

**Understanding the Maintenance and Construction Process between
Mendocino Coast Health Care District (MCHCD) and
Adventist Health Mendocino Coast (AHMC)
Effective July 1, 2020**

Obligation to Maintain:

- MCHCD will keep and maintain the Premises and the existing Furniture, Fixtures & Equipment (FF&E) in good order, condition and repair. This obligation includes making all repairs, improvements and replacements required by law.
- AHMC has the principal interest in determining the priority and scheduling of Premises and existing FF&E for maintenance, repair, improvements and replacements.
- Beginning on July 1, 2020, AHMC will develop a schedule of maintenance, alterations and construction for the Premises to be named the Improvements Schedule. AHMC will have sole discretion in determining and prioritizing projects on the Improvements Schedule. However, prior to undertaking any project, AHMC will provide the Improvements Schedule to MCHCD so MCHCD can determine whether the expenditures comply with Measure C-2018.

Obligation to Fund:

- Beginning July 1, 2020 (start of fiscal year), MCHCD will deposit \$2,000,000 annually into an Improvements Fund. The deposit will be made in two equal semi-annual payments of \$1,000,000 each on July 1 and January 1 of the fiscal year. For subsequent fiscal years the deposit will be increased for a CPI factor.
- AHMC will manage the Improvements Fund and will have authority to withdraw funds for Improvements Schedule projects and FF&E related expenses.
- AHMC will provide an annual accounting to MCHCD on the uses from the Improvements Fund so MCHCD can validate expenditures toward Measure C- 2018 compliance.
- MCHCD made a special deposit of \$2,000,000 into the Improvements Fund per Board action on May 28, 2020. Therefore, the Improvements Fund balance will be \$3,000,000 on July 31, 2020.