

**MINUTES OF MEETING**  
**BOARD OF DIRECTORS**  
**SEQUOIA HEALTHCARE DISTRICT**  
December 16, 2003

**Present:**

Mr. Faro  
Mr. Hickey  
Ms. Kane  
Dr. Katz  
Mr. MacNaughton

**Also present:**

Mr. Gibson, CEO  
Mrs. Penny Greenberg, Counsel  
Ms. Scott, Recorder

**Absent:**

None

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**CALL TO ORDER:**

President Faro called the meeting to order at 4:30 PM in the Sequoia Room at Sequoia Hospital.

**PUBLIC COMMENT:**

There was no public comment.

**CONSENT CALENDAR:**

Director Hickey requested removal of the August 28, 2003 Board of Directors meeting minutes and the financial statements for August, September and October 2003 from the Consent Calendar. A motion was offered to approve the remaining items on the Consent Calendar, followed by a second, which unanimously passed.

**DISCUSSION OF ITEMS REMOVED FROM CONSENT CALENDAR:**

**3.A. Approve Minutes Of August 28, 2003 Board Of Directors Meeting:** President Faro opened the discussion: In regard to item 5.C., "Consider Resolution 03-4 Authorizing Residual Funds From Dissolved Sequoia Services Corporation In The Amount Of \$30,632 Be Distributed To Sequoia Hospital," Director Hickey would like it noted in the minutes that he opposed the resolution and suggested that the funds remain in the District. A motion was made to approve the minutes to reflect Director Hickey's modification, which was seconded and unanimously passed.

**3.B. Accept Financial Statements For August, September and October 2003:** President Faro opened the discussion: Director Hickey asked what the breakdown is for the insurance expense for October 2003. Mr. Gibson explained that the District maintains several types of insurance, which include insurance on the medical office buildings, Directors and Officers insurance, general liability insurance and health insurance. Mr. Gibson further explained that insurance

expenses have increased since 9/11. Director Kane offered a motion to approve the financial statements for August, September and October 2003, which was seconded and unanimously passed.

#### **NEW BUSINESS:**

**5. Consider Approving The District's Annual Audit For The Period Ending June 30, 2003 As Prepared By The CPA Firm Pearson, Del Prete & Co., LLP:** Mr. Gibson introduced the audit firm of Pearson Del Prete (Mr. Steven Carey and Ms. Heather Maire). Mr. Carey handed out copies of the audit to the Board. Mr. Carey reported on their findings, indicating that the financial statements of the District were in compliance with government accounting regulations and there were no irregularities found. Mr. Carey explained that significant changes from the prior year included increases in investment income, costs associated with the hospital replacement project, and increased legal expenses.

Director Hickey pointed out that he was opposed to the Children's Health Initiative grant expense and offered to voluntarily leave the board if this matter was placed on the November 4th ballot and the voters approved the funding for this program. Mr. Gibson explained that the expected number of children covered under this program has been exceeded. Mr. MacNaughton commented that there are societal and measurable costs that are thwarted by funding this program. Director Katz explained that one trip to the emergency room could cost tens of thousands of dollars for a sick child. Mr. Mac Naughton requested that the Board receive a report and presentation on this program at the next meeting.

Director Hickey requested more time to review the audit, the Board agreed to postpone their approval of the audit until the next meeting to allow Director Hickey time to review the document. (Copies of the audit were made available to those in attendance and copy of the audit report is included with the original of these minutes.)

**6. Consider Developing Board Policies** Director Hickey inquired why five out of six Board meetings had been cancelled. Mr. Gibson said that only one meeting was cancelled and that was in October. The December meeting had to be rescheduled since we didn't have a quorum. Director Hickey said there should be a policy to remove Directors who miss more than two meetings. Mr. Gibson informed Director Hickey that he had not responded as to his availability for the December meeting. Director Kane stated that she was in the Hospital. Director Katz said his father had passed away. Director Hickey suggested that Board meetings take place even if only one Board member is in attendance. He was reminded that the Brown Act requires a quorum (3 members) of the Board to act on any matters. Director Hickey said that he would submit suggested policy modifications pertaining to meeting attendance. Director Hickey noted that some Districts compensate Board members for attending meetings and provide free health care for life if they have served a given number of years on the board to incentivise participation. President Faro indicated that regulations forbidding the payment of health insurance for life were passed several years ago and that this Board has from time to time looked into compensation for Board members and rejected the idea.

**7. Consider Entering Into An Agreement With The San Mateo County Community College District's Cañada College University Center, San Francisco State University College Of**

**Extended Learning And Sequoia Hospital To Provide For The Development Of A Baccalaureate Nursing Program Designed To Train Up To 40 Nurses Per Year:** Mr. Gibson introduced those present that have been working collaboratively towards this nursing education partnership proposal:

Rosa Perez - President, Cañada College

Marilyn McBride - Vice President of Instruction/Dean of Science and Technology, Cañada College

Donna Ramos, MPA, RN - Healthcare Consultant

Linda Kresge, MPA, RN - Chief Nurse Executive, Sequoia Hospital

Beatrice Yorker, JD, RN, MS, CS, FAAN -Director, School of Nursing, San Francisco State University

Gail Whitaker, Ed.D. -Dean/Associate Vice-President, College of Extended Learning/Academic Affairs, San Francisco State University

John Gemello, Ph.D. - Provost and Vice President, Academic Affairs, San Francisco State University

Don Zingale, Ph.D. - Dean, Health and Human Services, San Francisco State University

He indicated that this program has been in the development stages for almost two years and represents what dedicated individuals can do in spite of many barriers. The program that Linda Kresge is going to present is the first of it's kind in California and is likely to be the model for others trying to meet nursing shortage. Linda Kresge spoke to a PowerPoint presentation that outlined the need for increasing the number of nurses and a proposal that addresses that need. The presentation illustrated today's situation of an aging nurse workforce, an aging population, insufficient capacity in nursing schools and un-funded legislative mandates changing nurse-to-patient staffing ratios. The presentation described a proposal that a satellite of San Francisco State University's Bachelors of Science in Nursing curriculum be delivered at Cañada College's campus through Cañada's established University Center. The program would provide the opportunity for participating students to train at Sequoia Hospital and obtain long-term employment upon graduation. The program's design aims to train 30-40 baccalaureate nurses per year at a cost of \$25,000 per graduate plus start-up costs not to exceed \$650,000. (A copy of the PowerPoint presentation is included with the original of these minutes.)

President Faro asked Linda Kresge to clarify the length of time it would take a student to complete the program. Ms. Kresge explained that if all prerequisites were completed, a student would spend five semesters in the program, (3 semesters one year, 2 semesters the next, totaling just under two years) including a summer session. She continued to explain that the prerequisites usually take two years to complete, which would enable students to achieve a baccalaureate degree in three years whereas it usually takes at least four years. Attendance during the summer semester accelerates this program and gets the nurse trained one year earlier than normal.

Director MacNaughton asked if it would be more cost effective if a cohort were admitted each semester as opposed to once per year. Bea Yorker, Director of the program at San Francisco State, explained it would not be cost-effective because twice the amount of faculty would be needed and it is very difficult to hire nursing faculty.

Director Katz commented that he thinks it is a great program and it will serve the community very well.

Director MacNaughton asked about the demand for nursing slots. Rosa Perez, President of Canada College, explained that currently there are high numbers of students taking prerequisites from all of the community colleges with the hopes of being accepted into a nursing program. Currently there is not the capacity to accept all of the students and there is no state funding to expand nursing programs that are very costly to operate given their low teacher to student ratios.

Director Faro pointed out the importance of having a continuing supply of nurses so as to avoid cycles of nursing shortages as in the past. He also pointed out that this program is very forward thinking and an excellent project for the District to fund.

Director MacNaughton asked if the students would be paying tuition. Ms. Kresge answered that the fully amortized cost is approximately \$35K, \$25K of which is being requested from the District and the balance would come from student tuition and in-kind staff and faculty. The hospital will be looking at their incentive programs such as forgivable loans and contracts designed to retain the students for long-term employment. Director MacNaughton stated that the program appears more cost-effective compared to paying the sign-on bonuses and other recruitment costs associated with retaining nurses in today's market.

Director Hickey inquired as to the possibility of approaching the nurse's unions to fund the program. Ms. Kresge explained that the nursing unions are open and supportive of this program but they are more focused on advancing the practice of professional nursing.

Director MacNaughton commented that he would like standards addressed in the agreement for quality assurance. Bea Yorker said that they would apply the same quality and accreditation standards to this program that San Francisco State University has to meet for accreditation. Ms. Kresge emphasized that there was willingness and commitment on the part of San Francisco State University to have a shared leadership in the program with Sequoia Hospital in terms of quality and admission issues.

**PUBLIC COMMENT:**

Linda Gregory of the San Mateo County Central Labor Council reported that the unions have had good experience with such programs because these programs increase the retention rates due to the relationship fostered with the institution that helped provide the support for nurse training. Ms. Gregory also commented that high retention rates contribute to a stable work environment and she hoped that the Board would approve funding the program. Ms. Gregory stated that unions do not have the scope of funds to support such a program as dues are primarily utilized to pay for health insurance for the members.

An unidentified gentleman in the audience commented that the program sounds wonderful and suggested that the program be CHW-wide. He also asked how once someone is employed at Sequoia Hospital will they be encouraged to remain at Sequoia Hospital. Ms. Kresge explained that applicants who live and have family in a given community typically stay in the community in which they are educated here. She added that the relationships fostered through the

preceptorships and rotations at Sequoia Hospital and familiarity with the workplace during their training further increase the likelihood of an employee staying aboard. Also, there will be opportunities to look at incentivising employees to remain with the hospital.

Director Hickey stated that he is opposed to the program and that he believes that the unions should raise their dues to provide the funding. Director Hickey reiterated his opposition to subsidizing healthcare programs which people would otherwise be unable to afford and restated that he would also like this program to be put on the November 4, 2004 ballot. Director MacNaughton noted that given the voters overwhelmingly elected Director MacNaughton and President Faro to the District Board and they expressed their intention of ensuring that the District residents have continued access to quality healthcare, there is neither a need nor a requirement to put this program on the ballot.

Director MacNaughton stated he would like more specific language to address quality review and retention issues in the Memorandum of Understanding. Director Katz offered a motion to approve entering into an agreement with Canada College's University Center and San Francisco State University's College of Extended Learning and Sequoia Hospital to provide for the development of a baccalaureate of science in nursing (BSN) program designed to train up to 40 nurses per year at a cost of \$25K per graduate plus up to \$650K in startup costs. Director Kane seconded the motion, which passed with a 4-1 vote with Director Hickey opposed. Roll call vote:

AYES: Directors Faro, Kane, Katz, MacNaughton

NOES: Director Hickey

ABSTAIN: None

ABSENT: None

**CLOSED SESSION: 8. Consider Recessing To A Closed Session For The Purpose of Discussing Trade Secrets Pursuant To Government Code 54962 And Health And Safety Code 32106:** Prior to convening to a closed session, a member of the audience stated he is not a District resident but opposes all closed sessions and expressed that most Government closed sessions were illegal and that this Board could not proceed to a closed session since the agenda states that the Board would "consider" recessing to a closed session and that the matter to be discussed was not on the agenda. Counsel explained that the use of the word "consider" in the agenda does not mean that the board cannot decide to then go into closed session and that under the Brown Act it is sufficient to cite the section of the law, in this case Trade Secrets as defined in Government Code 54962.

Director MacNaughton offered a motion that the meeting recess to a Closed Session, which was seconded by Director Kane and passed with a 4-1 vote with Director Hickey opposed.

President Faro reconvened the meeting in Open Session and noted that no actions were taken during the Closed Session.

**9. Review Recent Developments Regarding Replacement Of Sequoia Hospital:** President Faro reviewed the history of the formation of Sequoia Health Services (SHS) in 1996 and provided an update of recent events. President Faro explained that CHW and the Sequoia

Healthcare District are two members of a nonprofit corporation known as Sequoia Health Services (doing business as Sequoia Hospital) whose ten-member board is comprised of five representatives from each of the members.

As a result of Senate Bill 1953 which mandates that all hospitals in California meet new seismic requirements, feasibility studies were carried out to ascertain what the best options were for Sequoia Hospital. Per the studies it was most practical both financially and operationally to rebuild a new Sequoia Hospital offsite (at an estimated cost of \$300M) than it would be to try to retrofit the current structure or rebuild anew on site.

The District was asked by the SHS board to take the lead in locating possible sites. Ten sites were identified with the District recommending approximately 14 acres in the MidPoint Technology Park in Redwood City. The District negotiated the purchase terms and secured a six-month purchase option, however, CHW was unable to commit to purchasing the property before the option expired. CHW asked the District to consider General Obligation bonds to fund the building and land for the new hospital. The District rejected that proposal, as it would have required further taxation. In the interim, the three Hospital cardiology groups that represent 40% of Sequoia Hospital's revenue and 90% of its net income signed a Letter of Intent to practice at the new Palo Alto Medical Foundation (PAMF) Hospital when completed. This puts into question the financial feasibility of a new Sequoia Hospital if there were to be three hospitals in close proximity to one another (Kaiser, PAMF and Sequoia). CHW has since pledged up to \$150M towards the estimated cost of \$300M for a replacement Hospital and would like the District to contribute the other \$150M. The District will ask CHW for a proposal including time frames and conditions. Concurrently, the San Mateo County Board of Supervisors has appointed a task force to discuss the proposed plans for new Hospitals.

Director MacNaughton asked Mr. Michael Blazyk, Chief Financial Officer and Executive Vice President of CHW, to confirm a statement he made to the media that CHW would move forward with the rebuild of Sequoia Hospital with or without the Sequoia Healthcare District's matching funds. Mr. Blazyk said that he would characterize the statement as a misquote and stated that he was here to confirm CHW's commitment to the rebuild of Sequoia Hospital and feels that the growth of the market could allow for the coexistence of three hospitals.

**PUBLIC COMMENT:**

Dr. James Missett, president of the San Mateo County Medical Association, addressed the board. Dr. Missett expressed his concern that there would be a lack of choice and available services to practitioners and residents if the only two facilities serving District residents were Kaiser and the proposed PAMF facility. Dr. Missett would like assurance from PAMF that within their plans there would be no decrease in the total number of hospital beds available to the community, no decrease in the number or type or level of emergency services, that all types of qualified practitioners would be welcome to practice at PAMF, that there will be no forced closing of any existing practices in the area and no limit to the choice of type of healthcare available.

**10. Consider Scheduling a Special Meeting to Discuss Hospital Replacement Project:**

President Faro suggested that a meeting be scheduled where both CHW and PAMF present their proposed intentions for a new healthcare facility within the District.

**PUBLIC COMMENT:**

A member of the audience addressed the board and expressed that she and her colleagues are eager for a decision to be made with regard to the future of Sequoia Hospital.

A motion was made to schedule a meeting on January 7, 2004 for the purpose of inviting both CHW and PAMF to present their proposed intentions for a new healthcare facility within the District, which was seconded and unanimously passed.

**11. Consider Retaining The Law Firm Of Davis Wright Tremaine, LLP For The Purpose Of Advising The Board On Matters Pertaining To Its Rights And Obligations Under The Terms And Conditions Of The Affiliation Agreement Creating Sequoia Health Services In 1996:** Director Hickey asked for an estimated cost of the services that Davis Wright Tremaine, LLP would be providing. Mr. Gerry Hinkley, Esquire, of Davis Wright Tremaine, LLP advised that the cost of the services is dependent upon the type and amount of services provided.

A motion was made to retain the law firm of Davis Wright Tremain, LLP to advise the board on matters pertaining to its rights and obligations with regard to the affiliation agreement that created Sequoia Health Services, which was seconded and unanimously passed.

**12. Adjourn:** President Faro offered a motion to adjourn the meeting, which was seconded by Director MacNaughton and unanimously passed.

Respectfully Submitted,

Kathleen M. Kane  
Secretary