

MINUTES OF MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
June 11, 2003

Present:

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

Also present:

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

Absent:

None

CALL TO ORDER:

President Faro called the meeting to order at 4:35 PM in the Sequoia Room at Sequoia Hospital. Mr. Faro announced that public comment would be heard on each agenda item. However, questions regarding the Palo Alto Medical Foundation's plans to build a new hospital would not be discussed other than to say the two entities have been in discussion, and if appropriate the matter would be taken up at a later Board meeting.

PUBLIC COMMENT - NON AGENDA ITEM:

Ms. Elizabeth Gheleta, Executive Director of the Service League of San Mateo County addressed the Board regarding its community grants program and how much the Service League relies on the District's grant program. She asked the Board to consider continuing the community-based grants program while plans for the new hospital are being worked on.

Ms. Linda Gagman of Child Abuse Prevention urged the Board to continue the program as programs such as the District's community grants are used to help with child abuse cases reported within the District's area. Due in part to the Grants Program such cases have been reduced by 56%.

Mr. Bob Rybicki of Youth and Family Services thanked the Board for its grants program, which has had a major impact on the community and urged the Board to continue the program.

CONSENT CALENDAR:

Director Kane offered a motion to approve the Consent Calendar. Director MacNaughton seconded the motion, which unanimously passed.

NEW BUSINESS:

5.a. Consider Policy and Procedure for Nominations to Sequoia Health Services Board: The Board President opened the discussion: Director Hickey commented that it is his opinion that the voters elect the District Director to serve on the SHS (Hospital) Board. Director Hickey read his proposed revisions to the policy and procedures indicating that as an elected official of the District he should have the first right of refusal for a directorship on the SHS Board. He stated that District oversight on the SHS Board has been diluted over the past years and he wants to rectify that. President Faro stated that members of the Board were elected by the voters to make decisions when required and the process of appointing representatives to the SHS Board assures that qualified people represent the District on that board. Director MacNaughton stated that oversight has never been diluted and that being an elected director does not currently nor ever meant that one was automatically appointed to the SHS Board.

PUBLIC COMMENT:

Ms. Merla Murdoch stated that she worked at Sequoia since 1996, and during the affiliation process with CHW, she remembers that District directors were always appointed to serve on the SHS board.**Amended 11/19/03 to reflect Ms. Murdoch's length of service as twenty years.** Director Hickey offered a motion to accept his revisions to the Policy for Appointments to the SHS Board. The motion died for the lack of a second. Director MacNaughton moved to approve the policy as presented. Director Kane seconded the motion, which passed by a vote of 4-1 with Director Hickey opposed.

5. b. Consider Policy and Procedure for Appointments to the Sequoia Healthcare District Board: Director Faro reported that this policy and procedure was approved at the April 2nd meeting and is being revised to remove the CEO from the committee appointed to interview potential candidates. Director Kane moved to approve the amended policy as presented. Director MacNaughton seconded the motion. Discussion: Director Hickey stated that when he voted in favor of this item before, he was blindsided by the title of the policy and procedure and stated that tax payers and voters should make the determination as to who fills a vacancy on the District Board. President Faro stated that voters elect Board members to make informed decisions as needed, in order to assure the continued operations of the District and that the law clearly provides for the Board to select a qualified replacement. President Faro called for the vote, which was 4-1 with Director Hickey opposed.

5. c. Consider Resolution 03-1 Authorizing Action by Written Ballot Regarding the Fifth Amended and Restated Bylaws of Sequoia Health Services and the Confirmation of Terms of Office for Sequoia Health Services Directors: Mr. Gibson reported that the Bylaws were approved last month by the SHS Board and that the District Board as one of the corporate members of SHS has the right to approve the organization's bylaws. The Bylaws have been reviewed by both CHW and District counsel. Director Kane offered a motion to waive reading Resolution 03-1. Director MacNaughton seconded the motion and it carried. Director Kane offered a motion to approve Resolution 03-1. Director Katz seconded the motion. Discussion: Director Hickey stated that this is a dilution of the oversight function of this Board and is opposed to the terms as shown herein. President Faro called the question: Roll call vote:

AYES: Directors Faro, Kane,
Katz, MacNaughton

NOES: Director Hickey
ABSTAIN: None
ABSENT: None

5. d. Consider Imposing Fine Per Government Code Section 91013 Relative to Director Hickey's Late Filing of Conflict of Interest Form: President Faro reported that Director Hickey was notified on several occasions of his responsibility to file Form 700 Statement of Economic Interest. It was only after the State of California threatened to fine Mr. Hickey \$5,000 that he filed his form on May 15, 2003-128 days late. Director MacNaughton stated that he was embarrassed to have this item on the agenda and subject the Board to this type of discussion. He said that all elected officials should be aware of their responsibility to file this form, and asked if the item could be removed from the agenda. Legal counsel responded that the law requires the District to take action, as this matter concerns a violation of State law. Director MacNaughton offered a motion to waive imposing a \$100 fine on Director Hickey. Director Kane seconded the motion, which unanimously passed.

5. e. Consider Board Compensation for Meeting Attendance: Mr. Gibson reported that this item was added to the agenda at Director Hickey's request. It has been the Board's policy not to compensate Directors for meeting attendance; however, District law does allow for compensation up to \$100 per meeting, not to exceed \$500 per month. Also, Directors are offered paid group health insurance coverage and some directors do take advantage of this benefit. Mr. Gibson reported that Director Hickey was previously informed of this practice. Director Hickey felt that Board members need to be compensated for their time and said that he preferred to be a Kaiser health member. He asked if the District would pay his Kaiser premium in lieu of the standard District health insurance plan. President Faro asked what is necessary to reimburse Director Hickey for his health insurance premiums? Mr. Gibson said that he needed to see invoices for coverage. Director Hickey stated he thought he had previously provided them and would see that the District gets the documentation. Mr. Gibson also reminded Director Hickey that the Local Agency Formation Commission (LAFCO) prepares a yearly report showing compensation amounts for all elected officials.

There was no action taken on agenda item 5.e. as there was no change to the existing policy to compensate Board members.

5. g. (1) Sequoia Hospital Foundation Report on Matching Grant for FY 02/03 and (2) FY 2003-2004 Matching Grant Request: Mr. Arthur Inman, Chair of the Finance Committee of the Sequoia Hospital Foundation Board, addressed the Board emphasizing how important the matching grant is to the work of the Foundation. He said that it is a very difficult time to raise funds and the matching grant has been a very powerful tool. He expressed the hope of the Foundation's Board that the District Board would find the Foundation's report for the fiscal year ending 2003 acceptable and continue the matching grant program for next year. Ms. Claudia Keys, Executive Director of the Foundation, reported that the matching grant has been a very real fundraising incentive for the hospital staff and it's volunteers. As a member of the Foundation Board, Director Katz agreed that the grant is extremely important in providing the hospital with capital improvements and equipment to upgrade cardiology, radiology and the cath lab. Director Kane offered a motion to accept the Foundation's report for FY 2002-2003 and to

continue the matching grant for FY 2003-2004 up to \$1 million. Director MacNaughton seconded the motion. Discussion: Director Hickey said that retrofitting the hospital will be expensive and the District's funds need to be preserved. He noted that the Foundation is doing a wonderful job but he does not want taxpayer money spent on what he considers philanthropy. Director MacNaughton reminded Director Hickey that as a member of this Board and as a District director he needs to be correct in the statements he makes, rather than make outrageous and unsubstantiated remarks. Director MacNaughton said he did not view the matching grant to the hospital foundation for critical equipment as philanthropy. It has been an excellent tool to leverage more private funds to provide much needed equipment and support for the hospital. President Faro stated that he feels strongly that one of the charges of this board is to keep the community healthy (we are a "healthcare" district) and we need to help insure that the hospital has state-of-the-art equipment and services. President Faro called for the vote, which passed 3-1-1 with Director Katz abstaining citing his membership on the Foundation Board, and Director Hickey opposed.

5. h. Consider Nomination of SHD President to Represent District on the Board of Directors Association of California Healthcare Districts: Director MacNaughton offered a motion to approve President Faro as the District's representative to the ACHD Board. Director Katz seconded the motion. Discussion: Director Hickey stated that this Board should not be participating in the ACHD organization as it supports Governor Gray Davis and is involved in other questionable political activities. President Faro reminded Director Hickey that the Sequoia Healthcare District Board is non-partisan and is not an appropriate forum for Director Hickey's Libertarian point of view or political aspirations. Vote: Approved 3-1-1 with President Faro abstaining and Director Hickey opposed.

5. i. Consider Sponsoring American Heart Association Heart Walk in the Amount of \$7,500: President Faro asked Ms. JoAnn Kemist to speak on this agenda item. Ms. Kemist is past president of the American Heart Association. She reported that Sequoia Hospital was recently named as one of the top-10 cardiology hospitals in the state of California. The Heart Walk has been an extremely successful way to raise awareness and funds within the community for the important work this organization does. Director Hickey stated that he doesn't support any of philanthropy from this Board and this is not something that should be funded from the District's tax revenues. Director Katz offered a motion to approve a \$7,500 sponsorship of the Heart Walk. Director MacNaughton seconded the motion that passed by a vote of 4-1 with Director Hickey opposed.

5. f. Presentation on Rebuilding Sequoia Hospital on Current Site: Mr. Gibson reported that over the past six months there have been numerous presentations regarding options to seismically bring the hospital into compliance with SB1953. One recurring issue is whether or not the District and/or the hospital had done a thorough job of assessing rebuilding the hospital on its existing site. Two previous studies have recommended against rebuilding on campus. Therefore, the District hired the architectural firm of DES, to look at rebuilding the hospital on-site. DES has done extensive renovation and remodeling projects for Sequoia and is familiar with not only the hospital, but the local codes and regulations which would need to be addressed if we rebuilt on campus. Mr. Gibson introduced Mr. Tom Gilman and Mr. Roz Estime of DES. President Faro reminded those in attendance that the District is still looking at sites; that no agreement has been entered into and conclusions should not be drawn about the final site from

the presentation. He also announced that a Town Hall meeting is schedule for June 25th at 7:00 PM at the SamTrans building in San Carlos at which time DES will again present their findings. Also, the meeting will be televised on Peninsula Television, Channel 26.

Mr. Gilman reported that after assessing many factors, DES is presenting two options for rebuilding the hospital where it is currently located. Plan A is to build a new hospital on the lower portion of the existing site at the corner of Whipple avenue and the Alameda; a portion of the existing hospital would be remodeled; and a new four-story medical office building and five level parking garage would be built at the northwest portion of the parcel. Parking would be built first, then the new hospital, followed by a new medical office building. This plan would cost approximately \$244 million and buildout would occur over an estimated 10 years.

Plan B is to completely demolish the existing hospital which would then be replaced by a new facility just off the Alameda with a four level parking garage at Whipple/Alameda. Surface parking would be available on the hill where the existing hospital is located. This plan is estimated at \$264 million and buildout would last approximately 6 years.

Plan C consists of building a new facility at a different location within the District and would take about 5 years and cost approximately \$216 million. DES noted that all dollar amounts are being presented in 2003 dollars.

President Faro asked if there were questions from the Board. Director Hickey suggested that under Plan A, the garage could be moved closer to Whipple and that ivy could be planted on the top of it thereby shielding it from the neighborhood view. Mr. Estime responded it would be irresponsible to move the buildings further out toward the street and it is unlikely that the City would permit it. Director MacNaughton stated that the District and SHS have been criticized for suggesting that the hospital should be moved from bedrock and be rebuilt on a site where the earth movement may not be as stable. Mr. Gilman explained that the existing structure is on bedrock; however, if rebuilding or retrofitting the hospital requires digging down into the bedrock, it can then become extremely difficult and expensive as the bedrock may require blasting. Mr. Gilman cited the new Foster City Police Department/City Hall building which was built on what might be considered relatively poor soil, but has been built to meet the new seismic standards. The Redwood City Police Department building near Redwood Creek, which is in a designated flood zone, was built on pilings driven into the soil and meets the seismic standards for essential buildings. The new Pacific Shores complex is also built on pilings driven some 75' into the soil. Director MacNaughton asked if building the hospital at a different location would compromise any safety standards. Mr. Gilman responded that, if anything, the hospital would have to be built to higher standards than any retrofit project. Director Katz stated that most of the physicians he knows would take their patients and surgeries to another facility rather than try to tolerate the disruption and the noise of rebuilding the hospital at its existing site. Director Faro commented that the impact on both physicians and patients during hospital construction in 1964 resulted in some patients going to Stanford Hospital, and surgeries were postponed or were moved to other facilities. Decrease in services would have an extremely negative economic impact on the hospital. Mr. Estime said that rebuilding under Plan A, the annual operating and energy consumption costs are estimated to be in-excess of \$69 million over the course of buildout due in part because we would be keeping a portion of the old buildings. Plan C would be the least expensive in terms of ongoing operating costs. He also added that delaying the

decision-making process costs the hospital about \$600,000/month. Factors such as decreased staff efficiency and impact on physicians in treating their patients in a construction zone would be extremely high. Livability of the neighborhood would be significantly degraded throughout the 6 to 10 years of construction. Truck traffic for soil removal would average 32 trucks a day over 6 to 8 months. Political and regulatory considerations would need to be addressed for both options A and B as they both exceed current height restrictions for the area and the hospital currently operates under a use permit.

PUBLIC COMMENT:

Mr. El Don Corl stated that he doesn't agree with the architects or Dr. Katz. He has been a patient in Sequoia Hospital off and on since 1957 has experienced some of the disruption created by renovating and remodeling projects. Also, none of the doctors he has spoken with want to have Sequoia moved to another location. He questioned the architects' logic of building a garage first. Mr. Gilman responded that with Sequoia's estimated 130,000 outpatient visits per year makes a garage mandatory and it would be necessary to first remove surface parking before the new hospital towers could be erected. A resident of Acacia Lane addressed the Board saying it would be better for the hospital to be rebuilt on a new site. Another Acacia Lane resident spoke and said that construction of a new hospital on the existing site would be okay with them especially since Plan C has many unknowns.

Director Hickey stated that he is of the opinion that the State's seismic standards are overkill and might be changed, and as far as dealing with the existing height restrictions mentioned by DES, he said we all know how to deal with Redwood City, "Simply pay off the city officials and the restrictions will go away." President Faro strongly reprimanded Director Hickey stating that such comments were inappropriate and did not represent the views of this board.

Ms. Merla Murdoch spoke to the Board, stating that Sequoia is not a neighborhood hospital but a District hospital and moving it to a new location within the District should not be interpreted as a negative factor.

President Faro reminded those present that the District Board has made no decisions about the final location for meeting the seismic requirements and conclusions should not be drawn from the meeting today. He thanked DES for a very interesting and informative presentation.

In closing, President Faro welcomed Dr. Katz, who was recently appointed as Director to the Board, and thanked Ms. Johnson, who is retiring, for her work with the Board over the past four years.

ADJOURN:

There being no further business, the meeting was adjourned at 6:40 PM.

Respectfully submitted,

Kathleen Kane
Secretary