

Board of Directors
Special Meeting
Wednesday, March 21, 2007

A Special Meeting of the Peninsula Health Care District Board of Directors was held pursuant to written and posted notice as required by the Ralph M. Brown Act, on Wednesday, March 21, 2007, at 1300 hours, in the Westin Hotel, One Old Bayshore Highway, Millbrae, California, 94030.

ROLL CALL: On roll call there were present: Directors: Donald E. Newman, Chair; Daniel J. Ullyot, Vice Chair; and Susan S. Smith, Treasurer.

Director Helen C. Galligan, Secretary and Mr. Rick Navarro, Board Member, were not present during roll call.

Also Present were: Colin J. Coffey, General Legal Counsel; Rachel Marcial, Assistant Secretary.

Consultants Present: Adam Alberti, Executive Vice President, Singer Associates (Communications Consultant); Courtney Lodato, Account Supervisor, Singer Associates (Communications Consultant); Keith Hearle, President, Verite Healthcare Consulting (Strategic Planning Consultant) (via teleconference); Michael Watt, President, JM Watt Consulting (Strategic Planning Consultant); and Donald J. Whiteside, Managing Director, HFS Consultants (Executive Search Consultant).

PUBLIC COMMENT: Chair Newman called for any Public Comment with none received.

**STRATEGIC PLANNING/ STUDY SESSION. GOALS & OBJECTIVES:
STRATEGIC PLAN DEVELOPMENT; MISSION STATEMENT
DEVELOPMENT; SET ADDITIONAL MEETING DATE(S).**

Chair Newman handed the strategic planning session over to Mr. Michael Watt, President of JM Watt Consulting. Mr. Watt initiated his presentation with the review and update of the last meeting. He noted the Board's progress on the new mission statement and identification of health problems in the District. He explained on slide 4 the program initiatives in the Draft Strategic Plan based on the identified needs of the District, for example, hiring health educators, convening a health summit, and increasing primary care screening for curable/ preventable conditions. Director Ullyot questioned if there was a public awareness of what 'screening' actually means. Mr. Watt responded that there isn't one that actually exists but there are several that have been adopted by the American Institute of Family Practice. He suggested that we bring other definitions of 'screening' together and take a look at them as strong suggestions. Director Smith interjected that she believed that it does not directly involve primary care, but support programs that screen for blood sugar, cholesterol, blood pressure, etc. as a first step program. Mr. Watt agreed that these kinds of situations could be a natural extension of what the District is

doing and could also enhance the website to promote health awareness. Director Smith reminded Mr. Watt that the elderly community does not use computers as often as the general population. Since that is the case, there needs to be additional ways to target the elderly community as well as low income families. Mr. Hearle assumed that the District wants to be involved in most of the areas. He posed the question of which the District would like to be direct providers of and which they would like to provide grants for. Mr. Watt added that the spectrum has maximum operating on one side and minimal operating on the other. Director Ulyot responded that they would like to be a direct provider of a satellite clinic that has triage, specifically targeting impoverished areas, where for many reasons have health problems. Chair Newman stated that it would make sense to explore what is available with partnering for either funding or providing services. He also noted that he would rather have less financial responsibility than operating a clinic because of the added expenditures, ie hiring staff. Mr. Colin Coffey explained that the District could just hire a staffing operation. On that note, Mr. Watt explained that the next effort is to examine a feasibility study that includes discussion with potential partners. Directly stating the location and the initiative to fill a health care need may help the public see the direction of the District. Mr. Adam Alberti suggested that before the completion of the strategic plan, it should be presented to the public for comments, discussion, and suggestions. Mr. Watt concurred that getting community involvement is essential when considering the direction of the District. Mr. Alberti further suggested a document that lays out the District's mission, plans, and roles, as well as open it for public discussion.

Mr. Watt suggested to skip to slide 20 to get reactions on the initiatives presented. He noted that these are the Board's ideas of what they should all be doing in the next 3-5 years. Slide 22 presented the Peninsula Health Care District's draft statements of goals and potential strategic initiatives to achieve those goals. Mr. Hearle also added that they could draft a 3-5 page document that could include the mission, vision, and goals, and then set of specific initiatives that the board is considering.

At this time, Director Helen C. Galligan and Director Rick Navarro joined the meeting.

Mr. Alberti explained that the document talks about the District's future because it sets the parameters on where the District is moving forward. He suggested that the Board identify the needs, and from there discuss how to execute satisfying the needs. Mr. Watt stated that there is an interest in what the District is doing, especially with those who are already in partnership with the District. Director Galligan suggested attending the Progress Seminar that occurs April 6-8, 2007. It is a seminar that groups come together from all over the County, not based on specifically health care, and talk about major issues impacting the County. It is organized by the Redwood City Chamber of Commerce. She implied that it is a group of people that the Board would most likely want to network with. Director Newman concurred that the Board should send someone because the District is always under represented.

Mr. Watt continued to slide 24 and 25 which further outlined the potential strategic initiatives to achieve the goals of the District. Director Smith suggested that she believed that they should include all we've discussed in his summary so the community knows

exactly what we have discussed. Director Ulliyot explained to them that the direction for the draft should be stating the mission, goals, and then the financial stewardships, with emphasis on guarding against default of the hospital. Mr. Watt assured them that along with Mr. Hearle, that with all the comments on the specifics, they would be able to turn it into a memo.

Mr. Watt reverted back to slides 6 and 7 with some brief points about the County and the net County costs.

Before the meeting proceeded any further, Chair Newman decided it would be a great time to take a recess. At 14:38 hours, the meeting was called to recess.

At 14:54 hours, the meeting resumed.

Mr. Hearle continued on slide 9, which outlined the financial policy. Slide 10 detailed what triggers a Paramount Default, for example MPHS filing for dissolution or MPHS becoming insolvent. Slide 1 explains that the amount that the District should set aside to protect against Paramount Default is uncertain due to numerous variables. Director Navarro asked for clarification if the slide showed future dollars. Mr. Watt clarified that it was future dollars, as well as working capital that was presented. Director Newman stated that in today's dollars the figures would look differently, and that public understands today's dollars better. Mr. Watt further explained that Mr. Hearle's analysis is conservative due to the fact that it does not include inflation rate. Director Ulliyot stated that the District needs to make this analysis for financial policy. From a practical financial management standpoint, it needs to make the argument to the public that it is protecting their investment, and Chair Newman's point that it is telling the public that they are getting a hospital for no additional taxes. The District needs to make this understandable and use today's dollars to make it easier for the public, who we are trying to persuade. Chair Newman agreed that the best argument the District has is the Paramount Default and not the buyback.

Mr. Hearle continued on that thought with slide 13, which lays out some of the risks of not having enough money in the bank.

In slide 14, Mr. Hearle explains that there are two alternative spending policies that emerge as most promising. Slide 15 details the specific strategies that could be implemented. Director Smith showed approval for Strategy 1, which would spend the greater of \$2 million, or 5 percent of prior year reserves, or all earnings on reserves. Mr. Watt noted that in addition to the reserves, the District would be able to do a bond out of existing flows. Chair Newman was concerned that people are going to say that the District doesn't need taxes. Mr. Hearle assured him that one helps build the reserves the District needs, and second provides credit worthiness.

Slide 16 provided a Strategy 1 Alternate Scenario, which increases to spending 10 percent of beginning reserves on grants and services and the numbers that would arise out of that. Director Smith suggested that we start off conservatively and increase

accordingly. Taking the tax money and putting it in a reserve fund is a wiser decision. She further suggested an analysis that spends less lease income and saves the taxes. The first thing needed is to pay operating expenses after taking in lease income and investment income. The rest of the monies can be put to grants and services. Mr. Coffey explained to the Board that the bond financing is the way of taking out a loan to have the necessary funds to buy the hospital. The bond size is static based on the creditor worthiness of income, which is tax income. It is static because it is based on a fixed income. He stated this because it makes the reserve funds all the more important. It directly impacts the reserve and the reserve growth. The District could also go to the voters to approve a geo bond if it doesn't have enough. If the voters turn the District down 20 years from now, then it did its best. Mr. Watt suggested talking about two separate communications strategies: one from Mr. Alberti and the other from Mr. Watt and Mr. Hearle.

At this time Chair Newman scheduled another recess at 15:45 hours.

The meeting was restarted at 15:54 hours.

Mr. Coffey explained that LAFco can pursue a merger, a reorganization of boundaries, Part of what LAFco has to do is provide a successorship where it designates a public agency to provide for the liabilities. For consolidation, whoever takes it on has to build the reserves. Director Smith pointed out that Mr. Watt attended the finance meeting from the Task Force and asked how much they wanted from the District. Mr. Watt assured her that they did not specifically target the District, but in total is requesting about \$16 million. Director Newman stated that the date the report shows should be the date it was written, not presented. Along with this should be the dates and times we have been holding our meetings. Mr. Alberti noted that they have to first get a draft out that encapsulates what we have been talking about, then invite people to the forum. Mr. Watt detailed that this draft would draw on the mission, vision, goals, and initiatives. Director Ulliyot noted that it needs to emphasize that the Board has been discussing and meeting for months. Mr. Alberti further narrated that it would be noticed as a public meeting, in a town hall forum. This would unveil the work that has been done thus far and explain the progression to them. He also suggest that the presentation be given by the consultants and then handed over to the Board for further discussion. On that note, the Peninsula Health Care District's Special Meeting on Wednesday, March 21, 2007 was adjourned at 1635 hours.

Rachel Marcial, Assistant Secretary

Approved:

HELEN GALLIGAN, Secretary

DONALD E. NEWMAN, Chair

