



County of San Mateo

Inter-Departmental Correspondence

Department: HEALTH

File #: 19-948

Board Meeting Date: 10/8/2019

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Louise F. Rogers, Chief, San Mateo County Health
Chester J. Kunnappilly, MD, Chief Executive Officer, San Mateo Medical Center

Subject: Operating Line of Credit for San Mateo Medical Center

RECOMMENDATION:

Adopt a resolution increasing the limit for cash advances from the County General Fund to San Mateo Medical Center from \$30,000,000 to \$45,000,000 as of October 8, 2019.

BACKGROUND:

General Fund cash advances to San Mateo Medical Center (SMMC) are authorized by Board resolutions and memoranda of agreement. These advances represent an operating line of credit, which is used by SMMC during the fiscal year to pay for expenses while awaiting reimbursement from the state and federal government. On October 17, 2006, your Board approved Resolution 068335, to reduce SMMC's line of credit from \$60 million to \$30 million as of July 1, 2006, because cash advances in excess of \$30 million had not been necessary.

DISCUSSION:

Due to recent changes in the way that SMMC receives its supplemental government funding, payment of some of these supplemental funds have been delayed (e.g. funds for FY17-18 are scheduled to be received in September 2019). These delays have created significant cash flow issues for SMMC because cash from direct patient revenue is not sufficient to cover monthly operating expenditures.

As a result, SMMC has requested several cash advances this fiscal year and, beginning in September 2019, the shortfall is expected to exceed the cash advance limit of \$30 million. Similar shortfalls are projected through 2020. During the current fiscal year, SMMC anticipates that there will be five months of negative cash flow.

To address this situation, SMMC requests that your Board increase the limit on cash advances from the County General Fund to SMMC to \$45 million to cover cash shortfalls, due to the delays in SMMC receiving supplemental funding payments.

The resolution has been reviewed and approved by County Counsel as to form.

The resolution contributes to the Shared Vision 2025 outcome of a Healthy Community by providing SMMC the ability to meet its monthly financial commitments.

FISCAL IMPACT:

Each General Fund cash advance shall be repaid by SMMC upon receipt of sufficient cash to generate a positive cash balance.