

BOARD OF DIRECTORS
BOARD MEETING MINUTES

April 27, 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 Director Emmott. Also present were Counsel Coffey, CEO Fama, and PHCD Staff Paul Wright.
3. **CONSENT CALENDAR:**
It was moved by Director Zell, seconded by Director Emmott and approved 5/0/0 to accept the Consent Calendar items as presented.
4. **ORAL COMMUNICATIONS:** No oral communication was offered.
5. **TEFRA HEARING RE: ADDITIONAL \$10M LOAN FINANCING FOR THE MEMORY CARE AND ASSISTED LIVING FACILITY - Brian Quint, Quint & Thimmig, LLP and Gary Hicks, G.L. Hicks Financial, LLC. - Public (TEFRA) Hearing for Public Comment**

Mr. Quint reported that negotiations with Western Alliance Bank (WAB) have been completed. The final terms of the agreement are the same as those approved by this Board at its previous meeting and the legal documents are substantially identical to the 2014 loan transaction with WAB. The fixed rate for term of the loan will be locked in on May 9th; the \$10M will not be issued until August 1, 2017. Mr. Hicks continued that the rate today is at 3.58% and there will be a low fee to pay for this rate, the loan will have a term of 20 years, and will be amortized based on a 25-year amortization schedule with a balloon payment due at the end. CEO Fama noted that the financing schedule and the final term sheet is in the Board packet. She pointed out that the liquidity covenant of \$7.5M has not been changed; it remains at \$7.5M to cover both loans.

Mr. Hicks handed out a report showing the total cost of the project with details on funding and debt service schedule. Director Emmott asked for clarification about the liquidity covenant. Mr. Hicks explained that lending institution will often want to see that your unrestricted cash, or liquidity, does not drop below a certain level. Director Emmott asked as the project proceeds and the value of the building increases, does that count? Mr. Hicks responded that it does not. Counsel Coffey remarked that the difference between the terms from the last agreement in the debt service coverage ratio and the concern on its impact on future borrowings should be mentioned, even though the terms are the same but we are going into deeper debt. Mr. Hicks explained the debt service coverage ratio is still the same, but may not be able to provide special initiative large grants as was done in the past and may need to adjust the total community grant budget to ensure meeting that ratio. Also, in the previous agreement, if the loan was paid off early there was a fee associated with the SWWP rate; the new agreement does allow prepayment before 25 years and there is no fee.

RECESS: There being no further questions, Chair Cappel called a recess of the PHCD Board.

6. PENINSULA HEALTH CARE DISTRICT FINANCING CORPORATION - TEFRA HEARING

CALL TO ORDER: Chair Cappel called the TEFRA hearing to order.

Mr. Quint presented the required actions to be taken by the Board to transact the necessary documents to secure the additional \$10M of debt for the PHCD assisted living/memory care construction project.

RESOLUTION 2016 – 01 (TEFRA Resolution):

It was moved by Director Zell and seconded by Secretary Galligan to approve Resolution 2016-01 approving the execution and delivery by the Peninsula Health Care District of a lease/leaseback transaction by and between the Peninsula Health Care District and the Peninsula Health Care District Financing Corporation. The motion passed 5/0/0

Ayes: Cappel, Navarro, Galligan, Zell, and Emmott

Noes: None

Abstention: None

RESOLUTION NO. 2016-02 (Financing Resolution):

It was moved by Director Zell and seconded by Director Emmott to approve Resolution 2016-02 approving the form and authorizing the execution and delivery of certain lease financing documents relating to the financing of the construction and equipping of a memory care and assisted living facility and authorizing and directing certain actions with respect thereto. The motion passed 5/0/0

Ayes: Cappel, Navarro, Galligan, Zell, and Emmott

Noes: None

Abstention: None

Chair Cappel asked if there was any comment. There being none, he closed the TEFRA hearing.

PHCD Board meeting: Chair Cappel re-opened the recessed Board meeting.

7. COMMUNITY PRESENTATION: Mills Peninsula Medical Center Update – Janet Wagner, CEO

Ms. Wagner covered the following areas:

- New administrative team and service lines
- Awards and recognitions received by MPHS.
- Advances made in non-invasive cardio procedures allowing patients of all ages to leave the hospital as soon as next day.
- Three phases of the new neuro program, including a Telestroke service.
- Completed California Nurses Association negotiations resulting in a 4-year contract
- Sutter Health invested \$898 million in new facilities and life-saving technology in 2015.
- MPHS had 2015 capital investments of more than \$10 million
- MPHS community participation
- In January, MPHS plans to launch its process to earn the Malcolm Baldrige National Quality Award.

Q&A

Director Zell asked what is being done to reduce the cost of medical care. Ms. Wagner responded the biggest expense and challenge “is the pen of the doctor”; many are still over ordering. Aggressive efforts are going on to get great MD participation in standards of care and reduced ordering of equipment and supplies. Both will reduce costs. Director Emmott concurred that when there are too many opinions on what to purchase without compromising quality of care, and that increases costs.

Director Zell asked if **Ms. Wagner** had any comments or concerns about the new Peninsula Wellness Community Project. **Ms. Wagner** responded she did not. **Director Zell** commented that it would maximize the value of the land for both parties if we could share a parking structure and could she mention that in her future meetings with her Board.

CEO Fama asked how the planned research facilities on the Peninsula Wellness Community Project could be mutually beneficial. **Ms. Wagner** agreed there should be a meeting about that, and said many of their doctors are engaged in different levels of research, and they also have a bio-bank.

Vice-Chair Navarro spoke about the parking issue mentioned by **Director Zell**, and said before there's a quick decision made, the situation may be different 15-20 years in the future, with the increasing use of technology apps of car services which has reduced car purchases, as well as the future of autonomous cars.

Secretary Galligan asked when will we start seeing the use of Sutter ambulances and helicopters. **Ms. Wagner** responded mid-June.

Director Zell asked what is the greatest need that Sutter does not have, that might be important to be included in the Peninsula Wellness Community facilities. **Ms. Wagner** responded residential hospice, given the aging population and the end of life laws.

Chair Cappel thanked **Ms. Wagner** for her presentation and discussion.

7. **COMMITTEE REPORTS:** No meetings held since last reports.

8. **BOARD CHAIR'S REPORT:** No reports were given.

8. **DIRECTORS' REPORTS:**

Secretary Galligan reported that she went to Millbrae City Council and gave out awards to school district winners of their health week health poster contest that PHCD sponsored.

Director Zell said he attended the ACHD Legislative Day in Sacramento and met with offices of Sen. Hill, Assemblyman Mullin and others, and there's progress being made on legislation to allow healthcare districts to use design-build construction. He attended the San Mateo Progress Seminar and affordable housing was the "hot topic". District can expect feedback from the community in January-February when the PWC plan is presented for public comment. He will also attend the ACHD Annual Meeting in Monterey next week.

Chair Cappel mentioned a recent research article that said large systems have no impact on decreasing health care in any area of the country because health care doesn't work like other commodities.

Increased competition does not result in decreased cost, because health care is also not a market. We are not being successful in decreasing cost of health care, and increasing health status by generally accepted metrics. **Director Emmott** said he felt tort reform was a factor that no one talks about.

Director Zell disagreed saying they're at 1975 levels of damages. **Director Emmott** said it makes doctors practice defensively by ordering unnecessary procedures, and drives physician emergency room behavior. **Vice-Chair Navarro** commented that's where data can change things.

9. **CEO REPORT:** **CEO Fama** added the following updates to her written monthly report presented under Consent Calendar:

- The Trousdale- A smaller, second groundbreaking for the Trousdale will be scheduled the week of 5/9/16. The gravel lot at 1730 Marco Polo Way will be fenced off for construction trailers and equipment related to the Trousdale Project. There will still be 23 parking spaces for tenants. Project team met with Red Cross leaders to inform them of construction activity and efforts in play to minimize disruption to their operations at 1710 Trousdale.
- Discussions launched with the Central County Fire Department to partner with them in developing a program to reduce home medication errors and falls that are responsible for the increasing number of 911 calls in the District. **Director Zell** was pleased to hear about the meeting with the Central County Fire Department, and that a lot could be accomplished with

that partnership. He wonder if fire personnel would be interested in transporting patients since they are often the first responders, rather than wait for an ambulance. **Secretary Galligan** said San Mateo County are required to have paramedics on their fire trucks. **Chair Cappel** said more and more cities are looking to get back money for tax based services like fire truck responses by charging people, which is not covered by insurance.

11. OLD BUSINESS:

A. Proposal to fund a 3-year pilot Teen Mental Health Project in partnership with the San Mateo Unified High School District and Stanford's Youth Mental Health Center – Treasurer Zell and from the San Mateo Union High School District: KindyLee Mackamul, Assoc. Superintendent, Student Services, Don Scatena, Director, Student Services, Mary McGrath, Manager of Mental Health Programs, and Greg Quigley, Assist. Director, Special Education:

Chair Cappel introduced the program and funding request of \$1.5 million over 3 years. **Director Zell** said PHCD's efforts to address this health priority started many months ago as there were many teen suicides in the south part of the Peninsula and he wanted to be proactive. PHCD's activities in identifying how best to address this has been reported regularly at recent Board meetings by Ashley McDevitt, PHCD's Community Outreach Coordinator. Tonight SMUHSD leaders are here to present the program and how PHCD funding would be used.

Ms. Mackamul gave an update of where the program stands today:

- SMUHSD was identified by both the State and Federal governments as providing services disproportionate to the number of students in need of mental health services and assistance.
- Hired the new Manager of Mental Health Services, Mary McGrath.
- Established a HIPAA compliant database has been established to monitor mental health cases where therapists can document work.
- Increase training for staff and teachers
- New program will expand individual and group counseling and case management for students
- Parent education workshops have been established
- Plan to build up a "toolbox" of resources that therapists, students, and community members can access.

Director Emmott requested an elaboration of the toolbox. **Ms. Mackamul** explained they are looking at a multi-tiered support system involving different levels of care for the six comprehensive high schools and one alternative site. It involves everything from substance abuse, suicide prevention, LGBT issues and how to access those services.

Director Zell added background information on PHCD's involvement in developing the expanded program, researching best practices, and engaging clinical leaders from the Youth Mental Health and Wellbeing Center at Stanford. Stanford's commented on the complexity of teen mental health issues and recommended a hierarchal system needed to be created with a designated, professionally credentialed leader is needed. The result of all of this is the proposed three-year pilot program before the Board.

Ms. McGrath addressed the new structure that has been approved by the SMUHSD board and how a new and expanded program will be going forward. PHCD's funding support will help make the model more sustainable and provide better quality of service. **Chair Cappel** asked how the program was structured before; **Ms. McGrath** responded that they had contracts with the Youth Services Bureau to provide school safety advocates, StarVista for crisis management, and Edgewood to provide MFT's and MFT interns but for only special education. This was not a good model. Contracted agencies have high turnover, different agency protocols, and separate record keeping and HIPPA barriers. **Chair Cappel** said providing mental health services for children is a county and state mandated so why is the county not more active? **Ms.**

Mackamul responded that the county does provide funding, but only for IEP students. It cannot be used for other students in need.

Ms. Mackamul presented a chart showing the proposed organization for student services to include provision of mental health services for both general and special education students. Chair Cappel asked how prevalent are LCSW's with a PPS certification? Ms. Mackamul responded that within the SMUHSD out of there are 3 for 6 high schools. Chair Cappel asked how many suicides there are each year in the SMUHSD. Mr. Scatena responded there have not been any 'completed' suicides this year. Ms. McGrath responded on average there is one every 2 ½ years. Director Zell commented that there is also the drug abuse issue that is within the mental health area that has to be dealt with. Chair Cappel commented that this program will be valuable if the teachers know how it works and will allow it to work. He said he thought this was a good program. Ms. Mackamul responded that she felt the teachers are supportive of the program and understand its value.

There being no further questions,

Director Zell moved and Director Emmott seconded the motion to enter into a partnership with The San Mateo Unified High School District and Stanford University's Youth Mental Health & Wellbeing Center to institute the 3-year pilot program to address teen mental health as presented at the high schools within PHCD's boundaries. PHCD's will provide funding support of \$1,487,000 to be paid out over three academic school years. Year one funding will be issued in periodic payments based on documentation of use of funds. Release of year 2 and 3 funds will be conditioned on receiving a progress report accepted by the PHCD Board as demonstrating compliance with the use of the funds. The motion passed 5/0/0.

Ayes: Cappel, Navarro, Galligan, Zell, and Emmott

Director Zell acknowledged Ashley McDevitt for her efforts in getting this program started. Ms. Mackamul concluded by saying thank you to the Board.

B. Land Development Consultants – deferred until later in the meeting.

12. NEW BUSINESS:

A. Proposed coverages and premiums for Directors' & Officers', Employment, and Fiduciary Insurance – Treasurer Zell and Donald Chew, Client Manager, MacCorkle Insurance Service:

Mr. Chew gave a brief introduction to his company and then presented his proposal. MacCorkle is recommending staying with Allied Health, same carrier currently covering these areas for PHCD and noted that the premium has increased primarily because of the indication used by the carrier. They look at total assets – not assets net of liabilities. PHCD's assets increased by \$40M due to the construction loan fund. He stated the coverage limits are consistent with the loan covenants and that coverage limits were adequate. Given the current policy expires at midnight April 30, he recommends going ahead with this renewal now and then he will do more research on whether this is the best policy for PHCD given it does not provide any direct services at this time. There being no further comments or questions,

Director Zell moved and Vice-Chair Navarro seconded that the Allied policies, coverage limits, and premium as recommended be approved. Motion passed 5/0/0

OLD BUSINESS; B. Land Development RFQ/RFP Consultants –

Chair Cappel asked CEO Fama to kick off discussion. She called attention to the set of questions sent to all three candidates and commented that we expected three responses and got two; Sedway and EPS joined forces noting their successful history of working together and the complimentary strengths of each organization.

. Any writings or documents provided to a majority of the District Board regarding any item on this agenda will be made available for public inspection at the Burlingame City Library, 480 Primrose Road, and the Offices of the Peninsula Health Care District, during normal business hours. In compliance with the Americans with Disabilities Act, if you require special accommodations to participate in a Board meeting, please contact the District staff at 650-697-6900 at least 48 hours prior to the meeting

The two responses were distinctly different: 1) CBRE offered services beyond the scope of the intended engagement, cited examples that weren't comparable to the PWC as planned, and identified the name and title of the primary interface with PHCD and did not provide a resume and, 2) Sedway/EPS demonstrated understanding of the engagement scope, provided comparable examples of successful projects, and committed their principals to lead the work. CEO Fama invited Mr. Pinto to comment.

Mr. Pinto offered that both proposals gave a good scope of work, but Sedway/EPS seems more willing to look at non-profit service partners and affordable housing specifically, and are committed to using their principals. Some of the people CBRE listed have no experience in health care, and when you don't work directly with principals, you don't get the best of a firm. Sedway/EPS have worked on a lot of important health care and senior housing projects.

Chair Cappel stressed that the Board wants consultants to do the new work and next phase the District needs to move this forward. It does not want to hear what it already knows, or have consultants agree with everything it says. Director Zell responded he feels they need to choose a consultant who's dynamic enough to make the plans a reality, but that the deal with Gatepath has to be made. Chair Cappel asked who is going to make the deal with Gatepath? Director Zell responded it's going to be members of both boards. Chair Cappel reiterated the question of what is going to be done first. Mr. Pinto responded there does not need to be another market analysis, but a market validation. More importantly, to develop an RFP process to help pick a master developer. Chair Cappel agreed and said we have to move the process along and pick someone who will do the job the District needs to be done. Mr. Pinto responded there have been numerous meetings with other developers who offered interesting deal points, and maybe they should be vetted as well. Chair Cappel said they want to pick someone where they can exit out of a commitment if things don't turn out. This work must be tightly monitored and requires effective oversight.

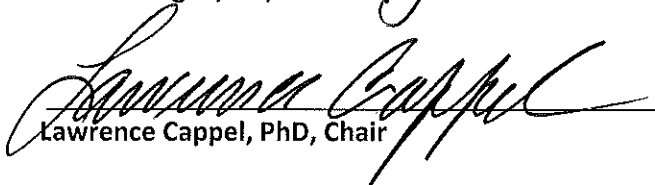
Director Zell moved and Director Galligan seconded the motion to select the Sedway/EPS joint proposal at an hourly rate and scope of work to be negotiated by the CEO. Secretary Galligan seconded. Motion passed 5/0/0

13. **ADJOURNMENT:** The meeting was adjourned by Chair Cappel 20:30 hours.

Written and submitted by: Paul Wright, Office Coordinator

Approved by


Helen Galligan, RN, Secretary


Lawrence Cappel, PhD, Chair

NEXT REGULAR BOARD MEETING:

Thursday, May 26, 2016 5:45 PM

PHCD Office, 1819 Trousdale Drive, Burlingame, CA 94010