



Re: Dutchess County Local Development Corporation Applications

Ladies and Gentlemen:

Enclosed please find applications of the Dutchess County Local Development Corporation (the "DCLDC") for the above-referenced issue. Please be advised that there is a \$250.00 application fee to be paid by the client and to be enclosed with the completed application in order to enable the DCLDC to proceed with the benefit package.

You will receive an Engagement Letter which constitutes an explanation of legal fees and costs related to our counsels' work with respect to your project. This Engagement Letter will require an escrow account of \$5,000.00 and our counsel will invoice you monthly on an hourly rate basis for services rendered and deduct it from the escrow account. Should you terminate the agreement or abandon the project, any unused funds will be returned to you. If you have any questions concerning this matter, please contact me.

I advise you that the DCLDC itself does not lend money. Instead, the DCLDC issues bonds for the benefit of the project applicant. The project applicant must find a purchaser of the bonds and agree as to terms and conditions of repayment, interest rate, interim advances during construction, what securities are to be pledged, etc., just as the project applicant and a lender would in any other secured transaction. On filing an application, the project applicant should be fairly secure in knowing where to obtain the requisite moneys.

No work should be commenced or construction contracts entered into or materials ordered or land purchased if any of these expenses are to be included in the bond issue prior to the DCLDC passing an Inducement Resolution and Agreement with the project applicant after an application is filed. To do so may jeopardize the inclusion of the expense of such item in the bond issue.

In completing the application, please note certain material is requested that is required by statute in order to authorize the issuance of the bonds, to wit: the increased employment and your history as to location and why you are expanding or locating in Dutchess County. The bonds are issued as an inducement in industrial, commercial and warehousing facilities that presently do not exist in Dutchess County, or, if they exist, there is an expansion program contemplated. The bond proceeds cannot be used in any way for refinancing existing mortgages.

The processing fees of the DCLDC is one percent (1%) of the first \$2.5 million of the estimated project cost and one-quarter of one percent (.25%) for the estimated project in excess of \$2.5 million

The project applicant additionally will be required to pay DCLDC Counsel fees, Bond Counsel fees and other direct expenses of the DCLDC, including, but not limited to, accounting and engineering expenses. The project applicant agrees that such legal fees and other direct expenses of the DCLDC such as publication costs and stenographer's fees are payable separately from the application and processing fees. The above fees will be payable in full on the sale of the bonds.



Failure and neglect to proceed to close will result in pro rata tender of billings.

Upon receiving the application in my office, I will convene a meeting of the DCLDC to meet with the principals personally to discuss the application, as now required by DCLDC policy.

Please note that the DC LDC is under no obligation to act favorably on this application, and the project applicant agrees to release the DC LDC, its members, its staff, its successors and assigns from any claim against the DC LDC that may arise from the DCLDC's processing the application or by the DCLDC's either granting or denying the application.

Upon the filing of documents, no mortgage tax will be necessary between the DC LDC and a trustee or bank collecting the moneys during the financing for the repayment of bonds.

If I can be of further assistance, please feel free to contact our office.

Very truly yours,

Sarah Lee  
Chief Executive Director

Enclosures

**PLEASE TAKE NOTICE** — The DC LDC in certain respects is subject to the Freedom of Information Law or Sunshine Laws of the State of New York. If there are any confidential matters or negotiations for real property taking place that would be adversely affected by revelation of the particulars to the public or media, it is suggested that this matter be discussed with the DCLDC Counsel or personnel directly and not set forth in the initial application unless required by Bond Counsel for the preparation of the Inducement Resolution. Any financial disclosures of the project applicant requested should be marked confidential to ensure their attention as confidential documents. Although the DC LDC does not pass on the project applicant's financial ability to pay, which is the bond purchaser's prerogative, the DCLDC does want to know that the project applicant is a viable business enterprise.



Dutchess County Local  
Development Corporation

# Dutchess County Local Development Corporation

## Application For Financial Assistance



3 Neptune Road  
Poughkeepsie, NY 12601  
Ph: 845.463.5400 Fx: 845.463.0100  
Email: [info@thinkdutchess.com](mailto:info@thinkdutchess.com)  
[www.dutchesscountylde.com](http://www.dutchesscountylde.com)

For Office Use Only

Project #:

Application Received Date:



## **DCLDC BOARD AND STAFF OFFICERS**

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Chairman  
Charles Daniels III

Vice Chairman  
Timothy E. Dean

Secretary/Treasurer  
Mark Doyle

Executive Director  
Sarah Lee

Chief Financial Officer  
Marilyn Yerks

Compliance Officer/  
Records Access Officer  
Sarah Lee

## **COUNTY GOVERNMENT**

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County Executive  
Marcus J. Molinaro

Dutchess County Office Building 22 Market Street,  
Sixth Floor  
Poughkeepsie, NY 12601

Tel.# (845) 486-2000(B) Fax # (845) 486-2021

Email: [mmolinaro@dutchessny.gov](mailto:mmolinaro@dutchessny.gov)

This e-mail address is being protected from  
spambots.

Dutchess County Legislature  
A. Gregg Pulver, Chairman

Dutchess County Office Building 22 Market Street,  
Sixth Floor  
Poughkeepsie, NY 12601

Tel # (914) 474-0908 (B) Fax # (845) 486-2113

Email: [gpulver@dutchessny.gov](mailto:gpulver@dutchessny.gov)

## **BOARD OF DIRECTORS**

---

Charles Daniels III  
Timothy E. Dean  
Mark Doyle  
Stacey Langenthal  
Donald Sagliano  
Alfred D. Torreggiani

Counsel  
Donald Cappillino



## **MISSION STATEMENT**

The mission of the Dutchess County Local Development Corporation is to reduce underemployment and increase employment; provide assistance and financial incentives for the formation, retention, expansion, and attraction of not for profit and for profit business to improve the economic vitality of the County.



Dutchess County Local  
Development Corporation

Please answer all questions. Use "None" or "Not Applicable" where necessary

A. Applicant Information (company receiving benefit)

Company Name: Nuvance Health and Western Connecticut Health Network

Address: 1351 Route 55, LaGrangeville, NY 12540

Phone: 845-475-9500

Fax: \_\_\_\_\_

Email: kbacher@health-quest.org

Website: www.health-quest.org

Federal Employer ID Number: 83-4214573 and 22-2594977

State and Year of Incorporation/Organization: NY2019; CT 1985

List of stockholders, members, or partners of Applicant:

B. Individual Completing Application

Name: Katherine Bacher

Title: HQ Chief Financial Officer

Address: 1351 Route 55, LaGrangeville, NY 12540

Phone: (845) 475-9538

Fax: (845) 475-9937

Email: kbacher@health-quest.org

C. Company Contact (if different from individual completing application)

Name: same as above

Title: \_\_\_\_\_

Address: \_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

Email: \_\_\_\_\_

D. Company Counsel:

Name of Attorney: David Kates

Firm Name: Chapman and Cutler, LLP

Address: 111 West Monroe Street, Chicago, IL 60603

Phone: (312) 845-3491

Fax: \_\_\_\_\_

Email: dkates@chapman.com



Please answer all questions. Use "None" or "Not Applicable" where necessary

E. Request for Assistance:

Please check which type of assistance you are applying for (select all that apply):

- 1 **Bond Issuance** ✓
- 2 Straight Lease
  - a. Mortgage Tax Exemption

F. Please list all Officers and Directors for the Not for Profit Corporation:

Please find attached the listing of the Nuvance Health Board of Directors - Page 1 and 2.

G. Applicant Business Description: Describe in detail organization's background and mission. Attach additional pages if needed.

Please see attached HQ and WCHN's health systems mission, vision and values - Page 3.

H. Is or was the Company assisted by DC LDC? Yes

I. Industry

Please check off the Project's Industry Sector:

- |                                           |                               |
|-------------------------------------------|-------------------------------|
| <b>Education or Healthcare Services</b> ✓ | Airport                       |
| Cultural Institutions                     | Charitable Organization       |
| Non-profit nursing homes                  | Government                    |
| Non-profit assisted living facilities     | Solid waste / sewage facility |
| Other (Please write):                     |                               |

North American Industrial Classifications Number (NAICS) 622110



Please answer all questions. Use "None" or "Not Applicable" where necessary

Section II: Project Description and Details

Project Location

Project Address  
45 Reade Place, Poughkeepsie, NY 12601

Property Tax Jurisdiction:

Municipal: Poughkeepsie  
School District: City of Poughkeepsie

Utilities:

Indicate which, if any, utilities are on site

Water ✓ Electric ✓  
Gas ✓ Sanitary/Storm Water ✓

Does the Applicant or any related entity hold fee title to the Project Site? **Yes**  
If no, Present legal owner of site:

Describe the present use of the proposed Project Site

The present use of the proposed Project Site is the construction of the new Vassar Patient Pavilion.

The facility consists of a building/space which will be (check as applicable)

- 1. Acquired
- 2. Constructed
- 3. Renovated
- 4. Expanded ✓

In the space below briefly describe the proposed project and its purpose (new build, renovations, equipment purchases). Identify specific uses occurring with the project. Describe any and all tenants and any/all end users. Attach detailed information if necessary.

Vassar Brothers Medical Center modified the foundation and steel work to support an additional floor to the new Patient Pavilion. The additional costs to support the weight and stiffen the structure (caissons and steel) and the shell and core of the additional floor (approx 56,000 square feet) will be approximately \$40M.





Please answer all questions. Use "None" or "Not Applicable" where necessary

Describe why the Agency's assistance is necessary and if the applicant is unable to obtain Corporation financial assistance, what will be the impact on the Applicant and Dutchess County and/or municipality? Would the applicant proceed with the project without Corporation assistance? (Attached additional sheets if necessary)

The Agency's assistance was chosen due to past experiences of working with the agency and supporting the local communities businesses. Yes, we could proceed without the Agency's assistance, if necessary. However, based on prior experience with the DC LDC, we prefer to work with your agency.

To the extent the project serves a local market area, is there a recognized and demonstrable need for the products or services the project will provide in the project's market area?

This project is an important step for the health system to transition to an academic focused system, enabling us to increase the number of clinical programs provided to the community and enhance our ability to retain and recruit physician talent to our region.

Is the project compatible with and will significantly assist and enhance all development plans for its area established formally or informally by local, county, state and federal authorities?

Yes

Will this project initially provide substantial employment and/or substantial capital investment and be of a nature which demonstrates a substantial long-term commitment of the beneficiary to the county, which makes it highly likely that the substantial increase in employment, capital investment will continue for a significant period of time?

At this time the space is only being constructed as shell space for future growth. Upon the actual completion of the actual fit-up to usable space, there will be additional employment to staff the space. During the construction phase, there are temporary construction workers who have been hired until

Is the project of a speculative nature?

No

Have you contacted or been contacted by other Economic Development Agencies? If yes, please identify which agencies and what other assistance or assistance sought and the dollar amount that is anticipated to receive.      Yes      No ✓

If yes, please list:



Please answer all questions. Use "None" or "Not Applicable" where necessary

Zoning of Project Site:

Current: H-M Hospital Medical  
Proposed: same as above

Are any variances needed? If so, please list:

The approximate acreage of the land to be purchased or leased: N/A

The approximate square footage of the existing building to be purchased or space to be expanded/renovated is: 696,000 st ft

The approximate square footage of the planned new construction is: 56,000 square feet

Please note that the Corporation cannot provide any financial assistance until the environmental review required under the State Environmental Quality Review Act ("SEQRA") has been completed. Please complete the annexed Short Form Environmental Assessment Form. Based upon the information provided in that form and elsewhere in this application, the Corporation may require further information regarding potential environmental impacts.

If this project is likely to have a significant adverse impact on the environment (a "Type I" action), then the action is probably required to be reviewed by one or more other state or local agencies, such as a local zoning or land use authority. In that event, the Corporation generally will not act as "lead agency," and any action by the Corporation must await completion of the SEQRA review by the other agency. If that is not the case, i.e., if the proposed action is a "Type II" or "unlisted" action under SEQRA, the Corporation may act independently for SEQRA purposes.

Any known environmental contamination or remediation issues?                      Yes                      No

If yes, please list:

The Corporation will not provide any financial assistance to the Project until the environmental findings required under SEQRA have been made.



Please answer all questions. Use "None" or "Not Applicable" where necessary

Facility Relocation or Closure

Will the project result in the removal of a plant or facility of the Applicant from one area of the State of New York to another area of the State of New York:

Yes No ✓

Will the project result in the removal of a plant or facility of another proposed occupant of the Project from one area of the State of New York to another area of the State of New York?

Yes No ✓

Will the Project result in the abandonment of one or more plants or facilities located in the State of New York?

Yes No ✓

If the answer to either of the foregoing questions in this subpart is positive, please explain in detail, on as many separate sheets as necessary, the reasons for the relocation, abandonment or closure, including, without limitation, (i) any considerations regarding the applicant's (or other occupant's) ability to remain competitive in its industry, and (ii) any consideration which has been given to relocating to any location outside the State of New York. Please note that the Corporation may ask you to provide additional information regarding the foregoing, including documentary support

Project Construction Schedule

What is the proposed date for commencement of acquisition or construction of the Project? In process

Please indicate the actual or expected dates of: Construction completion: March 2020 Occupancy: April 2020

Will the company be occupying 100% of the completed facility? Yes ✓ No If no, will there be tenants in the remaining space? Yes No



Dutchess County Local Development Corporation

Please answer all questions. Use "None" or "Not Applicable" where necessary

Investment (Uses and Sources)

Uses (Facility Costs)

Please give an accurate estimate of the costs of all of the following items.

Table with 2 columns: Item description and Estimated Cost. Items include Real Estate, New Building Construction, Infrastructure Work, etc. Total Project Cost is \$40 million.

Uses (Financing, Legal, Miscellaneous)

Estimated Fees

Table with 2 columns: Fee description and Estimated Amount. Items include LDC Administrative Fees, LDC Counsel, Applicant Counsel, etc. Total amount is \$90 million.

Corporation costs such as public hearings and legal notice fees are the responsibility of the Applicant from the time an application is submitted.



Please answer all questions. Use "None" or "Not Applicable" where necessary

**SOURCES**

Amount of equity \$ \_\_\_\_\_  
 Amount of other conventional financing \$ \_\_\_\_\_  
 Amount financed by bond issue \$ \_\_\_\_\_  
 Total Cost..... \$ \_\_\_\_\_

**Corporation Financial Information**  
 Please attach the following information:

1. The Corporation's Audited financial statement for the last two years.
2. A copy of the Corporation's most recent Annual Report
3. The Corporation's income projections

**Community Benefits**

1. Financial Assistance Provided
  - a. Estimated Mortgage Recording Tax Exemption

$$\begin{array}{rclcl}
 \$ \underline{\hspace{2cm}} & \times & .0105 & = & \$ \underline{\hspace{2cm}} \\
 \text{Projected Amount of Mortgage} & & \text{Mortgage Recording Tax} & & \text{Total}
 \end{array}$$



Dutchess County Local  
Development Corporation

Please answer all questions. Use "None" or "Not Applicable" where necessary

Community Benefits – Employment

1. Benefits = Economic Development Impacts (For Project Location Only)

By statute, the Agency must project the number of FTE jobs that would be retained and created if the request for Financial Assistance is granted. The Agency will use job projections upon the two (2) year time period following Project completion.

a. Employment should be quantified by "FTE", which shall mean: (a) a full-time, permanent, private-sector employee on the project's payroll, who has worked (or is projected to work) at the project facility for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is (or will be) entitled to receive the usual and customary fringe benefits extended by the Applicant to other employees with comparable rank and duties;

b. or (b) two part-time, permanent, private-sector employees on the Applicant's payroll, who have worked (or are projected to work) at the project facility for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are (or will be) entitled to receive the usual and customary fringe benefits extended by the Applicant to other employees with comparable rank and duties

Job Category	Current # of FTE's	# of FTE's Retained	Average Salary/Salary Range	# of FTE's Created Upon 2yrs	Average Salary/ Salary Range
Owner/Executive					
Professional					
Management					
Administrative					
Production					
Other					
Total*		Page 4			

Are employees currently covered by a collective bargaining agreement?  
If yes, Name and Local?

No

Are employees provided retirement benefits? Yes  No

Are employees provided health benefits? Yes  No

Will construction jobs be created with this project? Yes  No

If so how many? 50



Please answer all questions. Use "None" or "Not Applicable" where necessary

### Items needed for a Bond Closing

The following items shall be furnished to the LDC within thirty (30) days following a bond closing:

- Cost of Issuance
- True Interest Cost
- CUSIP Number
- Interest type or rate
- Trustee bank, address, contact person, and account number
- Schedule of indebtedness
- Any other documentation reasonable requested by the DC LDC

Please sign below to indicate that you have read and understand the above and will provide information on a timely basis.

Chief Executive Officer or Applicant

Date

Katherine Bacher

### J. Bond Information

1. Total Funds Required Up to \$130 million Estimated Term 30 years

Indicate the date by which the proceeds of the Corporation's bonds, if issued will be needed

Date Required August 2019





Dutchess County Local Development Corporation

Please answer all questions. Use "None" or "Not Applicable" where necessary

Certification

Katherine Bacher deposes and says that he/she the Asst. Treasurer of Nuvance Health (Name of Officer of Company submitting application) (Title) (Company Name)

The corporation named in the attached application; that he/she has read the forgoing application and knows the contents thereof; that the same is true to his/her knowledge. Deponent further says that the reason this verification is being made by the deponent and not by Nuvance Health is because the said Company is a Corporation. (Company Name)

The grounds of deponent's belief relative to all matters in the said application which are not stated upon his/her own personal knowledge, are investigations which deponent has caused to be made concerning the subject matter of this application as well as information acquired by deponent in the course of his/her duties as an officer of and from the books and papers of said corporation.

As an officer of said corporation (hereinafter referred to as the "applicant"), deponent acknowledges and agrees that applicant shall be and is responsible for all costs incurred by the Dutchess County Local Development Corporation (hereinafter referred to as the "Corporation") acting on behalf of the applicant during the attendant negotiations and leading to the issue of bonds. If, for any reason whatsoever, the applicant fails to conclude or consummate necessary negotiations or fails to act within a reasonable or specified time to take reasonable, proper, or request action, or withdraws, abandons, cancels, or neglects the application, or if the Corporation or applicant are unable to find buyers willing to purchase the total bond issue required, then upon presentation of invoice, applicant shall pay to the Corporation, its' agents, or assigns, all actual costs incurred with respect to the application, up to that date and time, including fees of bond counsel for the Corporation and fees of general counsel for the Corporation.\* Upon successful conclusion and sale of the required bond issue, the applicant shall pay to the Corporation an administrative fee set by the Corporation.

Katherine Bacher (Chief Officer of Company submitting) Katherine Bacher Asst. Treasurer Print Name Title

Date

NOTARY: Sworn to me before this day of , 20

\*Applicant is responsible for payment of any State Bond Issuance Fees.

Notary Public (Please Affix Stamp)





Please answer all questions. Use "None" or "Not Applicable" where necessary

New York State  
Applicant Requirements  
For Local Development Corporations

1. Absence of Conflicts of Interest

The Applicant has received from the Corporation a list of the members, officers and employees of the Corporation. No member, officers or employees of the Corporation has an interest, whether direct or indirect, in any transaction contemplated by this Application, except as hereinafter described:

2. Job Listing

In accordance with Section 858-b(2) of the New York General Municipal Law, Applicant understands and agrees that, if the Project receives any Financial Assistance from the Corporation, except as otherwise provided by collective bargaining agreements, new employment opportunities created as a result of the Project will be listed within the New York State Department of Labor Community Services Division (the DOL) and with the One-Stop Center of the service delivery area created by the federal Workforce Investment Act (WIA) in which the Project is located.

3. First Consideration for Employment

In accordance with Section 858-b (2) of the New York General Municipal Law, the Applicant understands and agrees that, if the Project receives any Financial Assistance from the Corporation except as otherwise provided by collective bargaining agreements, Where applicable, the Applicant will first consider persons eligible to participate in WIA programs who shall be referred by the One-Stop Center for new employment opportunities created as a result of the Project.

4. Annual Employment Reports

The Applicant understands and agrees that, if the Project receives any Financial Assistance from the Corporation, the Applicant agrees to file, or cause to be filed, with the Corporation, on an annual basis, reports regarding the number of people employed at the project site, salary levels and such other information as part of the Corporation's Employment Report.



Dutchess County Local  
Development Corporation

Please answer all questions. Use "None" or "Not Applicable" where necessary

5. Fees

This obligation includes an obligation to submit Corporation Fee Payment to the Corporation in accordance with the Corporation Fee policy effective as of the date of this Application.

6. Freedom of Information Law (FOIL)

The Applicant acknowledges that the Corporation is subject to New York State's Freedom of Information Law (FOIL). Applicants understand that all project information and records related to this application are potentially subject to disclosure under FOIL subject to limited statutory exclusions.

New York State Law requires financial reporting requirements from all LDC's in New York State

7. Bonds

a. All bonds issued, outstanding or retired during the year must indicate the following:

Month and year issued; Interest rate at year end; outstanding beginning of year; issued during year; principal payments during year; outstanding at end of year; and final maturity date. This information will be requested from you in January of each year.

b. All new bonds issued need the following supplemental information:

Name of the project; tax exemptions separated by State and local sales tax, County and school taxes; Mortgages recording; Payments in lieu of taxes; New tax revenue if no exemption is granted; number of jobs created and other economic benefits. This information is required each year and will be requested from you in September of each year.

The Public Authority Accountability Act of 2005 and the Public Authorities Reform Act of 2009, if determined applicable, impose additional reporting requirements on the DCLDC. The applicant agrees to promptly, diligently and accurately provide all information required by the DCLDC to meet its obligations under these laws.

Please sign below to indicate that you have read and understand the financial and employment reporting requirements and will provide information on a timely basis.

The Applicant and the individual executing this Application on behalf of the Applicant acknowledge that the Corporation will rely on the representations made herein when acting on this Application and hereby represent that the statements made herein do not contain any untrue statement of a material fact and do not omit to state a material fact necessary to make the statements contained herein not misleading.

Signature: Katherine Bacher

Print Name: Katherine Bacher

Title: Asst. Treasurer

Date: \_\_\_\_\_



Please answer all questions. Use "None" or "Not Applicable" where necessary

## HOLD HARMLESS AGREEMENT

Applicant hereby releases the Dutchess County Local Development Corporation and its members, officers, servants, agents and employees thereof (the "Corporation") from, agrees that the Corporation shall not be liable for and agrees to indemnify, defend and hold the Corporation harmless from and against any and all liability arising from or expense incurred by (A) the Corporation's examination and processing of, and action pursuant to or upon, the attached Application, regardless of whether or not the Application or the Project described therein or the tax exemptions and other assistance requested therein are favorably acted upon by the Corporation, (B) the Corporation's acquisition, construction and/or installation of the Project described therein and (C) any further action taken by the Corporation with respect to the Project; including and without limiting the generality of the foregoing, all causes of action and attorneys' fees and any other expenses incurred in defending any suits or actions which may arise as a result of any of the foregoing. If, for any reason, the Applicant fails to conclude or consummate necessary negotiations, or fails, within a reasonable or specified period of time, to take reasonable, proper or requested action, or withdraws, abandons, cancels or neglects the Application, or if the Corporation or the Applicant are unable to reach final agreement with respect to the Project, then, and in the event, upon presentation of an invoice itemizing the same, the Applicant shall pay to the Corporation, its agents or assigns, all costs incurred by the Corporation in the processing of the Application, including attorneys' fees, if any. The Corporation reserves the right at any time, as a condition to further consideration of this application, to require reimbursement of any such costs incurred, or to require a deposit against such costs and to apply such deposit to the Corporation's costs as incurred.

Signature: Katherine Bacher  
Print Name: Katherine Bacher  
Title: Asst. Treasurer  
Date: \_\_\_\_\_



Dutchess County Local  
Development Corporation

Please answer all questions. Use "None" or "Not Applicable" where necessary

## Short-Form Environmental Assessment Form

All applicants are required to submit a completed Environmental Assessment Form before approval can be given.

Applicants can download a copy of the Short EAF on the Dutchess County Local Development Corporation page <https://thinkdutchess.com/ldc/>

Please complete by answering all questions and submit evidence of any prior environmental review by other government agencies. After review by DCLDC, Applicant may be required to submit a full Environmental Assessment Form.



**Dutchess County Local  
Development Corporation**

Please answer all questions. Use "None" or "Not Applicable" where necessary

Construction jobs, though limited in time duration, are vital to the overall employment opportunities in Dutchess County. The Dutchess County Local Development Corporation (the "Corporation") believes that Project Applicants (the "Company"), as a condition to receiving Financial Assistance (mortgage recording tax exemption) from the Corporation, will be required to utilize qualified Workforce, as defined below, for all projects involving the construction, expansion, equipping, demolition and/or remediation of new, existing, expanded or renovated facilities (collectively, the "Project Site").

**For Projects \$10,000,000 and above involving construction and a mortgage tax exemption**

*Local Area Defined*

For projects equal to or greater than \$10,000,000 the Local Area is defined as individuals residing in the following Counties (collectively, the "Local Area"): Columbia County, Dutchess County, Greene County, Orange County, Putnam County, Rockland County, Sullivan County, Ulster County and Westchester County.

*Local Workforce Requirement*

The Company shall ensure that at least 80% of total work hours of the general contractor, subcontractor, or subcontractor to a subcontractor (collectively the "Workers") working on the Project Site must reside within the Local Area. The 80% shall be measured by hours and in total at the time of completion of the project. Companies do not have to be local companies as defined herein, but must employ local Workers residing within the Local Area to qualify under the 80% Local Workforce criteria.

*Local Workforce Reporting Requirement*

The Local Workforce criteria will be verified based on employment, payroll and related records.

In addition, the Corporation, or its designated agents, shall have the right, during normal business hours, to examine and copy records of the Company and to perform spot checks of all Workers at the Project Site to verify compliance with the Local Workforce requirement throughout the construction period.

*Enforcement*

If Corporation staff determines that: (1) The Local Workforce Requirement is not being met; or (2) Corporation Staff, upon use of its reasonable discretion, discovers or becomes aware of a compliance issue related to the Local Workforce Requirement, then a written warning delivered by Certified Mail of said Local Workforce Requirement violation (the "Warning of Violation") shall be provided to the Company.

In the event a subsequent violation of the policy has occurred, then written notice delivered by Certified Mail of said Local Workforce Requirement violation (the "Notice of Violation") shall be provided to the Company and the Chief Executive Officer shall bring the information to the Board of Directors which may, in its discretion, take action to revoke the mortgage tax exemption benefits.



Please answer all questions. Use "None" or "Not Applicable" where necessary

The Project Applicant has the primary obligation for the adherence to all the conditions of this policy. This obligation cannot be relieved, evaded or diminished by assigning a Contractor or through subcontracting. Should the project applicant assign a Contractor, the Applicant shall continue to have primary obligation.

#### Waiver Request

It is understood that at certain times, Workers residing within the Local Area may not be available with respect to a Project. Under this condition, the Company is required to contact the Corporation to request a waiver of the Local Utilization Requirement (the "Local Workforce Utilization Waiver Request") based on the following circumstances:

- Warranty issues related to installation of specialized equipment or materials whereby the manufacturer requires installation by only approved installers
- Specialized construction for which qualified Local Workforce Area workers are not available;
- Significant cost differentials in bid prices whereby the use of local Workforce significantly increases the cost of the project. A cost differential of 10% is deemed significant. Every effort should be made by the contractor or applicant to get below the 10% cost differential including, but not limited to, meeting with local construction trade organizations and local contractor associations
- Documented lack of workers meeting the Local Workforce Area requirement

The Corporation shall evaluate the Local Workforce Utilization Waiver Request and make its determination related thereto based upon the supporting documentation received with such waiver request.

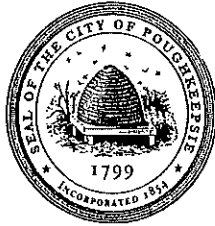
The foregoing terms have been read, reviewed and understood by the Company and all appropriate personnel. The undersigned agrees and understands that the information contained herein must be transmitted and conveyed in a timely fashion to all applicable subcontractors, suppliers and materialmen. Furthermore, the undersigned realizes and understands that failure to abide by the terms herein could result in the Corporation revoking all or any portion of the mortgage tax exemption, whether already received or to be received by the Company, as it deems reasonable in its sole discretion for any violation hereof.

Name of Company Nuvance Health

Name Katherine Bacher

Title Asst. Treasurer

Adopted 10/18/2016  
Amended 11/13/2018



**CITY OF POUGHKEEPSIE  
PLANNING DEPARTMENT**

June 20, 2017

**45 READE PLACE – VASSAR HOSPITAL**

Amended Site Plan and Special Permit approval for 56,459 sf addition (8<sup>th</sup> floor) to the approved ±696,400 sf hospital building. Addition will provide for an additional 66 private room beds; Applicant: Vassar Brothers Hospital/Health Quest Systems, Inc.; Consultant: The Chazen Companies; Grid #s 6061-43-843721 + 24 associated parcels; Zoned H-M; File#2017-019

The applicant is proposing a ±56,459 sf addition (8<sup>th</sup> floor) to the approved ±696,400 sf hospital building to provide an additional 66 private rooms. This has been circulated to County Planning and the Waterfront Advisory Committee.

The Waterfront Advisory Committee has reviewed this project and made a determination of consistency with the LWRP. County Planning has responded that this is a matter of local concern.

Traffic and Parking have been reviewed and found to be acceptable

NYS OPRHP has made a determination of no impact.

At the May meeting, the Planning Board opened and closed the public hearing and directed Lisa Cobb with Wallace & Wallace LLP to prepare the final resolutions for consideration.

**Recommendations:**

It is recommended that the Board adopt a Negative Declaration as stated in the Negative Declaration prepared by Wallace and Wallace LLP and supported by the Full EAF parts 2 and 3 prepared by Clark Patterson Lee and circulated to the Board prior to the meeting.

- Robert Levine, Chair
- Patrick Moore, Acting Vice Chair
- Daniel McCabe, Vice Chair
- Sakima A.G. Brown
- Robert Mallory
- Richard E. Mignault
- Marjorie Smith

Recused

~~ATP~~  
~~ATP~~  
~~ATP~~  
~~ATP~~  
~~ATP~~  
~~ATP~~  
~~ATP~~

Anne Saylor  
 Motion: Dan McCabe  
 Second: Marjorie Smith  
 Carried: 6:0:1



It is recommended that the Board grant amended site plan approval as stated in the resolution as prepared by Wallace and Wallace LLP and circulated to the Board prior to the meeting.

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	<u>Aye</u>
Daniel McCabe, Vice Chair	<u>Aye</u>
Sakima A.G. Brown	<u>Aye</u>
Robert Mallory	<u>Aye</u>
Richard E. Mignault	<u>Aye</u>
Marjorie Smith	<u>Aye</u>
Anne Taylor	<u>Aye</u>
Motion: <u>Don McCabe</u>	<u>Aye</u>
Second: <u>Marjorie Smith</u>	
Carried: <u>6:0:1</u>	

*Amended*

It is recommended that the Board grant special permit approval as stated in the resolution as prepared by Wallace and Wallace LLP and circulated to the Board prior to the meeting.

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	<u>Aye</u>
Daniel McCabe, Vice Chair	<u>Aye</u>
Sakima A.G. Brown	<u>Aye</u>
Robert Mallory	<u>Aye</u>
Richard E. Mignault	<u>Aye</u>
Marjorie Smith	<u>Aye</u>
Anne Taylor	<u>Aye</u>
Motion: <u>Don McCabe</u>	<u>Aye</u>
Second: <u>Marjorie Smith</u>	
Carried: <u>6:0:1</u>	





**THE CITY OF POUGHKEEPSIE  
PLANNING BOARD**  
62 CIVIC CENTER PLAZA, 2<sup>ND</sup> FLOOR  
POUGHKEEPSIE, NY 12601  
Phone: (845) 451-4055  
Fax: (845) 451-4006

State Environmental Quality Review  
**NEGATIVE DECLARATION**  
Notice of Determination of Non-Significance

This notice is issued pursuant to Part 617 of the implementing regulations pertaining to Article 8 of the State Environmental Quality Review Act ("SEQRA") of the Environmental Conservation Law.

For the reasons set forth herein, the **CITY OF POUGHKEEPSIE PLANNING BOARD**, as lead agency, has determined that the proposed action described below will not have a significant environmental impact and a Draft Environmental Impact Statement will not be prepared.

**Name of Action:** VASSAR BROTHERS MEDICAL CENTER ("VBMC") EXPANSION  
AMENDED SITE PLAN AND AMENDED SPECIAL USE PERMIT

**Applicants:** VASSAR BROTHERS MEDICAL CENTER / HEALTH QUEST SYSTEMS, INC.  
(collectively herein, the "Applicant")

**SEQR Status:** Type 1   
Unlisted

**Conditioned Negative Declaration:**  Yes  
 No

**Description of Action:**

Vassar Brothers Medical Center ("VBMC"), a Health Quest affiliate, received Conditional Site Plan and Special Permit Approval from this Board on May 24, 2016 for, among other things, the construction of a ±696,400 square foot new building, to have seven stories above grade and two levels partially below grade.

VBMC is now proposing an amendment to the approved site plan to add an additional 8<sup>th</sup> (above-ground) story consisting of 56,459 GSF to the previously-approved building. This additional floor would add 66 new medical/surgical beds to the facility and will require 43 new staff (25 for the day shift and 18 for the night shift). The addition of the 8<sup>th</sup> (above ground) floor to the previously-approved building is referred to herein as the "Project."

It should be noted that VBMC is proposing to "shell" the 8<sup>th</sup> floor, that is, to construct only those elements necessary to complete the construction of the building, leaving the remainder of the floor unconstructed and vacant. However, for purposes of this environmental analysis and assessment of impacts, the Board has assumed the full construction and use of the Project.

As discussed below, the primary areas of potential environmental concern for this Project are visual impacts, parking and traffic. For the reasons set forth herein, The Planning Board concluded that will not create any significant negative environmental impacts.

**Location:**

The Project consists of adding an additional floor to the previously-approved building, which building is located on a 15.31-acre parcel described as 45 Reade Place and bearing tax parcel identification number 6061-43-843721. Additional parcels utilized by VBMC are listed in the Full Environmental Assessment Form ("FEAF"), Part I Narrative submitted by the applicant.

**Approvals and Permits Required:**

The Project requires Amended Site Plan and Special Permit approval. No variances are required. The Project also requires various other permits and approvals, as follows:

**VBMC Expansion – Amended Site Plan – Required Permits/Approvals**

<b>Agency</b>	<b>Required Permit/Approval</b>
NYS Department of Health ("NYSDOH")	Certificate of Need ("CON") Modification and (before build-out) a full CON
NYS Historic Preservation Office ("SHPO")	Project Review
Dutchess County Department of Planning and Development ("DCDPD")	GML 239m referral
City of Poughkeepsie Planning Board	Amended Site Plan and Special Permit approvals
City of Poughkeepsie Waterfront Advisory Committee ("WAC")	Determination of consistency with the Local Waterfront Revitalization Program

**Environmental Review by City Planning Board:**

The Planning Board initiated the environmental review of the Project on April 18, 2017 by declaring its intent to be lead agency in a coordinated SEQRA process. Circulation for lead agency was accomplished by notice dated April 20, 2017 and both involved agencies (NYSDOH and NYSOPRHP) having consented, lead agency was officially assumed at a meeting of the Planning Board held on May 16, 2017.

The Planning Board considered the applications, materials, comments and discussion available at meetings held on April 18, 2017, May 16, 2017, and June 20, 2017.

A duly-noticed public hearing was opened and closed on May 16, 2017. No member of the public appeared to speak in favor of or in opposition to the Project.

**Documents, Studies, Materials and Comments Reviewed and Considered by the Lead Agency:**

The Applicant submitted application materials to the Planning Board, acting also as the designated Lead Agency, for Site Plan and Special Permit approvals, as follows:

1. City of Poughkeepsie Planning Board Application for Site Plan Approval, dated April 3, 2017;
2. City of Poughkeepsie Planning Board Application for Special Permit Approval, dated April 3, 2017;
3. An Expanded Full Environmental Assessment Form, Part 1 ("FEAF"), with narrative, dated April 12, 2017;
4. Visual (Viewshed) Assessment for Amended Site Plan dated April 10, 2017;
5. Revised Traffic Impact Assessment with Revised Parking Study dated April 12, 2017;

6. Site Plans, with sheets numbered and dated as follows:

<u>SHEET NO.</u>	<u>REV</u>	<u>SHEET NO.</u>	<u>DATE</u>	<u>DESCRIPTION</u>
1	1	C-001	04/05/17	TITLE SHEET
2	1	V-001	03/30/17	EXISTING CONDITIONS PLAN
3	1	V-002	03/30/17	EXISTING CONDITIONS PLAN
4	1	C-110	04/05/17	APPROVED SITE PLAN
5	1	C-111	04/05/17	AMENDED SITE PLAN
6	1	C-140	04/05/17	AMENDED UTILITY PLAN

7. Revised elevations, with sheets numbered and dated as follows:

<u>SHEET NO.</u>	<u>SHEET NO.</u>	<u>DATE</u>	<u>DESCRIPTION</u>
1	SEQR1	04/12/17	EAST AND WEST ELEVATIONS
2	SEQR2	04/12/17	NORTH AND SOUTH ELEVATIONS

Written and oral comments were received from the City's consultants. Written comments included the following:

1. Traffic and Parking Review (prepared by Clark, Patterson Lee) dated 5/16/17;

The following written comments also were received and considered by the Planning Board:

1. Letter from SHPO dated May 2, 2017; and
2. Letter from DCDPD dated May 15, 2017.

#### **REASONS SUPPORTING THIS DETERMINATION:**

This Project is classified as a Type I action under SEQRA because certain aspects of the original application met or exceeded the thresholds set forth in the regulations. The City Planning Board, as lead agency, has evaluated the information contained in the Expanded Full EAF, the additional materials supplied by the Applicant, and the comments received thereto, against the criteria found in 6 NYCRR 617.7, to make this determination of non-significance.

The Project does not propose any change in use from the current use of the parcel, which use is consistent with the City Comprehensive Plan.

The Project does not propose any new ground disturbance, so there will be no effect on soil or water resources.

The Project does not propose any new ground disturbance, so there will be no effect on vegetation or wildlife.

The Project does not propose any new ground disturbance, so there will be no effect on historic or cultural resources. By letter dated May 2, 2017, SHPO concurs in the assessment of no impact.

The City's Waterfront Advisory Committee considered this application during its meeting on May 2, 2017, and determined that it was consistent with the City's Local Waterfront Revitalization Program, confirming the same by resolution of the same date.

The Project does not impact the previously-approved phasing plan for the prior site plan.

When built out, the new floor is intended to be predominately inpatient rooms. Similar to a hotel, most lights will be off or at low levels at night. Additionally, interior lighting in patient rooms has been moved away from exterior windows, and all windows will be equipped with shades that can be lowered at night to further reduce light spillage from the building.

Construction work associated with the Project will result in short-term noise and odor impacts. Construction impacts are not significant as the impact is temporary and the work will take place during daytime hours, in accordance with City of Poughkeepsie Code Chapter 13.5. In addition, best practices for construction in accordance with any applicable rules, regulations, or laws will be followed as well as any applicable City protocols related to construction to ensure that impacts are not significant.

The proposed addition will result in additional energy demands for electricity and HVAC needs. More specifically, a 3% increase in water usage (11,292 gpd) and 5% increase in wastewater generation (12,421 gpd) over the demand documented for the approved project is anticipated. A less than 1% increase over total campus water usage and wastewater generation is anticipated. VBMC currently utilizes Central Hudson Gas and Electric and, although there will be an increase in demand, it is expected that the utility company has sufficient capacity for this Project. In addition, the City of Poughkeepsie Water Treatment Facility and the City of Poughkeepsie Sewage Treatment Plant also have sufficient capacity to serve the Project. Moreover, the Applicant will be seeking LEED accreditation and will be incorporating several energy-saving measures to reduce gas and electricity consumption including a green roof, rainwater management, indoor water use reduction, LED lighting, water metering, windows and door for energy efficiency, increased insulation, and cooling tower water use reduction. Utilizing current building and energy codes will also help to minimize gas and electric usage to the greatest extent feasible. Interior renovations to the existing building will likely improve energy efficiency of mechanical equipment as well. Section 9.3 of the Expanded Full EAF Part 1 provides a description of the proposed energy-saving features to be incorporated in the new construction. As a result, no significant adverse environmental impacts anticipated.

### **Impact on Aesthetic Resources**

As noted in connection with the original site plan approval and determination of non-significance, the Project site is in close proximity to the Hudson River, a designated Coastal Zone and a Scenic Area of Statewide Significance. In addition, the relatively low average building height of the surrounding properties, combined with the proposed construction of a seven-story structure extending more than 700 feet in length, indicate that aesthetic resources will be significantly impacted by the development as a whole.

However, the Project consists only of the addition of an additional floor, which, due to the reconfiguration of the spacing of the interior floors, adds only fourteen (14) feet to the height of the structure. The Viewshed Assessment that was performed for the Project concludes that the visibility of the structure remains largely unchanged, when comparing it to the original approved application. The revised structure is not visible from any new locations. The original project was designed in consideration of the significant view of the building from the Hudson River, the Mid-Hudson Bridge, and the Walkway Over The Hudson. The approved architecture of the building was designed as a landmark for the Hudson Valley. The proposed additional floor does not negatively impact the visual environment.

### **13e. Impact on Transportation (traffic patterns, parking)**

The addition of 66 patient beds and 43 staff members is expected to generate an additional 87 vehicle trips during morning peak hour and 94 vehicle trips during the weekday evening peak hour. The Traffic Impact Assessment submitted by the applicant concluded that Levels of Service of excellent to good (levels A to C) will be maintained at all intersections studied. The City's traffic consultants, Clark Patterson Lee concurred in a memo dated May 16, 2017.

No changes in construction traffic will result from the amended site plan.

Significant changes to the current parking were proposed and approved by the Planning Board in connection with the original application. The Revised Parking Study submitted by the applicant in connection with the new Project concluded that, even when the 8<sup>th</sup> Floor is completely occupied, the overall parking provided on the campus will still substantially exceed the anticipated peak parking demand. More specifically, the analysis observed that no more than 74% of the campus spaces currently existing were occupied during the peak period, and that at project completion, the campus will have a net increase of 100 spaces.

For these reasons, the Planning Board finds that there are no significant adverse environmental impacts anticipated from the Project.

**SUMMARY:**

A review of the Criteria for Determining Significance found in 6 NYCRR 617.7 indicates that development of the project as proposed would not result in any significant adverse environmental impacts.

The foregoing resolution was put to a vote; the following Planning Board members were present and voted as follows:

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	<u>Aye</u>
Daniel McCabe, Vice Chair	<u>Aye</u>
Sakima A.G. Brown	<u>  </u>
Robert Mallory	<u>Aye</u>
Richard E. Mignault	<u>Aye</u>
Marjorie Smith	<u>Aye</u>

**THIS NEGATIVE DECLARATION WAS DULY AUTHORIZED AT A MEETING OF THE LEAD AGENCY HELD ON JUNE 20, 2017, AND THEREAFTER DECLARED ADOPTED.**

7/29/19  
Date

  
Patrick Moore, Acting Vice Chair

**This Negative Declaration is to be filed with the Lead Agency. Further information may be obtained from:**

THE CITY OF POUGHKEEPSIE PLANNING BOARD  
62 CIVIC CENTER PLAZA, 2ND FLOOR, POUGHKEEPSIE, NY 12601  
Phone: (845) 451-4055; Fax: (845) 451-4006

**Full Environmental Assessment Form**  
**Part 2 - Identification of Potential Project Impacts**

**Part 2 is to be completed by the lead agency.** Part 2 is designed to help the lead agency inventory all potential resources that could be affected by a proposed project or action. We recognize that the lead agency's reviewer(s) will not necessarily be environmental professionals. So, the questions are designed to walk a reviewer through the assessment process by providing a series of questions that can be answered using the information found in Part 1. To further assist the lead agency in completing Part 2, the form identifies the most relevant questions in Part 1 that will provide the information needed to answer the Part 2 question. When Part 2 is completed, the lead agency will have identified the relevant environmental areas that may be impacted by the proposed activity.

If the lead agency is a state agency **and** the action is in any Coastal Area, complete the Coastal Assessment Form before proceeding with this assessment.

**Tips for completing Part 2:**

- Review all of the information provided in Part 1.
- Review any application, maps, supporting materials and the Full EAF Workbook.
- Answer each of the 18 questions in Part 2.
- If you answer “Yes” to a numbered question, please complete all the questions that follow in that section.
- If you answer “No” to a numbered question, move on to the next numbered question.
- Check appropriate column to indicate the anticipated size of the impact.
- Proposed projects that would exceed a numeric threshold contained in a question should result in the reviewing agency checking the box “Moderate to large impact may occur.”
- The reviewer is not expected to be an expert in environmental analysis.
- If you are not sure or undecided about the size of an impact, it may help to review the sub-questions for the general question and consult the workbook.
- When answering a question consider all components of the proposed activity, that is, the “whole action”.
- Consider the possibility for long-term and cumulative impacts as well as direct impacts.
- Answer the question in a reasonable manner considering the scale and context of the project.

<b>1. Impact on Land</b> Proposed action may involve construction on, or physical alteration of, <span style="float: right;"><input checked="" type="checkbox"/> NO      <input type="checkbox"/> YES</span> the land surface of the proposed site. (See Part 1. D.1) <i>If “Yes”, answer questions a - j. If “No”, move on to Section 2.</i>			
	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. The proposed action may involve construction on land where depth to water table is less than 3 feet.	E2d	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may involve construction on slopes of 15% or greater.	E2f	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may involve construction on land where bedrock is exposed, or generally within 5 feet of existing ground surface.	E2a	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may involve the excavation and removal of more than 1,000 tons of natural material.	D2a	<input type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may involve construction that continues for more than one year or in multiple phases.	D1e	<input type="checkbox"/>	<input type="checkbox"/>
f. The proposed action may result in increased erosion, whether from physical disturbance or vegetation removal (including from treatment by herbicides).	D2e, D2q	<input type="checkbox"/>	<input type="checkbox"/>
g. The proposed action is, or may be, located within a Coastal Erosion hazard area.	B1i	<input type="checkbox"/>	<input type="checkbox"/>
h. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

**2. Impact on Geological Features**  
 The proposed action may result in the modification or destruction of, or inhibit access to, any unique or unusual land forms on the site (e.g., cliffs, dunes, minerals, fossils, caves). (See Part 1. E.2.g)  NO  YES  
*If "Yes", answer questions a - c. If "No", move on to Section 3.*

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. Identify the specific land form(s) attached: _____ _____	E2g	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may affect or is adjacent to a geological feature listed as a registered National Natural Landmark. Specific feature: _____	E3c	<input type="checkbox"/>	<input type="checkbox"/>
c. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

**3. Impacts on Surface Water**  
 The proposed action may affect one or more wetlands or other surface water bodies (e.g., streams, rivers, ponds or lakes). (See Part 1. D.2, E.2.h)  NO  YES  
*If "Yes", answer questions a - l. If "No", move on to Section 4.*

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. The proposed action may create a new water body.	D2b, D1h	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may result in an increase or decrease of over 10% or more than a 10 acre increase or decrease in the surface area of any body of water.	D2b	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may involve dredging more than 100 cubic yards of material from a wetland or water body.	D2a	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may involve construction within or adjoining a freshwater or tidal wetland, or in the bed or banks of any other water body.	E2h	<input type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may create turbidity in a waterbody, either from upland erosion, runoff or by disturbing bottom sediments.	D2a, D2h	<input type="checkbox"/>	<input type="checkbox"/>
f. The proposed action may include construction of one or more intake(s) for withdrawal of water from surface water.	D2c	<input type="checkbox"/>	<input type="checkbox"/>
g. The proposed action may include construction of one or more outfall(s) for discharge of wastewater to surface water(s).	D2d	<input type="checkbox"/>	<input type="checkbox"/>
h. The proposed action may cause soil erosion, or otherwise create a source of stormwater discharge that may lead to siltation or other degradation of receiving water bodies.	D2e	<input type="checkbox"/>	<input type="checkbox"/>
i. The proposed action may affect the water quality of any water bodies within or downstream of the site of the proposed action.	E2h	<input type="checkbox"/>	<input type="checkbox"/>
j. The proposed action may involve the application of pesticides or herbicides in or around any water body.	D2q, E2h	<input type="checkbox"/>	<input type="checkbox"/>
k. The proposed action may require the construction of new, or expansion of existing, wastewater treatment facilities.	D1a, D2d	<input type="checkbox"/>	<input type="checkbox"/>

1. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>
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<b>4. Impact on groundwater</b> The proposed action may result in new or additional use of ground water, or may have the potential to introduce contaminants to ground water or an aquifer. (See Part 1. D.2.a, D.2.c, D.2.d, D.2.p, D.2.q, D.2.t) <i>If "Yes", answer questions a - h. If "No", move on to Section 5.</i>			
		<input checked="" type="checkbox"/> NO	<input type="checkbox"/> YES
	<b>Relevant Part I Question(s)</b>	<b>No, or small impact may occur</b>	<b>Moderate to large impact may occur</b>
a. The proposed action may require new water supply wells, or create additional demand on supplies from existing water supply wells.	D2c	<input type="checkbox"/>	<input type="checkbox"/>
b. Water supply demand from the proposed action may exceed safe and sustainable withdrawal capacity rate of the local supply or aquifer. Cite Source: _____	D2c	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may allow or result in residential uses in areas without water and sewer services.	D1a, D2c	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may include or require wastewater discharged to groundwater.	D2d, E2l	<input type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may result in the construction of water supply wells in locations where groundwater is, or is suspected to be, contaminated.	D2c, E1f, E1g, E1h	<input type="checkbox"/>	<input type="checkbox"/>
f. The proposed action may require the bulk storage of petroleum or chemical products over ground water or an aquifer.	D2p, E2l	<input type="checkbox"/>	<input type="checkbox"/>
g. The proposed action may involve the commercial application of pesticides within 100 feet of potable drinking water or irrigation sources.	E2h, D2q, E2l, D2c	<input type="checkbox"/>	<input type="checkbox"/>
h. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

<b>5. Impact on Flooding</b> The proposed action may result in development on lands subject to flooding. (See Part 1. E.2) <i>If "Yes", answer questions a - g. If "No", move on to Section 6.</i>			
		<input checked="" type="checkbox"/> NO	<input type="checkbox"/> YES
	<b>Relevant Part I Question(s)</b>	<b>No, or small impact may occur</b>	<b>Moderate to large impact may occur</b>
a. The proposed action may result in development in a designated floodway.	E2i	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may result in development within a 100 year floodplain.	E2j	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may result in development within a 500 year floodplain.	E2k	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may result in, or require, modification of existing drainage patterns.	D2b, D2e	<input type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may change flood water flows that contribute to flooding.	D2b, E2i, E2j, E2k	<input type="checkbox"/>	<input type="checkbox"/>
f. If there is a dam located on the site of the proposed action, is the dam in need of repair, or upgrade?	E1e	<input type="checkbox"/>	<input type="checkbox"/>



g. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>
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<b>6. Impacts on Air</b> The proposed action may include a state regulated air emission source. (See Part 1. D.2.f., D.2.h, D.2.g) <i>If "Yes", answer questions a - f. If "No", move on to Section 7.</i>			
		<input checked="" type="checkbox"/> NO	<input type="checkbox"/> YES
	<b>Relevant Part I Question(s)</b>	<b>No, or small impact may occur</b>	<b>Moderate to large impact may occur</b>
a. If the proposed action requires federal or state air emission permits, the action may also emit one or more greenhouse gases at or above the following levels:			
i. More than 1000 tons/year of carbon dioxide (CO <sub>2</sub> )	D2g	<input type="checkbox"/>	<input type="checkbox"/>
ii. More than 3.5 tons/year of nitrous oxide (N <sub>2</sub> O)	D2g	<input type="checkbox"/>	<input type="checkbox"/>
iii. More than 1000 tons/year of carbon equivalent of perfluorocarbons (PFCs)	D2g	<input type="checkbox"/>	<input type="checkbox"/>
iv. More than .045 tons/year of sulfur hexafluoride (SF <sub>6</sub> )	D2g	<input type="checkbox"/>	<input type="checkbox"/>
v. More than 1000 tons/year of carbon dioxide equivalent of hydrochloroflourocarbons (HFCs) emissions	D2g	<input type="checkbox"/>	<input type="checkbox"/>
vi. 43 tons/year or more of methane	D2h	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may generate 10 tons/year or more of any one designated hazardous air pollutant, or 25 tons/year or more of any combination of such hazardous air pollutants.	D2g	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may require a state air registration, or may produce an emissions rate of total contaminants that may exceed 5 lbs. per hour, or may include a heat source capable of producing more than 10 million BTU's per hour.	D2f, D2g	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may reach 50% of any of the thresholds in "a" through "c", above.	D2g	<input type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may result in the combustion or thermal treatment of more than 1 ton of refuse per hour.	D2s	<input type="checkbox"/>	<input type="checkbox"/>
f. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

<b>7. Impact on Plants and Animals</b> The proposed action may result in a loss of flora or fauna. (See Part 1. E.2. m.-q.) <i>If "Yes", answer questions a - j. If "No", move on to Section 8.</i>			
		<input checked="" type="checkbox"/> NO	<input type="checkbox"/> YES
	<b>Relevant Part I Question(s)</b>	<b>No, or small impact may occur</b>	<b>Moderate to large impact may occur</b>
a. The proposed action may cause reduction in population or loss of individuals of any threatened or endangered species, as listed by New York State or the Federal government, that use the site, or are found on, over, or near the site.	E2o	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may result in a reduction or degradation of any habitat used by any rare, threatened or endangered species, as listed by New York State or the federal government.	E2o	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may cause reduction in population, or loss of individuals, of any species of special concern or conservation need, as listed by New York State or the Federal government, that use the site, or are found on, over, or near the site.	E2p	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may result in a reduction or degradation of any habitat used by any species of special concern and conservation need, as listed by New York State or the Federal government.	E2p	<input type="checkbox"/>	<input type="checkbox"/>

e. The proposed action may diminish the capacity of a registered National Natural Landmark to support the biological community it was established to protect.	E3c	<input type="checkbox"/>	<input type="checkbox"/>
f. The proposed action may result in the removal of, or ground disturbance in, any portion of a designated significant natural community. Source: _____	E2n	<input type="checkbox"/>	<input type="checkbox"/>
g. The proposed action may substantially interfere with nesting/breeding, foraging, or over-wintering habitat for the predominant species that occupy or use the project site.	E2m	<input type="checkbox"/>	<input type="checkbox"/>
h. The proposed action requires the conversion of more than 10 acres of forest, grassland or any other regionally or locally important habitat. Habitat type & information source: _____	E1b	<input type="checkbox"/>	<input type="checkbox"/>
i. Proposed action (commercial, industrial or recreational projects, only) involves use of herbicides or pesticides.	D2q	<input type="checkbox"/>	<input type="checkbox"/>
j. Other impacts: _____		<input type="checkbox"/>	<input type="checkbox"/>

**8. Impact on Agricultural Resources**

The proposed action may impact agricultural resources. (See Part 1. E.3.a. and b.)  
If "Yes", answer questions a - h. If "No", move on to Section 9.

NO

YES

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. The proposed action may impact soil classified within soil group 1 through 4 of the NYS Land Classification System.	E2c, E3b	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may sever, cross or otherwise limit access to agricultural land (includes cropland, hayfields, pasture, vineyard, orchard, etc).	E1a, E1b	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may result in the excavation or compaction of the soil profile of active agricultural land.	E3b	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may irreversibly convert agricultural land to non-agricultural uses, either more than 2.5 acres if located in an Agricultural District, or more than 10 acres if not within an Agricultural District.	E1b, E3a	<input type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may disrupt or prevent installation of an agricultural land management system.	E1 a, E1b	<input type="checkbox"/>	<input type="checkbox"/>
f. The proposed action may result, directly or indirectly, in increased development potential or pressure on farmland.	C2c, C3, D2c, D2d	<input type="checkbox"/>	<input type="checkbox"/>
g. The proposed project is not consistent with the adopted municipal Farmland Protection Plan.	C2c	<input type="checkbox"/>	<input type="checkbox"/>
h. Other impacts: _____		<input type="checkbox"/>	<input type="checkbox"/>

<b>9. Impact on Aesthetic Resources</b> The land use of the proposed action are obviously different from, or are in sharp contrast to, current land use patterns between the proposed project and a scenic or aesthetic resource. (Part 1. E.1.a, E.1.b, E.3.h.) <i>If "Yes", answer questions a - g. If "No", go to Section 10.</i>		<input type="checkbox"/> NO	<input checked="" type="checkbox"/> YES
	<b>Relevant Part I Question(s)</b>	<b>No, or small impact may occur</b>	<b>Moderate to large impact may occur</b>
a. Proposed action may be visible from any officially designated federal, state, or local scenic or aesthetic resource.	E3h	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b. The proposed action may result in the obstruction, elimination or significant screening of one or more officially designated scenic views.	E3h, C2b	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may be visible from publicly accessible vantage points: i. Seasonally (e.g., screened by summer foliage, but visible during other seasons) ii. Year round	E3h	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
d. The situation or activity in which viewers are engaged while viewing the proposed action is: i. Routine travel by residents, including travel to and from work ii. Recreational or tourism based activities	E3h E2q, E1c	<input type="checkbox"/> <input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
e. The proposed action may cause a diminishment of the public enjoyment and appreciation of the designated aesthetic resource.	E3h	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f. There are similar projects visible within the following distance of the proposed project: 0-1/2 mile 1/2 -3 mile 3-5 mile 5+ mile	D1a, E1a, D1f, D1g	<input checked="" type="checkbox"/>	<input type="checkbox"/>
g. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

<b>10. Impact on Historic and Archeological Resources</b> The proposed action may occur in or adjacent to a historic or archaeological resource. (Part 1. E.3.e, f. and g.) <i>If "Yes", answer questions a - e. If "No", go to Section 11.</i>		<input checked="" type="checkbox"/> NO	<input type="checkbox"/> YES
	<b>Relevant Part I Question(s)</b>	<b>No, or small impact may occur</b>	<b>Moderate to large impact may occur</b>
a. The proposed action may occur wholly or partially within, or substantially contiguous to, any buildings, archaeological site or district which is listed on or has been nominated by the NYS Board of Historic Preservation for inclusion on the State or National Register of Historic Places.	E3e	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may occur wholly or partially within, or substantially contiguous to, an area designated as sensitive for archaeological sites on the NY State Historic Preservation Office (SHPO) archaeological site inventory.	E3f	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may occur wholly or partially within, or substantially contiguous to, an archaeological site not included on the NY SHPO inventory. Source: _____	E3g	<input type="checkbox"/>	<input type="checkbox"/>

d. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>
e. If any of the above (a-d) are answered "Yes", continue with the following questions to help support conclusions in Part 3:			
i. The proposed action may result in the destruction or alteration of all or part of the site or property.	E3e, E3g, E3f	<input type="checkbox"/>	<input type="checkbox"/>
ii. The proposed action may result in the alteration of the property's setting or integrity.	E3e, E3f, E3g, E1a, E1b	<input type="checkbox"/>	<input type="checkbox"/>
iii. The proposed action may result in the introduction of visual elements which are out of character with the site or property, or may alter its setting.	E3e, E3f, E3g, E3h, C2, C3	<input type="checkbox"/>	<input type="checkbox"/>

<b>11. Impact on Open Space and Recreation</b>			
The proposed action may result in a loss of recreational opportunities or a reduction of an open space resource as designated in any adopted municipal open space plan. (See Part 1. C.2.c, E.1.c., E.2.q.) <i>If "Yes", answer questions a - e. If "No", go to Section 12.</i>		<input checked="" type="checkbox"/> NO	<input type="checkbox"/> YES
	<b>Relevant Part I Question(s)</b>	<b>No, or small impact may occur</b>	<b>Moderate to large impact may occur</b>
a. The proposed action may result in an impairment of natural functions, or "ecosystem services", provided by an undeveloped area, including but not limited to stormwater storage, nutrient cycling, wildlife habitat.	D2e, E1b E2h, E2m, E2o, E2n, E2p	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may result in the loss of a current or future recreational resource.	C2a, E1c, C2c, E2q	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may eliminate open space or recreational resource in an area with few such resources.	C2a, C2c E1c, E2q	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may result in loss of an area now used informally by the community as an open space resource.	C2c, E1c	<input type="checkbox"/>	<input type="checkbox"/>
e. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

<b>12. Impact on Critical Environmental Areas</b>			
The proposed action may be located within or adjacent to a critical environmental area (CEA). (See Part 1. E.3.d) <i>If "Yes", answer questions a - c. If "No", go to Section 13.</i>		<input checked="" type="checkbox"/> NO	<input type="checkbox"/> YES
	<b>Relevant Part I Question(s)</b>	<b>No, or small impact may occur</b>	<b>Moderate to large impact may occur</b>
a. The proposed action may result in a reduction in the quantity of the resource or characteristic which was the basis for designation of the CEA.	E3d	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may result in a reduction in the quality of the resource or characteristic which was the basis for designation of the CEA.	E3d	<input type="checkbox"/>	<input type="checkbox"/>
c. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

**13. Impact on Transportation**  
 The proposed action may result in a change to existing transportation systems.  NO  YES  
 (See Part 1. D.2.j)  
*If "Yes", answer questions a - g. If "No", go to Section 14.*

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. Projected traffic increase may exceed capacity of existing road network.	D2j	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may result in the construction of paved parking area for 500 or more vehicles.	D2j	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. The proposed action will degrade existing transit access.	D2j	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d. The proposed action will degrade existing pedestrian or bicycle accommodations.	D2j	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may alter the present pattern of movement of people or goods.	D2j	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

**14. Impact on Energy**  
 The proposed action may cause an increase in the use of any form of energy.  NO  YES  
 (See Part 1. D.2.k)  
*If "Yes", answer questions a - e. If "No", go to Section 15.*

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. The proposed action will require a new, or an upgrade to an existing, substation.	D2k	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. The proposed action will require the creation or extension of an energy transmission or supply system to serve more than 50 single or two-family residences or to serve a commercial or industrial use.	D1f, D1q, D2k	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may utilize more than 2,500 MWhrs per year of electricity.	D2k	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may involve heating and/or cooling of more than 100,000 square feet of building area when completed.	D1g	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. Other Impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

**15. Impact on Noise, Odor, and Light**  
 The proposed action may result in an increase in noise, odors, or outdoor lighting.  NO  YES  
 (See Part 1. D.2.m., n., and o.)  
*If "Yes", answer questions a - f. If "No", go to Section 16.*

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. The proposed action may produce sound above noise levels established by local regulation.	D2m	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may result in blasting within 1,500 feet of any residence, hospital, school, licensed day care center, or nursing home.	D2m, E1d	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may result in routine odors for more than one hour per day.	D2o	<input checked="" type="checkbox"/>	<input type="checkbox"/>

d. The proposed action may result in light shining onto adjoining properties.	D2n	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may result in lighting creating sky-glow brighter than existing area conditions.	D2n, E1a	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

**16. Impact on Human Health**

The proposed action may have an impact on human health from exposure to new or existing sources of contaminants. (See Part 1.D.2.q., E.1. d. f. g. and h.)

NO

YES

*If "Yes", answer questions a - m. If "No", go to Section 17.*

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. The proposed action is located within 1500 feet of a school, hospital, licensed day care center, group home, nursing home or retirement community.	E1d	<input type="checkbox"/>	<input type="checkbox"/>
b. The site of the proposed action is currently undergoing remediation.	E1g, E1h	<input type="checkbox"/>	<input type="checkbox"/>
c. There is a completed emergency spill remediation, or a completed environmental site remediation on, or adjacent to, the site of the proposed action.	E1g, E1h	<input type="checkbox"/>	<input type="checkbox"/>
d. The site of the action is subject to an institutional control limiting the use of the property (e.g., easement or deed restriction).	E1g, E1h	<input type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may affect institutional control measures that were put in place to ensure that the site remains protective of the environment and human health.	E1g, E1h	<input type="checkbox"/>	<input type="checkbox"/>
f. The proposed action has adequate control measures in place to ensure that future generation, treatment and/or disposal of hazardous wastes will be protective of the environment and human health.	D2t	<input type="checkbox"/>	<input type="checkbox"/>
g. The proposed action involves construction or modification of a solid waste management facility.	D2q, E1f	<input type="checkbox"/>	<input type="checkbox"/>
h. The proposed action may result in the unearthing of solid or hazardous waste.	D2q, E1f	<input type="checkbox"/>	<input type="checkbox"/>
i. The proposed action may result in an increase in the rate of disposal, or processing, of solid waste.	D2r, D2s	<input type="checkbox"/>	<input type="checkbox"/>
j. The proposed action may result in excavation or other disturbance within 2000 feet of a site used for the disposal of solid or hazardous waste.	E1f, E1g E1h	<input type="checkbox"/>	<input type="checkbox"/>
k. The proposed action may result in the migration of explosive gases from a landfill site to adjacent off site structures.	E1f, E1g	<input type="checkbox"/>	<input type="checkbox"/>
l. The proposed action may result in the release of contaminated leachate from the project site.	D2s, E1f, D2r	<input type="checkbox"/>	<input type="checkbox"/>
m. Other impacts: _____ _____			

**17. Consistency with Community Plans**  
 The proposed action is not consistent with adopted land use plans.  NO  YES  
 (See Part 1. C.1, C.2. and C.3.)  
*If "Yes", answer questions a - h. If "No", go to Section 18.*

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. The proposed action's land use components may be different from, or in sharp contrast to, current surrounding land use pattern(s).	C2, C3, D1a E1a, E1b	<input type="checkbox"/>	<input type="checkbox"/>
b. The proposed action will cause the permanent population of the city, town or village in which the project is located to grow by more than 5%.	C2	<input type="checkbox"/>	<input type="checkbox"/>
c. The proposed action is inconsistent with local land use plans or zoning regulations.	C2, C2, C3	<input type="checkbox"/>	<input type="checkbox"/>
d. The proposed action is inconsistent with any County plans, or other regional land use plans.	C2, C2	<input type="checkbox"/>	<input type="checkbox"/>
e. The proposed action may cause a change in the density of development that is not supported by existing infrastructure or is distant from existing infrastructure.	C3, D1c, D1d, D1f, D1d, E1b	<input type="checkbox"/>	<input type="checkbox"/>
f. The proposed action is located in an area characterized by low density development that will require new or expanded public infrastructure.	C4, D2c, D2d D2j	<input type="checkbox"/>	<input type="checkbox"/>
g. The proposed action may induce secondary development impacts (e.g., residential or commercial development not included in the proposed action)	C2a	<input type="checkbox"/>	<input type="checkbox"/>
h. Other: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

**18. Consistency with Community Character**  
 The proposed project is inconsistent with the existing community character.  NO  YES  
 (See Part 1. C.2, C.3, D.2, E.3)  
*If "Yes", answer questions a - g. If "No", proceed to Part 3.*

	Relevant Part I Question(s)	No, or small impact may occur	Moderate to large impact may occur
a. The proposed action may replace or eliminate existing facilities, structures, or areas of historic importance to the community.	E3e, E3f, E3g	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b. The proposed action may create a demand for additional community services (e.g. schools, police and fire)	C4	<input checked="" type="checkbox"/>	<input type="checkbox"/>
c. The proposed action may displace affordable or low-income housing in an area where there is a shortage of such housing.	C2, C3, D1f D1g, E1a	<input checked="" type="checkbox"/>	<input type="checkbox"/>
d. The proposed action may interfere with the use or enjoyment of officially recognized or designated public resources.	C2, E3	<input checked="" type="checkbox"/>	<input type="checkbox"/>
e. The proposed action is inconsistent with the predominant architectural scale and character.	C2, C3	<input checked="" type="checkbox"/>	<input type="checkbox"/>
f. Proposed action is inconsistent with the character of the existing natural landscape.	C2, C3 E1a, E1b E2g, E2h	<input checked="" type="checkbox"/>	<input type="checkbox"/>
g. Other impacts: _____ _____		<input type="checkbox"/>	<input type="checkbox"/>

**PRINT FULL FORM**

**Full Environmental Assessment Form**  
**Part 3 - Evaluation of the Magnitude and Importance of Project Impacts**  
**and**  
**Determination of Significance**

Part 3 provides the reasons in support of the determination of significance. The lead agency must complete Part 3 for every question in Part 2 where the impact has been identified as potentially moderate to large or where there is a need to explain why a particular element of the proposed action will not, or may, result in a significant adverse environmental impact.

Based on the analysis in Part 3, the lead agency must decide whether to require an environmental impact statement to further assess the proposed action or whether available information is sufficient for the lead agency to conclude that the proposed action will not have a significant adverse environmental impact. By completing the certification on the next page, the lead agency can complete its determination of significance.

**Reasons Supporting This Determination:**

To complete this section:

- Identify the impact based on the Part 2 responses and describe its magnitude. Magnitude considers factors such as severity, size or extent of an impact.
- Assess the importance of the impact. Importance relates to the geographic scope, duration, probability of the impact occurring, number of people affected by the impact and any additional environmental consequences if the impact were to occur.
- The assessment should take into consideration any design element or project changes.
- Repeat this process for each Part 2 question where the impact has been identified as potentially moderate to large or where there is a need to explain why a particular element of the proposed action will not, or may, result in a significant adverse environmental impact.
- Provide the reason(s) why the impact may, or will not, result in a significant adverse environmental impact
- For Conditional Negative Declarations identify the specific condition(s) imposed that will modify the proposed action so that no significant adverse environmental impacts will result.
- Attach additional sheets, as needed.

See attached narrative for Part III assessment.

**Determination of Significance - Type 1 and Unlisted Actions**

SEQR Status:       Type 1                       Unlisted

Identify portions of EAF completed for this Project:    Part 1               Part 2               Part 3



Upon review of the information recorded on this EAF, as noted, plus this additional support information

and considering both the magnitude and importance of each identified potential impact, it is the conclusion of the \_\_\_\_\_ as lead agency that:

A. This project will result in no significant adverse impacts on the environment, and, therefore, an environmental impact statement need not be prepared. Accordingly, this negative declaration is issued.

B. Although this project could have a significant adverse impact on the environment, that impact will be avoided or substantially mitigated because of the following conditions which will be required by the lead agency:

There will, therefore, be no significant adverse impacts from the project as conditioned, and, therefore, this conditioned negative declaration is issued. A conditioned negative declaration may be used only for UNLISTED actions (see 6 NYCRR 617.d).

C. This Project may result in one or more significant adverse impacts on the environment, and an environmental impact statement must be prepared to further assess the impact(s) and possible mitigation and to explore alternatives to avoid or reduce those impacts. Accordingly, this positive declaration is issued.

Name of Action: Vassar Brothers Medical Center (VBMC) Expansion

Name of Lead Agency: City of Poughkeepsie Planning Board

Name of Responsible Officer in Lead Agency: ~~Thomas O'Neill~~ Patrick Moore

Title of Responsible Officer: <sup>Acting</sup> Planning Board Chairman

Signature of Responsible Officer in Lead Agency:

Date: 7/29/19

Signature of Preparer (if different from Responsible Officer)

Date: 6/20/17

**For Further Information:**

Contact Person: Lawrence Bell, VBMC Vice President of Construction and Property Management

Address: 54 Page Park Drive, Poughkeepsie, NY 12603

Telephone Number: 630-776-6569

E-mail: lbell@health-quest.org

**For Type 1 Actions and Conditioned Negative Declarations, a copy of this Notice is sent to:**

Chief Executive Officer of the political subdivision in which the action will be principally located (e.g., Town / City / Village of)

Other involved agencies (if any)

Applicant (if any)

Environmental Notice Bulletin: <http://www.dec.ny.gov/enb/enb.html>

## **Vassar Brothers Medical Center (VBMC) Expansion, amended**

Full Environmental Assessment Form – Part 3, continuation

**Conditional site plan and special permit approval was granted to this project on May 24, 2016. VBMC is now proposing an additional floor (8 total) to the project, subject to Planning Board approval. This environmental assessment only reviews the proposed changes from the originally approved and reviewed project.**

**9. Impact on Aesthetic Resources** – With the proximity of the VBMC near the Hudson River, a designated Coastal Zone and a Scenic Area of Statewide Significance, any construction at the site will likely impact aesthetics. The construction of **an eight-story** structure will be visible from various vantage points in the City and outlying areas both seasonally and year round. As part of the environmental review of this project, the applicant prepared a visual assessment utilizing appropriate standards for the analysis. Using the tallest portion of the project, it was concluded that the project visibility would be limited to "... [confined] areas along and within the Hudson River, as well as areas located in close proximity to the project within the City of Poughkeepsie." **An updated visual assessment was prepared, indicating that although the height of the structure was increased, visual impacts are negligible from the previously approved plans.** Landscaping and building design is proposed to complement the existing VBMC buildings and in context with the local vernacular and with the urban nature of the surrounding area with other high rise buildings in proximity, the structure is not out of character. For these reasons, there are no significant adverse environmental impacts anticipated.

**13e. Impact on Transportation (traffic patterns)** – **An updated** traffic impact assessment was conducted as part of the environmental review and included 13 intersections in the area. The assessment concluded that levels of service (LOS) at these intersections will **continue to** be maintained at their existing levels **despite an estimated increase in the number of vehicular trip ends (94 max.). The previous parking study concluded that the proposed parking available exceeds current demand; a review of the study based on the site changes affirms this conclusion.** For these reasons, there are no significant adverse environmental impacts anticipated.

**14e. Impact on Energy (other)** – The **previously** proposed addition will result in additional energy demands for electricity and HVAC needs **and the additional floor will increase these needs by approximately 1 percent or less.** VBMC currently utilizes Central Hudson Gas and Electric and the utility company **continues to have** sufficient capacity for this **amended** project. In addition, the applicant will be seeking LEED accreditation and will be incorporating several energy saving measures to reduce gas and electricity consumption including rainwater management, indoor water use reduction, LED lighting, water metering, windows and door for energy efficiency, increased insulation, and cooling tower water use reduction. Utilizing current building and energy codes will also help to minimize gas and electric usage to the greatest extent feasible. Interior renovations to the existing building will likely improve energy efficiency of

mechanical equipment as well. As a result, there are no significant adverse environmental impacts anticipated.

**15a/c. Impact on Noise, Odor and Light (noise/odor)** – Construction work associated with the proposed scope of work at the hospital will likely result in short-term noise and odor impacts. These impacts are insignificant as the work will take place during daytime hours and will only minimally impact adjacent properties. In addition, best practices for construction in accordance with any applicable rules, regulations, or laws will be followed as well as any applicable City protocols related to construction to ensure that impacts remain insignificant.

**15e. Impact on Noise, Odor and Light (lighting)** – The hospital expansion will require additional exterior lighting for safety and security and the extent of lighting is noted on site plans. Full cut off fixtures will be utilized to the greatest extent feasible and light will be contained to the site, minimizing spillage onto adjacent properties. Although additional lighting is expected, it will not be excessive nor significantly above current levels and negatively impact the City. No significant adverse environmental impacts anticipated.

**18f. Consistency with Community Character (character)** - The impact on community character is largely a positive one, in that the improvements to the campus will improve its ability to serve as a community resource, providing valuable services to the City and region. Although the addition will change the exterior appearance of the campus, the changes can be viewed as a positive impact as its purpose is to improve the existing quality and level of care for patients. The addition may be a slightly different exterior design, but will still be complementary with the overall campus and will not detract from the character of the campus or the City.



**THE CITY OF POUGHKEEPSIE  
PLANNING BOARD**

62 CIVIC CENTER PLAZA, 2<sup>ND</sup> FLOOR  
POUGHKEEPSIE, NY 12601  
Phone: (845) 451-4055  
Fax: (845) 451-4006

**RESOLUTION OF AMENDED CONDITIONAL SITE PLAN APPROVAL**

In the Matter of the Application of:

**VASSAR BROTHERS MEDICAL CENTER / HEALTH QUEST SYSTEMS, INC.**

WHEREAS, on or about April 12, 2017, VASSAR BROTHERS MEDICAL CENTER / HEALTH QUEST SYSTEMS, INC. (collectively herein, the “Applicant”) submitted applications to the City of Poughkeepsie (the “City”) Planning Board for amended site plan and special permit approvals for a project to add an additional 8th (above-ground) story consisting of 56,459 gross square feet to the previously-approved ±696,400 square foot building. This additional floor would add 66 new medical/surgical beds to the facility and will require 43 new staff (25 for the day shift and 18 for the night shift). The addition of the 8th (above ground) floor to the previously-approved building is referred to herein as the “Project;” and

WHEREAS, it appears that the response to the Project has been favorable, and the Planning Board is not aware of any opposition to the Project; and

WHEREAS, the Project is located on a 15.31-acre parcel described as 45 Reade Place, bearing tax parcel identification number 6061-43-843721 and located in the Hospital-Medical (H-M) Zoning District (additional parcels utilized by VBMC are listed in the Full Environmental Assessment Form (“FEAF”), Part I Narrative, submitted by the Applicant); and

WHEREAS, the proposed use is a permitted use in the H-M District, subject to the granting of a Special Permit pursuant to §19-3.35 of the City Code; and

WHEREAS, in conjunction herewith, the Applicant has submitted an application for an amended Special Permit Approval; and

WHEREAS, the proposed addition meets all applicable zoning requirements, and the City Building Inspector has confirmed the Applicant's representation that no variances are required for the Project; and

WHEREAS, the Project is a Type I Action pursuant the State Environmental Quality Review Act ("SEQRA") subject to coordinated review; and

WHEREAS, the Planning Board declared its intent to be Lead Agency for the environmental review of the Project pursuant to SEQRA on April 18, 2017, and circulated the application and supporting documentation to the identified interested and involved agencies by notice dated April 20, 2017; and

WHEREAS, there were determined to be two involved agencies: New York State ("NYS") Department of Health ("NYSDOH") and the New York State Historic Preservation Office ("SHPO"), part of the NYS Parks, Recreation and Historical Preservation Agency; and

WHEREAS, each of the involved agencies having consented, lead agency was officially assumed at a meeting of the Planning Board held on May 16, 2017; and

WHEREAS, the Planning Board duly adopted a Determination of Non-Significance – Negative Declaration for the Project during its regularly-scheduled meeting on June 20, 2017; and

WHEREAS, the Planning Board considered the applications, supporting materials, Applicant and public comments and held its own discussion during meetings held on April 18, 2017, May 16, 2017 and June 20, 2017; and

WHEREAS, a duly-noticed public hearing was opened and closed on May 16, 2017, no member of the public appearing in opposition to the Project; and

WHEREAS, the Planning Board considered the following materials received from the Applicant:

1. City of Poughkeepsie Planning Board Application for Site Plan Approval, dated April 3, 2017;
2. City of Poughkeepsie Planning Board Application for Special Permit Approval, dated April 3, 2017;
3. An Expanded Full Environmental Assessment Form, Part 1 (“FEAF”), with narrative, dated April 12, 2017;
4. Visual (Viewshed) Assessment for Amended Site Plan dated April 10, 2017;
5. Revised Traffic Impact Assessment with Revised Parking Study dated April 12, 2017;
6. Site Plans, with sheets numbered and dated as follows:

SHEET NO.	REV	SHEET NO.	DATE	DESCRIPTION
1	1	C-001	04/05/17	TITLE SHEET
2	1	V-001	03/30/17	EXISTING CONDITIONS PLAN
3	1	V-002	03/30/17	EXISTING CONDITIONS PLAN
4	1	C-110	04/05/17	APPROVED SITE PLAN
5	1	C-111	04/05/17	AMENDED SITE PLAN
6	1	C-140	04/05/17	AMENDED UTILITY PLAN; and

7. Revised elevations, with sheets numbered and dated as follows:

SHEET NO.	SHEET NO.	DATE	DESCRIPTION
1	SEQR1	04/12/17	EAST AND WEST ELEVATIONS
2	SEQR2	04/12/17	NORTH AND SOUTH ELEVATIONS; and

WHEREAS, written and oral comments were received from the City’s consultants.

Written comments included the following:

1. Traffic and Parking Review (prepared by Clark, Patterson Lee) dated 5/16/17; and

WHEREAS, the following written comments also were received and considered by the

Planning Board:

1. Letter from SHPO dated May 2, 2017; and
2. Letter from DCDPD dated May 15, 2017; and

WHEREAS, in addition to the requirements imposed by the City, the Project also required the following permits and/or approvals:

<b>Agency</b>	<b>Required Permit/Approval</b>
NYS Department of Health (“NYSDOH”)	Certificate of Need (“CON”) Modification and (before build-out) a full CON
NYS Historic Preservation Office (“SHPO”)	Project Review
Dutchess County Department of Planning and Development (“DCDPD”)	GML 239m referral
City of Poughkeepsie Planning Board	Amended Site Plan and Special Permit approvals
City of Poughkeepsie Waterfront Advisory Committee (“WAC”)	Determination of consistency with the Local Waterfront Revitalization Program

and

WHEREAS, on May 23, 2017, NYSDOH approved a CON modification for the VBMC patient pavilion project, authorizing an additional floor of “shell space;” and

WHEREAS, the Applicant has obtained a “no effect” determination from SHPO pursuant to §14.09 of the New York State Historic Preservation Act; and

WHEREAS, DCDPD determined that the Project was a matter of local concern; and

WHEREAS, the Project does not impact the phasing plan that was previously approved as part of the prior application; and

WHEREAS, the City’s WAC unanimously passed a resolution on May 2, 2017 evaluating forty-four (44) enumerated criteria and concluding that the Project was consistent with the City’s Local Waterfront Revitalization Program (“LWRP”); and

WHEREAS, this resolution is intended to, and does, address only the Project; all prior approvals and conditions imposed by the prior Resolution of Conditional Site Plan Approval and Resolution of Special Permit Approval remain in full force and affect and are not modified,

waived or rescinded except as expressly set forth herein or as absolutely required to effectuate the intent and purpose of this resolution; and

WHEREAS, the application for the proposed Project is complete.

NOW, THEREFORE, BE IT RESOLVED that the foregoing decretal paragraphs are incorporated herein by reference and adopted as findings of the Board; and

BE IT FURTHER RESOLVED that, pursuant to §19-6.1 of the City Code, the Planning Board has considered the application in conjunction with the applicable requirements and design standards for the H-M District in which the proposed Project is to be located, and the nature and appearance of the proposed addition to the previously-approved structure which comprises the proposed Project, including its potential effect on adjacent properties, architectural features and land uses, and has given due consideration to the effect of the Project on the public health, safety and welfare; the comfort and convenience of the public in general, and the residents or users of the proposed addition and of the immediate neighborhood in particular, and makes the findings set forth below.

Specifically, the Planning Board adopts and reaffirms the findings (a) through (k) set forth in its original Resolution of Conditional Site Plan Approval dated May 24, 2016 and in addition finds the following:

- (1) Off-street parking and loading for the existing hospital and the initial proposed development were extensively analyzed by the Applicant's and the City's consultants. In addition, the City's consultants have analyzed the information submitted with the application for the Project and concluded that the proposed parking facilities should be adequate to meet the Project's needs. The Planning Board concurs in this assessment.



- (2) The Project will not create undue traffic congestion. When the Project is complete and the 8<sup>th</sup> Floor occupied, the City's consultants concur with the applicant's assessment that traffic levels will be at an acceptable level even at peak travel times. The Planning Board adopts this finding.
- (3) The Project consists only of the addition of an additional floor, which, due to the reconfiguration of the spacing of the interior floors, adds only fourteen (14) feet to the height of the structure. The Viewshed Assessment that was performed for the Project concludes that the visibility of the structure remains largely unchanged, when comparing it to the original approved application. The revised structure is not visible from any new locations. The original project was designed in consideration of the significant view of the building from the Hudson River, the Mid-Hudson Bridge, and the Walkway Over The Hudson. The approved architecture of the building was designed as a landmark for the Hudson Valley. The proposed additional floor does not negatively impact the visual environment; and

BE IT FURTHER RESOLVED that the existing escrow account shall be continued and maintained, in an amount to be determined by the Corporation Counsel, to pay the cost of consultant fees related to review of the proposed final design documents and legal agreements, and construction inspection for the Project, and no certificate of occupancy shall be issued until any and all outstanding fees owed to the City or its consultants have been paid.

The Applicant shall sign a copy of this resolution and file it with the Planning Board for the purpose of indicating familiarity with the provisions of this resolution and acknowledging receipt of a copy thereof.

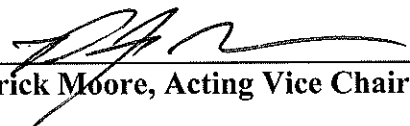
When the above conditions have been satisfied, three (3) sets of the above-referenced plans shall be submitted for endorsement by the Planning Board Chairman or his designee. One (1) set shall be returned to the Applicant, one (1) set will be retained by the Planning Board, and one (1) set will be provided to the City Engineer. The Applicant must return for approval from the Planning Board if any changes from the endorsed plans are subsequently desired.

The foregoing resolution was put to a vote; the following Planning Board members were present and voted as follows:

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	Aye
Daniel McCabe, Vice Chair	Aye
Sakima A.G. Brown	—
Robert Mallory	Aye
Richard E. Mignault	Aye
Marjorie Smith	Aye

**THIS RESOLUTION OF AMENDED CONDITIONAL SITE PLAN APPROVAL WAS DULY AUTHORIZED AT A MEETING OF THE PLANNING BOARD HELD ON JUNE 20, 2017, AND THEREAFTER DECLARED ADOPTED.**

7/29/17  
Date

  
Patrick Moore, Acting Vice Chair

**Further information may be obtained from:**

THE CITY OF POUGHKEEPSIE PLANNING BOARD  
62 CIVIC CENTER PLAZA, 2ND FLOOR  
POUGHKEEPSIE, NY 12601  
Phone: (845) 451-4055  
Fax: (845) 451-4006

Received and Reviewed:

Signature of Applicant: \_\_\_\_\_

Name (please print): \_\_\_\_\_

Title: \_\_\_\_\_



**THE CITY OF POUGHKEEPSIE  
PLANNING BOARD**  
62 CIVIC CENTER PLAZA, 2<sup>ND</sup> FLOOR  
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Fax: (845) 451-4006

**RESOLUTION OF AMENDED SPECIAL PERMIT APPROVAL**

In the Matter of the Application of:

**VASSAR BROTHERS MEDICAL CENTER / HEALTH QUEST SYSTEMS, INC.**

WHEREAS, on or about January 8, 2016, VASSAR BROTHERS MEDICAL CENTER (“VBMC”) / HEALTH QUEST SYSTEMS, INC. (collectively herein, the “Applicant”) submitted applications to the City of Poughkeepsie (the “City”) Planning Board for amended site plan and special permit approvals for a project to add an additional 8th (above-ground) story consisting of 56,459 gross square feet to the previously-approved ±696,400 square foot building. This additional floor would add 66 new medical/surgical beds to the facility and will require 43 new staff (25 for the day shift and 18 for the night shift). The addition of the 8th (above ground) floor to the previously-approved building is referred to herein as the “Project;” and

WHEREAS, the Planning Board finds that the Project will benefit the City of Poughkeepsie, Dutchess County and the surrounding Hudson Valley region by providing additional capacity to the Applicant to assist with the goal of modernizing and improving patient care, and improving the experience of patients, staff and visitors to the VBMC campus; and

WHEREAS, it appears that the response to the Project has been favorable, and the Planning Board is not aware of any opposition to the Project; and

WHEREAS, the Project is located is located on a 15.31-acre parcel described as 45 Reade Place, bearing tax parcel identification number 6061-43-843721 and located in the Hospital-Medical (H-M) Zoning District (additional parcels utilized by VBMC are listed in the

Full Environmental Assessment Form (“FEAF”), Part I Narrative, submitted by the Applicant);  
and

WHEREAS, the proposed use is a permitted use in the H-M District, subject to the granting of a Special Permit pursuant to §19-3.35 of the City Code; and

WHEREAS, the proposed addition meets all zoning requirements, and the City Building Inspector has confirmed the Applicant’s representation that no variances are required for the Project; and

WHEREAS, the Project is a Type I Action pursuant the State Environmental Quality Review Act (“SEQRA”) and the Planning Board, as lead agency, duly adopted a Determination of Non-Significance – Negative Declaration for the Project during its regularly-scheduled meeting on June 20, 2017; and

WHEREAS, the Planning Board considered the applications, supporting materials, Applicant and public comments and held its own discussion during meetings held on April 18, 2017, May 16, 2017 and June 20, 2017; and

WHEREAS, a duly-noticed public hearing was opened and closed on May 16, 2017, no member of the public appearing in opposition to the Project; and

WHEREAS, the Planning Board considered the following materials received from the Applicant:

1. City of Poughkeepsie Planning Board Application for Site Plan Approval, dated April 3, 2017;
2. City of Poughkeepsie Planning Board Application for Special Permit Approval, dated April 3, 2017;
3. An Expanded Full Environmental Assessment Form, Part 1 (“FEAF”), with narrative, dated April 12, 2017;
4. Visual (Viewshed) Assessment for Amended Site Plan dated April 10, 2017;
5. Revised Traffic Impact Assessment with Revised Parking Study dated April 12, 2017;

6. Site Plans, with sheets numbered and dated as follows:

SHEET NO.	REV	SHEET NO.	DATE	DESCRIPTION
1	1	C-001	04/05/17	TITLE SHEET
2	1	V-001	03/30/17	EXISTING CONDITIONS PLAN
3	1	V-002	03/30/17	EXISTING CONDITIONS PLAN
4	1	C-110	04/05/17	APPROVED SITE PLAN
5	1	C-111	04/05/17	AMENDED SITE PLAN
6	1	C-140	04/05/17	AMENDED UTILITY PLAN; and

7. Revised elevations, with sheets numbered and dated as follows:

SHEET NO.	SHEET NO.	DATE	DESCRIPTION
1	SEQR1	04/12/17	EAST AND WEST ELEVATIONS
2	SEQR2	04/12/17	NORTH AND SOUTH ELEVATIONS; and

WHEREAS, written and oral comments were received from the City's consultants.

Written comments included the following:

1. Traffic and Parking Review (prepared by Clark, Patterson Lee) dated 5/16/17; and

WHEREAS, the following written comments also were received and considered by the Planning Board:

1. Letter from SHPO dated May 2, 2017; and
2. Letter from DCDPD dated May 15, 2017; and

WHEREAS, the Planning Board has on this date granted to the Applicant conditional site plan approval for the Project; and

WHEREAS, the application for the proposed Project is complete.

NOW, THEREFORE, BE IT RESOLVED that pursuant to §19-6.2 of the City Code, the Planning Board has considered the application in conjunction with the applicable requirements and design standards for the H-M District in which the proposed Project is to be located, and the nature, arrangement and appearance of the proposed addition to the structure which comprises the proposed Project, including its potential effect on adjacent properties, architectural features

and land uses, and has given due consideration to the effect of the Project on the public health, safety and welfare; the comfort and convenience of the public in general, and the residents or users of the proposed development and of the immediate neighborhood in particular, and finds that the granting of special permit approval for the Project is appropriate.

More specifically, in accordance with the City Zoning Code requirements for special permits, the Planning Board finds that the special permit application and supporting materials demonstrate the following:

- (a) *That all proposed structures, equipment or material shall be readily accessible for fire and police protection.* The City Police and Fire Departments have reviewed the applicable materials and indicated that they have no concerns relative thereto.
- (b) *That the proposed use is of such location, size and character that, in general, it will be in harmony with the appropriate and orderly development of the district in which it is proposed to be situated and will not be detrimental to the orderly development of adjacent properties in accordance with the zoning classification of such properties.* The Planning Board finds that the area currently is substantially developed and presently predominantly utilized for the existing Vassar Brothers Medical Center (“VBMC”). The proposed expansion project is in harmony with that use and will not be detrimental to the orderly development of any adjacent parcels that remain to be developed.
- (c) *That, in addition to the above, in the case of any use located in or directly adjacent to, a residential district:*
  - a. *The location and size of such use, the nature and intensity of operations involved in or conducted in connection therewith, its site layout and its relation to access streets shall be such that both pedestrian and vehicular traffic to and from the use*

*and the assembly of persons in connection therewith will not be hazardous or inconvenient or incongruous with said residential district or conflict with the normal traffic of the neighborhood; and*

- b. The location and height of buildings, the location, nature and height of walls and fences and the nature and extent of screening and landscaping on the site shall be such that the use will not hinder or discourage the appropriate development and use of adjacent land and buildings or diminish the value thereof.*

As noted above, the area surrounding the Project area is presently substantially developed. As such, the Project is not expected to affect, let alone discourage, any development or use of adjacent land. The Planning Board finds that the Applicant has given due consideration to the surrounding area, and considered existing uses when designing the layout of the Project Area, including current and proposed pedestrian and vehicular traffic. The Project will not negatively affect the neighborhood or conflict with the normal traffic.

In addition to the foregoing, the Planning Board recognizes that, in authorizing the issuance of a special permit, it has the duty to attach such conditions and safeguards as may be required in order that the result of its action may, to the maximum extent possible, further the general objectives of this Chapter. The Planning Board finds that the conditions set forth in its original Resolution of Conditional Site Plan Approval adequately safeguard the interests of the City and its residents. All terms and conditions of that resolution, and of the prior Special Permit Approval, are expressly incorporated by reference as if fully set forth herein.

The Planning Board also recognizes that it has the authority to require that special permits be periodically renewed, but expressly declines to exercise that authority for this Project,

in light of the nature of the proposed use as benefitting the health and welfare of the residents of the City and the surrounding area.

The foregoing resolution was put to a vote; the following Planning Board members were present

and voted as follows:

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	Aye
Daniel McCabe, Vice Chair	Aye
Sakima A.G. Brown	—
Robert Mallory	Aye
Richard E. Mignault	Aye
Marjorie Smith	Aye

**THIS RESOLUTION OF AMENDED SPECIAL PERMIT APPROVAL WAS DULY AUTHORIZED AT A MEETING OF THE PLANNING BOARD HELD ON JUNE 20, 2017, AND THEREAFTER DECLARED ADOPTED.**

7/29/19  
Date

  
Patrick Moore, Acting Vice Chair

**Further information may be obtained from:**

THE CITY OF POUGHKEEPSIE PLANNING BOARD  
62 CIVIC CENTER PLAZA, 2ND FLOOR  
POUGHKEEPSIE, NY 12601  
Phone: (845) 451-4055  
Fax: (845) 451-4006





Gary E. Beck, Jr.  
Building Inspector

**THE CITY OF POUGHKEEPSIE  
NEW YORK**

**BUILDING PLANNING & ZONING  
62 CIVIC CENTER PLAZA, 2<sup>ND</sup> FLOOR  
POUGHKEEPSIE, NY 12601**

Phone: (845) 451-4007 Fax: (845) 451-4006

**Planning Board Minutes  
June 20, 2017  
7:00pm**

**The meeting was called to order at 7:12 pm.**

**Attendance: Robert Levine, Esq., Chairman  
Daniel McCabe, Esq., Vice Chairman  
Pat Moore  
Robert Mallory  
Marjorie Smith  
Anne Saylor  
Sakima Brown arrived 7:50pm  
Richard Mignault**

**SITE PLANS/SUBDIVISIONS**

**1. 45 READE PLACE – VASSAR HOSPITAL**

Amended Site Plan and Special Permit approval for 56,459 sf addition (8<sup>th</sup> floor) to approved ±696,400 sf hospital building. Addition will provide for an additional 66 private room beds; Applicant: Vassar Brothers Hospital/Health Quest Systems, Inc.; Consultant: The Chazen Companies; Grid #s 6061-43-843721 + 24 associated parcels; Zoned H-M; File#2017-019.

The Board adopted a Negative Declaration as prepared by Wallace and Wallace LLP.

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	Aye
Daniel McCabe, Vice Chair	Aye
Sakima A.G. Brown	Aye
Robert Mallory	Aye
Richard E. Mignault	Aye
Marjorie Smith	Aye
Anne Saylor	Aye

Carried: 6:0:1

The Board granted amended site plan approval as stated in the resolution prepared by Wallace and Wallace LLP.

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	Aye
Daniel McCabe, Vice Chair	Aye
Sakima A.G. Brown	Aye
Robert Mallory	Aye
Richard E. Mignault	Aye
Marjorie Smith	Aye

Carried: 6:0:1



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Building Inspector

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The Board granted amended special permit approval as stated in the resolution as prepared by Wallace and Wallace LLP.

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	Aye
Daniel McCabe, Vice Chair	Aye
Sakima A.G. Brown	Aye
Robert Mallory	Aye
Richard E. Mignault	Aye
Marjorie Smith	Aye

Carried: 6:0:1

**2. 253 MANSION STREET – MENTAL HEALTH**

Amended site plan regarding proposed 20 additional parking spaces on separate parcels acquired; Applicant: Mental Health MA in DC, LLC; Grid # 6162-71-360188, 350206 & 350210; Zoned I-1 and R-4; File#2017-015

The Board adopted a Negative Declaration as:

Motion: Marjorie Smith  
Second: Pat Moore  
Carried: 7:0:0

The Board granted amended Site Plan approval regarding the proposed additional parking spaces on separate parcels to be acquired with the following conditions:

- Provide similar bush but not aborning bush
- Properties be merged into 1 property

Motion: Marjorie Smith  
Second: Dan McCabe  
Carried: 7:0:0

**3. 103 HOOKER AVENUE – DAY CAR CENTER**

Site Plan and Special Permit review regarding proposed establishment of a day care center in existing building. Owner: HKHQ 91 Broadway Properties, LLC; Applicant: Steve Dwek; Grid #6161-39-257661; Zoned R-1; File #2016-026

The Board retained Wallace & Wallace, LLC to represent the Planning Board.

Motion: Marjorie Smith  
Second: Pat Moore  
Carried: 7:0:0



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The Board waived site plan elements requirements as requested in letter from applicant's attorney.

Motion: Marjorie Smith

Second: Pat Moore

Carried: 7:0:0

The Board declared intent to be lead agency and direct the circulation of plans and materials to the potentially interested agencies.

Motion: Marjorie Smith

Second: Pat Moore

Carried: 7:0:0

The Board set a public hearing for July 18<sup>th</sup>, 2017 and set a site visit for 6pm on July 18<sup>th</sup>, 2017.

Motion: Marjorie Smith

Second: Pat Moore

Carried: 7:0:0

**4. 5 & 7 BROOKSIDE AVENUE – 20 BED RESIDENTIAL HOME**

Site Plan review regarding establishment of a 20 bed residential home. Applicant: Jay Diesing, RA, AIA; Grid # 6162-62-116345 & 6162-62-128350; Zoned R-2A; File #2017-027

The Board declared intent to be lead agency and circulate plans

Motion: Pat Moore

Second: Sakima Brown

Carried: 5:0:2

The Board referred the application to the ZBA.

Motion: Pat Moore

Second: Richard Mignault

Carried: 5:0:2

The Board set a public hearing for July 18, 2017, contingent upon action being taken by the ZBA.

Motion: Pat Moore

Second: Sakima Brown

Carried: 5:0:2



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**5. ROSE STREET – 70 UNIT APARTMENT BUILDINGS**

Site Plan review regarding establishment of a 70 apartment unit in two buildings. Applicant: Hudson River Housing, Inc.; Grid # 6162-79-360012, 364021, 6162-80-384011, 383008, & 381005, & 6161-23-354999; Zoned R-4; File #2017-032.

The Board declare intent to be lead agency and circulate plans.

Motion: Marjorie Smith  
Second: Pat Moore  
Carried: 7:0:0

The Board referred the application to the ZBA.

Motion: Marjorie Smith  
Second: Pat Moore  
Carried: 7:0:0

**SIGNS & FACADES**

**6. 6 NORTH CLINTON STREET – STOFA SIGNS**

Sign review regarding internally-illuminated wall sign and non-illuminated wall sign; Applicant: Gloede Neon Sign; Grid # 6162-79-252067; Zoned C-3; File#2017-017 & 018

The Board declared itself as Lead Agency for the environmental review of this application and adopted a Negative Declaration.

Motion: Marjorie Smith  
Second: Pat Moore  
Carried: 7:0:0

The Board granted approval of the halo-illuminated wall sign as presented.

Motion: Marjorie Smith  
Second: Pat Moore  
Carried: 7:0:0

The Board granted approval of the non-illuminated wall signs as presented.

Motion: Marjorie Smith  
Second: Pat Moore  
Carried: 7:0:0



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Building Inspector

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**7. 530 MAIN STREET – METRO PCS**

Sign review regarding an externally-illuminated wall sign. Applicant” J.S.K Services LLC; Grid # 6161-23-344968; Zoned C-2; File#2017-29

The Board declared itself as Lead Agency for the environmental review of this application and adopted a Negative Declaration.

Motion: Dan McCabe

Second: Pat Moore

Carried: 7:0:0

The Board granted approval of the wall sign with the following conditions:

- Aluminum wall sign
- 2’x10’ wide
- Lettering + logo colors

Motion: Dan McCabe

Second: Marjorie Smith

Carried: 7:0:0

**8. 266 HOOKER AVENUE – 7 ELEVEN**

Sign review regarding an internally-illuminated free standing digital price sign. Applicant: CAD Signs; Grid # 6161-57-554460; Zoned C-1; File#2017-30

The Board declared itself as Lead Agency for the environmental review of this application and adopted a Negative Declaration.

Motion: Dan McCabe

Second: Pat Moore

Carried: 7:0:0

The Board granted approval of the digital free standing price sign with the following conditions:

- PMS 485
- Opac red
- Only + type of gas light

Motion: Dan McCabe

Second: Pat Moore

Carried: 7:0:0



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PLANNING BOARD**

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State Environmental Quality Review  
**NEGATIVE DECLARATION**  
Notice of Determination of Non-Significance

This notice is issued pursuant to Part 617 of the implementing regulations pertaining to Article 8 of the State Environmental Quality Review Act ("SEQRA") of the Environmental Conservation Law.

For the reasons set forth herein, the **CITY OF POUGHKEEPSIE PLANNING BOARD**, as lead agency, has determined that the proposed action described below will not have a significant environmental impact and a Draft Environmental Impact Statement will not be prepared.

**Name of Action:** **VASSAR BROTHERS MEDICAL CENTER ("VBMC") EXPANSION  
AMENDED SITE PLAN AND AMENDED SPECIAL USE PERMIT**

**Applicants:** **VASSAR BROTHERS MEDICAL CENTER / HEALTH QUEST SYSTEMS, INC.  
(collectively herein, the "Applicant")**

**SEQR Status:** Type 1   
Unlisted

**Conditioned Negative Declaration:**  Yes  
 No

**Description of Action:**

Vassar Brothers Medical Center ("VBMC"), a Health Quest affiliate, received Conditional Site Plan and Special Permit Approval from this Board on May 24, 2016 for, among other things, the construction of a ±696,400 square foot new building, to have seven stories above grade and two levels partially below grade.

VBMC is now proposing an amendment to the approved site plan to add an additional 8<sup>th</sup> (above-ground) story consisting of 56,459 GSF to the previously-approved building. This additional floor would add 66 new medical/surgical beds to the facility and will require 43 new staff (25 for the day shift and 18 for the night shift). The addition of the 8<sup>th</sup> (above ground) floor to the previously-approved building is referred to herein as the "Project."

It should be noted that VBMC is proposing to "shell" the 8<sup>th</sup> floor, that is, to construct only those elements necessary to complete the construction of the building, leaving the remainder of the floor unconstructed and vacant. However, for purposes of this environmental analysis and assessment of impacts, the Board has assumed the full construction and use of the Project.

As discussed below, the primary areas of potential environmental concern for this Project are visual impacts, parking and traffic. For the reasons set forth herein, The Planning Board concluded that will not create any significant negative environmental impacts.

**Location:**

The Project consists of adding an additional floor to the previously-approved building, which building is located on a 15.31-acre parcel described as 45 Reade Place and bearing tax parcel identification number 6061-43-843721. Additional parcels utilized by VBMC are listed in the Full Environmental Assessment Form (“FEAF”), Part I Narrative submitted by the applicant.

**Approvals and Permits Required:**

The Project requires Amended Site Plan and Special Permit approval. No variances are required. The Project also requires various other permits and approvals, as follows:

**VBMC Expansion – Amended Site Plan – Required Permits/Approvals**

Agency	Required Permit/Approval
NYS Department of Health (“NYSDOH”)	Certificate of Need (“CON”) Modification and (before build-out) a full CON
NYS Historic Preservation Office (“SHPO”)	Project Review
Dutchess County Department of Planning and Development (“DCDPD”)	GML 239m referral
City of Poughkeepsie Planning Board	Amended Site Plan and Special Permit approvals
City of Poughkeepsie Waterfront Advisory Committee (“WAC”)	Determination of consistency with the Local Waterfront Revitalization Program

**Environmental Review by City Planning Board:**

The Planning Board initiated the environmental review of the Project on April 18, 2017 by declaring its intent to be lead agency in a coordinated SEQRA process. Circulation for lead agency was accomplished by notice dated April 20, 2017 and both involved agencies (NYSDOH and NYSOPRHP) having consented, lead agency was officially assumed at a meeting of the Planning Board held on May 16, 2017.

The Planning Board considered the applications, materials, comments and discussion available at meetings held on April 18, 2017, May 16, 2017, and June 20, 2017.

A duly-noticed public hearing was opened and closed on May 16, 2017. No member of the public appeared to speak in favor of or in opposition to the Project.

**Documents, Studies, Materials and Comments Reviewed and Considered by the Lead Agency:**

The Applicant submitted application materials to the Planning Board, acting also as the designated Lead Agency, for Site Plan and Special Permit approvals, as follows:

1. City of Poughkeepsie Planning Board Application for Site Plan Approval, dated April 3, 2017;
2. City of Poughkeepsie Planning Board Application for Special Permit Approval, dated April 3, 2017;
3. An Expanded Full Environmental Assessment Form, Part 1 (“FEAF”), with narrative, dated April 12, 2017;
4. Visual (Viewshed) Assessment for Amended Site Plan dated April 10, 2017;
5. Revised Traffic Impact Assessment with Revised Parking Study dated April 12, 2017;

6. Site Plans, with sheets numbered and dated as follows:

<u>SHEET NO.</u>	<u>REV</u>	<u>SHEET NO.</u>	<u>DATE</u>	<u>DESCRIPTION</u>
1	1	C-001	04/05/17	TITLE SHEET
2	1	V-001	03/30/17	EXISTING CONDITIONS PLAN
3	1	V-002	03/30/17	EXISTING CONDITIONS PLAN
4	1	C-110	04/05/17	APPROVED SITE PLAN
5	1	C-111	04/05/17	AMENDED SITE PLAN
6	1	C-140	04/05/17	AMENDED UTILITY PLAN

Revised elevations, with sheets numbered and dated as follows:

<u>SHEET NO.</u>	<u>SHEET NO.</u>	<u>DATE</u>	<u>DESCRIPTION</u>
1	SEQR1	04/12/17	EAST AND WEST ELEVATIONS
2	SEQR2	04/12/17	NORTH AND SOUTH ELEVATIONS

Written and oral comments were received from the City's consultants. Written comments included the following:

1. Traffic and Parking Review (prepared by Clark, Patterson Lee) dated \_\_5\_\_/\_16\_\_/17;

The following written comments also were received and considered by the Planning Board:

1. Letter from SHPO dated May 2, 2017; and
2. Letter from DCDPD dated May 15, 2017.

**REASONS SUPPORTING THIS DETERMINATION:**

This Project is classified as a Type I action under SEQRA because certain aspects of the original application met or exceeded the thresholds set forth in the regulations. The City Planning Board, as lead agency, has evaluated the information contained in the Expanded Full EAF, the additional materials supplied by the Applicant, and the comments received thereto, against the criteria found in 6 NYCRR 617.7, to make this determination of non-significance.

The Project does not propose any change in use from the current use of the parcel, which use is consistent with the City Comprehensive Plan.

The Project does not propose any new ground disturbance, so there will be no effect on soil or water resources.

The Project does not propose any new ground disturbance, so there will be no effect on vegetation or wildlife.

The Project does not propose any new ground disturbance, so there will be no effect on historic or cultural resources. By letter dated May 2, 2017, SHPO concurs in the assessment of no impact.

The City's Waterfront Advisory Committee considered this application during its meeting on May 2, 2017, and determined that it was consistent with the City's Local Waterfront Revitalization Program, confirming the same by resolution of the same date.

The Project does not impact the previously-approved phasing plan for the prior site plan.

When built out, the new floor is intended to be predominately inpatient rooms. Similar to a hotel, most lights will be off or at low levels at night. Additionally, interior lighting in patient rooms has been moved away from



exterior windows, and all windows will be equipped with shades that can be lowered at night to further reduce light spillage from the building.

Construction work associated with the Project will result in short-term noise and odor impacts. Construction impacts are not significant as the impact is temporary and the work will take place during daytime hours, in accordance with City of Poughkeepsie Code Chapter 13.5. In addition, best practices for construction in accordance with any applicable rules, regulations, or laws will be followed as well as any applicable City protocols related to construction to ensure that impacts are not significant.

The proposed addition will result in additional energy demands for electricity and HVAC needs. More specifically, a 3% increase in water usage (11,292 gpd) and 5% increase in wastewater generation (12,421 gpd) over the demand documented for the approved project is anticipated. A less than 1% increase over total campus water usage and wastewater generation is anticipated. VBMC currently utilizes Central Hudson Gas and Electric and, although there will be an increase in demand, it is expected that the utility company has sufficient capacity for this Project. In addition, the City of Poughkeepsie Water Treatment Facility and the City of Poughkeepsie Sewage Treatment Plant also have sufficient capacity to serve the Project. Moreover, the Applicant will be seeking LEED accreditation and will be incorporating several energy-saving measures to reduce gas and electricity consumption including a green roof, rainwater management, indoor water use reduction, LED lighting, water metering, windows and door for energy efficiency, increased insulation, and cooling tower water use reduction. Utilizing current building and energy codes will also help to minimize gas and electric usage to the greatest extent feasible. Interior renovations to the existing building will likely improve energy efficiency of mechanical equipment as well. Section 9.3 of the Expanded Full EAF Part 1 provides a description of the proposed energy-saving features to be incorporated in the new construction. As a result, no significant adverse environmental impacts anticipated.

### **Impact on Aesthetic Resources**

As noted in connection with the original site plan approval and determination of non-significance, the Project site is in close proximity to the Hudson River, a designated Coastal Zone and a Scenic Area of Statewide Significance. In addition, the relatively low average building height of the surrounding properties, combined with the proposed construction of a seven-story structure extending more than 700 feet in length, indicate that aesthetic resources will be significantly impacted by the development as a whole.

However, the Project consists only of the addition of an additional floor, which, due to the reconfiguration of the spacing of the interior floors, adds only fourteen (14) feet to the height of the structure. The Viewshed Assessment that was performed for the Project concludes that the visibility of the structure remains largely unchanged, when comparing it to the original approved application. The revised structure is not visible from any new locations. The original project was designed in consideration of the significant view of the building from the Hudson River, the Mid-Hudson Bridge, and the Walkway Over The Hudson. The approved architecture of the building was designed as a landmark for the Hudson Valley. The proposed additional floor does not negatively impact the visual environment.

### **13e. Impact on Transportation (traffic patterns, parking)**

The addition of 66 patient beds and 43 staff members is expected to generate an additional 87 vehicle trips during morning peak hour and 94 vehicle trips during the weekday evening peak hour. The Traffic Impact Assessment submitted by the applicant concluded that Levels of Service of excellent to good (levels A to C) will be maintained at all intersections studied. The City's traffic consultants, Clark Patterson Lee concurred in a memo dated May 16, 2017.

No changes in construction traffic will result from the amended site plan.

Significant changes to the current parking were proposed and approved by the Planning Board in connection with the original application. The Revised Parking Study submitted by the applicant in connection with the new Project concluded that, even when the 8<sup>th</sup> Floor is completely occupied, the overall parking provided on the campus will still substantially exceed the anticipated peak parking demand. More specifically, the analysis observed

that no more than 74% of the campus spaces currently existing were occupied during the peak period, and that at project completion, the campus will have a net increase of 100 spaces.

For these reasons, the Planning Board finds that there are no significant adverse environmental impacts anticipated from the Project.

**SUMMARY:**

A review of the Criteria for Determining Significance found in 6 NYCRR 617.7 indicates that development of the project as proposed would not result in any significant adverse environmental impacts.

The foregoing resolution was put to a vote; the following Planning Board members were present and voted as follows:

Robert Levine, Chair	Recused
Patrick Moore, Acting Vice Chair	_____
Daniel McCabe, Vice Chair	_____
Sakima A.G. Brown	_____
Robert Mallory	_____
Richard E. Mignault	_____
Marjorie Smith	_____

**THIS NEGATIVE DECLARATION WAS DULY AUTHORIZED AT A MEETING OF THE LEAD AGENCY HELD ON JUNE 20, 2017, AND THEREAFTER DECLARED ADOPTED.**

\_\_\_\_\_

**Date**

\_\_\_\_\_

Patrick Moore, Acting Vice Chair

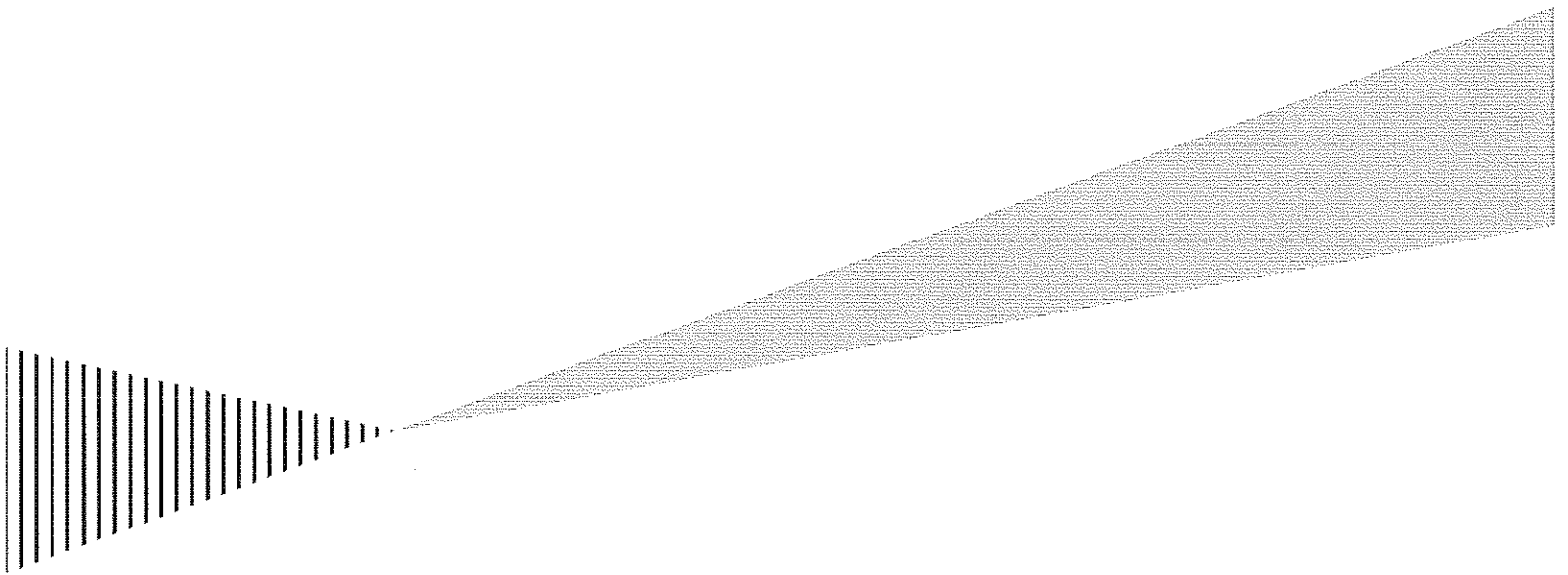
**This Negative Declaration is to be filed with the Lead Agency. Further information may be obtained from:**

THE CITY OF POUGHKEEPSIE PLANNING BOARD  
62 CIVIC CENTER PLAZA, 2ND FLOOR, POUGHKEEPSIE, NY 12601  
Phone: (845) 451-4055; Fax: (845) 451-4006

CONSOLIDATED FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

Western Connecticut Health Network, Inc. and Subsidiaries  
Years Ended September 30, 2017 and 2016  
With Report of Independent Auditors

Ernst & Young LLP



Building a better  
working world

Western Connecticut Health Network, Inc. and Subsidiaries

Consolidated Financial Statements  
and Supplementary Information

Years Ended September 30, 2017 and 2016

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## Report of Independent Auditors

The Board of Directors  
Western Connecticut Health Network, Inc.

We have audited the accompanying consolidated financial statements of Western Connecticut Health Network, Inc. and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2017 and 2016, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Western Connecticut Health Network Insurance Co., Ltd. (the Company), a wholly-owned subsidiary, which statements reflect total assets constituting 9% as of September 30, 2017 and 2016, and total revenues constituting 1% in 2017 and 2016, of the consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Company, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of



expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Western Connecticut Health Network, Inc. and Subsidiaries at September 30, 2017 and 2016, and the consolidated results of their operations and changes in net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### **Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets and consolidating statements of operations are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

*Ernst + Young LLP*

January 29, 2018

## Western Connecticut Health Network, Inc. and Subsidiaries

### Consolidated Balance Sheets (In Thousands)

	September 30	
	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 62,579	\$ 61,070
Investments, current portion	35,783	36,175
Assets limited as to use, current portion	10,015	16,880
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$37,914 in 2017 and \$39,080 in 2016	136,518	135,583
Pledges receivable, current portion	8,218	7,846
Inventories	17,474	16,082
Prepaid expenses and other	42,869	34,299
Total current assets	313,456	307,935
Investments	243,344	285,879
Assets limited as to use:		
Funds restricted by donor	108,611	93,044
Board designated funds	65,724	61,690
Beneficial interests in trusts held by others and charitable remainder trust	16,088	15,165
Investments held by Western Connecticut Health Network Insurance Co., Ltd.	127,627	103,776
Total noncurrent assets limited as to use	318,050	273,675
Other assets	34,288	27,693
Property, plant, and equipment:		
Land and land improvements	41,289	41,189
Buildings and building improvements	853,530	811,170
Equipment and other	587,501	645,113
Construction-in-progress (estimated cost to complete at September 30, 2017: \$65,820)	97,743	78,754
	1,580,063	1,576,226
Less accumulated depreciation	886,664	891,315
	693,399	684,911
Pledges receivable, less current portion	14,612	14,581
Total assets	\$ 1,617,149	\$ 1,594,674

	September 30	
	2017	2016
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 75,204	\$ 65,526
Payroll-related accruals	51,307	54,994
Due to third-party payors	17,597	32,175
Interest payable	1,863	2,553
Other accrued expenses	9,890	9,009
Current portion of long-term debt	8,306	9,216
Total current liabilities	<u>164,167</u>	<u>173,473</u>
Self-insurance liabilities	75,064	74,660
Accrued pension liabilities and other	159,413	260,205
Long-term debt, less current portion	335,265	341,771
Total liabilities	<u>733,909</u>	<u>850,109</u>
Net assets:		
Unrestricted	735,314	611,912
Unrestricted attributable to noncontrolling interest	2,255	1,947
Temporarily restricted	96,960	85,290
Permanently restricted	48,711	45,416
Total net assets	<u>883,240</u>	<u>744,565</u>

Total liabilities and net assets

<u>\$ 1,617,149</u>	<u>\$ 1,594,674</u>
---------------------	---------------------

*See accompanying notes.*



Western Connecticut Health Network, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets  
(In Thousands)

	Year Ended September 30	
	2017	2016
Unrestricted revenues:		
Net patient service revenue	\$ 1,181,592	\$ 1,161,053
Provision for uncollectible accounts	42,857	34,822
Net patient service revenue, less provision for uncollectible accounts	1,138,735	1,126,231
Net assets released from restriction	2,909	5,386
Other operating revenues	37,799	30,201
	<u>1,179,443</u>	<u>1,161,818</u>
Expenses:		
Salaries, benefits and fees	691,801	703,650
Supplies and other	383,134	358,924
Insurance	14,224	7,102
Depreciation and amortization	76,775	73,667
Interest	9,229	9,442
	<u>1,175,163</u>	<u>1,152,785</u>
Income from operations before net loss on extinguishment of long-term debt	4,280	9,033
Net loss on extinguishment of long-term debt	(1,278)	—
Income from operations	<u>3,002</u>	<u>9,033</u>
Nonoperating gains and (losses):		
Contributions	5,432	26,909
Investment income, net	26,498	11,589
Change in unrealized gains and losses on investments	17,211	22,783
Operating expenses of the Danbury Hospital and New Milford Hospital Foundation, Inc. and Norwalk Hospital Foundation, Inc.	(4,274)	(4,356)
Net research operations	(856)	(390)
Interest rate swap activity:		
Interest cost on interest rate swap	(473)	(640)
Change in value of interest rate swap	2,889	(1,800)
	<u>2,416</u>	<u>(2,440)</u>
	<u>46,427</u>	<u>54,095</u>
Excess of revenues over expenses, before noncontrolling interest in joint venture	49,429	63,128
Less: net income attributable to noncontrolling interest in joint venture	(1,809)	(2,019)
Excess of revenues over expenses	<u>47,620</u>	<u>61,109</u>

Western Connecticut Health Network, Inc. and Subsidiaries

Consolidated Statements of Operations and Changes in Net Assets (continued)  
(In Thousands)

	Year Ended September 30	
	2017	2016
Unrestricted net assets:		
Excess of revenues over expenses (continued)	\$ 47,620	\$ 61,109
Net assets released from restrictions for property, plant, and equipment	5,926	13,428
Transfer from temporarily restricted net assets	—	151
Change in pension obligation	69,690	(64,362)
Net unrestricted other changes in joint venture	(1,335)	(2,107)
Net income attributable to noncontrolling interest in joint venture	1,809	2,019
Other	—	300
Increase in unrestricted net assets	123,710	10,538
Temporarily restricted net assets:		
Contributions	13,730	14,827
Investment income, net	5,901	2,477
Change in unrealized gains and losses on investments	3,419	3,332
Change in beneficial interest in charitable remainder trust	677	339
Assets released from restriction:		
Operations	(2,909)	(5,386)
Net assets released from restrictions for property, plant, and equipment	(5,926)	(13,428)
Non-operating activities	(3,084)	(24,576)
Transfer to unrestricted and permanently restricted net assets	(138)	(221)
Increase (decrease) in temporarily restricted net assets	11,670	(22,636)
Permanently restricted net assets:		
Change in beneficial interest in trusts held by others	246	263
Contributions	2,911	1,040
Transfer from temporarily restricted net assets	138	70
Increase in permanently restricted net assets	3,295	1,373
Increase (decrease) in net assets	138,675	(10,725)
Net assets at beginning of year	744,565	755,290
Net assets at end of year	\$ 883,240	\$ 744,565

See accompanying notes.

Western Connecticut Health Network, Inc. and Subsidiaries

Consolidated Statements of Cash Flows  
(In Thousands)

	Year Ended September 30	
	2017	2016
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ 138,675	\$ (10,725)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	76,775	73,667
Change in unrealized gains and losses on investments	(20,630)	(26,115)
Change in pension obligation	(69,690)	64,362
Other changes in net assets	-	(300)
Restricted contributions and investment income	(22,542)	(18,344)
Net loss on extinguishment of long-term debt	(1,278)	-
Change in beneficial interest in trusts held by others and charitable remainder trust	(923)	(602)
Provision for uncollectible accounts	42,857	34,822
Changes in operating assets and liabilities (see Note 12)	(99,846)	(75,571)
Net cash provided by operating activities	<u>43,398</u>	<u>41,194</u>
<b>Investing activities</b>		
Additions to property, plant, and equipment	(85,263)	(78,647)
Purchases and sales of investments, net	26,970	15,028
Net cash used in investing activities	<u>(58,293)</u>	<u>(63,619)</u>
<b>Financing activities</b>		
Proceeds from issuance of bonds	40,390	-
Payments of long-term debt	(46,528)	(9,137)
Restricted contributions and investment income	22,542	18,344
Net cash provided by financing activities	<u>16,404</u>	<u>9,207</u>
Net increase (decrease) in cash and cash equivalents	1,509	(13,218)
Cash and cash equivalents at beginning of year	61,070	74,288
Cash and cash equivalents at end of year	<u>\$ 62,579</u>	<u>\$ 61,070</u>

See accompanying notes.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements

*(Dollars in Thousands)*

September 30, 2017

#### **1. Summary of Significant Accounting Policies**

##### **Organization and Basis of Presentation**

Western Connecticut Health Network, Inc. (the Network) was established under the statutes of the State of Connecticut and is the parent company of the following subsidiaries: The Danbury Hospital (Danbury Hospital); Danbury Hospital and New Milford Hospital Foundation, Inc. (DH/NMH Foundation); Western Connecticut Health Network Affiliates, Inc. (WCHNA); Western Connecticut Home Care, Inc. (WCHC); Western Connecticut Medical Group, Inc. (WCMG); Eastern New York Medical Services, P.C. (ENYMS); Western Connecticut Health Network Insurance Co., Ltd (WCHNIC); The Norwalk Hospital Association (Norwalk Hospital); Norwalk Hospital Foundation, Inc. (NHF); SWC Corporation (SWC); and Western Connecticut Health Network Investments, LLC (WCHN Investments).

Danbury Hospital is a voluntary, not-for-profit organization incorporated under the General Statutes of the State of Connecticut. The Board of Danbury Hospital is appointed by the Network. Danbury Hospital has a single provider license to include New Milford Hospital and operates as one licensed facility with two campuses.

Prior to October 1, 2016 WCHNIC was a wholly owned subsidiary of Danbury Hospital. On October 1, 2016, Danbury Hospital transferred its ownership shares to the Network. There was no impact to the consolidated financial statements of the Network for the years ended September 30, 2016 or 2017 as a result of this change.

Norwalk Hospital is a voluntary, not-for-profit organization incorporated under the General Statutes of the State of Connecticut. Norwalk Hospital includes its wholly owned subsidiaries, NHF and its majority interest in Norwalk Surgery Center, LLC.

WCMG is a tax-exempt organization established under the General Statutes of the State of Connecticut and provides physician services to patients primarily from Western Connecticut and Southeastern New York. WCMG also provides physician support to various Network affiliates.

ENYMS is a tax-exempt New York professional corporation established under the General Statutes of the State of New York. It provides medical services through physicians and other licensed health care providers to the general public from offices located in Westchester County, New York.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **1. Summary of Significant Accounting Policies (continued)**

DH/NMH Foundation is a 501(c)(3) organization whose tax-exempt status is based upon its support of the Network and the health care providers affiliated with it, including Danbury Hospital and other health care organizations from time to time associated with the Network which qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code.

NHF is a 501(c)(3) organization whose tax-exempt status is based on its support of the Network and the health care organizations from time to time associated with the Network and the health care providers affiliated with it, including Norwalk Hospital and other health care organizations from time to time associated with the Network which qualify as exempt organizations under 501(c)(3) of the Internal Revenue Code.

WCHN Investments, LLC is a partnership created in November 2015 whose membership interests are owned by the Network. WCHN Investments was formed for the purpose of pooling the long-term investments of Danbury Hospital, Norwalk Hospital, DH/NMH Foundation and NHF. On December 31, 2015, the long-term investments of Danbury Hospital, Norwalk Hospital, DH/NMH Foundation and NHF were transferred to WCHN Investments in exchange for a pro rata share of the combined investments and investment returns of WCHN Investments. WCHN Investments is a member of the Network Obligated Group (see Note 6).

The consolidated financial statements include the accounts of the Network, Danbury Hospital, DH/NMH Foundation, WCHNA, WCHC, WCMG, ENYMS, WCHNIC, Norwalk Hospital, SWC and WCHN Investments. All material intercompany transactions have been eliminated in consolidation.

On April 3, 2017, Danbury Hospital and Sunrise Medical Laboratories, Inc. (Sunrise) formed Connecticut Laboratory Partnership, LLC (the joint venture) to serve as a management services organization. The purpose of the joint venture is to further the mission of its members, Danbury Hospital and Sunrise, as well as Norwalk Hospital, by arranging, managing and optimizing the provision, delivery and billing of each of the respective entity's outreach laboratory testing services under separate management laboratory agreements. Certain of the services that are to be provided by the joint venture under the management laboratory agreements have been contracted to be performed by Sunrise as part of a separate arrangement. In conjunction with the formation of the joint venture, Danbury Hospital and Norwalk Hospital sold certain intangible assets associated with the operation of its existing outreach laboratory businesses to Sunrise. Total consideration received by the Network was approximately \$13,500 and is recorded in other

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **1. Summary of Significant Accounting Policies (continued)**

operating revenues on the consolidated statement of operations and changes in net assets for the year ended September 30, 2017. In addition to the joint venture arrangement, Danbury Hospital and Norwalk Hospital entered into a separate management agreement with Sunrise for the provision of management services by Sunrise to each of these entity's with respect to their inpatient and outpatient laboratory businesses.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. There is at least a reasonable possibility that certain estimates will change by material amounts in the near term. Actual results could differ from those estimates. Significant estimates reflected in the consolidated financial statements include the contractual allowances and allowance for uncollectible accounts for patient service revenue and the related patient accounts receivable, estimated revenue settlements due to or from third parties, reserves for malpractice, workers' compensation and other self-insured liabilities, and benefit plan assumptions.

#### **Regulatory Matters**

The Network is required to file annual operating information with the State of Connecticut Office of Health Care Access.

#### **Cash and Cash Equivalents**

Cash and cash equivalents include highly liquid investments with maturities of three months or less at date of purchase, other than amounts held in the investment portfolio and assets limited as to use. The carrying value of cash equivalents approximates its fair value. Cash and cash equivalents are maintained with domestic financial institutions with deposits that exceed federally insured limits. It is the Network's policy to monitor the financial strength of these institutions.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Investments**

The Network's investment portfolio reported in the accompanying consolidated balance sheets is designated as trading. Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based upon quoted market prices, on the consolidated balance sheets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the excess of revenues over expenses, unless the income or loss is restricted by donor or by law.

Alternative investments (nontraditional, not-readily-marketable assets), some of which are structured such that the Network holds limited partnership interests, are reported based upon net asset value derived from the application of the equity method of accounting. Individual investment holdings within the alternative investments may, in turn, include investments in both nonmarketable and market-traded securities. Valuations of these investments and, therefore, the Network's holdings, may be determined by the investment manager or general partner, and "fund of funds" investments are primarily based on financial data supplied by the underlying investee funds. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. The Network accounts for these investments using the equity method of accounting, except for investments held by the defined benefit pension plans, and reports its share of the increase or decrease in the funds' value as investment gain or loss. Alternative investments held by the defined benefit pension plan are reported at fair value as estimated in an unquoted market using net asset value as a practical expedient, as permitted under GAAP. The financial statements of the investees are audited annually by independent auditors, although the timing for reporting the results of such audits does not coincide with the Network's annual consolidated financial statement reporting.

##### **Fair Value of Financial Instruments**

The carrying values of financial instruments classified as current assets and current liabilities as of September 30, 2017 and 2016 approximate fair value based on current market conditions. The fair values of other financial instruments are disclosed in the respective notes and/or in Note 4. Investments include certificates of deposit with original maturities in excess of three months.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Summary of Significant Accounting Policies (continued)

##### Assets Limited as to Use

Assets limited as to use represent investments with donor restrictions; unrestricted assets set aside by the Board of Directors for the purpose of providing for future improvement, expansion and replacement of property, plant and equipment; beneficial interests in trusts held by others in accordance with donor restrictions; beneficial interest in charitable remainder trust; and investments held by WCHNIC. The portion of amounts required for funding current liabilities is included in current assets.

##### Patient Accounts Receivable

Patient accounts receivable result from the health care services provided by the Network. Additions to the allowance for uncollectible accounts result from the provision for uncollectible accounts. Accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

The Network's estimation of the allowance for uncollectible accounts is based primarily upon the type and age of the patient accounts receivable and the effectiveness of the Network's collection efforts. The Network's policy is to reserve a portion of all self-pay receivables, including amounts due from the uninsured and amounts related to co-payments and deductibles, as these charges are recorded. On a monthly basis, the Network reviews its accounts receivable balances and various analytics to support the basis for its estimates. These efforts primarily consist of reviewing the following:

- Historical write-off and collection experience using a hindsight or look-back approach;
- Revenue and volume trends by payor, particularly the self-pay components;
- Changes in the aging and payor mix of accounts receivable, including increased focus on accounts due from the uninsured and accounts that represent co-payments and deductibles due from patients;
- Cash collections as a percentage of net patient revenue less the provision for uncollectible accounts; and
- Trending of days revenue in accounts receivable



## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued) *(Dollars in Thousands)*

#### **1. Summary of Significant Accounting Policies (continued)**

The Network regularly performs hindsight procedures to evaluate historical write-off and collection experience throughout the year to assist in determining the reasonableness of its process for estimating the allowance for uncollectible accounts.

The Network's primary concentration of credit risk is patient accounts receivable, which consists of amounts owed by various governmental agencies, insurance companies and private patients.

#### **Inventories**

The Network uses the first in, first out method, in the valuation of inventory.

#### **Property, Plant, and Equipment**

Property, plant, and equipment are recorded at cost, or if acquired through a business combination or received as a donation, at the fair value on the date received. The Network provides for depreciation of property, plant and equipment using the straight-line method in amounts sufficient to depreciate the cost of the assets over their estimated useful lives. The remaining useful lives range from 1–55 years. Included in property, plant, and equipment, net is \$64,162 and \$21,681 of internally developed software costs at September 30, 2017 and September 30, 2016, respectively.

#### **Bond Issuance Costs**

Discounts and deferred costs related to the issuance of bonds are amortized over the period the obligation is outstanding, using a method that approximates the effective interest method.

#### **Excess of Revenues Over Expenses**

The accompanying consolidated statements of operations and changes in net assets include excess of revenues over expenses as the performance indicator. Changes in unrestricted net assets which are excluded from excess of revenues over expenses include permanent transfers of assets for other than goods and services, contributions of long-lived assets, changes in pension obligations, net income attributable to noncontrolling interest in joint venture, and net unrestricted other changes in joint venture.

Transactions deemed by management to be ongoing, major or central to the provision of health care services are reported within income from operations.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **1. Summary of Significant Accounting Policies (continued)**

##### **Other Operating Revenues**

Other operating revenues consists primarily of the sale of certain intangible assets associated with the operations of the outreach laboratory business to Sunrise, the equity earnings of the joint venture, grant income, education income, cafeteria revenues, ancillary services, rental income and other miscellaneous income of the Network (see Note 14).

##### **Nonoperating Gains and (Losses)**

Activities other than in connection with providing health care services are considered to be nonoperating. Nonoperating gains and (losses) primarily consist of contributions, investment income, net, changes in unrealized gains and losses on investments, net research operations, interest rate swap activity and the operating expenses of DH/NMHI Foundation and NHF. Net research operations represents the activity of the Network's research initiatives which are funded by the Network's foundations and any grants received.

##### **Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Network has been limited by donors to a specific time frame or purpose. Temporarily restricted net assets primarily consist of contributions restricted for certain health care services (and related investment return) and beneficial interest in charitable remainder trust. Permanently restricted net assets, which are primarily endowment gifts and beneficial interest in trusts held by others, have been restricted by donors, and are to be maintained in perpetuity.

##### **Contributions**

For financial statement purposes, the Network distinguishes between contributions of unrestricted assets, temporarily restricted assets, and permanently restricted assets.

Contributions for which donors have not stipulated restrictions, as well as contributions for which donors have stipulated restrictions, but which are met within the same reporting period, are reported as unrestricted support. Contributions for which donors have imposed restrictions which limit the use of the donated assets are reported as temporarily restricted net assets if the restrictions are not met in the same reporting period. When such donor imposed restrictions are met in

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 1. Summary of Significant Accounting Policies (continued)

subsequent reporting periods, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Contributions of assets which donors have stipulated must be maintained in perpetuity, with only the income earned thereon available for current use, are classified as permanently restricted net assets.

#### Income Taxes

The Network comprises not-for-profit corporations, with the exception of Norwalk Surgery Center, LLC, WCHN Investments, WCHNIC and SWC, as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The Network is also exempt from state and local taxes. SWC is a for-profit corporation and WCHNIC is a foreign corporation exempt from US taxation and is not subject to taxes under the Cayman Islands tax concessions law. Norwalk Surgery Center, LLC and WCHN Investments are limited liability corporations and are treated as partnerships for income tax purposes.

The Network has net operating losses carryforwards from unrelated business activities of \$54,079 and \$53,775 at September 30, 2017 and 2016, respectively, which will begin expiring in 2018. These losses generate a potential deferred tax asset of \$21,631 and \$21,510 at September 30, 2017 and 2016, respectively, which is offset by a corresponding valuation allowance of the same amount due to the uncertainty of utilizing the deferred tax asset in future periods.

SWC had a capital loss carryforward of \$2,480 at September 30, 2016. The capital loss carryforward expired as of September 30, 2017.

As a result of the recent federal income tax reform enacted into law under the Tax Cuts and Jobs Act of 2017, certain provisions will impact taxable and tax-exempt organizations, including revisions to taxes on unrelated business activities, excise taxes on compensation of certain employees, reduction of corporate income tax rates and various other provisions. The regulations necessary to implement the law are expected to be promulgated throughout 2018 and the ultimate outcome of these regulations and the impact to the Network cannot be determined presently.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

#### 1. Summary of Significant Accounting Policies (continued)

##### Asset Retirement Obligation

The Network records a liability for legal obligations associated with the retirement of tangible long-lived assets when the timing and/or method of settlement of the obligation is conditional on a future event. The fair value of a liability for a conditional asset retirement obligation is recognized in the period in which the obligation is incurred if a reasonable estimate of fair value can be made. As of September 30, 2017 and 2016, \$9,406 and \$9,548, respectively, is included in accrued pension liabilities and other, relating to such obligations. There are no assets that are legally restricted for purposes of settling asset retirement obligations. During 2017 and 2016, retirement obligations incurred and settled were minimal.

##### State of Connecticut Hospital Tax

Pursuant to Connecticut General Statutes, the State of Connecticut Hospital Tax is based on a percentage of the Network's net patient service revenue. Inpatient service revenue was taxed at 6% for the period October 1, 2015 through September 30, 2017. Outpatient service revenue was taxed at 6% for the period October 1, 2015 through June 30, 2017. For the period July 1, 2017 through June 30, 2019, the rate of tax for the provision of outpatient hospital services shall be \$900,000 less the total tax imposed on all hospitals for the provision of inpatient hospital services, which sum shall be divided by total net revenue for fiscal year 2016 attributable to outpatient hospital services, of all hospitals that are required to pay such tax.

##### New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. (ASU) 2014-09, *Revenue from Contracts with Customers*. The core principle of ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance in ASU 2014-09 supersedes the FASB's current revenue recognition requirements and most industry-specific guidance. The provisions of ASU 2014-09, as amended by ASU 2015-04, will be effective for fiscal years beginning after December 15, 2017, and interim periods within that fiscal year, with early adoption permitted but not prior to annual periods beginning after December 15, 2016. The Network is in the process of evaluating the impact of ASU 2014-09 on its consolidated financial statements.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

#### 1. Summary of Significant Accounting Policies (continued)

In August 2014, the FASB issued ASU 2014-15, *Presentations of Financial Statements – Going Concern* (ASU 2014-15), that will require management of public and nonpublic companies to evaluate and disclose where there is substantial doubt about an entity's ability to continue as a going concern. The standard is effective for annual periods ending after December 15, 2016, and for annual periods thereafter. Early application is permitted. The Network's adoption of ASU 2014-15 did not impact the Network's consolidated financial statements for the year ended September 30, 2017.

In April 2015, the FASB issued ASU 2015-03, *Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 simplifies the presentation of debt issuance costs by requiring debt issuance costs to be presented as a deduction from the corresponding debt liability. This makes the presentation of debt issuance costs consistent with the presentation of debt discounts or premiums. ASU 2015-03 was effective for fiscal years beginning after December 15, 2015, and was applied retrospectively. The Network's adoption of ASU 2015-03 resulted in the reclassification of bond issuance costs to long-term debt, less current portion in the accompanying consolidated balance sheets. As of September 30, 2017 and September 30, 2016, bond issuance costs of \$2,613 and \$3,797, respectively, are netted against long-term debt, less current portion in the consolidated balance sheets (see Note 6). The Network's adoption of ASU 2015-03 had no effect on the consolidated statements of operations and changes in net assets.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurements (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (ASU 2015-07). ASU 2015-07 eliminates the requirement to categorize within the fair value hierarchy investments whose fair value is measured at net asset value (NAV) as a practical expedient. Instead, entities are required to disclose the fair value of investments measured using NAV so that users can reconcile the amounts within the fair value hierarchy to amounts reported on the balance sheet. The Network adopted ASU 2015-07 as of October 1, 2016, and retrospectively applied the presentation changes of investments whose fair value is measured at NAV as a practical expedient in the fair value note disclosure for all years presented (see Note 4). The Network's adoption of ASU 2015-07 had no effect on the consolidated financial statements, other than disclosures in the notes to the consolidated financial statements.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **1. Summary of Significant Accounting Policies (continued)**

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* (ASU 2015-05), which provides guidance to customers about whether a cloud computing arrangement includes a software license. If certain criteria are met, an entity may account for such an arrangement under the internal use software guidance included in Accounting Standards Codification (ASC) 350-40, *Internal Use Software*, whereby amounts are capitalized. If such criteria are not met, the cloud computing arrangement is considered a service contract and the related costs are expensed as incurred. ASU 2015-05 is effective for the Network for fiscal years beginning after December 15, 2015, with the option to apply the guidance prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Network adopted ASU 2015-05 prospectively as of October 1, 2016 with no impact to the 2017 consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which will require business-oriented health care not-for-profit entities to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in the performance indicator unless the investments qualify for a new practicability exception. Unrealized holding gains and losses on equity securities currently classified as other-than-trading will no longer be reported separately from the performance indicator. The provisions of ASU 2016-01 are effective for the Network for annual periods beginning after December 15, 2018, and for interim periods within annual periods beginning a year later. Early adoption of the key provisions is permitted for annual periods beginning after December 15, 2017, and interim periods therein. The Network's consolidated financial statements will not be significantly impacted by the adoption of ASU 2016-01, as all investments in equity securities are currently classified as trading securities with unrealized gains and losses reported in the performance indicator.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02), which will require a lessee to report most leases on their balance sheet, but recognize expenses on their income statement in a manner similar to current accounting. The guidance also eliminates current real estate-specific provisions. For lessors, the guidance modifies the classification criteria and the accounting for sales-type and direct financing leases. The provisions of ASU 2016-02 are effective for the Network for annual periods beginning after December 15, 2018, and interim periods within those years. Early adoption is permitted. The Network is in the process of evaluating the impact of ASU 2016-02 on its consolidated financial statements.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

#### 1. Summary of Significant Accounting Policies (continued)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Financial Statement Presentation* (ASU 2016-14), which eliminates the requirement for not-for-profits (NFPs) to classify net assets as unrestricted, temporarily restricted and permanently restricted. Instead, NFPs will be required to classify net assets as net assets with donor restrictions or without donor restrictions. Entities that use the direct method of presenting operating cash flows will no longer be required to provide a reconciliation of the change in net assets to operating cash flows. The guidance also modifies required disclosures and reporting related to net assets, investment expenses and qualitative information regarding liquidity. NFPs will also be required to report all expenses by both functional and natural classification in one location. The provisions of ASU 2016-14 are effective for the Network for annual periods beginning after December 15, 2017, and interim periods thereafter. Early adoption is permitted. The Network is in the process of evaluating the impact of ASU 2016-14 on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows – Classification of Certain Cash Receipts and Cash Payments* (ASU 2016-15), which addresses the following eight specific cash flow issues in order to limit diversity in practice: debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The provisions of ASU 2016-15 are effective for the Network for annual periods beginning after December 15, 2018, and interim periods thereafter. Early adoption is permitted. The Network is in the process of evaluating the impact of ASU 2016-15 on its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows – Restricted Cash* (ASU 2016-18), which requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The provisions of ASU 2016-18 are effective for the Network for annual periods beginning after December 15, 2018 and interim periods thereafter. Early adoption is permitted. The Network is in the process of evaluating the impact of ASU 2016-18 on its consolidated financial statements.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **1. Summary of Significant Accounting Policies (continued)**

In March 2017, the FASB issued ASU 2017-07, *Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (ASU 2017-07). ASU 2017-07 addresses how employers that sponsor defined benefit pension and/or other postretirement benefit plans present the net periodic benefit cost in the income statement. Employers will be required to present the service cost component of net periodic benefit cost in the same income statement line item as other employee compensation costs arising from services rendered during the period. Employers will present the other components of the net periodic benefit cost separately from the line item that includes the service cost and outside of any subtotal of operating income, if one is presented. The standard is effective for the Network for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. Early adoption is permitted. Adoption of ASU 2017-07 will require the Network to include the service cost component of net periodic benefit income related to its defined benefit plan (cost of \$2,040 for 2017) within salaries, benefits and fees on the consolidated statements of operations and change in net assets and to present all other components (income of \$9,767 in 2017) as a separate line item outside of income from operations. Total net periodic benefit cost (income) is recorded currently as a component of salaries, benefits and fees on the consolidated statements of operations and changes in net assets.

#### **Reclassifications**

Certain reclassifications have been made to 2016 balances previously reported in order to conform with current year presentation. The reclassifications primarily include reducing net patient service revenue by the State of Connecticut Hospital Tax previously reflected as a separate line item within operating expenses. The reclassifications have no impact on the excess of revenues over expenses for the fiscal year ended September 30, 2016.



## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued) (Dollars in Thousands)

#### 2. Net Patient Service Revenue and Charity Care

The Network has agreements with third-party payors that provide for payments at amounts different from its established rates. The difference is accounted for as allowances. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, fee-for-service, discounted charges and per diem payments. Net patient service revenue is affected by the State of Connecticut Disproportionate Share program and is reported at the estimated net realizable amounts due from patients, third-party payors and others for services rendered and includes estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

The Network has established estimates based on information presently available of amounts due to or from Medicare, Medicaid, and third-party payors for adjustments to current and prior year payment rates, based on industry-wide and Network-specific data. Such amounts are included in the accompanying consolidated balance sheets. Additionally, certain payors' payment rates for various years have been appealed by the Network. If the appeals are successful, additional income applicable to those years might be realized.

Approximately 36%, 6%, and 58%; and 33%, 9%, and 58% of net patient service revenue was received from Medicare, Medicaid and non-governmental payors, respectively, for the years ended September 30, 2017 and 2016. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term.

The Network believes it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs. Changes in the Medicare and Medicaid programs and the reduction of funding levels could have an adverse impact on the Network. Cost reports for the Network, which serve as the basis for the final settlement with government payors, have been settled by final settlement through 2014 for Medicare and 1994 and 1996 for Norwalk Hospital and Danbury Hospital, respectively, for Medicaid. Other years remain open for settlement.

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**2. Net Patient Service Revenue and Charity Care (continued)**

During 2017 and 2016, the Network recorded an increase in net patient service revenue of \$1,767 and \$2,051, respectively, related to changes in previously estimated third-party payor settlements.

The Network manages patient accounts receivable by regularly reviewing its patient accounts and contracts, and by providing appropriate allowances for uncollectible amounts. Significant concentrations of gross patient accounts receivable include 33%, 13%, and 54% and 31%, 14%, and 55% for Medicare, Medicaid and non-governmental payors, respectively, at September 30, 2017 and 2016, respectively.

The following table summarizes net patient service revenue:

	<b>Year Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
Gross patient service revenue	<b>\$ 3,169,762</b>	\$ 3,038,692
Deductions:		
Allowances	<b>1,946,033</b>	1,838,444
Charity care (at charges)	<b>42,137</b>	39,195
	<b>1,988,170</b>	1,877,639
Net patient service revenue	<b>1,181,592</b>	1,161,053
Provision for uncollectible accounts	<b>42,857</b>	34,822
Net patient service revenue less provision for uncollectible accounts	<b>\$ 1,138,735</b>	\$ 1,126,231

Patient service revenue, net of contractual allowances and before the provision for uncollectible accounts and charity care, recognized in the period from major payor sources is as follows:

	<b>Year Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
Third-party payors	<b>\$ 1,140,891</b>	\$ 1,120,762
Self-pay patients	<b>40,701</b>	40,291
	<b>\$ 1,181,592</b>	\$ 1,161,053

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### 2. Net Patient Service Revenue and Charity Care (continued)

The Network accepts all patients regardless of their ability to pay. A patient is classified as a charity care patient by reference to established policies of the Network. Essentially, these policies define charity services as those services for which no payment is anticipated. In assessing a patient's inability to pay, the Network utilizes the generally recognized federal poverty income guidelines, but also includes certain cases where incurred charges are significant when compared to a responsible party's income. Those charges are not included in net patient service revenue for financial reporting purposes.

The estimated cost of charity care provided was \$14,770 and \$15,189 for the years ended September 30, 2017 and 2016, respectively. The estimated cost of charity care is based on the ratio of cost to charges, as determined by Network-specific data.

#### 3. Investments and Assets Limited as to Use

The composition of investments and assets limited as to use is set forth in the following table:

	September 30	
	2017	2016
Cash and cash equivalents	\$ 49,769	\$ 71,061
Common collective funds	114,149	125,823
Fixed income securities	31	38
Mutual funds	326,916	318,283
Real estate/commodities	803	903
Alternative investments (at equity method)	98,007	80,136
	<u>\$ 589,675</u>	<u>\$ 596,244</u>

The above table does not include \$1,429 and \$1,200 of land held for sale as of September 30, 2017 and 2016, respectively, which is included within investments and assets limited to use. Also included in assets limited as to use is beneficial interest in trusts held by others and charitable remainder trusts of \$16,088 and \$15,165 as of September 30, 2017 and 2016, respectively.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

#### 3. Investments and Assets Limited as to Use (continued)

Investment income included in nonoperating gains and (losses) for the years ended September 30, 2017 and 2016 consists of:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 6,459	\$ 6,475
Realized gains and losses, net and equity income on alternative investments	20,039	5,114
	<u>\$ 26,498</u>	<u>\$ 11,589</u>

#### 4. Fair Values of Financial Instruments

For assets and liabilities required to be measured at fair value, the Network measures fair value based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are applied based on the unit of account from the Network's perspective. The unit of account determines what is being measured by reference to the level at which the asset or liability is aggregated (or disaggregated) for purposes of applying other accounting pronouncements.

The Network follows a valuation hierarchy that is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

*Level 1:* Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

*Level 2:* Observable inputs that are based on inputs not quoted in active markets, but corroborated by market data.

*Level 3:* Unobservable inputs that are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**4. Fair Values of Financial Instruments (continued)**

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In determining fair value, the Network uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible and considers nonperformance risk in its assessment of fair value.

Financial instruments carried at fair value in the accompanying consolidated balance sheets, excluding assets invested in the Network's defined benefit pension plan, are classified in the table below in one of the three categories described above:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 62,579	\$ —	\$ —	\$ 62,579
Investments and assets limited as to use:				
Cash and cash equivalents	49,769	—	—	49,769
Mutual funds:				
Domestic equity	124,513	—	—	124,513
International equity	26,447	—	—	26,447
Fixed income	175,956	—	—	175,956
Fixed income securities	—	31	—	31
Real estate/commodities	102	701	—	803
Beneficial interests in trusts held by others and charitable remainder trust	—	16,088	—	16,088
Other assets:				
Interest rate swap	—	670	—	670
	<u>\$ 439,366</u>	<u>\$ 17,490</u>	<u>\$ —</u>	<u>\$ 456,856</u>

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

4. Fair Values of Financial Instruments (continued)

	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 61,070	\$ —	\$ —	\$ 61,070
Investments and assets limited as to use:				
Cash and cash equivalents	71,061	—	—	71,061
Mutual funds:				
Domestic equity	105,375	—	—	105,375
International equity	22,216	—	—	22,216
Fixed income	190,692	—	—	190,692
Fixed income, securities	—	38	—	38
Real estate/commodities	108	795	—	903
Beneficial interests in trusts held by others and charitable remainder trust	—	15,165	—	15,165
	450,522	15,998	—	466,520
Liabilities:				
Interest rate swap	—	(2,219)	—	(2,219)
	\$ 450,522	\$ 13,779	\$ —	\$ 464,301

The amounts reported in the tables above do not include alternative investments and common collective funds totaling \$212,156 and \$205,959 as of September 30, 2017 and 2016, respectively that are accounted for under the equity method of accounting and are included within investments and assets limited as to use. The above tables do not include \$1,429 and \$1,200 of land held for sale as of September 30, 2017 and 2016, which is included within investments and assets limited as to use, respectively. The Network has unfunded commitments to alternative investments of \$81,200 as of September 30, 2017.

The interest rate swap listed above is classified in the accompanying consolidated balance sheets within other assets and accrued pension liabilities and other at September 30, 2017 and 2016, respectively. The fair value of the interest rate swap is based on the present value of future cash flows based on the mid-market gross value for similar financial instruments.

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**4. Fair Values of Financial Instruments (continued)**

Financial assets carried at fair value included in the defined benefit pension plan (see Note 7) are classified in the table below in one of the three categories described above:

	September 30, 2017			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 10,485	\$ —	\$ —	\$ 10,485
Mutual funds:				
Domestic equity	135,244	—	—	135,244
International equity	48,850	—	—	48,850
Fixed income	236,368	—	—	236,368
	<u>\$ 430,947</u>	<u>\$ —</u>	<u>\$ —</u>	<u>430,947</u>
Alternative investments and common collective funds measured at net asset value:				<u>445,829</u>
				<u>\$ 876,776</u>
	September 30, 2016			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 16,872	\$ —	\$ —	\$ 16,872
Mutual funds:				
Domestic equity	114,903	—	—	114,903
International equity	41,006	—	—	41,006
Fixed income	242,916	—	—	242,916
	<u>\$ 415,697</u>	<u>\$ —</u>	<u>\$ —</u>	<u>415,697</u>
Alternative investments and common collective funds measured at net asset value:				<u>386,327</u>
				<u>\$ 802,024</u>

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**4. Fair Values of Financial Instruments (continued)**

Fair value for Level 1 assets is based upon quoted market prices. Fair value for Level 2 assets is based upon model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers and brokers. The defined benefit pension plan's common collective trust funds and alternative investments are measured at net asset value. The valuation of alternative investments is described in Note 1. Furthermore, while the Network believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**5. Pledges Receivable**

Pledges receivable include the following unconditional promises to give:

	<b>September 30</b>	
	<b>2017</b>	<b>2016</b>
Due within one year	\$ 8,218	\$ 7,846
Due within one to five years	14,217	13,682
Due within greater than five years	1,901	1,908
	<u>24,336</u>	<u>23,436</u>
Allowance and discount for uncollectible pledges	(1,506)	(1,009)
Present value of pledges receivable	<u>\$ 22,830</u>	<u>\$ 22,427</u>

The allowance recognizes the estimated uncollectible portion of pledges and the discount of pledges to net present value. Pledges are discounted using an average rate of 1.96% and 2.11% as of September 30, 2017 and 2016, respectively.



Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**6. Long-Term Debt and Credit Facility**

Long-term debt consisted of the following:

	<b>September 30</b>	
	<b>2017</b>	<b>2016</b>
Network revenue bonds financed with the Connecticut Health & Educational Facilities Authority (CHEFA):		
Series G	\$ 17,695	\$ 19,229
Series H (Danbury Hospital)	—	39,615
Series H (Norwalk Hospital)	4,543	5,590
Series I	5,325	6,558
Series J	75,800	78,060
Series M	46,030	46,030
Series N	33,865	35,505
Series O	122,120	122,120
Series P	40,390	—
Norwalk Hospital term and other loans	416	2,077
Bond issuance costs	(2,613)	(3,797)
	<u>343,571</u>	<u>350,987</u>
Less current portion	8,306	9,216
	<u>\$ 335,265</u>	<u>\$ 341,771</u>

The following is a summary of the combined aggregate amount of maturities and sinking fund requirements of the aforementioned obligations at September 30, 2017, according to their long-term amortization schedule and excluding a net unamortized fair value adjustment recorded of \$753:

2018	\$ 8,306
2019	8,180
2020	8,500
2021	8,865
2022	11,615
Thereafter	299,965
	<u>\$ 345,431</u>

The fair value of the revenue bonds, as determined by the Network's financing consultant using a discounted cash flow analysis, was \$343,773 and \$364,280 at September 30, 2017 and 2016, respectively. The revenue bonds are categorized as Level 2 in the fair value hierarchy described in Note 4.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **6. Long-Term Debt and Credit Facility (continued)**

The Network paid interest of \$10,391 and \$10,322 in 2017 and 2016, respectively. Capitalized interest was not material in 2017 or 2016. Debt service funds held under bond indenture agreements were \$1,435 and \$1,868 at September 30, 2017 and 2016, respectively.

The Network holds eight series of bonds. The Obligated Group includes Danbury Hospital, DH/NMH Foundation, the Network, WCMG, Norwalk Hospital NHF, and WCHN Investments. All members of the Obligated Group are jointly and severally liable under the Master Indenture to make all payments required with respect to obligations under the Master Indenture.

Under the original terms of the Danbury Hospital Series H Bonds financing arrangements between the Obligated Group and CHEFA, the proceeds of the revenue bonds were loaned to the Network. The Network was obligated to provide amounts sufficient to pay the principal and interest due on the Danbury Hospital Series H Bonds. The Master Indentures and Supplemental Master Indentures provide for the potential establishment and maintenance of a Debt Service Reserve Fund and a pledge of gross receipts, as defined. The Master Indentures also establish a debt service coverage ratio requirement and restricts the incurrence of certain indebtedness by the Obligated Group. No violations of financial covenants existed as of September 30, 2017 and 2016. The proceeds of the Danbury Hospital Series H Bonds were used for the construction, renovation and equipping of an outpatient diagnostic building with approximately 28,000 square feet of medical office space, a 381-space parking garage, a 264-space surface parking lot and to fund capitalized interest. In 2017, the Danbury Hospital Series H Bonds were advance refunded in conjunction with the issuance of the Series P revenue bonds (Series P Bonds). The Danbury Hospital Series H Bonds were fully redeemed as of September 30, 2017. The Network recorded a loss on the extinguishment of long-term debt of \$1,278 in the consolidated statements of operations and changes in net assets for the year ended September 30, 2017.

The Series M revenue bonds (Series M Bonds) were issued in the aggregate principal of \$46,030, with interest payable initially on January 1, 2012, and semiannually on each January 1 and July 1 thereafter. The Series M Bonds bear interest at rates ranging from 5.000% to 5.375% and are scheduled to mature from July 1, 2031 to July 1, 2041. The Series M Bonds are also subject to annual sinking fund installments commencing in 2024 through scheduled maturity. The Series L

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **6. Long-Term Debt and Credit Facility (continued)**

Revenue Bonds (Series L Bonds) of \$96,000 were issued concurrently with Series M Bonds. In 2015, the Series L Bonds were refunded in conjunction with the issuance of the Series O Bonds. The proceeds of the Series L Bonds and Series M Bonds were used for funding the planning, design, acquisition, construction, equipping and furnishing of Danbury Hospital's patient tower, expansion of a parking garage, capital improvements and to fund capitalized interest.

In 2012, the Network issued the Series N revenue bonds (Series N Bonds) in the amount of \$39,880 with interest at rates between 3% and 5%. The Series N Bonds mature serially from July 1, 2014 to July 1, 2029. The proceeds of the Series N Bonds were used to refund Danbury Hospital's Series G Bonds.

In 2015, the Network issued Series O Bonds in the amount of \$122,120, which bears interest at a variable rate tied to LIBOR (1.706% at September 30, 2017). The Series O Bonds mature serially from July 1, 2022 to July 1, 2041. The proceeds of the Series O Bonds were used to refund the Network Series K and Series L Bonds.

In 2017, the Network issued Series P Bonds in the amount of \$40,390, which bears interest at the bank's purchase rate of 2.260%. The Series P Bonds mature serially from July 1, 2030 to July 1, 2036. The proceeds of the Series P Bonds were used to advance refund the Network Series H Bonds, as previously described.

On December 7, 2012, Norwalk Hospital financed a portion of the construction of an outpatient pavilion and other equipment through the issuance of the Series J Revenue Bonds (Series J Bonds), in the original principal amount of \$82,000. Interest-only payments were required for the first two years of the Series J Bonds. In May 2015, Norwalk Hospital amended the loan agreement associated with the Series J Bonds (with principal then outstanding of \$80,935), primarily to reduce the interest rate and amend certain financial covenants. The amended loan terms qualified as an extinguishment of the debt under applicable accounting requirements. The Series J Bonds are subject to mandatory tender on December 1, 2024, and bear interest at a rate per annum equal to 70% of the sum of the one-month LIBOR Rate plus 125 basis points. The interest rate on the Series J Bonds is reset monthly.

On December 7, 2012, Norwalk Hospital entered into an interest rate swap agreement to reduce the interest rate volatility on the Series J Bonds. The swap confirmation has a notional amount of \$82,000. Under the terms of the agreement, Norwalk Hospital pays a fixed rate of 1.2343% to the

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **6. Long-Term Debt and Credit Facility (continued)**

counterparty, and the counterparty pays a variable rate of 70% of one-month LIBOR to Norwalk Hospital. The payments under the swap confirmation are based on the outstanding notional amount; the notional amount will amortize at the same rate as the Norwalk Hospital Series J Bonds. The payments under the swap confirmation produce a synthetic fixed rate of 2.1093% on the Series J Bonds through December 1, 2024.

In 2011, Norwalk Hospital financed the construction of the parking garage and other equipment through a private placement of CHEFA Revenue Bonds, Series G, H, and I, in the aggregate principal amount of \$46,840. As of May 8, 2015, the repayment of the Series G, H and I Bonds are secured by the Gross Receipts pledged by the Obligated Group under the Network Master Trust Indenture. As a result, the Network is obligated to provide amounts sufficient to pay the principal and interest due on the Series G, H, and I Bonds.

The Series G Bonds totaling \$25,000 mature serially through 2025 with interest at an annual rate of 5.12%. Interest on the bonds is payable semi-annually each June and December 1.

The Series H Bonds totaling \$10,040 mature serially through 2020 with interest at an annual rate of 3.49%. Interest on the bonds is payable semi-annually each June and December 1.

The Series I Bonds totaling \$11,800 mature serially through 2020 with interest at an annual rate of 3.4%. Interest on the bonds is payable semi-annually each June and December 1.

#### **7. Pension Plans**

The Network previously sponsored three defined benefit pension plans, for which plan benefits are based on years of service and the employee's compensation (collectively referred to as the Plans). The Plans included the WCHN Retirement Plan (the Network Plan), the New Milford Hospital Retirement Plan (the New Milford Plan) and the Norwalk Hospital Retirement Plan (the Norwalk Hospital Plan). As described below, the New Milford Plan and the Norwalk Hospital Plan have merged into the Network Plan. Additionally, the Network maintains deferred compensation plans for certain executives.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **7. Pension Plans (continued)**

Effective May 26, 2011, the Board of Directors adopted a resolution to freeze the Network Plan for non-union employees effective December 31, 2011, with certain employees continuing to accrue benefits based on age and vesting. Effective September 7, 2012, the Board of Directors adopted a second resolution to freeze benefits for all of those that had been continuing to accrue.

The New Milford Plan was frozen effective January 31, 2010, and was amended effective October 31, 2012, to cease the future accrual of benefits to each highly compensated employee as defined by the IRS. Effective September 30, 2015, the New Milford Hospital pension plan merged into the Network's plan.

Effective September 30, 2013, the Norwalk Hospital Plan was frozen for all purposes (except as provided below) for those Participants who are not covered by the collective bargaining agreement between Norwalk Hospital and the Connecticut Health Care Associates, National Union of Hospital and Health Care Employees, AFSCME, AFL-CIO Nurses' Union (Non-Union Participants). This means that no Non-Union Participants shall accrue benefits under the plan after September 30, 2013, and no compensation or service after that date shall be taken into account in determining such participants' accrued benefits under the plan, provided, however, that interest credits shall continue to be credited as required by applicable law. Norwalk Hospital Plan Participants who are members of the Connecticut Health Care Associates, National Union of Hospital and Health Care Employees, AFSCME, AFL-CIO Nurses' Union, and who were employed by the Norwalk Hospital on or before December 31, 2006 (when the Norwalk Hospital Plan was frozen for all new hires), shall continue to accrue benefits under the Norwalk Hospital Plan.

Effective December 31, 2015, the Norwalk Hospital Plan was also merged into the Network's Plan. As a result, a remeasurement of the Norwalk Hospital Plan assets and benefit obligation was performed as of December 31, 2015, and then the plan assets and benefit obligation were transferred to the Network Plan as of that date. There was no material impact to the consolidated financial statements of the Network.

Effective December 31, 2017, benefit accruals will be frozen in the Norwalk Hospital Plan for those participants covered by the collective bargaining agreement between Norwalk Hospital and the Connecticut Health Care Associates, National Union of Hospital and Health Care Employees, AFSCME, AFL-CIO Nurses' Union. As a result, a curtailment gain of approximately \$5,500 was recorded for the year ended September 30, 2017 and is recorded as a component of unrestricted net assets within change in pension obligation.

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**7. Pension Plans (continued)**

Contributions to the Network Plan are intended to provide for benefits attributed to services rendered to date. The Network makes contributions in amounts sufficient to meet the required benefits to be paid to the Network Plan's participants as they become due as required by the Employee Retirement Income Security Act of 1974.

The Network established defined contribution pension plans for all eligible employees after freezing the Plans. Pension expense related to the defined contribution plans for the years ended September 30, 2017 and 2016 was \$22,748 and \$25,660, respectively.

The following table presents a reconciliation of the beginning and ending balances of the Network Plan's projected benefit obligation and the fair value of plan assets, as well as the funded status of the Network Plan's and accrued pension cost included in the consolidated balance sheets:

	<b>September 30</b>	
	<b>2017</b>	<b>2016</b>
<b>Change in benefit obligation</b>		
Benefit obligation at beginning of year	\$ (992,970)	\$ (894,680)
Service cost	(2,040)	(2,157)
Actuarial gains and losses, net	26,046	(86,586)
Interest cost	(36,380)	(39,361)
Benefits paid	33,699	29,814
Curtailement gain	5,505	-
Benefit obligation at end of year	<u>(966,140)</u>	<u>(992,970)</u>
<b>Change in plan assets</b>		
Fair value of plan assets at beginning of year	802,024	732,958
Employer contributions	24,000	30,000
Actual return on plan assets	84,451	68,880
Benefits paid	(33,699)	(29,814)
Fair value of plan assets at end of year	<u>876,776</u>	<u>802,024</u>
Unfunded status, included in accrued pension liabilities and other on the accompanying consolidated balance sheets	<u>\$ (89,364)</u>	<u>\$ (190,946)</u>

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
(Dollars in Thousands)

7. Pension Plans (continued)

	Year Ended September 30	
	2017	2016
<b>Components of net periodic benefit income</b>		
Service cost	\$ 2,040	\$ 2,157
Interest cost	36,380	39,361
Expected return on plan assets	(55,601)	(53,545)
Net amortization and deferral	9,454	7,304
Net periodic benefit income	<u>\$ (7,727)</u>	<u>\$ (4,723)</u>

The actuarial gains and losses, net in 2017 and 2016 primarily relate to changes in the discount rate and mortality table used to measure the benefit obligation.

Assumptions

	2017	2016
<b>Weighted-average assumptions used to determine benefit obligations</b>		
Discount rate	3.86%	3.73%
Rate of increase in compensation	3.00-3.50%	3.00-3.50%
<b>Weighted-average assumptions used to determine net periodic benefit income</b>		
Discount rate	3.73%	4.43%
Rate of increase in compensation	3.00-3.50%	3.46%
Expected long-term return on plan assets	7.00%	7.50%

The Network's expected long-term rate of return on assets assumption is derived from a review of anticipated future long-term performance of individual asset classes and consideration of the appropriate asset allocation strategy given the anticipated requirements of the Network Plan to determine the average rate of earnings expected on the funds invested to provide for the pension plan benefits. While the review gives appropriate consideration to recent fund performance and historical returns, the assumption is primarily a long-term, prospective rate.

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**7. Pension Plans (continued)**

Amounts recorded in unrestricted net assets and not yet amortized as components of net periodic benefit income for the Network Plan total \$313,605 and \$383,461 as of September 30, 2017 and 2016, respectively, and represent unrecognized actuarial losses. The amortization of these components expected to be recognized in net periodic benefit income for the year ended September 30, 2018 is \$7,411.

The accumulated benefit obligation was \$966,080 and \$986,823 at September 30, 2017 and 2016, respectively. The Plans' measurement date is September 30.

**Plan Assets**

The Network maintains target allocation percentages among various asset classes based on an investment policy established for the Network Plan which is designed to achieve long-term objectives of return, while mitigating against downside risk and considering expected cash flows. The target allocations for the Network Plans' assets are 50% in equities, 25% in fixed income securities and 25% in alternative investments. The investment policy is reviewed from time to time to ensure consistency with the long-term objective of funding the Plans to a level sufficient to pay benefits as they become due.

The weighted average asset allocations for the Plans' assets by category are as follows:

Asset Category	September 30	
	2017	2016
Equity securities	56%	52%
Fixed income securities	27	30
Other investments	17	18
	<u>100%</u>	<u>100%</u>

**Contributions**

The Network expects to contribute \$24,000 to its Network Plan in fiscal year 2018.



## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### 7. Pension Plans (continued)

##### Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Fiscal Year</u>	<u>Pension Benefits</u>
2018	\$ 38,110
2019	40,630
2020	42,710
2021	45,190
2022	47,460
Years 2023–2027	262,110

#### 8. Professional Liability Insurance

Effective October 1, 2004, the Network formed a captive insurance company, WCHNIC, domiciled in the Cayman Islands. WCHNIC provides alternative general and professional liability insurance to Danbury Hospital, WCMG and Norwalk Hospital, as well as providing community doctors with a competitive professional liability insurance option. Effective January 1, 2016, no community physicians were covered by WCHNIC.

Coverage for medical malpractice insurance with WCHNIC is on a claims-made basis. The Network has professional liability coverage through WCHNIC of \$40,000 per claim and \$40,000 in the aggregate. WCHNIC purchased \$40,000 of excess reinsurance coverage above a self-insured retention of \$5,000 per claim and \$30,000 in the aggregate. The Network has recorded a liability of \$13,164 and \$13,481 at September 30, 2017 and 2016, respectively, based on a discount rate of 3.5% (as of September 30, 2017 and 2016), for incurred-but-not-reported claims, which is included in accrued pension liabilities and other on the accompanying consolidated balance sheets.

Assets held by WCHNIC approximate \$150,049 and \$141,612 as of September 30, 2017 and 2016, respectively, of which a majority is reflected as assets limited as to use in the accompanying consolidated balance sheets. Total liabilities recorded by WCHNIC approximate \$80,900 and \$74,860 as of September 30, 2017 and 2016, respectively, of which a majority is reflected as self-insurance liabilities in the accompanying consolidated balance sheets.

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**8. Professional Liability Insurance (continued)**

The reserve for losses and loss adjustment expenses for WCHNIC are included in self-insurance liabilities in the accompanying consolidated balance sheets. Activity in the reserve for losses and loss adjustment expenses for the years ended September 30, 2017 and 2016 is summarized as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of period	\$ 74,660	\$ 78,851
Incurred related to:		
Current period	13,304	14,553
Prior period	367	(10,127)
Total incurred	<u>13,671</u>	<u>4,426</u>
Paid related to:		
Current period	(76)	(21)
Prior period	(13,190)	(8,596)
Total paid	<u>(13,266)</u>	<u>(8,617)</u>
Net provision for losses and loss adjustment expenses	<u>\$ 75,064</u>	<u>\$ 74,660</u>

The actuary estimated the liability for unpaid losses based on industry data, as well as entity-specific data. Management considers the liability to be adequate as of September 30, 2017 and 2016; however, no assurance can be given that the ultimate settlement of losses may not vary materially from the liability recorded. Future adjustments to the amounts recorded resulting from the continual review process, as well as differences between estimates and ultimate payments, will be reflected in the consolidated statements of operations and changes in net assets of future years when such adjustments, if any, become known.

**9. Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets of \$96,960 and \$85,290 as of September 30, 2017 and 2016, respectively, are available to the Network for health care services and capital expenditures and include the Network's beneficial interest in a charitable remainder trust. Permanently restricted net assets total \$48,711 and \$45,416 as of September 30, 2017 and 2016, respectively, and represent investments to be held in perpetuity and beneficial interest in trusts held by others, the income from which is expendable to support health care services.

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **10. Endowments**

The Network endowments consists of 68 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, are classified and reported in the accompanying consolidated balance sheets based on the existence or absence of donor-imposed restrictions.

The Network classifies net assets of donor-restricted endowment funds for organizations subject to an enacted Uniform Prudent Management of Institutional Funds Act (UPMIFA). Connecticut enacted its UPMIFA statute effective October 1, 2007. This standard requires not-for-profit organizations subject to an enacted version of UPMIFA to classify the portion of the endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets (time and purpose restricted) until appropriated for expenditure by the organization. The portion to be classified as temporarily restricted consists of accumulated unspent income and appreciation.

The Leadership of the Network has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Network classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **10. Endowments (continued)**

expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Network considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Network and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Network
- (7) The investment policies of the Network

The Network has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Network must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Network's Board of Directors, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Network relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Network targets a diversified asset allocation to achieve its long-term objective within prudent risk constraints. Each year, the Network's Board of Directors will approve an endowment and similar fund spending rate. The objectives of the portfolio are the enhancement of capital and real purchasing power while limiting exposure to risk of loss. The endowment spending rate will be calculated on the 13 quarter trailing average market value of each portfolio as of the prior May 31. The computed value may be adjusted for large contributions, withdrawals or market value swings as necessary. A default spending cap on appreciation of seven percent in any given year is currently in effect. The Network Board of Directors abides by these regulations and will adjust this rate accordingly.

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**10. Endowments (continued)**

Endowment net asset composition by type of fund as of September 30, 2017 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 15,621	\$ 41,195	\$ 56,816
Board-designated endowment funds	20,338	—	—	20,338
Endowment funds at end of year	<u>\$ 20,338</u>	<u>\$ 15,621</u>	<u>\$ 41,195</u>	<u>\$ 77,154</u>

Changes in endowment funds for the fiscal year ended September 30, 2017 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds at beginning of the year	\$ 19,236	\$ 13,284	\$ 38,146	\$ 70,666
Investment return:				
Investment income, net	1,433	4,140	—	5,573
Change in unrealized gains and losses	(331)	2,035	—	1,704
Total investment return	<u>1,102</u>	<u>6,175</u>	<u>—</u>	<u>7,277</u>
Contributions	—	—	2,911	2,911
Appropriation of endowment assets for expenditures	—	(3,700)	—	(3,700)
Other changes:				
Transfer to permanently restricted endowment	—	(138)	138	—
Endowment funds at end of year	<u>\$ 20,338</u>	<u>\$ 15,621</u>	<u>\$ 41,195</u>	<u>\$ 77,154</u>

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**10. Endowments (continued)**

Endowment net asset composition by type of fund as of September 30, 2016 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ —	\$ 13,284	\$ 38,146	\$ 51,430
Board-designated endowment funds	19,236	—	—	19,236
Endowment funds at end of year	<u>\$ 19,236</u>	<u>\$ 13,284</u>	<u>\$ 38,146</u>	<u>\$ 70,666</u>

Changes in endowment funds for the fiscal year ended September 30, 2016 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment funds at beginning of the year	\$ 17,841	\$ 13,451	\$ 37,037	\$ 68,329
Investment return:				
Investment income, net	595	1,905	—	2,500
Change in unrealized gains and losses	1,007	2,478	—	3,485
Total investment return	1,602	4,383	—	5,985
Contributions	—	—	1,039	1,039
Appropriation of endowment assets for expenditures	(207)	(4,329)	—	(4,536)
Other changes:				
Transfer to permanently restricted endowment	—	(70)	70	—
Net asset reclassification-net loss on endowments	—	(151)	—	(151)
Endowment funds at end of year	<u>\$ 19,236</u>	<u>\$ 13,284</u>	<u>\$ 38,146</u>	<u>\$ 70,666</u>

## Western Connecticut Health Network, Inc. and Subsidiaries

### Notes to Consolidated Financial Statements (continued)

*(Dollars in Thousands)*

#### **10. Endowments (continued)**

The primary long-term management objective for Network's endowment funds is to maintain the permanent nature of each endowment fund, while providing a predictable, stable, and constant stream of earnings. Consistent with that objective, the primary investment goal is to earn annual interest and dividends.

From time to time, the fair value of assets associated with individual donor-restricted endowments funds may fall below the level fund of the corpus that UPMIFA requires the Network to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no deficiencies of this nature which are reported in unrestricted net assets as of September 30, 2017 and September 30, 2016.

Also included within permanently restricted net assets are \$7,516 and \$7,270 of beneficial interests in trusts held by others as of September 30, 2017 and 2016, respectively.

#### **11. Commitments and Contingencies**

The Network is involved in litigation and claims arising in the normal course of operations. While the outcome of the litigation and claims cannot be determined at this time, management believes that any loss that may arise from the litigation and claims will not have a material adverse effect on the financial position or on the net assets of the Network.

The Network has received requests for information from governmental authorities relating to, among other things, patient billings. These requests relate to compliance with certain laws and regulations. Management is cooperating with these governmental authorities in their information requests and ongoing investigations. While management does not believe that any of these inquiries or investigations will result in a material future loss, the ultimate results of these inquiries and investigations, including the impact on the Network, cannot be determined at this time.

#### **Workers' Compensation Insurance**

The Network is self-insured for workers' compensation benefits. Estimated liabilities of approximately \$9,060 and \$9,243, using a discount rate of 3.5%, have been accrued as of September 30, 2017 and 2016, respectively, based on expected future payments pertaining to such years, and are included in accrued pension liabilities and other on the consolidated balance sheets.

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**11. Commitments and Contingencies (continued)**

**Operating Leases**

The Network leases property and equipment under noncancelable operating leases that expire in various years through 2028. Certain leases may be renewed at the end of their term.

Future minimum payments under noncancelable operating leases, and future receipts under noncancelable subleases where the Network is receiving rental receipts, with initial terms of one year or more consisted of the following at September 30, 2017:

	<b>Operating Lease Payments</b>	<b>Sublease Rental Receipts</b>
2018	\$ 26,611	\$ 2,410
2019	22,464	1,607
2020	20,052	1,326
2021	17,958	1,129
2022	14,956	1,127
Thereafter	42,108	—
	<u>\$ 144,149</u>	<u>\$ 7,599</u>

Rent expense was \$21,072 and \$29,095 for the years ended September 30, 2017 and 2016, respectively, and is included within supplies and other in the accompanying consolidated statements of operations and changes in net assets. Rental income for the years ended September 30, 2017 and 2016 was approximately \$5,261 and \$5,598, respectively, and is included within other operating revenues in the accompanying consolidated statements of operations and changes in net assets.



Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

(Dollars in Thousands)

**12. Changes in Components of Operating Assets and Liabilities**

	<b>Year Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
(Increase) decrease in operating assets:		
Pledges receivable	\$ (403)	\$ 25,433
Accounts receivable, net	(43,792)	(26,997)
Inventories	(1,392)	(1,202)
Prepaid expenses and other assets	(15,165)	(15,099)
	<u>(60,752)</u>	<u>(17,865)</u>
Decrease (increase) in operating liabilities:		
Accounts payable	9,678	1,882
Payroll-related accruals	(3,687)	(14,296)
Due to third-party payors	(14,578)	(14,100)
Interest payable	(690)	59
Other accrued expenses	881	1,752
Self-insurance liabilities	404	(4,298)
Accrued pension liabilities and other	(31,102)	(28,705)
	<u>(39,094)</u>	<u>(57,706)</u>
Change in operating assets and liabilities	<u>\$ (99,846)</u>	<u>\$ (75,571)</u>

**13. Functional Expenses**

The Network provides general health care services to residents within its geographic location. Expenses related to providing these services, including the operating expenses of DH/NMH Foundation and NHF are as follows:

	<b>Year Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
Healthcare services	\$ 748,867	\$ 733,586
General and administrative	426,296	419,199
Fundraising	4,274	4,356
	<u>\$ 1,179,437</u>	<u>\$ 1,157,141</u>

Western Connecticut Health Network, Inc. and Subsidiaries

Notes to Consolidated Financial Statements (continued)  
*(Dollars in Thousands)*

**14. Other Operating Revenues**

Other operating revenues consisted of the following:

	<b>Year Ended September 30</b>	
	<b>2017</b>	<b>2016</b>
Rental income	\$ 5,261	\$ 5,598
Equity earnings related to joint venture	1,223	–
Gain on sale of intangible assets to Sunrise	13,500	–
Captive malpractice insurance premiums	305	718
Captive investment income	1,338	4,561
Grants	4,664	4,475
Education	3,131	3,384
Dietary/nutrition	613	1,789
Ancillary services	1,283	1,313
Other income	6,481	8,363
	<u>\$ 37,799</u>	<u>\$ 30,201</u>

**15. Subsequent Events**

The Network has performed an evaluation of subsequent events through January 29, 2018, the date the consolidated financial statements were issued, and noted no subsequent events which require adjustment to or disclosure in the accompanying consolidated financial statements.

## Supplementary Information

Western Connecticut Health Network, Inc. and Subsidiaries

Consolidating Balance Sheet  
(In Thousands)

September 30, 2017

	Western Connecticut Health Network, Inc.	Danbury Hospital and New Milford Hospital Foundation, Inc.	The Danbury Hospital	The Norwalk Hospital Association and Subsidiaries	Western Connecticut Health Network Investments, LLC	Western Connecticut Medical Group, Inc.	Eliminations	Subtotal Obligated Group	Western Connecticut Health Network Insurance Co., Ltd.	SWC Corporation	Western Connecticut Health Network Affiliates, Inc.	Western Connecticut Home Care, Inc.	Eastern NY Medical Services, P.C.	Eliminations	Total
<b>Assets</b>															
<b>Current assets:</b>															
Cash and cash equivalents	\$ 288	\$ 6,889	\$ 20,478	\$ 19,513	\$ --	\$ 9,252	\$ --	\$ 56,420	\$ 327	\$ 1,780	\$ 2,438	\$ 1,024	\$ 590	\$ --	\$ 62,579
Investments, current portion	--	--	15,133	20,650	--	--	--	35,783	--	--	--	--	--	--	35,783
Assets limited as to use, current portion	--	--	1,435	--	--	--	--	1,435	8,580	--	--	--	--	--	10,015
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$37,914 in 2017	--	--	79,250	42,033	--	10,846	--	132,129	--	352	2,028	1,901	108	--	136,518
Due from related parties, current portion	271	188	12,509	294	--	2,985	(13,880)	2,367	--	--	--	--	--	(2,367)	--
Pledges receivable, current portion	--	5,381	--	2,837	--	--	--	8,218	--	--	--	--	--	--	8,218
Inventories	--	--	13,739	3,144	--	--	--	16,883	--	469	--	122	--	--	17,474
Prepaid expenses and other	732	1	23,771	4,069	--	879	(326)	29,126	13,515	--	21	200	7	--	42,869
Total current assets	1,291	12,459	166,515	92,540	--	23,962	(14,266)	282,261	22,422	2,601	4,487	3,247	705	(2,367)	313,456
Investments	--	2,718	--	--	239,439	--	--	242,157	--	--	--	1,187	--	--	243,344
Interest in investments held by Western Connecticut Health Network Investments, LLC	--	12,804	84,826	141,810	--	--	(239,440)	--	--	--	--	--	--	--	--
<b>Assets limited as to use:</b>															
Funds restricted by donor	--	--	--	--	108,611	--	--	108,611	--	--	--	--	--	--	108,611
Donor restricted interest in investments held by WCHN Investments, LLC	--	74,908	--	33,703	--	--	(108,611)	--	--	--	--	--	--	--	--
Board designated funds	--	--	--	--	65,724	--	--	65,724	--	--	--	--	--	--	65,724
Board designated interest in investments held by WCHN Investments, LLC	--	8,548	--	57,176	--	--	(65,724)	--	--	--	--	--	--	--	--
Beneficial interest in trusts held by others and charitable remainder trust	--	7,516	--	8,572	--	--	--	16,088	--	--	--	--	--	--	16,088
Investments held by Western Connecticut Health Network Insurance Co., Ltd.	--	--	--	--	--	--	--	--	107,627	--	--	--	--	--	107,627
Total noncurrent assets limited as to use	--	90,972	--	99,451	174,335	--	(174,335)	190,423	127,627	--	--	--	--	--	318,050
Other assets	12,437	391	7,103	25,005	--	18,995	(29,886)	33,985	--	202	187	167	325	(578)	34,288
Investment in NHSC	346,250	--	--	--	--	--	(331,170)	15,080	--	--	--	--	--	(15,080)	--
Interest in Danbury Hospital and New Milford Hospital Foundation, Inc. and Norwalk Hospital Foundation, Inc.	--	--	99,590	--	--	--	(99,590)	--	--	--	--	--	--	--	--
Due from related parties, less current portion	2,819	--	315	3,184	--	3,256	(6,520)	3,134	--	--	--	--	753	(3,887)	--
<b>Property, plant, and equipment:</b>															
Land and land improvements	--	472	12,850	27,967	--	--	--	41,289	--	--	--	--	--	--	41,289
Buildings and building improvements	12	706	543,351	303,310	--	2,340	--	849,719	--	406	3,349	19	37	--	853,530
Equipment and other	--	221	298,508	238,614	--	18,880	--	576,223	--	696	9,385	1,135	62	--	587,501
Construction in progress (estimated cost to complete at September 30, 2017: \$69,820)	--	--	67,096	27,851	--	2,796	--	97,743	--	--	--	--	--	--	97,743
Less accumulated depreciation	12	1,399	921,805	617,742	--	24,016	--	1,564,974	--	1,102	12,734	1,154	99	--	1,580,063
	12	494	510,669	347,793	--	13,876	--	872,844	--	988	11,910	830	72	--	886,664
	--	905	411,130	269,949	--	10,140	--	692,130	--	114	824	304	27	--	693,399
Pledges receivable, less current portion	--	3,940	--	10,712	--	--	--	14,612	--	--	--	--	--	--	14,612
Total assets	\$ 362,797	\$ 124,149	\$ 769,265	\$ 642,651	\$ 413,774	\$ 56,373	\$ (855,147)	\$ 1,473,382	\$ 150,049	\$ 2,917	\$ 3,493	\$ 4,905	\$ 1,810	\$ (21,312)	\$ 1,617,149

Western Connecticut Health Network, Inc. and Subsidiaries

Consolidating Balance Sheet (continued)  
(In Thousands)

September 30, 2017

	Western Connecticut Health Network, Inc. and Subsidiary	Danbury Hospital and New Milford Hospital Foundation, Inc.	The Danbury Hospital	The Norwalk Hospital Association and Subsidiaries	Western Connecticut Health Network Investments, LLC	Western Connecticut Medical Group, Inc.	Eliminations	Subtotal Obligated Group	Western Connecticut Health Network Insurance Co., Ltd.	SWC Corporation	Western Connecticut Health Network Affiliates, Inc.	Western Connecticut Home Care, Inc.	Eastern NY Medical Services, P.C.	Eliminations	Total
<b>Liabilities and net assets</b>															
<b>Current liabilities:</b>															
Accounts payable	\$ --	\$ --	\$ 45,217	\$ 24,422	\$ --	\$ --	\$ (326)	\$ 69,313	\$ 5,123	\$ 323	\$ 113	\$ 317	\$ 15	\$ --	\$ 75,204
Payroll-related accruals	--	118	30,411	11,133	--	8,620	--	50,282	--	397	310	233	85	--	51,307
Due to third-party payors	--	--	10,846	6,751	--	--	--	17,597	--	--	--	--	--	--	17,597
Due to related parties, current portion	--	2,739	--	11,141	--	--	(13,890)	--	713	139	902	613	--	(2,367)	--
Interest payable	--	--	1,321	542	--	--	--	1,863	--	--	--	--	--	--	1,863
Other accrued expenses	4,600	5	4,335	315	--	429	--	9,684	--	--	--	206	--	--	9,890
Current portion of long-term debt	--	--	1,710	6,596	--	--	--	8,306	--	--	--	--	--	--	8,306
<b>Total current liabilities</b>	<b>4,600</b>	<b>2,862</b>	<b>93,840</b>	<b>60,900</b>	<b>--</b>	<b>9,049</b>	<b>(14,206)</b>	<b>157,045</b>	<b>5,836</b>	<b>859</b>	<b>1,325</b>	<b>1,369</b>	<b>100</b>	<b>(2,367)</b>	<b>164,167</b>
<b>Self-insurance liabilities</b>															
Accrued pension liabilities and other	108,792	36	44,431	25,290	--	10,440	(29,886)	159,103	--	--	--	586	302	(578)	159,413
Due to related parties, less current portion	6,520	--	--	--	--	753	(6,520)	753	--	--	--	--	3,154	(3,887)	--
Long-term debt, less current portion	--	--	238,307	96,928	--	--	--	335,265	--	--	--	--	--	--	335,265
<b>Total liabilities</b>	<b>119,912</b>	<b>2,898</b>	<b>376,578</b>	<b>183,148</b>	<b>--</b>	<b>20,242</b>	<b>(50,612)</b>	<b>652,166</b>	<b>80,900</b>	<b>859</b>	<b>1,325</b>	<b>1,955</b>	<b>3,536</b>	<b>(6,832)</b>	<b>733,009</b>
<b>Net assets:</b>															
Unrestricted	193,537	31,448	323,007	401,423	305,163	36,131	(616,876)	673,833	69,149	2,058	4,173	2,907	(1,726)	(15,080)	735,314
Unrestricted attributable to noncontrolling interest	--	--	--	2,255	--	--	--	2,255	--	--	--	--	--	--	2,255
Temporarily restricted	39,887	52,061	31,958	44,856	68,240	--	(149,085)	96,917	--	--	--	43	--	--	96,960
Permanently restricted	9,461	37,742	37,742	10,969	40,371	--	(87,574)	48,711	--	--	--	--	--	--	48,711
<b>Total net assets</b>	<b>242,885</b>	<b>121,251</b>	<b>392,707</b>	<b>459,503</b>	<b>413,774</b>	<b>36,131</b>	<b>(844,535)</b>	<b>821,716</b>	<b>69,149</b>	<b>2,058</b>	<b>4,173</b>	<b>2,950</b>	<b>(1,726)</b>	<b>(15,080)</b>	<b>883,240</b>
<b>Total liabilities and net assets</b>	<b>\$ 362,797</b>	<b>\$ 124,149</b>	<b>\$ 769,285</b>	<b>\$ 642,651</b>	<b>\$ 413,774</b>	<b>\$ 36,373</b>	<b>\$ (895,147)</b>	<b>\$ 1,473,882</b>	<b>\$ 150,049</b>	<b>\$ 2,917</b>	<b>\$ 5,498</b>	<b>\$ 4,905</b>	<b>\$ 1,810</b>	<b>\$ (21,912)</b>	<b>\$ 1,617,149</b>



The Norwalk Hospital Association and Subsidiaries

Consolidating Balance Sheet  
(In Thousands)

September 30, 2017

	Norwalk Hospital Association	Norwalk Surgery Center, LLC	Norwalk Hospital Foundation, Inc.	Eliminations	Total
<b>Assets</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 17,238	\$ 1,508	\$ 767	\$	\$ 19,513
Investments, current portion	15,354	—	5,296	—	20,650
Patient accounts receivable, less allowance for uncollectible accounts of approximately \$21,300 in 2017	40,531	1,502	—	—	42,033
Due from related parties, current portion	1,133	—	—	(839)	294
Pledges receivable, current portion	—	—	2,837	—	2,837
Inventories	2,911	233	—	—	3,144
Prepaid expenses and other	3,956	30	83	—	4,069
<b>Total current assets</b>	<b>81,123</b>	<b>3,273</b>	<b>8,983</b>	<b>(839)</b>	<b>92,540</b>
Interest in investments held by Western Connecticut Health Network Investments, LLC	136,490	—	5,320	—	141,810
<b>Assets limited as to use:</b>					
Donor restricted interest in investments held by WCHN Investments, LLC	—	—	33,703	—	33,703
Board designated interest in investments held by WCHN Investments, LLC	—	—	57,176	—	57,176
Beneficial interest in charitable remainder trusts	8,572	—	—	—	8,572
<b>Total assets limited as to use</b>	<b>8,572</b>	<b>—</b>	<b>90,879</b>	<b>—</b>	<b>99,451</b>
Other assets	24,962	4,142	43	(4,142)	25,005
Beneficial interest in Norwalk Hospital Foundation, Inc.	114,800	—	—	(114,800)	—
Due from related parties, less current portion	3,184	—	—	—	3,184
<b>Property, plant and equipment:</b>					
Land and land improvements	27,967	—	—	—	27,967
Buildings and building improvements	303,310	—	—	—	303,310
Equipment and other	255,460	2,719	131	304	258,614
Construction in progress (estimated cost to complete at September 30, 2017: \$9,739)	27,851	—	—	—	27,851
	614,588	2,719	131	304	617,742
Less: accumulated depreciation	345,530	2,132	131	—	347,793
	269,058	587	—	304	269,949
Pledges receivable, less current portion	—	—	10,712	—	10,712
<b>Total assets</b>	<b>\$ 638,189</b>	<b>\$ 8,002</b>	<b>\$ 115,937</b>	<b>\$ (119,477)</b>	<b>\$ 642,651</b>

The Norwalk Hospital Association and Subsidiaries

Consolidating Balance Sheet (continued)  
(In Thousands)

September 30, 2017

	Norwalk Hospital Association	Norwalk Surgery Center, LLC	Norwalk Hospital Foundation, Inc.	Eliminations	Total
<b>Liabilities and net assets</b>					
Current liabilities:					
Accounts payable	\$ 24,172	\$ 249	\$ 1	\$	\$ 24,422
Payroll-related accruals	10,846	287	—	—	11,133
Due to third-party payors	6,751	—	—	—	6,751
Due to related parties, current portion	10,903	—	1,077	(839)	11,141
Interest payable	541	1	—	—	542
Other accrued expenses	—	315	—	—	315
Current portion of long-term debt	6,180	416	—	—	6,596
<b>Total current liabilities</b>	<b>59,393</b>	<b>1,268</b>	<b>1,078</b>	<b>(839)</b>	<b>60,900</b>
Self-insurance liabilities	—	—	—	—	—
Accrued pension liability and other	25,256	34	—	—	25,290
Long-term debt, less current portion	96,958	—	—	—	96,958
<b>Total liabilities</b>	<b>181,607</b>	<b>1,302</b>	<b>1,078</b>	<b>(839)</b>	<b>183,148</b>
Net assets:					
Unrestricted	400,816	4,445	67,607	(71,445)	401,423
Unrestricted attributable to noncontrolling interest	—	2,255	—	—	2,255
Temporarily restricted	44,797	—	36,283	(36,224)	44,856
Permanently restricted	10,969	—	10,969	(10,969)	10,969
<b>Total net assets</b>	<b>456,582</b>	<b>6,700</b>	<b>114,859</b>	<b>(118,638)</b>	<b>459,503</b>
<b>Total liabilities and net assets</b>	<b>\$ 638,189</b>	<b>\$ 8,002</b>	<b>\$ 115,937</b>	<b>\$ (119,477)</b>	<b>\$ 642,651</b>



The Norwalk Hospital Association and Subsidiaries

Consolidating Statement of Operations  
(In Thousands)

Year Ended September 30, 2017

	Norwalk Hospital Association	Norwalk Surgery Center, LLC	Norwalk Hospital Foundation, Inc.	Eliminations	Total
<b>Unrestricted revenues:</b>					
Gross patient service revenue	\$ 1,048,664	\$ 40,770	\$ -	\$ -	\$ 1,089,434
Contractual allowances	669,679	28,377	-	-	698,056
Charity care	19,681	-	-	-	19,681
Net patient service revenue	359,304	12,393	-	-	371,697
Provision for uncollectible accounts	14,119	187	-	-	14,306
Net patient service revenue, less provision for uncollectible accounts	345,185	12,206	-	-	357,391
Net assets released from restriction	1,051	-	-	-	1,051
Other operating revenues	15,177	-	-	(43)	15,134
	361,413	12,206	-	(43)	373,576
<b>Expenses:</b>					
Salaries, benefits and fees	208,303	2,097	-	-	210,400
Supplies and other	124,236	4,591	-	-	128,827
Insurance	905	-	-	-	905
Depreciation and amortization	25,067	263	-	-	25,330
Interest	2,251	43	-	-	2,294
	360,762	6,994	-	-	367,756
Income from operations	651	5,212	-	(43)	5,820
<b>Nonoperating gains (losses):</b>					
Contributions	-	-	2,254	-	2,254
Investment income, net	10,369	4	5,565	-	15,938
Change in unrealized gains and losses on investments	4,742	-	2,644	-	7,386
Operating expenses of Norwalk Hospital Foundation, Inc.	-	-	(2,636)	43	(2,593)
Change in equity interest in unrestricted net assets of Norwalk Hospital Foundation, Inc.	5,948	-	-	(5,948)	-
Net research operations	(30)	-	-	-	(30)
<b>Interest rate swap activity:</b>					
Interest cost on interest rate swap	(473)	-	-	-	(473)
Change in value of interest rate swap	2,889	-	-	-	2,889
	2,416	-	-	-	2,416
	23,445	4	7,827	(5,905)	25,371
Excess of revenues over expenses, before income attributable to noncontrolling interest in joint venture	24,096	5,216	7,827	(5,948)	31,191
Less: net income attributable to noncontrolling interest in joint venture	-	(1,809)	-	-	(1,809)
Excess of revenues over expenses	\$ 24,096	\$ 3,407	\$ 7,827	\$ (5,948)	\$ 29,382

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