



Peninsula Health Care District

BOARD OF DIRECTORS REGULAR MEETING Thursday, September 23, 2010

1. CALL TO ORDER:

Chair Ulliyot called the meeting to order at 17:45 hours at the Foster City Council Chambers, 620 Foster City Blvd., Foster City.

2. ROLL CALL: On roll call there were present Dan Ulliyot, MD, Chair, Rick Navarro, MD, and Vice-Chair Helen Galligan, RN, Secretary Director Cappel was absent due to vacation. Director Newman arrived at 17:57 hours

Also present were: Cheryl A. Fama, Chief Executive Officer, Colin Coffey, General Legal Counsel, Kelly Molloy, District Community Outreach Coordinator and Jan Matejcek, District Administrative Assistant.

3. CONSENT CALENDAR: The Consent Calendar consisting of the Regular Session minutes for July 22, 2010, the Treasurer's Report, and the unaudited draft Financial Statements as of June 30, 2010, July 31, 2010 and August 31, 2010 were presented.

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

4. SPECIAL GUEST INTRODUCTIONS AND COMMENTS:

Director Galligan introduced the following guests to the Board and extended an opportunity for each to comment:

Dr. Kimberly Dalal, Surgical Oncologist for Peninsula Surgical Specialists. Dr. Dalal will be moving to the District, helped by the District's MD Recruitment Program. She will be working in the San Mateo office with Dr. Bruce Allen.

Brian Lo, RN, CSM 2010 Nursing Graduate & participant in the District's RN Loan Forgiveness Program – Mr. Lo thanked the Board for the opportunity and acknowledged he still has a long way to go. He recognizes he is not the typical male nurse coming out of school, as he is much older than new graduates. He greatly appreciated the Board's help.

Tiffany Castillo, RN, USF 2010 Nursing Graduate & participant in the District's RN Loan Forgiveness Program - Ms. Castillo shared that she chose nursing because she likes to help people and enjoys the team-like atmosphere.

Christina Ratkovic, RN, 2010 Samuel Merritt Accelerated BSN Graduate – Ms. Ratkovic stated it was a great experience. She is hoping jobs will open up within the year. She says she was very fortunate to do her preceptor work with one of the Critical Care nurses who joined her at this meeting. She thinks it was a great path for her and thanked the Board for all the support.

5. COMMUNITY EDUCATION:

Mills-Peninsula Health Services Update; Mr. Robert Merwin, President & CEO (A copy of the power point presentation is appended to and made part of these minutes.)

Mr. Merwin opened his remarks with comments on the disaster in San Bruno. MPHS went into disaster mode, as did all the other hospitals in the community. Sutter Health/MPHS and the Palo Alto Medical Foundation donated \$250K to the relief fund. MPHS has 188 employees that live in San Bruno. "Our hearts go out to everyone who was impacted". He then addressed a number of areas.

- Health Reform:
 - The legislation is over 2500 pages long. There are over 1200 issues that state the Secretary of HHS "shall make" certain decisions. At this point there is more unclear than there is clear. It will cover an additional 32 – 34 million people, which is good. It is primarily health insurance reform, more than health reform. It will be phased in over seven years, but the key date is January 1, 2014 where company and individual mandates will take effect.
 - There are a couple of significant issues from the hospital and physician standpoint. These providers are going to start to see absolute cuts in reimbursement in about a week. October 1, 3.4% reimbursement reductions go into play and there are several other reductions that will arise over the next several years.
 - The **state exchange** will be governed by five political appointees: three by the Governor, one by the Senate and one by the Assembly. They will set the standard benefit packages and make comparisons available on a web-site to provide clear information to help the public make choices. There will be five different levels of plans.
 - The "**individual mandate**" language requires every citizen to have insurance, similar to auto insurance in California. There is a \$650 per year financial penalty if a citizen opts out of insurance; this would be paid through income taxes.
 - The "**company mandate**" requires all companies to either provide health insurance for all of their employees or pay a \$2000 per person fee.
 - There will also be a tax for "Cadillac Health Plans" – those that cost more than about \$25,000/year/individual. Given the rich plan provided by Sutter Health, that will cost \$22M.
- The implications of Health Reform:
 - 65 – 75K San Mateo County residents will be covered through Medi-Cal-- the "good news". The bad news is Medi-Cal pays about \$0.15 on the dollar. However, this is more than providers are currently getting for serving this population – which is nothing. The positive impact for MPHS is estimated to be about \$2M per year.
 - The big issue is how small businesses initially and by 2014, how all businesses are going to react when they will have to pay \$2K per employee or pay up to \$24K per year, per employee for the health plan? \$24K is what Mills-Peninsula currently pays for an employee and their family.
 - The next question is what level of insurance are people going to purchase from the exchange? And what will the providers be paid? 100 – 200% of Medicare? You get a sense of how impactful this could be if everyone chooses a plan that pays physicians and hospitals substantially less. We can look to Massachusetts; it is the model upon which the National Health Reform was based. They implemented a program very similar to this several years ago. We had a team that went back and saw people at the hospitals. At first there was a new influx of patients and the increased volume helped reduce costs, but then the providers realized the losses were mounting and they said, "We can't cut costs fast enough".

- At the recent MPHS Board Retreat, attended by the Hospital Board, Foundation Board, medical leadership and hospital administration, modeling scenarios were presented that were based on a fairly conservative set of assumptions. Currently, MPHS loses 28% on Medicare patients and it is forecasted that if we do nothing, that loss will rise to 89%. We also know that the 89% will not be picked up by commercial insurance. This is very similar to the impact to physicians, it is a huge change. As a result, the Board authorized administration to explore the possibility of selling or leasing the Renal Dialysis Center and Skilled Nursing Facility, and to look to an alternative to treating pediatric in-patients requiring a dedicated unit. Right now we are running a census of less than half a patient a day in Pediatrics. We think that is more of a quality issue than a financial issue. **Chair Ullyot** asked if Pediatrics was a core service. **Mr. Merwin** replied no.
- The new psychiatric unit at Mills is on track to open before the end of the year.

Chair Ullyot stated we have been talking about “Obama Care” – The Health Reform Act of 2010 signed into effect March of this year - which has enormous implications for all of us here. As H.W. Bush said “Stay tuned – it is going to be very, very interesting”. The problem is this is an access bill; it is not a cost containment bill. As you say, a lot of the cost issues will come in the future and they are very vaguely written. Of the 32 million people who are now going to have access to insurance, half of them will be recipients of Medicaid. **Mr. Merwin** responded it is going to be very difficult for that many people to be seen by the current number of primary care physicians that take Medicaid.

Chair Ullyot stated there is a broader work force issue as well- to suddenly provide insurance for 32M people when some of these patients have never had a doctor. It does raise some work force issues and I am sure for hospital workers.

Chair Ullyot also noted in the MPHS announcement about the service closures that MPHS lost \$11M in Dialysis? **Mr. Merwin** answered the \$11M loss was for all three of those lines per year- Dialysis, SNF, and Pediatrics. **Chair Ullyot** commented that if areas are losing money and you are seeking someone else to run them – that is a tough sell. How is it others may be able to do that and still make some sort of a profit? **Mr. Merwin** responded focusing on Dialysis as an example. An outside operator will have two key advantages –they do not have the same wage and benefit structure and their purchasing power for supplies is enormous. One of the two primary dialysis companies purchases 50% of all the dialysis supplies in the country.

Public Comment:

Richard London stated that he was concerned about the employees who have been loyal? Are they going to be transferred? **Mr. Merwin** said that MPHS is very concerned about the effect on the employees as well. That will be a key component to the negotiations. You need to be aware that we have not had any discussions with anyone. This was a direction that came out of our Board retreat to explore it and we decided we needed to put it on the table for everyone to understand the work ahead of us– but we have not begun negotiations at all. **Richard London** stated he knows what happens during a buy-out and it is not good for the employees. **Mr. Merwin:** I do know we have two facilities where there is a high degree of interest and I think we have some negotiating leverage based upon that, but have not started the negotiations. **Richard London:** So the clinic is not what is really sold, it is the patients that are sold and the employees are not part of those negotiations. They become employees of the other company. **Mr. Merwin:** If we negotiated a right of first refusal that would be a piece of it.

Chair Ullyot closed this discussion summarizing that Mr. London’s concern about employees and any kind of reduction was heard.

Pat Giorni, Burlingame referenced information in the Mills Peninsula Newsletter that was received by the District in which it says that the SNF, Renal Services and Pediatrics programs may be cut. What are the ages served in the inpatient pediatrics unit – does it include newborns? **Mr. Merwin** said it does not include newborns and takes children up to 18. **Ms. Giorni** asked for clarification on the numbers. If the Pediatric Unit only sees approximately 0.5 children a day, that would be approximately 188 children per year, which is not a large enough population to support the unit and give quality care. **Mr. Merwin** stated the concern is twofold: one is safety- that when you are running a program that small, it is difficult to maintain qualified Pediatric nurses. We have in fact gone for months without being able to find a pediatric nurse to be on call; the second concern is the cost required to have two pediatric nurses on call at all times. MPHS would not discontinue caring for pediatric patients; we just would not have a dedicated unit for Pediatrics.

Chair Ullyot asked if the downsizing that has been described is in anticipation of the Accountable Care Act and the problems with reimbursement or is it a decision that would have been made irrespective of the federal legislation. **Mr. Merwin** answered it is irrespective of the new legislation. Speakers at the recent Board retreat included a representative from Mercer and the Chairman of HealthNet. From their comments it was clear that they see this movement happening much faster on a commercial side than with Medicare. Right now the total cost for health insurance for American businesses equals their entire bottom line. So, if they can cut back by half, they can improve their bottom line by 50%. The other trend already taking place in Sacramento, referred to as Narrow Network Health plans, are high deductible health plans where the first \$25K deductible comes out of the insured's pocket.

Chair Ullyot noted that Mr. Merwin has reported fairly robust profits for the hospital in his previous reports this year, and given that MPHS seems to be doing very well it would seem to indicate it should be able to cover two or three services that weren't doing so well. Do we then infer that these steps are really in anticipation of the future? **Mr. Merwin** answered yes and no. \$20M of debt will be coming on line and another \$12M in IT expense that was not there in the past for things like EPIC. There will also be a \$2M increase for the MPHS health plan for our own employees next year. So there are a lot of pressures on the cost structure which will cause them to mount considerably.

Chair Ullyot stated one way that the new legislation was going to save money is to tax "Cadillac" plans; for an individual it is something like \$10 - \$12K and for a family of four it is something like \$26K and anything above those caps will be taxed at 40%. Would you characterize some of your health plans as "Cadillac"? **Mr. Merwin** said yes, our cost for one employee is \$24K and it is going to add \$22M to the Sutter Health system benefits costs.

Pat Giorni, Burlingame: Only a few months ago, the acute rehab unit was in effect downgraded and patients were going to be treated in the SNF. Will Dr. Aftonomos and his practice be sold along with the SNF? If that is the case, how many more peripheral services not termed "core" per the negotiations are we going to see being lost and possibly contracted out? When they are contracted out, Sutter is no longer responsible if there is a problem; it is the company that has been contracted with. It was the understanding when we negotiated for Sutter to build a hospital - and it is Sutter's hospital, but our services – and we enacted a hospital district many years ago to ensure services for our residents. **Mr. Merwin:** What we are talking about is a very recent development. We haven't yet met with the companies so we do not know what will happen. Fundamentally we want to see the services remain in the community and ideally remain right where they are, just change the management.

Luciana Kincer, San Mateo resident and employee of MPHS: We have seen the reduction in services and an increase in management. It's harder to get where you need to get by adding management and cutting vital services that patients really rely on. Again, the acute rehab has gone away and patients are sent to SNF. They are a more acute than SNF patients and have to be assimilated into the SNF level of care. Because they are sicker, SNF staffing was going to increase, but that hasn't happened. Is the increased cost the reason you haven't increased the staff to accommodate these patients? And now because you are pushed to accommodate them, you plan to sell them off – at least that is how we are seeing it. We pushed Peninsula to increase the staffing that has not been provided; now the next step is leasing it out. **Mr. Merwin:** My understanding is that we did add an in-take nurse and increase the occupational and physical therapists, so I think we have done what we said we would do. **Ms. Kincer** responded not as far as nursing is concerned. You have one nurse to 20 in the SNF unit, so that has not increased at all. **Mr. Merwin** answered that is not his understanding.

Chair Ullyot thanked Mr. Merwin for coming and his presentation.

6. ORAL COMMUNICATIONS:

Pat Giorni, Burlingame asked if the Peninsula Health Care District has provided any kind of financial offering to the victims of the San Bruno fire disaster and if not a suggestion might be the Rotary Club fund. **Chair Ullyot** answered yes, the District did reach out. He stated he contacted the Mayor of San Bruno; Cheryl Fama contacted the City Manager. We gave our moral support and offered to contribute funds. They were not prepared to make a specific request at that time; we indicated our willingness to come up with a significant contribution. **Pat Giorni** said that was good and they hoped they take us up on it as they are part of our District. **Chair Ullyot** asked Ms. Fama to elaborate. **Ms. Fama** added that she also checked in with the Red Cross Friday first thing to see how we could help and offered a contribution to the Disaster Relief Fund. She followed up a week later and learned that the San Bruno relief fund was over funded. It was still too early for San Bruno to respond. **Pat Giorni** mentioned the Burlingame Rotary Club fund gift cards so people could get what they need rather than waiting for donations.

Mike O'Neill, President of the Board of Trustees for the Pacifica School District commented that his school superintendent had been in contact with Ms. Fama and was made aware of this mode for him to speak to the Board. School districts are facing a lot of challenges this year through the Governor's budget cuts. We have cut over \$2.8M out of our budget and one of the issues hard for all the school districts to deal with is health education for the children. Just like a lot of the standards for teaching have been pushed down from 5th to 4th, 4th to 3rd, etc., a lot of the social issues kids face have been pushed down from high school down to 8th, 7th, 6th, etc. Our free reduced lunches have gone up from about 7% to 17% of the student population. One of the health issues that has come up is counseling for drug use, alcohol abuse and smoking. There is a model that has been adopted by a lot of school districts that work with other community partners such as healthcare districts. It is called the Consolidated School Health Model and it has been adopted by twenty-three states and has actually been adopted by the Sequoia Healthcare District to help students in the south county. Since you are the only healthcare district in north county we wanted to approach you and see if you would be able to reach out, not to just the students in Pacifica, but if you would be willing to work toward some sort of joint powers agreement or a consortium of some sort for the north county.

Chair Ullyot asked if there were any questions for Mr. O'Neill from the Board. He stated the District would explore that and noted that Pacifica is not within the District's footprint, however we support health-related programs for children. The District has a Community Investment Committee which looks at intentions for support. If you could please put this information together in a proposal, we will certainly look at it.

Director Newman questioned what District Pacifica is in. **Mr. O'Neill** said none; there are only two districts on the Peninsula, Sequoia and Peninsula, and they were started after World War II at a time when there was little population in some areas of the county like Pacifica, and so there is no healthcare district serving the needs of the Coast or the entire north county. **Chair Ulliyot** stated there are 78 Districts in California, but all of California is not blanketed. There are pockets that are not covered. **Mr. O'Neill** stated he did do a little exploring and learned that through the LAFCO process there is a way to expand district boundaries and that there would not be a financial investment required from each of the entities in a District if we were to try to join, so maybe that is something we can look at.

7. COMMITTEE REPORTS:

A. Long Term Planning, Chair Ulliyot, Committee Chair

The Long Term Planning Committee received a report from Sedway Consulting. We engaged Sedway asking them to look at properties in the general region of the hospital and advise us on the highest and best uses of the properties in the hospital campus area. In summary, her report concluded that the Peninsula Health Care District has a unique opportunity to invest in land for the benefit of the new hospital complex, the surrounding neighborhood, and community's health needs. The Peninsula Health Care District can serve as a catalyst to ensuring underutilized areas are put to productive use in addressing health related service and facility needs and meeting Burlingame development goals, while at the same time addressing the District Board's goal of prudent asset management to achieve reserves needed to meet the financial obligations defined in the Master Agreement with Sutter Health over the fifty year agreement. He acknowledged Ms. Sedway in the audience and stated that the District was the beneficiary of a very fine report and thanked her for that.

B. Sutter Health Oversight- Building Committee, Director Newman, Committee Chair

The Building Committee met and it was reported that the hospital opening was moved to January. Dr. Newman noted he was a little embarrassed when he went to a social event and was asked by someone at the event why the opening was being delayed until February as that was the first he had heard about it even though he sits on the committee. The committee meets next week and he will be happy to find out all of the details. The completion of the project and coordination of the move is a very complicated process- phone services have to be transferred over, computers moved, emergency systems tested, and at the same time they cannot leave the old facility while we move into the new. So, there really are going to be two hospitals working at the same time. At any given time there are 500 construction people on the campus.

Public Comment: **Pat Giorni, Burlingame** stated the Sutter Oversight Committee had its last meeting and discussed Acute Rehab and in light of today's information to have the services transferred out, she requested that the Oversight Committee reconvene to discuss the implications of the possibility of a SNF being sold off. Specifically what other services we assume are staying will be next for elimination and how we be impacted and what will it mean to the residents. I think the committee should reconvene and take a look at this.

C. Community Health Investment, Director Galligan, Committee Chair

Director Galligan gave an annual report via a power point presentation which is appended to and made part of these minutes. In summary, she reviewed the purpose of the committee, the past year's activities in the programs for which it provides oversight: Community grants, RN Loan Forgiveness, MD Recruitment, and CEO Discretionary Fund; and the actual to budget performance. She outlined the Committee's work plan for this fiscal year and noted that the grant cycle has started with Letters of

Intent due October 8th culminating in recommendations to the Board at its December 9th meeting and grant recipients being honored at the Board's January 27th meeting.

8. CEO REPORT:

Senior Housing Needs Assessment: Ms. Fama reported on her research into the different levels of supportive senior housing – skilled, assisted, and dementia care. This has included interviews with a variety of service providers and facility tours. Aegis Senior Housing was a very impressive organization. District representatives toured three of their facilities; they were invited to make a presentation to the Board on September 20th. The plan going forward is to pursue the feasibility of establishing a partnership with a senior housing expert that could help the District achieve its goals in meeting a community's need. One of the biggest lessons learned was the polarization of the perception of need: Some say we are going to have a huge increase in SNF demand and others are adamant that we should work hard to shrink that demand through more funded in-home healthcare and more assisted living facilities that can help manage people through episodes of illness without hospitalization.

Children's Health Initiative: This unique, countywide program provides health coverage to >5300 children between the ages of 6-18; 76% of these children live at zero to 133% of the poverty level. The District has been a significant funder to the program since its inception. Given this role, we were invited to participate in a meeting today to hear how the program leadership is preparing to operate after budget cuts and how it is preparing for the implementation of the Accountable Care Act.

Fixed Asset Update: The District's financial statements track depreciation for >\$14 million of movable fixed assets that were purchased for hospital use and owned by the District. This fixed asset list has about 5000 line items purchased over the last 35 years; it was the Board's decision to accelerate depreciation to correspond with the projected closure of the hospital. Therefore, the "book value" of the items is zero. However, some of this equipment may still be functional and transferred over to the new hospital for use and other items may have trade-in or salvage value. Treasurer Cappel and I met with the CFO in January of this year to start developing the plan as to how best to track the listed items and to ensure a tight level of accounting for everyone. A plan was developed, agreed to and is in process of implementation. A physical inventory was completed by MPHS August 30 and items on the list were categorized as "for disposal", "transfer to new hospital", "lost". The next step is to get an appraised salvage value for all of the items to be disposed of or lost. **Chair Ulliot** asked if those items on the fixed asset list that have been lost or disposed of have any value and what is our claim on those items? **Ms. Fama** responded they should be fully depreciated as of June 30. The key question now is what if any functional or salvage value do the items have now? That is still to be determined. Some items on that list date back to 1975 which may have some scrap value at best. There are others that are old technologies and large, expensive items such as ultrasound machines or scanners, that may have trade-in value or use in other countries. Our claim is that the District owns those assets and therefore should benefit from any value they still have. The MPHS team is working with us; more to come.

Turiello v. Mills Peninsula Hospital and Peninsula Hospital and Peninsula Health Care District:

The District was named, along with twenty other Doe's, in a suit that was filed by a patient from Mills-Peninsula in 2008. She is filing for general negligence and premises liability. Apparently she fell in the hospital while taking a shower and alleges it was because of faulty shower equipment. We are named as an "additional insured" on the Mills-Peninsula, Sutter Health policy. We did notify our general liability carrier who started the ball rolling. He contacted Sutter Health's attorney, they acknowledged the District is an additional insured, and Sutter has accepted our tender for the case and will be representing the District along with Mills-Peninsula.

Community Activities July-September 2010: Ms. Fama referenced the summary report included in the Board packet. She commented on the two Board of Supervisor committees on which she has been invited to participate:

- a) The Health Reform Advocacy Committee which has been formed to help inform the community on the impact of the accountable care act as it unfolds and to track access and funding issues.

Chair Ulliyot interjected he felt that this was terribly important and he is very pleased that Ms. Fama was asked to serve on the committee. He asked that she keep the Board informed about those deliberations because that seems to be a very important part of the Accountable Care Act. Ms. Fama answered that she would and felt it was a good way to stay up close to the progress in our County. The first thing the group has done, largely through the efforts of Supervisor Groom's aide, Eric Polowski is a website, www.co.sanmateo.ca.us/healthreform that has a wealth of information; it will be kept up as the Secretary of HHS starts defining the "shalls" in the legislation.

- b) The Healthcare Workforce Task Force As you heard Mr. Merwin say, there is going to be a huge need for available health care workers in the near future. A proactive list of projected needs has been developed for the county and now the committee is looking at how to attract people to health service industry jobs; how to remove traditional barriers; how to develop accelerated training courses, and other approaches to address the needs.

Ms. Fama then provided a PowerPoint presentation on the District's community outreach activities during the summer: the Burlingame "Artzfest", the Senior Showcase sponsored by the Daily Journal, the 40th Millbrae Art and Wine festival, and the Red Cross Command Center and San Bruno Recreation Center the first day after the fire disaster. The pictures included Wendy Luk, the District's summer intern from the University of San Diego who volunteered two days a week for 8 weeks and was a great help in preparing and staffing our health fair booths. This year booth space was offered to community partners on condition they volunteer time in the booth. Shelter Network, Ombudsman, Strides for Life, and Senior Focus took us up on our offer.

As reported earlier, neither San Bruno nor the Red Cross were prepared to make a specific request when we offered District support the day after the disaster. The District team wanted to do something to help. District volunteer Kelly Molloy identified a need, put together a plan, and helped to carry it out. The front line/first responders were well fed, but when the firemen went back to their stations to get a brief rest, a meal would mean shopping, cooking, etc. No time or energy for that. The District team purchased from a San Bruno restaurant and delivered 24 pans of pasta and lots of sour dough bread to the twelve fire stations throughout our district. The firemen were extremely grateful!

9. OLD BUSINESS:

A. "Apple Tree Dental" Model: Feedback, follow-up, and next steps

Chair Ulliyot reported that at the July 22nd Board Meeting there was a wonderful presentation from Dr. Helgeson on Apple Tree Dental. This has had a chance to germinate a bit and Dr. Dick Gregory was present to provide an update on Dr. Helgeson and the program.

Dr. Dick Gregory, DDS reported that he and Dr. Helgeson also agree that the last meeting was very successful; Dr. Helgeson was particularly impressed with our turn out and the capacity and the intent we demonstrated to solve this problem of access to dental care. I want to thank Cheryl and Jan for writing such accurate meeting notes. I have been using them and in discussions with a lot of dentists in the area who were unable to make it to the meeting. Dr. Helgeson was so excited he invited me back to Minnesota to put a face to the name. He is a founder and CEO and their Board wanted to see and hear just how committed our community was to this kind of a project. They have a strategic plan that has

room for working outside of Minnesota and they asked a lot of questions about our intent and abilities. They believe they should revisit their plan and include working with us and are ready to do so. Their intention is to craft a plan that will be ready for this Board's review at the December 9th meeting so that we will have something to look at by the beginning of next year to be ready for a feasibility study that will truly define how that model could fit our needs in this community. Looking ahead, 2012 would be the time to fund the project and by 2013 to have an operational clinic that will truly serve the needs of every cohort of patients that do not have access to care within the Healthcare District, if not even a little bit outside of that.

Chair Ulliyot asked Dr. Gregory if there was anything within the Accountable Care Act Legislation that provides dental care. **Dr. Gregory** answered no. **Dr. Gregory** said the legislation is vague enough that it should be part of some of it. Unfortunately dental health expenditures are 4.5% of the total expenditure for health care in this country, so it is not a big item. However there is a lot of activity on the State and Federal levels for access to all health. I think there are a lot of opportunities and thank you for letting me report back to keep you posted.

Pat Giorni, Burlingame, stated she has been fortunate enough to hear all the presentations about this program and encouraged the Health Care District to move forward when more information comes in December. She asked if would the District would be funding this 100% or do we have other partners such as the Department of Health in the County or other monies that would be prepared to help. **Chair Ulliyot** asked Dr. Gregory to respond. **Dr. Gregory** said that was a very good question and he feels very strongly that the Healthcare District should not fund this entire project. Dr. Helgeson also feels strongly that this is going to be a model that other healthcare districts in the State can emulate and it should have government, public and private sectors of funding. It is Dr. Gregory's intent to get funding for the planning process from a broad-base of support so it is not perceived by any part of the community to be a franchise, but that it is actually going to be need-based and a "fit" for any community as every community's needs are different.

Pedro Gonzalez, Councilmember, City of South San Francisco, and member of the Senior Focus Committee stated he attended the July 22 meeting in Millbrae and said Dr. Gregory also gave the Senior Focus group information during a meeting and it was very interesting because he lives in a community where there is a lot of need for dental services for seniors. Most lose dental benefits when we retire. There are also a lot of low-income families with children who need care. I fully support the program and hope you will as well.

10. NEW BUSINESS:

A. Alternative Investment Management: Proposal to engage City National Bank to manage a portion of the Board's Reserves for Paramount Default

Chair Ulliyot stated the Board has been reviewing the performance of its two investment funds. The Board reached out to a number of financial managers and asked City National Asset Management to address the Board. **Chair Ulliyot** introduced **Paul Single, Sr. VP & Director of Fixed Income Strategies for City National Asset Management**, to address the Board. **Mr. Single** stated that City National Bank is the 25th largest bank in the country and is based in California with the main business being managing money for public districts like ours with the goals of safety, liquidity and yield. Safety is the key issue here in terms of buying securities. The purpose is to get the investment at a level higher than inflation without subjecting the principal to risk. Those are about the only types of accounts we manage and we are responsible for approximately \$12B in assets. The District has very specific investment guidelines that

have been set forth. They are very specific and are very specific on how much risk is to be taken. The way it works is we will be responsible for managing the investments under those guidelines; your assets will be held in trust along with our assets. We will report regularly to the Board; you will dictate how the money is invested in terms of the desired returns and we will also keep you informed on what is going on in the environment and the market so you have an understanding of what you are doing because there are times when you want to change your investment strategies. This happened several years ago when the financial crisis started and we counseled a lot of our accounts and told them they might want to reduce the amount of risk that they had at the time and they did and it worked out extraordinarily well. We are a very client-focused bank which is what we pride ourselves on. Not only are they getting a good return, our clients understand the process and stay with us. Mr. Single presented how the portfolio would be structured and noted that under District guidelines there cannot be more than 30% of the investment in corporate bonds and all should be in high-grade, highly liquid loans. There are different levels of investment based on credit quality. The United States Treasury is considered to have the highest level of credit quality. The U.S. Government, by the Constitution, has a right to tax the public to pay off its debts. The Government has also set up agencies, such as the credit bureau, which then rate the other agencies.

Chair Ulliot asked if there were any equities. **Mr. Single** said no, there are no equities. Equities on the long term provide a higher rate of return, better chance of profit, but tend to be more volatile. If you have a long term outlook, like a pension fund, that is the case. If you are willing to take risk against principal, that is the case. For the District, none of those qualify, so we will not be investing that way. In terms of how the portfolio will be structured, what we would recommend is 10% Treasury allocation, then a FDIC insured, then agencies we just discussed and corporate bonds. These are all high-grade bonds, there are no junk bonds and they are at the higher echelon of high-grade bonds. So, again credit quality is the key factor here. We have been doing this a very long time and in terms of historical performance, accounts like yours have consistently out-performed the market. Another key thing to remember is we are not earning a commission on transactions, our job is to go out and buy the best bonds at the best price and we shop the market heavily. Stocks are an easy thing to buy, as you can always see what the price of the stock is, but the bond market, is much more like a flea market where you spend your time looking around trying to find the best deal, and that is what we do.

Director Newman asked if we had been investing with you at the time the crisis occurred two years ago, would we have lost money. **Mr. Single** answered none of our investments lost money. There is a lot of credit work done on securities bought ahead of time and yes, fortunately we did not suffer any of the losses that took place.

Director Navarro asked if they were purchasing any derivatives with the investments. **Mr. Single** answered no, they are not allowed under the Board's guidelines and that is a big thing. The guidelines that you set forth are very specific and that is what we would be following.

Chair Ulliot asked about liquidity? **Mr. Single** answered there is no holding period, all the money is yours, under your guidelines they would be extremely liquid securities. They are so liquid that if we were notified early enough in the day, you could have the money that day. They are relatively short maturities, extremely high-grade bonds and so it doesn't have much fluxuation, like derivatives.

Chair Ulliot asked what the management fee is. **Mr. Single** answered it changes. At the first \$5M, it is fifty basis points and this District is offered a discount on that. So the net fee would be attractive relative to your investment in LAIF. There being no further questions:

CHAIR ULLYOT MOTIONED TO INVEST \$5M WITH CITY NATIONAL BANK. DIRECTOR NEWMAN SECONDED THE MOTION. THE MOTION PASSED UNANIMOUSLY.

B. Closed Session Report

Chair Ullyot reported on the Closed Session meeting held on September 20, 2010. There was a presentation by Aegis Senior Housing leaders during the public session. Aegis is a Seattle - based company specializing in senior assisted living and dementia care housing. It was clear in closed session that the Board felt very comfortable with the people and their presentation and the sense of the Board was to go further and to engage in a feasibility study.

Public Comment: **Pat Giorni** reported that it was a spectacular presentation and we should definitely look at that type of investment. She asked that the Board also look at a company that is closer to home and located on the Peninsula; that is Cimino Care. She and Dr. Ullyot toured their facility about a year ago. They are rated pretty well, they look for a developer to develop the building and then they come in and do the care and I think that this is something you may want to look at, along with looking at a company like Aegis.

11. CORRESPONDENCE/MEDIA: No comments were offered

12. ADJOURNMENT:

There being no further business, the meeting was adjourned by **Chair Ullyot** at 19:42 hours.

By:

Kelly Molloy, Community Outreach Coordinator

Approved:

Helen C. Galligan, Secretary

Daniel J. Ullyot, M.D., Chair