

Community Memorial Health System

Project Update

November 3, 2016



Community Memorial Health System

Where Excellence Begins with Caring



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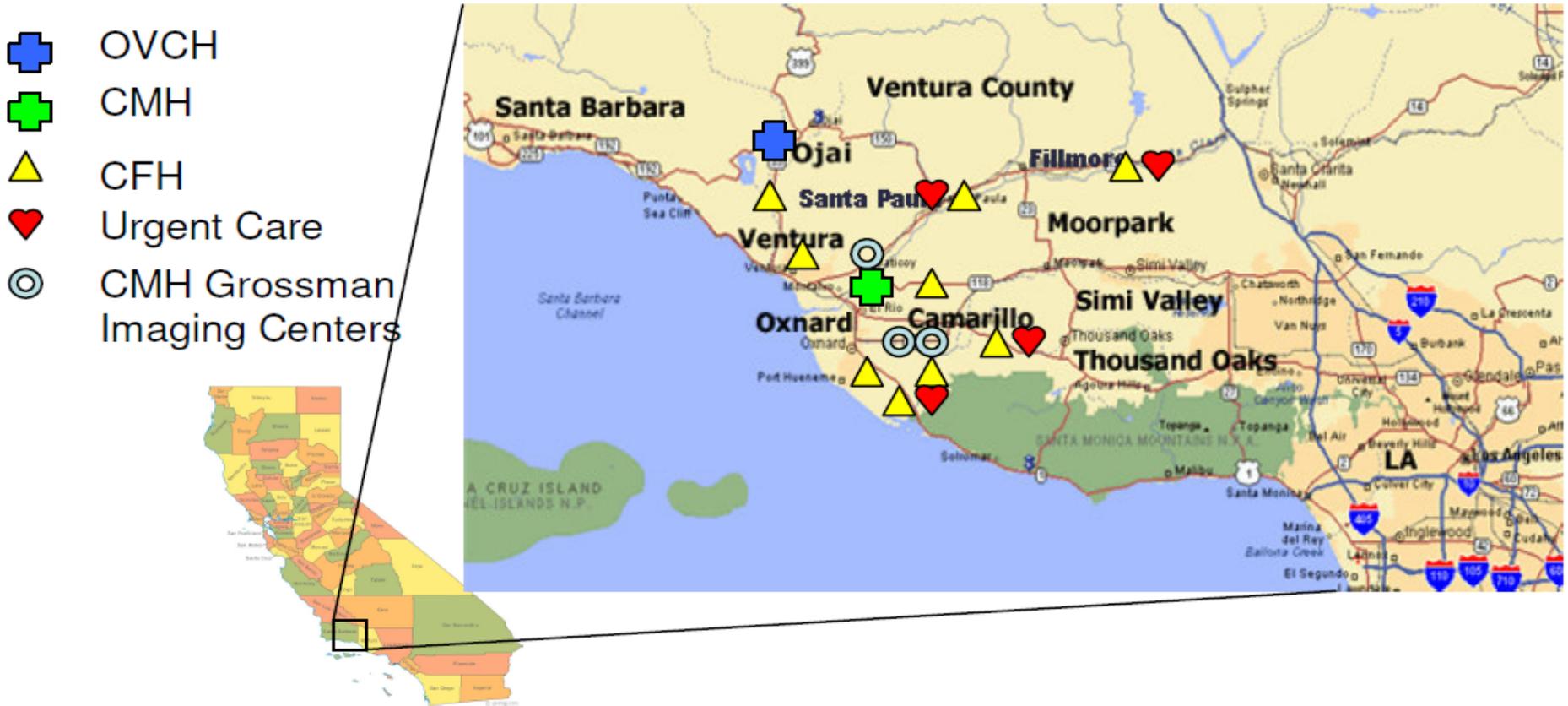
- 1) Who We Are
- 2) Project Description
- 3) Results to Date
- 4) Questions and Answers

Our Organization

- Community Memorial Hospital was established as a single hospital site in 1901
- Community Memorial Health System “(CMHS)” was formed in 2005 through the merger of Community Memorial Hospital (currently 242 licensed beds) and Ojai Valley Community Hospital (25 Bed Critical Access Hospital), and is highly valued as the only private, independent, not-for-profit healthcare organization in Ventura County
- CMHS also consists of the following:
 - A Skilled Nursing Facility 66=>75 beds
 - Fourteen 1206(d) Clinics (four of which are designated as federal rural health clinics) 275,000 visits per year
 - Four urgent care centers
 - Four imaging centers
- CMHS is completing construction of a 338,000 net square foot, 250-bed replacement facility for its main campus
- CMHS is a member of Vizient (VHA)

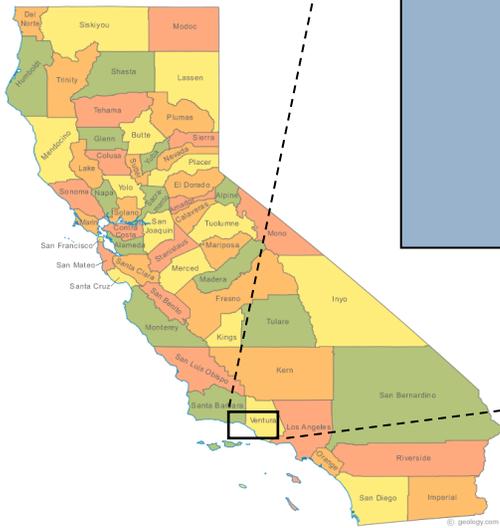


Community Memorial Health System is located in western Ventura County, California between Santa Barbara and Los Angeles, California



Market and Competitors

Exclusive Long-Term Contract with Kaiser Permanente

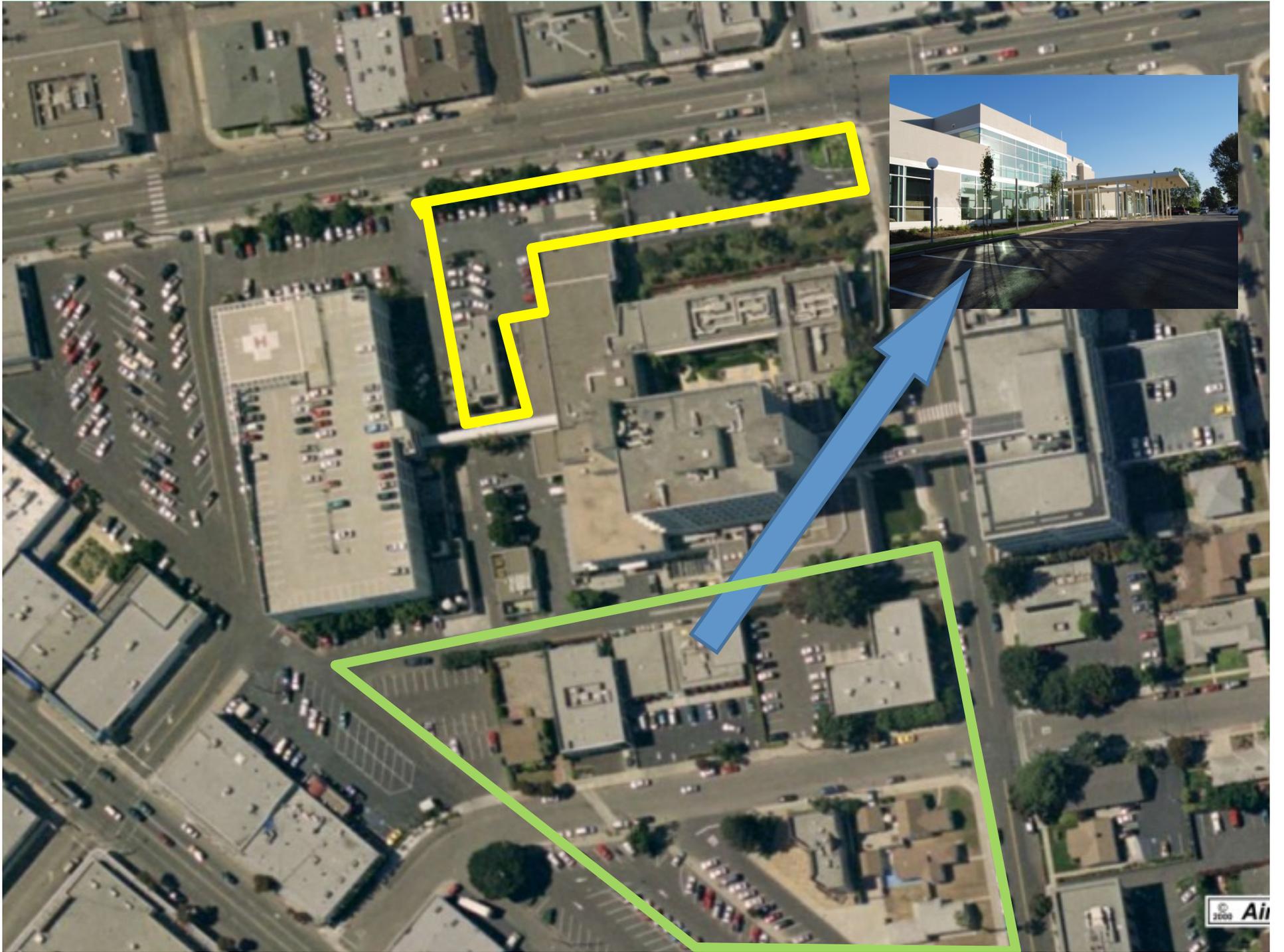


-  CMHS Hospitals: Community Memorial Hospital
Ojai Valley Community Hospital
-  Dignity Hospitals: St. John's Regional Medical Center
St. John's Pleasant Valley Hospital
-  County Hospitals: Ventura County Medical Center
Santa Paula Hospital
-  HCA Hospital: Los Robles Regional Medical Center

The Projects

1. Ojai Valley Community Hospital
 - SB 1953 Seismic Compliance
 - Modernization
 - All Private Rooms
2. Community Memorial Hospital
 - SB 1953 Seismic Compliance
 - Replacement and Expansion
 - 242 Semi Private => 250 Private
 - Modernization
 - State-of-the-Art
3. 571-Space Parking Structure
4. Ojai Valley Skilled Nursing Facility
 - 66 beds => 75 beds



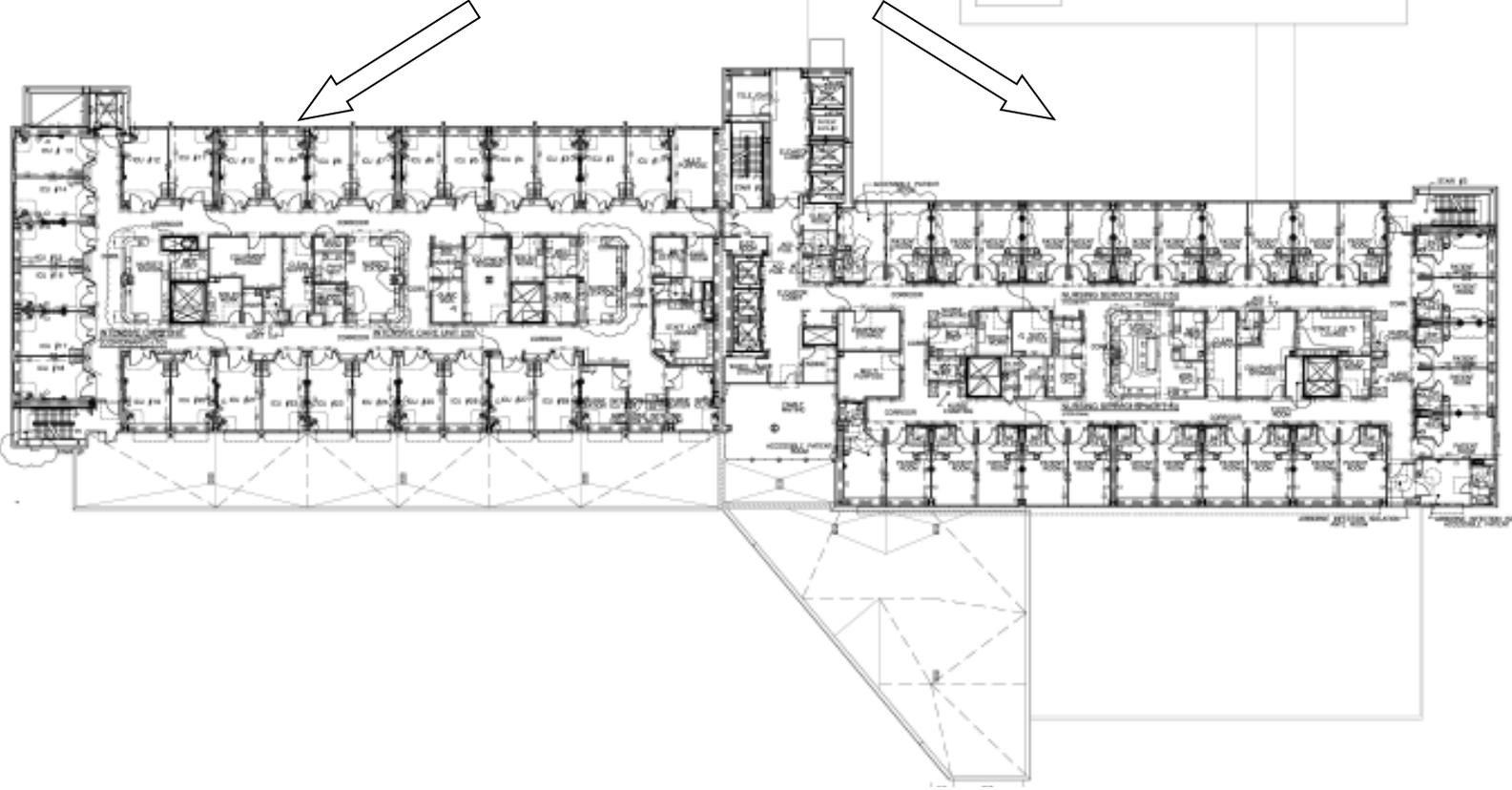




Current Hospital
44-bed Med/Surg Unit



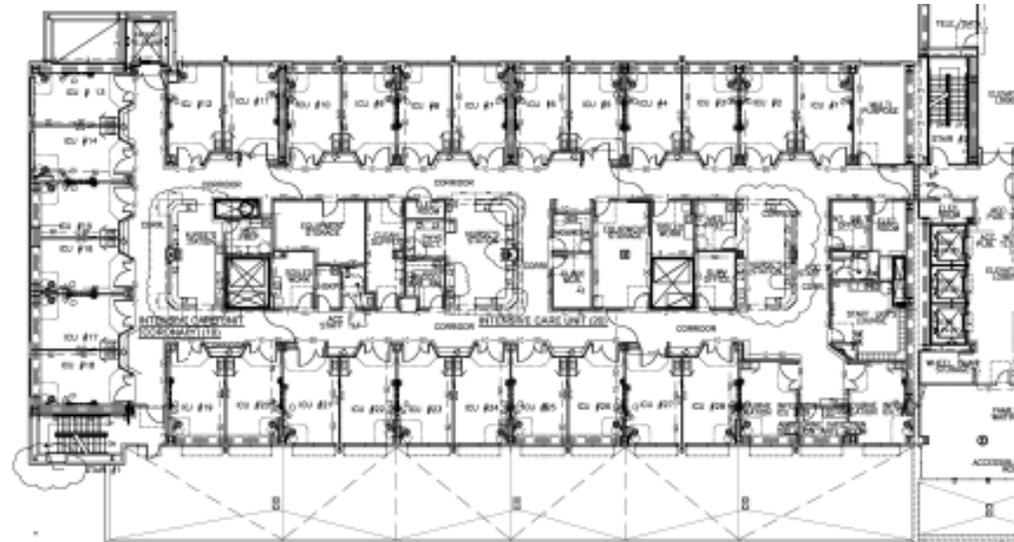
New Hospital 30-bed units



Existing ICU/CCU
21 Beds



New ICU/CCU
28 Beds



CMH Licensed Beds and Ancillary Capacity:
Current versus Planned

	Current	Following the Project	Increase
Acute Care Licensed Beds			
Total	242	250	8
Private Beds	67	250	183
General Acute	200	191	(9)
Neonatal	16	23	7
Coronary and ICU	21	28	7
Pediatric	5	8	3
Ancillary Capacity			
Emergency Room Beds	21	40	19
Surgery Suites	8	10	2
Cath Labs	3	5	2

*Projected bed demand based on Functional and Space Program: 9-2004: Lee, Burkhart, Liu and KSA



Contractor Selection

- Design Build Firm: HBE, St. Louis, Missouri
- Mixed Reputation
 - Affordable & Good Quality
 - Challenging Personalities
 - Need to Hire Consultants to specify major equipment
 - Need to manage Change Order Process
 - Delays

CMH Project Update

- Project Started Fall 2011
- In 2012 HBE Announced it would no longer begin new projects
- Turnover in On-Site Management
- HBE Management augmented by Jones, Lang Lasalle
- Quality good
- On Budget
- Project Delayed 23 Months
 - March 29, 2015 => February 27, 2017
 - \$10,000/Day Liquidated Damages

Budget To Date

Replacement Hospital Project Expenditures:					
	June 30, 2016				
	Original	Owner's	Line Item	Adjusted	
	Budget	Change Order	Transfer	Budget	Paid
Construction	\$ 185,114,925	\$ 5,108,664	\$(7,869,550)	\$ 182,354,039	\$ 149,085,197
Equipment and Furnishings	31,449,600	1,124,620	1,194,374	33,768,594	7,154,402
Design Fees		437,650	21,224,929	21,662,579	21,349,963
Administrative Costs	27,472,955	8,927,230	(15,170,419)	21,229,766	19,170,850
Project Land Acquisitions	16,446,220			16,446,220	12,763,303
Contingency	13,400,000	(13,598,164)	620,666	422,502	
Total	273,883,700	2,000,000	-	275,883,700	209,523,715

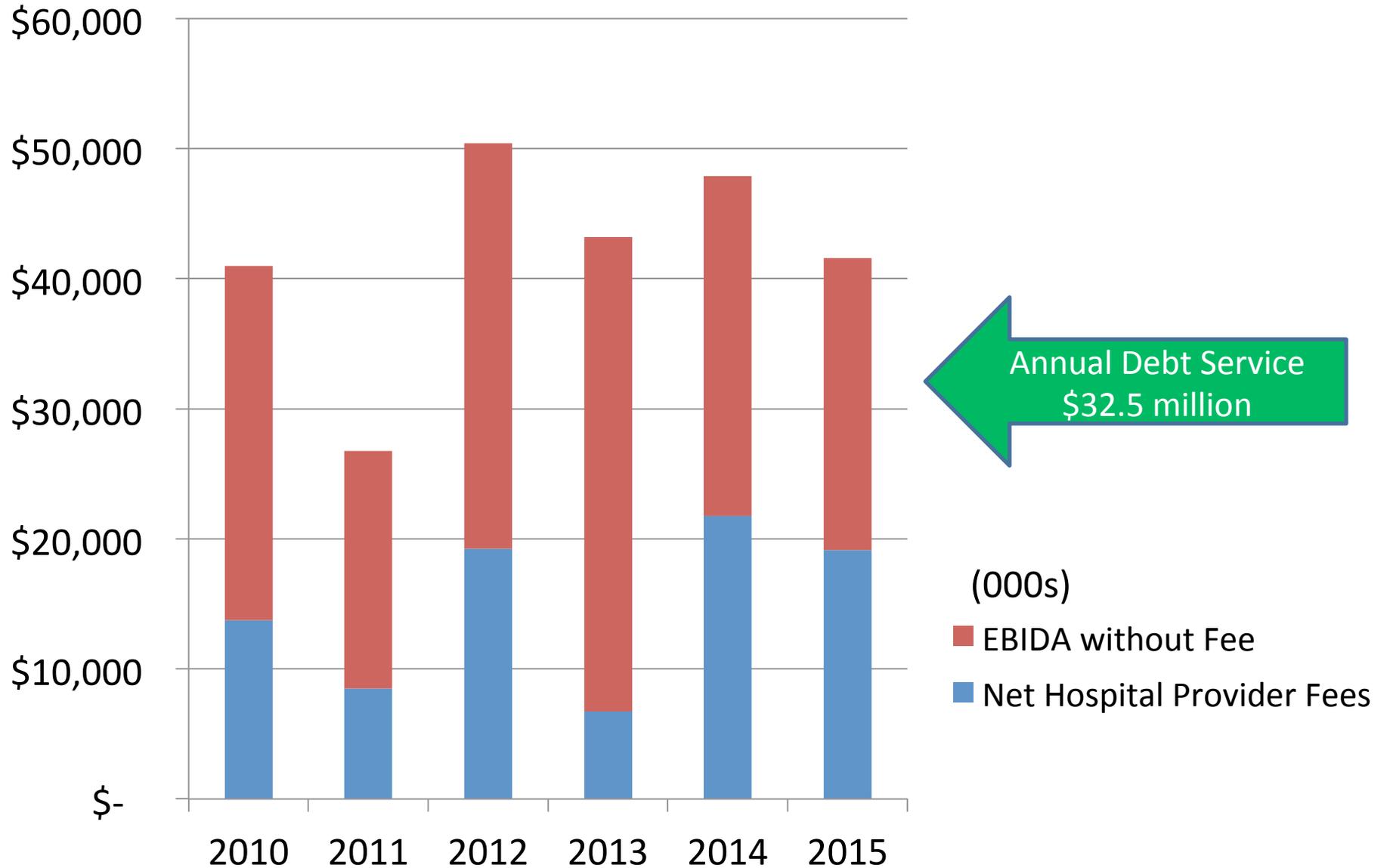
The Bond Issue

- Cal-Mortgage and FHA proposals were rejected
 - 1st Time Borrowers; Bond Issue Too Large
- \$350 million: August 4, 2011
 - City of San Buenaventura Revenue Bonds 2011
 - Orrick, Herrington & Sutcliffe, LLP
 - Healthcare Financial Solutions
 - Merrill Lynch
 - Below Investment Grade Ratings
 - Ba2/Stable: Moody's
 - BB/Stable: Standard and Poors
 - Rating has since improved to BBB

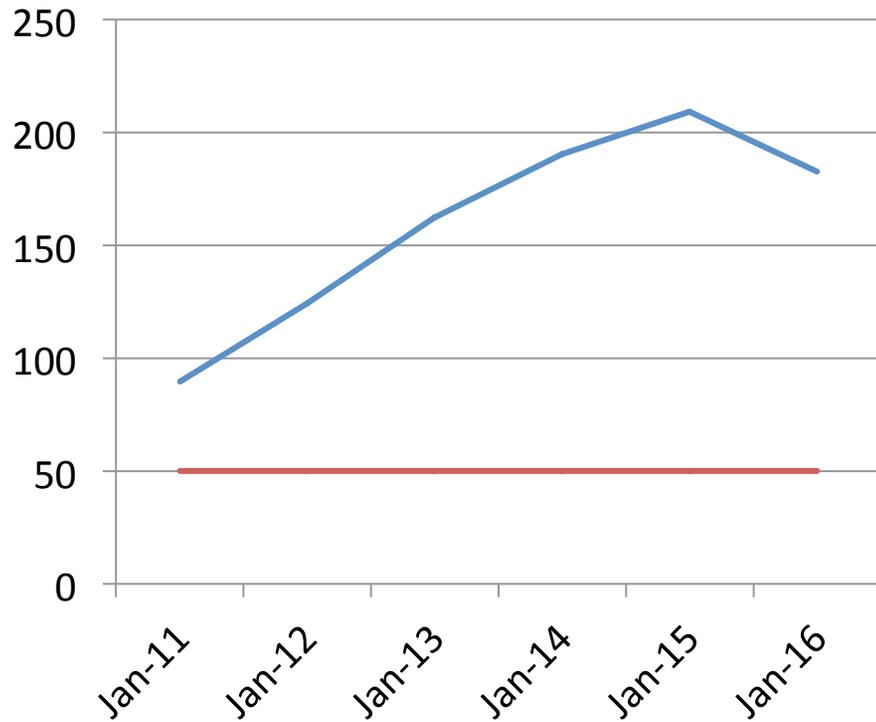
Operating Performance

(000s)	2010	2011	2012	2013	2014	2015
Operating Income	\$ 21,743	\$ 11,570	\$ 29,008	\$ 18,195	\$ 31,685	\$ 31,362
Net Income	\$ 28,244	\$ 13,253	\$ 37,350	\$ 30,253	\$ 35,506	\$ 29,064
EBIDA	\$ 40,972	\$ 26,775	\$ 50,404	\$ 43,223	\$ 47,875	\$ 41,570
EBIDA %	13.5%	9.0%	15.3%	13.4%	13.6%	11.1%
Net Hospital Provider Fees	\$ 13,766	\$ 8,497	\$ 19,232	\$ 6,723	\$ 21,784	\$ 19,148

EBIDA with Net Provider Fee

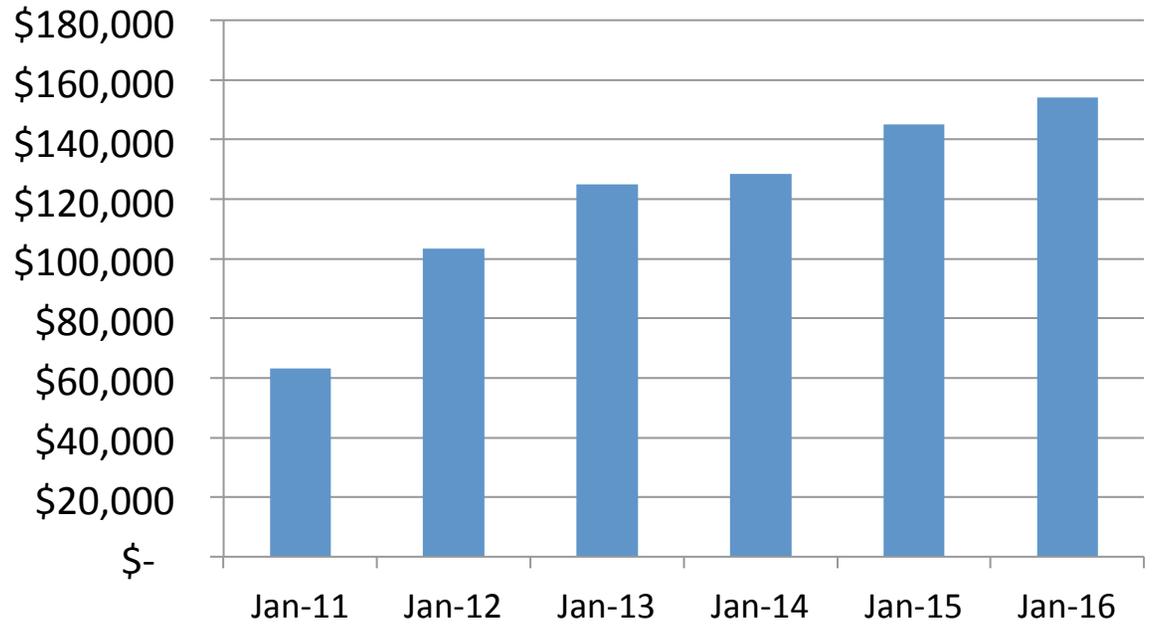


Liquidity



— Days Cash On Hand
— Default

Investment Portfolio (000's)



Questions?

- Knowing what you know now, would you have chosen a different contractor?
- What would you have done differently?
- Your Questions, Please