

***** NOTE: TO RETURN TO THIS PAGE, CLICK ON THE COUNTY SEAL *****

[CLICK HERE FOR CHIEF EXECUTIVE OFFICER'S REPORT DATED MAY 12, 2011](#)

[CLICK HERE FOR CHIEF EXECUTIVE OFFICER'S REPORT DATED APRIL 25, 2013](#)



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

May 12, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

MARTIN LUTHER KING, JR. - LOS ANGELES HEALTHCARE CORPORATION - ANNUAL REPORTING PROCESS FOR ONE-TIME START-UP FUNDS

On March 8, 2011, your Board instructed the Chief Executive Officer (CEO) to discuss with the Martin Luther King, Jr. – Los Angeles Healthcare Corporation Board of Directors (MLK Healthcare Board) an annual budget reporting mechanism so your Board is informed on how the funds will be utilized.

As directed, this Office met with the Chair and members of the MLK Healthcare Board. We agreed the budget would be provided to this Office as part of the process by which the funds approved by your Board will be transmitted. We also agreed that a written request will be submitted to this Office, on behalf of the County, which will include a budget developed by the MLK Healthcare Board for funds to be transmitted. The written request and budget will be reviewed by this Office to ensure that it is consistent with the provisions of the Coordination Agreement between the County and the Regents of the University of California. This budget will then be forwarded to your Board.

In accordance with this process, the MLK Healthcare Board has submitted the attached document for the use of funds designated under the Services Pledge and Funding Agreement (Funding Agreement) for fiscal year (FY) 2010-11. Future requests will be similar in format.

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

Each Supervisor
May 12, 2011
Page 2

After your Board has approved the respective annual County Budget for each FY 2011-12 through 2014-15, this Office will amend the Funding Agreement for each respective fiscal year, pursuant to the authority delegated by your Board. Additionally, as further directed by your Board, written notification will be provided to your Board 30 days before execution of each amendment to the Funding Agreement.

In addition, as provided for in the Funding Agreement, the MLK Healthcare Board will submit to this Office, on an annual basis, an itemized report of all actual expenditures funded by monies received under the agreement, with detail for expenditures in excess of \$50,000. The first report will be due by October 31, 2011, which is 120 days after the end of the fiscal year, for expenditures in FY 2010-11. Subsequent annual reports will be due by October 31 of the respective fiscal year. This information will be presented to your Board upon receipt.

If you have any questions, please contact me or your staff may contact Sheila Shima, Deputy Chief Executive Officer, at (213) 974-1160.

WTF:SAS
MLM:MM:gl

Attachment

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Health Services

051211_MLK HEALTHCARE ANNUAL REPORTING

Martin Luther King Jr. Healthcare Corporation
ESTIMATED ALLOCATION OF FIRST YEAR START-UP FUNDING
4/20/2011
For the twelve months beginning May 1, 2011

Hospital Equipment/start-up *	\$ 7,350,000
Other identified Start up costs:	
Set Up Office	
Rent	84,000
Equipment	10,000
Build-out	50,000
Telephones	15,000
Build-out	10,000
Utilities	12,000
Admin assistant	50,000
Subtotal - office set up	231,000
Liability, Business, and Directors and Officers Liability Insurance	143,000
Executive Recruitment	132,000
Salaries	1,064,000
Legal Services	400,000
Community Needs Assessment and Care Delivery Planning	340,000
Community Outreach and Relations	240,000
Auditor	<u>100,000</u>
TOTAL	<u><u>\$ 10,000,000</u></u>

* - Note: The amounts specified are estimates and subject to change. Due to the timing of this start up, not all costs are specifically known at this time. The timing of the purchase of equipment and other start up costs will be determined as the start up of the hospital continues to move forward. These funds will be held in reserve and it is the intent of the Board of Directors to prudently invest and manage these funds until such time as their use becomes evident. The Board will comply with all terms of the Funding Agreement.



County of Los Angeles
CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

April 25, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

**MARTIN LUTHER KING, JR. HEALTHCARE CORPORATION – AMENDMENT #2 TO
THE SERVICES PLEDGE AND FUNDING AGREEMENT**

This is to advise your Board that consistent with prior approval, the Chief Executive Officer (CEO) will be executing an amendment to the Services Pledge and Funding Agreement with the Martin Luther King, Jr. Healthcare Corporation (MLK Healthcare) to provide annual funding payments in accordance with the Coordination Agreement. Per the Funding Agreement, first year funds in the amount of \$10 million were made available in Fiscal Year (FY) 2010-11. Subsequently, funds are made available in \$10 million annual payment amounts for four consecutive years (FYs 2011-12 through 2014-15), provided that: funds are approved by your Board through the County's annual budget process; approval by County Counsel is obtained prior to any such amendment; and the CEO notifies your Board in writing 30-days before execution of each amendment.

ACTUAL EXPENDITURES – FISCAL YEARS 2010-11 AND 2011-12

The Funding Agreement calls for MLK Healthcare to provide to the County actual itemized reports, with detail for expenditures in excess of \$50,000. MLK Healthcare has submitted and the review of the first and second annual itemized reports of all actual expenditures has been completed (Attachments 1 and 2). The CEO and Auditor-Controller (A-C) have reviewed such reports to ensure they are consistent with the provisions of the Coordination Agreement and the requirements as provided for in the Funding Agreement with MLK Healthcare.

"To Enrich Lives Through Effective And Caring Service"

*Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only*

A summary of expenditures, by FY, includes:

Actual Expenditures		
Fiscal Year	Total Expense	Purpose
2010-11	\$ 26,457	Reflects services and supplies for consultant services and legal fees. (a)
2011-12	\$2,792,876	Primarily reflects services and supplies for interim personnel and consultant services. (b)

(a) Refer to Attachment 1, minimal costs were incurred during this initial period.

(b) Refer to Attachment 2 for additional information.

The costs incurred during the first two noted FYs were primarily associated with interim personnel and consultants involved in critical planning efforts. Some key tasks and/or milestones achieved by MLK Healthcare during the referenced timeframe include:

- Engaged an interim management team, composed of nationally recognized consultants, for their expertise in hospital management, clinical operations, and accreditation and licensing, etc.;
- Created a fundraising Foundation to pursue the organization's long-term financial sustainability, as well as to assist in the development of community-based health prevention and wellness programs;
- Facilitated on-going discussions with UCLA leadership as they assume responsibilities identified in the Coordination Agreement;
- Engaged in discussions and planning with appropriate licensing entities to ensure adequate timing in advance of hospital opening; and
- Applied for 501(c)(3) status through the Internal Revenue Service and adopted many of the required policies (e.g., charity care policy) to maintain compliance with this status.

It should be noted that as the review process was being established, the timing and processing of actual expenditure reports for FYs 2010-11 and 2011-12 was delayed. However, now that a process has been determined, future actual reports will be provided by MLK Healthcare within 120-days following the end of a FY. As such, it is anticipated that the CEO and the A-C's review will be completed by November, with information provided to the Board before the end of the calendar year.

PROPOSED BUDGET - FISCAL YEAR 2012-13

Amendment #2 will allow the CEO to provide the third annual payment for start-up costs under the Funding Agreement with MLK Healthcare for operating expenses and to continue efforts necessary for establishment of the new private, non-profit, Martin Luther King, Jr. Community Hospital (MLK Hospital). The third annual payment of \$10 million is reflected in the County's FY 2012-13 Final Budget. Amendment #2 also adds language to the Funding Agreement to indicate that MLK Healthcare must include a proposed budget for the use of County funds and that the remaining contractual requirements are fully in effect (Attachment 3).

Consistent with the agreed upon budget process outlined in the Funding Agreement, start-up funds are transmitted to MLK Healthcare after receipt of their request for payment of the third annual installment of start-up funds (Attachment 4). The CEO has conducted an initial review of the third annual installment request and confirmed that it is consistent with the Board approved agreements. Additionally, during the next 30-days, the CEO will work with the A-C to conduct a final review of the MLK Healthcare request.

Summary Proposed Expenditures FY 2012-13

Item	Projected Expense	Purpose
Salary and Employee Benefits	\$ 537,500	Reflects costs associated with Chief Executive Officer, Chief Operating Officer/Chief Nursing Officer, and Chief Information Technology Officer. (c)
Services and Supplies	\$12,170,572	Primarily reflects costs for interim staff and consultant services. (d)
Fixed Assets - Equipment	\$14,569,440	Reflects costs associated with information technology and medical equipment. (e)
Total	\$ 27,277,512	This amount reflects prior year unspent roll-over funds of \$17.2 million and the anticipated FY 2012-13 \$10.0 million installment.

(c) Refer to Attachment 4, page 5 and note that detailed information by position is not reflected as MLK Healthcare is recruiting additional permanent personnel and negotiations are underway.

(d) Refer to Attachment 4, page 6 and note that detailed information for certain items in the services and supplies category is not reflected as MLK Healthcare negotiations are underway with vendors; and

(e) Refer to Attachment 4, pages 8 and 9.

The projected costs are primarily associated with key leadership personnel; critical interim management staff and consultants; and crucial information technology and medical equipment. Some key tasks and/or milestones which have been achieved as of April 15, 2013, for FY 12-13, by the leadership and interim team includes the following (refer to Attachment 5 for additional information):

- Received 501(c)(3) tax-exempt status from the Internal Revenue Service;

- Hired Chief Executive Officer, Chief Information Officer, and Chief Operations Officer/Chief Nursing Officer with search underway for Chief Medical Officer;
- Continued engagement with interim management team with expertise in accreditation and licensing, clinical operations, community relations development, construction and equipment procurement planning, financial management, government relations and policy, human resources and labor management, Information Technology (IT), marketing and branding, medical staff relations, and staff education (clinical and non-clinical);
- Developed pre-opening and post-opening financial projections for a five-year time period; and
- Developed an integrated IT strategy and selected information systems based upon required criteria development, best practices research, site visits, bid and contract negotiations.

As previously noted, MLK Healthcare started FY 2012-13 with a \$17.2 million roll-over balance and they have submitted a FY 2012-13 proposed budget that includes the roll-over and the addition of the \$10 million installment. Year-to-date expenditures as of March 31, 2013, are \$13.3 million and MLK Healthcare projects completely expending their total proposed FY 2012-13 budget of \$27.2 million by the end of the FY. MLK Healthcare is working closely with the Office of Statewide Health Planning and Development (OSHPD) and has identified a timeline by which they must commence pre-hospital opening activities. As such, the hospital's IT infrastructure, comprised of servers and other key IT equipment must be ordered no later than June 1, 2013, in order for MLK Healthcare to meet key mechanical, electrical, fire and life safety, and structural elements which must be staged appropriately and are highly time-sensitive. An impact to any of the noted components will impact the critical staging process and possibly the opening of the hospital.

Although MLK Healthcare has submitted a proposed budget in the amount of \$27.2 million, they project a funding need for FY 2012-13 to be \$41.8 million. The County and MLK Healthcare continue to collaborate to identify funding sources for the remaining amount of \$14.6 million and ensure that the cash flow needs for the successful establishment of the MLK Hospital are met.

NEXT STEPS

Amendment #2 to the Funding Agreement has been reviewed and approved as to form by County Counsel. Upon completion of the 30-day review of the FY 2012-13 Proposed Expenditures, and consistent with Board approval of March 8, 2011, the CEO will execute Amendment #2 by May 24, 2013.

Each Supervisor
April 25, 2013
Page 5

Our office will work with MLK Healthcare to provide actual expenditures for FY 2012-13 by October 2013, to the County for review. The CEO and A-C will review the actual expenditures to ensure they are consistent with the provisions and requirements of existing agreements and a report, targeted for December 2013, will be submitted to your Board.

As part of the County's commitment to provide MLK Healthcare with start-up funds, the Funding Agreement identifies two additional \$10 million installments payable in FYs 2013-14 and 2014-15.

Finally, opening of the new Martin Luther King, Jr. Community Hospital represents a major County endeavor and we are approximately 18-months from a targeted opening date of September 1, 2014. To keep your Board apprised of key milestones on items such as construction, financing, and MLK Healthcare operations, we will provide quarterly reports, with the first report targeted for July 2013.

Please contact me if you have any questions, or your staff may contact Loreto Maldonado at (213) 974-1395.

WTF:MLM
EB:hd

Attachments

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Health Services

Martin Luther King Jr., Healthcare Corporation
Annual Itemized Expenditure Report for Use of Start-Up Funds
For the Fiscal Year July 1, 2010 - June 30, 2011

	County Funds (a)	Expenditures	Balance
Start-Up Funds - Financing Uses:			
Beginning Balance	\$ 10,000,000		
Salaries and Employee Benefits		-	
Services and Supplies		-	
Physician contracts		-	
Consultant Services		26,134	
Medical Supplies and Pharmaceutical		-	
Legal Fees		323	
Audit, Tax, Accounting Fees		-	
Insurance		-	
Rent		-	
Meals & Travel		-	
Office Supplies		-	
Training		-	
Communications/Outreach and Relations		-	
Office Equipment		-	
Postage		-	
Fiscal Intermediary Fees		-	
Total Services and Supplies		<u>26,457</u>	
Total 2010-2011 Actual Expenditures		<u>\$ 26,457</u>	
Total 2010-2011 Ending Balance			\$ 9,973,543

(a) Represents funding received from the County of Los Angeles per the terms of the Services Pledge and Funding Agreement.

Actual Expenditures – County Start-up Funds FY 7/1/11 – 6/30/2012

Annual Itemized Expenditure Report for Use of Start-up Funds -- Expenditure Detail
For the Fiscal Year July 1, 2011 - June 30, 2012

Total Funding, Expenditures, and Balance

Transactions	Funding	Total Expenditures	Balance (2)
Beginning balance - July 1, 2011			\$9,973,543
Add: Sources of Funding			
Funds received from Los Angeles County	\$10,000,000		
Interest and dividend income and gains on sale of investments	93,375		
Interest 5/18/2011 - 6/30/2011	3,471		
Total Funding	\$10,096,846		\$10,096,846
Less: Expenditures			
Salaries and Employee Benefits		\$0	
Services and Supplies			
Accounting, Audit, Tax Fees		\$34,541	
Consultants, Interim Leadership and Legal Fees		2,661,301	
Memberships, Dues, and Subscriptions		20,559	
Insurance		27,750	
Office Supplies and Other Expenses		21,115	
Marketing, Public Relations		5,348	
Telephone, Telecommunications		9,451	
Total Services and Supplies		<u>\$2,780,065</u>	
Purchase of Fixed Assets		<u>\$12,811</u>	
Total Expenditures		<u>\$2,792,876</u>	<u>(\$2,792,876)</u>
Ending balance - June 30, 2012 (1)			<u><u>\$17,277,513</u></u>

¹ The timing of the purchase of equipment and other start-up costs will be determined as the start up of the hospital continues to move forward. Cash funds will be held in reserve per the terms of the Services Pledge and Funding Agreement and it is the intent of the Board of MLK - LA to prudently invest and manage these funds until such time as their use becomes evident. The Board of MLK - LA intends to comply with all terms of the Service Pledge and Funding Agreement.

² Balance for July 1, 2011 includes \$3,479 interest (one month) on the first \$10 million start-up payment.

Note: Totals may not foot due to rounding.

Actual Expenditures – Salary and Employee Benefits

Attachment 1

Martin Luther King, Jr. Healthcare Corporation
Annual Itemized Expenditure Report for Use of Start-up Funds - Salary and Employee Benefits
For the Fiscal Year 7/1/2011 - 6/30/2012

Salary and Employee Benefits Detail - Annual Expense Over \$50,000

Professional Staff Name	Position / Job Title	Total Annual S&EB Cost
-------------------------	----------------------	------------------------

MLK- LA had no employees during FY 2011-2012

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17

Actual Expenditures – Services and Supplies

Attachment II

Martin Luther King, Jr. Healthcare Corporation
 Annual Itemized Expenditure Report for Use of Start-up Funds -- Services and Supplies
 For the Fiscal Year 7/1/2011 - 6/30/2012

Services and Supplies -- Contract and Professional Services - Annual Expense Over \$50,000

Contract Name	Service Provided	Annual Cost, Note 1
1 CLEO Enterprises	Facilities Management	\$219,529
2 HMC Architects	Architects	52,390
3 Hooper, Lundy & Bookman	Legal Services	235,257
4 Melayne Yocum	Interim Chief Executive Officer	160,437
5 Milagro Communications	Marketing and Communications Consultants	50,369
6 The Camden Group	Interim Chief Financial Officer, Chief Nursing Officer, Controller, VP of Ancillary Services, Chief Medical Officer, Director of Development and Project Management; Financial Feasibility Study; Consulting	770,906
7 Top Tier Consulting	Interim Chief Information Officer; Interim Technology Team, and Information Technology Consulting	908,869
8 Witt/Kiefer	Executive Search Services	81,319
	Total all Vendors over \$50,000	2,479,077
	Vendors under \$50,000 for contract and professional services	182,225
	Vendors under \$50,000 for supplies and other expense	118,764
	Total	\$2,780,065

Note: Totals may not foot due to rounding.

Actual Expenditures – Capital Assets - Equipment

Attachment III

Martin Luther King, Jr. Healthcare Corporation
Annual Itemized Expenditure Report for Use of Start-up Funds -- Capital Asset Equipment Detail
For the Fiscal Year 7/1/2011 - 6/30/2012

Capital Asset Equipment -- Annual Expense Over \$50,000 Unit Cost

Equipment ID No.	Description	Hospital Location	Total Cost	Acquisition Date	Useful Life
------------------	-------------	-------------------	------------	------------------	-------------

1 MLK- LA purchased no assets/equipment Over \$50,000 during FY 2011-2012

- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17

**SERVICES PLEDGE AND FUNDING AGREEMENT
REGARDING
THE NEW PRIVATE, NONPROFIT, MARTIN LUTHER KING, JR., HOSPITAL
AMENDMENT NO. 2**

THIS AGREEMENT is made and entered into this ____ day of _____, 2013.

BY COUNTY OF LOS ANGELES, a body corporate and politic, and a subdivision of the State of California, (hereinafter "County"),

AND The Martin Luther King, Jr.-Los Angeles Healthcare Corporation, a nonprofit public benefit California corporation (hereinafter "MLK-Healthcare").

WHEREAS, reference is made to that certain document entitled "SERVICES PLEDGE AND FUNDING AGREEMENT REGARDING THE NEW PRIVATE, NONPROFIT, MARTIN LUTHER KING, JR., HOSPITAL" dated April 6, 2011 and further identified as Services Pledge and Funding Agreement (hereafter "Agreement"); and

WHEREAS, it is the intent of the parties hereto to amend the agreement to extend the Agreement's term and to provide the third annual installment of start-up funds to enable MLK Healthcare, for the purpose of establishing and maintaining an acute care hospital with an emergency department on the campus of the closed Martin Luther King, Jr.-Harbor Hospital, to serve the residents of the South Los Angeles community, including the indigent, Medi-Cal and other needy and underserved populations; and

WHEREAS, said Agreement provides that changes may be made in the form of a written Amendment which is formally approved and executed by the parties.

NOW, THEREFORE, the parties agree as follows:

1. This Amendment shall be effective on the date of execution.
2. Paragraph A. APPROVED FUNDING, REQUESTS AND DISBURSEMENTS,
 - a. Subparagraph A.1 shall be revised to read as follows:

"Effective upon the execution of the Agreement, the County hereby agrees to provide MLK Healthcare with the third annual installment of start-up funding in the amount of Ten Million Dollars (\$10,000,000)."

IN WITNESS WHEREOF, MLK Healthcare has executed this Amendment, or caused it to be duly executed by its authorized representative, and the County of Los Angeles, by order of its Board of Supervisors, has delegated to its Chief Executive Officer the authority to execute this Agreement on its behalf on the date and year written below.

“MLK Healthcare”
Martin Luther King, Jr.–
Los Angeles Healthcare Corporation

By _____ Date _____
Manuel Abascal
Chair

“COUNTY”
County of Los Angeles

By _____ Date _____
William T Fujioka
Chief Executive Officer

APPROVED AS TO FORM FOR THE COUNTY:

JOHN KRATTLI
County Counsel

By _____
Principal Deputy

Martin Luther King, Jr. - Los Angeles (MLK-LA) Healthcare Corporation
12012 Compton Ave., 4th Floor, Room 4-110
Los Angeles, CA 90059

Los Angeles County Vendor Number: **15816701**

March 27, 2013

INVOICE

RE: Third Annual Funding - Martin Luther King Jr. - Los Angeles (MLK-LA) Healthcare Corporation
Los Angeles County Vendor Number: 15816701

Requesting payment as outlined in Services Pledge and Funding Agreement Regarding the New Private, Non-Profit Martin Luther King Jr. Hospital ("Funding Agreement") executed on April 6, 2011 by and between County of Los Angeles and Martin Luther King, Jr. - Los Angeles (MLK-LA) Healthcare Corporation, a non-profit public benefit corporation. Such Funding Agreement states in part:

The funding obligations of the County under the Coordination Agreement include the promise to provide one time start-up funding in the total amount of Fifty Million Dollars (\$50,000,000) to be funded to the non-profit corporation on an annual basis in the amount of Ten Million Dollars (\$10,000,000) each of the five consecutive fiscal years beginning in July 15, 2010, for the necessary expenses related to opening the hospital.

Start-up Funding - Third annual installment
Due within 10 days upon receipt

\$10,000,000.00

TOTAL DUE

\$10,000,000.00
=====

Submitted by
Glenn Batchlor
CEO, MLK-LA
3-27-13

Martin Luther King Jr. - Los Angeles Healthcare Corporation

12012 Compton Avenue
P.O. Box 4-110
Los Angeles, CA 90059

www.mlkcommunityhospital.com

[RE]IMAGINING THE FUTURE OF HEALTHCARE

Financial Disclosures Required for the Third Start-up Payment

March 11, 2013

Table of Contents

	Page
Background	3
Projected Expenditures – County Start-up Funds 7/1/12 - 6/30/13	4
Projected Expenditures – Salary and Employee Benefits	5
Projected Expenditures – Services and Supplies	6-7
Projected Expenditures– Capital Assets - Equipment	8-9

Background and Key Assumptions

This document includes the financial disclosures to support our request for the third Start-up Fund payment of \$10 million.

The Start-up Funding is described in Section A3 of the Services Pledge and Funding Agreement approved by the Board of Supervisors March 8, 2011 and executed April 6, 2011.

Due to the timing of this request, the projections included in the report are based on actual expenditures from July 1, 2012 through November 30, 2012, plus estimates for December 1, 2012 through June 30, 2013.

An opening date of July 2014 is assumed for the estimates in this report and the Staff and Stock date (OSHPD B Certificate Occupancy) is assumed to be July 1, 2013. There are ongoing discussions among the leadership of MLK-LA, Los Angeles County ("County") Department of Health Services, County Department of Public Works and the County's construction management firms regarding the opening date and we believe a later opening date is likely. If the date is later, then the amount of and the timing of the expenditures will necessarily be adjusted accordingly.

The medical and information technology projected expenditures will include some early purchases related to the obstetrics ("OB") expansion and magnetic resonance imaging ("MRI") projects. Funding of these expenditures cannot be delayed because of the need to have one vendor contract in some cases, most notably for information technology purchases. The portion of these vendor costs related to OB and MRI will be offset by funds to be raised by foundation or sources other than the County.

Projected Expenditures – County Start-up Funds FYE 7/1/2012 - 6/30/13

Martin Luther King, Jr. Healthcare Corporation

Projected Uses of County funds - Beginning cash balance plus \$10 million Start-up payment
For the Fiscal Year July 1, 2012 - June 30, 2013

Total Funding, Expenditures, and Balance

Transactions	Fiscal Year July 1, 2012 - June 30, 2013 Adjusted Budget (Notes 2 and 3)
Beginning balance - July 1, 2012	\$17,277,513
Add: Sources of Funding	
Funds to be received from County of Los Angeles – Third Start-up Payment	\$10,000,000
Total Funding	<u>\$27,277,513</u>
Less: Projected Expenditures	
Salaries and Employee Benefits	\$537,500
Services and Supplies	
Interim Positions, excluding Information Technology	2,640,000
Interim Positions, Information Technology Team, including implementation	5,675,565
Legal Fees	819,200
Audit, Tax and Accounting Fees	100,000
Facilities Management and Architects	948,438
Other consulting (public relations, executive search regulatory advisory etc.)	1,189,375
Other non-wage Expense (insurance, office supplies, telephone etc.)	797,994
Total Services and Supplies	<u>12,170,572</u>
Medical and Information Technology Equipment	<u>\$14,569,440</u>
Total Projected Expenditures	<u>\$27,277,512</u>
Ending balance - June 30, 2013 (Note 1)	<u>\$0</u>

Note 1: A balanced budget for the \$27.2 million has been prepared; however, MLK-LA projects a total budget for fiscal year 7/1/2012 - 6/30/2013 of \$41.8 million. We are working with the County and our Foundation to identify funding sources for the remaining \$14.6 million. This estimate will be adjusted if the building turnover date is not July 1, 2013.

Note 2: The amounts specified are estimates and subject to change. The funding from the County will be utilized as start-up funds for the establishment of the new, private nonprofit Martin Luther King, Jr. Community Hospital. Due to the timing of this start-up, not all costs are specifically known at the time of funding. The MLK-LA Board will comply with all terms of the Funding Agreement.

Note 3: Totals may not foot due to rounding

Projected Expenditures – Salary and Employee Benefits

Attachment 1

Martin Luther King, Jr. Healthcare Corporation
Projected Uses of County funds - Beginning cash balance plus \$10 million start up payment
For the Fiscal Year 7/1/2012 - 6/30/2013

Salary and Employee Benefits Detail

	Professional Staff Name	Position / Job Title	Total Projected Annual S&EB Cost
1	Elaine Batchlor, MD, Sajid Ahmed and Keith Bradkowski, RN	Chief Executive Officer, Chief Operating Officer/Chief Nursing Officer and Chief Information Technology Officer	\$537,500

Note: This is the projected annual cost based on salary cost per month times the number of months worked.

Projected Expenditures – Services and Supplies

Attachment II

Martin Luther King, Jr. Healthcare Corporation
 Projected Uses of County funds - Beginning cash balance plus \$10 million start up payment
 For the Fiscal Year 7/1/2012 - 6/30/2013

Services and Supplies - Contract and Professional Services

	Contract Name	Service Provided	Projected Annual Cost
1	Two firms CLEO Facilities Management and HMC Architects	Construction and Architects	\$948,438
2	Two firms: Hooper, Lundy & Bookman and Sheppard Mullin	Legal Services	819,200
3	Five Firms: The Camden Group, Coto Partners, HFS Consultants, Melayne Yocum, FutureSense and Revenue cycle vendor to be determined.	Interim Management Team: Chief Financial Officer, Chief Nursing Officer, Controller, VP of Ancillary Services, Chief Medical Officer, Director of Development, Project Management, Chief Administrative Officer and Director of Human Resources	2,640,000
4	Two firms: Moss Adams, LLP and Robert M. Simon, CPA	Audit, Tax and Accounting	100,000
5	Top Tier Consulting and others to be determined	Interim Chief Information Officer; Interim Technology Team, and Information Technology Consulting	3,661,992
6	Four firms: Witt/Kiefer, Spencer Stuart, Diligent Partners and Healthcare Placement Group	Executive Search Services	500,000
7	KBDA and others to be determined	Communication collateral design, brand development, logo design and web site design	200,000
8	Two firms: HFS Consultants and Health Management Associates	Licensing and Regulatory Consulting	100,000
		Total all Identified Vendors over \$50,000	8,969,630

Projected Expenditures – Services and Supplies, continued

Attachment II

Martin Luther King, Jr. Healthcare Corporation
 Projected Uses of County funds - Beginning cash balance plus \$10 million start up payment
 For the Fiscal Year 7/1/2012 - 6/30/2013

Services and Supplies - Contract and Professional Services

Contract Name	Service Provided	Projected Annual Cost
Vendors under \$50,000 or for which vendors have not been identified		
Commissioning and Transition consultants -- Several individuals on the interim teams are currently providing this service. The County DHS has engaged commissioning experts for their new health facilities and we will work with our County DHS counterparts to select our final vendor.		389,375
IT Hosting Fees -- This will most likely be Lawson and Cerner if their contracts are finalized. We will be paying these vendors to run their applications in lieu of hiring our own teams during pre-opening.		800,000
IT Operations and Implementation -- Similar to hosting fees, MLK-LA will not be hiring permanent staff for IT operations pre-opening until next fiscal year. We are close to finalizing our IT vendors and when that is complete we will engage consultants and staff that specifically know those systems. This will include running the server room.		1,213,573
Insurance, supplies and other non-wage -- Our broker for D&O and professional liability is Chivaroli. The medical equipment and furniture that has already arrived is in ACE Worldwide (ACE) storage in Anaheim. Computer equipment is at World Wide Technology (WWT) storage in Compton. Both vendors have included insurance in their fees.		797,994
	Sub-total	3,200,942
	Total Service and Supplies	\$12,170,572

Note: Totals may not foot due to rounding

Projected Expenditures – Capital Assets – Medical and Other Non-IT Equipment

Attachment III

Martin Luther King, Jr. Healthcare Corporation
 Projected Uses of County funds - Beginning cash balance plus \$10 million start up payment
 For the Fiscal Year 7/1/2012 - 6/30/2013

Capital Asset Equipment to be Paid by MLK-LA

Equipment ID No. / Note 1	Description	Hospital Location	Total Projected Cost	Acquisition Date	Useful Life
1 BUD2.1	Cooking Equip	Hospital Service Building	\$267,058	Third Quarter	5
2 BUD3	Cooking Equip	Ancillary Building	454,761	Third Quarter	5
3 BUD4.1	Furniture and equipment for patient rooms and waiting rooms – primarily patient beds, sleeper chairs, side chairs, tables, etc.	Inpatient Tower	1,770,456	Third Quarter	7
4 BUD4.2	Furniture in HSB, primarily for support services offices, mail machinery, staff lounge, nursing staffing offices, information desk console	Hospital Service Building	67,067	Third Quarter	7
5 BUD4.3	Furniture for lobby area, primarily for patient seating and waiting and admissions staff cubicles and offices, security department, gift shop, volunteer offices, meditation room	Main Lobby Admitting Building	95,096	Third Quarter	7
6 BUD4.4	Tables and chairs for 148 occupant cafeteria; information desk console, chairs and end tables for waiting area in ancillary lobby, furnishings for Administrative offices.	Ancillary Building	335,535	Third Quarter	7
7 BUD5.2	Housekeeping Equipment that is not anchored such as vacuums, floor scrubbers and all housekeeping closet items	Ancillary Building	43,556	Third Quarter	7
8 BUD5.3	Housekeeping Equipment that is not anchored such as vacuums, floor scrubbers and all housekeeping closet items	Hospital Service Building	64,140	Third Quarter	5
9 BUD5.4	Food Service/Dietary Equipment (trays, utensils, pots, pans, flatware, plates, glasses, cups, warming systems, minor appliances) for all food preparation (Hospital, Hawkins, Cafeteria) patient food and employee & visitor cafeteria.	Hospital Service Building	919,441	Fourth Quarter	5
10 BUD5.5	Cafeteria (trays, utensils, pots, pans, flatware, plates, glasses, cups, warming systems, minor appliances) for all food presentation in the Cafeteria for Hospital employees, County employees & visitors.	Ancillary Building	705,795	Fourth Quarter	5
11 CO12	Limb Compression System (Blood clot treatment)	Inpatient Tower	69,496	Third Quarter	7
12 L-5	Linen Carts	Inpatient Tower	51,518	Third Quarter	7
13 PO02	Point of Care Laboratory System	Inpatient Tower	50,000	Third Quarter	7
14 RE35	Suction Regulator	Inpatient Tower	53,765	Third Quarter	5
15 TA09	Overbed Tables	Inpatient Tower	50,000	Third Quarter	5
16 WA95	Waste Management System	Inpatient Tower	52,858	Third Quarter	7
		Subtotal	\$5,050,542		

Note 1: Equipment ID is not known as these are projections of capital assets to be purchased. We have reflected our internal tracking numbers in this column.

Note: Totals may not foot due to rounding

Projected Expenditures – Capital Assets – IT Related Equipment (cont'd)

Attachment III

Martin Luther King, Jr. Healthcare Corporation
 Projected Uses of County funds - Beginning cash balance plus \$10 million start up payment
 For the Fiscal Year 7/1/2012 - 6/30/2013

Capital Asset Equipment to be Paid by MLK-LA

Equipment ID No. Note 1	Description	Total Projected Cost Note 2	Acquisition Date	Useful Life
1	Schedule 5- Data networking equipment to support the County's commissioning of fire, life and safety systems in the hospital.	\$1,668,782	Third Quarter	7
2	Schedule 24 Wireless Networking Equipment	449,438	Third Quarter	7
3	Schedule 25 Voice over IP Phone System	314,301	Third Quarter	7
4	Schedule 26 Analog Backup Phone System	60,877	Third Quarter	7
5	Schedule 28 Network Storage	814,412	Third Quarter	7
6	Schedule 29 Email and Web Security Hardware and Software	243,737	Third Quarter	7
7	Schedule 30 Servers and Data Center Equipment	774,458	Third Quarter	7
8	Schedule 31 Server Operating Systems & Software - Microsoft SQL server, Office, SharePoint	284,337	Third Quarter	7
9	Schedule 36 Software - for Deploying and Managing Software to the Desktop	283,616	Third Quarter	7
10	Schedule 37 Data Archive and Backup Equipment for Redundancy for all Applications	612,151	Third Quarter	7
11	Schedule 1 Network and Infrastructure Monitoring and Management Software	799,138	Third Quarter	7
12	Schedule 2 Audit and Logging Software (HIPAA) and Security Software	362,321	Third Quarter	7
13	Schedule 3 Cisco Software for Network Governance - Compliance Reporting, Cloud and Portal	393,496	Third Quarter	7
14	Schedule 4 Cisco Software for Phone System Management	50,000	Third Quarter	7
15	Schedule 41 Cabling for High Density Wireless Network. Hardware for Interactive Patient Care System	122,993	Third Quarter	7
16	Schedule 42 Tele-ICU Equipment, Cabling, Power	431,110	Third Quarter	7
17	Schedule 21 Data Center Cisco Network Switches (this is the network backbone)	210,839	Fourth Quarter	7
18	Schedule 32 Desktop Computers for Employees	625,285	Fourth Quarter	7
19	Schedule 34 Desktop Applications for Employees	85,193	Fourth Quarter	7
20	Schedule 38 Service Desk / Contact Center Equipment	131,246	Fourth Quarter	7
	Subtotal	8,717,729		
	Subtotal previous page	5,050,542		
	Assets under \$50,000 (Note 3)	801,169		
	Total Assets to be Paid by MLK-LA	\$14,569,440		

Note 1: Equipment ID is not known as these are projections of capital assets to be purchased. We have reflected our internal tracking numbers in this column.

Note 2: This list and price estimate includes Equipment, licenses, first year maintenance, tax and shipping

Note 3: Includes items with low purchase price that are not considered components of larger systems in line items above.

Note: Totals may not foot due to rounding

MLK Accomplishments

FY 2013

Leadership

- Hired CEO, CIO and COO/CNO
- Search firm seeking CMO
- Recruiting Chief Quality Officer, Manager of Community Relations, HR Director and Finance Manager/Controller
- Added two new board members
- Added three new foundation board members

Financial and Operations

- Received 501c3 tax-exempt determination letter from IRS
- Engaged an interim management team with expertise in accreditation and licensing, clinical operations, community relations development, construction and equipment procurement planning, financial management, government relations and policy, human resources and labor management, IT, marketing and branding, medical staff relations, and staff education (clinical and non-clinical)
- Completed independent Feasibility Study
- Developed pre-opening and post-opening financial projections for a five-year time period
- Developed pre-opening funding plan with County DHS and CEO office for shortfall
- Developed a detailed operating plan
- Submitted plans for OB expansion and MRI installation to OSHPD
- Selected furnishings, fixtures, and equipment for the Hospital
- Obtained additional insurance coverage
- Established relationships with Department of Public Health Licensing & Certification

Capital Equipment/Systems

- Developed an integrated IT strategy and selected information systems based upon required criteria development, best practices research, site visits, bid and contract negotiations
 - Cerner IT System for Electronic Health Record
 - Lawson Management System for financial/human resources
 - Phillips Imaging Suite (MRI/CT/radiology)
 - Hill Rom Smart Beds
 - Electronic bed side Patient Education
- Received our first delivery of equipment for the Hospital in late March, 2013

Medical Staff Development

- Completed plan for hospital-based physician staffing in collaboration with UCLA

- Drafted clinical service agreements with UCLA for: Pathology, Anesthesiology, Radiology and Urology

Strategic

- Completed Physician Needs Assessment and Environmental Assessment for SPA 6
- Completed FQHC Clinic/Patient Needs Assessment
- Implemented MLK Brand identity; new logo, email, website
- Increased engagement with the South Los Angeles community and other key stakeholders (e.g., federally qualified health centers, other community-based groups) through numerous in-person meetings and regular, on-going communication
- Developed relationships with key financial advisors, including banking and investment managers

Foundation and Fundraising Activities

- Established and obtained 501c3 status for MLK Community Health Foundation, hired leadership, and began fundraising
- Raised \$4 million dollars for Foundation start-up funds, OB expansion project, and Hospital pre-opening costs
- Awarded two \$250,000 grants for care integration with the SSC
- Developed and submitted a proposal for grant funding to support business planning for a Hospital educational center