staff.
- h. Meetings with District consultants, advisors, and other professionals.
- i. Any other activity approved by the Board in advance of attendance, whether the request for attendance was initiated by the Board or by a Director.

15.5 Subject to Policies 15.7 and 15.8, reimbursement for travel, meals, lodging, and other expenses shall be made in accordance with Section 7.05 of the District's Employee Handbook, except as otherwise provided in Policy 16. **(An excerpt of Section 7.05 is attached at the end of these policies.)** The provisions of Policy 16.6 shall not be deemed to create any exception to this Policy 15.5.

15.6 Subject to Policy 15.5, if there is no Internal Revenue Service rate established for an expense and if such expense is not reimbursable under Policy 15.5, such expense shall not be reimbursed unless the District board approved such expense in a public meeting before the expense was incurred.

15.7 No expense shall be reimbursed except pursuant to an expense report meeting the requirements of this Policy and submitted by the Director to (and received by) District staff, within four weeks after the final date of the occurrence in connection with which the expense was incurred. The expense report shall document that the expenses meet the requirements of Policies 15 and 16 and shall include receipts for all expenses for which reimbursement is being requested.



ACHD Monthly Update for July 2015



Executive Director Update

Pepperdine University's School of Public Policy is now accepting applications for the 2015 Public Engagement Grant. If your organization has a public engagement project that could use financial support, the Annual Public Engagement Grant Program may be just what you need. This marks the 8th consecutive year of offering funded consulting services to California's cities, counties, Special Districts and civic organizations on a variety of issues. For more information on this grant opportunity click [here](#).

Sheila Johnston and I recently met with Eric Brown, President and CEO, [California Telehealth Network](#) (CTN), to discuss opportunities for collaboration between our two organizations. In addition, CTN and ACHD have agreed to look for grant opportunities that enhance our members' ability to continue to improve their infrastructure needs.

Jean Hurst, Partner at Brooks Hurst Espinosa, LLC, and I recently met with Martin Gonzalez, Executive Director, [California Institute for Local Government](#). The Institute membership is comprised of the California County Supervisors Association, the California League of Cities, and the California Special Districts Association. Their mission is to provide shared educational services that will assist local governments to improve their governance and management through best practices. As ACHD is continuously evaluating the cost and variety of internal educational programs we provide our Members, we have been exploring opportunities to partner with the Institute on future programs that may benefit our Members, provide expanded networking with other elected officials statewide, and reduce costs.

Neil McCormick, Executive Director, [California Special Districts Association](#) (CSDA), and I also had an opportunity to meet this month and discuss continued collaboration between CSDA and ACHD regarding advocacy and common interests. We discussed the impacts of LAFCOs with Special Districts and some recent activity in this regard. Lastly, we reaffirmed our continued commitment to collaborate with CSDA to monitor and evaluate potential state legislation that might impose consolidation of Special Districts in the future.

Lisa Maas, Executive Director, [California Allied for Patient Protection](#) (CAPP), and I met this month to continue the collaboration between ACHD, CAPP and its partners. CAPP is a broad-based organization of physicians, dentists, hospitals, community clinics, health centers, nurses, emergency providers, public safety, local governments, labor unions, women's health advocates and other health care professionals throughout California whose sole purpose is to protect access to health care and patient safety through California's [Medical Injury Compensation Reform Act](#) (MICRA).

Earlier in July I met with Lee Michelson, Chief Executive Officer of Sequoia Healthcare District. Lee presented the ACHD and ALPHA Fund with an Automated External Defibrillator to place in our Granite Bay office. I would like to extend a huge thank you to Sequoia Healthcare District for providing the ACHD and ALPHA Fund office with this life saving device.

ACHD Staff will be recommending to the ACHD Education Committee and our Board, to establish a relationship with Capella University for online education programs primarily targeted toward nursing and other ancillary staff. At no cost to ACHD or Members, employees and their families will be entitled to a significant tuition discount and be eligible for tuition scholarship support. Capella University is a fully accredited educational organization that is also recognized by various California State professional licensing boards.



Lastly, if you can please make a note: ACHD's Annual Dues Letters were mailed to our Members the week of July 27th. For the past several years, there has not been any dues increase. Therefore, your prompt payment will assist ACHD and our team in providing you with the best services possible and help us continue to operate efficiently without increasing costs to you.



Google - Brand Health: Health, Innovation and 10X Thinking

Google has extended a special invitation to ACHD Members to attend a special educational event, being offered at their headquarters in Mountain View, California. The event, Brand Health: Health, Innovation and 10X Thinking, will take place on August 13th, 2015. Those who attended our Annual Meeting in May will recall the outstanding presentation given by Gyre Renwick of Google; Gyre provided a powerful presentation regarding the world of technology, and how consumers and the healthcare industry are adapting right alongside it. Consumers are increasingly making their health a top priority, and healthcare organizations that can provide innovative solutions will thrive. During this event you'll hear from various Googlers who are working on groundbreaking projects in the health and wellness space. To reserve your seat at this exciting event, click [here](#).



ACHD Announces Expanded Downtown Office Space

With the arrival of new furniture and work stations, ACHD is pleased to announce that the update of our expanded downtown office is nearly complete. The downtown office located at 1215 K Street is just a short walk from the State Capitol. It is home to the Advocacy Team, Member Services, Executive Director, and a conference facility. The office also provides members with comfortable seating, Wi-Fi, and business support services. Office artwork is still on order, but the photos that Members have provided will help ACHD capture the spirit and diversity of California's Healthcare Districts.

Healthcare District Trustees and Executives may utilize the ACHD office as a place to rest, connect on-line and work while in Sacramento on District business. ACHD invites you to visit the new space the next time you're in Sacramento. Please contact [Sheila Johnston](#) at if you would like to schedule a visit or if you have any questions.

Panoramic Office View





Conference Room



Reception



CEO Evaluation

Available free of charge to all Member Healthcare Districts, ACHD offers an online Healthcare District CEO Evaluation Tool for assessing how each District Trustee perceives the CEO to be performing. There are two options; one for District CEOs no longer managing a hospital and one for District CEOs who do manage a hospital.

The ACHD Board strongly encourages each District Board to complete a CEO Evaluation on an annual basis.

Members interested in completing the CEO Evaluation may email [Sheila Johnston](mailto:Sheila.Johnston@achd.org).



Board Self-Assessment Tool

ACHD makes available at no charge to its members, an on-line Board Self-Assessment Tool for assessing how each Trustee perceives the Board to be functioning. There are two Self-Assessment options; one for Districts no longer managing a hospital and one for Districts which do manage a hospital.

The survey takes about 35 minutes to complete, responses are anonymous and the results only shared with the participating Board and Associations education committee.

The ACHD Board strongly encourages each District Board to complete a Self-Assessment on an annual basis. For more information, please contact [Sheila Johnston](#).



Certified Healthcare District

As public entities, Healthcare Districts have well-defined obligations for conducting business in a manner that is open and transparent. To assist ACHD Members in demonstrating compliance with these obligations, the ACHD Governance Committee has developed a core set of standards referred to as Best Practices in Governance. Healthcare Districts that demonstrate compliance with these practices will receive the designation of ACHD Certified Healthcare District.

Districts achieve Certification by demonstrating compliance with public agency reporting requirements in the following areas:

- Transparency
- Website Content
- Executive Compensation and Benefits
- State Agency Reporting
- Financial Reporting

To date, the following Healthcare Districts have achieved certification status:

- Antelope Valley Healthcare District
November, 2014
- Beach Cities Health District
October, 2014
- John C. Fremont Healthcare District
March, 2015
- Palomar Health
August, 2014
- Petaluma Health Care District
May, 2015
- Sequoia Healthcare District
August, 2014

Members interested in applying for Certified Healthcare District status should contact [Ken Cohen](#).



Legislative Updates

Friday, July 17 was the deadline for policy committees to hear and pass bills; the Legislature left for their summer recess that week and is gone until August 17, 2015. The major health issues awaiting legislative discussion and potential action at the end of session include: 1) the Second Extraordinary Session on health care; 2) Medicaid Section 1115 waiver renewal legislation; and 3) the California Children's Services (CCS) program.

For a complete summary of the Legislative Update, please click [here](#). To access the Legislative Report click [here](#). To access the Watch Report click [here](#).



A Report by ACHD's Senior Legislative Advocate, Amber King

Last week I attended the Annual Educational Conference hosted by the [California Coalition on Workers' Compensation](#) (CCWC). With the changing landscape of workers' compensation, there is often much to learn from each educational and general session. A number of lobbyists all working on workers' comp in different industries are usually in attendance, creating the perfect opportunity for relationship building.

The most informative session centered on the creation of a prescription formulary within the workers' comp system in California. This session discussed the two other states that have created their own formulary, Texas and Washington, and how California can learn from those very different processes. In addition, the panel included a physician's perspective that highlighted the need to keep the patient at the center of the discussion. This session is perfectly timed, as the Legislature is currently working on a bill, [AB 1124](#) by Assemblymember Perea, to require the Administrative Director of the Division of Workers' Compensation (housed within the Department of Industrial Relations) to create a formulary in California. ACHD and ALPHA Fund are actively involved in this discussion, working with a stakeholder group, which includes the CCWC.

The highlight of the conference was hearing from the Secretary of the California Labor and Workforce Development Agency, David Lanier and the Director of the Department of Industrial Relations, Christine Baker. For the past few years they have each given an update on the Department and the forward progress toward full implementation of the reforms passed in 2012 through SB 563. This year David Lanier announced during his presentation that the Department will be moving forward with the creation of a prescription formulary using the authority they believe they currently have without legislation. This is a huge step in the right direction for decreased costs and friction in the system.

Stay tuned for more information on workers' comp legislation, and specifically on the creation of the formulary in California.

Please contact [Amber King](#) with questions.



ACHD's 2016 Events

Please mark your calendars for our events taking place in 2016!

- January 20-22, 2016: Leadership Development Program, Sacramento, CA
- April 4-5, 2016: Legislative Days, Sacramento, CA
- May 3-6, 2016: Annual Meeting, Monterey, CA



ACHD is focused on Wellness

For over a year and a half, ACHD and ALPHA Fund have been committed to company wellness. Formed in January of 2014, "Simple Steps to Wellness" is a program aimed to educate and promote wellness practices in our workplace and at home.

Sheila Johnston, Member Services Specialist for ACHD; Diana Watts, Senior Administrative Assistant for ALPHA Fund; Jolie Bakken, Business Analyst for ALPHA Fund; and Betsy Leff, Loss Prevention Specialist for ALPHA Fund, make up the Wellness Team. The Wellness Team promotes health and wellness monthly, sending out tips and information, and creating a challenge aligned with each monthly theme.

Past wellness themes and challenges have included:

- Commit to Fitness: Create or maintain a fitness and health routine for the month
- Focus on Water: Drink 8, 8 ounce cups of water daily
- An Apple a Day: Eat one apple a day

In addition to sending monthly tips and information, the Wellness Team profiles an employee that has embraced health and wellness in their lives each month.

The Wellness Team also incorporated a "Footsteps to Success" challenge, where by our employees can commit to meeting weekly exercise benchmarks. During two separate sessions of Footsteps to Success, ACHD and ALPHA Fund employees achieved the following:

Activity	Total Exercise (Miles or Hours)
Walking	2,648.14 Miles
Cycling	3,896.2 Miles
Multisport (Tennis, Zumba, Interval, Hiking, etc).	1,145.24 Hours

ACHD and ALPHA Fund are very pleased with the success of the Wellness Program and look forward to promoting the health and wellness of all employees moving forward.

For more information, please contact [Sheila Johnston](#).



ACHD

ASSOCIATION OF CALIFORNIA
HEALTHCARE DISTRICTS

July 30, 2015

Daymon Doss
Executive Director
Mark Twain Healthcare District
768 Mountain Ranch Road
San Andreas, California 95249

Dear Mr. Doss,

Enclosed is your ACHD dues invoice for Fiscal Year 2016 in the amount of \$10,000.00. The Association's dues structure groups Districts in tiers based on operating revenues as reported to OSHPD, or in the case of Districts not reporting operating revenues, total assets are used for tier assignment. There are 7 tiers and your District is in tier 6. We are pleased to report that the Association has not raised dues for nearly a decade.

The dues collected by the Association allow us to develop and provide important Member benefits. This year ACHD has significantly enhanced its Advocacy efforts on behalf of the Members through the retention of Hurst Brooks Espinosa (HBE) LLC. HBE brings a combined 45 years advocacy experience in the public sector with a focus on health care, tax, government, insurance, special districts, and state budget. The HBE Partners have long standing relationships with elected and appointed state officials, state cabinet members, department heads, county and other local officials. These relationships greatly enhance our access to key officials on your behalf.

ACHD has also expanded its Sacramento office to provide our Members with an improved experience when conducting business with various elected and appointed State officials. The office provides Members with print, copy, Wi-Fi, and other business related support services, along with the ability to monitor on a "real time" basis, video of Assembly and Senate committee hearings. Please feel free to use this office for your District business needs while you are in Sacramento; just let us know in advance when you will be visiting by contacting Amber King at Amber.king@achd.org or by telephone at (916)266-5207.


As a reminder, ACHD provides an on-line Board Self-Assessment tool as well as an on-line evaluation tool for Chief Executive Officer Evaluations as an exclusive no-cost Member benefit. To access either tool, please visit www.achd.org or contact Sheila Johnston, Member Services Specialist at Sheila.Johnston@achd.org or by telephone at (916) 266-5208.

Please mark your calendars for the following programs:

- ❖ Trustee Leadership Development – January 21-22, 2016, Sacramento;
- ❖ Legislative Day – April 4-5, 2016, Sacramento, and;
- ❖ Annual Meeting – May 3-6, 2016 Monterey

Best regards,


Samuel M. McCreary, PhD
ACHD Board Chair


Kenneth B. Cohen, CHE
Executive Director, ACHD

TCA PARTNERS, LLP
Certified Public Accountants

Dec 10, 2014

Audited Financial Statements

Mark Twain Health Care District

June 30, 2014

Notes to Financial Statements (continued)

MARK TWAIN HEALTH CARE DISTRICT

NOTE C - TRANSACTIONS BETWEEN RELATED ORGANIZATIONS (continued)

During the year ended June 30, 2008, the District entered into a land and medical office building lease agreement with San Andreas Medical and Professional Office Building (SAMPO). The District leases land located at 704 Mountain Ranch Road in San Andreas to SAMPO at no cost due to the fact that the development of the property by SAMPO was deemed sufficient to offset any future lease payments. SAMPO built and owns the medical office building (MOB) located on the aforementioned land and then leases the MOB to the District. Lease expense for the years ended June 30, 2014 and 2013 regarding this agreement were \$204,880 and \$198,615, respectively. The District has subleased portions of the MOB to the Stockton Cardiology Medical Group and others, and to the Corporation. Lease revenues under the subleasing arrangements were \$161,199 and \$143,603 for the years ended June 30, 2014 and 2013, respectively.

NOTE D - DEBT BORROWINGS

On May 1, 1996, the Corporation borrowed \$11,175,000 to finance a new health facility and to defease the Mark Twain Hospital District Insured Revenue Bonds Series 1986A (the Series 1986A Bonds) previously issued by the District. In exchange for assuming the District's debt obligation, the Corporation has been granted a prepaid lease payment to the District that has been recorded as a long-term liability in the accompanying financial statements. The prepaid rent will be amortized over the remaining life of the Series 1986A Bonds, originally scheduled to be repaid in full in 2004.

NOTE E - INTEREST IN MARK TWAIN MEDICAL CENTER

In an agreement between Mark Twain Medical Center (the Corporation) and Mark Twain Health Care District (the District), in the event of a dissolution or a winding up of the Corporation, 50% of its assets remaining after payment, or provision for payment, of all debts and liabilities of the Corporation, shall be distributed to Dignity Health, a California nonprofit public benefit corporation. The other 50% shall be distributed to the District. As a result of this agreement, the District has recorded \$19,773,286 and \$19,104,121 as of June 30, 2014 and 2013, respectively, as its portion of its interest in the Corporation. These amounts represent the 50% of the net difference between the assets and the liabilities of the Corporation as of its June 30, 2014 and 2013 audited financial statements.

NOTE F - SUBSEQUENT EVENTS

Effective July 23, 2014, The District entered into the Sixth Amendment to the Lease Agreement with the Corporation in order to continue the leasing arrangement, with some modifications, between the District and the Corporation for another 5-year period to expire in 2020.

CEO REPORT

Prepared: July 23, 2015

Reporting period: June, 2015

Financial Stewardship

1. Financial Performance-June

I rarely begin my report with Financial Stewardship, but as our fiscal year came to a close, I thought it was appropriate to celebrate a year in which we performed better than budget and last fiscal year. This was a very challenging year at MTMC and through it all, our team performed with excellence. We experienced tremendous change and growth throughout the year and managed it very well. Our ability to change and adapt as needed will serve us well in the challenging years ahead.

Unlike May when our patient volumes were low and we had a strong financial performance, in June our volumes were strong and our financial performance was poor. Our gross revenue was 18.3% (\$2.5 million) better than budget and 15.2% (\$2.1 million) better than last year. Unfortunately, however, much of that hard work was taken away with increased deductions and of excess gross revenue deductions from revenue due to a poor payer mix (higher levels of Medi-Cal than expected) and end-of-year adjustments. As a result, of the \$2.5 million of excess gross revenue, only \$208,000 made it into our net revenue for a yield of 31.9%. Our budgeted yield was 37.0% and our yield last June was 39.2%. This yield variance equated to a decrease in net revenue of over \$800,000 in June.

In addition to our poor yield performance, our expenses were also 5.4% (\$300,000) over budget. This was primarily caused by several year-end adjustments and one-time expenses. We continued to manage our labor cost well and would have been under budget except for a year-end adjustment to the incentive (pay-for-performance) system. As a result of these negative issues, we experienced an operating loss of (\$563,000) compared to a budgeted loss of (\$418,000). In addition, we experienced an investment loss of (\$113,000). In total, our bottom line for June was a loss of (\$676,000) compared to a budgeted loss of (\$341,000).

While that performance is nothing to celebrate, our year-end results were much better. FY2015 was the financial year of ups and downs, but reflected significant growth at MTMC. For many years our volumes were in decline, but with the addition of new providers and services, those days are over. We

experienced growth in emergency room visits (18.9%), surgeries (18.4%), clinic visits (7.0%), outpatient hospital visits (.9%), etc. About the only areas that did not experience growth were our inpatient services. This reflects a national trend, but our inpatient volumes appear to have stabilized, especially when you include observation patients and outpatients in a bed (these patients would have been admitted in prior years). We believe our inpatient volumes will increase in the future as we continue to add physicians and services.

This growth in volumes resulted in our annual gross revenue (\$178 million) being 10.8% greater than last year and right on our budget. That is excellent growth and reflects our Mission and Vision to meet and exceed the health care needs of the residents of Calaveras County. Unfortunately, much of our hard work was lost in deductions from revenue as our payor mix continued to shift to more Medi-Cal (as a result of the Affordable Care Act). On a positive note, the California Provider Fee was reinstated which resulted in a pick-up of over \$3 million, which brought our net revenue in better than budget.

As reflected in June, we managed our salaries and benefits well throughout the year through improved productivity (FTEs per adjusted occupied bed) and salaries and benefits being 6.6% below budget. Our biggest expense challenge came in the areas of supplies and purchased services area. Our supply costs continue to increase with more surgeries being performed at MTMC (especially orthopedics) and the growth of our Cancer Center (chemotherapy drugs). Fortunately, the increased supply costs are offset by increased revenue. The biggest purchased service issue was related to the Dignity Health Corporate assessment. This item was addressed in June, significantly reducing the budget variance. The end result was that our year end operating expenses were 1.1% (\$723,000) below budget.

Although we had excellent revenue growth it did not keep pace with our increased expenses and resulted in an operating loss of (\$722,000) compared to a budgeted loss of (\$2.7 million). Thus, we were very close to being in the black and outperformed last year and our budget. In addition, when we add in our investment income (\$806,000), our bottom line (excess of revenue over expenses) was a profit of \$84,000 compared to a budgeted loss of (\$1.8 million). Thus, our profitability is not exactly where we want it (goal = operating margin of 2-4%), but we are getting closer and we have built a strong foundation upon which we can continue to build. Our financial turnaround continues and can only be attributed to all of the hard work of our staff and Medical Staff.

Our strong financial performance in FY2015 is also reflected in the strength of our balance sheet. We ended the year with over \$23 million in cash, very little long-term debt and an increasing net worth. The only weakness on our balance sheet is in the area of accounts receivable. Our net accounts receivable days are at 63 compared to our goal of 46 and 60 last year. This strong balance sheet will enable us to continue to invest in new physicians, facilities, staff and technology, which will be the key to our future success.

2. FY2015 Dignity Health Corporate Assessment

After much discussion between the MTMC Board and Dignity Health regarding what the Corporate Assessments should be in FY2015, an agreement was reached last month. The agreement was a compromise by both parties and has been fully executed and is reflected in the June and FY2015 year-

end financial statements. As a result of the agreement, the actual FY2015 corporate assessments were only \$21,408 over the total budgeted assessments (not including a budgeting understatement of \$306,608). For FY2016, we will proceed month-to-month with the draft budget presented last month. It is expected that MTMC and Dignity Health will approve a final budget for FY2016 by the end of September.

Services

1. FY2015 Strategic Plan Final Reports

Included in your packet (Attachment A) is our final report on the progress we made on our FY2015 Strategic Plan Objectives. While we were not able to accomplish everything we had hoped to accomplish, we did make significant progress on our quality metrics performance, physician recruitment (we were mainly held back by a lack of clinic space), financial performance, etc. In addition, we continue to enhance our physical healing environment and continue to embrace the theme “Hello Humankindness.” Finally, we added a significant new service, the Heart Center. In FY2016, we have once again set our expectations in our Strategic Plan very high and if we continue to work together as a team, there will be no stopping us.

2. Angels Camp/Valley Springs Medical Centers

At the July Board meeting, Nate Morgan-Aspen Architects will present an update on our progress on the APMC project (Attachment B). Nate will briefly review the site plan, interior designs, exterior finishes, cost estimates, etc. As you can see, we’re making great progress, especially as it relates to the interior design of the building. It is our goal to have the Board approve moving in July into the development of construction documents so that we can keep the project moving (it will take several months to complete this step). It should be noted that in order to fit everything we need into the building (primary care, urgent care, women’s health, specialty clinics, physical therapy, diagnostic imaging, education space, etc.), the size of the building has grown to 18,000+ sq. ft. from the original 15,000+ sq. ft.

Last month I shared with the Board that the City of Angels Camp is planning to have our project reviewed by the Planning Commission in November. We are not pleased with that delay and we will continue to work with the City to encourage them to review our project sooner. Once the design work is approved, a next step for MTMC is to select a construction management company. We will work with Aspen Architects and Dignity Health on this process and plan to bring recommendations to the Board in September. Because of our desire to begin construction as soon as possible and because of the forecast of a wet winter, we are working with Aspen Architects to consider a plan where some site work could begin in 2015. We were also informed today by the MTHCD that they have decided to sell the Stanislaus Avenue property to MTMC. Therefore, at the July Finance Committee and Board meeting we will ask for authorization to begin the process of acquiring the property. It is anticipated that this will take some time, but we hope to present the final purchase agreement to the Board in September.

While MTMC has been focused on the ACMC, the MTHCD has been equally focused on the Valley Springs Medical Center. They continue in escrow on the site acquisition and have submitted all the necessary paperwork on the project to Calaveras County as they seek the necessary approvals to begin that project. At this point in time, from MTMC's perspective, we believe that identical buildings in Angels Camp and Valley Springs would address the current and long-term needs of both communities. The District also announced that they are planning to break ground in Valley Springs in April (of course, weather dependent).

Patient Loyalty

1. Letter to the Editor

For the past three years MTMC has been striving to exceed the expectations of those we serve. We know that if we do this well, we will develop loyal patients that will seek us out when they are in need of healthcare services. To that end, there have been several letters to the editor (Attachment C) recently that acknowledge the progress we are making in this area. These letters are the best marketing money can buy and truly reflect the outstanding service that our staff provides every day. Hello humankindness indeed!

Medical Staff Development

1. Physician Recruitment

We continue to focus our physician recruitment efforts on primary care (family practice and internal medicine) and two specialty areas, gastroenterology and urology. We continue to utilize locum tenens providers in primary care and are also planning to do the same for gastroenterology as we continue our search. We are very optimistic that Dr. Allen and Paul Mundy's recent visits to area residency programs will be successful. Several residents have shown interest in our opportunities and are working to schedule visits. The only negative aspect of these efforts is that the candidates will not be available until the summer of 2016. We also have a urologist that may be interested in providing part-time services at MTMC. We will be meeting with this area urologist in August. While we continue to recruit aggressively, Dr. Allen is working with his team to improve the overall efficiency and effectiveness of our clinics. He is working on everything from the computer issues in the clinics to their design. While this will take some time, our goal is to improve our clinics for our current providers and to provide a welcoming environment for future providers.

Employee Development

1. Employee Experience Survey

The 2015 Employee Experience Survey results (Attachment D) were released in late June. The results reflect the opinions of over 80% of our employees. This information is the foundation for an ongoing conversation between our managers and employees on how to make MTMC a great place to work. Every manager at MTMC will review their department specific results with their staff and develop a plan to address the concerns identified in the survey. In general, the survey demonstrates that MTMC compares favorably to other hospitals in our service area, but there are several areas that we need to address hospital-wide (e.g. accountability, tools/resources).

2. Informational Picket

Dignity Health, on behalf of MTMC, has been in negotiations with the Service Employees International Union-United Healthcare Workers (SEIU – UHW) for several months. The negotiations have focused on wages and benefits. While the negotiations were progressing, in late June Dignity Health was notified by the union that they were canceling future bargaining sessions and were going to conduct informational pickets at all affected hospitals. On July 9, an informational picket was conducted at MTMC. MTMC remained open and all services remained available. It should be noted that many of the picketers do not work at MTMC and small children were also picketing. MTMC and Dignity Health will continue to negotiate in good faith in the hopes of reaching a fair and equitable agreement with our union.

3. Professional Attire Policy

On July 22, MTMC was informed by Dignity Health that all hospitals in Dignity Health will be required to implement a Professional Attire Policy developed by Dignity Health (Attachment E). After discussing this with Dr. Griffin-MTMC Board Chairman, he recommended that this be reviewed and approved by the MTMC Board. As a result, this will be placed on the agenda for our July meeting. Uniform policies can be very effective, however, this policy comes with an unknown price tag. MTMC had no input regarding the policy and it was not discussed with the MTMC Board. This policy was announced to all Dignity Health employees (except MTMC) on July 23 and is scheduled to be implemented in January, 2016.

Quality

1. Management Services Agreement (MSA) / Lease

After recently learning of the MTHCD's desire to have a draft MSA and Lease to review in November 2015, MTMC, the MTHCD and Dignity Health have begun to establish a structure to complete this process. MTMC will be represented by Dr. Griffin, Dr. Woodhams and Craig Marks (staff). The MTHCD will be represented by Dr. Oliver, Lin Reed and Daymon Doss (staff). Dignity Health will be represented

by Gary Spaugh and Ian Boase (legal counsel). MTMC and the MTHCD will also utilize their legal counsel (MTMC-Drew Caprile, MTHCD-Michael Dean) as needed.

MTMC and the MTHCD have already met and are in the process of developing the changes they would like to see in each document. A meeting is scheduled for July 27 with all parties represented (no staff or legal counsel) to begin to define the structure for the process. The ultimate goal is to take a revised Lease to the public for approval in November, 2016. While the MSA will not go to the public for approval, a new lease will not be acted on without a new MSA according to the MTHCD.

2. Infection Control Award

MTMC recently received an award for “Excellence for Safe Practices” at the Second Annual Dignity Health Emergency Medicine and Critical Care Conference. The criteria for the award was based on influenza vaccine compliance for the influenza seasons in FY2014 and FY2015. To be eligible for the award, a facility had to have a 90% or above vaccination rate among all team members (employees, physicians, students, volunteers and contractors). MTMC had an overall 98% compliance rate for both influenza seasons and was one of five Dignity Health facilities to receive this award.

3. CDPH

After we self-reported to CDPH the attempted self-immolation at MTMC, a CDPH surveyor came to investigate the incident. CDPH recently notified us that they found no opportunities for us to improve in how we responded and dealt with this very unusual incident. As a result of this incident, however, we are re-evaluating how the public should enter our facility after hours and on weekends. Having multiple unsupervised entrances could be a safety concern for our staff and patients. As a result, we are considering a plan where all patients and visitors would enter MTMC after hours and on weekends through the Emergency Department. The ED reception area is aesthetically pleasing, is always staffed and has a blood draw station nearby (eliminating the need for patients to go to the lab). Stay tuned.

4. FY2016 Board Action Plan

Included in your packet (Attachment F) is a final report on the actions included in the 2015 Board Action Plan. While not all actions were completed, significant progress is being made and some activities were also included in the draft FY2016 Board Action Plan (Attachment G). Also, based on the feedback received from the Board in the Board Self-Evaluation process, additional action items were added to the FY2016 Plan. The Board will be asked to review, revise and approved the Plan in July.

5. FY2016 Board Work Plan (Calendar)

Included in your packet is a draft calendar of events for the Board to pursue during FY2016 (Attachment H). This calendar will be included in your packet every month and is an attempt to identify Board activities, action items and educational opportunities throughout the year. The plan is based on historical Board activities (e.g. approving budgets), our FY2016 Strategic Plan, planned educational

opportunities and social events. The calendar is not carved in stone and I encourage the Board to review it and recommend changes in our July meeting.

6. Organizational Performance Indicators (Report Card)

Also included in your packet is a draft Organizational Performance Indicators (Report Card) for FY2016 (Attachment I). This Report Card is a way to measure our progress on our Pillar Goals throughout the year. The indicators are intended to serve as a proxy for goals that are only measured once a year (e.g. Employee Satisfaction). These indicators were developed based on our Vision, FY2016 Strategic Plan and Dignity Health Goals. The Report Card serves as an excellent way to communicate our progress on our Vision throughout the year to every stakeholder in our organization. We welcome your input regarding any changes you would like to see.

7. AHA - Region 9 Policy Board

Earlier this year I was asked by the American Hospital Association to be a delegate on the Region 9 (California, Washington, Nevada, Oregon, Alaska, Hawaii) Policy Board representing rural hospitals in the Western U.S. This appointment was for one year, but I have now been asked to complete an additional three-year term (Attachment K). The Regional Policy Board meets three times per year throughout the region. I would like the Board's opinion as to whether or not they would like me to continue in this role. I've also included a recent AHA Section for Small or Rural Hospitals highlight sheet (Attachment L). These are the same types of topics that are discussed at the Regional Board Policy Meetings.

8. August Board Meetings

We are not currently planning to conduct a regular Board or Finance Committee meeting in August. If a need arises, a special meeting may be conducted. However, we will provide adequate notice so that all Board members would be able to participate.

If you have any questions regarding this report or other Medical Center activities, please contact me at (269) 214-8185 (cell), (209) 754-5916 (office) or stop by and see me at the Medical Center.

HENDRICKSON CONSULTING

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FINAL REPORT

MARK TWAIN HEALTH CARE DISTRICT

FEASIBILITY REPORT

AUGUST 13, 2015

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**SECTION A
MARK TWAIN HEALTH CARE DISTRICT
STATEMENT OF REVENUES AND EXPENSES
(\$000s)**

Fiscal Year Ending June 30	2014	2015	2016	2017	2018	2019	2020	2021
<u>REVENUE</u>								
District Taxes	\$804	\$865	\$891	\$918	\$945	\$974	\$1,003	\$1,033
Rental Income - Existing	477	530	546	562	579	597	614	633
MTMC Clinic Lease Payments	-	-	-	-	389	389	389	389
Investment Income/Other	9	10	10	11	11	11	12	12
Total Revenue	\$1,290	\$1,405	\$1,447	\$1,491	\$1,924	\$1,970	\$2,018	\$2,067
<u>EXPENSES</u>								
Salaries/Benefits	\$21	\$9	\$9	\$10	\$10	\$10	\$10	\$11
Professional Services	113	166	171	176	181	187	192	198
Utilities	627	592	610	628	647	666	686	707
Medical Office Building Rent	205	210	216	223	229	236	243	251
Other Operating Costs	171	280	288	297	306	315	325	334
Depreciation/Amortization	125	115	125	131	433	436	440	443
Interest	-	-	-	-	269	265	260	254
Total Expenses	\$1,262	\$1,372	\$1,420	\$1,465	\$2,075	\$2,116	\$2,157	\$2,198
Net Operating Income	\$28	\$33	\$27	\$26	(\$151)	(\$145)	(\$139)	(\$131)
Gain (Loss) in MTMC Interest	\$669	\$379	\$500	\$500	\$500	\$500	\$500	\$500
INCREASE IN NET ASSETS	\$697	\$412	\$527	\$526	\$349	\$355	\$361	\$369

**SECTION A
MARK TWAIN HEALTH CARE DISTRICT
BALANCE SHEETS
(\$000s)**

Fiscal Year Ending June 30	2014	2015	2016	2017	2018	2019	2020	2021
<u>ASSETS</u>								
Cash & Equivalents	\$2,429	\$2,387	\$1,688	\$1,774	\$1,905	\$2,034	\$2,166	\$2,302
Accounts Receivable	61	60	59	61	79	81	83	85
Other Current Assets	14	9	9	10	10	10	10	11
Total Current Assets	\$2,504	\$2,456	\$1,757	\$1,844	\$1,994	\$2,125	\$2,259	\$2,397
Net Property, Plant, Equip.	\$1,003	\$1,019	\$2,750	\$9,668	\$9,269	\$8,866	\$8,462	\$8,054
Interest in MTMC	19,773	20,152	20,652	21,152	21,652	22,152	22,652	23,152
Other	85	125	129	133	137	141	145	149
TOTAL ASSETS	\$23,365	\$23,752	\$25,288	\$32,797	\$33,052	\$33,284	\$33,518	\$33,753
<u>LIABILITIES</u>								
Accts. Payable/Accr. Exp.	\$44	\$50	\$58	\$60	\$85	\$87	\$89	\$90
Due to MTMC	174	142	142	142	142	142	142	142
Current Portion-Long-Term Debt	0	0	0	120	124	129	135	140
Total Current Liabilities	\$218	\$192	\$200	\$322	\$351	\$358	\$366	\$372
Long-term Debt	\$0	\$0	\$1,000	\$6,662	\$6,538	\$6,409	\$6,274	\$6,134
TOTAL LIABILITIES	\$218	\$192	\$1,200	\$6,984	\$6,889	\$6,767	\$6,640	\$6,506
NET ASSETS	\$23,147	\$23,560	\$24,087	\$25,813	\$26,162	\$26,517	\$26,878	\$27,247
TOTAL LIAB. & NET ASSETS	\$23,365	\$23,752	\$25,288	\$32,797	\$33,052	\$33,284	\$33,518	\$33,753

**SECTION A
MARK TWAIN HEALTH CARE DISTRICT
STATEMENTS OF CASH FLOWS
(\$000s)**

Fiscal Year Ending June 30	2014	2015	2016	2017	2018	2019	2020	2021
<u>OPERATING ACTIVITIES</u>								
Change in Net Assets	\$28	\$33	\$27	\$26	(\$151)	(\$145)	(\$139)	(\$131)
Depreciation and Amortization	125	115	125	131	433	436	440	443
Changes in Assets/Liabilities	36	(60)	5	(4)	3	(5)	(5)	(5)
Cash From Operating Act.	\$189	\$88	\$157	\$153	\$285	\$286	\$296	\$307
<u>INVESTING ACTIVITIES</u>								
VSMC Expenditures	\$0	(\$100)	(\$1,825)	(\$7,018)	\$0	\$0	\$0	\$0
Ongoing Capital Expenditures	(34)	(30)	(31)	(32)	(33)	(34)	(35)	(36)
Other	(59)	0	0	0	0	0	0	0
Cash From Investing Act.	(\$93)	(\$130)	(\$1,856)	(\$7,050)	(\$33)	(\$34)	(\$35)	(\$36)
<u>FINANCING ACTIVITIES</u>								
Debt Proceeds	\$0	\$0	\$1,000	\$5,782	\$0	\$0	\$0	\$0
MTMC Contribution for VSMC	0	0	0	1,200	0	0	0	0
Debt Principal Payments	0	0	0	0	(120)	(124)	(129)	(135)
Cash From Financing Act.	\$0	\$0	\$1,000	\$6,982	(\$120)	(\$124)	(\$129)	(\$135)
Net Change in Cash/Equiv.	\$96	(\$42)	(\$699)	\$85	\$132	\$128	\$132	\$136
End Of Year Cash & Invest.	\$2,429	\$2,387	\$1,688	\$1,774	\$1,905	\$2,034	\$2,166	\$2,302

**SECTION A
MARK TWAIN HEALTH CARE DISTRICT
DEBT COVERAGE AND OTHER KEY RATIOS
(\$000s)**

Fiscal Year Ending June 30	2014	2015	2016	2017	2018	2019	2020	2021
<u>CASH AVAILABLE FOR DEBT SERVICE</u>								
Net Income	\$28	\$33	\$27	\$26	(\$151)	(\$145)	(\$139)	(\$131)
Depreciation and Amortization	125	115	125	131	433	436	440	443
Interest	-	-	-	-	269	265	260	254
Net Cash for Debt Service	\$153	\$148	\$152	\$157	\$551	\$556	\$561	\$566
<u>DEBT SERVICE</u>								
Interest	\$0	\$0	\$0	\$0	\$269	\$265	\$260	\$254
Principal	-	-	-	-	120	124	129	135
Total Debt Service	\$0	\$0	\$0	\$0	\$389	\$389	\$389	\$389
<u>KEY RATIOS</u>								
Debt Coverage					1.42	1.43	1.44	1.45
Days Cash on Hand	780	699	475	485	423	442	460	479

B. BACKGROUND

The Mark Twain Health Care District (MTHCD) is a tax-exempt political subdivision of the State of California operating under the California Health and Safety Code and is governed by a five-member elected Board of Directors. MTHCD was founded in 1946, and began operating a hospital in 1951 in the City of San Andreas. The boundaries of the MTHCD includes all of Calaveras County. The area covers 1,080 square miles and contains approximately 46,000 residents.

Since 1987 MTHCD has leased the hospital to the Mark Twain Medical Center Corporation (MTMC), a nonprofit public benefit corporation organized for the purposes of leasing the hospital facilities from MTHCD. Since 2001 MTMC has been managed by Dignity Health Corporation (DH).

The hospital includes 48 licensed acute care beds and several outpatient facilities, including five rural health clinics (RHC) in the communities of Valley Springs, Angels Camp, Copperopolis, Arnold, and San Andreas. In addition MTMC owns and operates four specialty clinics. The primary function of the clinics is to provide outpatient services (e.g. primary care, laboratory, imaging) to the residents of Calaveras County and to provide increased access to hospital services, which provides direct and indirect financial benefits to MTMC.

MTHCD has entered into a Commercial Property Purchase Agreement dated November 6, 2014 under which MTHCD will purchase land located near the existing Valley Springs Medical Center (VSMC). MTHCD will then develop and own the new expanded Center, and lease the Center to MTMC at a rate which at a minimum is expected to equal the cost of the annual debt payments on the estimated \$6.8 million loan. The loan proceeds, combined with \$2.1 million in MTHCD and MTMC cash equity will be used to finance the \$8.9 million project costs. The source of the lease payments will be all revenues of MTMC, including those of the new expanded Center.

VALLEY SPRINGS MEDICAL CENTER

The existing VSMC is located in La Contenta Plaza, a small shopping center in the Community of Valley Springs, located about 11 miles west of the hospital in San Andreas. The total size of the Center is 6,600 square feet and it is leased at a rate of \$7,322 per month. The lease expires on June 30, 2016, and will be extended for at least another year until the new Center is completed and ready for occupancy. VSMC providers include 1.0 full-time equivalent (FTE) family practice physician, 0.5 FTE pediatrician, and 0.5 FTE obstetrics nurse practitioner. VSMC provides approximately 3,600 patients annually with primary care services. There were a total of 11,170 patient visits in fiscal year (FY) 2015. VSMC is a federally-qualified RHC which is certified to receive special Medicare and Medi-Cal reimbursement.

VSMC is too small for the demand and the space is not efficiently useable. In 1995 VSMC expanded into an adjoining space but in 2011 was forced to relocate its radiology services to the hospital. Currently patients and their families often have to wait in a shared lobby (with a dentist practice), and there is no waiting area separation for adults and pediatrics. There is additionally no room for physical therapy, or for laboratory and radiology procedures.

MARK TWAIN HEALTH CARE DISTRICT

MTHCD receives approximately \$1.4 million in annual revenues, with approximately \$865,000 of this total (61%) from property tax revenue. Rental revenues, from MTMC and Medical Office Building (MOB) subleases, account for approximately \$530,000 (38%) of total revenue. Interest earnings on approximately \$2.4 million of cash reserves, and other revenues, account for about 1% of the total. These revenue sources have increased gradually over the last several years and are expected to continue to do so in the future.

MTHCD's annual operating expenses are generally equal to revenues and consist of payments to MTMC (about \$600,000 applied to MTMC utility expenses), MOB lease payments (about \$210,000), professional fees (about \$170,000), and program and event expenses (about \$150,000). MTHCD has no direct employees.

VSMC Debt Payments and Lease Revenues

Beginning in 2017, MTHCD will begin making principal and interest payments on the 2016 loan, currently estimated at \$389,000 per year. MTHCD will in turn receive lease payments from MTMC at least equal to the loan payments. The lease with MTMC is expected to have a term of five years with renewals at the mutual agreement of MTMC and MTHCD. Under the existing hospital lease between MTHCD and MTMC, MTHCD is required to pay a portion of their revenues (currently about \$600,000) for MTMC utility expenses. The hospital lease also stipulates that MTHCD can lower or cease payments if MTMC fails to perform to certain standards. MTHCD and MTMC agree that this stipulation will also apply in the event that MTMC fails to make lease payments or terminates the VSMC lease at the end of any lease term. If this occurs, MTHCD will no longer be obligated to pay to MTMC the approximate \$600,000 in annual support payments currently being applied to utilities. Therefore, the ability of MTHCD to pay the annual debt expense will likely not be reduced regardless of whether MTMC provides lease payments.

MARK TWAIN MEDICAL CENTER

MTMC will be responsible for the lease payments to MTHCD from all hospital, clinic, and other revenues of the organization. In FY 2015 MTMC's revenues totaled \$66 million and its net income was approximately \$100,000. MTMC had \$21 million in unrestricted and board designated cash and investments at the end of FY 2015, and \$1.9 million in long-term debt to DH to be fully paid by 2019. In FY 2015 MTMC generated approximately \$1.6 million in net cash flow before debt \$800,000 debt payments, which resulted in debt coverage of 2.0x. MTMC's reserves and surplus cash flow, along with the forecast performance of VSMC, are expected to be sufficient to meet the annual lease payment requirement for MTHCD.

C. DESCRIPTION OF THE VSMC PROJECT

MTHCD has identified a 15-acre parcel located near the existing clinic and has entered into an agreement to purchase the site, and expects to close no later than October 2015 at a cost of \$890,000. Construction on the new two-story 18,512 square foot clinic is scheduled to begin in June 2016 and end 12 months later in June 2017. Total project costs excluding land and financing are estimated at \$7.77 million, including \$5.15 million in construction costs (approximately \$278 per square foot), \$2.14 million in soft costs and equipment (e.g. architectural, permits, furnishings), \$352,000 in owner's contingencies, and \$129,000 in financing costs. To date less than \$100,000 has been expended for architectural work, financing, and land purchase. An estimated \$1.0+ million, including monies spent to date, is forecast to be expended prior to the estimated June 2016 loan closing.

When completed the new VSMC will have a capacity in excess of 40,000 visits per year and will provide:

- 12 Family Practice exam rooms
- Behavioral Health consulting rooms
- Telehealth capabilities
- 9 Specialty clinic exam rooms
- Women's services suite with 4 exam rooms
- Physical therapy suite with 2 treatment
- Shared conference space
- Imaging suite

SOURCES AND USES OF FUNDS

An estimate of sources and uses for the financing of the project is shown in **Table 1**. The equity contribution consists of an estimated \$2.16 million for land and equipment purchases from MTHCD (\$961,000) and MTMC (\$1.2 million). The financing assumptions have been provided by G.L. Hicks, MTHCD's financial advisor. Financing costs include the underwriter's discount and other issuance costs. The loan is assumed to be dated June 1, 2016 with interest payments due beginning on July 1, 2016 and principal payments on July 1, 2017. Interest payments through June 1, 2017 are funded by the Capitalized Interest Fund. Interest rates are estimated at 4.0%, approximately 0.375% above current levels. Forecast debt payments are shown in **Table 1**. MTHCD has no existing debt.

**TABLE 1
MARK TWAIN HEALTH CARE DISTRICT
SOURCES/USES OF FUNDS
(\$000s)**

Fiscal Year Ending June 30	TOTAL	2015	2016	2017	2018	2019	2020	2021
<u>SOURCES</u>								
USDA Loan	\$6,782	\$0	\$1,000	\$5,782				
Cash - MTMC	\$1,200	0	0	1,200				
Cash - MTHCD	\$961	80	850	31				
TOTAL SOURCES	\$8,943	\$80	\$1,850	\$7,013				
<u>USES</u>								
Administrative & Legal	\$190	\$0	\$150	\$40				
Land & Related	\$890	40	850	0				
Architectural & Engineering	\$350	20	330	0				
Permits	\$400	0	400	0				
Construction	\$4,821	0	0	4,821				
Construction Contingency	\$460	0	0	460				
Equipment	\$1,200	0	0	1,200				
Financing & Related	\$282	20	120	142				
Owner's Contingency	\$350	0	0	350				
TOTAL USES	\$8,943	\$80	\$1,850	\$7,013				
BALANCE	\$0	\$0	\$0	\$0				
<u>DEBT PAYMENTS</u>								
Interest			\$0	\$0	\$269	\$265	\$260	\$254
Principal			\$0	\$0	\$120	\$124	\$129	\$135
Total			\$0	\$0	\$389	\$389	\$389	\$389
Balance			\$1,000	\$6,782	\$6,662	\$6,538	\$6,409	\$6,274

D. VSMC OPERATING FORECASTS

Tables 2-4 show assumptions and cash flow forecasts for VSMC. These reflect the just completed actual FY 2015 and the budgeted FY 2016 financials. The FY 2017 to FY 2021 forecasts are based on a review of the MTMC business plan for VSMC and discussions with MTMC management.

KEY REVENUE ASSUMPTIONS

Table 2 shows a summary of historical and forecast visits, reimbursement rates, and total revenues by payor. The forecasts are divided by primary care services and specialty care services. Primary care includes family practice and internal medicine (FP/IM) as well as gynecology, pediatrics, and psychiatry. These physicians are expected to be paid staff of MTMC. Specialty care includes cardiology, orthopedics, general surgery, urology and gastroenterology. These services are expected to be contracted. VSMC does not currently provide specialty care services.

As shown, in FY 2015 VSMC received 11,170 patient visits and generated \$1.5 million in revenues. Medi-Cal reimbursed visits accounted for approximately 48% of total visits, followed by Medicare (27%) and commercial-reimbursed (22%) visits. Average reimbursement net of contractual allowances from these three payor categories ranged from \$135 to \$151 per visit. Self pay averaged about \$70 per visit. Bad debt averaged 5% of net patient revenues.

The operating budget for FY 2016 estimates 11,970 patient visits, just under 1,000 visits per month. The payor mix is expected to remain at FY 2015 levels, and revenues are expected to increase to approximately \$1.7 million. FY 2017 utilization and payor mix is estimated to be similar to FY 2016. Average net patient reimbursement rates are estimated to increase by 2.0% for Medi-Cal and Medicare and by 4.0% for commercial payors.

The new VSMC facility is projected to open on July 1, 2017 (the first day of FY 2018) for forecast purposes, one month later than currently anticipated. FY 2018 to FY 2021 visit estimates are based on MTMC management forecasts, a review of the market demographics and competition (**Section F**), and further discussions with MTMC management. VSMC total visits are expected to reach 31,000 by FY 2021; 25,000 primary care visits and 6,000 specialty care visits. MTMC is currently in the process of recruiting physicians for the new clinic and expects to have several positions in place by the time of opening, and 18,000 primary care visits (50% over FY 2016) and 4,000 specialty care visits are forecast for FY 2018.

Reimbursement for primary care visits are forecast to increase by 2.0% per year over FY 2016 levels for Medi-Cal and Medicare and by 4.0% for Commercial and Self-Pay visits. Bad debt is estimated at 5.0% of net patient revenues. The primary care visit mix is not expected to change from FY 2015 and FY 2016 levels.

**TABLE 2
VALLEY SPRINGS MEDICAL CENTER
NET REVENUE ASSUMPTIONS
(\$000s)**

Fiscal Year Ending June 30	2015	2016	2017	2018	2019	2020	2021
<u>PRIMARY CARE</u>							
Medicare	3,005	3,232	3,240	4,860	5,400	6,210	6,750
Medi-Cal	5,306	5,746	5,760	8,640	9,600	11,040	12,000
Commercial	2,502	2,633	2,640	3,960	4,400	5,060	5,500
Self Pay/Other	357	359	360	540	600	690	750
TOTAL VISITS	11,170	11,970	12,000	18,000	20,000	23,000	25,000
Medicare	\$151	\$161	\$164	\$167	\$171	\$174	\$178
Medi-Cal	\$142	\$150	\$153	\$156	\$159	\$162	\$165
Commercial	\$135	\$144	\$150	\$156	\$162	\$169	\$176
Self Pay/Other	\$70	\$84	\$87	\$90	\$94	\$98	\$102
AVERAGE REIMBURSEMENT	\$134	\$142	\$146	\$149	\$153	\$157	\$161
Medicare	\$454	\$520	\$532	\$814	\$922	\$1,082	\$1,199
Medi-Cal	\$755	\$860	\$879	\$1,345	\$1,525	\$1,789	\$1,983
Commercial	\$337	\$380	\$396	\$618	\$714	\$854	\$966
Self Pay/Other	\$25	\$30	\$31	\$49	\$56	\$67	\$76
Bad Debt	(\$76)	(\$90)	(\$92)	(\$141)	(\$161)	(\$190)	(\$211)
TOTAL NET REVENUE (000s)	\$1,495	\$1,701	\$1,747	\$2,685	\$3,057	\$3,602	\$4,013
<u>SPECIALTY CARE</u>							
Medicare				1,120	1,400	1,540	1,680
Medi-Cal				1,160	1,450	1,595	1,740
Commercial				1,600	2,000	2,200	2,400
Self Pay/Other				120	150	165	180
TOTAL VISITS				4,000	5,000	5,500	6,000
Medicare		\$250	\$255	\$260	\$265	\$271	\$276
Medi-Cal		\$170	\$173	\$177	\$180	\$184	\$188
Commercial		\$720	\$749	\$779	\$810	\$842	\$876
Self Pay/Other		\$120	\$125	\$130	\$135	\$140	\$146
AVERAGE REIMBURSEMENT				\$413	\$427	\$442	\$457
Medicare				\$291	\$371	\$417	\$464
Medi-Cal				\$205	\$262	\$294	\$327
Commercial				\$1,246	\$1,620	\$1,853	\$2,102
Self Pay/Other				\$16	\$20	\$23	\$26
Bad Debt				(\$105)	(\$136)	(\$155)	(\$175)
TOTAL NET REVENUE (000s)				\$1,653	\$2,137	\$2,431	\$2,744

In addition to being a federally-qualified RHC, VSMC will be State-designated as a 1206(d) clinic for specialty care reimbursement purposes. This designation for hospital-based clinics allows them to be treated as an outpatient department of the hospital. Fees can be billed for both professional (physician) and technical (facility) components. Specialty care reimbursement rates are estimated to be nearly three times the amount for primary care visits. These reimbursement levels are consistent with those received at MTMC's specialty care clinics in San Andreas and Angels Camp. The payor mix for specialty care visits is estimated at 28% for Medicare, 29% for Medi-Cal, 40% for Commercial, and 3% for self-pay. Inflation rates are similar to those used for the primary care visits. Bad debt averages 6% of total revenues.

Revenues from Laboratory, Radiology, Physical Therapy

In addition to patient fees, VSMC also generates a surplus from laboratory and radiology procedures and physical therapy visits performed on-site (versus those procedures performed at the hospital). In FY 2015 there were a total of 2,590 laboratory and 1,010 radiology procedures performed on clinic patients that will be performed at the new VSMC. There were also a total of 150 physical therapy visits. Net patient fees in FY 2015 totaled \$370,000 and were offset by \$250,000 in expenses. By FY 2021 VSMC is expected to increase its on-site laboratory and radiology procedures to 5,900 and 2,300 respectively, more than doubling its current total. Physical therapy visits are expected to grow from the current 150 to 4,150 per year as a result of moving a portion of existing hospital business to VSMC in addition to increased market share in the service area. The net revenue generated by these procedures and visits is expected to approximately double from FY 2015 levels, and average 5.3% of net patient revenue.

KEY EXPENSE ASSUMPTIONS

Table 3 shows a summary of the VSMC budget at 31,000 visits in FY 2016 dollars. As shown, MTMC estimates a total of nearly 30 full-time equivalent (FTE) employees, including 9.5 FTE physicians (6.5 primary care, 3.0 specialty care). Most of the primary care physicians are expected to work full-time at VSMC while the majority of specialty care physicians will be part-time. Other key positions include licensed vocational nurses (LVNs) and administrative and other support staff (e.g. maintenance, housekeeping). Benefits are estimated at 30.5% of salaries paid on all but the specialty care physicians, who will contract directly with MTMC.

In addition to salaries and benefits, there will be inter-company charges by MTMC. MTMC's estimated rate is 8.5% of total expenses, including depreciation and lease payments. However, MTMC management estimates that no more than 3.0% of this total is for administrative services that could be replicated on-site, and this lower amount is shown in the forecasts. Other expenses include supplies and insurance.

Expenses are forecast to increase at an inflation rate of 2.5% per year, approximately equal to the weighted average revenue inflation increase.

**TABLE 3
VALLEY SPRINGS MEDICAL CENTER
EXPENSES AT FULL USE IN 2016\$
(\$000s)**

Category	FTEs	Ave. Salaries	Total Salaries	Other	Total
Physicians - FP/IM	3.0	\$270,400	\$811,000		
Physicians - Other Primary Care	3.5	\$249,600	\$874,000		
Physicians - Specialty Care	3.0	\$447,200	\$1,342,000		
Physician Assistants	1.5	\$187,200	\$281,000		
Licensed Vocational Nurses	11.0	\$62,400	\$686,000		
Administration/Other	7.6	\$41,600	\$316,000		
TOTAL - SALARIES	29.6	\$145,608	\$4,310,000		
Benefits				\$905,000	
Other Operating Costs				250,000	
MTMC Management				182,000	
Lease Payments				389,000	
TOTAL - OTHER				\$1,726,000	
TOTAL - ALL CASH EXPENSES					\$6,036,000

CASH FLOW FORECASTS

Table 4 shows a summary of historical and forecast cash flows for VSMC, reflecting the assumptions discussed above. As shown, the existing VSMC generated a small surplus in FY 2015 and is budgeted to continue providing a surplus in FY 2016 and FY 2017.

There will be a fixed cost component to VSMC during the ramp-up period, resulting from the need to staff key positions early on and the time needed to build individual physician practices. As a result, cash flow losses can be expected in the first 1-2 years after opening. Any such losses will be met by hospital and other MTMC revenues.

As shown, at stability in FY 2021 VSMC is expected to generate about \$700,000 in cash flow before lease payments for a coverage ratio of over 1.80x. Coverage is forecast to exceed 1.00x when VSMC reaches approximately 27,000 visits.

**TABLE 4
VALLEY SPRINGS MEDICAL CENTER
CASH FLOW SUMMARY
(\$000s)**

Fiscal Year Ending June 30	2015	2016	2017	2018	2019	2020	2021
<u>REVENUES</u>							
Net Patient Revenue - Primary Care	\$1,495	\$1,701	\$1,747	\$2,685	\$3,057	\$3,602	\$4,013
Net Patient Revenue - Specialty Care	0	0	0	1,653	2,137	2,431	2,744
Lab/PT/Radiology Net Margin	121	130	135	230	275	320	358
Total Operating Revenues	\$1,616	\$1,831	\$1,882	\$4,567	\$5,469	\$6,353	\$7,115
<u>EXPENSES</u>							
Salaries - Primary Care Physicians	\$393	\$500	\$513	\$1,424	\$1,569	\$1,730	\$1,906
Salaries - Other Patient Care Staff	508	520	533	1,084	1,195	1,317	1,452
Benefits	268	312	320	765	843	929	1,024
Medical Fees - Specialty Care Physicians	121	0	0	1,134	1,250	1,378	1,518
Other Operating Costs	66	43	44	211	233	257	283
MTMC Management Expenses	124	125	128	159	173	189	206
Total Operating Expenses	\$1,480	\$1,500	\$1,538	\$4,778	\$5,264	\$5,799	\$6,390
Operating Cash Flow	\$136	\$331	\$344	(\$211)	\$205	\$554	\$725
Building Lease Payments	\$100	\$91	\$94	\$389	\$389	\$389	\$389
Debt/Lease Coverage Ratio	1.36	3.63	3.66	(0.54)	0.53	1.42	1.86

E. MTHCD FINANCIAL STATEMENT ASSUMPTIONS

Section A (pages 1-4) shows financial statement forecasts for MTHCD. Payments on the 2016 loan will be the obligation of MTCHD. MTHCD will receive lease payments at least equal to the annual debt payments from MTMC, who will use all organization revenues, including those from VSMC, for the lease obligation.

The financial statement forecasts for MTHCD are based on the FY 2014 audit, the FY 2015 internal financial statements, the FY 2016 budget, and discussions with management.

STATEMENTS OF REVENUES AND EXPENSES

MTHCD's key revenue sources include property taxes and lease and sublease receipts. Property tax revenues represent a share of Calaveras County ad valorem property taxes. In FY 2015 tax revenues totaled \$865,000, or about 61% of the MTHCD total. Property tax receipts are estimated to increase by 3.0% per year.

MTHCD receives payments under four five-year subleases for a Medical Office Building (MOB), a 30-year lease with MTMC, a 20-year office lease, and two 50-year land leases. Expiration dates range from August 2017 to May 2054. Of the total \$530,000 in lease revenue, approximately \$220,000 is attributable to office and land leases that have an inflation adjustment equal to approximately 3.0% per year. The hospital lease with MTMC is not adjusted but is expected to increase after the current lease expires in 2019, and is inflated by 3.0% per year in the forecasts.

MTHCD operating expenses primarily include utility payments for the MTMC hospital, MOB rent, professional fees for management and operational consulting, and programs and events (e.g. Health Fair, Chronic Disease and Respite Care programs, Outpatient Tele-health). These expenses are forecast to increase by 3.0% per year.

Depreciation is calculated using a 30-year average life on VSMC project costs, and a 10-year average life for ongoing building and equipment expenditures.

BALANCE SHEETS

Accounts receivable are forecast at 15 days of total revenues. Other current assets are increased by 3.0% per year. The interest in MTMC represents MTHCD's 50% share of total MTMC equity, and is increased each year in the forecasts by an average of \$500,000. Other assets are increased by 3.0% per year.

Accounts Payable/Accrued Expenses are forecast at 15 days of operating expenses less depreciation. Funds due to MTMC are held at FY 2015 levels. The current portion of the 2016 loan is from **Table 1**.

STATEMENT OF CASH FLOWS

Capital expenses for buildings and equipment are forecast to increase by 3.0% per year after FY 2016. The MTMC contribution for the purchase of equipment is made in FY 2017.

CONCLUSIONS

As shown in **Section A** (page 4 in the ratio table), MTHCD is forecast to generate sufficient cash flow to meet 2016 loan payments. Debt coverage is forecast to exceed 1.40x in all years. In addition, cash and investments are forecast to exceed 400 days in all years.

MTHCD's ability to make 2016 loan payments is not directly dependent on lease payment receipts from MTMC. To the extent MTMC fails to make payments during the five-year lease period (ending in 2022), or chooses not to renew the lease, MTHCD is protected by an existing stipulation in the hospital lease agreement that will enable it to lower or cease payments to MTMC. This will increase MTHCD net cash flow sufficiently to meet annual debt payments.

F. VSMC DEMAND ANALYSIS

Utilization of VSMC services is estimated to experience a significant increase over the next five years; from approximately 12,000 visits per year currently to 31,000 visits by FY 2021. The ability to reach these levels is a function of resident demand, competitive facilities, physician need, and physician recruitment.

PRIMARY SERVICE AREA

MTMC primary service area (PSA) is Calaveras County, in particular the communities of San Andreas, Valley Springs, Angels Camp, Arnold, Mokelumne Hill, Murphys, and Vallecito. Approximately 46,000 persons live in the PSA. The population has increased by approximately 1% since 2010 and is projected to continue to increase at a modest rate over the next five years.

The VSMC PSA includes approximately 22,500 persons residing in the communities of Valley Springs, the Highways 12 and 26 corridors, the western portion of San Andreas, and to a lesser extent the community of West Point, 30 miles northeast of Valley Springs. With the exception of West Point, the communities are within approximately 10 miles of the proposed new VSMC site. Specialty services draw from a slightly wider area. **Table 5** shows a summary of historical, current, and forecast population, estimated PSA visits, and estimated VSMC market share. As shown, growth in the PSA has been modest over the last six years, averaging about 1.25% per year, and is forecast to continue at a modest pace. MTMC management has provided the estimated total visits per resident estimate to all MTMC and non-MTMC clinics, including VSMC. The 3.1 visits per resident estimate is comparable to the 3.0-3.5 per person visits typically seen in other service areas. Based on this estimate, VSMC currently has an approximate 17% market share of PSA demand. This share is all for primary care since VSMC does not provide specialty care services. The market share of visits is expected to increase over the next five years to over 40% as a result of the development of the new VSMC facility and the recruitment of physicians and other staff.

COMPETITION

Competition for VSMC comes from other providers in and near the market area and from other hospitals outside the market area.

Primary Care and Specialty Care Providers

There is one other FP physician in Valley Springs in addition to the two FP/IM physicians at VSMC. The physician's practice is known as the Center for Integrated Medicine and is aligned with Sutter Amador hospital located 18 miles away by travel in the City of Jackson. Residents seek specialty services outside Valley Springs at MTMC and in Stockton and Lodi, which are located approximately 35 miles and 28 miles from Valley Springs.

**TABLE 5
VALLEY SPRINGS MEDICAL CENTER
PRIMARY SERVICE AREA FORECASTS**

	2010	2016	2021	%to16	%to21
Valley Springs (Zip 95252)	14,696	16,053	17,288	9.2%	7.7%
West Point (Zip 95255)	3,060	3,213	3,347	5.0%	4.2%
San Andreas - Partial (Zip 95249)	3,137	3,275	3,395	4.4%	3.7%
Total PSA Population	20,893	22,541	24,030	7.9%	6.6%
Average Visits per Resident		3.1	3.1		
Estimated PSA Visits		69,877	74,494		
VSMC Estimated Visits		11,970	31,000		
VSMC Estimated Market Share		17.1%	41.6%		

Sources: Claritas and Hendrickson Consulting for population estimates,
MTMC for PSA definition and Visit estimates.

Hospitals

MTMC has an approximate 25% market share if the approximate 3,900 discharges from the MTMC market area. This is down from 32% in 2010, an indication of the loss of patients to other more aggressive providers such as Sutter Amador Hospital and Sonora Regional Medical Center. MTMC continues to be the primary provider of acute care in the area followed by Sonora Regional Medical Center (about 14%), Sutter Amador Hospital (10%), and Dignity Health's St. Joseph Medical Center in Stockton (10%). All other hospitals have a market share of discharges below 5%. One reason for the MTMC decline is that no MTMC-affiliated physicians accept HMO insurance. A second reason is the lack of modern clinics that can act as both a provider of outpatient medical services and as an inpatient referral source to MTMC.

PHYSICIAN DEMAND

VSMC currently has 2.0 provider FTEs; 1.0 FTE family practice physician, 0.5 FTEs Obstetrics nurse practitioner, and 0.5 FTEs pediatrician. Calaveras County, the location of most of the MTMC market area, is designated as a Health Professional Shortage Area for Primary Care physicians.

MTMC’s medical staff need model uses a population to physician ratio of approximately 3,990 to 1 for primary care, 3,500 to 1 for internal medicine, 6,730 to 1 for pediatrics, and 10,020 to 1 for obstetrics/gynecology. By these measures, the 22,540 resident VSMC PSA has a need for approximately 18 FTE primary care physicians (including internal medicine), four times the current 4.5 FTE supply (**Table 6**). For specialty care the need is for approximately 14 physicians compared to the current supply of 1.7 physicians.

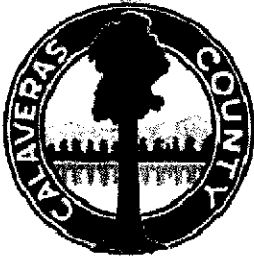
**TABLE 6
VALLEY SPRINGS MEDICAL CENTER
PHYSICIAN NEED FORECASTS FOR VSMC PSA**

Category	Estimated Need	Current Supply	Shortage
General/Family Practice	5.6	3.5	2.1
General Internal Medicine	6.4	-	6.4
Pediatrics	3.3	0.6	2.7
Ob/Gyn	2.3	0.4	1.9
Primary Care Total	17.7	4.5	13.2
General Surgery	2.1	-	2.1
Orthopedic Surgery	1.3	1.0	0.3
Mental Health	4.3	0.7	3.6
Other Specialty Care	6.5	-	6.5
Specialty Care Total	14.2	1.7	12.5

Source: MTMC, Hendrickson Consulting

PHYSICIAN RECRUITMENT

Based on the 25,000 primary care visits and 6,000 specialty care VSMC visits projected by FY 2021, MTMC will need to recruit 4.5 FTE new primary care and 3.0 FTE new specialty care physicians, as well as other staff. MTMC has written and implemented a Provider Recruitment and Succession Plan for FY 2013-FY 2017, and is in the process of recruiting for the new VSMC facility. The current plan is to begin recruiting at least two primary care physicians in 2016 and place them in other clinics until the expanded VSMC is ready for occupancy. The lead time for to recruit primary care physicians is 12-18 months, so starting in early 2016 is expected to result in recruiting the physicians who finish training in mid 2017. MTMC uses a national search firm to assist them in recruitment and expects to present at local training programs and to advertise locally and nationally. While recruitment to rural areas is always a challenge, MTMC believes that the combination of a competitive compensation package and the ability to offer a new, state of the art, clinic will result in success.



County of Calaveras Department of Planning

Peter N. Maurer ~ Planning Director
Phone (209) 754-6394 Fax (209) 754-6540
website: www.co.calaveras.ca.us

August 6, 2015

Mark Twain Healthcare District
Mr. Daymon Doss
768 Mountain Ranch Road
San Andreas, CA 95249

Re: 2015-048 Planned Development Application

Dear Mr. Doss;

The Calaveras County Planning Department received the above application on July 7, 2015. The purpose of this letter is to inform you of items that are needed to deem the application complete and to provide you with comments that have been received in response to the initial routing of your project. Attached are the comments that have been received to date. Please review each letter, as information contained in the letters may require some modifications to the project. As additional letters are received, those will be forwarded on to you for your records.

Completeness Items: This office has deemed the application **incomplete** pursuant to Govt. Code Section 65943. In order to further process the application, the following items must be submitted:

1. A resolution from the District authorizing its Executive Director to bind the District in the indemnification agreement.
2. Air Quality study

County Code Section 17.88.021 A.1. states that an application shall be withdrawn and henceforth null and void if the applicant has not commenced further processing of the application with the county within 90 days from the last written notification to the applicant requesting further information or action. Please submit the requested information no later than **Wednesday, November 4, 2015** in order for the Planning Department to process your application. If these items are not received by this date, the application will be deemed withdrawn under Section 17.88.021 A.1. and a refund of any unused fees will be returned to you. Once the application is deemed withdrawn, any future consideration by the county shall require the submittal of a new complete application and current filing fees.

If you should have any questions regarding this letter, please feel free to contact me at your earliest convenience.

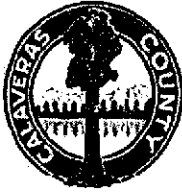
Sincerely,

A handwritten signature in black ink that reads "Darcy Goulart". The signature is written in a cursive style with a large, sweeping initial "D".

Darcy Goulart
Planner III

Cc: Nathan Morgan, Aspen Street Architects, Inc.
Project File 2015-048

Attachments



Calaveras County
AIR POLLUTION CONTROL DISTRICT

891 Mountain Ranch Road, San Andreas, CA 95249
(209) 754-6601 FAX (209) 754-6722

Brian S. Moss ♦ Environmental Management Agency Administrator, APCO

TO: Darcy Goulart
County of Calaveras Planning Department

FROM: Cori Mooy
Calaveras County Air Pollution Control District

DATE: July 28, 2015

RE: 2015-048: Planned Development for Mark Twain Healthcare District
Air Pollution Control District Comments

RECEIVED

JUL 28 2015

Calaveras County
Planning Department

The Calaveras County Air Pollution Control District (District) is submitting the following comments pursuant to the above cited proposed project:

1. A Fugitive Dust Prevention and Control Plan and Asbestos Hazard Dust Mitigation Plan (AHDMP) must be submitted to the District prior to commencement of construction. The AHDMP must be followed throughout the duration of construction or grading activity. As required pursuant to the California Air Resources Board's Asbestos Airborne Toxic Control Measure (ATCM) for Construction, Grading, Quarrying and Surface Mining Operations. (California Health and Safety Code, Section 93105)
2. Any stationary diesel engines greater than 50 bhp on site shall secure a Permit to Operate from the District. As well as, must meet Emission Standards for New Stationary Emergency Standby Diesel-Fueled CI Engines as specified in Air Toxic Control Measure (ATCM) for Stationary Compression Ignition (CI) Engines, (sections 93115 through 93115.15, title 17, California Code of Regulations).
3. Exposed serpentine gravel is prohibited on the project site. No person shall use, apply, sell, supply, or offer for sale or supply any restricted material (Defined in H&SC 93106) for surfacing, unless it has been tested and determined to have an asbestos content that is less than 0.25 percent. Any roadway including road shoulders or any surface that is subject to vehicular travel or pedestrian access must be completely covered with non-restricted material. Pursuant to the California Air Resources Board's *Asbestos Airborne Toxic Control Measure (ATCM) for Surfacing Applications*. (California Health and Safety Code, Sections 93105 and 93106)
3. California Air Resources Board mobile and portable equipment regulations shall be complied with for all applicable equipment used during the construction phase.

If you have any questions or need additional information, please call me at 754-6588.

SCANNED

Darcy Goulart

From: Jim Macedo
Sent: Tuesday, July 28, 2015 3:03 PM
To: Darcy Goulart
Subject: 2015-048 MTH Health Care Dist

The Sheriff's Office Comments are listed below;

1. Project should have sufficient parking lot and building lighting to deter criminal activity
2. Building Addresses and Suite Numbers shall be clearly marked and visible from the Roadway.
3. Project should use methods of environmental design to deter criminal activity. This can be accomplished by using plants or materials on external building walls that are often vandalized with graffiti.

Jim Macedo,
Captain
Calaveras County Sheriff's Office
Government Center
San Andreas, California
(209) 754-6500

RECEIVED

JUL 28 2015

Calaveras County
Planning Department



Calaveras County
Environmental Management Agency

Brian S. Moss ♦ Agency Administrator / Director of Environmental Health / Air Pollution Control Officer

RECEIVED

TO: Planning Department
FROM: Environmental Management Agency
DATE: July 24, 2015
RE: 2015-48 Planned Development for Mark Twain Health Care District

JUL 24 2015

Calaveras County
Planning Department

This office has reviewed the subject file and has no objection to the proposed land use provided the following conditions are met prior to approval of the final map. Water and sewer service shall be provided by a public entity. The applicant shall provide to the Department the following:

1. A written statement from a public water purveyor indicating water will be provided to and the terms for the same.
2. A written statement from a public sanitation district indicating sewer service will be provided and the terms for the same.
3. If hazardous materials are stored or handled in quantities that equal or exceed 55 gallons for liquids, 500 pounds for solids, or 200 cubic feet for gases, a Hazardous Materials Business Plan (HMBP) will be required by Environmental Health.
4. If any hazardous waste is generated at the site, which excludes medical waste, the facility shall obtain a registration from Environmental Health and comply with all applicable Federal and State laws and regulations.
5. All food service shall comply with Section 113700 et. seq. of the California Health and Safety Code. If food is provided to staff or the public then plans and a permit would be required by the Environmental Health.

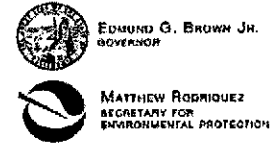
The above comments were e-mailed to the Planning Department. The signed copy is in the Environmental Management Agency office files.

2015-48 VS Mark Twain

SCANNED

Government Center, 891 Mountain Ranch Road, San Andreas, CA 95249-9709

Environmental Health Department ♦ **Onsite Wastewater Department** ♦ **Air Pollution Control District** ♦ **Animal Services** ♦ **Department of Agriculture & Weights and Measures**
(209) 754-6399 Ext. 1 (209) 754-6400 (209) 754-6399 Ext. 4 (209) 754-6509 (209) 754-6504
(209) 754-6722 Fax (209) 754-6722 Fax (209) 754-6722 Fax (209) 754-6815 Fax (209) 754-9256 Fax



EDMUND G. BROWN JR.
GOVERNOR

MATTHEW RODRIGUEZ
SECRETARY FOR
ENVIRONMENTAL PROTECTION

RECEIVED

Central Valley Regional Water Quality Control Board

AUG 05 2015

31 July 2015

Calaveras County
Planning Department

Darcy Goulart
County of Calaveras
Department of Planning
891 Mountain Ranch Road
San Andreas, CA 95249-9709

CERTIFIED MAIL
7014 2870 0000 7535 4944

COMMENTS TO REQUEST FOR REVIEW FOR THE PLANNED DEVELOPMENT APPLICATION, 2015-048 MARK TWAIN HEALTHCARE DISTRICT PROJECT, CALAVERAS COUNTY

Pursuant to the County of Calaveras Department of Planning's 22 July 2015 request, the Central Valley Regional Water Quality Control Board (Central Valley Water Board) has reviewed the *Request for Review for the Planned Development Application* for the 2015-048 Mark Twain Healthcare District Project, located in Calaveras County.

Our agency is delegated with the responsibility of protecting the quality of surface and groundwaters of the state; therefore our comments will address concerns surrounding those issues.

Construction Storm Water General Permit

Dischargers whose project disturb one or more acres of soil or where projects disturb less than one acre but are part of a larger common plan of development that in total disturbs one or more acres, are required to obtain coverage under the General Permit for Storm Water Discharges Associated with Construction Activities (Construction General Permit), Construction General Permit Order No. 2009-009-DWQ. Construction activity subject to this permit includes clearing, grading, grubbing, disturbances to the ground, such as stockpiling, or excavation, but does not include regular maintenance activities performed to restore the original line, grade, or capacity of the facility. The Construction General Permit requires the development and implementation of a Storm Water Pollution Prevention Plan (SWPPP).

For more information on the Construction General Permit, visit the State Water Resources Control Board website at:
http://www.waterboards.ca.gov/water_issues/programs/stormwater/constpermits.shtml.

Phase I and II Municipal Separate Storm Sewer System (MS4) Permits¹

The Phase I and II MS4 permits require the Permittees reduce pollutants and runoff flows from new development and redevelopment using Best Management Practices (BMPs) to the maximum extent practicable (MEP). MS4 Permittees have their own development standards, also known as Low Impact Development (LID)/post-construction standards that include a hydromodification component. The MS4 permits also require specific design concepts for LID/post-construction BMPs in the early stages of a project during the entitlement and CEQA process and the development plan review process.

For more information on which Phase I MS4 Permit this project applies to, visit the Central Valley Water Board website at:

http://www.waterboards.ca.gov/centralvalley/water_issues/storm_water/municipal_permits/.

For more information on the Phase II MS4 permit and who it applies to, visit the State Water Resources Control Board at:

http://www.waterboards.ca.gov/water_issues/programs/stormwater/phase_ii_municipal.shtml

Industrial Storm Water General Permit

Storm water discharges associated with industrial sites must comply with the regulations contained in the Industrial Storm Water General Permit Order No. 2014-0057-DWQ.

For more information on the Industrial Storm Water General Permit, visit the Central Valley Water Board website at:

http://www.waterboards.ca.gov/centralvalley/water_issues/storm_water/industrial_general_permits/index.shtml.

Clean Water Act Section 404 Permit

If the project will involve the discharge of dredged or fill material in navigable waters or wetlands, a permit pursuant to Section 404 of the Clean Water Act may be needed from the United States Army Corps of Engineers (USACOE). If a Section 404 permit is required by the USACOE, the Central Valley Water Board will review the permit application to ensure that discharge will not violate water quality standards. If the project requires surface water drainage realignment, the applicant is advised to contact the Department of Fish and Game for information on Streambed Alteration Permit requirements.

If you have any questions regarding the Clean Water Act Section 404 permits, please contact the Regulatory Division of the Sacramento District of USACOE at (916) 557-5250.

¹ Municipal Permits = The Phase I Municipal Separate Storm Water System (MS4) Permit covers medium sized Municipalities (serving between 100,000 and 250,000 people) and large sized municipalities (serving over 250,000 people). The Phase II MS4 provides coverage for small municipalities, including non-traditional Small MS4s, which include military bases, public campuses, prisons and hospitals.

Clean Water Act Section 401 Permit – Water Quality Certification

If an USACOE permit (e.g., Non-Reporting Nationwide Permit, Nationwide Permit, Letter of Permission, Individual Permit, Regional General Permit, Programmatic General Permit), or any other federal permit (e.g., Section 9 from the United States Coast Guard), is required for this project due to the disturbance of waters of the United States (such as streams and wetlands), then a Water Quality Certification must be obtained from the Central Valley Water Board prior to initiation of project activities. There are no waivers for 401 Water Quality Certifications.

Waste Discharge Requirements

If USACOE determines that only non-jurisdictional waters of the State (i.e., "non-federal" waters of the State) are present in the proposed project area, the proposed project will require a Waste Discharge Requirement (WDR) permit to be issued by Central Valley Water Board. Under the California Porter-Cologne Water Quality Control Act, discharges to all waters of the State, including all wetlands and other waters of the State including, but not limited to, isolated wetlands, are subject to State regulation.

For more information on the Water Quality Certification and WDR processes, visit the Central Valley Water Board website at:

http://www.waterboards.ca.gov/centralvalley/help/business_help/permit2.shtml.

Regulatory Compliance for Commercially Irrigated Agriculture

If the property will be used for commercial irrigated agricultural, the discharger will be required to obtain regulatory coverage under the Irrigated Lands Regulatory Program.

There are two options to comply:

1. **Obtain Coverage Under a Coalition Group.** Join the local Coalition Group that supports land owners with the implementation of the Irrigated Lands Regulatory Program. The Coalition Group conducts water quality monitoring and reporting to the Central Valley Water Board on behalf of its growers. The Coalition Groups charge an annual membership fee, which varies by Coalition Group. To find the Coalition Group in your area, visit the Central Valley Water Board's website at: http://www.waterboards.ca.gov/centralvalley/water_issues/irrigated_lands/app_approval/index.shtml; or contact water board staff at (916) 464-4611 or via email at IrrLands@waterboards.ca.gov.
2. **Obtain Coverage Under the General Waste Discharge Requirements for Individual Growers, General Order R5-2013-0100.** Dischargers not participating in a third-party group (Coalition) are regulated individually. Depending on the specific site conditions, growers may be required to monitor runoff from their property, install monitoring wells, and submit a notice of intent, farm plan, and other action plans regarding their actions to comply with their General Order. Yearly costs would include State administrative fees (for example, annual fees for farm sizes from 10-100 acres are currently \$1,084 + \$6.70/Acre); the cost to prepare annual monitoring reports; and water quality monitoring costs. To enroll as an Individual Discharger under the Irrigated Lands Regulatory

Program, call the Central Valley Water Board phone line at (916) 464-4611 or e-mail board staff at IrrLands@waterboards.ca.gov.

Low or Limited Threat General NPDES Permit

If the proposed project includes construction dewatering and it is necessary to discharge the groundwater to waters of the United States, the proposed project will require coverage under a National Pollutant Discharge Elimination System (NPDES) permit. Dewatering discharges are typically considered a low or limited threat to water quality and may be covered under the General Order for *Dewatering and Other Low Threat Discharges to Surface Waters* (Low Threat General Order) or the General Order for *Limited Threat Discharges of Treated/Untreated Groundwater from Cleanup Sites, Wastewater from Superchlorination Projects, and Other Limited Threat Wastewaters to Surface Water* (Limited Threat General Order). A complete application must be submitted to the Central Valley Water Board to obtain coverage under these General NPDES permits.

For more information regarding the Low Threat General Order and the application process, visit the Central Valley Water Board website at:
http://www.waterboards.ca.gov/centralvalley/board_decisions/adopted_orders/general_orders/r5-2013-0074.pdf

For more information regarding the Limited Threat General Order and the application process, visit the Central Valley Water Board website at:
http://www.waterboards.ca.gov/centralvalley/board_decisions/adopted_orders/general_orders/r5-2013-0073.pdf

If you have questions regarding these comments, please contact me at (916) 464-4684 or tcleak@waterboards.ca.gov.



Trevor Cleak
Environmental Scientist



Calaveras County Assessor's Office

Leslie K. Davis

Assessor
RECEIVED

AUG 18 2015

Calaveras County
Planning Department

To: Calaveras County Planning Department / Attn: Darcy Goulart

From: Lorna Baisch, Assessor's Office

Date: August 18, 2015

Re: Planning Application No. 2015-048 / Planned Development for Mark Twain Healthcare

APN(s): 073-049-002, 003, 004, 005, 006 and 073-047-001

Pursuant to your request dated (07/22/2015) the Assessor's Office provides the following information. This review is informational only, made of limited public documents and should be confirmed before conditions or recommendations are made.

1. **Assessor's Parcel Number(s):** Parcel listed on application appears to cover entire project.
2. **Ownership:** Polycomp Trust Co Custodian FBO Marvin W Stark
3. **Transfer Documents Needed:** None at this time.
4. **Status / TRA:** 051-142
5. **Remarks / Conditions of Approval:** N/A
6. **Deadline for Response:** August 12, 2015
7. **Other:** Preliminary Change of Ownership Statements may be required for recordation of any deeds or documents needed to finalize this project. These statements may be picked up in the offices of Title Companies; the Calaveras County Clerk/Recorder or the Assessor's Office.



Mark Twain Health Care District

Resolution No. 2015-5

A RESOLUTION AUTHORIZING APPLICATION REPRESENTATIVE

BE IT RESOLVED, by the Mark Twain Health Care District (MTHCD) that the Executive Director is hereby authorized and approved to sign the County of Calaveras Indemnification Agreement.

BE IT RESOLVED by the MTHCD that they understand the obligation of applicant to defend, indemnify, and hold harmless arises only if the county notifies Applicant of any claim, action, or proceeding within a reasonable time after the County knows of the claim, action, or proceeding.

BE IT RESOLVED, by the MTHCD that they understand Applicant shall not be required to pay or perform any settlement unless the settlement is approved in advance by the Applicant. The County must approve any settlement affecting the rights and obligations of the County.

CERTIFICATION

The forgoing resolution was duly approved and adopted by the Board of Directors of the Mark Twain Health Care District (MTHCD) at a regular meeting on the 26th day of August 2015 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mark Twain HealthCare District Mission Statement

“Through community collaboration, we serve as the stewards of a community health system that ensures our residents have the dignity of access to care that provides high quality, professional and compassionate health care”.

INDEMNIFICATION AGREEMENT

1. The undersigned Mary Twin Health Care District
David Dorn, Executive Director
(Print - Names of All Applicant(s) / Lender(s)) D/D

Applicant hereby agrees, as a condition of approval of _____
Planned Development Application
(Permit # / license / other entitlement assigned by Planning Department)

to defend, indemnify, and hold harmless the County of Calaveras (County) and its agents, officers, and employees from any claim, action, or proceeding against the County or its agents, officers, and employees arising from such approval. The obligation of Applicant to defend, indemnify, and hold harmless arises only if the County notifies Applicant of any claim, action, or proceeding within a reasonable time after the County knows of the claim, action, or proceeding.

2. Applicant shall, upon written request of the County, prepare a defense for the County at Applicant's sole expense. Alternatively, the County, at the County's sole discretion, may prepare its own defense, with Applicant paying the reasonable costs of the County's defense. Such costs shall include attorney fees and other related costs of defense, including without limitation, travel, postage, photocopies, and County staff costs.

3. Applicant shall not be required to pay or perform any settlement unless the settlement is approved in advance by the Applicant. The County must approve any settlement affecting the rights and obligations of the County.

4. In all cases, regardless of whether the County or the Applicant defends the County, the Applicant shall indemnify the County for any judgment, order, or settlement rendered as a result of any claim, action, or proceeding arising from the approval.

5. At no time shall Applicant file any complaint, cross-complaint, or any offensive pleadings in an action arising out of the County's approval without first obtaining the County's written approval.

6. The Applicant shall pay to the County, within thirty calendar days upon written demand, any amount owed to the County as a result of the County incurring costs or expenses due to its defense under the terms of this Agreement.

7. The obligations specified herein shall be binding on any successors or assigns of

Applicant:

8. This Agreement may be signed in counterpart but must be signed by all applicants and landowners.

Date: 6/24/15 Applicant/Landowner: Dayman R. Dass
(Print name)
Dayman R. Dass
(Signature*)

Date: _____ Applicant/Landowner: _____
(Print name)

(Signature*)

Date: _____ Applicant/Landowner: _____
(Print name)

(Signature*)

Date: _____ Applicant/Landowner: _____
(Print name)

(Signature*)

Date: _____ Applicant/Landowner: _____
(Print name)

(Signature*)

***Signatures must be notarized.**

(Include additional applicant and/or landowner signatures on an attached sheet.)

If the deed shows the owner(s) to be a corporation, partnership, or limited liability company, a copy of a Resolution or other official document (consistent with California Corporations Code §§ 300-318, 16301-310, 17150-158) shall be provided, authorizing the signatory(ies) to approve and execute this agreement.

COUNTY OF CALAVERAS

APPROVED AS TO LEGAL FORM

By: _____
Planning Director

By: _____
County Counsel

State of _____

ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Sonoma

On June 24, 2015 before me, Sarah L. Hampton Notary Public
(insert name and title of the officer)

personally appeared Daymon R. Doss
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

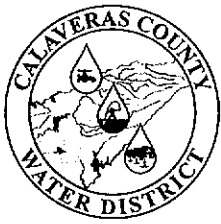
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Sarah L. Hampton (Seal)



Indemnification Agreement
Type of Document



CALAVERAS COUNTY WATER DISTRICT

120 Toma Court • P O Box 846 • San Andreas, CA 95249 • (209) 754-3543

August 12, 2015

Darcy Goulart, Planner III
County of Calaveras Planning Department
Government Center
San Andreas, CA 95249

Re: Jenny Lind / APN's 073-047-001, 073-049-002, -003, -004, -005, -006
Parcel 8, PM Bk 9, Pg 148, Parcels 1-4 & Adj. Parcel, PM Bk 10, Pg 105
2015-048 Planned Development for Mark Twain Healthcare District

Dear Ms. Goulart:

In response to your Notice received July 27, 2015, CCWD would like to make the following comments:

1. These comments pertain to the proposed development of APN 073-049-004 only. Other properties noted above must make application for water and sewer services as their development occurs.
2. APN 073-049-005 referenced above is currently served by CCWD with a standard residential water service connection. Other parcels referenced are not currently served.
3. The District cannot comment on the availability of water and/or sewer service to parcel APN 073-049-004 without an application for concept review.
4. The applicant must make application for concept review to the District.

Please contact me at (209) 754-3192 should you have any questions or require further information.

Sincerely,

CALAVERAS COUNTY WATER DISTRICT

A handwritten signature in black ink, appearing to read "RBC", is written over a horizontal line.

Robert Creamer
Engineering Analyst

RC/tbk

cc: Mr. Daymon Doss
Mr. Nathan Morgan