

**BOARD OF DIRECTORS
REGULAR MEETING
May 28, 2015**

1. **CALL TO ORDER:** Chair Cappel called the meeting to order at 17:45 hours at Millbrae City Hall Council Chambers, 621 Magnolia Avenue, Millbrae, CA.
2. **ROLL CALL:** Present: Lawrence Cappel, PhD, Chair, Rick Navarro, MD, Vice Chair, Helen Galligan, RN, Secretary, Dennis Zell, Esq, Treasurer, and Cameron Emmott, MD, Director. Also present were: Cheryl Fama, CEO and Colin Coffey, General Counsel.
3. **CONSENT CALENDAR:**

CEO Fama asked that item D: Response to the Civil Grand Jury be pulled.

DIRECTOR ZELL MOVED AND DIRECTOR GALLIGAN SECONDED THE MOTION TO APPROVE THE CONSENT CALENDAR WITH ITEM D. REMOVED. THE MOTION CARRIED 5/0. AYES: DIRECTORS CAPPEL, NAVARRO, GALLIGAN, ZELL, AND EMMOTT NOES: NONE ABSTENTIONS: NONE
4. **ORAL COMMUNICATIONS:** No oral communications were offered.
5. **REPORT OUT FROM CLOSED SESSION:** Chair Cappel reported three major items were discussed: property negotiations, the structure of the relationship with Apple Tree Dental, and the status of the construction costs for The Trousdale. There were no reportable actions.
6. **COMMITTEE REPORTS:**
 - A. **Long Term Planning:** Chair Cappel reported on the May 5 meeting at which Prakash Pinto reported on a national meeting focused on urban planning for healthy communities. Chair Cappel reported on a meeting with Sutter and MPHS leadership. And Mr. Roos and Mr. Pinto provided updates on the Trousdale and master plan projects.
 - B. **Community Health Investment:** Director Galligan – No meeting held; no report.
7. **BOARD CHAIR'S REPORT:** Chair Cappel
 - A. May 5th Groundbreaking at 1600 Trousdale was well attended and well organized.
 - B. May 22nd Chair Cappel and CEO Fama were invited to join a meeting of the PPDP independent physician group from MPHS and Seton physicians. PHCD was invited to give a brief discussion on a possible physician office building on the new development. 15-20 physicians from MPHS and Seton expressed interest in office space in that location.
8. **TREASURER'S REPORT:** Treasurer Zell
 - A. The Auditor RFP process has been carried out. Three firms were considered; the preferred firm's price was significantly higher than the other two and was taken out of consideration. The remaining two are competitive on experience and price. The selection comes down to the Board's position on the importance of making a periodic change in auditors. Treasurer Zell's recommendation is to change, but he does not feel strongly. Director Emmott asked if there was a compelling reason to change auditors. Treasurer Zell responded this process had nothing to do with the quality of the recent audit firm, but rather a good business practice. This is an action item under New Business.
 - B. Treasurer Zell and CEO Fama recently met with a member of the Fiduciary Trust/Franklin Templeton team who is in charge of their real estate investment division. They seek out poorly managed

investments and improve their performance. He believes this manager may be of help to the Board in pursuing future development partners for the Marco Polo project. He stated this was an exploratory meeting only.

9. **DIRECTOR REPORTS:** No additional reports were offered.

10. **CEO REPORT:** The full report was included in the meeting materials. **CEO Fama** commented:

- A. **Consent Calendar Item removed –Civil Grand Jury Interim Progress Report:** New information has been received that will require the letter to the Civil Grand Jury to be revised. Contrary to our previous understanding, in order to qualify for a District of Distinction designation, more Board participation in training modules will be required. We understood that ACHD annual meeting attendance was acceptable; it is not. Each director must attend at least one module of the Special District Leadership Foundation’s governance training program. The second clarification concerns Harassment Prevention Training. The State does not required it for employers with fewer than 50 employees, however, for this credential, every member of the Board and CEO must have completed a program in the past two years. Our response to the Civil Grand Jury will be revised. Information on upcoming classes will be sent to Directors and options for completing harassment training will be pursued.
- B. Recruitment for the new Office Coordinator position has been launched, applications are coming in, and interviews will start after Ms. McDevitt returns. Her input is important to this selection.
- C. Ms. McDevitt, the Community Outreach Coordinator, will be returning in early June.
- D. Pat Frye, Sutter CEO is retiring in January 2016. His successor Sarah Krevans has been with Sutter for sixteen years and has served as COO since 2012.
- E. San Mateo County was successful in recuperating more money from the Lehman Bros. default. PHCD lost nearly \$900,000 and prior to this settlement, had received back about \$500,000.
- F. Today, the State Assembly declared by resolution that May be Health Care District Appreciation Month.

11. **COMMUNITY OUTREACH COORDINATOR REPORT:** No report

12. **OLD BUSINESS:**

- A. **Progress report on the master plan pre-entitlement process: Prakash Pinto, Pinto & Partners**
 - i. Sutter leaders stated a clear position about shared parking and plans for a helipad. Both have impact on building heights and parking that are being incorporated into the plan.
 - ii. Fehr & Peers parking and traffic analysis is nearly complete; results are showing no major traffic impacts.
 - iii. Bava Landscaping is making progress on an inviting, attractive, therapeutic landscape plan.
 - iv. BKF civil engineers are wrapping up their utility analysis such as drainage, sewer line, storm water management, and electricity.
 - v. Two meetings have been held with Gatepath: one with staff to hear about their programs to help define space and parking needs, and one with Board and management representatives to share concept drawings on possible integration into the wellness community plan.
 - vi. Met with Mission Hospice to explore potentially incorporating an 18-bed residential hospice into the program.
 - vii. Met with Dr. Lindeman, Director of Health Care at UC’s Center for Information Technology Research in the interest of Society (CITRIS) to review PHCD’s vision and hear his perspective on how the most current and futuristic thinking about improving quality of life for older adult living could be integrated into the plan. Dr. Lindeman has been invited to present to the Board’s Long Term Planning Committee at its June meeting.

viii. Met with the City of Burlingame planning staff to discuss details related to the entitlement submission process to ensure our efforts are in line. They are and we are on schedule for presenting at a Planning Commission study session in late July/early August.

C. Proposed revision to the Board's Investment Policy– Treasurer Zell

Treasurer Zell referred to the red-lined version of the revised policy in the meeting materials. Changes were proposed by Counsel Coffey in response to the Board's discussion and direction at the last meeting. Treasurer Zell stated he is satisfied with the changes and recommends approval.

TREASURER ZELL MOVED, DIRECTOR GALLIGAN SECONDED, AND THE BOARD VOTED 5/0 TO APPROVE THE STATEMENT OF INVESTMENT POLICY AS REVISED.

AYES: CAPPEL, NAVARRO, GALLIGAN, ZELL, AND EMMOTT; NOES: 0; ABSTENTIONS: 0

D. Recommendations for New Members to the Finance Committee: Treasurer Zell

Treasurer Zell reported that he has met with a couple of potential candidates, but is not prepared to make any recommendations at this time.

13. NEW BUSINESS:

A. Apple Tree Dental (ATD) Affiliation with the Coastside Medical Dental Clinics, Inc. (Sonrisas) – Dr. Dick Gregory, ATD San Mateo Center Director:

Dr. Gregory announced the San Mateo Center opened today, May 28th. He showed photos of the office, staff, and first patient and then announced the affiliation with Sonrisas of Half Moon Bay. Sonrisas is a 501C3, independent, non-profit, one-dentist office. He knows the dental director and has been "informally" exploring a collaborative partnership for more than a year. The timing of the affiliation was accelerated due to licensing issues experienced by Apple Tree and its LLC model – a model that worked in the other four states they are in, but not in California. In response to **Director Zell's** questions, Dr. Gregory stated Sonrisas does not do anything that ATD does not already do; however, it is an Advanced Graduate Education in Dentistry facility which will speed up ATD's involvement in education. ATD will bring its model to Sonrisas which will expand Sonrisas' ability to serve clients with mobility issues, who are institutionalized, and who have a variety of insurance coverages. [Currently Sonrisas is limited to serving only those with no insurance.] In response to **Director Emmott's** questions, Dr. Gregory reported that subspecialty dental care will be referred out to community dentists who have agreed to discount fees and do pro bono work. When the San Mateo ATD Center is fully equipped, they will bring on an oral surgeon and endodontist. Currently they have a staffing level of 3.5 full time equivalent dentists covered by 6 different dentists.

Director Zell stated that PHCD was asked to sign an approval of the affiliation and this will be tabled as it is not clear if that is necessary and the Board has direct counsel doing more due diligence. He also stated that he is more comfortable with the affiliation after hearing more about Sonrisas.

B. Audit Firm Proposal for FY 2015-2016 – Treasurer Zell

TREASURER ZELL MOVED AND DIRECTOR NAVARRO SECONDED THAT MOSS, LEVY AND HARTHEIM BE ENGAGED TO PERFORM THE FY 2015 AUDIT. THE MOTION PASSED 5/0 AYES: CAPPEL, NAVARRO, GALLIGAN, ZELL, AND EMMOTT; NOES: 0; AND ABSTENTIONS: 0

C. PHCD Budget Proposal FY 2016 – Treasurer Zell/ CEO Fama

Treasurer Zell reported he had reviewed the proposed budget and invited CEO Fama to walk through the details. CEO Fama focused on: key drivers, changes over the prior year (i.e. Master Plan entitlement process, new programs, and new Office Coordinator position), the resulting net

contribution to reserves, and compliance with financial performance indicators established by the Board's Long Term Finance Policy. She also presented revenue and expense trended data over the past 5 years as compared to the proposed budget.

In response to **Director Emmott's** questions, the full budgeted amount for FY 2015 for the Healthy School Initiative will be expensed before the end of this fiscal year. **Director Emmott** expressed concern about the disconnect between adolescent care in the county and the medical community. He would like to see physicians get more involved in doing education to students on such things a smoking cessation and birth control. He would like to see the physician community get more involved. **Treasurer Zell** suggested that staff explore possible program opportunities with our good partners. **Chair Cappel** suggested we follow up one year from now with the schools in our Healthy Schools program to hear not so much what they did over the next year, but rather how it impacted the health of their students.

Chair Cappel expressed concern for the high consulting numbers and questioned whether we are getting value for those investments citing the recent project costs and compliance with schedules and stated he felt there was not sufficient oversight. **Treasurer Zell** stated he thinks those statements do not apply to all consultants, but are more related to the recent activities related to the Trousdale. **Counsel Coffey** cautioned that discussion focus on the budget presentation. **Chair Cappel** re-emphasized that any consultant brought on get the needed oversight. **Director Navarro** questioned if the Board wanted to increase the community health investment line item beyond \$2M given all the multi-year special funding initiatives have been completed. **Treasurer Zell** noted CEO Fama had proposed that and he felt, given the major development projects underway and possible real estate purchases, it would be best to stay with the previously budgeted amount. He pointed out that the budget can be modified by the Board during the course of the year as things change. **Director Galligan**, Chair of the Community Health Investment Committee, noted that in prior years that \$2M covered MD recruitment and RN Tuition Loans and both programs have been suspended due to lack of activity, therefore, the amount available for community grants has actually increased. She is okay with leaving the budget at \$2M. There being no further questions or discussion,

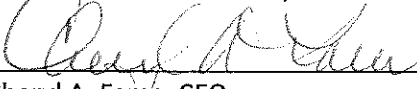
TREASURER ZELL MOVED AND DIRECTOR GALLIGAN SECONDED THAT THE FY 2016 BUDGET BE APPROVED AS PRESENTED. THE MOTION PASSED 5/0.

AYES: CAPPEL, NAVARRO, GALLIGAN, ZELL, AND EMMOTT; NOES: 0; AND ABSTENTIONS: 0

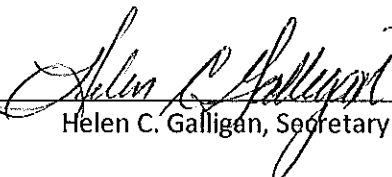
14. MEDIA CORRESPONDENCE: Chair Cappel called attention to the Business Times article on PHCD's Trousdale project and the announcement about further integration of healthcare systems.

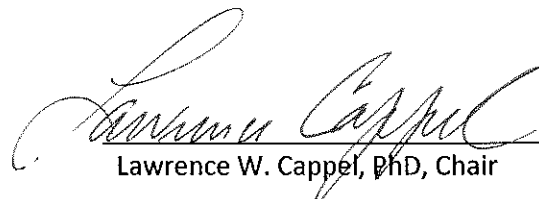
15. ADJOURNMENT: Chair Cappel adjourned the meeting at 19:10 hours.

Written and submitted by:


Cheryl A. Fama, CEO

Approved:


Helen C. Galligan, Secretary


Lawrence W. Cappel, PhD, Chair