



**BOARD OF DIRECTORS**

**BOARD MEETING**

**March 23, 2016**

**PHCD Classroom**

1. **CALL TO ORDER:** Chair Cappel called the meeting to order at 16:50 hours at the PHCD Office.
2. **ROLL CALL:** Present were Chair Cappel, Vice–Chair Navarro, Secretary Galligan, Treasurer Zell, and Director Emmott. Also present were Counsel Coffey, CEO Fama, and PHCD Staff Ashley McDevitt.
3. **CONSENT CALENDAR:** Director Zell asked that the March 10, 2016 minutes be pulled.  
*It was moved by Director Emmott, seconded by Director Zell and approved 5/0/0 to accept the Consent Calendar items as presented, with the exception of the March 10, 2016 minutes.*

**Board Minutes for March 10, 2016:** Director Zell asked that it be noted in the minutes that the additional financial detail provided by Mr. Hendrickson was very helpful in understanding the rolled up information in the financial tables presented at the March 10 meeting. Director Galligan asked that the minutes record that Joe Galligan, under Public Comment, noted that the District’s property tax revenues for the first six months of FY 2016 were up 9% over the prior fiscal year first six months.

4. **ORAL COMMUNICATIONS:** No oral communication was offered.
5. **COMMITTEE REPORTS:**
  - A. **Long Term Planning:** Chair Cappel reported on the March 2<sup>nd</sup> meeting.
  - B. **Community Health Investment:** Chair Galligan reported no meetings scheduled until fall.
  - C. **Finance Committee:** Chair Zell reported a meeting is being scheduled in April.
6. **BOARD CHAIR’S REPORT:** No report.
7. **TREASURER’S REPORT:** Treasurer Zell noted his report under the Consent Calendar; nothing further to report.
8. **DIRECTORS’ REPORT:** No reports.
9. **CEO REPORT:** Updates on items covered in the CEO Report under the Consent Calendar included:
  - A. Assisted Living/MC project permit is still waiting on plan check comments for Structural.
  - B. Amoroso contract is done and ready for signing pending securing additional funding.
  - C. Amoroso is pursuing leasing space from the Dharma Realm Buddhists whose parking lot is adjacent to the construction site to use as the logistics site vs. using PHCD property off or Marco Polo.
10. **COMMUNITY OUTREACH COORDINATOR REPORT:**

Ms. McDevitt noted this would be her last meeting until she returns from maternity leave. She provided an update on the status of the Teen Mental Health project she has been working on for the last 8 months. Her ‘marching orders’ were to assess the environment – needs and services, identify gaps in service, identify latest trends and successful models, and determine what role PHCD could play in addressing the need. She worked with all the high schools, county mental health services, Dr. Becker from MPHS, and the Stanford Behavioral Health Team. It was determined that a program operated by

the San Mateo Unified High School District with consultative services from Stanford was a feasible model that would provide the broadest coverage to the high schools- students and teachers. The 3-year pilot program and staffing model is being presented to the San Mateo Unified High School District Board at its March 24<sup>th</sup> meeting. If approved, the program and a funding request will be coming to this Board at its April 27<sup>th</sup> meeting. Treasurer Zell recognized and thanked Ms. McDevitt for the quality of her work on this project.

#### 11. OLD BUSINESS:

- A. **The Trousdale Project: Proposed Western Alliance Bank (WAB) Term Sheet to Secure Additional \$10M in Construction Financing.** [Proposed Term Sheet with cover memo from PHCD's Financial Advisor, Gary Hicks, was distributed at meeting and is attached to and made part of these minutes.]

Ms. Fama reported that the WAB Loan Committee approved the additional \$10M of funding at its March 22<sup>nd</sup> meeting. She then reviewed each area of the proposed term sheet noting that most areas have the same wording as the previous \$40M Term Sheet approved by the Board in January 2014, these include three key areas that were held constant:

- a) Debt service ratio at 1.2;
- b) Additional bonds test at 1.25 times the total debt service – the lowest standard ever seen by Mr. Hicks; and,
- c) Total liquidity covenant held at \$7.5M.

Differences of note:

- Accepted an Interest Rate Lock now with loan transferring into Trustee account in August 2017 and first payment on interest due February 1, 2018. [Rate as of 3/22 was 3.56%]
- Commitment fee for the Locked Rate of 25 basis points.
- Cannot be pre-pay until February 1, 2027.
- Liquidity covenant – While the total amount remained constant, WAB is proposing all \$7.5M be deposited in a WAB bank (currently only \$3M is in WAB). Since this proposed term sheet was issued, we negotiated a change and WAB accepted a revision of this language dropping the total deposit in a WAB bank to \$4M. This is important because WAB has limited investment vehicles. They only have 1-year CDARS and maximum 5-year CD's yielding <90%. City National and Fiduciary's performances have been >1%.
- This will be a loan vs. a security.

Treasurer Zell asked about the decision to delay receipt of the loan, did we consider less than \$10M, and was there a debt service schedule he could see. CEO Fama responded she understood her direction to be pursue the \$10M as was used in all of the financial projections since December, secure an interest rate less than the 4% as used in those projections, and keep as much liquidity as possible to address master plan opportunities. A debt service schedule with the 3.56% rate was not immediately available; however, she did bring in the cash flow projections included in Mr. Hendrickson's work which incorporated the debt service on \$10M at 4% with an 18 month delay on receipt of the loan. Secretary Galligan affirmed CEO Fama's understanding of the Board's direction and stated she thought the proposal was a good one. Treasurer Zell also expressed concern that there is no prepayment opportunity. Vice-Chair Navarro pointed out that the \$40M does have a prepayment opportunity and it has a higher interest rate making it a better opportunity to repay should PHCD want to lower its debt.

CEO Fama reported that next steps, if Board approves the Term Sheet, would be to sign the Term Sheet and GC contact and send both to WAB; WAB responds with the rate lock letter; the attorneys, Brian Quint for PHCD and Kutak Rock LLP for WAB, work on the documents, and documents come back to the Board for final approval. Estimated time for this process is 3-6 weeks. Discussion continued primarily over the debt schedule, loan vs. COPS, and needing more clarity on prepayment. Counsel Coffey offered that final

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approval of the loan agreement occurs when all the documents are negotiated and complete. The Board will then approve the final loan terms.

*It was moved by Secretary Galligan and approved by Director Emmott to approve the Term Sheet as presented.*

Vice-Chair Navarro asked for clarification of the motion to include Board review and approval of the final documents. Secretary Galligan agreed to amend her motion to be: *to approve the Term Sheet as presented subject to the Board's review and approval of the final documents.* Motion passed 5/0/0

## 12. NEW BUSINESS:

### A. Candidate interviews for consultants to assist the Board with the next phase of the master plan – updating financial analysis, market assessment, and developer selection.

Chair Cappel introduced the agenda item. Three firms were invited to present to the Board. Two had previously worked for the District and one is new to PHCD. Each firm was invited in to present their qualifications and experience and why their firm would be the right one for the job. Each was allotted 45 minutes for presentation and Q & A.

- 1) **CBRE:** Presenting – Bruce Paris, First Vice President, Andrej Borzuchowski, Senior Project Manager, and Ross Graves, Director Project Management
- 2) **Economic & Planning Systems:** Presenting – Jim Musbach, Managing Principal
- 3) **Sedway Consulting:** Presenting – Lynn Sedway, CRE

At the conclusion of the three presentations, the Directors engaged in robust discussion about the strength of all three and the difference styles and approaches each offered. Treasurer Zell complimented staff on the quality of the presenters stating the District would do well with any of the three. However, given the magnitude of the project, it is critical that all five Directors are confident and comfortable with the one chosen. Chair Cappel emphasized the critical importance of this selection and proposed that no decision be made at this meeting. Mr. Pinto and CEO Fama were directed to draft up a questionnaire for each firm to get answers to questions that came out of the Board's discussion and to send those questionnaires out for response prior to the next Board meeting. Chair Cappel stressed the importance of a clear delineation of tasks. Vice-Chair Navarro suggested that perhaps the work we need to be done can be broken into two steps with one firm doing the market and financial feasibility assessment "bridge work" to get us to the next step – selecting the developer(s). Mr. Pinto offered whoever is selected, it is critical that they share the Board's vision for the project. In wrapping up, Chair Cappel asked each Director to study the materials provided and the responses to the questions when received so they feel prepared to take action at the April 27<sup>th</sup> meeting.

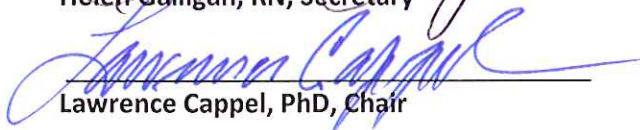
13. **ADJOURNMENT:** The meeting was adjourned by Chair Cappel 17:35 hours.

Written and submitted by: Ashley McDevitt, Outreach Coordinator

Approved by



Helen Galligan, RN, Secretary



Lawrence Cappel, PhD, Chair

**NEXT REGULAR BOARD MEETING:**

April 27, 2016 5:45 PM

PHCD Office, 1819 Trousdale Drive, Burlingame, CA 94010