

**BOARD OF DIRECTORS
REGULAR MEETING
Thursday, August 23, 2007**

The Board of Directors of the Peninsula Healthcare District was called to order for Regular Session on Thursday, August 23, 2007 at 17:45 hours, in the Garden Room at the new office location, 1600 Trousdale Drive, Burlingame, California.

ROLL CALL: On roll call there were present: Directors: Donald E. Newman, MD, Chair; Daniel J. Ulyot, 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, Michael Watt, Verite Healthcare Consulting , Courtney Lodato and Ed Moser, Singer Associates, and Kelly Molloy, District Administrative Assistant.

CONSENT CALENDAR: The Consent Calendar, consisting of the minutes of the June 28, 2007 Regular Board Meeting, Minutes from the Special Closed Meeting of July 26, 2007, The Treasurer's report, and the June 30, 2007 and July 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.**

Vice Chair Ulyot: Requested that the minutes reflect this as an auspicious moment symbolizing the District's physical separation from the hospital and independence holding this Board meeting in the District's headquarters. Let the minutes reflect this.

ORAL COMMUNICATIONS: Chair Newman asked for public comment and none was offered.

COMMITTEE REPORTS:

MPHS Building Committee

Vice Chair Ulyot reported that no meetings were held since that noted in the June 28 District minutes. He requested attention to the Friction Pendulum model, an important element of the seismically sound hospital construction, that was brought to the Open House preceding this Board meeting by Oren Reinbolt, Program Manager for the Hospital Replacement Project.

Chair Newman directed members of the Board and public to view this base support of the new hospital, located in the back of the meeting room. The Friction Pendulum is manufactured by Earthquake Protection Systems, 451 Azuar Drive, Bldg. 759, Mare Island, Vallejo, California. The system will allow the new hospital to withstand an earthquake with a magnitude of up to 8.0.

Communications Oversight:

Vice Chair Ulliyot reported that Singer Associates and Ms. Fama have developed a plan and asked that Ms. Fama comment. Executive Director Fama elaborated on the communication plan and new tactics being employed. Key messages this year will be the District's 60-year milestone, the District's unwavering responsibility to maintain the hospital as a community asset, the new strategic plan, and the role of District leadership working with community partners. The over-arching theme will be that the District is a valuable asset in improving the healthcare of the community.

Scholarship Committee:

Director Galligan stated that seven applicants were approved for a 2007 Fall scholarship. Six of the seven applicants have received funding; one applicant did not get accepted into a nursing program; three returning students were awarded grants. The total amount given out this year was \$38,000. The current policies and procedures are under review to make sure that the program meets priority needs.

EXECUTIVE DIRECTOR REPORT

District Office Infrastructure Update

Executive Director Fama expressed gratitude for the above average attendance at this meeting. Ms. Fama reported that Carole Sinay has been retained to do accounting services for the District and, due to a meeting conflict, was unable to attend. Ms. Fama then introduced Kelly Molloy, the new Administrative Assistant for the District. Both resumes were distributed in the meeting packet.

Samaritan House Quarterly Report

Ms. Fama referred to the quarterly report in the meeting packet, introduced Dr. Stuart Viess, Medical Director and Kitty Lopez, Executive Director from Samaritan House and opened report to questions.

Vice Chair Ulliyot inquired of Dr. Veiss, given the report of The Blue Ribbon Task Force and its attempt to expand care for the uninsured, what if any impact will that have on Samaritan House?

Dr. Veiss responded that they had contemplated this issue. In order to receive services, clients must be citizens or residents of San Mateo County. A significant number of their patients are not. Therefore he does not anticipate much impact on the current demand for services.

Ms. Kitty Lopez stated that Samaritan House is seen as a part of the continuum of healthcare for the indigent. She believes the Board of Supervisors has recognized that and would like to continue that partnership with the hospitals and other community professionals to reach those in need. The Board of Supervisors and Blue Ribbon Task Force are looking at new ways to do that. One consideration is possibly opening up a new clinic that would provide services in the evening or on weekends.

Vice Chair Ullyot directed a question to Ms. Lopez about concerns for future volunteer physicians and whether there will be enough to take care of the influx of non-insured patients, at least in terms of primary care. Vice Chair Ullyot then inquired about the use of retired doctors and how long will they serve.

Ms. Kitty Lopez responded that they continue to be successful in recruiting new volunteer doctors. The ample supply of primary care doctors is seen as the strength of the clinic. During the summer vacation period, there may be a longer wait. They have an ongoing recruitment process. Dr. Veiss responded that in the last six to nine months they have been able to secure three physicians who are young and are in full-time practice.

Service Agreement Process

Executive Director Fama reported that an ad hoc Service Agreement Advisory Committee will be formed with two directors, herself, Carole Groom from MPHS and one community member to be determined.

Vice Chair Ullyot suggested the Silicon Valley Foundation Association as a good source of very knowledgeable people to join the newly formed Service Agreement Ad Hoc Advisory Committee.

Executive Director Fama also distributed the application and approval schedule for the 2007-2008 grants process.

Grand Jury Report

Executive Director Fama provided the Executive Summary from the report and reviewed the highlights. She stated that there were two specific recommendations directed at the country's health care districts:

1. Review funding for community health care initiatives and consider increasing contributions for direct indigent health care.
2. Work with the SMMC to promote proactive, preventative health care initiatives to WELL Program participants and to the broader community.

A written response from the District is required by October 15, 2007. Director Fama will provide a copy of this response at the Board's October 18, 2007 meeting.

OLD BUSINESS

FY 2007 Audit

Director Smith reported that the Fiscal 2007 Audit is in progress. It is anticipated that the Board will have the final report for presentation at the October Board meeting.

Vice Chair Ullyot questioned Director Smith as to whether or not there is a regular deadline to have an audit completed.

Director Smith stated no. Director Smith also concluded that the fiscal year ends on June 30 of any given year. The audit is usually completed as late as November. This year will be earlier.

Revised Board Meeting Schedule

Chair Newman publicly thanked other Board members for allowing a revision to the posted schedule meeting for the year fiscal year and wanted to make the public aware of it. There will not be a specific Thursday of the month meeting time going forward through June 2008.

NEW BUSINESS

Strategic Plan, FY 2007 - 2010

Executive Director Fama introduced the presentation and referred to the slides distributed in the meeting packet and the more detailed summary draft at the back of the room. Key elements included, but were not limited to:

Our Vision: That all residents of the District live in an environment that contributes to optimal health through education, prevention, and access to needed health care services.

Our Mission: We will preserve our Hospital, ensure that needed core services are maintained, support programs that share our vision, and do so in collaboration with public and private service providers and the members of our community.

Our Values:

Stewardship
Collaboration
Inclusion
Shared Responsibility
Transparency

Our Goals:

1. To Preserve Peninsula Hospital
2. Achieve improvements in health problems
3. Improve availability of health care and access
4. Ensure sufficient resources to achieve our vision, mission and strategic initiatives.

(The presentation slides are appended to and made part of these minutes.)

Executive Director Fama then asked for any questions.

Vice Chair Ullvyot commented on the importance of monitoring “core services” and determining what should be measured. He also elaborated on the Board’s value of “Shared Responsibility,” stressing that education needs to be an important focus of the Board’s strategic plan. Never underestimating health literacy of the public and emphasizing personal responsibility is key.

Chair Newman opened the discussion for public comment.

Pat Giorni, Burlingame reflected upon past meetings she has attended and stated she was impressed with the vision and direction the Board is taking.

It was moved by Director Smith and seconded by Vice Chair Ullvyot to approve the Strategic Plan. The motion carried unanimously.

Real Estate Activities

Executive Director Fama reported on the Board’s purchase of 1875 Trousdale Drive, Burlingame, which closed escrow on August 9, 2007. It is a 5,400 square foot building on a 14, 500 square foot corner lot, adjacent to Marco Polo. The District paid \$3,170,000 in cash for said property, which was \$220,000 over the previous purchase price and \$330,000 under the asking price. It is part of the District’s strategic plan to try to acquire any properties that are adjacent to the District/hospital’s footprint. The use of the building and/or property is still under analysis.

Executive Director Fama then reported on the potential sale of 1848 / 1850 El Camino Real. This property came back to the District on November 1, 2006 after the Master Lease Agreement was signed. The District was approached by a potential buyer in June 2007. The Board determined that the location of the property, specifically that it resides across El Camino Real, made it less desirable for future development plans. On August 15, 2007, a Purchase Service Agreement was signed and the sale is now in the due diligence process. Close of escrow is projected to occur in 60 days.

Prior to taking either action, a Land Sale Comparison analysis was conducted using the Carnegie-Blum study done for the District Board in December 2006 and then updated with comparable sales data from CB Richard Ellis in June 2007. The 1875 Trousdale purchase price was less per square foot for the building than recent sales and the sale price offered for 1848/1850 El Camino Real is more per square foot than any of the others in the comparison.

A District Master Property Development Plan is needed and to that end, potential candidates to lead this process are being interviewed.

Chair Newman then asked for any questions.

Pat Giorni, Burlingame What was the purchase price for the property at 1875 Trousdale?

Executive Director Fama answered \$3, 170, 000.

Luciana Kincer, Millbrae Who was the purchaser of the new building and do they have any conflicts with the businesses that are currently there?

Executive Director Fama responded that the name of the purchaser is Cecil Chan and that he has no known relationship with the District, the hospital, or other known potential conflicts of interest.

Chair Newman asked if there were any questions from the Board. None were offered.

Financial Policy Development: Models & Options

Chair Newman introduced Michael Watt of Verite Healthcare Consulting and Planning

Mr. Michael Watt introduced the financial policies work done in relation to the strategic planning process, and referred to the presentation distributed in the meeting packet and available at the back of the room. (Presentation appended to and made part of these minutes.) He expressed that the new lease agreement with MPHS provides the Board with additional resources and responsibilities compared to the prior agreement. He explained the “Board Designated Fund” and the need to protect against “Paramount Default” thus preserving the hospital and the core services provided. He provided three financial policy options that align with the District’s mission statement. In conclusion, he stressed that the future of the hospital and the Board’s obligation to ensure its future beyond the lease will be uncertain if prudent investment management is not put into place now.

Director Smith noted that every one of the options included a bond initiative. However, in option two the \$500M target can be reached without having to incur such an action. Why put a bond initiative into the model?

Mr. Michael Watt that is correct, in option 2 a bond may not be required.

Vice Chair Ulyot commented that it seems that the “Paramount Default” is one of the big issues and he favors Option 2. He noted that the public or anyone might ask why we are so concerned, as “Paramount Default” is not likely, why not consider getting insurance. He then pointed out that what makes the Board’s obligation different is the knowledge that it is not just “if,” it is a given that the Board has financial obligations at the end of the 50-year lease. At the end of the 50-year lease the Board’s committed to maintaining the hospital.

Chair Newman questioned why the model used \$500M in present currency value vs. when Mr. Watt spoke to the Board previously the estimate was only \$70M dollars.

Mr. Michael Watt answered that the \$70M is in today's dollars, the \$500M is inflated over 50 years.

Director Navarro commented that there is a common disbelief that this type of thing ("Paramount Default" by Sutter) could ever happen. This actual situation has already occurred. Tenent Corporation, thought to be a very sound, well-financed corporation did just that and handed West Contra Costa Health Care District the keys. That Board had to scramble to find financing and the hospital almost closed.

Mr. Michael Watt commented that they are in bankruptcy.

Director Navarro reiterated that even though it appears as though something like "Paramount Default" will never happen, it has already occurred. It can happen, and the Board must make plans for the possibility.

Chair Newman asked for public comment and none was offered.

Chair Newman noted that this was for information only. A recommendation for Board action will be presented at a future meeting.

CLOSED SESSION: The Board went into closed session to conference with its negotiator over Trousdale properties pursuant to Government Code Section 54956.8.

OPEN SESSION: There was no action to report.

ADJOURNMENT: The meeting was adjourned by Chair Newman at 19:25 hours. Adjournment was in honor of Ellen Mignacco, mother of Maureen Mignacco-Dutil who served the Board as Assistant Secretary for 40 years before retiring last year.

By:

Kelly K. Molloy, Administrative Assistant

Approved:

Helen C. Galligan, Secretary

Donald E. Newman, M.D., Chair