

**MINUTES OF SPECIAL MEETING  
BOARD OF DIRECTORS  
SEQUOIA HEALTHCARE DISTRICT  
APRIL 19, 2005**

Present: Mr. Faro  
Mr. Hickey  
Ms. Kane, President  
Mr. MacNaughton  
Dr. Oblak

Also present: Ms. Scott, CEO  
Ms. Greenberg, Counsel  
Ms. Johnson, Recorder  
Ms. Vaskelis, Sequoia  
Hospital President

Excused: None

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**CALL TO ORDER:**

President Kane called the meeting to order at 12:10 PM in the Cypress and Sequoia Rooms at Pacific Athletic Club, Redwood City.

**PUBLIC COMMENT:**

Ms. Linda Craig of the League of Women Voters presented a letter which stated the League is gratified that the District is addressing its long range financial position, applauded the District's current approach to planning and policy, and commended the Board's intention to adopt an annual budget. The letter contained questions and suggestions that were addressed as the meeting progressed.

**NEW BUSINESS:**

**3. Discuss And Accept Long Range Financial Plan: Budgeting To Fulfill Objectives.**

Ms. Scott provided a memorandum offering an overview of the financial planning and budget exercise. The budget is a living document that should reflect the District's mission and vision and be reviewed annually to address the District's ability to meet the community's changing needs.

Considerations for the financial projections included the disposition of the medical office buildings, continuation of current grant commitments, funding the Sequoia Hospital rebuild project, maintaining reasonable reserves and positive cash flow for operational expenses. Director Hickey asked if the "unfunded" liability of the Sequoia Healthcare District Employee's Pension Plan was included in the budget. Ms. Scott responded that the Plan is not considered a liability by the District's auditors or the Plan's legal counsel and for budgeting purposes is not material since the expense is reimbursed by SHS when the Plan needs to be subsidized. President Kane expressed concern that statements to the contrary could be misinterpreted by Plan participants. Ms. Vaskelis, referring to a recent newspaper article quoting Director Hickey, said it generated many phone calls from employees and participants in the Plan, who were alarmed by the comments contained in the article.

President Kane introduced Ms. Tammy Staeden, Manager of HFS Consultants. Ms. Staeden provided Directors with two financial scenarios. The first scenario is based on projections assuming the medical office buildings (MOBs) would be sold by July 1, 2007. The second option assumes sale of the MOBs on July 1, 2020. Ms. Staeden explained that in reviewing the income statement under the first scenario, four main revenue sources were identified: Rental income, tax revenue, investment income, and interest income. In projecting expenses, an annual inflation rate of 3% was assumed. Grant expenses were projected under the assumption that existing grant expenses (CHI, the nursing education program, Samaritan House and the Sequoia Hospital Foundation) would continue and an additional \$500,000 in grants per year could be afforded.

Changes to the financial projections begin in 2008 due to sale of MOB's in 2007.

A general discussion ensued regarding issues raised under the long-term projections and if the grants program should be reinstated at this time. Director Faro noted that the District's mission is to keep its community healthy and favored the grants program. Director MacNaughton thought this study was encouraging but that the District should not commit to a grants program until CHW has provided the District with a commitment to rebuild Sequoia Hospital. Ms. Vaskelis indicated that it could be the end of summer before anything is presented to, or approved by, CHW's Finance Committee and the CHW and SHS Boards. Director Hickey stated that all grants should be terminated.

Ms. Scott said from the data presented today, it is clear the District can comfortably meet its financial obligations as outlined in its mission statement and also be prepared for the likelihood that the Hospital rebuild may exceed projected costs. She asked the Board to consider reinstating a grant program of at least \$500,000 a year to provide assistance to some of the many worthwhile health-related programs offered by community agencies. Director Faro agreed with a grant program, noting that it costs much less to keep people healthy than to provide care after they are sick and is the Board's responsibility to provide such resources. Ms. Scott indicated she would work in collaboration with other agencies including Sequoia Hospital's Community Benefit Program thereby leveraging resources.

Ms. Scott requested approval of a budget for fiscal year 2006 – as presented in the financial plan. Director MacNaughton offered a motion to approve the 2006 budget as presented. Ms. Linda Craig, from the League of Women Voters, stated that the agenda reflects approval of a long-range plan, not the 2005/2006 budget. It was the consensus of the Board to agenda approval of the budget for fiscal year 2006 for the next meeting.

Questions raised in the letter from the League of Women Voters were addressed. Referring to the \$30 million corpus, President Kane explained that CHW gave the District \$20 million in cash for the right to operate Sequoia Hospital and the District retained an additional \$10 million. There are no restrictions on the usage of the \$30 million; rather, in 1996 the District Board voted to reserve a corpus and add to it each year in the case the District ever needed to reestablish operation of Sequoia Hospital.

At 2:00 PM, President Kane called for a brief recess. At 2:10 the meeting reconvened with all Directors in attendance.

#### **4. Discuss And Adopt Proposed Policies And Procedures.**

Each policy was reviewed and discussed by the Board. Material changes to the Discussion Draft are as follows (an original of the policies and procedures as adopted are available on the District's website at <http://www.sequoiahealthcaredistrict.com/p&p.pdf>)

##### **Policy/Procedures:**

#4 Officers of the District.

**4.5 Added:** Officers' term shall be for two years.

#5 Committees of the Board/Public Information Liaison/Auditors.

**5.3 Amended:** The President of the Board is the chief spokesperson for the Board (Public Information Liaison), but individual board members are not required to refer all media-related/public inquiries to Board President.

**5.5 Added:** The audit is to be prepared by the 31<sup>st</sup> of January of each year.

#6 Board Meetings.

**6.1 Amended:** If a meeting includes any Director's attendance by teleconference, a least a majority of the Board shall participate in the meeting from locations within the boundaries of the District although it is not required that the majority all be at the same location within the District.

**6.2 Amended:** A quorum consists of 3 out of 5 Directors.

**6.9 Amended:** The Board packet will be posted on the web site at the same time as provided to Board members.

#8 Agenda.

**8.3 Amended:** Notwithstanding Policy No. 8.1 and Policy No. 8.2, any Director may place one item on the agenda of each scheduled meeting so long as the item is within the subject matter jurisdiction of the District and so long as the item complies with Policy No. 10.

#11 Minutes.

**11.4 Amended:** Audio tape recordings of meetings will be erased after one year has elapsed.

**11.7 Amended:** Draft minutes, clearly identified as a draft on each page, shall be put on the District's website as part of the Directors' packets as set forth in Policy No. 6.9.

#13 Appointment to the District Board.

**13.1 Amended:** The Board shall determine at a regular or special meeting whether to fill a vacancy by election or appointment. Policy Nos. 13.2 through 13.7 shall apply if the Board decides to fill the vacancy by appointment.

**13.2 Amended:** Appointee shall be a registered voter residing in the District.

#17 Membership in Associations/Training/Educational Conferences.

**17.1 Amended:** The Board of Directors shall hold memberships in any appropriate professional associations related to healthcare as deemed appropriate by the Board.

#18 Authority and Responsibilities of CEO.

**18.2 Amended:** No change to authority as outlined for contracts in the approved budget; contract amounts exceeding \$5,000 not included in the approved budget require Board approval.

(At this time, Director MacNaughton excused himself from the remainder of the meeting.)

# 20 Public Records Requests

**20.2 Amended:** Copies for records exceeding ten pages, 10 cents per page.

**20.3 Amended:** \$10 deposit towards copies of records exceeding 100 pages.

Ms. Greenberg noted the Investment Policy and Capital Improvement Policy already in existence would be included as part of the Policies & Procedures approved today.

President Kane suggested the Grant Making Policy be discussed at the next regular meeting.

Director Faro offered a motion to approve the draft policies and procedures No. 1 through 22 as presented and amended. Director Oblak seconded the motion, which passed by majority vote of 3-1. Director Hickey was not in favor, and Director MacNaughton was not present for the vote.

## 5. ADJOURN:

Upon a motion duly made, seconded and unanimously approved, President Kane adjourned the meeting at 3:55 PM. The next regularly scheduled meeting of the Sequoia Healthcare District Board of Directors is Wednesday, June 1, 2005, 4:30pm, Sequoia Room, Sequoia Hospital.

Respectfully Submitted,

John B. Oblak, Ph.D.  
Secretary