

Board of Directors
August 28, 2003

The Board of Directors of the Peninsula Health Care District met in regular session on Thursday, August 28, 2003 at 1749 hours in the Sierra Rooms at Peninsula Medical Center, 1783 El Camino Real, Burlingame, Ca 94010.

ROLL CALL: On roll call there were present: Directors: Donald E. Newman, Chair; Terilyn Hanko, Vice Chair, Susan S. Smith, Treasurer, and Lola Thompson, Secretary.

Absent: Director Tobin Schneider

Also Present: Staff: Maureen Mignacco-Dutil, Assistant Secretary; Colin J. Coffey, Esq., General Counsel.

ORAL COMMUNICATIONS: Chair Newman called for any Oral Communications from members of the public on items not on this evening's agenda and within the jurisdiction of the District.

Luciana Kincer, RN, San Mateo: Ms. Kincer noted the provision of several binders by Mills-Peninsula at the District's May 30, 2002 meeting. The binders contained cards of support from the community for a new hospital at the Peninsula site. Ms. Kincer read from a prepared statement from the Peninsula Hospital Guardians relative to the support cards, noting several discrepancies with the cards and asked that the petitions of support be disqualified because of the many discrepancies. Ms. Kincer presented her letter to the Board for review and consideration.

Terry Huebner, Burlingame: Mrs. Huebner presented a "timeline" she prepared regarding the District's land use. Mrs. Huebner read from the timeline letter and noted the changing scope of the use of District land for the proposed new hospital. Mrs. Huebner presented her timeline to the Board for review and consideration.

Dan Andersen, Burlingame: Mr. Andersen related he wished to remind the District Board of some of the things that The Lewin Group brought up at their presentation that have been talked about for several months. Chair Newman advised that this item will be brought up under the Agenda and to please address it at that time.

Ruth Jacobs, Burlingame: Mrs. Jacobs asked when the District Board committee will re-start negotiations with Mills-Peninsula. Chair Newman advised that this item too would be brought up under the Agenda.

There was no further Oral Communications.

CONSENT CALENDAR: The Consent Calendar for the meeting of August 2, 2003 were noted to include the Minutes from the July 24, 2003 meeting, the Treasurer's Report for the month of July 2003 and the Finance Reports for the month of July 2003. It was moved by Director Smith and seconded by Director Thompson to approve the Consent Calendar as presented. Motion carried.

FIXED ASSETS LISTING WITH A BOOK VALUE AS OF 2/01/2015. Director Smith advised that under the existing lease between the District and Mills-Peninsula, there is a provision that requires the District to reimburse Mills-Peninsula the fair market value of any items gone into building improvements at the end of the lease. To the extent that any of those items have been given rent credit they will not be required to be included in the reimbursement. Director Smith commented periodically Mills-Peninsula has provided the District with a Fixed Asset Listing and since nobody knows what the fair market value will be at the end of the lease they have been giving the District the book value, which is the depreciated value as of the end of the lease. The list submitted this evening represents the most current items to-date and is provided for information only. Director Hanko inquired if the District receives itemized invoices clarifying what the assets and capital improvements have been? She feels the descriptions of some of the items are fairly vague. Director Smith related that for a particular item when requested, Mills-Peninsula has provided back up, but do not receive invoices for these items as back up. Director Smith added that as part of the original negotiations which led up to the Letter of Intent, this obligation on fixed assets is to go away and so the listing itself became rather a moot point at this stage. Director Smith noted a request was received to bring back the Fixed Assets Listing and Mills-Peninsula has re-submitted the list.

Ruth Jacobs, Burlingame: Mrs. Jacobs noted the District will have an interim lease and she remembers Mr. Merwin saying that this (list) would all go away. Mrs. Jacobs noted she has an older list in her possession, which is not very clear, but at one time the total value of the list was about \$18 million and now the list states a total of \$15 million. Mrs. Jacobs asked of \$3 million was given in rent credits? Director Smith advised the District has given more than that. She noted there was a dispute in 1998 over prepaid rent credits and it went into arbitration. As part of the rent settlement, the District agreed to give credit for the 2 past due years and thus prepaid 3 years of assets, and as such Mills-Peninsula removed those items off the original Asset Listing. Mrs. Jacobs inquired if there were going to be capital improvements in the new lease on the garage, the doctors building and the hospital, or just the hospital. Director Smith replied that she does not know as the details have not been negotiated or discussed as yet.

Terry Huebner, Burlingame: Mrs. Huebner related she has some questions because if something ever happens then this Asset List will still be in effect. Mrs. Huebner indicated she saw a couple of things on the List that she wanted to inquire about. One is the repositioning, which was building 8 and building 4. It was her understanding that anything that happened with the repositioning and a bond was not to be on the Asset List, but she found 5 items on the list from building 8 and building 4. Is there any way to find if that is true? Director Smith noted that any money the District paid would not be on this Asset List, but anything that Mills-Peninsula paid on those items would be on this List. Mrs. Huebner noted the item of vinyl covering, which she does not believe it is capital improvement, but only window dressing and would consider it maintenance. Is there any reason why maintenance would be on the list? Director Smith noted the item was not considered to be maintenance. If it were maintenance, it would have been expensed and it would not be under Fixed Assets. Mrs. Huebner suggested when the Board goes back into negotiations that they do something about the Asset List to clarify it and what the items mean. Mrs. Huebner further suggested that an updated List be provided to the Board every six months so those items can be compared.

Dan Andersen, Burlingame: Mr. Andersen inquired if the original life indicated on the Asset List is in months? Director Smith indicated that is correct. If that is the case, Mr. Andersen noted he took a random sample of five fairly large items and noted Asset #'s 50452 shows an original cost of \$14,030. with a purchase date of 12/31/89. He related the original life of 198 months is 16-1/2 years, which means that this item is fully depreciated in the year 2005, which gives you ten additional years beyond its full depreciation and they claim a book value of \$22,383. He finds that hard to reconcile. It might be some creative accounting or flaw in the program. Mr. Andersen then referred to Asset #52048, which shows a cost of \$2,033,313 with a purchase date of 12/31/96 and a life of 198 months, which once again puts that at zero value years ahead of the time they say it is worth \$432,718. He sees no reason why something ten years after it is fully depreciated can go to that value. Something is wrong with the program that developed this list, or they are being very creative. Mr. Andersen commented he would like to get a copy of the disk with this list on it, so he may check every item.

Ruth Jacobs, Burlingame: Mrs. Jacobs indicated she would like a copy from Mills-Peninsula's accountant as to what dictionary they are using to define maintenance. Director Smith responded that she is sure they use accounting standards established for hospitals. Mrs. Jacobs related she would appreciate having in writing the definition of maintenance.

PROPOSAL FOR STUDY OF POTENTIAL USES FOR VACATED HOSPITAL SITE BY THISTLETHWAITE ARCHITECTURAL GROUP: Director Newman referred to the letter/proposal from the Architect, Thistlethwaite, dated July 15, 2003. As evidenced, this letter proposed to study the potential uses of the future vacated hospital site once the replacement hospital and its associated buildings are built out and the old hospital is demolished. The area involved for study is approximately 5.3 acres. The phases for the study would consist of two steps as defined in the letter for a cost of \$12,000. Attorney Coffey related this proposal is a follow-up to the architect's presentation. On this specific issue as part of the process of re-entering negotiations with Mills-Peninsula, the District should determine whether the 5.3 acres is a parcel distinct and large enough to treat distinctly from the remainder of the parcel Mills-Peninsula seeks to incorporate into the lease. The proposal outlines what the architect plans to do, which is evaluate the acreage and define essentially what can be done with it. It was moved by Director Smith and seconded by Director Thompson to approve the Proposal for Professional Services by Thistlethwaite Architectural Group to perform a two-step study of potential uses for the vacated property at a budget of \$12,000. Chair Newman asked for any public comment on the motion.

Terry Huebner, Burlingame: Mrs. Huebner indicated she feels the land should be used for future needs and this is what she heard Mr. Thistlethwaite indicate at his presentation. Mrs. Huebner commented she would like Mr. Thistlethwaite to be at a future meeting where the public can be present to ask him questions as to what he is planning to do. Mrs. Huebner asked if Mr. Thistlethwaite will come to a meeting? Chair Newman advised he would be present when his report is complete and presented to the Board.

Dan Andersen, Burlingame: Mr. Andersen asked if in this report is it intended to provide Sutter and Mills with additional uses that they can put to, or is the District going to hold this from

the 26 acres they have asked for? Chair Newman stated there is no decision at this point. All we are looking for is to see if it is feasible to do something with that acreage and if it is, what the District might do with it. It is clearly the District's investigation for the District's usage.

Chair Newman called for the vote on the above-stated motion on the proposal by Thistlethwaite Architectural Group. All in favor: Ayes, Directors Smith, Thompson, and Newman; Noes, None; Abstain: Director Hanko; Absent: Director Schneider. Motion carried.

SUMMARY REVIEW OF CONSULTANT REPORTS & PUBLIC INPUT – BEGIN IDENTIFICATION OF KEY ISSUES TO NEGOTIATE: Attorney Coffey related that both he and Adam Alberti, the District's media consultant, would work in tandem for the presentation. Attorney Coffey noted the prior distribution of copies of the slide presentation on the Status of the Replacement of the Peninsula Medical Center. The items as visualized by power point slides were reviewed by Attorney Coffey. Areas reviewed include the following: Goals; District Objectives; Need for a New Hospital; Challenges; Letter of Intent; MPHS Submits Formal Proposal; District Public Process; Land and Property Appraisals by District; Architectural Design Study by District; Identified Financing Mechanisms by District; Real Estate Economics on properties performed by Sedway Group for District; Community Needs/Health Services performed by The Lewin Group for the District; and Next Steps. Attorney Coffey noted the need to identify key issues for future negotiation by the District with Mills-Peninsula. He commented on the issues raised by the District's various consultants throughout the public process which have been discussed and debated. Additionally, we have received public input on issues and the concerns they have brought forth concerning the Mills-Peninsula proposal. Briefly stated some key issues include; appropriate lease payment by Mills-Peninsula to District for land; oversight role of District; approval process by District; use of 5.3 acres of District land; level of charity care provided by proposed new hospital; district's role in future campus development; resolution of Medicare private room coverage; appropriate arbitration panel, etc. It is proposed that a public District Board meeting be held with deliberations on points/issues for negotiation to be utilized by the District's negotiation committee. Chair Newman extended a thank you to Attorney Coffey and Adam Alberti for their presentation. Chair Newman concurred with a need to develop a list of items and issues to assist the negotiation committee in its future meetings with Mills-Peninsula. Under discussion of issues, Directors Newman and Smith cited a need to cover the worst case scenarios, assure competitive rates, charity care, assure community standards, district oversight role, core services review, maintaining access to the hospital, return of properties and appropriate compensation at end of any lease. A definitive list will be needed to begin the discussions on all issues raised and to be addressed. As to the Next Steps for the District Board, Attorney Coffey noted a need to have a public board meeting with deliberation on points for negotiation to be utilized by the District's negotiating committee. Once a list of points is established, the District negotiating committee will re-enter a negotiation period with Mills-Peninsula. Following negotiations, a special public meeting or two would be scheduled to present

the results of the negotiations. The Board would then deliberate upon and or take action on a proposed deal with Mills-Peninsula. Following that, an eventual vote for the public referendum would be set after review of the planning revisions and/or CEQA mitigation(s) by the City of Burlingame.

Attorney Coffey suggested the Board hold a special study session soon to review and perhaps approve a list of negotiating points. Director Thompson complimented Attorney Coffey and Adam Alberti for their summarization of the District's consultants' presentations and reports together with the public input received during all the special meetings held. Director Thompson applauded the Board's decisions to bring in the various consultants and noted the high quality of each in their fields of expertise. Director Newman stated he feels it important to remind everyone that even though the Board may come to a conclusion and the Board votes upon it, the job is not finished because there are environmental studies which may go on for six months to a year, which may require the District to come back and revisit some of the items. He noted the District Board would not be finished until the City of Burlingame is finished with their studies and approval. The public can take no vote until that has occurred. Chair Newman then called for public input.

Ruth Jacobs, Burlingame: Mrs. Jacobs asked if the negotiations would be done in private? Attorney Coffey indicated that negotiations would be a mix of public and private. Mrs. Jacobs further inquired as to the status of the lawsuit by the District against Mills-Peninsula. Attorney Coffey related the lawsuit still exists, it is in limbo. He has asked for a resolution of this lawsuit from the District's Special Counsel, Stephen Mayne, Esq., and Mills-Peninsula's attorneys, but has not heard from them as yet. Attorney Coffey commented that you could look upon this lawsuit as still existing and still subject to being negotiated and settled.

Terry Huebner, Burlingame: Mrs. Huebner asked that the *Peninsula Hospital Guardians* concerns also be brought forth, such as walk-in emergency, doctor's building, inpatient rehabilitation relocation to Peninsula, district oversight, parking issues, setting limitation of utilization of taxpayer's money, etc. Mrs. Huebner indicated more issues would be brought forth at the meeting for discussion on negotiating points and concerns.

Evelyn Clayton, Burlingame: Mrs. Clayton noted her appreciation to Attorney Coffey for raising the concern over Medicare payment/use of the new hospital and this issue will be addressed. This issue is of prime importance to many of the local citizens. Referring to the District's Spring 2003 newsletter and the item stating that in certain circumstances both Mills-Peninsula and the District will have the right to buy out the other party during the term of the land lease agreement. Mrs. Clayton asked for an explanation of what the certain conditions are. Attorney Coffey noted Mrs. Clayton is talking about what the remedies are in the event of a default. One such remedy presented by Mills-Peninsula is a buy-out. The primary remedy presented by Mills-Peninsula is that if they are in default, the District can buy them out at whatever the fair market value is at that time of the real estate. If the District breeches, they can buy the District out. The problem with that remedy is based on where you are in the years of the lease, it has a drastically different price tag attached to it. If it is very early in the lease, it is a very large price tag because there are creditors who will have financed construction of the facility who are owed a lot of money. If there is 25 years or 30 years left on a lease agreement, the appraised

value of the property at fair market value would be quite high. The District Board is concerned as the viability of the District or ability of it to actively carry out that remedy of buy-out is improbable. Later in the term of the 50-year lease, it gets a lot easier as the prospect of the term ending gets closer the value of the lease gets less. The most risk is in the first 25-years of the lease when the District has not had time to build up reserves. This is an issue the negotiation committee will be examining also during its negotiations.

Mrs. Clayton asked if the Board would await all the environmental matters before it goes on the ballot? Chair Newman stated that is correct. Attorney Coffey noted the Board is suggesting there will not be any final vote from this Board and final approval from the voters until Burlingame issues are resolved. The City of Burlingame needs to know what the District wants and what they are ultimately going to approve.

Dan Andersen, Burlingame: Mr. Andersen noted when Attorney Coffey was going through the value of the property at the end of the lease during the presentation, it was stated the building and the land would be worth more than the buy-out. Mr. Andersen asked if we shouldn't be more concerned with what the building would be worth since the District owns the land? Attorney Coffey related that the Sedway Group (District's consultants) were looking at the facility only when they were suggesting that the value of improvements would probably exceed the liability created by that 25-year obligation. Mr. Andersen noted Attorney Coffey had mentioned land and building with Attorney Coffey relating it should just be the building.

Russ Cohen, Burlingame; Mr. Cohen asked if the District had a 'Plan B' or an alternative plans to that proposed by Mills-Peninsula? Chair Newman noted that the District did not propose the current site plan, so an alternative site plan is not the District's responsibility it is Mills-Peninsula's responsibility. If the City of Burlingame states they don't like any part of the plan, Mills-Peninsula will have to come up with the alternative and the District would then have to approve or disapprove of any alternative. Mr. Cohen related he feels they should be thinking of an alternative.

Pat Giorni, Burlingame: Mrs. Giorni noted the need to build a new hospital because of SB1953. If a new hospital is built and should there be an earthquake and the building has a problem requiring repair, who is responsible for that? Will it be the District's responsibility or Mills-Peninsula/Sutter's responsibility since it is their building? Chair Newman indicated the District would have to negotiate that issue. Attorney Coffey noted Chair Newman is correct and that is an item for negotiation. He noted that Mills-Peninsula's proposal states if the new hospital is partially or totally destroyed during the land lease agreement, Mills-Peninsula will promptly make repairs to return it to service in a condition comparable to that before destruction.

Chair Newman then directed that staff prepare a draft list of priority issues emerging from the study sessions and the input from the Board and public for review and discussion and approval by the Board of Directors.

LOAN FORGIVENESS PROGRAM FOR NURSING 2003-2004 UPDATE

POTENTIAL CHANGE TO PROGRAM. A summary of the loans provided for the Fall 2003-Spring 2004 year was provided for information. A total of \$20,000 has been provided to students in the 2-year nursing program and a total of \$25,000 has been provided to individuals in a 4-year nursing program for 2003-2004 Year.

Director Smith referred to the District's approved Loan Forgiveness Program wherein a student receiving a loan for a 2-year program is required to work within the District for 2 years after becoming a Registered Nurse. A request has been received by a student in the 2nd year of the program for assistance for only one year and asked that she only be required to work within the District one year for the loan to be forgiven. Discussion ensued with note made that it takes approximately six months to a year to acclimate and train new nurses in the hospital setting and as such, it was agreed the District would not change its policy from the requirement to work 2 years for a loan to be forgiven. Director Hanco suggested the applications for the Loan Program be provided to local hospitals such as Seton, Sequoia and San Mateo Medical Center to provide to their employees as an opportunity if they wish to seek a career in nursing. No Public Comment was received on the Loan Forgiveness Program.

COMMUNICATION OVERSIGHT COMMITTEE: Director Hanco indicated that work has begun with the District's consultants to provide a link to their web site for the public to access the slides each presented during the presentations at special meetings. Director Hanco indicated that the application forms for the Physician Loan Program and the Registered Nurse Loan Forgiveness program would be placed on the District's web site. The District's second newsletter will be coming shortly and it will contain a summarization of all the consultant's reports on the proposal for a new hospital by Mills-Peninsula. There was no Public Comment on this item.

PHYSICIAN RECRUITMENT COMMITTEE REPORT: Director Newman related that no meeting of this committee has occurred. Attorney Coffey and Secretary Dutil indicated the District might have one potential applicant to this program at this time. There was no Public Comment received.

AD HOC NEGOTIATIONS COMMITTEE UPDATE: Chair Newman reported this committee has not commenced meeting yet with Mills-Peninsula. There was no Public Comment.

OLD BUSINESS: There was no Old Business.

NEW BUSINESS: There is no New Business.

CORRESPONDENCE: The following correspondence was received and so noted.

- 1) San Mateo County Chapter of California Special Districts Association Agenda for Meeting on 8/5/03 and Minutes from their May 6, 2003 Meeting.
- 2) Letter, dated 7/30/03, from Terry Huebner, re: letter sent to San Mateo County Times and issue of Inpatient Rehabilitation at the Peninsula site.

- 3) Letter, dated 7/30/03, from Terry Huebner, re: Minutes from City of Burlingame Design Review Study Meeting and associated petitions given to the City of Burlingame relative to parking at the new facility and the proposed Trousdale entrance.
- 4) Letter, dated 7/31/03, from Rob Rybicki, Executive Director, of Youth & Family Assistance announcing the merger of YFA with FACES (Family and Community Enrichment Services). New agency to be called Youth and Family Enrichment Services.
- 5) News Release, dated August 5, 2003, from the Peninsula Community Foundation re: Children's Health Initiative.
- 6) Letter, dated 8/6/03, from Tom Huening, Controller, County of San Mateo, re: total value of assessable property with the Peninsula Health Care District for 2003-2004.
- 7) Letter, dated August 2003, from Darylein F. Contreras, thanking the District for \$5,000 loan towards nursing career.
- 8) Letter, dated 7/31/03, from *The Daily News* expressing regret and apology for error in running a notice for the District's 7/22/03 meeting.

There was no comment received on the Correspondence.

There being no further business, the meeting was adjourned at 1930 hours.

By: _____
Maureen A. Mignacco-Dutil, Assistant Secretary

Approved: _____
LOLA THOMPSON, Secretary

DONALD E. NEWMAN, Chair