

**MINUTES OF A SPECIAL MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
FEBRUARY 19, 2003**

Present:

Director Faro
Director Hickey
Director MacNaughton
Dr. Shefren, President

Also present:

Mr. Gibson, CEO
Ms. Greenberg, Counsel
Ms. Johnson, Recorder

Absent:

None

CALL TO ORDER:

President Shefren called the meeting to order at 5:10 PM in the Sequoia Room at Sequoia Hospital.

NEW BUSINESS - Presentation on Strategic Planning Efforts to Meet State-Mandated Seismic Requirements for Sequoia Hospital.

President Shefren turned this portion of the meeting over to Mr. Gibson to begin his formal presentation (a copy of which is included with the original of these minutes).

Mr. Gibson announced that in addition to himself, Ms. Vaskelis will review the Sequoia Health Services Strategic Plan, Mr. Bob Garner will discuss potential relocation sites, and Mr. Jay Harris will give an overview of financial options.

Mr. Gibson said that the District began its strategic planning eleven months ago using the firm of Dennis Strum and Associates. The planning involved all board members, hospital administration, physicians and staff. The process looked at the District's mission and what it is doing to meet that mission.

The process resulted in a plan to leverage the District's assets to insure that the community has access to preventive, emergency, inpatient and ambulatory care programs; to support processes that will insure that the hospital has a full complement of physicians available to patients, and to participate in the development of a state-of-the-art healthcare campus to serve the community for the next 50 years.

Ms. Vaskelis provided an overview of SB 1953 and the seismic issue which must be addressed by this legislation. She indicated the analysis has been ongoing for over four years and the work in process has been discussed at numerous Board meetings, strategic planning seminars, workshops and retreats. Based upon State criteria, only 3 of the 10 hospital buildings are considered to be seismically safe. The options to meet the State's mandate are: 1. to do nothing and the hospital would be required to close in 2008; 2. retrofit only the inpatient area which only meets 2008 seismic requirements and does not provide for a state-of-the-art facility; 3. build a new patient tower on the existing site and a parking structure. Primary drawbacks of this option are that it leaves no room for a much needed medical office building, major disruptions to existing operations, noise and congestion to the neighborhood. The fourth option, which was approved by the SHS Board three weeks ago, is to build a new hospital at a new site. The cost is estimated at \$175 million and would meet 2030 seismic requirements.

Ms. Vaskelis introduced Mr. Bob Garner of Cornish & Carey Commercial Real Estate. Mr. Garner outlined the criteria for a new hospital campus. He discussed the potential sites and comparable sales.

Mr. Jay Harris of Cain Brothers was introduced to discuss potential sources of revenue for the project and a proposed funding strategy. He discussed the District's financial capability using its assets and tax revenues. Fifty percent of the District's cash could be used as a down payment to purchase a site at a cost of between \$25-\$30 million. Future revenues, taxes and lease income could be used to service approximately \$175 million in debt. He noted that the hospital cannot finance the total amount needed on its own and any project of this scope will need to be a joint effort between the District and SHS in order to be successful. Mr. Harris outlined four potential project financing approaches. He stressed that all of the options are subject to considerably more legal and financial analysis. All of the options would require the issuance of bonds or other financing.

Mr. Gibson summarized his recommendation and asked the Board to consider adopting agenda items 4. a, b, and c as follows: (a) Adopt the District's Strategic Plan; (b) Accept Sequoia Health Services' findings and recommendations to build a new hospital off site; (c) Appoint a sub-committee of the Board for the purpose of entering into negotiations for the purchase of land in Redwood City that would be appropriate to build a new acute care hospital, subject to final approval of the Board.

President Shefren opened the floor to public comment. Director Hickey made a motion to change the order of the agenda and move to the Consent Calendar. Director MacNaughton seconded the motion which was unanimously passed.

CONSENT CALENDAR:

Director Hickey asked that the minutes of the December 4 and December 12, 2002 meetings be removed from the consent calendar. Director Faro offered a motion to approve the remaining items under the consent calendar. Director seconded the motion which unanimously passed.

ITEMS REMOVED FROM THE CONSENT CALENDAR:

Minutes of the December 4, 2002 Board of Directors Meeting. Director Hickey stated that he

objected to these minutes as it appears he is merely a guest of the Board at the December 4th meeting when, in fact, he participated and voted on action items. Mr. Gibson responded that under State law, a new director could not take their seat as an elected official until noon on the first Friday in December. Director Hickey asked Ms. Greenberg for confirmation of Mr. Gibson's answer. Ms. Greenberg confirmed that it is codified in the election code and technically and legally Director Hickey was not a Director but was allowed by President Faro to sit at the Board's table and participate. She reiterated that Director Hickey's votes on agenda items at the December 4th meeting would not be legal. Director Faro moved to approve the minutes of the December 4th meeting. Director Kane seconded the motion which was passed 4-1 with Director Hickey opposed.

Minutes of the December 12, 2002 Special Meeting. Director Hickey stated he objected to the minutes of the December 12th strategic planning workshop stating that they do not reflect what was discussed. The public comment portion should provide more detail and the names of the people in attendance. Director Kane disagreed, saying this was a workshop and offered a motion to approve the minutes of December 12, 2002. Director MacNaughton seconded the motion which passed 4 to 1 with Director Hickey opposed.

NEW BUSINESS (continued):

Public Comment on Agenda Items 4.a, b. and c.

President Shefren announced that since there are many people in attendance, comments are to be held to two minutes per speaker and asked that speakers introduce themselves and where they live.

Ms. Leslie Holley-Brosnan lives in San Carlos and is the CNA union representative. She stated that CNA supports the SHS recommendations for a new hospital on a new campus. She indicated that when the County built a new hospital on the same campus there were many problems with the neighbors, staff, patients and visitors. Noise is not conducive to patient care and a healing environment. She stated a new hospital would be a good use of District tax funds.

Ms. Daniela Gasparini, past mayor of Redwood City and past president of the Board of Directors of the Redwood City Chamber of Commerce, spoke in support of a new hospital at a new site.

Mr. Mike Paccelli, President of the Board of Directors of the Redwood City Chamber of Commerce encouraged the District Board to move forward in building a new facility on a new site in order to meet the healthcare needs of community. He read a letter of support signed by Laurence K. Buckmaster, President/CEO of the Chamber (included with the original of these minutes).

Mr. Warren Gibson of Belmont, citing the Brown Act, wanted copies of minutes made available to the public prior to the meeting [they were available].

Mr. Michael Pitts of Redwood City spoke in support of a new hospital on a new site. He said he is proud to be associated with the hospital Foundation and supports this hospital's efforts to establish a state-of-the-art facility.

Mr. Keith Bautista of Redwood City stated he applauds the Board in arriving at a solution to build a new hospital. A new facility eliminates design problems and escalating costs of renovating and allows for design features that are appropriate. He encourages the leadership of the Board to move forward and build a new hospital.

Mr. El Don Corl of San Carlos stated he does not agree with a decision to move the hospital off the existing site as it is a part of the community. Who knows what is going to happen to Highway 101? Why move the hospital's location to a wetlands area? He stated that even though he asked, he was not told what was going on with the hospital. He brought renderings of a proposed renovation of the existing facility.

Ms. Elizabeth Travers of Redwood City stated she is concerned about: any location being on the east side of Highway 101 in case of earthquake; demolition of hospital and impact of hauling away trash and concrete; the lack of public notice about the meeting tonight; and she thinks doctors can easily find cheap office space away from the campus.

Ms. Linda Gregory, President of the Labor Council, stated there are over 500 hospital employees who would support building new facility at a new location. They supported the rebuilding of the San Mateo Co. General Hospital on-site because that was the only option available to that hospital, and it was torture—all of the patient services were disrupted. Building a new hospital on a new site will support the future healthcare needs of the community's families.

Mr. Bill Nack of the Building Trades Council in San Mateo County supports option 4 to build a new facility, which would provide new and ongoing jobs for the community.

Dr. Jane Marmor, a resident of the District and President of Sequoia's Professional Staff, stated that she has only received positive comments from physicians about building a new facility on a new site. The current vision for the future hospital will provide excellent health care to the community for the next 50 years. This vision takes a lot of courage by the Board. She disagreed with the statement that there was abundant, appropriate office space, as the requirements for physicians offices are very different than typical office space, and she hopes the Board will adopt the hospital's proposal.

Ms. Merla Murdoch of Redwood City stated that she has worked at Sequoia since the early 1970's and supports a new facility on a new site. She has worked here during earlier renovations and it is not pleasant nor can appropriate care be provided in a dusty, noisy environment. She stated that as a District resident she thinks the District has an obligation to fund a new facility as the existing facility is not seismically safe. She added that the District's geographic area is greater than just Redwood City so relocating should not be an issue.

Mr. Ted Hannig congratulated the Board on the work that went into this proposal. He stated that great achievements do not come easily and he hopes the Board will prevail with a new facility on a new site. The existing facility could be a worthwhile community asset and may not have to be torn down but could possibly be used for long term or assisted care. He suggested linking a new facility with some of the local companies.

Ms. Roseanne Robertson, RN and Redwood City resident, supports a new facility with a better layout and trusts that the board will make a good decision.

Ms. Laurie Keirns, RN and CNA representative spoke on behalf of the nursing staff stating that most of them feel that we really need a state-of-the-art facility and not on this campus. As a patient advocate she said the noise, dust, disruption to patients, family members and visitors is not acceptable.

Mr. Brent Britschgi, former mayor of Redwood City, told the Board he was not convinced of the need to build a new hospital and felt the Board was putting the cart before the horse. The community needs to be educated first, besides members of the Chamber and hospital workers. He was concerned that the District doesn't have adequate staff or resources that a bond measure will take.

Ms. Glenna Vaskelis read a letter from City Councilman, Jim Hartnett (included with the original of these minutes) supporting building a new hospital on a new site. He encouraged the Board to move forward and work with SHS and CHW to build a new medical campus for the future.

Director Hickey read a letter from Mr. Jim MacLaughlin (included with the original of these minutes) asking the Board to seek bids for retrofitting and for building a new hospital, then present the findings to voters for approval or denial.

In response to public comment, Director Kane said that board packets containing the minutes and other agenda items had, in fact been copied for the public and are available. Due to last minute equipment changes, the packets were overlooked and not placed on the table outside.

Adopt the District's Strategic Plan.

President Shefren stated that the Board has been working on the strategic plan for the past eleven months and all meetings/workshops were publicly noticed; however, only one member of the public attended the meetings. Director Faro offered a motion to adopt the District's Strategic Plan. Director Kane seconded the motion. Discussion: Director Hickey said he has gone through the minutes of the meetings and the public has been kept out of the strategic planning process. He asked that this item be tabled to give it more consideration and possibly hold an election on the matter. Director MacNaughton responded that he was in attendance at all of the strategic planning workshops and the focus of the plan was to investigate the feasibility of what would be the best for the community. The strategic plan does not state that the hospital has to be rebuilt and the standing motion is to vote on whether or not to adopt the plan. President Shefren called for the vote which passed 4 to 1 with Director Hickey opposed.

Accept Sequoia Health Services Actions to Build a New Hospital Off-Site.

Director Kane offered a motion to accept SHS findings and recommendations to build a new hospital off site. Director Faro seconded the motion. Discussion: Director Kane said there were many meetings, all of which were noticed and open to the public, but were not attended by the public. She added that the same thing happened in 1996 regarding the affiliation with CHW. Director Hickey expressed concerns: some people may not contribute to the Foundation, there needs to be town hall meetings and he suggested an election be held on the issue of building a

new facility off site. He has met with Sequoia neighbors who thought the hospital should remain in the current location even though there is noise. He's concerned about the smog situation near Highway 101 and that it might be worse than at the existing site. There needs to be a comparison of pros and cons of the current site versus a new site. He is not sure if seismic requirements will remain an unfunded State mandate which will affect substantial dollars from all hospitals. Director Faro responded that smog is not relevant to this issue. Seismic issues aside, this building is 50 years old and the community and the physicians need a new hospital and it needs to be a state-of-the-art facility. He repeated that hospital management has been working on the seismic issue for the past four years, professional consultants were retained and they looked at all of the options including a new site versus an existing site. Director MacNaughton stated that most of the District residents know that they have elected this Board to represent them. An unfunded mandate by the State does not mean that this Board can afford to take a gamble that could end with the State closing Sequoia Hospital. It is not prudent to think that the seismic law will be eliminated. There are many other issues involved, not just neighbors. As elected board members it is the directors responsibility to look off site and determine if it is feasible to build off site. The Board can't run back to the public every time a decision needs to be made. Director Hickey said he is concerned about the negative impact a new hospital in close proximity to Kaiser would have, as he would personally be very unhappy to lose his Senior Plan membership at Kaiser. Director MacNaughton read from an Independent News editorial dated February 11, 2003 that "Having Sequoia nearby would not be a concern for Kaiser, said Kaiser spokesman Richard Drumn. Kaiser already has its established roll of members and Sequoia's move should not present any detrimental competition." Director Faro stated that he resents Director Hickey's remark and his concern about Kaiser. He reminded Director Hickey that he is an elected official of the District and as such, it is his duty and fiduciary responsibility to represent District residents, not Kaiser; further, it sounds to him like Director Hickey has a conflict of interest.

President Shefren called for the vote and the directors voted 4-1 (Director Hickey opposed) to accept the findings and staff recommendations of Sequoia Health Services to build a new hospital off site.

Appoint a Sub-Committee of the Board for the purpose of entering into negotiations for the purchase of land in Redwood City appropriate to build a new acute care hospital, subject to final approval of the Board.

Director Faro offered a motion to appoint a sub-committee to enter into negotiations for the purchase of land in Redwood City appropriate to build a new acute care hospital, subject to final approval of the Board. Director Kane offered a second to the motion. Discussion: Mr. Gibson said a sub-committee needs to be appointed which will allow him to begin negotiations for a land purchase, the Board would not be locked into a contract and any fiscal obligation would be subject to Board approval. Director Hickey asked if Mr. Gibson was asking for option money, to which Mr. Gibson answered No. Mr. Gibson responded to the statement that the public does not know what's going on, by noting that several members of the press are in attendance and numerous newspaper articles and editorials concerning this issue have been published.

Director MacNaughton suggested that the motion be amended to read "potential purchase of land." Director Kane moved to amend the motion to read as follows: "To appoint a sub-committee of the Board for the purpose of entering into negotiations for the potential purchase of

land in Redwood City that would be appropriate to build a new acute care hospital, subject to final approval of the Board." Director Faro seconded the motion which unanimously passed. Director Kane moved to approve the motion as amended; Director Faro seconded the motion which passed by 4-1 with Director Hickey opposed.

UNFINISHED BUSINESS: Adopt recommendation of the Sub-Committee on Community Relations to retain Public Affairs Associates (PAA).

Director Faro reported that the sub-committee met several times with PAA. It was the committee's recommendation that SHS should partner with the District and retain Public Affairs Associates to move forward with the public communications program. He added that by partnering with SHS, PAA's \$8,000 monthly fee would be split.

PUBLIC COMMENT:

Mr. Bill Nack stated he is very familiar with PAA and highly recommends them. In light of the new hospital project, it is important that the District has someone to put together a communications program for community residents.

Director Faro offered a motion to hire PAA for a monthly fee of up to \$8,000 which would be split with SHS. Director MacNaughton seconded the motion. Discussion: Director Hickey asked that this item be tabled and this project put out to bid. President Shefren asked Ms. Greenberg to clarify if the District was required to go to bid on this type of contract. Ms. Greenberg said that the Board does not need to get bids for professional services. Director MacNaughton stated that hiring PAA would be a more frugal and economical way to out-source the communications program and timewise we should move ahead. President Shefren called for the vote and the motion passed 4-1 with Director Hickey opposed.

District Process for Appointment Members to the Sequoia Health Services Board.

Director Hickey read a statement (included with the original of these minutes) asking that the District Board appoint him to the SHS Board in place of Dr. Kaher and immediately notify the SHS Board of the appointment. President Shefren asked Ms. Greenberg to clarify the process of District appointments to the SHS Board. Ms. Greenberg responded that the District has no written policy regarding appointments to the SHS Board; however, the practice has been to recommend for appointment both elected and non-elected officials. Under the SHS bylaws, the District has the authority to recommend for appointment to the SHS Board as the District's representative any person that the District chooses. The SHS bylaws direct that any person wishing to serve on the SHS board "must have experience and interest in health care [and]...exhibit genuine interest in the welfare of the citizens in this community." Under the SHS bylaws, the District also has the authority to remove from the SHS board any director that is the District's representative. Currently there is not an opening on the SHS board, although the District could create an opening by removing any of the five SHS directors who currently represent the District. Prior to there being a vacancy on the SHS board, Ms. Greenberg recommended that the District board consider and adopt by resolution a formal policy and procedure regarding the nominations to the SHS Board. President Shefren directed the CEO to bring such a policy to the Board at its next meeting.

Director MacNaughton asked if the District had a policy that every elected official serve on the SHS Board, would it be enforceable? Ms. Greenberg stated that the SHS bylaws give SHS the authority to accept or not accept the District's nominee. President Shefren asked if there was anything in District Law, SHS or SHD bylaws which states that an elected official is required to sit on the SHS Board? Ms. Greenberg answered that there is not. President Shefren said that he will appoint a subcommittee to work on a policy and asked staff to present the policy at the Board's next meeting.

CLOSED SESSION:

At 7:20 PM Director moved to adjourn to closed session for the purpose of discussing litigation in the matter of Dierkes v. Sequoia Hospital District, pursuant to Government Code §54956.9(a). The motion was seconded by Director MacNaughton and unanimously passed.

At 7:30 PM, President Shefren reconvened the meeting and announced that there was no action taken in the closed session.

PUBLIC COMMENT -- NON-AGENDA ITEMS:

Ms. Catherine Walker stated she was interested in the District and the hospital and planned on attending future meetings. Director Hickey asked her if she thought that rebuilding or relocating the hospital should be voted on by District residents. Ms. Walker responded that there were pros and cons regarding an election.

ADJOURN:

President Shefren adjourned the meeting at 7:40 PM.

Respectfully submitted,

Kathleen Kane
Secretary