

*Petaluma*  
**HEALTH CARE  
DISTRICT**

**MINUTES OF THE JANUARY 15, 2019 MEETING OF THE  
PETALUMA HEALTH CARE DISTRICT BOARD OF DIRECTORS**

**CALL TO ORDER**

President Hempel called the meeting to order at 12:03 PM in the lobby conference room at 1425 N. McDowell Blvd.

**PRESENT**

Elece Hempel, President  
Fran Adams, RN, BSN, Secretary  
Gabriella Ambrosi, Director-at-Large  
Crista Chelemedos, Director-at-Large  
Jeffrey Tobias, MD, Acting Treasurer

**ALSO PRESENT**

Ramona Faith, CEO, PHCD  
Andrew Koblick, Controller, PHCD  
Ruth Wells, Board Clerk, PHCD  
Tyler Hedden, St. Joseph Health

**CALL FOR CONFLICT**

President Hempel called for conflict. There was none.

**MISSION AND VISION**

Director Adams read the mission and vision of the Petaluma Health Care District.

*The mission of the Petaluma Health Care District is to improve the health and well-being of our community through leadership, advocacy, support, partnerships and education.*

*Petaluma Health Care District envisions: A healthier community; a thriving hospital; local access to comprehensive health and wellness services for all.*

**CONSENT CALENDAR**

**A MOTION was made by Director Tobias and seconded by Director Adams to approve the agenda for January 15, 2019, and minutes of the PHCD Board meeting of December 10, 2018. This motion was PASSED by a vote of 5 ayes (Directors: Adams, Ambrosi, Chelemedos, Hempel, Tobias) and 0 noes.**

## **PUBLIC COMMENTS ON NON-AGENDIZED ITEMS**

There were no public comments.

## **BOARD COMMENTS**

Director Adams reviewed Chapter 23 from *52 Ways to Make a Better Board*, which advises cultivating diversity on the board. This point will be added to the strategic planning discussion.

Director Tobias suggested that reports provided by Directors who participate in continuing education offerings be scheduled for presentation on a quarterly basis. The next report will be added to the March agenda.

The Administrative Reports and Forging a New Path for Petaluma Valley Hospital occurred next, but are minuted in the order of the agenda.

## **PETALUMA VALLEY HOSPITAL**

### **SRM Alliance Board Update**

The board welcomed Tyler Hedden (VP COO of St. Joseph Health Sonoma County) to the meeting.

Mr. Hedden thanked the board members who attended the PVH medical staff holiday celebration. It affords a great opportunity for building relationships.

Director Tobias asked for report on the staff information meetings. Mr. Hedden said the meetings were well received. Only the future of OB raised serious questions. SJH is committed to OB for three years. It was noted that at the December 10 board meeting PVH administrator Tyler Hedden agreed to include Ms. Faith in PVH staff meetings to explain the Letter of Intent (LOI) with respect to the hospital lease. SJH upper management later withdrew that invitation. Director Tobias expressed the Board's desire for a true partnership between the District and the hospital operator.

Mr. Hedden reported a good start to the new year. PVH finished 2018 with no hospital-acquired infections, and more than \$3 million better than budget.

Emergency Room visits are down from the prior year, likely the result of increased insurance availability under the Affordable Care Act, getting people access to care before they need emergency treatment. Ms. Faith acknowledged Dr. Neel's role in the success of reducing Sober Circle clients' ER visits. It was noted that a relatively low percentage of hospital admissions come from ER. This is in part due to Kaiser patients being transferred out.

Traveler nurse staffing is expected to continue to decline. SJH anticipates settling the nursing contract soon, and Mr. Hedden reiterated SJH's position that a mediator could help move negotiations forward. The District's concern is quality care. Without fair compensation, the community is at risk of losing PVH's experienced nursing staff and attracting new hires, all of which eventually can have a negative impact on quality outcomes.

Director Tobias asked if an explanation was received as to why the Leapfrog rating fell short. Some data was missing or was too small a sample size for the reporting requirements. The current finding cannot be changed, but SJH intends to be better prepared for next report.

Ms. Faith noted that she has requested either Mr. Hedden or SJH's CEO present their strategic plan for PVH. She also has invited SJH's CFO to explain SJH's financial reports to the District board.

The Board thanked Mr. Hedden for his presentation.

## **ADMINISTRATIVE REPORTS**

### **PRESIDENT'S REPORT**

President Hempel referred to the 2019 schedule of regular District board meetings to ensure that the regular day and time are workable for all directors. The question was raised whether evening meetings might encourage more public participation. Ms. Wells will poll the board for their preferences.

Ms. Hempel reminded directors that the Brown Act requires that Public Comments sections of the meeting agenda are to be used for receiving feedback from the public. The District cannot dialog with residents in a board business meeting. Community forums are the appropriate format for public discussion of issues.

### **CEO REPORT**

Having no questions on her CEO report, Ramona Faith reported that payment of the hospital back rent and hospice settlement have been received from St. Joseph Health.

In preparation for the Board's engagement in strategic plan discussions, Ms. Faith distributed a copy of the most recent PHCD strategic plan and preparatory work from the strategic planning consultant, to be completed by directors in advance of the next board meeting. Two hours will be allocated at the next board meeting for planning purposes.

The District has received two notices from Sonoma Local Agency Formation Commission (LAFCO). One informs them of the reorganization of local fire districts. The second summarizes recent changes in the law for special districts. Ms. Faith assured the board that PHCD is already in compliance with the new requirements.

Ms. Faith sits on Association of California Healthcare Districts' Advocacy Committee. While most of the committee's work relates to acute-care issues, there is a new effort to advocate for social determinants of health in policy making. Where people live has greater impact on longevity than direct access to health care. Several directors observed that ACHD's advocacy updates lack context and would like a deeper explanation of ACHD's position on issues. Ms. Faith will share that feedback with ACHD.

## **FORGING A NEW PATH FOR PETALUMA VALLEY HOSPITAL**

CEO Ramona Faith reviewed the principal points of the nonbinding letter of intent (LOI) executed between Petaluma Health Care District and St. Joseph Health to have ST Network LLC, a joint venture of SJH and Adventist Health System/West, to operate Petaluma Valley Hospital. A copy of Ms. Faith's presentation is appended to these minutes.

The LOI is a non-binding agreement with the exception of two points. Those points that are binding are the payment of back rent, from January 2017 forward, which has been received, and a \$400,000 financial settlement with respect to the ownership of Petaluma Hospice, which payment also recently was received.

Several steps still need to be completed before a binding lease can be negotiated. SJH and Adventist Health System/West must obtain regulatory approvals from the State Attorney General and Federal Trade Commission for their proposed joint venture. A fair market value assessment of the hospital must be made within six months of taking the lease agreement to a public vote, and the new hospital operator must obtain several specific licenses and certifications to operate the hospital. The final lease agreement requires public approval, perhaps as early as the Nov. 2019 general election. Several community forums will be needed to help voters understand the importance of public approval of the lease, and that the measure has no tax implications.

SJH's regional president has advised Ms. Faith they anticipate approvals for ST Network by June 1. This affords little time to get FMV assessment and negotiate the definitive agreement in time for the November election. Licensure may take an additional 6-9 months after public approval. The full process may take 18 months from today.

The new operator will maintain the same core services as were under the prior lease. Core services can not be discontinued without the approval of the District Board, with the exception of OB services, which the operator would have the authority to discontinue three years after the start of the new lease.

The new operator will have the option to purchase the hospital, as well as to purchase and develop the front portion of the campus. A hospital purchase will require a separate public vote. If the lease ends for whatever reason, the operator will transfer all patient data in an electronic format to a new operator.

The District agrees not to develop or join business ventures that compete with SJH. A list of acceptable areas of business development was also agreed upon. Healthcare districts need to be able to address social determinants of health and unmet healthcare needs in the community they serve. Ideally, the District and the hospital operator could collaborate on that kind of undertaking.

ST Network and the District will work together to obtain General Obligation bonds to finance seismic upgrades.

The Petaluma Valley Hospital Report occurred next, but is minuted earlier to match the agenda.

## **FINANCIAL SUSTAINABILITY**

### **November 2018 Financial Statements**

Controller Andrew Koblick reviewed the financial statements. As of November 30, 2018 the unaudited Statement of Net Position reflects assets of \$7,612,525 and liabilities of \$484,550 leaving the net fund balance at \$7,127,975.

The month and year to date ended November 30, 2018 the unaudited Statement of Revenue and Expense shows the net loss of \$42,268 and \$331,723 respectively, which is \$24,440 and \$102,363 better than the budgeted loss of \$66,708 and \$434,086.

Director Ambrosi asked why we budget a loss. While part of the loss is depreciation, it is difficult to budget revenue without a current lease agreement for the hospital, and other historic rental income sources have come to an end. The District needs to develop new sources of

revenue, from development of other property assets or cultivation of grant funding. While most special districts in the state receive parcel tax income, PHCD does not.

**Public Comments:** There were no public comments.

Director Tobias reported that the Finance and Business Development Committee is examining District property development opportunities. Beyond generating revenue, it is desired that whatever development is undertaken will provide a clear community benefit. The Committee recommends that the Board establish goals or desired outcomes for development of the Lynch Creek parcel, and authorize Ms. Faith to begin discussion with SJH with respect to development of the front parcel of the PHV campus.

The Committee further recommends that SJH's CFO be invited to walk the PHCD board through the financial reports for PVH, and that a joint finance committee of PHCD and PVH representatives meet quarterly to ensure transparency of the financial issues of both public organizations.

### **PHCD GOVERNANCE SELF-ASSESSMENT**

Ms. Faith reviewed the board's self-assessment process and referred to the results report. Ms. Hempel recognized that two current directors are new to the board, and two of the participants in the survey are no longer on the board.

Communication issues might be key. Both internal and external communications, can be improved. Board unity seems to be another area open to improvement. There seem to be few opportunities for the board to bond as a team.

Director Tobias felt that the delay of some discussions is the result of setting unrealistic time for discussion on the agenda. Director Hempel suggested that the bigger topic items could be the subject of a special board meeting.

Ms. Faith suggested the Leadership Structure and Processes section of the report is an area with room for improvement, as is Board Knowledge. Should board meetings be structured differently to allow more time for strategic discussion? Director Tobias agreed that in order for PHCD to be a high-performing board, meetings should allow more time for discussions. The hospital lease process has monopolized a lot of the board's time over the past couple of years. Moving forward, meetings can allow more time to be spent on other issues.

Director Tobias noted that Meeting Materials is another area of the report that shows room for improvement.

Director Tobias requested that the board develop talking points for main issues, and create a plan for how and when updates are conveyed to the community. The District's public relations team handles this under the CEO's direction. The Board has discussed communication with its lease negotiation advisors, and has followed the recommendation of its advisors.

These governance points are recommended for discussion in the strategic planning retreat, or at a special board meeting. Ms. Faith offered to circulate the topics ahead of time to elicit suggestions that can be discussed at the retreat.

### **ANNUAL REVIEW OF BOARD POLICIES**

Executive Session occurred next, but is minuted in the order of the agenda.

The following portion of the meeting was chaired by Director Adams.

The Board reviewed their established policies. Due to questions/comments from Director Tobias, the following policies were selected for possible revision and will be brought back for approval at the next board meeting:

- Operating Principles of the Board
- Code of Ethics
- Conflict of Interest
- Annual CEO Performance Evaluation
- Board Compensation and Reimbursement Policy
- Statement of Investment Policy

**A motion was made by Director Tobias to approve the following PHCD Board Policies:**

- **Basis of Authority**
- **Ethics Training**
- **Guiding Principles for District Business Ventures**
- **Board Meeting and Conduct Policy**
- **Access to Public Records**
- **Board Meeting Policy**
- **Board Meeting Layout Policy**
- **Minutes of Board Meetings**
- **Records Retention**
- **Purchasing Signature Authority**
- **Grant Funding Policy**
- **Procedure for Filling a Board Vacancy**
- **Board Continuing Education Policy**
- **Financial Reserve Policy**
- **Policy on Board Elections**

**The motion was seconded by Director Ambrosi, and was passed by a vote of 3 ayes, (Directors Adams, Ambrosi, Tobias) and 0 noes. Directors Chelemedos and Hempel left the meeting before the vote was taken.**

Discussion of the proposed new policy on Sexual Harassment Prevention Training was deferred to the next meeting.

Director Tobias noted that some of the policy changes he is recommending may require changes to the District's Bylaws. This Governance Committee will review the Bylaws and recommend needed changes. Appointment of officers for the year will be part of the strategic planning discussion.

## **INFORMATIONAL ITEMS**

Ms. Faith noted that she and Directors Ambrosi and Chelemedos will attend the ACHD Leadership Academy January 24-25. Director Chelemedos also will attend the State of the County event with Ms. Faith on Feb. 1. The District's annual events were noted: Petaluma Walking Day (April 3) and the Community Partnership Appreciation Breakfast (May23).

Director Tobias stated he will attend the SRM Alliance board orientation Jan 18 to prepare for his first meeting on that board Jan. 22.

## **PUBLIC COMMENTS ON CLOSED SESSION ITEMS**

There were no public comments.

## **ADJOURN TO CLOSED SESSION**

**President Hempel adjourned the meeting into closed session at 2:01 PM for discussion pursuant to Government Code §54956.8 Closed Session; real property transaction; meeting with negotiator – 400 North McDowell Blvd.**

## **ADJOURN TO OPEN SESSION**

President Hempel adjourned the meeting to open session at 2:57PM and reported that no action had been taken in closed session.

Directors Hempel and Chelemedos left meeting at 2:58 PM, and Director Adams continued as chair of the meeting.

Discussion circled back to Board Policies, which is minuted in the order of the agenda.

## **PLUS / DELTA**

No new business was proposed.

## **ADJOURN**

The next regular Board meeting will be February 19, 2019 at 12:00PM.

Director Adams adjourned the meeting at 3:20 PM.

Submitted by Fran Adams, Board Secretary

Recorded by Ruth Wells, Board Clerk

# **Forging A New Path**

## **Key Terms and Conditions in the Letter of Intent signed by PHCD and SJH**

Ramona Faith  
January 15, 2019 PHCD Board Meeting



## Letter of Intent

- Non-Binding agreement signed by SJH and PHCD
- Next Steps
  - Regulatory approval of Newco
  - Definitive lease agreement
  - FMV within 6 months of public vote
  - Public vote
  - New operator must meet all regulatory requirements and obtain licenses to operate acute care hospital
- Timeline
  - Several months

## Letter of Intent

- Operator will be NewCo and will negotiate final terms of the lease
- Operate facility as an acute care hospital with an ER
- 30-year lease with either party able to terminate without cause at years 8, 13, 19 and 25 with three-year notice
- Offer same core services/additional services as provided under expired lease with SJH except as related to Family Birthing Center
- Commitment to maintain Family Birthing Center for at least three years from effective date of new lease

## Letter of Intent

- Option to purchase PVH campus including front portion of the campus, at Fair Market Value
  - If purchased, will operate facility as an acute care hospital with an Emergency Dept for a least 10 years following purchase
  - Can not purchase front portion of the campus without purchasing the PVH campus
  - If lot split required, SJH and its affiliates will support and cooperate with the District
- District must obtain operator approval to develop the front portion of the campus

## Letter of Intent

- Option to purchase shall require a separate public vote
- Subject to FMV, rent shall be \$800,000 per year
  - 2% annual increase year 11
  - Includes Hospital rent and Hospice facility rent
- Operator's capital commitment of \$3.5 million annually
  - 2% increase per year
- Electronic Medical Record (EMR)
  - NewCo will determine PVH EMR system
  - Upon any transition/termination, Newco will provide new operator with all required patient data from all patient care settings in an electronic format

## Letter of Intent

- Restrictions on Competitive Activities
  - District will not offer services within District service area that compete with PVH or SJH affiliates in Sonoma County
  - District may offer/develop certain services without approval
- District and Newco will work together to obtain GO bonds to pay for hospital seismic upgrades (2030)
- Overall transaction shall be subject to FMV confirmation

## Letter of Intent

- Upon execution of LOI
  - SJH to pay hospital back rent and monthly thereafter until November 2019 or mutually agreed to by both parties
  - SJH to pay PHCD \$400,000 for hospice settlement and PHCD gives all hospice ownership rights to SJH

## Forging A New Path

PHCD Board remains hopeful that Newco will obtain all regulatory approvals and a definitive agreement can be reached

Anticipate re-engaging in negotiations once Newco approvals are in place

SJH has indicated they will continue to operate PVH