



Investing in the Health of our Community

Estimating the required investment

Acknowledgement and Thank-You

- Coalition for Orcas Health Care Finance Committee

Joe Cohen

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- Orcas Family Medical Center

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- Orcas Medical Foundation & UW Medicine

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Acknowledgement and Thank-You

- San Juan County
 - John Kulseth, Assessor
 - Milene Henley, Auditor
 - Rich Hughes, Orcas Council Member
- Washington State
 - Diann Locke, Property Tax Division
 - Kevin Ranker, State Senator

We Will Review

- Approach taken
- Key lessons learned
- Property tax rules
- Timeline
- The assumptions made
- The investment required
- What it means to you

Approach

- Consult with best available resources to quantify best estimates for economics of establishing and operating a PHD that enables our existing health care providers to meet the primary and urgent care needs of our community in a sustainable fashion.
- Resources consulted:
 - Existing clinics – UW and OFHC
 - Orcas Medical Foundation
 - County officials – Assessor and Auditor
 - Lopez interim superintendent
 - Financial institution for financing alternative
 - State property tax specialists

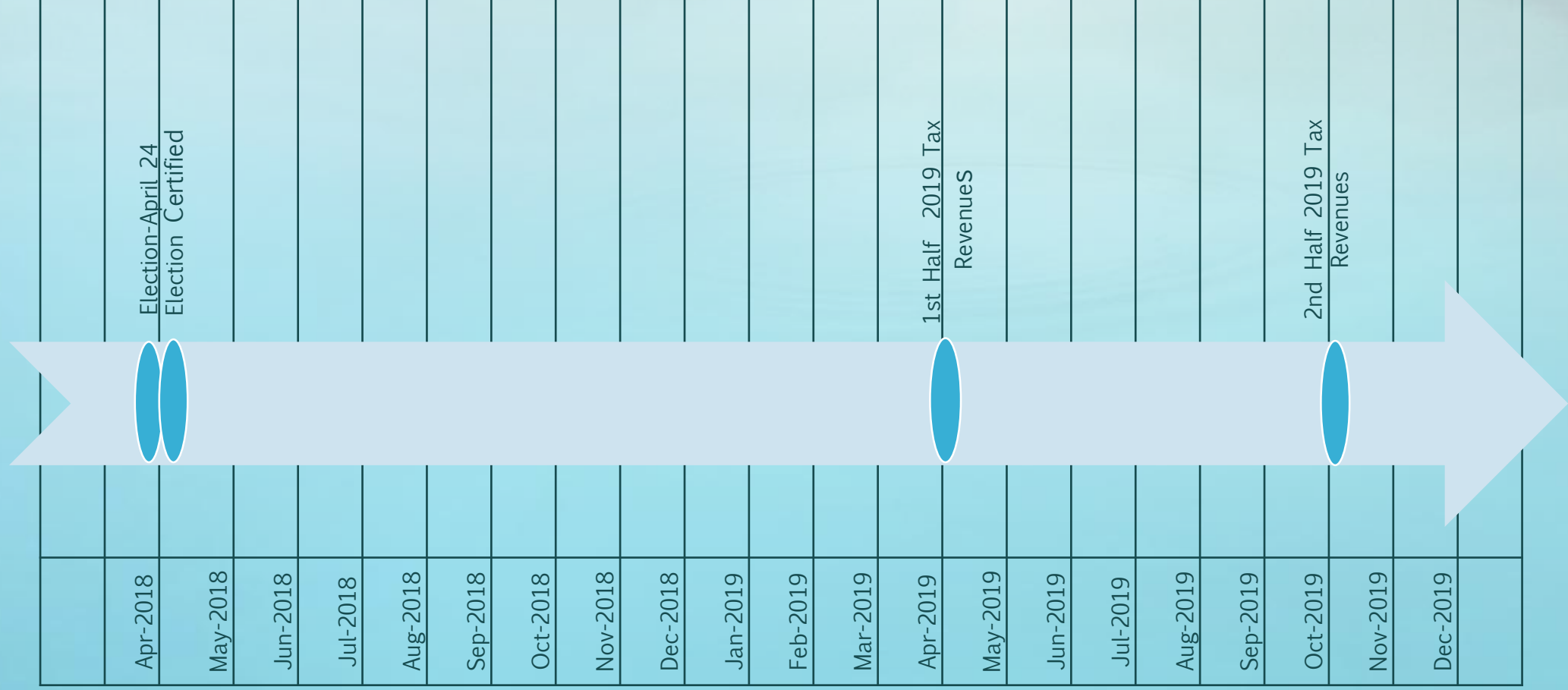
Key Lessons Learned

- The costs associated with operating a district vary year to year due to timing of:
 - Elections
 - Contracts with providers
 - Building and equipment needs
- The timing between when our clinics need assistance and when levy funds become available has significant impact on initial levy rates.
- There are strong resources available to help our commissioners out of the gate (Lopez PHD, AWPHD, others).

Property Tax Primer

- Property taxes authorized in 2018 are assessed and become available in 2019.
- Property taxes collected in a year are the product of that year's assessed property value times that year's tax rate.
- Maximum PHD tax rate is \$0.75/thousand; commissioners set rate in November when budget for following year is finalized.
- Tax amount that can be collected in a given year is limited to restraints of Proposition 747 (1% plus new construction).
- Tax levied year to year can be modified to meet the districts needs, as long as Proposition 747 and the \$0.75 statutory limit are honored.

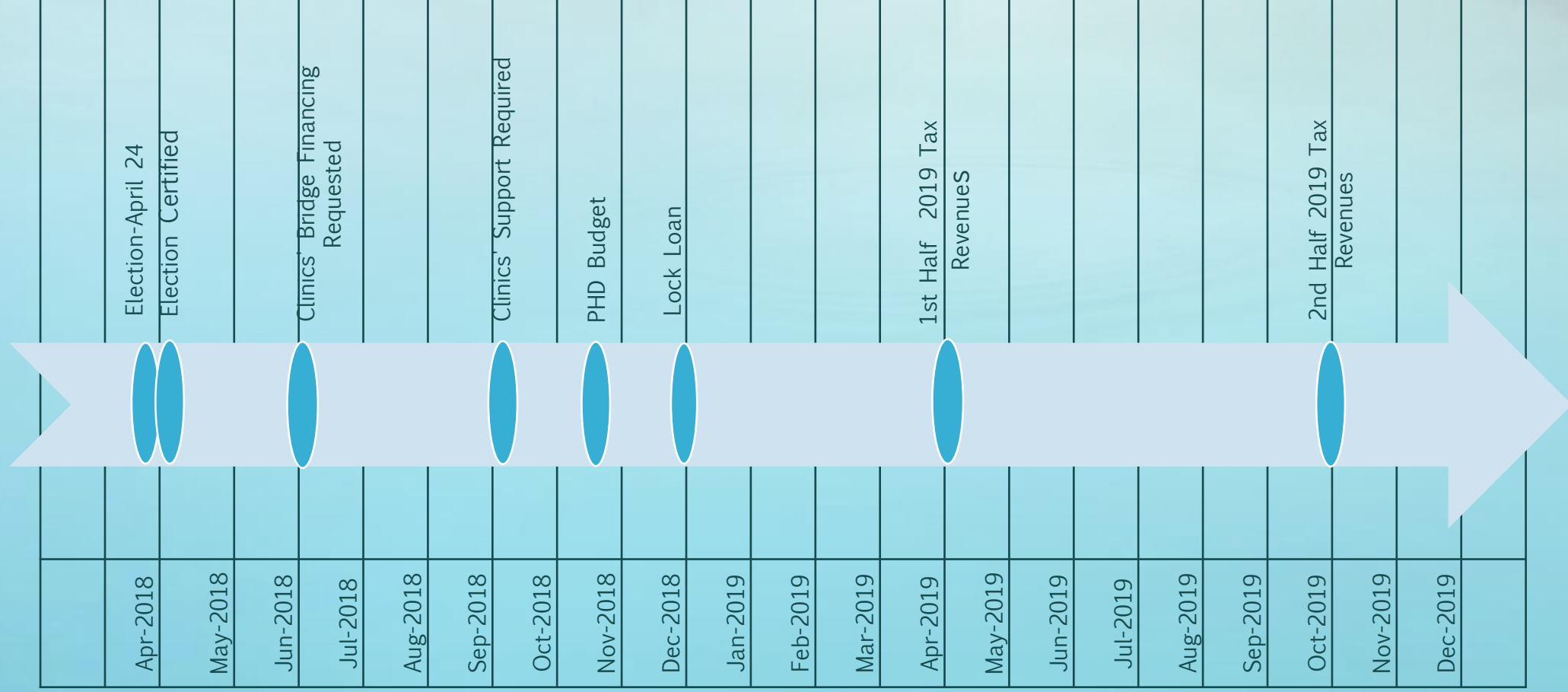
PHD Critical Time Line



Assumptions Made

- PHD would fund two existing primary health clinics at existing levels assuming sustainable model (no reliance on donated salaries, appropriate building and equipment maintenance)
- First payments to clinics to be made October 2018
- Short term line of credit would be established in May 2018
- Long term (10 year) financing for debt would be acquired to consolidate all expenses from inception through December, 2018.
- PHD Administrative Expenses modeled after Lopez PHD formation with modifications to acknowledge our unique structure.

PHD Critical Time Line

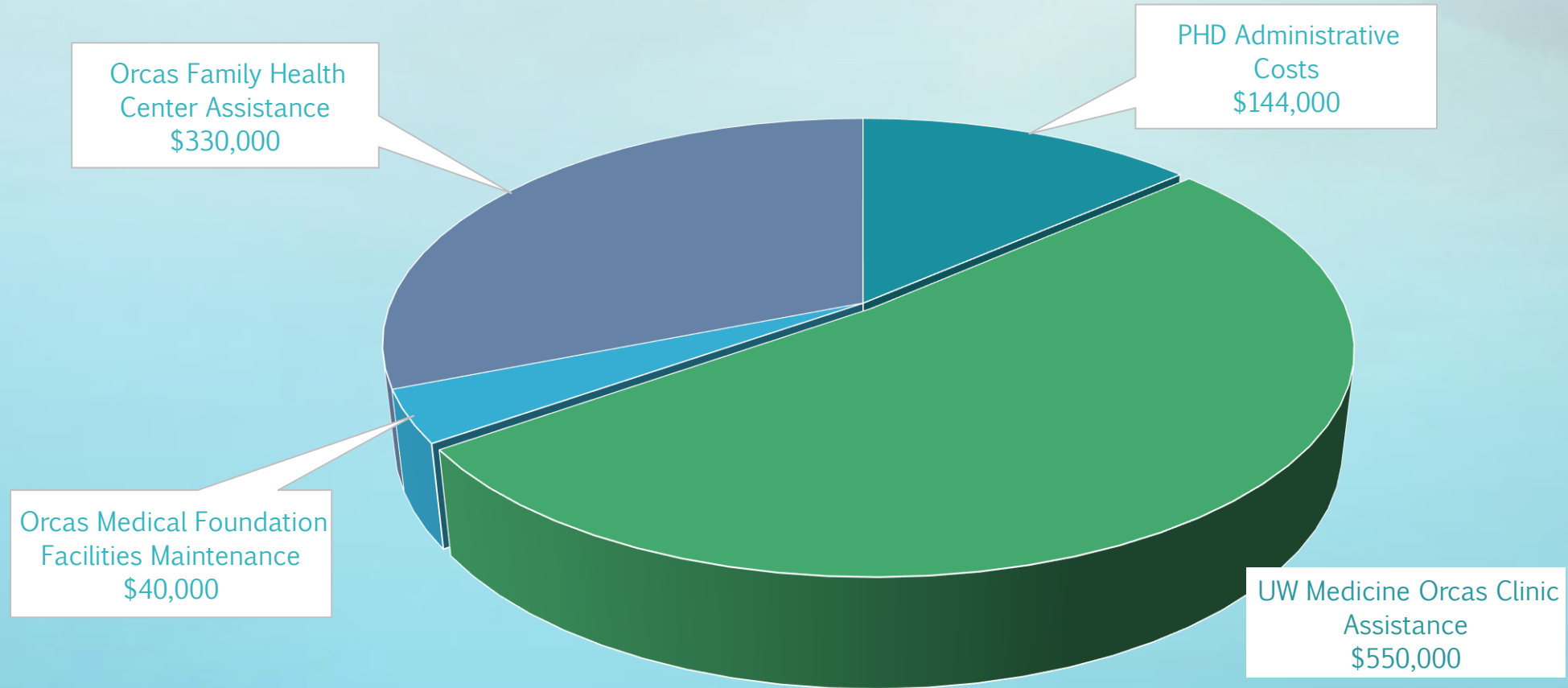


Initial Investment to Establish PHD

Election Expense	\$20,000
Commissioners Compensation	12,000
Legal	13,500
Accounting	5,000
Professional Fees	15,000
Technology & Communication	5,000
Office, Utilities, Etc.	2,500
Equipment & Furniture	8,000
Travel and Training	<u>7,500</u>
Total Estimated Initial Setup Costs	\$88,500

Medical Practice/PHD Support

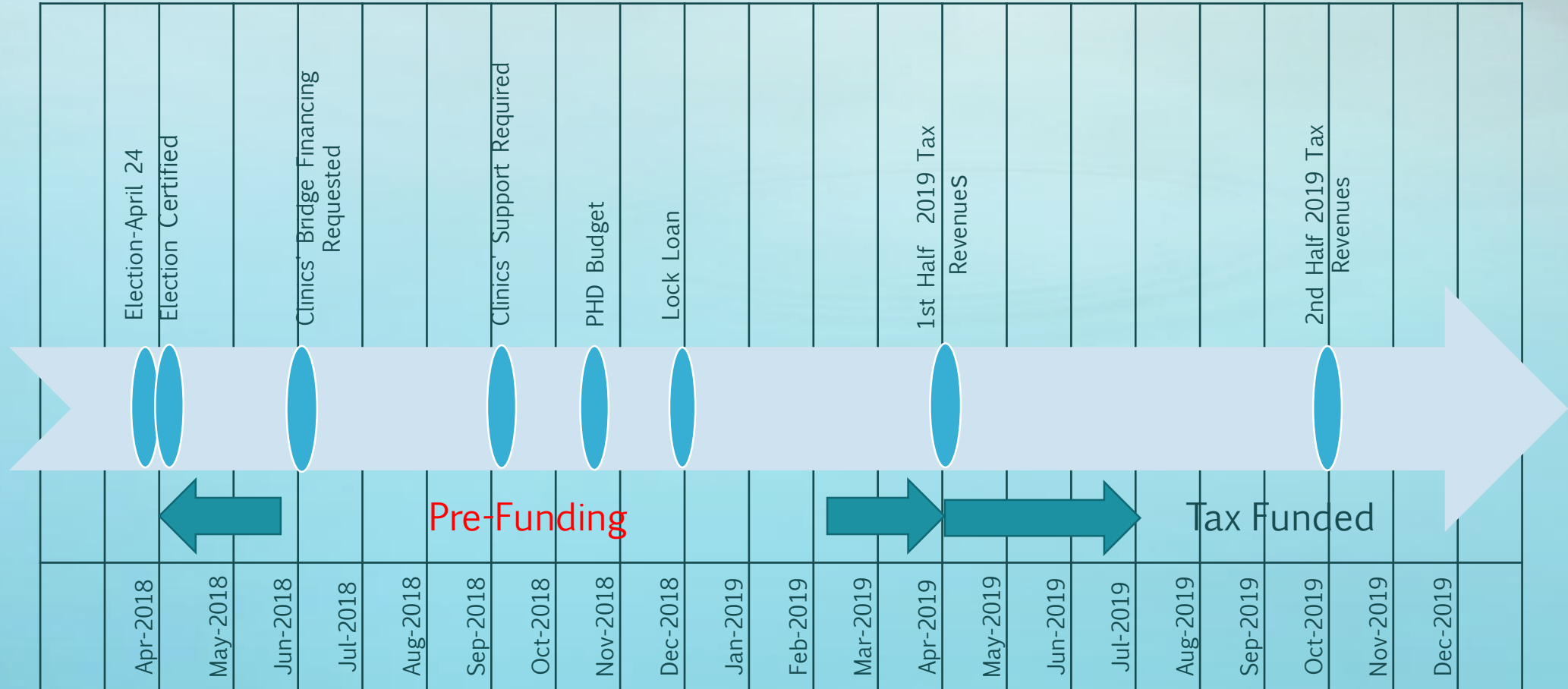
ESTIMATED ANNUAL COSTS- \$1,064,000



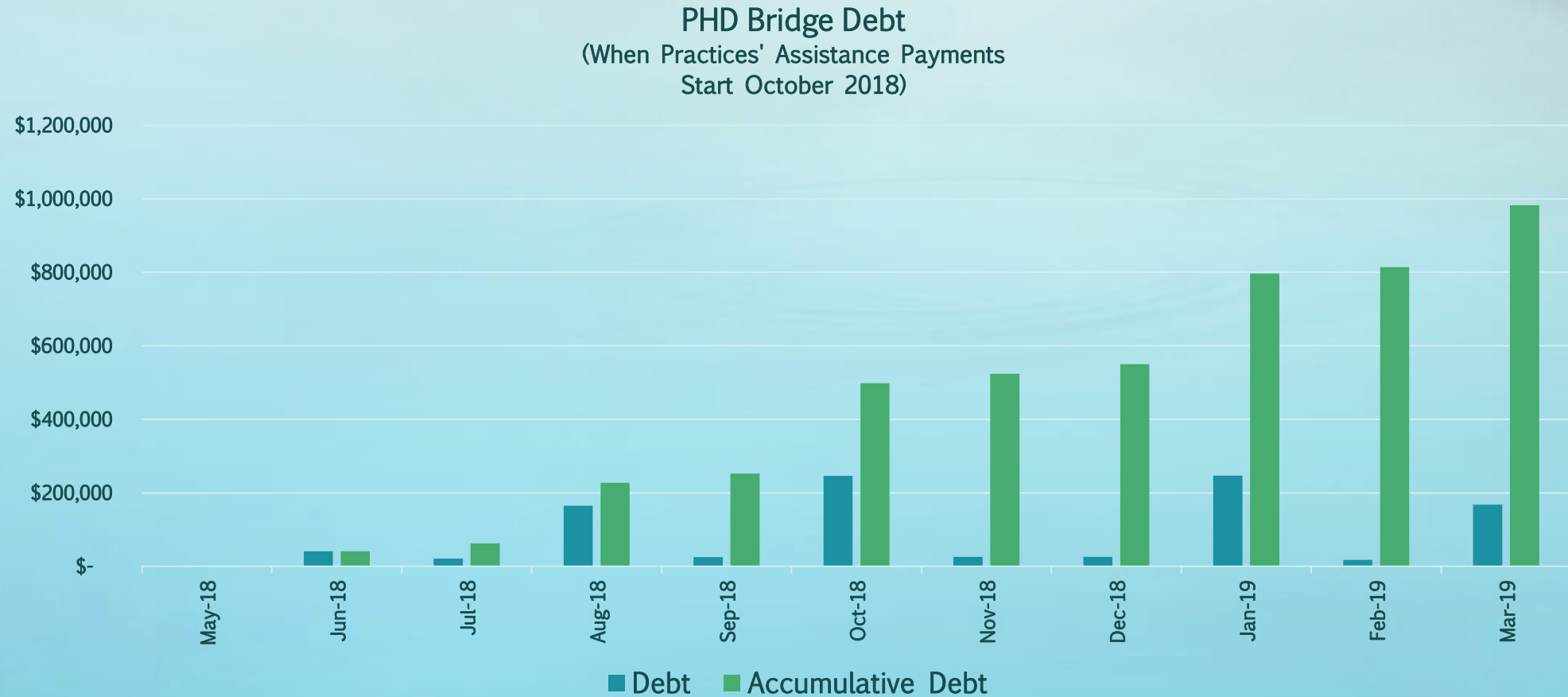
Potential Capital Expenditures

- During the transition period there maybe some possible major capital expenditures.
 - HVAC
 - New X-ray machine
- Hopefully they will be not be required but just in case we have budgeted \$290,000 in our model.
- Budgeted to occur before line of credit expires so they can be rolled into long term amortization of expended credit line

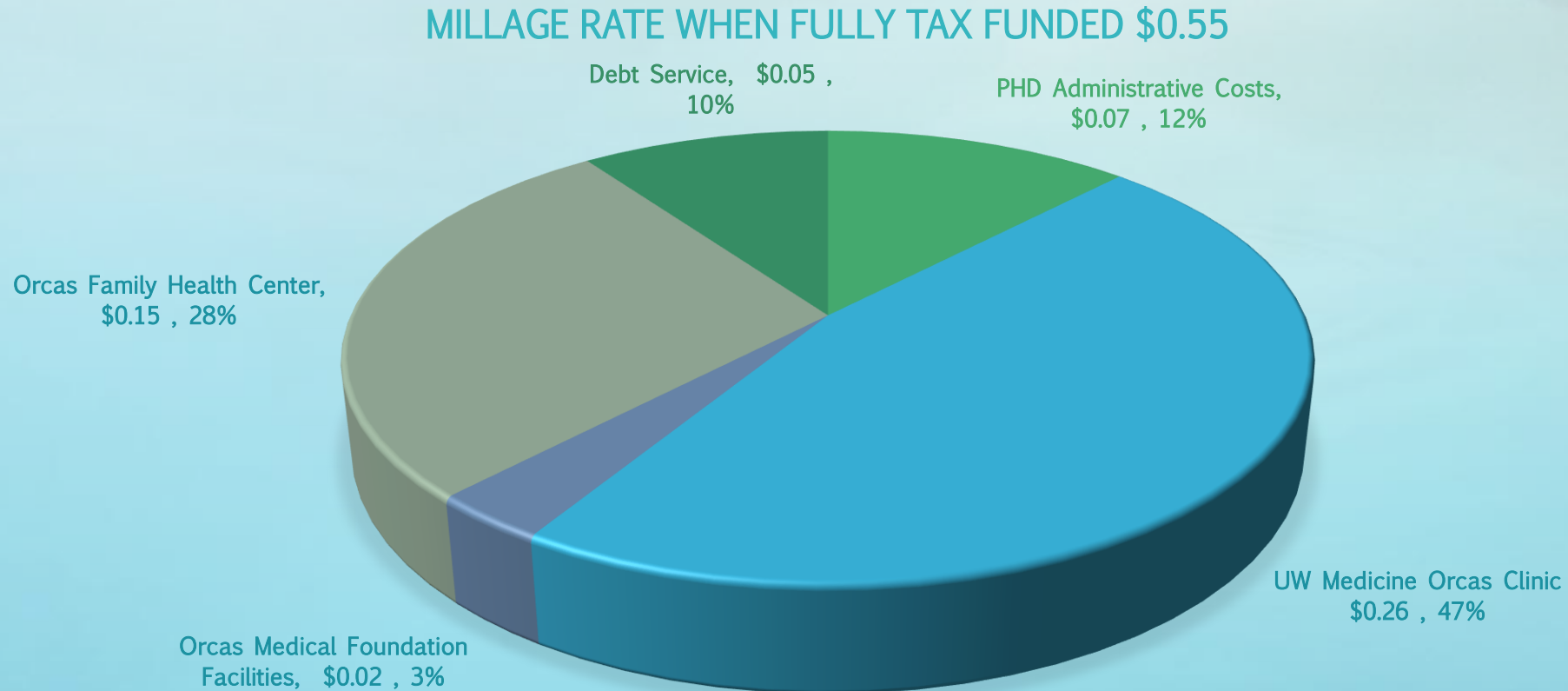
PHD Critical Time Line



Bridge Debt Accumulation



When Tax Funds Available: Cost Breakdown



Likely Millage Rate As Modeled

Estimated 2018 Property Assessment in PHD \$ 2,152,529,000

Tax Collected Annually at the following Millage Rates

Millage Rate	Levy Amount
\$0.75	\$1,614,000
0.70	1,507,000
0.65	1,399,000
0.60	1,292,000
0.55	1,184,000
0.50	1,076,000



Quantifying Your Investment

Millage Rate Per Thousand		\$0.55	\$0.60	\$0.75
Impact per \$100K Assessed Value		\$55	\$60	\$75
Home Assessed Value		Annual Tax Amount		
	\$400,000	\$220	\$240	\$300
	600,000	\$330	\$360	\$450
	800,000	\$440	\$480	\$600

Cautions

- Numbers are for illustrative purposes
- Elected commissioners will make final decisions as allowed under RCW 70.44.060
- Certain assumptions were made around timing, debt, and financing that could be significantly different from what elected commissioners ultimately decide.

Cautions (cont.)

- We have shown that for a millage rate of \$0.55-\$0.60 the PHD could sustainably fund the two existing practices as currently structured delivering medical services to the Orcas community at existing levels.
- This is not the same as determining whether or not the current levels of medical services provided are appropriate and being delivered in an efficient manner. Such a determination is reserved for the PHD commissioners as they interact with the existing practices as they set the PHD's budget.

Questions?

Backup Slides for Calculations

More Information on Millage Rate

		<u>Change</u>
2017 Millage Rate	\$7.14	
2018 Millage Rate	7.88*	0.749
Projected 2019 Millage Rate With PHD	8.43	0.550

* Based on estimate from John Kulseth, SJC Assessor. Includes new school bond, levy, McCleary decision

Estimated Typical Annual PHD Operating Costs

Salaries, Benefits & Taxes	65,000
Commissioners Compensation	18,000
Legal	5,000
Accounting	6,000
Professional Fees	8,000
Technology & Communication	6,000
Office, Utilities, Etc.	6,000
Telephone and Internet	2,000
Equipment & Furniture	500
Travel and Training	2,500
Meeting Expenses	500
Board and Officers Insurance	2,500
Election Expense	2,000
Miscellaneous	1,000
Total With Commissioners Comp	\$125,000*

* Estimated costs in a typical year with no major contract renewals.