

## APPENDIX 1

### INTERLOCAL COOPERATION AGREEMENT BETWEEN PACIFIC HOSPITAL PRESERVATION AND DEVELOPMENT AUTHORITY AND KING COUNTY, WASHINGTON.

This Agreement is made as of April 17, 1991 between Pacific Hospital Preservation and Development Authority, a public corporation chartered by the City of Seattle, Washington (the "Authority"), and King County, Washington, a municipal corporation and subdivision of the state of Washington (the "County").

#### ARTICLE I.

##### Recitals

On November 3, 1987, King County voters approved the issuance of Bonds to finance certain regional health care projects and an excess property tax levy to pay the principal of and interest on such bonds. The ballot proposition was authorized by King County Ordinance No. 8196.

One of the projects authorized in Ordinance No. 8196 to be financed by said Bonds is the work necessary to bring the Beacon Hill Facility of the Authority into compliance with City of Seattle seismic and other building codes. Ordinance No. 8196 provided a maximum of \$9,315,000 for this project and required that an interlocal cooperation agreement covering the project and use of Bond proceeds be executed between King County and the Authority prior to the sale of Bonds to finance said project.

The purposes of this Interlocal Cooperation Agreement are to fulfill the requirements of King County Ordinance No. 8196; to ensure that the Authority's project will benefit indigent persons for at least that period during which any bonds sold to finance the project remain outstanding; to ensure that the Authority meets certain obligations as part of the network of health care providers for the indigent; to provide for the expenditure of bond proceeds and interest earnings; to protect the tax exempt status of said bonds; and to ensure that the Authority's project adequately meets Seattle's seismic and building code requirements.

NOW, THEREFORE, in consideration of the mutual promises made herein, the County and the Authority hereby agree as follows:

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### ARTICLE II.

#### Definitions

The following words and terms are defined as follows for purpose of this Agreement:

- A. Agreement - This Interlocal Cooperation Agreement between King County and the Pacific Hospital Preservation and Development Authority.
- B. Authority - Pacific Hospital Preservation and Development Authority. The Authority is chartered by The City of Seattle, pursuant to RCW 35.21.730 and Seattle Municipal Code Ch. 3.110 to provide health care services through contract or other arrangements with qualified providers.
- C. Authority Construction Fund - The fund which may be established by the Authority for the Project.
- D. Bad Debt - Uncollectible amounts, excluding contractual allowances, arising from failure to pay by patients whose care has not been classified as Charity Care.
- E. Beacon Hill Facility - The 1932 tower and 1951 annex on Beacon Hill in the City of Seattle owned by the Authority together with any additions or other improvements necessary to comply with Seattle's seismic and building codes described in the definition of the "Project."
- F. Bonds - Any Bonds issued by the County for the Project and sold pursuant to the Bond Ordinance, including any refunding bonds issued in lieu thereof.
- G. Bond Ordinance - The Ordinance which may be adopted by the King County Council authorizing the issuance and sale of bonds to finance the Project.
- H. Bond Redemption Fund - The fund which may be established by the County under the Bond Ordinance from which principal and interest on any Bonds issued will be paid; or as may be established in an ordinance providing for the refunding of the Bonds.
- I. Capital Costs - The term "Capital Costs" shall be construed consistently with the term "capital purposes" in Article VII, Section 2(b) of the Washington Constitution and RCW 84.52.056, but, subject thereto, may include the costs of: (i) property acquisition, site preparation and demolition; (ii) development, design, engineering, architecture, planning, financial, legal, relocation, and other services lawfully incurred to the development of the Project and its financing; and (iii) construction, renovation, remodeling, equipping, and furnishing the Project with its financing, including the incidental costs and the costs related to the sale and issuance of the Bonds. The term Capital Costs shall not include maintenance, operations, or costs for replacement of equipment.
- J. Charity Care - Any medical/dental care rendered to indigent and low income persons for which the Authority (or other health care provider) is not fully reimbursed by patients or

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third party payors. Contractual allowances shall be one of the elements included in the charity care measurement.

- K. City - The City of Seattle.
- L. Code - The Internal Revenue Code of 1986 as amended, together with all applicable regulations.
- M. Contractual Allowances - The difference between the Authority's billed charges and subsequent reimbursement from Medicare, Medicaid and the Washington Basic Health Plan.
- N. County - King County.
- O. Discount Schedule - The sliding fee scale maintained by the Authority to adjust charges for patients with income below two hundred percent (200%) of the Federal poverty guidelines adjusted for family size.
- P. Facility Improvements - Those improvements to be made and financed by the Authority in the Beacon Hill Facility to upgrade interior space and mechanical systems, which improvements are not directly related to the seismic improvements identified in the Project Proposal.
- Q. Health Bond Oversight Committee - A committee of County representatives to oversee the progress of the Project to ensure consistency with County-approved program, budget, and schedule.
- R. Health Coordinating Committee - The committee established through the Interlocal Agreement between Seattle and King County which is comprised of representatives from the public health community to provide a forum for the resolution of conflicts among the various public health agencies, or the successor in function to the Committee.
- S. Low Income - Those patients whose gross income is below two hundred percent (200%) of the federal poverty standards, adjusted for family size, and who are covered by federal or state entitlement program.
- T. Indigent Persons - Those patients who have exhausted any third party sources of payments, and whose gross income is below two hundred percent (200%) of the Federal Poverty Standards, adjusted for family size.
- U. Ordinance - King County Ordinance No. 8196.
- V. Patient Generated Revenues - Reimbursement for health services provided to patients through out-of-pocket payments or third party reimbursement.

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- W. PHPDA Construction Fund - An Agency Fund which may be established by King County under the Bond Ordinance and into which Bond proceeds will be deposited.
- X. Project - Structural improvements to the Beacon Hill Facility necessary to meet Seattle's seismic and other building codes consistent with Ordinance No. 8196, together with the Facility Improvements, as described in the Project Proposal submitted to and approved by the County.
- Y. Project Proposal - That proposal describing the Project including the Facility Improvements, as presented by the Authority and approved by the County, pursuant to Article IV of this Agreement.
- Z. Quitclaim Deed - The quitclaim deed dated November 24, 1981, between the United States of America (U.S.A.), grantor, and the Authority.
- AA. Restricted Space - The specific portions of space in the Beacon Hill Facility, determined in accordance with Section 6.2 of the Agreement, that are subject to use the restrictions set forth in said Section 6.2.
- AB. Tax Exempt Bonds - Bonds, the interest on which is not included in the gross income of the recipients of said interest by reason of Section 103(a) of the Internal Revenue Code.
- AC. Taxable Bonds - Bonds, the interest on which is included in the gross income of the recipients of said interest by reason of the failure to comply with the requirements of Section 103 of the Internal Revenue Code.

### ARTICLE III.

#### Term of Agreement

This Agreement shall be effective when executed by both parties and shall remain in effect for twenty (20) years following the date of issuance of the general obligation Bonds for the Project, or the term of said Bonds, whichever is longer, unless terminated earlier pursuant to this Agreement.

### ARTICLE IV.

#### Issuance of Bonds

##### Section 4.1 Conditions of Bonds.

Subject to the terms of this Agreement, King County agrees to issue up to a maximum of \$9,315,000 in general obligation Bonds for the Project.

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King County shall not adopt a Bond Ordinance nor issue Bonds prior to execution of this Agreement, King County Council approval of a specific Project Proposal, and completion of a financial plan demonstrating the feasibility of the Project based on a combination of Bond proceeds and financial contributions from the Authority.

### Section 4.2 Project Proposal.

The proposal submitted by the Authority shall include the following elements: (a) narrative description of the Project, (b) diagrams and floor plans, (c) detailed Project cost estimates, separating out the cost of Facility Improvements, including assumptions used to arrive at such costs, (d) cash flow and Project design/construction schedules by quarter, (e) breakdown of the Project costs to be paid out of Bond proceeds consistent with Ordinance No. 8196, (f) description of intended use of new or improved space, (g) analysis and justification of the Project's financial feasibility, including the Authority's ongoing ability to operate and maintain the Project and Beacon Hill Facility, and a list of potential lessees and potential lease terms, (h) documentation from appropriate Seattle authorities that the proposal will bring the facility into compliance with Seattle's seismic and other building codes, (i) explanation of why the option was selected over others, (j) documentation certifying compliance with restrictions and requirements which assure the County that the Bonds will be Tax Exempt Bonds, (k) documentation certifying compliance with the requirements set forth in paragraphs b. through d. of the Quitclaim Deed, (l) documentation certifying compliance with the requirements of any federal, state, and local authority having jurisdiction over the facility as a historical site, and (m) documentation certifying all contracts for public works between the Authority and their contractees are in compliance with public works bidding and contract laws applicable to King County, including compliance with King County Ordinances 7788 and 7789, Affirmative Action Requirements and Minority Women's Business Enterprise Ordinances.

The King County Executive shall transmit the Authority's Project Proposal for King County Council approval. The approved Project description shall become the formal Project definition contained in Article II of this Agreement, and be made an attachment to this Agreement.

### Section 4.3 Modification of Project Proposal.

The Authority may upon 20 days prior notice to the Health Bond Oversight Committee, modify the Project Proposal so long as it does not unreasonably extend the time for completion of the Project and so long as the Authority can document (1) ability to obtain funds required for any increases in construction costs and (2) that the Project as modified represents an acceptable method of seismic stabilization in the tower building. Only major changes, as determined by the Health Bond Oversight Committee, shall be subject to formal prior approval by the County. The County's approval shall not be unreasonably withheld.

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### ARTICLE V.

#### Bond Proceeds

The following procedures for investment of Bond proceeds, reporting of interest earnings, and disbursement of proceeds are established for the purpose of ensuring compliance with the Code to ensure that any Bonds issued for the Project are Tax Exempt Bonds.

#### Section 5.1 Location, Investment and Disbursement of Proceeds.

Bond proceeds shall only be used for Capital Costs of the Project, and shall not be applied to the portion of the Project comprising Facility Improvements.

Bond proceeds for the Project and earnings thereon shall be deposited by the Office of Financial Management in the PHPDA Construction Fund.

The County, through the Finance Division of the Office of Financial Management, shall be responsible for placing investments of fund balances, and the Authority shall act as fund manager as provided in King County Code Sec. 4.10.110 for the purpose of directing investments for the benefit of the PHPDA Construction Fund. The County shall be responsible for arbitrage calculations and related actions required by the Code, to ensure compliance with arbitrage regulations.

The Authority shall provide a list of authorized individuals to certify requests for reimbursement for Authority warrants issued. Such requests will be directed to the County Office of Financial Management, Finance Division. The Office of Financial Management shall prescribe the form for submitting said certified requests. The Authority shall be responsible for the accuracy of the requests and the propriety of the disbursements for which Authority warrants were issued. The County shall reimburse the Authority once a month.

#### Section 5.2 Interim Financing.

The Bond Ordinance may allow for interim financing. Proceeds from such interim financing shall be treated in the same manner as Bond proceeds.

#### Section 5.3 Expenditure Deadline.

If the County determines, in its discretion, to make use of the so-called "three-year temporary period" for the unrestricted investment of Bond proceeds, then eighty-five percent (85%) of the Bond proceeds and earnings shall be expended within three years of issuance of the Bonds, in compliance with the Code.

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### Section 5.4 Disposition of Remaining Monies.

In the event the County determines that the Project is complete or has been otherwise duly provided for, and payment of the principal and the interest on the Bonds has not been fully made or otherwise provided for, then proceeds of the Bonds and earnings thereon, if any, remaining in the County's PHPDA Construction Fund shall be deposited into the Bond Redemption Fund for the payment of principal of and interest on the Bonds.

## ARTICLE VI.

### Ownership and Use of the Beacon Hill Facility

#### Section 6.1 Ownership.

As long as any Bonds are outstanding, the Beacon Hill Facility will be owned, as such ownership is determined for purposes of federal income taxation, by the Authority, the State of Washington or a political subdivision thereof within the meaning of Section 103 of the Code, but may be mortgaged, or otherwise encumbered (including being made subject to an operating lease) to the extent permitted by law and this Agreement; provided, that no such encumbrance is authorized which would result in a claim or lien on the Beacon Hill Facility superior in right to the County's interest in the Beacon Hill Facility as set forth in this Agreement, unless otherwise approved by the County. Nothing in this section is intended to limit the Authority's ability to lease all or portions of the Beacon Hill Facility, subject to any applicable use restrictions set forth in this Agreement.

#### Section 6.2 Use of Facilities for Medical Services.

- A. The Authority and County agree that 66,000 square feet of the Beacon Hill Facility as now existing or as hereafter improved will be deemed "Restricted Space." The amount of Restricted Space has been calculated based on the following assumptions: (i) the total cost of Phases I and II of the Project is \$16.8 million, of which approximately \$10 million will be paid by the County; and (ii) 110,000 square feet will be added or improved directly as a result of Phases I and II of the Project. The ratio of the County's contribution to Phases I and II of the Project to the total cost of Phases I and II is equal to the ratio of Restricted Space to the net amount of square footage added or improved directly as a result of Phases I and II of the Project. The Authority shall permit such Restricted Space to be used (within the meaning of Section 141 of the Code) only by nonprofit organizations or state or local governmental entities as part of the County regional public health care system, for the purposes described in this Section 6.2. Such purposes may include use for any of the following medical dental or mental health care services: emergency care; acute and intensive care; intermediate care; convalescent and long-term care; hospice care; residential care for persons with health limitations; public health screening; health education;

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drop-in care; routine check-up and wellness services; adult and child day care; therapeutic and rehabilitative services; alcohol and substance abuse treatment; pharmaceutical and medical supply dispensation; drug, equipment and supplies development; diagnostic research; administrative and support services related to any of the foregoing (i.e., governance and administration; food and dietary services; medical libraries; anesthetic care; radioisotope treatment; receiving, storage and distribution systems; maintenance and mechanical services; training services; laundry; records maintenance systems; and waste handling and disposal services).

- B. The Authority shall identify in the Project Proposal the location of all Restricted Space. The Authority may at any time upon 90 days' written notice to the County redesignate the location of Restricted Space within the Beacon Hill Facility. Space not designated Restricted Space may be used by the Authority in its sole discretion for any lawful purpose.
- C. The Authority may permit the use of Restricted Space for purposes not specifically provided for in Section 6.2.A, but only with the prior written consent of the County, which consent shall amend this Agreement.

The Authority's request for such consent shall be submitted to the Director of the Seattle-King County Department of Public Health or the chief executive officer of its successor County agency at least 60 days prior to the incurring of any obligation concerning such use by the Authority. The Director shall respond in writing within 30 days, giving his/her decision and the reasons therefore. The decision shall be final, unless within 10 days from date of the Director's decision, the Authority appeals to the County Executive. The County Executive shall respond in writing within 20 days. The decision of the County Executive shall be final.

### Section 6.3 Destruction of the Beacon Hill Facility.

In the event of the destruction of the Beacon Hill Facility (or a portion thereof) the insurance proceeds available pursuant to Section 10.2 of this Agreement which are attributable to the Bond proceeds and earnings thereon used for the Project shall be applied in the following order of priority: (i) replacement of the destroyed Beacon Hill Facility (or the destroyed portion thereof); (ii) deposited in the County Bond Redemption Fund to be used for debt service on remaining outstanding Bonds; (iii) applied to any obligations under the terms of the Quitclaim Deed; and (iv) returned to the County for capital purposes which will enable the County to continue the provision of health care services. If the Authority does not formally take action approving the rehabilitation of the facility or construction of another facility at which it will provide the medical services and Charity Care required by this Agreement within six months after the loss or damage

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is sustained, then said proceeds shall be payable to the County to be used as set forth herein.

### ARTICLE VII.

#### Tax Covenants

##### Section 7.1 Preservation of Tax Exempt Status.

In the event the County issues Tax Exempt Bonds to provide funds for the Project, and in addition to the requirements set forth above, as long as the Bonds are outstanding:

- A. The Authority will not use or permit to be used, any of the proceeds of the Bonds or the Beacon Hill Facility in such manner, and shall not to take or omit to take any other action, as to cause the interest on the Bonds to be included in the gross income of the recipients thereof for purposes of federal income taxation.
- B. The Authority and the County will not take or permit to be taken on their behalf, actions which would result in the Bonds becoming Taxable Bonds and will take or require to be taken such acts as may be reasonably within their ability and as may from time to time be required to ensure that the Bonds remain Tax Exempt Bonds.
- C. The Authority and the County will: (i) provide certificates required by Bond Counsel or in accordance with the Code, when Tax Exempt Bonds are sold, and/or later, in order to establish or maintain the tax exempt status of the Bonds; (ii) comply with changes in applicable provisions of the Code or regulations promulgated thereunder in order to preserve the tax exempt status of the Bonds; (iii) comply with any requirements imposed in the Code in order to preserve the tax exempt status of the Bonds; and (iv) cooperate in any audit by the Internal Revenue Service, including disclosure of any records, contracts, and other materials required by the Internal Revenue Service, as may be required to establish or preserve such exemption or as way be required by the Code.

##### Section 7.2 Indemnification.

In the event the Bonds become Taxable Bonds as a result of the acts or omissions of the Authority not approved in writing by the County, the Authority shall indemnify and hold the County, its officers and agents (including Bond Counsel) harmless with respect to bondholder's claims, including the County's attorney fees and costs in defending such claims.

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### ARTICLE VIII.

#### General Authority Responsibilities

##### Section 8.1 Project and Operation.

All contracts for the Project and management, maintenance and operation of the Beacon Hill Facility shall comply with the provisions of King County Code Chapter 4.04 as amended.

##### Section 8.2 Charity Care.

As long as any Bonds are outstanding or for twenty years after the date of issuance of the Bonds, whichever is longer, the Authority shall provide or otherwise arrange for Charity Care in exchange for a commitment for public funding of the Project. The Authority will maintain not less than the same level of Charity Care as demonstrated in 1988 which will be measured by utilization statistics on Medicare/ Medicaid, Discount Program, and Community Clinic Referrals and contractual allowances incurred for services to indigent and low-income patients by the Authority. The level of Charity Care shall be reported in the format shown in Attachment A. In the event the level of Charity Care falls below the 1988 level, the Authority will explain the reasons for such reduction to the Health Coordinating Committee and will submit to the Committee a plan and timeline for increasing Charity Care to the 1988 level.

The Health Coordinating Committee will be responsible for reviewing and approving the annually reported levels of Charity Care, and, in the event such level is below the 1988 level, the Health Coordinating Committee shall approve any plans and timelines for increasing the level of Charity Care to the 1988 level. The Authority shall submit evidence of the Health Coordinating Committee's approval with its annual certification to the County required by Section 9.5. In the event the Health Coordinating Committee does not approve the Charity Care report or recommended corrective plan and timeline, the Committee shall so notify the County, and shall submit to the County an analysis of the Charity Care level reported, including recommended actions for dealing with any deficiencies. Nothing in this section shall be deemed to limit the requirement in Section 9.5 to submit an annual certification of compliance with the Agreement.

##### Section 8.3 Operation.

The Authority will maintain a high standard of care, conduct its operations in an efficient manner, and maintain the Beacon Hill Facility in good repair. The Authority shall faithfully perform and do all things necessary so that the County may observe and perform all the conditions, covenants, and requirements of the Ordinance and the Bond Ordinance.

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### Section 8.4 Health Coordinating Committee.

The Authority will cooperate with and assist the Health Coordinating Committee or its successors as long as any Bonds are outstanding or for twenty years following the date of issuance of the Bonds, whichever is longer, for the purposes of (1) discussion of roles, responsibilities and the allocation of resources among the various public health care agencies in King County; (2) resolution of policy conflicts among various public health care agencies in King County; and (3) making an annual report on its Charity Care services levels, explaining any differences from the 1988 level as established in Section 8.2.

### Section 8.5 Additional Funding.

The Authority will not request additional County public financing for capital projects, operations, or maintenance so long as any Bonds are outstanding or for twenty years after the date of issuance of the Bonds, whichever occurs later. The County assumes no obligation for support of the authority or its activities except as expressly set forth in this Agreement.

- A. Performance Bond. The Authority shall obtain a performance bond in an amount sufficient to provide funds for all Project costs less costs of the Facility Improvements.
- B. Funding Obligation of the Authority. In the event the proceeds of the Bonds, and earnings thereon, are not sufficient to pay the costs of the Project in full, the Authority will pay the remaining Project costs. No later than the date of the delivery of the Bonds to their initial purchaser, the Authority shall establish the Authority Construction Fund, and shall deposit therein an amount of money (other than Bond Proceeds) which, together with interest earnings thereon, shall be sufficient to pay all estimated costs of Phase I of the Project that will not be paid for by Bond proceeds or interest earnings on such Bond proceeds, or from other committed third party funds. In the event: (i) Project costs for Phase I exceed estimated costs; or (ii) there is a shortfall in interest income received from investment of Bond proceeds, and such event or events do or are anticipated to result in the need for additional Authority funding above that amount of Authority contributed funds on hand (including estimated interest earnings) in the Authority Construction Fund, the Authority shall promptly deposit in the Authority Construction Fund any such additional amounts required to fully fund, after considering interest earnings on such amounts, the Authority's full budgeted contribution to Phase I of the Project. The County makes no warranty, either express or implied, that money derived from the proceeds of the Bonds and the earnings thereon which will be available for the payment of the Project costs will be sufficient for such purpose. The County, in adopting Ordinance No. 8196 explicitly assumed a substantial cash contribution from the Authority. The

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Authority agrees if, after exhaustion of the proceeds of the Bonds and the earnings thereon, the Authority should pay any portion of the Project's cost pursuant to the provision of this Section, it shall not be entitled to any reimbursement therefore from the County or the owners of any Bonds.

### Section 8.6 Charter.

The Authority Charter shall not be amended in any material respect without prior approval of the King County Executive and the King County Council. Any amendment to Articles II, IV, V, or VI are deemed material. Any amendment to Article VII which eliminates the ability of the County Executive to appoint one member of the Authority Council also is deemed material, as is any change which would modify the requirement that the Authority Council authorize or concur in the actions described therein.

### Section 8.7 Warranty.

The Authority warrants that it is authorized to enter into this Agreement under the terms of the Quitclaim Deed, and of any other agreement between the Authority and any other entity which affects the use of the facility and the land on which it is situated.

### Section 8.8 Compliance with Historic Landmark Requirements.

The Authority shall provide the County verification that the plans and specifications for the Project meet the requirements of any federal, state, and local authority having jurisdiction over the Beacon Hill Facility as a historic landmark.

## ARTICLE IX.

### Project

### Section 9.1 Health Bond Oversight Committee.

The County may establish a Health Bond Oversight Committee consisting of County representatives to oversee the progress of the health Bond project and to ensure consistency with County approved Project proposals, budgets and schedules. The Health Bond Oversight Committee will be responsible for (1) periodically reviewing the progress of the Project; (2) preparing and submitting Project status and issue reports to the County Council and County Executive as the Health Bond Oversight Committee deems appropriate; and (3) identifying to County staff any changes in the Project scope, budget or schedule that may require County action.

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### Section 9.2 Access to Records; Audits.

The County and its designated agents shall have access at any time during normal business hours and as often as necessary to any bank account and Authority books, records, documents, accounts, files, reports and other property and papers of the Authority relating to the services to be provided under this Agreement for the purpose of making audits, surveys, examinations, excerpts, and transcripts.

The Authority shall have an annual audit of its operations conducted. The audit will be conducted by the Washington State Auditor's Office or an independent certified public accountant, and the auditor shall determine whether:

1. The financial statements of the Authority present fairly its financial position and the results of its financial operations in accordance with generally accepted accounting principles;
2. The organization has internal accounting and other control systems to provide reasonable assurance that it is managing bond rights in compliance with applicable laws and regulations; and
3. The organization has complied with laws and regulations that may have material effect on its financial statements.

Further, the audit shall be conducted according to procedures established by the American Institute of Certified Public Accountants. The audit shall cover the fiscal year, and a single year audit. The audit shall be submitted to the County within 30 days after the Authority receives the audit report, or six months after the close of the Authority's fiscal year, whichever occurs first.

In the event of an audit exception, the Authority shall pay to the County, for deposit in the Authority Construction Fund, the amount of any disbursements determined by the County not to be actually applied to permitted Capital Costs of the Project or costs not specifically covered in the approved Project Proposal.

### Section 9.3 Reports.

As may be required by the approved construction schedule, in the course of accomplishing the Project, and upon completion of the Project, the Authority will provide the County with reports describing action taken to assure that the Project will meet Seattle's seismic and other building codes and provide verification of such compliance from the appropriate Seattle authorities.

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### Section 9.4 Semi-annual Reports.

Commencing with the first receipt of Bond funds, the Authority shall submit semi-annual written reports to the County until the construction Project has been completed. The reports are to be provided within 30 days following the end of each six-month period. Reports shall contain the following information until the Project is complete.

1. The balance sheet of the Authority Construction Fund, showing the balances of the Project accounts, including the amount of Authority contributed funds on hand and estimated to be available in such Fund for completion of Phase I of the Project;
2. Financial transactions involving the use of Project funds consistent with the level of detail contained in the approved Project Proposal required under this Agreement;
3. The status of planning, design, and construction of the Project; and
4. The status of any marketing or leasing plans for any portion of the Beacon Hill Facility.

### Section 9.5 Annual Certification.

Commencing with the sale of the Bonds, the Authority shall submit an annual certification to the County to the effect that the Authority is not in default of any of its obligations, covenants or undertakings under this Agreement or alternatively, if the Authority is in default of any of its obligations, covenants or undertakings under this Agreement, explaining the nature thereof and specifying the steps being taken to remedy the same.

## ARTICLE X.

### Indemnification and Insurance

#### Section 10.1 Indemnification.

The Authority covenants and agrees, at its expense, to pay and to indemnify and to save the County and its officers, employees, and agents harmless of, from, and against any and all claims, damages, demands, expenses, liabilities and taxes of any character or nature whatsoever including, but not limited to, claims for loss or damage to any property or injury to or death of any person, asserted by or on behalf of any person arising out of, resulting from, or in any way connected with the use, possession, conduct or management of, or any work done in or about the Beacon Hill Facility or from the planning or any part thereof, or resulting from, or in any way connected to any untrue statement of any material fact in any statement, information or material furnished by the Authority to the

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County, including, but not limited to, any feasibility study for use in any official statement utilized by the County in connection with the sale of the Bonds.

The Authority shall not be obligated to indemnify the County, its members, officers, employees or agents against liability for damages caused by the negligence or willful acts of the County or its officer, employees or agents.

### Section 10.2 Insurance.

For so long as the Bonds are outstanding or for twenty years following the date of issuance of the Bonds, whichever is longer, the Authority, at its own cost and expense, shall insure the Beacon Hill Facility against loss and/or damage, including fire and uniform standard extended coverage, in an amount sufficient to replace the Beacon Hill Facility. The County shall be named as an additional insured and loss payee to the extent of the amount sufficient to redeem any outstanding Bonds. The Authority shall deliver to the County, before disbursement of any Bond proceeds, the original or duplicate policies, or certificates or other evidence of compliance with the foregoing insurance provisions in a form suitable to the County.

### Section 10.3 Default of Authority.

- A. Events of Default. An event of default shall be deemed to occur if:
1. Except as provided in Section 10.3A, 2-4 herein, the Authority fails to perform any of the obligations of this Agreement, for more than 30 days after receipt of written notice of such failure; Provided, however, if the default is of such a nature that it cannot reasonably be cured within such 30-day period, then the Authority shall not be in default, so long as it commences cure within such 30-day period and thereafter diligently pursues cure to completion within a time period acceptable to King County.
  2. The Authority dissolves or becomes insolvent;
  3. The Authority fails to perform any term, covenant, or any condition of the Quitclaim Deed or any other encumbrance on the Beacon Hill Facility which would enable the holder of said Quitclaim Deed or other encumbrance to seek foreclosure on the Beacon Hill Facility or otherwise recover the Facility; or
  4. Acts or omissions of the Authority cause the Bonds, if issued as Tax Exempt Bonds, to become Taxable Bonds.

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### B. Default Remedies.

1. In the event of a default resulting in the Bonds becoming taxable, the County shall have the remedy of the indemnification provisions set forth in Section 10.1.
2. In the event of a default described in Section 10.3A(1)-(3) above, the County shall have the right to any or all of the following remedies at its option:
  - a. The County may require the Authority to pay to the County the amount necessary to redeem any outstanding Bonds as of the next immediately occurring Bond redemption date (as described in the Bond Ordinance) following the date the County is notified of the Authority's default, and any additional amounts necessary to fulfill the indemnification requirements of Section 10.1.
  - b. In lieu of requiring the Authority to pay to the County the amount necessary to redeem any outstanding Bonds as provided herein, the County shall have the right to occupy and use the Beacon Hill Facility to provide health care services for the remaining period of time the Authority was obligated to provide medical services and Charity Care. In the event the Authority has designated Restricted Space pursuant to Section 6.2, the County's ability to occupy and use the Facility shall be limited to such Restricted Space. The County may occupy and use such space at no cost, provided, however, the fair market rental value of such space, as reasonably determined by mutual agreement between the Authority and the County, shall be attributed to satisfaction of the Authority's obligation to redeem any outstanding Bonds, if any.
  - c. If the County does not exercise its rights and the Authority is unable to make the payments set forth in Section 10.3(B)(2) above, the City of Seattle during the period that the Bonds are outstanding and in the exercise of the City of Seattle's powers and authority under RCW 35.21 and Chapter 3.110 of the Seattle Municipal Code, including but not limited to Sections 4.30 through 4.90 inclusive shall:
    - (i) Not request nor authorize any modification to the Authority's charter, merger, intervention, trusteeship, termination or dissolution of the Authority which would allow the Beacon Hill Facility to be used for other than those uses authorized in this Agreement or approved by the County; or
    - (ii) If the City deems it to be in its interest to terminate or dissolve the Authority or in any manner allow it to cease operating the Beacon Hill Facility and as a result the City assumes ownership

## APPENDIX 1 (Continued)

Interlocal Agreement: **PacMed**

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and/or control over the Beacon Hill Facility, then the subsequent use or disposition of the Beacon Hill Facility will be governed by the interlocal agreement by and between the City and County, in substantially the form of agreement attached hereto as Attachment B.

This Agreement and all County obligations arising from it are made specifically contingent upon the execution by the City and County of an interlocal agreement in substantially the form of agreement attached hereto as Attachment B.

- d. The County may institute suit for damages or specific performance and nothing herein shall be deemed to impair or limit in any way any legal rights or remedies available to the County.

### Section 10.4 Subordination of United States of America Interest.

Prior to the issuance of any Bonds, the Authority shall use its best efforts to obtain the written authorization of the United States of America ("U.S.A."), as required by condition 3 of the Quit Claim Deed, and subordination of the interest of the U.S.A. to the extent of the unamortized Bond proceeds, and shall supply the County with suitable evidence of such authorization and subordination by the U.S.A.

## ARTICLE XI.

### Defeasance of Outstanding Bonds

#### Section 11.1 Bonds to Be Subject to Defeasance.

The County agrees that it shall include in the Bond Ordinance language permitting the legal defeasance of the outstanding Bonds upon the deposit in a special fund of cash and/or such investments as may be prescribed in the Bond Ordinance the principal of and interest on which will be sufficient to redeem, retire or pay the outstanding Bonds in accordance with their terms and to pay when due the interest, redemption premium, if any, and principal on the outstanding Bonds, and providing that upon such deposit, the Bonds shall cease to be entitled to any lien, benefit or security of the outstanding Bond Ordinance except the right to receive payment of principal, premium, if any, and interest from such special fund, and such Bonds shall be deemed not to be outstanding under the Bond Ordinance. The County further agrees to provide in the Bond Ordinance for the optional redemption of the Bonds at such times and on such terms and conditions as the County may specify in the Bond Ordinance.

## APPENDIX 1 (Continued)

Interlocal Agreement: **PacMed**

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### Section 11.2 Authority May Request Defeasance.

The Authority may at any time request defeasance of the Bonds in writing to the County. Within a reasonable time of receipt of such request, representatives of the Authority and County, together with County Bond Counsel and any other necessary financial advisors shall meet to determine:

1. The option(s) for legally defeasing the outstanding Bonds within a time frame reasonably acceptable to the Authority and the County.
2. The cost of such defeasance option(s), including costs of establishing and funding an escrow account to provide for the payment of principal of and premium, if any, and interest on the outstanding Bonds, together with reasonably related costs of the defeasance, including but not limited to all necessary legal fees, bank fees and financial advisor fees.

The Authority shall notify the County within a reasonable time of such meeting whether, and under which option, it wishes to pursue defeasance of the outstanding Bonds. The Authority shall in such notice provide evidence of ability to pay all reasonable and necessary costs of such defeasance. The County shall then proceed to take all steps necessary to accomplish the defeasance in the manner and within the time frame so selected by the Authority, subject to the payment, or provision for payment, by the Authority of all reasonable and necessary costs therefor. Upon the defeasance of the outstanding Bonds in the manner prescribed, and upon delivery to the County of an opinion of Bond Counsel to the County confirming that the outstanding Bonds are legally defeased, the Authority shall be released from all its obligations hereunder for the balance of the term of this Agreement except its obligations under Sections 8.2, 8.4 and 8.6 hereof.

## ARTICLE XII.

### General Provisions

#### Section 12.1 Relationship of Parties.

The parties have entered into this Agreement only for the purpose set forth in Article I. Neither of the parties is an employee, agent, partner or joint venturer with the other. None of the entities with whom the Authority may contract or be associated in any way is an employee, agent, partner, or joint venturer with the County.

#### Section 12.2 Binding on Successors and Assigns.

This Agreement shall be binding upon the successors and assigns of the Authority.

## APPENDIX 1 (Continued)

Interlocal Agreement: **PacMed**

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### Section 12.3 Notices.

Any notice, consent, demand, or other communication hereunder shall be in writing and shall be deemed to have been given if delivered in person or deposited in any United States Postal Service mailbox, sent by registered or certified mail, return receipt requested and first-class postage prepaid, addressed to the party for whom it is intended as follows:

1. If to the Authority: Chief Executive Officer, Pacific Medical Center, 1200 - 12th Avenue South, Seattle, Washington 98144.
2. If to the County: Chief Financial Officer, 400 King County Courthouse, Seattle, Washington 98104.

These titles and addresses may be changed by written notice to the other party pursuant to this provision.

### Section 12.4 Interpretation.

This Agreement shall be interpreted according to and enforced under the laws of the State of Washington. The section and subsection captions in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

### Section 12.5 Severability.

Each provision of this Agreement is severable from all other provisions. In the event any court of competent jurisdiction determines that any provision of this Agreement is invalid or unenforceable for any reason, all remaining provisions will remain in full force and effect.

### Section 12.6 Amendment.

This Agreement may not be amended or modified except by written instrument signed by the parties and approval by the King County Council.

### Section 12.7 Nonwaiver.

No failure or delay on the part of the County in exercising any of its rights and remedies hereunder or otherwise shall constitute a waiver thereof, and no single or partial waiver by the County of any default or other right or remedy which it may have shall operate as a waiver of any other default, right, or remedy or of the same default, right or remedy on a future occasion.

## APPENDIX 1 (Continued)

Interlocal Agreement: **PacMed**

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### Section 12.8 Entire Agreement.

This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof, and supersedes all prior oral or written understandings, agreements, promises or other undertakings between the parties but does not affect the obligations, powers, requirements or rights of the parties pursuant to Seattle Municipal Code Chapter 3.110 or to the Charter.

### Section 12.9 Time.

Time is of the essence of this Agreement.

### Section 12.10 Governing Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Washington. The venue of any suit or arbitration arising under this Agreement shall be in King County, Washington, and if a suit, in King County Superior Court.

APPENDIX 1 (Continued)

Interlocal Agreement: PacMed

Section 12.11 No Third Party Rights.

Except as expressly provided herein, nothing in this Agreement shall be construed to permit anyone other than the parties hereto and their successors and assigns to rely upon the covenants and agreements herein contained nor to give any such third party a cause of action (as a third-party beneficiary or otherwise) on account of any nonperformance hereunder.

IN WITNESS WHEREOF, authorized representatives of the parties hereto have signed their names in the spaces below.

KING COUNTY

  
King County Executive

PACIFIC HOSPITAL PRESERVATION  
AND DEVELOPMENT AUTHORITY

BY   
Its President / CEO

Date: 4/17/91

Pursuant to Resolution 13-91.

Acting under authority of  
Motion No. 8222

Approved as to form:

  
Norm Maleng, King County Prosecuting Attorney

# APPENDIX 1 (Continued)

## ATTACHMENT A

Rev. 08/03/89

### Pacific Medical Center

#### 1988 ANNUAL COMMUNITY CONTRIBUTION REPORT

##### DEFINITION:

Pacific Medical Center's "community contribution" consists of: (1) services we provide or secure to address unmet health care needs for which we receive no or only partial compensation; and (2) Use of our resources and facilities for medical education and medical research.

##### CONTRIBUTION CATEGORIES:

1. Discount Payment Program and Patient Account Write-Offs:

PMC provided ten percent (10%) to go percent discounts on charges for low-income patients below two hundred percent (200%) of poverty level who were approved for our Discount Payment Program. During 1988, discounts were given to approximately 1,100 persons with 3,200 visits; seventy-two percent (72%) of these discounted patients received ninety percent (90%) discounts.

In addition, 9,089 visits were provided to 4,248 uninsured patients who were not enrolled on the Discount Payment Program. Many of these patients arranged discounts with Patient Accounts or failed to pay their full bill.

Charity Care and Patient Accounts write-offs totaled \$1,314,809. Of that total, \$747,716 was Charity Care resulting from the Discount Payment Program, dental and mental health discounts and adjustments made by Patient Accounts Department for patients with incomes below two hundred percent (200%) of the Federal Poverty Level. Bad Debt accounted for the remaining \$567,094. While most of these patients were uninsured and many are likely to have incomes below two hundred percent (200%) FPL, these accounts are categorized as Bad Debt if we do not have information on the patient's income.

The Discount Payment Program resulted in the following areas of contribution:

- a. Discounted specialty care, diagnostic services, urgent care, oral surgery, inpatient professional services for patients referred by community clinic primary care providers.
- b. Discounted primary and specialty care, diagnostic services, urgent care, and inpatient professional services to low-income patients who use us as their sole or occasional provider.
- c. Discounts on prescription drugs to patients on the Discount Program resulted in \$2,500 of charity write-offs.

## APPENDIX 1 (Continued)

Discounts were also provided outside of the Discount Payment Program in the following areas:

- a. Discounts were provided for Mental Health services on a negotiated basis to uninsured patients or patients who had exhausted their insurance benefits.
  - b. Discounts totalling \$23,112 were provided by PMC,s Dental Clinic, primarily as a result of referrals from community dental clinics for oral surgery.
2. Government-Sponsored Programs: PFIC provided care to government-sponsored patients for whom we receive less than full compensation.
- a. Provided 7,901 visits to 2,271 Medicaid patients who increasingly do not have access to private physicians. (NOTE: PMC's year-end reports identify patients by their last financial class. Some self-pay or uninsured patients may also have been Medicaid-eligible for some part of 1988.) Medicaid visits generated \$554,806 in contractual allowances.
  - b. Provided 6,736 visits to 1,464 Medicare patients at Medicare rates only twenty-seven percent (27%) of providers currently accept assignment. (NOTE: PMC's Medicare-eligible Department of Defense patients are excluded from these totals.) Medicare contractual allowances totalled \$546,984.
  - c. Spent \$59,233 in 1988 on a feasibility study, conducted by Pacific Health on Managed Medicaid and for Basic Health Plan. PHASE and the PDA agreed to participate in these contracts, as have three of the community clinics. In addition, .25 FTE of the Uncompensated Care Manager's time from January to June was spent on the study.
3. Community Clinic Referrals:

PMC continued its affiliation relationship with all King County Community clinics.

- a. Medical Center records indicate that approximately 8,000 visits were provided to 3,000 patients referred to the Medical Center by the 16 community health clinics (including the Seattle/King County Health Department's North Seattle Family Health Center). Nearly fifty percent (50%) of these patients are uninsured. Because regular provider information is only collected when patients register or update their registration, this data is probably twenty-five percent (25%) below the actual number of patient visits generated by community clinic referrals.
- b. Provided inpatient professional services to community clinic patients at Providence and Northwest Hospitals, serving both as attending and consulting physicians.
- c. Provided a telephone answering service at discounted rates to contracted community clinics. The discount over rates charged other Medical Center customers totals \$13,700.

## APPENDIX 1 (Continued)

### 4. Outside Services:

PMC attempted to ensure access for low-income patients to services we do not provide.

Major Access Agreements in 1988:

- a. Providence Medical Center: PMC's contract with Providence stipulated that Charity Care was available to low-income patients admitted by PMC or community clinic providers. Our patients have reported no significant difficulties in making financial arrangements with Providence.

In 1988, Providence Hospital and the hospital-based physicians (anesthesiologists, radiologists) agreed to provide discounts to patients who were prescreened by the community clinics.

One of PMC's gynecologists, Dr. Phil Welch, began doing surgery for Medicaid-eligible patients at Providence Hospital when Northwest failed to obtain a Medicaid contract with the state.

- b. Northwest Hospital: PMC's contract with Northwest Hospital stipulated that Charity Care was available to low-income patients admitted by PMC physicians Northwest Hospital is used by PMC providers for all gynecological admissions (except Medicaid non-emergent surgeries), obstetrics, and general medical admissions from PMC's North Clinic.

Patients have reported few significant problems in making financial arrangements with the hospital, but have experienced difficulty with bills from the hospital-based physicians.

- c. First Hill Diagnostic Imaging provided a limited number of free slots for CT scans and MRI which were used for our discounted patients.
  - d. Puget Sound Radiology agreed, in a contract signed in November 1988, to write off all unpaid charges for our discounted patients.
  - e. Minor and James physicians under contract with PMC agreed to take two community clinic patients each month at no charge.
5. Interpretive Services: Delivered interpretive services to deaf and non-English speaking populations.

- a. Non-English speaking: Provide inhouse interpretive services in the following languages: Vietnamese; Cambodian; Chinese (three dialects); Laotian; Mien; Spanish; Korean. The cost for 2.0 FTE in 1988 was \$50,000 (2,522 in-person encounters).

Sixteen other languages are provided by Community Interpretation Services of Seattle (CHIS) and paid for by PMC. The patient is not charged for the service. The cost of the CHIS contract in 1988 was \$49,947 (1,025 encounters, or 1,468 hours of interpreter service).

6. Medical Education: During the 1987-88 academic year, 142 residents rotated through Pacific Medical Center. These residents completed 3,956 half-day sessions in clinic, the equivalent of

## APPENDIX 1 (Continued)

15,824 hours of service. During the current 1988-89 academic year, approximately the same number of residents are again rotating through PMC. The 1988 salary budget was \$350,000.

An unpublished study by Drs. Burke, Ludwig, and Dunning found that the additional cost of each patient visit attributable to the presence of residents is approximately \$20.00.

7. Facility Resources: Utilized land and building resources for medical research programs and important community service programs such as:
  - a. Straight, Inc. (drug rehabilitation program)
  - b. Hansen's Disease research
  - c. Retro-viral (AIDS) research
  - d. Diabetes research
  - e. Community Health Interpretation Services (Language Bank)
  
8. Advocacy for Unmet Health Needs: Advocated for improvement of health care services for low-income populations through participation in:
  - a. Project Access
  - b. Committee on Affordable Health Care

**APPENDIX 1 (Continued)**

Rev. 08/03/89

Pacific Medical Center  
COMMUNITY CONTRIBUTION

UTILIZATION STATISTICS

<u>UNDUPLICATED PATIENTS</u>	<u>1988</u>
Medicare	1,464
Medicaid	2,271
Discount Program	1,100
Self-Pay	4,248
Community Clinic Referrals	Q1/2, 1,587 est. 3,000
Unduplicated Patients (all payors)	43,133
<u>VISITS</u>	
Medicare	6,736
Medicaid	7,901
Discount Program	est. 3,200
Self-Pay	9,089
Community Clinic Referrals	Q1/2, 4,348 est. 8,000
Visits (all payors)	190,866

## APPENDIX 1 (Continued)

### UNCOMPENSATED CARE

	<u>1988</u>
<u>MEDICARE<sup>1</sup></u>	
Billed	\$1,021,728
Revenue	\$1,234,569
Contractual Allowance	\$ 546,984
<u>MEDICAID</u>	
Billed	\$ 744,622
Revenue	\$ 736,786
Contractual Allowance	\$ 554,806
<u>CHARITY AND BAD DEBT</u>	
	\$1,314,809
Bad Debt	\$ 567,094
Charity Care	\$ 747,715

Budget: PACMED: Attachme

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<sup>1</sup> The contractual allowances and revenue collected from a payor will never equal the amount billed to that payor in the calendar year due to the lagtime for reimbursement.

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