1. **CALL TO ORDER:**
Chair Ullyot called the meeting to order at 17:50 hours at the City of San Mateo Council Chambers, 330 West 20th Ave, San Mateo, California.

2. **ROLL CALL:**
On roll call there were present Dan Ullyot, MD, Chair, Rick Navarro, MD, Vice-Chair, Helen Galligan, RN, Secretary, Larry Cappel, PhD, Treasurer, and Joe Goethals, Esq., Director.
Also present were: Cheryl Fama, Chief Executive Officer, Colin Coffey, District Legal Counsel and Joey Juni, Executive Assistant.

3. **CONSENT CALENDAR:**
The Consent Calendar consisting of the Regular Session minutes for March 28, 2013, the Treasurer’s Report, and the unaudited Financial Statements for March 31, 2013 were presented.

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

4. **ORAL COMMUNICATIONS:**
No oral communications were offered.

5. **OATH OF OFFICE to:**
Chair Ullyot introduced the honorable Dave Pine, San Mateo County Board of Supervisors, District 1, who administered the oath of office to newly appointed District Director, Joseph M. Goethals. Director Goethals was accompanied by his wife Sharon and their two daughters.

6. **COMMUNITY EDUCATION:**
   “Children’s Health Insurance Coverage in San Mateo County – Sustaining Our Success in an Evolving Landscape”
Chair Ullyot introduced Srija Srinivasan, Director of Strategic Operations, SMCo Health System, who gave the presentation. [The presentation is appended to and made part of these minutes]. Ms. Srinivasan thanked the Board for its decade long support and introduced members of the CHI team also present. In summary,
   - SMCo is 1 of only 2 counties in California to sustain universal children’s coverage without a waiting list.
   - SMCo has among the highest rate of children’s insurance coverage (95%) in California.
   - More than 36,000 children are enrolled in the public health program (1 in 5).
   - 6000 children that had been in Healthy Families will move into Medi-Cal.
   - 4000 children in the Kaiser program will move into the Health Plan of San Mateo.
   - Through the Covered California Exchange program, children under 18 with family incomes up to 400% of Federal Poverty Level are eligible.
   - San Mateo County is the only county in California to offer coverage to children above 300% of Federal Poverty Level.
   - Partners in the plan include 516 pediatricians, all local hospitals, including Lucille Packard Children’s Hospital.
   - Healthy Kids enrollees receive dental coverage through Delta Dental.
She wrapped up by stating that the biggest challenge going forward with implementing Covered California will be getting the historically uninsured population to understand the value benefit of paying $100/month for insurance.

Chair Ullyot asked how the county was able to spread the word on the various plans available. Ms. Srinivasan stated they were able to get word out through community outreach via the various non-profit organizations in the county and through work with the general hospital.

Director Goethals asked if the Cover California program will squeeze current providers now that a large portion of the population is eligible. Ms. Srinivasan said she wasn’t sure what the true impact will be as they are still assessing the plan. He then asked what the “aging out” trend was for CHI. She responded: More age out than move in. Once kids reach the age of 18, they are eligible for the county’s ACE (Access to Care for Everyone) program.

Director Cappel asked if the county is now a competitor to traditional providers such as Blue Cross and Kaiser. Ms. Srinivasan responded by stating that none of the plans within the health system competes with either Blue Cross or Kaiser. Eligibility will be determined by income and documentation status.

Chair Ullyot asked if the 80/20 rule applied to the pattern of children’s health care expense distribution wherein 20% of the members drive 80% of the costs. She responded no; high utilizers/children with complex needs are covered under CCS and have special resources to help manage the care of these kids.

There being no additional questions, Chair Ullyot thanked Ms. Srinivasan for her presentation.

7. COMMITTEE REPORTS:

   A. Long Term Planning: Chair Ullyot reported on the meeting that took place on April 23rd. The committee heard Keith Hearle’s draft report on his findings and recommendations to the Board for its Finance Policy going forward. Mr. Roos provided a progress report on the Assisted Living/Memory Care Project. Both gentlemen will present their reports later in this meeting.

   B. Sutter Oversight/Building Committee: Chair Ullyot reported that the agreement between Mills-Peninsula and the Jewish Senior Living group, selected to run the MPHS Skilled Nursing Facility, has fallen through. Mills-Peninsula is currently in negotiations with Country Villa to take over operation of the Skilled Nursing Facility at 1609 Trousdale.

   C. Community Health Investment: Director Galligan reported there have been no meetings. There have been site visits to three grant recipients—The Latino Commission, Peninsula Jewish Community Center’s Senior Transportation Program, and Catholic Charities Adult Day Health Program.

   D. Redevelopment Oversight Boards: Director Cappel reported there hasn’t been a meeting the past 2 months for the San Bruno Oversight Board and only a couple meetings so far this year for the San Mateo Board.

8. BOARD CHAIR’S REPORT: Chair Ullyot stated he had nothing to report.

9. DIRECTOR REPORTS:
A. ACHD Legislative Day: Director Cappel reported that he and CEO Fama held informative and productive meetings with constituents from other Districts. He noted that a focus of conversation concerned the Covered California Exchange Program which is set for open enrollment in October and full implementation in January 2014. On the second day, participants meet with their legislators at the Capitol. He found it to be an important activity to do and encouraged other Directors to consider participating next year.

B. San Mateo Progress Seminar: Directors Galligan and Goethals reported on this countywide annual seminar; this year it was held in Monterey April 12th - 14th. There were about 250 participants from the private and public sectors and a variety of speakers and breakout sessions that covered a range of topics from Covered California to “Why it Takes So Long To Build Anything”.

C. Grant Recipient Site Visits: Directors Galligan and Goethals reported on the site visit to Latino Commission, PJCC Get Up and Go and Catholic Charities CYO.

10. CEO REPORT:

A. 2013 Community Health Needs Assessment: The SMCo. 2013 Community Health Needs Assessment was conducted and produced by the County and the Healthy Community Collaborative, of which the District participates. SMCo is the 3rd healthiest county in California and has made positive gains in a number of areas since the last report. However, more work is needed in the area of preventable diseases. The report found that 85% of SMCo. Adults exhibit at least one cardiovascular risk factor and 54% do not participate in regular vigorous physical activity.

B. LAFCo Information: An updated summary sheet was distributed to the Board for reference. It outlined the history and purpose of LAFCo. Created in 1963, it is a State mandated independent commission with countywide jurisdiction over changes in the organization and boundaries of cities and special districts. Supervisor Don Horsley is the current Commission chair.

C. Financial Advisor for 1600 Trousdale Project: Gary Hicks, of G.L.Hicks Financial, has been retained to advise management on financing strategies for the AL/MC project.

D. Community Activities Report: Ms. Fama referenced the summary contained in the Board materials. In addition to the site visits already reported on, Ms. Fama and Mr. Juni interviewed the leaders of the SMCo Medical Association’s Hep B Free Program, and she toured the Ravenswood Clinic in East Palo Alto. The latter was to explore any possibility of partnership with the District’s funded clinic at Belle Air School.

11. OLD BUSINESS:

A. Assisted Living/Memory Care Project: Chair Ullyot introduced Joel Roos of Pacific Union Development - PHCD’s Owner’s Representative heading the project, and Bill Hendrickson of Hendrickson Consulting who is analyzing the project costs, financing requirements, and impact on equity investment. [Their power point slides are appended to and made part of these minutes.] Based on the Board’s decision to do underground parking, a minimum of five additional units have been added bringing the total up to 122. Mr. Hendrickson stated there are four key components to his analysis: Project costs, Financing assumptions, Rates and revenues, and Staff and operating expense. Using the project cost of $45 million with an additional $2 million for contingencies, and the financing assumptions driven by a Cal Mortgage insured loan with a long term rate of 5%, he concluded that more work was needed to get the unit count up, the cost per unit down, the efficiency of the building up from 48.5% to closer to 60%, and the demand for cash equity down. Mr.
Hendrickson also reported that he found the Eskaton start up and operating cost projections to be consistent with the market. There was a robust discussion about the need to:

- Create and maintain an attractive and efficient space
- Factor in a number of Below Market units
- Re-check the unit rates used in analysis; they seemed lower that Director’s personal experience

Mr. Roos summarized their presentation acknowledging that their marching orders were clear and he would be dedication the next month’s work to getting the construction costs down.

**B. PHCD Strategic Finance Policy – Review & Recommendations: Keith Hearle of Verite Consulting**

*The report is appended to and made part of these minutes.* He opened his presentation by providing an overview of the reasons and research that contributed to the development of the current policy. He noted that while targeted growth in the Board’s asset value was met each year, total spending was held below allowable levels to accommodate the economy challenges that hit the interest earnings and tax revenue assumptions. The last policy was concerned with Sutter’s financial position while the construction was going on and costs were increasing. He noted that the risk of paramount default, in the near term, is much less now that the hospital is built and Sutter has achieved one of the highest bond ratings of any healthcare system. He then called attention to the obligation in the Master Agreement that requires the District, at the end of the lease buyout, to reimburse Sutter for the remaining book value of any fixed asset purchased within the last 25 years of the lease. This clause should always be taken into account on future budgets and financial policies up to and including putting into an “escrow” account sufficient capital to achieve the needed amount at buy out time. He then proposed short and long term recommendations:

**Short Term:**
- Continue funding of previously approved special initiatives and projects, such as the Healthy Schools Initiative, ACE support, and the preliminary work on the Health-Focused Campus
- Continue budgeting up to $2 million in the Community Health Investments annual line item.
- Continue to working on financial analysis and implications of proceeding with the various proposed projects in discussion for the Health-focused Campus.

**Long Term:**
- Adopt policies that assure the District maintains the highest credit worthiness.
- Set meaningful financial indications and budget to those indicators. (E.g. EBITDA, Days Cash on Hand, Ratio of Debt to Capital, etc.)
- Continually monitor risks associated with Paramount Default.
- Review the Board’s Finance Policy on a periodic basis.

**Chair Ullyot:** What are the consequences were for the District should it not have the funds to buy back the hospital. Counsel Coffey said that would be tantamount to a breach of contract. Chair Ullyot noted that it might be wise for the District to find another partner towards the end of Master agreement to limit its liability. Counsel Coffey agreed to send his analysis of the penalty for a District Breach of Contract to the Board.

Chair Ullyot thanked Mr. Hearle for his thorough report, thoughtful analysis and practical recommendations. He directed staff to prepare two budget drafts for FY 2014: one using the current policy spending limit and fund growth target and another that will achieve a set of relevant credit worthiness indicators. Chair Ullyot then summarized by offering the following observations:

- The recommendations set priorities that are functions of credit worthiness to better position the District in carrying out its Master Development plan over the next 10-20 years.
- The recommendations challenge the District’s commitment to non-profit, community-based organizations.
- Any new project will bear even great scrutiny going forward.
C. Amendment to PHCD Agreement with Hummel, Green and Abrahamson, Inc.: Chair Ullyot asked CEO Fama to expand on the request. CEO Fama said the additional $63k requested is needed to cover HGA’s time to complete the development work on the master plan for submission to the Burlingame Planning Commission. The work as initially envisioned was extended by the conflicting messages received relative to the level of detail required before an initial submission for entitlement could be made. The requested amount will be spent over the next 3-6 months.

Chair Ullyot moved and Director Goethals seconded the motion to approve the HGA’s Agreement Amendment as submitted for an additional $63,000 to complete the work needed bring the Health Campus Master Plan to submission to the Burlingame Planning Commission. The motion carried unanimously.

Director Cappel commented that a good architectural group would have known the expectations of the city prior to submitting its initial contract and would not be coming to the Board now for an extension.

D. Healthy Schools Funding Policy: Director Galligan reported some of the school districts were not able to recruit and hire all the positions covered by this funding initiative. They have requested that any unused funds from school year ’12-’13 be rolled over into the funding that has been previously approved by the District Board for school year ’13-’14. She proposed to allow the extension provided they submit an explanation for the extension.

Director Galligan moved and Director Navarro seconded the motion to allow each school district to roll over any unused grant funds from FY 2013 into FY 2014. Each school district will be required to submit an explanation for the request and a detailed plan and budget for how the additional funds would be integrated into the health programs and budget for FY 2014. Each request would be reviewed and approved by the PHCD Health Schools Program Manager and CEO. The motion carried unanimously.

E. UCSF Nursing and Health Systems Leadership program-Internship Wrap Up: Erin Clark gave final report on her internship. She thanked the Board and CEO Fama and for the opportunity and noted that while her time with PHCD focused on the Healthy Schools and Family Wellness University, her thesis was based on building design for senior living. She became very interested in this as an observer of the Board’s Long Term Planning Committee work. Chair Ullyot wished her well in her future professional endeavors. CEO Fama thanked her for her work and then called up Angelo Aguila, and University of Phoenix MSN candidate who may be doing his practicum with the District over the next 10 months.

12. NEW BUSINESS:

A. City National Bank Investment Manager Report: Darrel Claridge, Senior Private Client Advisor reviewed PHCD’s investment objective (Short term, immediate fixed income), sector allocation, effective maturity schedule (Average 2.93 years), effective duration (2.74 years), quality ratings (Average AA), and performance to date as compared to Barclays 1-5 Year U./S. Government Credit Index:

- 2012: 3.34% PHCD; 2.23% Barclays
- Inception: 2.70% PHCD; 2.50% Barclays
- Total holdings under management: $11,912,758

There being no questions, Chair Ullyot thanked him for his report and the performance.
13. MEDIA CORRESPONDENCE:
The 4/17/13 email from the County was called to attention. It documented the issuance of the third Lehman payout to the District of $44,935.

14. ADJOURNMENT: The meeting was adjourned at 8:30 pm

   Next Board Meeting: Thursday, May 30th, Burlingame Council Chambers

Written and submitted by:

_____________________________________
Joey Juni, Executive Assistant

Approved:

_________________________________  ______________________________
Helen C. Galligan, Secretary             Daniel J. Ullyot, M.D., Chair