

**THE BOARD OF DIRECTORS
CLOSED SESSION
July 23, 2009
District Office Board Room
Burlingame, CA 94401**

MEETING MINUTES

CALL TO ORDER: The meeting was called to order at 17:30 hours.

ROLL CALL: On roll call there were present: D. Ulyot, MD, Chair, R. Navarro, MD, Vice Chair, H. Galligan, RN, Secretary, and D. Newman, MD, Past Chair.

Absent: Larry Cappel, Director

Also present were Cheryl Fama, CEO, and Colin Coffey, Legal Counsel from Archer Norris.

PUBLIC COMMENT:

Robert Merwin, MPHS CEO commented on the multi-specialty model of medical practice and its critical importance to recruiting and retaining the needed primary care and other specialists to serve this community. He illustrated the importance of this model by comparing the Palo Alto Medical Foundation's recruitment of 700 physicians to the 44 recruited by MPHS over the same period, adding that 22 of the 44 have already left due to the expense and challenges of small, independent physician offices. He noted that the District Board has the opportunity to contribute in a significant way to the establishment of such a model and asked the Directors to consider the long term benefits for the community. Successful physician recruitment is directly tied to establishing such a model of practice; it is essential to the future of Peninsula Medical Center and to the health services available to the District's residents.

Robert Hortop, MPHS VP commented on the three agenda items that involved MPHS; specifically, the requested modification to the current lease agreement between MPHS and the District for 1875 Trousdale, the opportunity to purchase 1609 Trousdale – land and building; and the opportunity to purchase 1720 El Camino - land and building - and its potential investment value for the District on a net annual income basis.

There being no further public comment, **Chair Ulyot** thanked Mr. Merwin and Mr. Hortop for their contributions and excused them from the Board Room.

CLOSED SESSION:

Chair Ulyot declared that the Board was now in Closed Session

A. 1609 Trousdale:

Dr. Ulyot introduced the item. MPHS has asked the District to consider purchasing this 1.10 acre parcel and SNF that is located directly across from the District office and adjacent to its 26-acres. **All Directors** actively contributed to the discussion which included the strategic value of the parcel, the age and functionality of the building, the options open to the Board relative to

operating a SNF, the desired rate of return on the capital investment, and financing options. Ms. Fama shared an analysis on the value of the land, as well as, input she received from realtors, the appraiser, and District's financial advisor. Fama was authorized to pursue the purchase of the land for a not-to-exceed amount and to explore potential business opportunities for this parcel. ***No reportable action was taken.***

B. 1720 El Camino:

Dr. Ulliyot introduced the item by reviewing its history of ownership. Most recently, the District's 50% ownership was bought out by MPHS as part of the 2006 Master Agreement. MPHS has asked the District to consider purchasing back the entire 3.72 acre parcel and 74,270 square foot medical office building and parking structure. **All Directors** actively contributed to a discussion about the strategic value of such a purchase, the functional life of the building, the capital requirements to maintain a desirable building, the current medical office vacancies in the area, the potential for competition with MPHS, the projected cost of the property relative to the total cash reserves of the District, and many other aspects of owning and operating a medical office building. Ms. Fama shared information on the value of the property that included a new appraisal by CB Richard Ellis, a review of the appraisals done for the District in 2001 and 2003 by CBP, Inc, and an updated review performed by CBP. She also reported on her conversations with local realtors and the District's financial advisor. After further discussion it was determined not to pursue this purchase. ***No reportable action was taken.***

C. 1875 Trousdale:

Dr. Ulliyot asked Ms. Fama to present this item. MPHS is the current tenant in the District's property at 1875 Trousdale. A 5-year lease for the entire 5400 square foot building was signed effective 1/1/09 and the District is receiving monthly rent payments. The MPHS plan is to move its outpatient Cardiac Rehab Program into this location. Recently, it was determined that the facility will need to meet certain OSHPD requirements which will increase the MPHS investment for tenant improvements by \$300,000 over the original budget. Therefore, MPHS is requesting that the District increase the tenant improvement allotment in the current lease by \$300,000. This amount, with interest, will be amortized into the monthly payments over the remaining 53 months of the lease agreement. After discussion, it was agreed to do this.

ACTION: It was moved, seconded, and unanimously approved to increase the District-provided tenant improvement allocation in the current 1875 Trousdale lease between the District and MPHS by \$300,000 plus interest, to be invested by MPHS to prepare the building to serve as an outpatient cardiac rehabilitation facility, with the understanding that the additional TI funding will be paid back with interest over the 53 months remaining on the current lease, and to authorize Ms. Fama to negotiate the interest rate and complete the legal documents to carry out the transaction.

D. 1600 Trousdale:

Ms Fama reported that, after the MPHS construction at Mills is completed, all of the current tenants will be relocated leaving only the District office at this location. She also stated that Mr. Merwin reported that MPHS' urgent need for a new Outpatient Dialysis location is no longer an issue and therefore, the District's opportunities should be revisited. To this end, she

engaged the consulting services of Robert Goldin who evaluated the current planning process progress, and submitted a summary outline that was distributed to the Board. It was agreed that the outline would be useful to kick off the work of the new Long Term Planning Committee as it explores future uses for this and all properties of the District. ***No reportable action was taken.***

E. 1825 Trousdale:

Ms. Fama reported that the Burlingame School District is actively pursuing new space. The Superintendent and a School Board Representative recently reaffirmed the School District’s interest in offering PHCD an opportunity to purchase the building if still interested. The Directors agreed that this parcel is strategically valuable to the District and should be pursued if available. ***No reportable action was taken.***

F. CalPERS Pension Benefit:

Ms. Fama referred to the introductory memo and Actuarial Valuation that was distributed. She asked that the Directors review the materials and let her know what further information she can provide to help with their deliberations. A closed session with a benefits expert and actuary is planned just prior to the August 27 Regular Board meeting. They will go over the plan details and answer any questions to prepare the Board for action on the CalPERS “Intent to Proceed” resolution planned for the next Board agenda. ***No reportable action was taken.***

G. Peninsula Guardians vs. Peninsula Health Care District:

Dr. Ulyot and Mr. Coffey provided an update on the recent court action and the next steps to be taken by the District. There was agreement about the proposed next steps. ***No reportable action was taken.***

OPEN SESSION:

Dr. Ulyot opened the meeting at 19:10 hours. A survey of the office, hallway and classroom found no members of the public present. For the record, **Mr. Coffey** summarized the only reportable action: The authorization of Ms. Fama to complete the necessary interest rate determination and documents relative to the \$300,000 increase in District-provided TI funds described above under 1875 Trousdale.

ADJOURNMENT:

The meeting was adjourned by Chair Ulyot at 19:13 hours.

Submitted by _____ Approved by: _____
Cheryl A. Fama, CEO Helen C. Galligan, Board Secretary

Approved by: _____
Daniel J. Ulyot, MD, Board Chair