

**BOARD OF DIRECTORS
REGULAR MEETING
April 23, 2015**

1. **CALL TO ORDER:** Chair Cappel called the meeting to order at 17:55 hours at Burlingame City Hall, 501 Primrose Road, Burlingame, CA.
2. **ROLL CALL:** Present: Lawrence Cappel, PhD, Chair, Helen Galligan, RN, Secretary, and Dennis Zell, Esq, Treasurer. Also present were: Cheryl Fama, CEO and Colin Coffey, General Counsel
Excused absence: Rick Navarro, MD, Vice Chair and Cameron Emmott, MD, Director.
3. **CONSENT CALENDAR:**
*DIRECTOR GALLIGAN MOVED AND DIRECTOR ZELL SECONDED THE MOTION TO APPROVE THE CONSENT CALENDAR AS PRESENTED. THE MOTION CARRIED 3/0.
AYES: DIRECTORS CAPPEL, GALLIGAN, AND ZELL
NOES: NONE
ABSTENTIONS: NONE*
4. **ORAL COMMUNICATIONS:** No oral communications were offered.
5. **PRESENTATION:** San Mateo County Psychiatry Residency Program – Robert Cabaj, MD, Medical Director
Dr. Cabaj thanked the Board for its 4-year commitment of funding a resident through the program. His report covered the following areas:
 - High quality of residents and national honors and advanced fellowships achieved
 - Academic center and new clinical collaborations since last report
 - Recent graduates who have remained in the District to practice and recent graduates wishing to work back in San Mateo if there were an opportunity
 - Other events: Alumni gathering, poster days, and upcoming graduationChair Cappel thanked Dr. Cabaj for his presentation.
6. **COMMITTEE REPORTS:**
 - A. **Long Term Planning:** Chair Cappel reported on the April 7 meeting at which new member Daniel Quigg was introduced. Mr. Roos gave an update on The Trousdale and Fehr& Peers gave their preliminary findings on the traffic flow analysis for the master plan development.
 - B. **Community Health Investment:** Director Galligan – No meeting held.
7. **BOARD CHAIR'S REPORT:** Chair Cappel
 - A. April 10 - attended the SF Business Journal's annual Health Care Summit which was a round table discussion focusing on what the future may hold in the areas of innovations, technology, transparency, and cost control. Jeff Gerard, CEO of Sutter Bay Area Region, was one of the speakers.
 - B. April 11 - participated in the 3-hour Board study session held to further vet the services that may be included on the health-focused neighborhood. Also participating were Counsel Coffey, lead development advisors Roos, Pinto and Hathaway, and CEO Fama.
 - C. April 16 - participated in a meeting with primary care physicians from the Seton market looking for

options given the unknown future of Seton and perceived barriers to practice at MPHS as presented by the PAMF model. He stated it is important that all physicians be welcomed to practice in the District.

8. TREASURER'S REPORT: Treasurer Zell

- A. Three firms have been selected for further consideration from those responding to PHCD's Auditor RFP; interviews will be conducted, and a recommendation will be made at the next Board meeting.
- B. Met with the VP of the Innovations Division of the California Health Foundation (CHF), along with CEO Fama, for an informational meeting to explore possible areas for collaboration. CHF explores ways to use technology to address the health needs of populations.

9. DIRECTOR REPORTS: No additional reports were offered.

10. CEO REPORT: A detailed report was included in the meeting materials. CEO Fama commented:

- A. Not too late to sign up for the Annual ACHD meeting in Monterey and San Mateo Chambers of Commerce annual meeting
- B. California Nurses' Association served MPHS with a strike notice for April 30th.
- C. Plum Healthcare is temporarily leasing space at 1819 Trousdale until all licensing hurdles are addressed and they can move in and take over operations of the SNF at 1609 Trousdale.
- D. The CEO and CFO of Doctors' Medical Center in Pinole, a district hospital facing closure, interviewed CEO Fama to hear about PHCD's transition from a hospital-focused to community-focused district and the kinds programs and services PHCD is engaged in to carry out its legislative mandate.

11. COMMUNITY OUTREACH COORDINATOR REPORT: No report

12. OLD BUSINESS:

- A. **Renewal of Directors & Officers Coverage:** Mike Reeve, Pinnacle Brokers [Deferred; Mr. Reeve stuck in traffic.]
- B. **The Trousdale Assisted Living/Memory Care Project- Chair Cappel** read a resolution received from Assemblymember Mullin acknowledging PHCD's good work on The Trousdale project and how it will address constituent needs. **Joel Roos**, PHCD's Owners Representative for the project reported:
 - 1. Abatement and demolition permit released; construction permit due any day.
 - 2. Budget detail has been trued up between Mr. Roos' and Nova's spread sheets.
 - 3. Subcontractor bids due in 4/30/15 and will be ready to present to the Board mid-May.
 - 4. Will be going with an Owner's Controlled Insurance Product (OCIP). This is one policy that covers the owner, GC, and subs and the actual cost came in \$182,000 less than budgeted.
 - 5. Definitely in a cost escalating environment as reported over the past 3-4 months; prepare for a 5%-12% increase over plan. In anticipation:
 - a) CEO Fama and Mr. Roos are working with Bill Hendrickson to update the proforma to true up revenue projections with current market to compare with the construction costs.
 - b) Budget still has \$4M in contingency (soft and hard costs) and \$4M for operating start up reserves.
 - c) Will value engineer as needed per budget.

Treasurer Zell asked what the City's approval delays have cost the project. Mr. Roos responded,

assuming 10% over budget on a \$38M project, that would be roughly \$300K/month. Treasurer Zell asked that the Board be allowed to hear the total cost before the project is value engineered.

C. Annual Review and Approval of Board's Investment Policy -- Treasurer Zell

At the last meeting concern was expressed that the proposed additions may be more detailed than needed or desired. Given Counsel Coffey was absent, further action was tabled to allow Counsel to weigh in. Counsel Coffey referenced the memo from his office that had been distributed. He noted his Archer Norris colleague, Lindsey Moore, also commented as she has been engaged in writing investment policies for other healthcare districts over the past year. While the code is quiet on real estate investments, the language in the proposed draft speaks to how such an investment would bring benefits to district residents. The Archer Norris team reviewed PHCD's proposed policy with an eye to compliance with the law for investment of surplus funds into real estate and found it to be consistent with the law. Counsel did recommend some minor changes.

Secretary Galligan expressed her continuing concern that the detailed language seems unnecessary and seems to exclude potential partners. Treasurer Zell responded that it wouldn't prohibit the Board from going with any entity. If adopted, the Board would still be free to revise or make exceptions. The benefit of citing examples in the policy is the comfort and direction it provides the Treasurer and CEO relative to Board priorities.

TREASURER ZELL MOVED TO AMEND THE DRAFTED POLICY AND ADOPT THE EDITS RECOMMENDED BY COUNSEL, INCLUDING THE DELETIONS.

Discussion continued as to the potential limitations, e.g. only non-profit organizations, and it was suggested that language be included to provide clarity about potential uses of any real estate, partnering with non-profit and for-profit entities, and avoiding any gift of public funds. Treasurer Zell requested Counsel Coffey integrate the key elements of this discussion into another draft; one that would address Secretary Galligan's comments. Chair Cappel wrapped up the discussion stating the policy is important and should be brought back when all five Directors are present to vote on it.

THE MOTION FAILED DUE TO THE LACK OF A SECOND AND WITH DIRECTION TO COUNSEL TO DEVELOP A REVISED DRAFT FOR PRESENTATION AT THE NEXT MEETING.

A. Renewal of D & O Coverage: Mike Reeve, Pinnacle Brokers

Three policies were up for renewal effective May 1st: Directors and Officers (D&O), Employment Practices Liability (EPL), and Fiduciary Liability. Pinnacle went out to the market for quotes. Pinnacle is recommending the same D&O coverage (\$5M of insurance with \$50K retention), EPL coverage which is the \$5M shared with D&O, and Fiduciary coverage - all through Allied World Assurance Company, Inc., an A-rated company. Total fees increased 14.6% due to the healthcare coverage arena in general, and PHCD's Trousdale project, new debt, Apple Tree Dental relationship, and grants program.

Director Zell asked:

- How does this coverage and fee differ from other healthcare districts? CEO Fama commented the coverage limits are similar and the increased fee still very competitive as compared to three other non-hospital operating healthcare districts surveyed.
- Where is the general liability coverage? Mr. Reeve responded those are separate policies and will be up for renewal in late May.
- Do we have enough coverage? Mr. Reeve responded yes, for this year; however, this needs to be assessed each year given the District's planned projects.

- The Fiduciary Liability coverage seems low given the amount of assets – why? **Mr. Reeve** noted that this applies to ERISA requirements relative to the CalPERS pension only.
- Counsel Coffey – does this look right? **Counsel Coffey** responded his clients typically rely on their insurance consultant’s recommendations; having coverage is important.

Chair Cappel summarized the discussion noting the coverage appears right and the price seems fair.

TREASURER ZELL MOVED AND DIRECTOR GALLIGAN SECONDED ADOPTING THE COVERAGE LIMITS AND FEES AS RECOMMENDED. THE MOTION PASSED 3/0.

AYES: Cappel, Galligan and Zell

Noes: None

Abstentions: None

13. NEW BUSINESS:

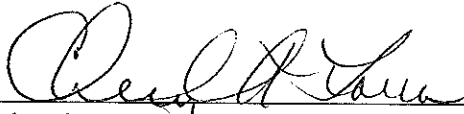
- A. Proposal to Expand ad hoc Finance Committee Members:** Treasurer Zell reported his plan to recruit three members to join the existing Committee which now includes the PHCD Treasurer, CEO, and CPA-Accountant. He is seeking finance, accounting and investment expertise and experience. The Long Term Financial Policy of the Board designates the Treasurer as chair and provides for additional members that are ‘designated’ by the Board. The item was tabled, Treasurer Zell was encouraged to recruit, and then bring his recommendations back for approval at a future meeting.
- B. Proposal to add a 1.0 FTE Office Coordinator Position:** CEO Fama referenced her memo that was included in the distributed Board materials. This request is coming out of the budget cycle to allow recruitment and hiring prior to the start of the new fiscal year. This would provide coverage during the planned leave of the other non-exempt employee (anticipated to start late summer), improve the candidate pool because it would not be a temporary job, and bring the staffing up to the 2008-2012 level which allows one employee to focus internally on day to day office functions and one to focus on outreach, community education, the grants program, and District participation at community groups and events.
Treasurer Zell spoke in support of the request pointing out the important role the CEO has played out in the community and the need to ensure that her time is available to continue this work on behalf of the Board. Director Galligan asked about a breakdown of total cost for the additional employee. CEO Fama responded she anticipated securing a qualified candidate within a certain salary range and then added a 23% benefit load which included the employer’s 95% contribution to health, dental, and vision, pension benefits, and workers’ comp and other employer fees.
IT WAS MOVED BY DIRECTOR ZELL, SECONDED BY DIRECTOR GALLIGAN AND PASSED UNANIMOUSLY TO APPROVE THE CEO’S REQUEST TO ADD ONE FULL TIME EQUIVALENT OFFICE COORDINATOR POSITION.
AYES: CAPPEL, GALLIGAN, AND ZELL
NOES: NONE
ABSTENTIONS: NONE
- C. CEO Performance Goals for 2/1/15 to 1/31/16:** Chair Cappel reported that both parties have agreed to a set of goals and they will be distributed out to Directors. No further action is required.

- 14. MEDIA CORRESPONDENCE:** Chair Cappel noted the recent announcement that Jean Fraser, the County’s Chief of Health, will be stepping down in July to move on to her next challenge. He acknowledged she has been a “shaker and mover” for the County’s health system.

15. **ADJOURNMENT:** Chair Cappel adjourned the meeting at 19:35 hours.

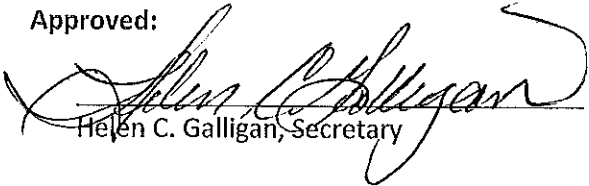
Next Regular Board Meeting: Thursday May 28, 2015, 5:45pm, Millbrae City Hall, 621 Magnolia, Millbrae CA, 94030

Written and submitted by:

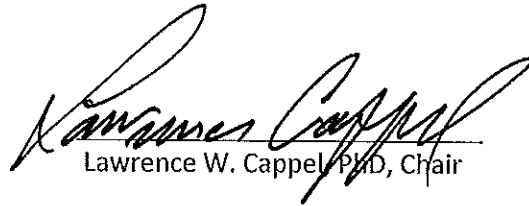


Cheryl A. Fama, CEO

Approved:



Helen C. Galligan, Secretary



Lawrence W. Cappel, PhD, Chair