



Peninsula Health Care District

BOARD OF DIRECTORS REGULAR MEETING February 24, 2011

CALL TO ORDER:

Chair Ulyot called the meeting to order at 17:47 hours at the Millbrae Council Chambers, 621 Magnolia Avenue, Millbrae.

ROLL CALL:

On roll call there were present Dan Ulyot, MD, Chair, Helen Galligan, RN, Secretary, Lawrence Cappel, PhD, Treasurer, and Don Newman, MD, past Chair. **ABSENT:** Rick Navarro, MD, Vice-Chair Also present were: Cheryl Fama, Chief Executive Officer, Kelly Molloy, District Community Outreach Coordinator.

CONSENT CALENDAR: The Consent Calendar consisting of the Regular Session minutes for January 27, 2011 and the unaudited financials for January 31 were presented.

DIRECTOR GALLIGAN MOVED AND DIRECTOR CAPPEL SECONDED THE MOTION TO APPROVE THE CONSENT CALENDAR AS PRESENTED. THE MOTION CARRIED UNANIMOUSLY.

ORAL COMMUNICATIONS: None were offered.

Chair Ulyot noted that the guest speaker had not arrived yet and requested and that an item be taken out of order to respect the other guest speakers who were present. There was no objection.

NEW BUSINESS:

A. Directors' and Officers' Insurance for Healthcare Districts

Chair Ulyot introduced the District's broker, **Steven Kayahara**, from Meridian Financial & Insurance Services and the representative from the District's carrier, **Denise Arnst**, Senior Underwriter from CHUBB. Mr. Kayahara thanked the Board for the invitation to present, noting that CHUBB has covered the District for more than 10 years. He then turned it over to Ms. Arnst. She stated she was prepared to speak about the District coverage and exposures districts and healthcare entities may be facing. Within its healthcare unit, CHUBB defines those covered as more than just providers of health care services. They look at not only hospitals, physicians and surgery centers, but healthcare foundations, associations and other entities that try to further healthcare within their communities. The policy itself seems very provider-focused, but it is really more of a non-profit Directors' and Officers' liability policy with specific enhancements that would benefit healthcare entities. The presentation will review some exposures for the District and some that don't apply, but overall demonstrate that it is a fairly broad policy.

Her power point presentation was titled "Overview of D&O and Employment Liability". The full presentation is appended to and made part of these minutes. In summary, it covered:

- Key exposures facing executives: government and regulatory investigations, antitrust issues, HIPAA violations, and financial mismanagement

- Vulnerable areas for litigation against healthcare organizations: employees, bondholders, providers, customers, competitors and attorneys general
- Typical allegations include: breach of fiduciary duty, mismanagement of operations or assets, law violations, and human resource issues
- CHUBB services: Consultant services, toll free hotline, on-line resources, risk management booklets, “superior claims handling”, and financial strength.

She gave two examples of events that would be covered and both involved hospitals and did not directly apply to the District. Coverage within the policy has a very broad definition of insured person so not only does the policy cover Directors and Officers; it covers employees, independent contractors, in-house counsel, and members of the staff – only in the capacity of working for healthcare district.

Chair Ulliyot asked if the Directors had any questions.

Director Newman asked if our current policy covers what we just heard about and if so, what is the concern? **Ms. Arnst** answered yes; the District’s current policy coverage is what she addressed.

Director Ulliyot clarified that it has bothered the Board for some time that the insurance policy it has been buying may not be exactly appropriate for what the Board does. It does not operate a hospital, would not violate HIPPA regulations and would not violate any kind of Medicare charges. The Board has not been involved in any of the kinds of activities Ms. Arnst mentioned as examples. As far as financial mismanagement, the District lost almost \$1M in a county fund when Lehman went under, but we could hardly conceive that as mismanagement on the part of the Directors. If Sutter had a paramount default and the Board had to issue bonds, it is possible if we misrepresented our financial position in that bond issue we could conceivably be vulnerable, but that is a vanishingly small possibility so that does not seem to fit. What bothers us is, as a public agency, there are all kinds of protections against suing a public officer in the performance of their duty. Even if we exert discretion and are wrong that is not something for which we would be liable. We would like to find a policy that really suits us and not one that is designed for a hospital or healthcare district that runs a hospital.

Director Cappel posed an example to see if the policy would cover them. Opening day of the new hospital and someone other than a Director is running up the stairs, falls, breaks their leg, loses their job and it is determined that the cause of the fall was a design flaw with the structure. A suit is brought and everyone including the District and Directors are named in the suit because we are the landlord for that hospital and they claim that the landlord has a responsibility and duty to make sure that it performs to all regulations. Could that occur? Would we be covered? **Ms. Arnst** answered yes, it could definitely occur; and no, that would definitely go to the general liability policy only because within the D & O policy there is a bodily injury exclusion, so any claim arising out of bodily injury which has been determined happened on the stairs will more than likely point back to the general liability policy. Your exposure is going to be defense costs for suits that you are named in.

Director Cappel asked if our policy kicked in on the Guardian’s litigation. **Chair Ulliyot** answered no because one of the preliminary judgments was questioning whether we had taken an advocacy position instead of a neutral one in our mailings for Measure V; if found to be the case, then we would be admonished not to do that again. It did not get to the point where any Directors were named and there was no monetary penalty. **Director Newman** pointed out that the defense was costly and the insurance did not cover that. **Chair Ulliyot** agreed.

Ms. Arnst asked if the claim was brought into CHUBB? **Mr. Kayahara** answered that he did not recall it ever was submitted. **Director Cappel** stated he thinks this is exactly the type of litigation a D & O policy for the organization would come into play. **Director Newman** stated it sounded like the District should send CHUBB a bill. **Mr. Kayahara** stated that once a suit is filed, a carrier should be put on notice that a suit has been filed; to my knowledge I do not recall ever seeing that being filed? **Director Newman** asked Ms. Fama if the District filed those papers. **CEO Fama** answered she asked Mr. Kayahara a couple of years ago if the claim was filed; he stated he did not see any record of it ever being filed. **Director Newman** stated it is still an active case and asked if the District could file now? **Mr. Kayahara** stated the claims department would have to review it. **Director Cappel** commented there is probably an issue with limitations in filing. **Mr. Kayahara** concurred.

Mr. Kayahara stated that he understands there may be some concern about the word healthcare and what this policy covers and why it is so broad in nature. A lot of it has to do with being able to cover this entity against any vicarious issue that may arise. The things that we see nowadays is for all walks of life where ever you are at, anyone can sue you for anything at any time. The problem with that is, as soon as that happens, then the lawyers have to get involved and that is when the legal bills start and that is really why you get an insurance policy to cover these things.

Chair Ulliyot responded that the essence of Mr. Kayahara's business is to tailor the risk of his clients to the coverage and premium. Our question is this: Is there a product that really describes this public agency Board and our risk, but isn't so broad that it includes the risk of somebody that has the responsibility for 1000 employees and maybe 100,000 patients. **Mr. Kayahara** said, let me put some things in perspective and throw out some rough numbers. I just recently renewed a policy with a healthcare district with 2 employees and their annual premium was approximately \$15K with aggregate coverage of \$1M. My job as your broker is to search the market for the best product and the best price. What we have come up with for the many years is CHUBB; they have an outstanding product.

Chair Ulliyot clarified that Mr. Kayahara is basically saying that this policy is well tailored for us and you do not have a smaller premium? **Mr. Kayahara** stated there might be, but we will have to explore those options once we start going through the selection process.

Chair Ulliyot asked if there is a suit against the District, instead of a suit against one of the Directors, are we all liable as Directors and Officers. In other words, the suit that was just referred to is a suit against the District would we individually be liable and if so, would we be covered under this policy? **Mr. Kayahara** answered seeing as how the suit was never given to me.... **Chair Ulliyot** said, no, I am just asking in the abstract, a suit against the District, would that fall under this policy? **Mr. Kayahara** answered yes.

CEO Fama said she wanted to pick up where Director Cappel left off and offer a couple of additional examples. The District has land to develop, and say we decide to put a Taco Bell there and someone decides it should be a Jamba Juice; does this policy cover us for those types of decisions? We make grants to organizations all the time, could one organization say we have an unfair process and sue us? **Ms. Arnst** Of course it depends on what the allegations are but, certainly something like that is a good example. A potential grant recipient could take issue with your grant issuing process and that would fall under this policy.

Public Comment: **Mr. Zach Goldenberg**, MacCorkle Insurance Services, Burlingame asked Ms. Arnst to be more specific. Would the CHUBB policy cover Ms. Fama's examples? **Ms. Arnst** said it was a claims issue and depending on what the allegations were and who is named in the suit, it would be determined

the policy itself to determine if there is coverage. **Mr. Goldenberg** said he felt the question has been asked three times aside from the policy that is in place right now, is there another policy that is fitted for this entity and is there a public officials policy that CHUBB provides to cover a public official with much more of a real estate exposure? **Ms. Arnst**: CHUBB does not have a public official's policy, but certainly there are other policies on the market that the broker could explore and review at renewal.

Director Cappel asked if the Board's current policy is a standard policy for organizations like ours. **Mr. Kayahara** stated, I would think so, yes. **Ms. Arnst** said CHUBB writes for a lot of health care districts, not in California, but in Washington. The policy itself is geared toward any healthcare organization and then we try to endorse it to make it more specific to the exposure market.

Chair Ulyot asked what the premium and deductible are for this policy. **Mr. Kayahara** said \$19,500 and \$50,000. **Chair Ulyot** asked how much per individual Director. **Ms. Arnst** said it was an aggregate limit of \$5M per year.

Director Newman asked for clarification. When you say deductible does that apply when the individual Directors are involved in a suit? In other words does that mean I have to come up with the first \$50K? **Ms. Arnst** said, no, typically the healthcare district would have something in place where they would indemnify you so that the District would pay on your behalf. If for some reason the District could not or would not indemnify you, then we have something in the policy that says there would be no deductible in that situation.

CEO Fama stated there was no action required at this time.

Chair Ulyot thanked both Ms. Arnst and Mr. Kayahara.

COMMUNITY EDUCATION: "Senior Housing Needs – the County's Perspective"

Chair Ulyot introduced **Janet Stone**, the Housing and Development Manager for San Mateo County.

Ms. Stone distributed two hand-books, one that the Department of Housing published and the other was published by the Health System of San Mateo on the aging population and their health and housing needs. The population of seniors in the County, particularly those 85 and older, is growing at a very fast rate. The County has not produced enough housing to accommodate all its needs, particularly for lower and moderate income groups. They need rental housing because low income individuals are completely priced out of home ownership.

In terms of seniors who want to downsize who are living on a fixed income, there is very limited choice and that is where the Department of Housing and our partners come in. She referenced a chart showing the existing affordable senior units in the County that are subsidized and therefore restricted and only available to seniors with lower incomes. As you can see, in the total history of the County we have only built a little over 2600 units of income restrictive housing. On the one hand that is very good, in that these are wonderful complexes and these provide stable living situations for seniors to age in place up to a certain point. Many of them are frail, elderly and still continue to live in this housing as long as possible; but when they're needs exceed the ability of the property management to help them, they need to move to another accommodation. As you know, the nursing homes in this County are over-burdened and market rate assisted living is out of the question for seniors who are on a fixed income. Although we are using our subsidies as cost-effectively as possible to create housing to meet that need, the gap between need and availability is only going to increase. Ms. Stone then referenced the new initiative by the Lesley Senior Communities where they combine affordable assisted living with

independent affordable senior living. This is the first such initiative in our County and Lesley is doing this on their own to provide that housing until there is the Medi-Cal/Medicare waiver in place which will allow payments to be made for services to people living in a residential setting rather than only in an institutional setting. That will help the equation, but it will only take care of part of the need.

Director Cappel asked if there is such a thing as a typical senior requirement - one or two bedroom units. What do they look like? What do they cost? What is the shared equation? Who provides what in terms of subsidy? How does that work?

Ms. Stone responded that is a great question. Typically, affordable housing for seniors is one bedroom; smaller units allow for more units on the property and more people can be served. 30% of an individual's income goes toward the rent and the rest is subsidized through many different forms of private and public subsidy. If you are living on SSI, which is approximately \$800 per month, then you would pay only 30% of that. In creating the financing plan, the developer targets a range of incomes to about 30% being the median low to about 50% for a family of one which might be \$26K per year income. The senior would pay 30% of that income. The rest of the subsidy comes from County government and funds through HUD. City governments get their funds from two sources: HUD and redevelopment agencies. Often a project will have six-eight layers of funding HBGN Home, Federal funding, RDA, the Federal home loan bank, HUD 202, grant or tax credit. You pile all of those funds together to get enough to build a development so that the rents can be kept at 30% in perpetuity. Rents tend to go up about 1% a year if they are tied to cost of living.

Director Cappel: So when you accumulate the funding sources, it is not just for the development of the physical structure it is for rents in perpetuity. **Ms. Stone** answered, exactly. The goal is to keep the "mortgage" as low as possible so you can target your units to very low-income people. The more subsidies and the lower the mortgage, the less you have to pay back. **Director Cappel** asked what has been the history in terms of the rest of the country as to the survivability of these types of programs. Once it is built, it is filled, do they last, and is there an attrition rate? **Ms. Stone** answered it depends on the skill and capacity of the developer. In the Bay Area, affordable housing developers are typically very skilled, non-profit housing developers. These include Mid-Peninsula Housing Coalition, Bridge Housing, and Mercy Housing. They build a product that is equivalent to high end market rate relative to durability while keeping its amenities within reason. The product is built carefully and is maintained successfully. We have affordable housing complexes that are 30 – 40 year old in the Bay Area. We expect those developments to be successful for 80 – 90 years. The loans that we build on are 55 year loans, so the developer makes a commitment to affordability for that time. Once they are built they are here to stay and they are maintained, very carefully on-site managed, unlike apartment buildings that may have an owner that is living somewhere else, our owners are right here in the bay area.

Director Galligan asked if they are at capacity. **Ms. Stone** answered they are completely full with waiting lists. Most of the complexes here have a waiting list from 3 – 7 years, so it gives you some idea of the need.

Director Cappel asked what is a typical rate of return on one of these developments? **Ms. Stone** answered all the return goes into the property. There is no rate of return per say. The balance sheet tends to have enough to pay all the obligations, including replacement reserves, capitalized operating subsidies, etc., and then there is nothing left after that. You have already paid your debt to your mortgage lender; you paid your residual receipts to your public lenders and at the end of the day that is it. **Director Cappel** said, so all costs are included in the program. **Ms. Stone** answered correct. You still

have management costs. It is a matter of keeping them solvent, keeping them able to make their needed repairs, capital improvements over time.

Director Cappel: I assume you have outside investors in some of these programs? **Ms. Stone** said yes, the outside investors are tax-credit investors, usually the big banks, CitiBank, Wells Fargo. We used to have more of them, but after the financial collapse, some of the companies that needed a tax credit no longer need them. The market is coming back and developers are now getting \$.90 on the dollar tax credit. For a while it was dropping down to \$.60 on the dollar, but it is coming back. That means for every dollar the tax credit partner gets in tax credit, they put \$.90 into the project. It is still a return for them. **Director Cappel** said, so that is 11%.

Director Newman said that was his question-What was the motivation for the builder.

CEO Fama thanked Ms. Stone for coming and asked her what her hope was for the District and how could we participate in this process from your perspective? **Ms. Stone:** We are very interested in affordable assisted living units along with building a senior development here. We are looking at competitive grants to retrofit an existing senior project. We are hoping to go more in the direction of encouraging affordable developers to include assisted living in their affordable senior housing. Any help we can get in that particular direction would be fantastic. This is the direction that HUD nationally is realizing that they need to go. They have been funding senior projects and seeing seniors age in place and become frail and they see the handwriting on the wall. Where are those people going? HUD is encouraging services now with senior developments. That is a direction we would like to explore and as you know it takes subsidy funding to do that.

Director Cappel asked if these sites could be multi-level sites. **Ms. Stone** answered yes, typically they are three levels or higher. If you drove by them, you would never know it wasn't a nice market rate apartment building.

There being no further questions, **Chair Ulliyot** thanked Ms. Stone for her presentation.

COMMITTEE REPORTS:

LONG TERM PLANNING: Director Ulliyot, Chair:

The long term planning committee has had two meetings to report on. At the January meeting the topic was insuring against Sutter's paramount default which is an enormous subject; something the District takes very seriously and we have a terrific committee of very experienced business people, bond people and so on to contribute to the discussion. We are getting close to some kind of resolution or at least a statement of where we stand in respect to the very unlikely event that Sutter should default suddenly requiring the District to take over the hospital. It was a very good discussion. At the February meeting we talked about a proposal the District has received from Vibra Healthcare. Vibra is a private company that is prepared to build a 54 bed acute rehab unit on our property adjacent to the hospital. Vibra representatives made a presentation to us and I think it was very exciting. I think the committee felt this is a project that would meet a lot of our goals and it might make sense so we are moving forward with exploring the possibility. [A drawing was on display showing the possible location of the proposed facility.]

SUTTER OVERSIGHT/BUILDING COMMITTEE: Director Newman, Chair

There has been a rolling postponement of the official opening that goes on from day to day. MPHS decided they would not set a hard and fast date for the opening. It takes ten weeks to train the staff and

move in from the time full clearance is given and all alarm system and air balancing issues are resolved. The date when this ten week countdown starts turned out to be February 16, giving a tentative finishing/move-in date of May 15.

COMMUNITY HEALTH INVESTMENT, Director Galligan, Chair

The District had a successful event in January where a good amount of money was distributed to a lot of deserving organizations. **Director Galligan** thanked the staff for all they did in making it such a successful event. It was a great venue for the community to get together and appreciate how so many different service organizations interact and work together to meet needs.

CEO REPORT, Cheryl Fama:

A. Apple Tree Dental Business Plan Update

Dr. Helgesen and his Board are still very interested in and committed to pursuing that model here in our District. The model would remove all access barriers, especially for the frail elderly and special needs and adults. Her work on behalf of this Board has been to get the word out in the community to get broad support and additional funding partners. Dr. Gregory has been very active in mobilizing support among the local and state dental associations and Ms. Fama asked if Dr. Gregory would give a report on that activity. **Director Newman** asked, can you also tell us who you feel the proposed partners might be? **Ms. Fama** asked Dr. Gregory to address that.

Dr. Gregory reported on his discussions with the California Dental Association's Access Work Group, Peter DuBois, Executive Director of the CA Dental Association, Anne Marie Silvestri, the Medical Director for San Mateo County, Samaritan House leadership and the needs they see for expanded facilities, and the San Mateo Dental Coalition. In summary, Dr. Gregory reported:

- There are three potential funding sources for the business plan: PHCD, Sequoia Healthcare District, and the California Dental Association Foundation.
- The Goal of Apple Tree leadership is not to duplicate programs and services.
- The proposal will include a "bricks and mortar" component; a clinic facility will be needed.
- It still needs to be confirmed if a Minnesota model can work in California.

Director Newman asked if the ADA is worried about competition. **Dr. Gregory:** Yes, their fiduciary responsibility is to the membership and the membership is extremely conservative and nervous.

B. Red Cross Recovery & Resource Center

The San Bruno Resource and Recovery Center is close to being ready to treat patients. There will be a formal opening celebration and the Board is invited to be a major part of the ceremony. Mr. Brooks, the regional CEO and the leaders of the Red Cross asked Ms. Fama to extend their appreciation for the grant and have offered the District full use of the facility. Ms. Fama plans to take them up on their offer and hopes to have a future Board meeting in the new community room.

C. Spring Newsletter

Only two paper newsletters are planned for this year; we are using more electronic communications. The spring newsletter is going to focus on seniors, the Board's community partners event, the Red Cross Center, and two guest columns- one on health reform and its county impact by Board of Supervisor's President Groom, and the other by Maya Altman, CEO of the Health Plan of San Mateo, on the importance of getting a Medi-Cal/Medicare waiver to allow funds to be spent on seniors outside of institutional settings.

D. Upcoming Community Activities Calendar

- Ms. Fama asked the Directors to review the summary of events that had been distributed and let the staff know if they wish to participate.
- At this year's Ombudsman Annual Volunteers Breakfast the District's support and most recent recognition of Ron Pass for its first volunteer of the year award were warmly recognized.
- The Surgeon General will be at MPHS on March 15th. The District invitation was on behalf of the Board's support to African American Health Care Advisory Committee's fitness and nutrition program for disadvantaged youth.
- A special, all day strategic planning session is scheduled for Friday, April 8 at the District office.

E. New State Reporting Requirement: The District had to file a report, no later than 2/15/11 or face a \$5,000 fine. The information needed was the current salary of the exempt staff (CEO) and the current salary range for that position if you had to go out and recruit a similar replacement. To determine the range, Ms. Fama consulted with Don Whiteside of HFS Consulting. He headed this Board's executive search efforts and continues to do similar recruitments throughout California. The form was reviewed and approved by the Board Treasurer before submission. Also CalPERS has got a proposed regulatory change that would require us to have available at any time, if any one were to drop by, the salaries of the staff. That poses no issue as the CEO contract and salary are on the website and salary for the one employee is readily available.

F. Chair Ulliot's article on Health Reform 2010 has been published in the American Heart Hospital Journal, winter 2010, Special Report. Copies were distributed at this meeting and the article has been posted on the District website. **Director Newman** stated he was hopeful to get his copy signed!

OLD BUSINESS:

A. Assisted Living & Memory Care Market Feasibility Study, Cheryl Fama, CEO

Ms. Fama introduced her presentation noting that senior housing needs have been a big part of the Board's deliberations for nearly a year. Considerable due diligence has been conducted in looking at the different levels of senior housing and the quality providers in the business. Through this process we met Aegis™ Senior Living and have been in discussions with them about a possible partnership; it is hoped that a proposed term sheet will be ready for the March meeting. The purpose of the presentation that follows is to step back and summarize our work and findings to date. The power point presentation is appended to and made part of these minutes; in summary it covered:

1. Background information on District and market drivers
2. The need for senior housing based on county projected changes from 2010 to 2030
3. The County's needs assessment, findings and implications
4. Factors driving the increased demand for assisted living and memory care
5. Factors influencing the District's decision to focus on assisted living and memory care
6. District staff's due diligence to date
7. Reasons for pursuing a partnership with Aegis
8. National senior housing outlook
9. District demographics, demand and supply
10. "Competition" analysis
11. Next steps

Public Comment: None was offered

9. NEW BUSINESS

B. Annual Review of Board's Investment Policy, Director Cappel

The Long Term Planning Committee and all Directors have had the opportunity to review our Statement of Investment Policy and have concluded that it is appropriate and prudent for what we are doing right now. Just briefly, we are required to invest in accordance with certain statutory guidelines from the State of California. The policy states that clearly and we have been following them. We have three main objectives with our investment programming: 1) fund preservation; 2) liquidity, in case we need some of our assets quickly; and 3) developing an appropriate ROI. With that, we have the investment policy, we have reviewed it, we think it is appropriate and we would like to move forward.

DIRECTOR CAPPEL MOVED AND DIRECTOR GALLIGAN SECONDED APPROVAL OF BOARD THE INVESTMENT POLICY. THE MOTION PASSED UNANIMOUSLY.

C. CEO Performance and Compensation

1) Annual Review and Proposed Addendum to CEO Employment Agreement

Chair Ulliyot reported that the Board met in closed session January 14 to discuss the annual CEO performance review and at the conclusion, he was given the authority to communicate the Board's assessment of the CEO's performance and to negotiate an adjustment in salary with Ms. Fama, which was done. The result of that discussion is embodied in the contract addendum drafted by the Board's legal counsel and distributed in the meeting materials. He then read the document in its entirety, the key changes being: a 1.5% increase in the base salary bringing the total base salary to \$195K, and a merit bonus of \$15K. He added that the merit increase, salary and bonus are reflective of the Board's enormous satisfaction with Ms. Fama's performance.

DIRECTOR NEWMAN MOVED AND DIRECTOR CAPPEL SECONDED APPROVAL OF THE ADDENDUM TO THE CEO EMPLOYMENT AGREEMENT AS READ. THE MOTION PASSED UNANIMOUSLY.

2) Proposed Performance Goals for 2011

Chair Ulliyot noted that the goals were not necessarily in order or priority. Board education is at the top to reflect the Board's desire to be a presence of leadership in public education in matters of health care and health literacy. Secondly, there are specific goals under the heading of public relations to support Director recognition as people to whom one would go on health care topics. The intent of this goal is to cultivate opportunities, including contact with media, editorials boards, local newspapers, health and science reporters, and even radio. It is a goal to have opportunities for Directors to write op-ed pieces and articles for publication in local media, including the District's webpage, again to establish our leadership in health care and health care delivery. There will be a strategic planning conference on April 8, as mentioned, and from that we will develop a plan for the next five years 2011 – 2016. There are performance goals for asset management and one of the items is the fixed asset list which will hopefully come to a happy conclusion fairly soon. In business development, our Aegis, AppleTree, Leslie, Vibra, all are exciting developments that are on Cheryl's list of performance goals. Finally, succession planning as we are always looking for a good solid bench that we can go to when we need future directors and Cheryl is on top of that.

Director Galligan expressed concern about the wording of Goal 6-Succession Planning stating that this is an elected position and she feels that we could indirectly encourage people to become interested and participate; however, it is not our job to plan for who is going to follow us. The Board should not announce that it is participating in such a process. Chair Ulliyot responded that these are performance

goals for the CEO. She should get people interested in putting their hat in the ring. Reaching out and finding people who might want to serve on our committees, getting them involved in the process and wanting to run for the position is very different than naming people for the Board; that it is a useful thing. I think by doing that, it attracts people that might be interested in being involved. I think that is the spirit of this goal. **Director Galligan** responded that she agrees that it is the role of the CEO to put a face and an identity to who we are and she does that. "I want it to be understood that I have contention with actually calling it a planning process. Planning succession is not part of this position." **Chair Ulyot** stated her point was taken. **Director Newman** suggested combining both sentiments by developing interest in the community in Board activities, committees, and leave it at that. **Director Galligan** agreed with community involvement but does not want it to be "succession planning".

Director Cappel stated that Helen's comment was very well taken. The Directors have to be very careful not to be a self-selecting Board. The Board needs to be one that encourages educational evolution in terms of who may become interested in serving. Getting more people involved in committee activity is critical. For the success of the health care district, we want to encourage people to make a decision on their own if they want to serve and, if they are able to serve, it will be nice to have people who develop that interest as we develop some educational knowledge and desire. The CEO's role is to raise the educational level, first to know that we are not the operators of the hospital, we are a health care district who is trying to serve what this community really does need.

Chair Ulyot offered a different view stating there is some nuance here that needs to be put in this paper. The Directors have a responsibility to continue the good work of this Board and some thought to succession as appropriate. If we find some aspiring person that may be a good Board member, that individual still has to go through the political process. They still have to be elected. However, there is a responsibility on the part of the CEO, as well as Board members, to continue the chemistry of a good Board. So it does deserve a little thought. This section needs to be reworked.

Director Galligan then commented on Goal 2 Public Relations – stating that she does not have any desire to be on TV or in other media. She stated that is why the Board hired a CEO – to be the face of the District. **Chair Ulyot** said this is not a performance for our Board, this is for Cheryl. **Director Galligan** said that is true, but by this goal for her to succeed she needs to get us to buy into it and I do not know that I am comfortable with that. I know we need the publicity and that is why we hired her.

Director Newman said he did not think it was specifically for us to do it, but she might want to encourage some of the Board members to do it and I think some of the Board members should. It does not force anyone or commits anyone to do anything except Cheryl.

Chair Ulyot asked Director Galligan if she would be more comfortable if it were worded in that way. It wasn't implied that every Board member had an obligation. **Director Cappel** said he liked the way it was written. He also respected Director Galligan's viewpoint. Each Director has different skills and strengths. It should be Cheryl's task to tap that particular skill or strength at an appropriate time which may be Dan going on television or maybe Helen representing the District at a function. I am not taking it as an implied task for each of us.

Chair Ulyot said as publically elected officials, public relations is part of what we do. We have a responsibility to affect the health and people in the District and part of that is to educate and so on. The Board has a significant responsibility in this. If we just said we will meet once a month and we will let Cheryl be out there doing everything that is not being responsible. Part of being a director is to have

some voice in this area. **Chair Newman** stated some people might say that the Board of Directors has a bully pulpit to speak from and from time to time Cheryl can take advantage of that.

Chair Ullyot and Ms. Fama agreed to rework the document and bring it back next month.

Director Cappel moved and Director Galligan seconded to table this agenda item. It passed unanimously.

10. CORRESPONDENCE/MEDIA

Ms. Fama called attention to the thank you letters from the grant recipients and the number of articles published acknowledging the Board's Third Annual Community Partners Event. Also mentioned within the media, MPHS has decided to go with DeVita as their dialysis operator.

ADJOURNMENT:

There being no further business, the meeting was adjourned by Chair Ullyot at 19:46 hours.

By:

Kelly Molloy, Community Outreach Coordinator

Approved:

Helen C. Galligan, Secretary

Daniel J. Ullyot, M.D., Chair