



**BOARD OF DIRECTORS
BOARD MEETING
February 25, 2016
PHCD Classroom**

- 1. CALL TO ORDER:** Chair Cappel called the meeting to order at 17:45 hours at the PHCD Office.
- 2. ROLL CALL:** Present were Chair Cappel, Vice–Chair Navarro, Secretary Galligan, Treasurer Zell, and via phone from Texas as publicly noticed, Director Emmott. Also in attendance: Counsel Coffey, CEO Fama, and staff members Ashley McDevitt and Paul Wright.
- 3. CONSENT CALENDAR**
 - A. Minutes from the February 4, 2015 meeting
 - B. Statements of Assets and Activities, Q2, FY 2016
 - C. Treasurer’s Report and Checking Transactions for period ending 1/31/16
 - D. CEO Monthly Report

Director Zell moved and Director Galligan seconded approval of the Consent Calendar as presented. The motion passed 4-0-0
- 4. ORAL COMMUNICATIONS:** No oral communication was offered.
- 5. PRESENTATIONS:**
 - A. Special District Leadership Foundation Presentation of “District Transparency Certificate of Excellence”,**
Dane Wadle, CSDA Public Affairs Field Coordinator
Mr. Wadle presented the PHCD Transparency Certificate of Excellence to Chair Cappel. He explained the Foundation’s mission which is to promote excellence and explained the process involved for the PHCD to qualify. Chair Cappel thank Mr. Wadle for attending the meeting to make the presentation.
 - B. 2015 Communications Activities and Results: Jen Gainza, MacKenzie Communications**
[Presentation appended to and made part of these minutes.]
Ms. Gainza reviewed PHCD’s marketing and communications goals, strategies, and tactics and the positively trending metrics as a result of carrying out the plan. Chair Cappel asked and Ms. Gainza responded that MacKenzie is paid a monthly retainer of \$3,500, to which he responded “That was a bargain”. He asked if there are any good metrics for a population this size that says we should have X number of impressions, and if so, what would it cost? Ms. Gainza responded it could be looked into and would be expensive. To Chair Capel’s question about ways to get more constituents to the Board meetings, CEO Fama noted that special events such as the community partners meeting and Trousdale groundbreaking attract good attendance, but regular business meetings are more challenging. Vice Chair Navarro posited that the number of people that come to Board meetings is related to their displeasure with something. Secretary Galligan commented on the number of positive letters of support that got published in the Daily Journal in response to a recent letter critical of the District. Treasurer Zell said he thought Ms. Gainza did a good job with social media and suggested it may be a good idea to do full page or half page newspaper ads promoting all the District's projects.
- 6. COMMITTEE REPORTS:**
 - A. Long Term Planning** - Chair Cappel reported on the February 3rd meeting, including the bidding process, the Peninsula Wellness Community planned outreach activities, and the process underway to identify a developer.

B. Community Health Investment –No meeting, no report.

C. Finance – Director Zell reported that he and CEO Fama met with some potential new members for the Finance Committee. Secretary Galligan asked how many members there will be. Director Zell said himself, CEO Fama, the staff accountant, and three new members.

7. BOARD CHAIR'S REPORT: Chair Cappel reported he was in attendance at the opening of the contractor bids at the publicly noticed meeting on February 23rd. He participated in the ribbon cutting at the grand opening of the new Kimochi facilities in San Mateo to which PHCD had contributed \$300,000 for the affordable assisted living units and professional kitchen to be used for a home-delivery meal service to shut-in seniors. In response to Vice Chair Navarro, CEO Fama reported that the front garden, which will be attributed to PHCD's donation is not complete with signage yet. Chair Cappel also reported on a meeting with Jordan Bloom, the Chair of the Mills-Peninsula Health Care Community Advisory Board, Dr. R. Gandhi, Independent Practitioner, and Director Zell and CEO Fama.

8. TREASURER'S REPORT: Director Zell reported there have been several meetings on a number of issues, including development proposals and the Finance Committee member recruitment.

9. DIRECTORS' REPORTS: None were offered.

10. CEO REPORT: CEO Fama noted her monthly report was in the Consent Calendar and turned her time over to Ashley McDevitt, Community Outreach Coordinator.

Community Outreach report: Ms. McDevitt reported on PHCD's first Healthy Living Workshop and the overwhelming interest. Additional classes have already been scheduled. There have been meetings regarding mental health needs of high school students within the District. The PHCD Nutrition Literacy Program has been very successful, with the assistance of Julie Engberg, RD, who has made presentations to parent groups and various health and wellness fairs. A signup sheet was handed out to Directors listing upcoming community events that they may want to attend. Director Zell complimented Ms. McDevitt on all her work on the mental health projects, and CEO Fama for bringing on more staff to free up Ms. McDevitt to devote more time to the community. Ms. McDevitt commented that interest in partnering with the District has increased, and various organizations are interested in collaborating on several issues and programs.

11. OLD BUSINESS:

A. The Trousdale Project: David Marks, Nova Partners

David Marks of Nova Partners summarized the February 23rd bid opening meeting. Three bids were received:

BuildGroup for \$54M

Lathrop for \$53.4M

SJ Amoroso, \$52.3M

All GC's are responsive and responsible, with no exceptions or qualifications. Therefore, the S.J. Amoroso bid was the lowest qualifying bid.

There were over 300 subcontractors participating, from a wide geographic area including Southern California. Nova has worked in the past with 50% of the subcontractors under Amoroso's bid. The execution of a contract would be the next step in the process the permit should be in hand by the end of March or early April. Chair Cappel asked how much less is the total bid now from the first time. Director Zell noted the value engineering reduced it by \$5.7 million, bringing the current bid to \$52.3 million from \$59 million. He then asked Mr. Marks about line 66 of the budget, construction owner contingency that went from \$2.3 million to \$4.2 million. Mr. Marks responded, due to the GMP nature of the bid he advised increasing the contingency to be consistent with his experience with such projects. Chair Cappel confirmed that it went from a total cost all in pre-value engineering project of \$81 million to a post value engineering and second bidding project of \$77.5 million. Director Zell said the \$81 million project had

some value engineering, but the bids were actually higher. **Chair Cappel** asked if the net reduction was indeed \$6 million. **Mr. Marks** confirmed that was correct.

Chair Cappel thanked Mr. Marks and his Nova team for doing such a good job and going through such a lengthy, complicated process. **Chair Cappel** mentioned that now the Board has to ask themselves if they want to build this building, and if so, how will it be paid for, and does it make sense? **Director Zell** asked Mr. Marks about his general opinion about the building market right now. **Mr. Marks** answered that the backlog is not as large as it was a year ago. He said for this project, the electrical part increased the most from the first bidding process, as that is the hottest trade market. **Director Galligan** asked if we will get backlash from the unions as some of the subcontractors are non-union. **Mr. Marks** answered that he does not think so, as Amoroso used both union and non-union workers and most will be union.

Updated market data – **CEO Fama** commented on the distributed report and remarked that the market has become more competitive and will continue to be when the 150 units open in Foster City. **Chair Cappel** asked if the Sunrise's occupancy is indeed at 75%. **CEO Fama** said that's what two different people were told on two separate occasions. Sunrise targets a different market, the rooms are smaller, and they don't have the amenities on the first floor, so the Trousdale should be competitive in the area. Memory care is in demand throughout the county. Originally it was felt the occupancy rate could be at 92% within the first 24 months, but that has been updated to 32 months on the projections to reflect the number of units that will open from 2015-2017. Also, the geographically closest competitive facilities tend to be smaller and older with some skilled nursing. **Director Zell** said that the pricing structure at Sunrise requires a large deposit, and have many 'add-ons'. **CEO Fama** commented that Blue Moon Capital looked at PHCD's 2015 market survey and confirmed it was well done by Gerontological Services, Inc. and reaffirmed assisted living is still a growth market locally and nationally.

Updated Operating Proforma and Construction Cost/Debt Impact on Cash Flow and Board Designated Funds. – **Bill Hendrickson**, Hendrickson Consulting and **Gary Hicks**, G.L.Hicks Financial, LLC

Mr. Hendrickson and **Mr. Hicks** went over the reports included in the Board materials which covered the Sources and Uses of Funds and Debt Payments; Summary of rates in FY16 dollars; combined assisted living/memory care cash flows; and a summary of key PHCD financial indicators and ratios. The projections assumed an April start to construction and opening between November, 2017—January, 2018. **Mr. Hendrickson** mentioned that there's two ways of charging residents: one is to duplicate the strategies of many competitors by stacking services on top of a base rate; the other is to charge them by assigning a level of care, which seems to be a more honest approach. The Trousdale will assign levels. **CEO Fama** confirmed that the financials did reflect ten units at below market rate per the previous Board directive.

Mr. Hendrickson continued that FY2021 will be the first stabilized year. **Chair Cappel** asked if in the year 2022, what might a REIT offer for the building and operation. **Mr. Hendrickson** answered that the appraisal value might be in the \$50-\$60 million range. **Mr. Hendrickson** then reviewed the key PHCD financial information and ratios. **Mr. Hicks** mentioned that \$5-\$10 million additional debt capacity is the maximum that can be realistically expected. **Mr. Hicks** went on to talk about the debt coverage ratio that lenders look at, as well as leverage issues, as this will be a highly leveraged project. Any future projects might be difficult to pursue until this project becomes stabilized. **Vice-Chair Navarro** said in regards to the discounted units, if a charitable foundation could be set up to assist funding those units so the rent received could be the same as the other comparable units, would the numbers be affected. **Mr. Hendrickson** responded only slightly. **Director Zell** wanted to confirm with **Mr. Hendrickson** that if this were a for-profit project, they would want increased equity. **Mr. Hendrickson** confirmed and said if that were the case, lenders would want to see less debt and leverage. **Chair Cappel** said that it appears that this is an economically viable project as long as the District does not seek a return on its investment for quite some time. But if it is to be built to assist people in the community, then it could exist adequately as a stand-alone entity. However, it may change or

limit the options available to the Board in carrying out the planned Peninsula Wellness Community project. **Mr. Hicks** confirmed that was an accurate assessment. **Director Zell** noted that any purchase of the Burlingame School District and Gatepath properties would be impacted by increased equity required to construct the Trousdale. However, if we can't prove that the District can plan and build a project, that's also a factor. **Chair Cappel** thanked Mr. Marks, Mr. Hicks, and Mr. Hendrickson for all their work and input. **Director Zell** then requested a recess, and **Chair Cappel** concurred.

[19:30 –19:40pm Break]

Chair Cappel resumed the meeting at 19:40 hours. Summarized the information that had been reviewed with the Board. He asked if there were any further questions. Hearing none, he called for a motion.

It was moved by Director Galligan and seconded by Director Navarro to accept the lowest bidder, SJ Amoroso and to direct the CEO, pending confirmation of securing \$10M in additional debt from Western Alliance Bank, to proceed with entering into a contract for construction of the assisted living/memory care project.

Discussion: **Director Zell** emphasized that he had reservations about the project - the cost of the project has more than doubled since December, 2013, and as a long term investment he feels suspicious of the projected occupancy rates and revenues. He expressed concern that this project would delay the larger Peninsula Wellness Community project, weaken the Board's negotiating position, hamper the ability to acquire other land parcels, and go forward with other projects. Also, he feels that the population that will benefit will only be those of higher means. Therefore, he intends to vote no for this project. **Chair Cappel** expressed his mixed feelings on the project. His basic concern is that it only serves a small portion of the population, which may result in public relations problems for the District. However, going forward with the project will impact how they proceed with the Peninsula Wellness Community project. He also emphasized that the District hasn't built anything yet, and he believes it is crucial to demonstrate that the District can carry out a project before going much further forward with the Peninsula Wellness Community plan. **Vice-Chair Navarro** stated that if PHCD partnered with the right organizations, the larger project could still be built without many problems, citing the state-of-the-art Sutter hospital that was built on District land. **Chair Cappel** asked since there are only four members present, how many votes do they need to pass the motion. **Counsel Coffey** said there would need to be three ayes to pass unless there was an abstention, then there would only need to be two to pass.

Chair Cappel called the question: *The motion passed 2-1-1-0*

AYES: *Galligan and Navarro*

NOES: *Zell*

ABSTENTIONS: *Cappel*

ABSENT: *Emmott*

It was moved by Director Zell and seconded by Director Galligan to approve the amended budget that was presented at this meeting as Exhibit A. The motion passed 4-0-0

B. Peninsula Wellness Community:

1) Summary Report, budget, and EIR Schedule: CEO Fama

CEO Fama referred to the Summary Report and called attention to the performance to budget through 1/1/16, the EIR Schedule, and noted the schedule, the planned 3/12/12 neighborhood engagement session, and the 3/19/16 presentation to Burlingame's annual Joint Study Session with the Council and the Planning Commission.

2) Neighborhood Engagement – Next Phase: Candace Hathaway

Ms. Hathaway gave her presentation on the Peninsula Wellness Community Outreach Update. She spoke of the timeline, meeting feedback, methods of outreach and the agenda. At the meeting, concerns were expressed

about traffic, pedestrian access and safety, and noise. There is also a lot of interest in the open space usage. Charrettes will be used to capture input on such things as design guidelines.

3) Selection of Developer(s) – Proposal to engage a Development Analyst to assist Board with defining next steps and strategies for proceeding with the Master Plan and selecting Developer - **Director Zell** stated a different skillset is needed than currently represented on the Board and with our consultants. There is a need for experience financial analyses and financing strategies for large developments of this type. Choosing the right development partners is a critical decision facing this Board. He briefly summarized the qualifications of two candidates under consideration. Given how important this relationship will be, he requested that the full Board participate in the interviews. **Chair Cappel** affirmed the consensus was to have the full Board participate. **Director Zell** requested that the meetings occur as soon as possible.

Director Zell also suggested that the Board take another look at senior housing to see how much demand there is in this area and confirm realistic income projections that could support a number of the other projects under consideration. **Chair Cappel** wants to see a survey that shows the likelihood of people actually entering into independent housing in this geographic area. **Director Zell** responded that it would be a survey of independent living in this immediate market, the occupancy, average rent, and other important statistics. **Chair Cappel** emphasized he wants the consultant for the major decisions to provide incremental value for the project that definitely helps the Board make the correct decisions to best serve the vision for the project. **Director Zell** responded you can pay them hourly rather than by percentage, but that his meetings with two candidates were extremely valuable.

Director Zell moved and Vice-Chair Navarro seconded that there be an allocation of \$7,500 to engage Sedway Consulting to study the local demand for independent senior housing. The motion passed 4-0-0

12. NEW BUSINESS:

- A. CEO Annual Performance and Compensation Review – Report out from Closed Session: **Chair Cappel** reported that the Board was unanimous in rating the CEO as doing an excellent job. They offered to her and she accepted a combination of the automatic CPI increase and a merit increase that brought the new base salary to \$228,000.

Director Zell moved, Vice-Chair Navarro seconded and the motion passed to award CEO Fama the increase noted above. The motion passed 4-0-0

CEO Fama said she appreciated the vote of confidence and support.

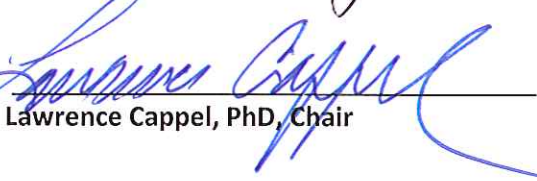
13. MEDIA AND CORRESPONDENCE: There were no comments.

ADJOURNMENT: The meeting was adjourned by **Chair Cappel** 2030 hours.

Written and submitted by Paul Wright, Office Coordinator.

Approved by


Helen Galligan, RN, Secretary


Lawrence Cappel, PhD, Chair