



# Peninsula Health Care District

## **BOARD OF DIRECTORS REGULAR MEETING Thursday, May 28, 2009**

The Board of Directors of the Peninsula Health Care District was called to order on Thursday, May 28, 2009 at 15:45 hours at the Burlingame City Council Chambers, 501 Primrose Road, Burlingame, CA.

**ROLL CALL:** On roll call there were present Dan Ullyot, MD Chair, Rick Navarro, MD Vice Chair, and Don Newman, MD, Past Chair. **Absent:** Helen Galligan, RN, Secretary

**Also present were:** Cheryl A. Fama, Chief Executive Officer, Colin Coffey, General Legal Counsel, and Jan Matejcek, District Administrative Assistant.

**CONSENT CALENDAR:** The Consent Calendar consisting of the minutes for the April 23, 2009 Regular Meeting, April 23, 2009 Closed Session Meeting and the unaudited Financial Statements for April 2009 were presented.

**DIRECTOR NEWMAN MOVED AND DIRECTOR NAVARRO SECONDED THE MOTION TO APPROVE THE CONSENT CALENDAR. THE MOTION CARRIED UNANIMOUSLY.**

**COMMUNITY EDUCATION:** *“Health System Redesign Initiative: Briefing on Psychiatric Capacity Challenges and New Directions”*

**Dr. Ullyot** introduced guest presenters **Louise Rogers, Director**, and **Dr. Celia Moreno, Medical Director**, both from the Behavioral Health and Recovery Services of the San Mateo County Health System.

**Ms. Rogers** started the presentation stating that she and Dr. Moreno are responsible for oversight of the public Mental Health, Drug and Alcohol System, newly described as Behavioral Health and Recovery Services. **Ms. Rogers** referred to their colleague S.T. Mayers, who presented to the Board recently on the aging study that the Health System had conducted. She and Dr. Moreno are focusing, within that aging group, on individuals that have significant psychiatric and co-occurring problems, particularly drug and alcohol problems with coinciding medical problems. Their presentation will cover some context and then get into specific health issues that are faced by their adult and older adult behavioral health clients, particularly, the gaps in the continuum of care that exist and that are emerging as the population ages. These gaps are where their program and community health need to focus. **Ms. Rogers** handed out copies of the power point presentation to the audience. **(A copy is appended to and made part of these minutes.)** In summary, the presentation covered:

- An overview of the issues
- A community context for Behavioral Health and Recovery Services
- The complexities of the 8,615 adults annually receiving acute services
- Medical co-morbidities reduce the average life span of mental health patients by 25 years.

- Data 19 states that showed the Age Adjusted Death Rate for Severely Mentally Ill patients by age and medical co-morbidities (E.g. GI, Obesity, COPD, Hypertension, etc.)
- The current County system of care; total served 11, 438
- Gaps in the continuum of mental health beds for complex clients
- Case examples of the system at its best and where it is challenged
- Key initiatives to strengthen the continuum
- Planning for resigned capacity

**Director Newman** thanked the speakers for a beautiful presentation, also for a very commendable system. **Director Newman** also commended them on the quality of their physician training program and the fact that it attracted quality residents from around the country.

**Director Navarro** thanked the presenters and referred to a recent article in the June issue of the Atlantic Monthly about a longitudinal study of about 300 Harvard students from 1938 to the present, showing that regular exercise during youth was a very strong predictor of good mental health when these individuals reached their seventies. **Chair Ulyot** commented that he had read the same article and noted that exercise may be part of the prescription for health for our community.

**Ms. Rogers** agreed and stated her clients are becoming aware of healthy choices. She also mentioned what a diverse group of psychiatrists in-training come to join their residency from all different cultures and speaking many different languages, and how they try to support them in any way they can to help them stay in this area.

**Chair Ulyot** asked if they had experienced the “not in my backyard” attitude when it came to housing individuals in this area. **Ms. Rogers** replied they battle NIMBY issues quite a lot, but added that she was struck by the level, with some notable exceptions, of the very strong history of collaboration and good neighbor relationships that our providers who already operate similar levels of care have been able to achieve in San Mateo County. She attributed the cooperation to careful planning, taking input, and careful consideration as to location. **Ms. Rogers** stated that they have a strong track record in this regard and are very careful about community relationships, as are their contractors as well. This is always an issue in mental health, and one that we just have to tackle.

**Public Comment: Pat Giorni, Burlingame** commented on the NIMBY issue citing a recent Burlingame Planning Commission discussion in which a developer was going to build a skilled nursing facility on California Drive, but because of the city’s height restrictions the contractor could not move forward as a shorter building would not make enough money to make the venture worth pursuing. Now the property will be used for an Alzheimer’s day care by Mr. Camino. **Ms. Giorni** then directed her comments to the guest speakers and urged them to be aware of the on-going communication challenges and resulting compromised patient care due to the multi-cultural staff in skilled nursing facilities. She gave as examples such basic patient care needs as getting out of bed and exercising; staff communications can be less than helpful due to tone, emphasis, and language barriers.

**ORAL COMMUNICATIONS: None were offered.**

## **COMMITTEE REPORTS:**

**Long Term Planning, Dr. Ulyot, Chair** – No report

**Community Health Investment, Ms. Galligan, Chair** – No report

**Sutter Health Oversight Committee, Dr. Newman, Chair**

**Director Newman** stated that it has now been decided that MPHS will redo parts of Mills Hospital on the 3<sup>rd</sup> Floor and establish a Behavioral Health in-patient setting there. Its use may not only serve the local patient population, but may also serve as a regional behavioral health center for Sutter Health. MPHS/Sutter has committed \$22M for this project.

**Nominating Committee, Dr. Newman, Chair**

**Director Newman** reported that the position was opened to the community after the last Board meeting and three applicants responded by the deadline, May 22. One candidate was interviewed earlier today and the other two will be interviewed soon. **Ms Fama** stated that a Special Meeting for the Board's deliberations and appointment will be held Monday, June 8<sup>th</sup> at 5:00 p.m.

**CEO REPORT, Ms. Fama:**

- ***SMC Special Districts Meeting:*** Ms. Fama attended the May 5<sup>th</sup> meeting of the San Mateo County Chapter of Special Districts. Two agenda items consumed most of the discussion: LAFCo's website statement that "it is their business to do away with districts", and concern by some committee that the LAFCo budget process was not open and/or inclusive enough. On the first issue, it was clarified that the statement was true and intended to weed out districts without a real purpose. The example given was a water district that does not have any water; it collects taxes and returns the funds to the tax payer. On the second issue, a sub-committee was formed to meet with Ms. Poyatos, Executive Director of the local LAFCo agency to review its budget process. Ms. Fama was asked to serve on that committee. Ms. Fama reminded the Board that the Chairman, by his title, is the District's voting representative to this body and our alternate, previously approved by the Board, is Helen Galligan. The CEO can attend, but cannot vote.
- ***Update on the status of the 2009 Audit:*** Ms. Fama and Ms. Sinay met with auditors Tom Brewer and Dennis Christensen from VTD. First agenda item was review of Internal Controls and if and how they should be modified since the Treasurer position is vacant. The fixed asset list was also discussed since no items have been removed from the list by MPHS in the last two years. Ms. Fama will pursue with MPHS staff and the auditors will do a random physical inventory as part of the audit process. The 2009 audit is targeted to start August 6<sup>th</sup> with all the work completed for presentation to the Board in September. The report "packaging" is under review to determine if the final document would have more use in promoting District visibility if written as an annual report with the District's logo vs. VTD's, etc.

- **Community Activities Report:**

- Ms. Fama completes the 10-month Leadership San Mateo Program June 9; she then reported that she has been asked to co-chair, along with Margie O'Clair from MPHS, the Program's Health Care Day for the 2009-2010 course.
- The latest edition of the District newsletter has generated many unsolicited positive comments. It seems to be gaining in readership.
- Ms. Fama introduced the latest District tool to encourage healthy behaviors. She distributed the wallet-sized card with the slogan *Medication Safety Starts with You*. The cards are to be used to keep one's medication history with them at all times. The concept was brought to our attention by Sue Smith- another of her legacies. Ms. Fama was proud to report that the card was designed and produced in-house by District staff member Kelly Molloy.
- Given the budget problems in Sacramento, the California Association of Special Districts and the Association of California Healthcare Districts will be sponsoring a special legislative briefing session in Sacramento on June 3, which Ms. Fama will not be able to attend. The Governor wants to get \$2B from counties, cities, and special districts. Best guess by the associations is that a portion of special district tax revenues may be diverted.
- Ms. Molloy's last day was May 8. After consultation and agreement with Ms. Matejcik, the plan is to expand her hours to 32/week and eliminate the second position.
- Of the 66 eligible District retirees, only one has signed up for the CALPERS health plan resulting in a \$12 total financial liability for the District in FY 2010.

**Public Comment:** **Pat Giorni** commented she had recently attended a Burlingame budget meeting where it was confirmed that the state can borrow up to 8% of our tax money, however, they must pay it back within 3 years or they are prohibited from borrowing again.

**Chair Ulyot** went back on the agenda to ask Director Newman, Chair of the Sutter Health Oversight Committee, for an update on the new hospital building. **Director Newman** started his report with Magnolia Gardens, a skilled nursing facility at 1609 Trousdale, purchased by MPHS in 2007. It is being redone and will open again with more beds available as a rehab facility. This is in addition to what's happening with Behavioral Health at Mills. The hospital replacement project is about 64% completed. It will be essentially complete in June 2010 with the move-in date projected for sometime in November 2010. The "skin" is on and the building is now watertight. The MOB is about 30% complete and both should be finished at the same time, about 4 months behind the original schedule.

**OLD BUSINESS:**

**DISTRICT INVESTMENT POLICY:**

**MS. Fama** introduced the topic with a review. The Board's policy calls for an annual review of its Investment Policy every January. At the January 29<sup>th</sup> Board meeting it was agreed to defer action given the county activity relative to Lehmann Bros. and the investment function forensic audit launched by the Board of Supervisors. The county projected it would have its report and any revisions to the county investment policy by the end of February. As of this meeting, the county process has not been completed. Upon further review of the District's Investment Policy

and, with input from Mr. Coffey and Mr. Hicks [An independent financial consultant used by the District], it was determined that the District's policy is at a regulatory level and it would be highly unlikely that anything done at the county level would impact and require a change in the wording of the District's policy. However, it was noted that the policy had not been revised since 2000 and changes have occurred at the District level that should be incorporated. Ms. Fama then directed the Board's attention to the red-lined version of the policy distributed with the meeting materials and proposed the following changes:

- Finance Committee be changed to Long Term Planning Committee
- The CEO position be added to those to whom the Board may delegate authority to work on fund investment issues; the others being the Treasurer and the Long Term Planning Committee.
- The CEO position be added to those to whom the Board may "delegate discretion and authority" relative to work on over surplus funds. The other three are the Long Term Planning Committee, the Treasurer, and a professional investment manager.

**DIRECTOR NEWMAN MOVED AND DIRECTOR NAVARRO SECONDED THE MOTION TO APPROVE THE PROPOSED CHANGES IN THE DISTRICT INVESTMENT POLICY. THE MOTION CARRIED UNANIMOUSLY.**

**SUSAN S. SMITH RESOLUTION:**

**Chair Ullyot** read verbatim the proposed Board Resolution No. 2009-8 for Susan S. Smith and then opened for comments. **Director Newman** said he hoped this resolution would be brought to the attention of the County Board of Supervisors.

**DIRECTOR NAVARRO MOVED AND DIRECTOR NEWMAN SECONDED TO ACCEPT THE SUSAN S. SMITH RESOLUTION AS READ. THE MOTION CARRIED UNANIMOUSLY. (A copy is appended to and made part of these minutes.)**

**NEW BUSINESS:**

**SIGNER OF CONTRACTS:**

**Chair Ullyot** introduced the need for this action item stating that it is directly linked to Treasurer Smith's resignation. Ms. Smith was the only member of the Board authorized to make changes to the District bank and financial accounts. Therefore, we cannot remove her, nor add a new Director without a Board member being authorized as "signer of contracts" as it relates to such matters. Therefore, he is recommending that the Board Chair be given this authority.

**DIRECTOR NAVARRO MOVED AND DIRECTOR NEWMAN SECONDED TO APPROVE DESIGNATING THE CHAIR OF THE BOARD, DANIEL J. ULLYOT, M.D., TO SERVE AS THE AUTHORIZED "SIGNER OF CONTRACTS" AS IT RELATES TO BANKING AND OTHER FINANCIAL ACCOUNTS ON BEHALF OF THE DISTRICT. THE MOTION CARRIED UNANIMOUSLY.**

**OPERATING BUDGET FOR FY2010:**

**Ms. Fama** directed the Board's attention to the drafted Operating Budget documents distributed under Tab D in the packet. She reviewed and commented on the key drivers of the proposed budget which:

- Integrates the Board's strategic initiatives of leadership, community health outreach, asset management, and Sutter oversight;
- Complies with the Board's finance policy that restricts budgeted expense to an amount that does not exceed 10% of the Board's strategic fund balance [Current fund = \$53M, therefore \$5.3M would be the maximum allowable. Proposed expenses are \$3.1M.]
- Reflects a conservative approach with tax revenues budgeted 9% below this year's Actual and interest income budgeted at 2% for LAIF and 1.77% for the SMC Co Pooled Fund.
- Increases community health investments by 10% or by \$200K bringing total to \$2.2M.
- Includes funds for consulting services related to property and cash asset management and future property development planning.

**Ms. Fama** then referred to the "Funds Received and Used" summary schedule included in the distributed materials. The document provides a three-year picture and compares FY 2008 Actual, FY 2009 Budget to projected Actual, and FY 2010 Proposed Budget data. She called attention to areas where questions may arise:

1. ***Why is projected FY 09 Actual expense \$900K below budget?*** The difference is comprised of \$350K of "Other" due primarily to \$165K not needed for election costs and \$160 for property planning as we did not get as far along as hoped for this year. \$270K in approved Grants were not issued (\$185K for CHNU OB Project that was not launched in April as projected, and \$33K unused in the Nurse Loan Program). \$200 for New Programs as none were launched; and legal fees coming in at \$90K below budget-to date.
2. ***Why is the Proposed FY 2010 budget (\$3.1M) so much higher than the Projected FY 09 Actual (\$2.5M)?*** \$470K is due to the approved FY09 grants that were not used in FY 09 (\$267K) with the increase of \$200K proposed. \$100K to continue the Property Planning work that was started. \$50K for new program development. \$50K for anticipated legal expenses greater than current year actual.

**Ms. Fama** opened the topic for discussion.

**Chair Ulyot** noted that Ms. Fama focused on operating expenses and he thought it important to summarize the District's budgeted revenue sources: \$4M from property taxes, about \$2M from rent income and \$764,000 from interest income – noting that \$1.3M of interest income was budgeted in FY 09, the difference definitely reflecting the economy. He summarized that, bottom-line, the proposed budget total revenues would be \$6.7M. **Chair Ulyot** further commented that if it is true that the Governor is going to be dipping into the District monies, the budgeted reduction in tax revenues seems reasonable. When the proposed \$3.1M of expenses are subtracted from the \$6.7M budgeted revenues, that would leave \$3.6M to put into the Board's reserved fund against paramount default. **Chair Ulyot** opened the topic up to Board discussion and comments.

**Director Newman** raised the challenge for next year's budget created by the unstable economy. Should the Board spend less and be conservative, or should it spend more because organizations that the Board has supported will be in greater need and they directly provide healthcare to meet community needs for which the Board is responsible. **Director Newman** concluded that a

conservative stance at this time is best; knowing that the Board can revise its budget during the year should things not demand that level of conservatism, or if the need arises.

**Director Navarro** stated it is important to be flexible. He cited the example of the Ombudsman Program losing 100% of their state funding. Being conservative now and having something in reserve to expand out if we need to is important. **Director Navarro** commented that he understood nurses coming out of the RN Program were having difficulty finding jobs in the District, and if that situation continues is this the best thing we can do for the District, continuing to fund the this program and its current level?

**Ms. Fama** responded that before addressing **Director Navarro's** concern she wanted to make clear that last year the District had approved a number of *multi-year grants*. Out of the \$2.2M proposed, \$1.24M is already committed. At the proposed \$2.2M, only about \$900K will actually be available for new grants. To Director Navarro's specific question referring to District support of the CSM Nursing Program, \$378K of the previously committed grant funds will go to CSM in July 2009 to support a two year program that will generate twelve nurses. Ms. Fama stated this was an important discussion to have when the Community Health Investment Committee convenes this summer. Regarding the bigger issue of supporting nursing education if new graduates cannot get jobs in the District, **Ms. Fama** noted that all reports conclude the shortage of nurses persists and that this apparent lack of positions is a time-limited pause driven by the economy. Regardless, with the average age of hospital-employed nurses climbing and the aging population of San Mateo County the demand will be there. **Director Navarro** stated he also thought it was important, considering today's job climate, to take a look at the RN Nursing Loan Program.

**Chair Ulyot** recommended that the proposed grant budget be kept at \$2M, the 2008 and 2009 figure, which is a compromise that Director Newman stated very well. **Chair Ulyot** then noted the \$100K budgeted for community outreach, the same as this current year, and commented that this year included the Community Partners Event. He noted that it was very successful; however is the Board sure it should have an event of that magnitude every year? **Chair Ulyot** asked Ms. Fama what kind of a savings would there be if the District did not plan for such an event. **Ms. Fama** responded the event cost the District \$25,000; not budgeting for one this year would reduce the anticipated need in Community Outreach from \$100,000 to \$75,000. **Chair Ulyot** then raised the "new program" budget noting that in the previous two years, funds were budgeted and not used. He proposed that the expense be deleted given the recent history, and if something worthy of launching arises, Ms. Fama can bring that to the Board for approval and funding.

**Public Comment:** Chair Ulyot opened the meeting for public comment and none was offered.

**Chair Ulyot** then asked for a motion to approve the proposed budget revised as follows: reduce community grants to \$2M, communications/outreach to \$75K, and eliminate new programs budget of \$50K.

**DIRECTOR NEWMAN MOVED AND DIRECTOR NAVARRO SECONDED THE MOTION TO APPROVE THE PROPOSED FY 2010 OPERATING BUDGET INCORPORATING THE \$275K OF REDUCTIONS AS DISCUSSED. THE MOTION CARRIED UNANIMOUSLY.**

**PROPOSAL TO CANCEL THE JULY 23, 2009 REGULAR BOARD MEETING**

**Chair Ullyot** noted that the Board historically cancels one of the summer meetings due to vacations. He suggested the June meeting remain in order to welcome the new Director. He proposed that the July meeting be cancelled. It was discussed and the consensus was the July meeting would be the best one to cancel.

**DIRECTOR NEWMAN MOVED AND DIRECTOR NAVARRO SECONDED THE MOTION TO CANCEL THE JULY 23<sup>RD</sup> REGULAR MEETING OF THE BOARD. THE MOTION CARRIED UNANIMOUSLY.**

**CORRESPONDENCE:**

**Chair Ullyot** called attention to the invitation to take a “Hard Hat Tour” of the new hospital. Tours will be conducted every Friday at 3:30 PM and Directors were encouraged to take advantage of the opportunity. He commented how very well done and enlightening the tour was.

**ADJOURNMENT:**

The meeting was adjourned by **Chair Ullyot** at 19:25 hours.

**By:**

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**Jan Matejcek, Administrative Assistant**

**Approved:**

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**Helen C. Galligan, Secretary**

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**Daniel J. Ullyot, M.D., Chair**