

**BOARD OF DIRECTORS
REGULAR MEETING
Thursday,
June 28, 2007**

The Board of Directors of the Peninsula Health Care District was called to order for Regular Session on Thursday, June 28, 2007 at 17:45 hours, in the Sierra Rooms at Peninsula Hospital, 1783 El Camino Real, Burlingame, California.

ROLL CALL: On roll call there were present: Directors: Donald E. Newman, MD, Chair; Daniel J. Ulliyot, MD, Vice Chair; Helen C. Galligan, RN, Secretary; Susan S. Smith, CPA, Treasurer; and Rick Navarro, MD.

Also present were: Cheryl A. Fama, Executive Director, Colin J. Coffey, General Legal Counsel, and Adam Alberti and Courtney Lodato, Singer Associates Advocacy and Communications Consultants.

CONSENT CALENDAR: The Consent Calendar, consisting of the minutes of the May 24, 2007 Regular Board Meeting, Minutes from the Special Closed Meeting of June 13, 2007, the Treasurer's report, and the May 31, 2007 Unaudited Financial Statements, was presented and accepted as presented. **It was moved by Director Smith and seconded by Director Galligan to approve the Consent Calendar. The motion carried unanimously.**

ORAL COMMUNICATIONS: Chair Newman asked for public comment.

Pat Giorni, Burlingame: Ms. Giorni reported on a recent bad experience she had due to poor communication by personnel from Peninsula Hospital resulting in her mother being directed to the wrong hospital for an outpatient procedure. She expressed disappointment that Ms. Groom from the Hospital's administration was not present so that she could take the message back. Ms. Giorni explained that when she attempted to book an outpatient procedure she was told to go to San Mateo. Ms. Giorni interpreted that to mean San Mateo Medical Center. She arrived on the date and time for which she believed she had an appointment only to learn that what the staff person meant was the Mills facility in San Mateo. This failure to communicate effectively was very difficult for her mother. She asked that MPHS management be made aware of the importance of good training for all personnel.

Pat Giorni, Burlingame: Ms. Giorni also reported on an issue of health insurance coverage and the counterproductive situation she experienced when Peninsula Hospital

accepted her insurance, but the anesthesiologists did not. This forced her to go out of the District for her surgery. She wanted to know how this is possible. Why would the hospital allow this? Director Navarro responded. As a practicing Anesthesiologist he is well aware of situations like this. He stated that the problem is not with hospitals and physicians, but rather the insurance companies. It is his experience that insurance companies use the independent and yet closely linked relationship between the hospital and its physicians to try and negotiate low rates for the physicians. It was his conjecture that it was just such a negotiation that forced the physicians to refuse to participate. He urged all present to report such issues directly to their insurance carriers.

GRANT REPORTS

Ombudsman Services of San Mateo: Ms. Fama introduced the program and referred to the report in the meeting packet. She then requested that discussion of this agenda item be tabled until next meeting as the planned presenter from the Program was unexpectedly unable to attend. It was agreed to invite a representative to the next meeting.

Tracey's Place of Hope: Ms. Fama introduced Linda Carlson, Executive Director of the Program. Ms. Carlson thanked the Board for their support and reported on the recent plans for growth due to the success of the program. She highlighted and expanded upon items submitted in the First Quarter Report distributed in the meeting packet. She reported that the program is:

- Currently 97% occupied
- Effectively collaborating with San Mateo Country services
- Receiving support from Judge Diaz, who has urged expansion; eight new beds will be opening soon.

Questions and Answers:

Director Ulyot commented that he had the pleasure of visiting the current site, which has six beds, and questioned the impact on operating costs of more than doubling capacity.

Ms Carlson responded that the increase in costs should be minimal; staff has the capacity to absorb the added case load. Currently it costs \$100,000/girl for one year's service; they project that that number will actually decrease with the additional eight girls.

Director Ulyot acknowledged that there had been some concern during the District's grant process discussions about the amount of money requested to serve so few District residents; however, he complimented the work and success and stated that he is pleased with the expansion plans.

Ms. Carlson reported that they have identified a site within the District for the new beds. She also reported receipt of grant monies from the Sequoia District for nutrition and exercise services for the clients.

Director Ulyot stated that this expansion may challenge the culture of the organization, which leads to many more questions in the future.

Chair Newman thanked Ms. Carlson for her report.

COMMITTEE REPORTS:

Hospital Building Committee: Director Ullyot opened his report by providing background information about the Committee and the District's role. Directors Smith and Ullyot represent the District on the Committee; this active participation is perhaps the closest the District comes to "governance" with respect to MPHS and the new hospital. The 15-member Committee meets monthly and is ably chaired by Mr. Sarky Sarkisian, a man of vast experience in large construction projects. Other committee members include Mr. Merwin, MPHS physicians, and members of the hospital Board. The Committee discusses construction issues including remarkably technical, arcane matters of contemporary construction (E.g. concepts of base isolation for earthquake protection), construction budget and labor issues, timetables, and numerous other topics. Committee members are treated to visual images of hospital construction as it unfolds, as well as, images of what the project is planned to be at completion.

The June 26, 2007 meeting included a tour of the "mock-up" units built to simulate Med.-Surg., ICU, and Phase II Recovery rooms. The purpose of these "mock ups" is to present life-sized rooms to nurses, physicians, potential patients and their families for approval and/or modification prior to the actual construction of these rooms. Although expensive, the justification for the "mock-up" designs is that it is easier to make a change in a "mock-up" than to modify 200 rooms already constructed. Other notable issues from the meeting include:

- A single construction schedule was handed out.
- Base Isolation/Structural Steel, a major construction-schedule landmark, will begin August 2007.
- The project has hit the \$100M spending point.
- Final completion is scheduled for March 2010.
- Completion of construction is not synonymous with opening of the hospital which, because of licensing and other transition matters, adds another 2-1/2 to 6 months. So the best estimate for an actual opening date, assuming construction stays on schedule, is between June and August, 2010.

Communications Oversight: Director Ullyot reported that Singer is working on a "communications outline" requested by Executive Director Fama, to look broadly at what the District's needs are in this area and how much we care to spend now that the Master Agreement with MPHS has been signed, Measure V was approved, and the new hospital construction is well under way. Adam Alberti, Executive Vice President of Singer Associates stated that the plan and proposed budget for the new fiscal year have been drafted and forwarded to Ms. Fama.

Physician Recruitment: Director Navarro reported that there have been no new inquiries or activity in this area.

Scholarship Committee: Director Galligan reported that there is nothing new to add to her last report. Those approved for grants for the 2007-2008 academic year are working with Ms. Fama to complete the process and receive their money.

EXECUTIVE DIRECTOR REPORT

Office Relocation: Ms. Fama reported that the space at 1600 Trousdale, Suite 1210, is nearly ready for occupancy. She hopes to be moved in by July 5th. The location has adequate meeting space and parking available to handle a regular meeting of the Board of Directors.

Luciana Kincer, Millbrae: Ms. Kincer asked a number of questions concerning the announcement of the new office and meeting location, as well as, questions about plans for audio or video taping of sessions. She also wanted to know if there would be a July or August meeting and commented that the 5:45 PM start time is a barrier to attendance for many. Ms. Fama responded that meeting notices will continue to go out as they have with the date, time, and location clearly indicated. The media plan is to continue to use the tape recorder. Given the size of the new meeting room and the size of the average audience, she believes that comments can be effectively recorded on a tape recorder without microphones. Video taping is not in the plans. Chair Newman added that we hope to meet in other venues around the District to increase outreach.

Strategic Plan Development: Ms. Fama reported that she held a working session on July 2 with Keith Hearle and Michael Watt from Verite Consulting, the team that has been facilitating the strategic planning process for the District over the past 10 months. The Strategic Plan will be presented at the August Board Meeting.

OLD BUSINESS

Blue Ribbon Task Force: Director Smith distributed a copy of the Preliminary Recommendations that had been the subject of the June 12, 2007 meeting of the Task Force. She reported that all six recommendations were unanimously approved and noted that recommendations number 5 and 6 will continue to be studied during the summer. These deal with the areas of financing and capacity; discussion about these areas include phasing in the implementation, primary care capacity given the projected forty thousand potential participants, and a sliding scale for employer participation as the cost burden could be detrimental to smaller businesses. The Task Force is scheduled to reconvene probably in November. Director Smith commented on the broad representation on the Task Force, one of the participants being Carole Groom, MPHS Vice President for Community Outreach, who was there as a member of the San Mateo City Council.

Director Ulyot: Will you elaborate on 1.c. which states that the Task Force is exploring an insurance product offered through the San Mateo Health Plan?

Director Smith said that she did not have enough information to comment further.

Director Navarro: Expressed concern that there may be elements of the recommendation that are contradictory.

Director Ulyot: Is the San Mateo Health Plan prepared to take on this huge volume of clients? Are they well-regarded.

Director Smith responded that the San Mateo Health Plan leadership sits on the Task Force and is aware of the potential increase in work volume. As to their reputation, she deferred to Carole Groom who was now present.

Carole Groom: Ms. Groom answered that the CEO and COO of the San Mateo Health Plan really understand the business and what is being recommended by the Task Force. Their leadership and work are highly regarded. She noted their effective work lowering costs in the services they have been providing.

NEW BUSINESS

Proposed Budget for Fiscal Year 2008: Director Smith presented the proposed budget commenting on the projected revenues, the new expenses due to the operational separation from MPHS, the reduction in strategic plan consulting as the plan is close to completion, and changes incorporated into the chart of accounts, specifically the use of “community service agreements” in place of “grants”, a “new program development” fund to be used to carry out new strategic initiatives yet to be defined, and language under “Board Designated Cash” to add clarity that this fund is critical to the District’s responsibility to be prepared for the possibility of “paramount default” by Sutter-MPHS.

Director Ulyot: Commented that the District must make at least 4% interest to ensure growth of the corpus for the future demands in 25 years and 50 years per the Master Lease Agreement. He asked if there was enough budgeted for legal services.

Colin Coffey: It looks appropriate, given the unknowns relative to litigation and other activities that the District may pursue.

Director Navarro: Asked Mr. Coffey if he could project when the current litigation issues might be over.

Colin Coffey: He responded that it was hard to say.

Chair Newman asked for public comment and none was offered.

Ms. Fama asked to comment since it was her first budget for the District and she wanted the Board and public to have some idea as to how she went about developing it. Chair Newman gave her the floor. Ms. Fama summarized her work as follows:

- Key drivers: mission and vision, strategic plan, communications/outreach priorities, and increased advocacy role for District leadership.
- Development process: Reviewed historical trends, reviewed other district budgets, conservative on operating costs, aggressive on consulting costs, and used Sequoia District employee costs to set salary/wages/benefit costs.
- What is new/different? Community Service agreements and new program development expense lines, no dollars were budgeted under “public info”, rather they were included under “communications/advocacy”, and there are now administrative operating costs, as noted by Director Smith.
- What is notable from Ms. Fama’s perspective? Total expenses are 40% of the Total Funds projected with service agreements and new program development expense (I.e. Money going directly to community services) comprising 67% of the total expense budget. This allows for a projected \$3.9M contribution to the Board Designated emergency fund.

It was moved by Director Smith, seconded by Director Galligan, and carried unanimously to approve the Fiscal Year 2007-2008 Budget as presented.

FY 2007 AUDIT ENGAGEMENT:

Director Smith presented the proposed Audit Engagement Letter from Tom Brewer of Vavrinek, Trine, Day & Co., LLP. This firm has been the District's auditors for the past few years and is well-versed in the complexities of the Master Agreement, asset transfers, and the fixed asset management. She reported that the letter submitted represents a standard contract with a \$14K fee, which is the same amount charged for the FY 2006 audit. She added that she has already discussed with Ms. Fama and Mr. Brewer the need to put next year's audit out to bid per appropriate business practices.

It was moved by Director Smith, seconded by Director Galligan, and carried unanimously to approve the Audit Engagement Letter as presented.

PROPOSED BOARD MEETING SCHEDULE FOR FY 2008:

Chair Newman introduced the agenda item and then asked Ms. Fama to comment. Ms. Fama referred the Directors to the draft changes to the existing meeting schedule posted on the web site. She recommended that the July, September, and December meetings be cancelled to allow more work to be done between meetings and meeting agendas to have more items for discussion, deliberation, and action. Ms. Fama distributed copies of page 3, Section 3. a. of the District By-Laws which outlines the requirements for regular meetings. The proposal is consistent with the By-Laws. She also added that should important issues arise between meetings, a Special Meeting can be scheduled.

Director Ulyot: I prefer quality versus quantity of meetings and support the proposal.

Director Navarro: I agree.

Director Smith: We need to see how this change will impact the Grants Process and schedule for submission, review, and approval. Then the web page detailing this schedule needs to be changed.

Chair Newman opened the discussion for public comment.

Terry Huebner, Burlingame: Special Meetings are difficult because the notice comes out too close to the meeting date and it is unfair to expect people to change their schedules.

Luciana Kincer, Millbrae: Consider moving up the date of the August meeting if July is cancelled. It is important that there are meetings because they are the primary source of communication between the Board and the community.

It was moved by Director Ulyot, seconded by Director Navarro, and approved unanimously to cancel the July, September and December meetings as scheduled and posted on the web site.

CLOSED SESSION: Chair Newman announced that the Board of Directors would go into Closed Session for the purposes of discussion with its Chief Negotiator on Trousdale and 1848/50 El Camino Real properties pursuant to Government Code Section 54956.8. The Board went into Closed Session at 19:00 hours.

OPEN SESSION: On conclusion of the Closed Session, the Board went into Open Session at 19:40 hours. There was nothing to report in Open Session.

ADJOURNMENT: There being no further comments offered by the public and no further business, on a motion duly made, seconded, and carried, the meeting was adjourned at 19:40 hours.

Recorded by _____
Cheryl A. Fama, Executive Director

Approved:

HELEN C. GALLIGAN, Secretary

DONALD E. NEWMAN, Chair