

**MINUTES OF THE NOVEMBER 18, 2010 REGULAR MEETING OF THE
PETALUMA HEALTH CARE DISTRICT BOARD OF DIRECTORS**

CALL TO ORDER:

President Ostroff called the meeting to order at 6:15 p.m. in the building conference room at the Petaluma Health Care District, 1425 N. McDowell Blvd.

PRESENT:

Fran Adams, RN, BSN, Member-At-Large
Robert Ostroff, MD, President
Kathryn Powell, MS, Vice-President
Stephen Steady, MD, Secretary
Josephine S. Thornton, MS, Treasurer

ALSO PRESENT:

Jennifer Alkayisi, PHCD
Suzanne Cochrane, Board Liaison
Joan Cooper, Community Member
Daymon Doss, CEO
Marilyn Everett, Independent Auditor, Matson & Isom
Richard Nadale, Controller

CONSENT CALENDAR:

A motion was made by Director Powell, seconded by Director Adams to approve the November 17, 2010 Agenda, the October 19, 2010 minutes as prepared, and the October 27, 2010 minutes with submitted changes. This motion was approved by all present.

PUBLIC COMMENTS / QUESTIONS:

Joan Cooper, Community member, thanked the Board of Directors for their support and participation on the Community Health Care Forum regarding the health impacts of the proposed Dutra Asphalt Plan in Southern Sonoma County held on September 30, 2010. Ms. Cooper felt the audience received excellent information and the program aired on public access on several occasions.

Ms. Cooper attended this meeting to ask the Board of Directors to compose a letter to the Sonoma County Board of Supervisors urging them to vote “no” on the proposed Dutra Asphalt Plant project. The Sonoma County Board of Supervisors is set to make their final vote on December 14, 2010. A letter prepared by the Moms for Clean Air outlining the issues supporting a no vote was distributed.

A motion was made by Director Powell, seconded by Director Steady to place on the Agenda for the December Board meeting for the PHCD Board of Directors to consider corresponding to the Sonoma County Board of Supervisors health concerns relative to the Dutra Asphalt Plant. This motion was passed by all present. Previous communications to the Sonoma County Board of Supervisors will be forwarded to PHCD Board of Directors prior to the December Board meeting.

2009-2010 AUDIT REPORT:

Richard Nadale, Controller, introduced Marilyn Everett, CPA of Matson and Isom responsible for completing the audited financials for the Petaluma Health Care District for fiscal year ended June 30, 2010.

Ms. Everett distributed an Agenda outlining the areas audited and the process conducted by a team of auditors through Matson and Isom. Included in the audit is a look at the District's financial statements on an interim basis to note any changes that have occurred over the past year. The audit team implements new procedures and processes each year in an effort to avoid staff the ability to become complacent. Interviews with a Board of Director and non-accounting staff of PHCD are also conducted and indicated nothing of concern.

The audit team's responsibility is not only to conduct a financial audit, but financial statements are also reviewed for accuracy and are issued in compliance with reporting standards.

Ms. Everett noted a new accounting pronouncement titled GASB Statement No. 45. Over the past few years, the District's retiree health insurance was one of the issues requiring an actuarial study completed by reporting the liability and next year the new accounting pronouncement relative to the GASB Statement No. 54 will affect the District's fund balance in designating sections of the fund balance for specific items.

Ms. Everett reviewed the Statement of Revenues, Expenses, and Changes in Net Assets included in the audit report noting the operating loss for the District at \$1,046,037 with revenue increase of \$246,000 primarily due to the management fee of the Petaluma Women's Health. In addition, the expense for salaries, wages, and benefits increased due to the increase in full time equivalents and \$208,000 due to GASB 45 compliance. This information is also included in the Liabilities and Net Assets under the area that indicates retiree health insurance costs. As health insurance premiums are paid, the retiree health insurance liability will be decreased.

In addition, Ms. Everett reviewed the Medicare settlement of \$419,000 included in the non-operating revenues (expenses) placing the District into a net deficit position of \$981,666 and investment income to offset some of that loss reducing the overall District's net assets of \$13,198,782. Ms. Everett noted the District is in a very good financial position in terms of having available investments and available cash.

Under the footnote section Cash and Investments of the Audit Report, Ms. Everett reviewed the Investment categories noting the ratings of investments as required by the California

Government Code are included in the audit report and noted that the Capital Assets display historical costs and not fair market value.

Information pertaining to the District's agreement to purchase an industrial building with a refundable deposit of \$50,000 is placed under the contingencies category and is noted that the District is expecting to receive a full refund of this deposit. The seller of the property is currently disputing the refund of the deposit. This deposit is included in prepaid expenses and deposits of the Statement of Net Assets as of June 30, 2010.

Ms. Everett noted that in the opinion of the audit, the financial statements referred to above present fairly and there were no difficulties dealing with staff noted throughout the audit as well as no management disagreements.

Richard Nadale thanked Ms. Everett and her staff on conducting the PHCD audit. Mr. Nadale further acknowledged Jennifer Alkayisi, PHCD accounting staff, and Leenie Atwood, on the organization and preparation of the audit documents and support during the audit process.

With the recent announcement of Daymon Doss' retirement, Ms. Everett shared with the Board of Directors her excellent working relationship with Mr. Doss noting his honesty, integrity and commitment to the District during the completion of several District audits.

A motion was made by Director Adams seconded by Director Steady to approve the fiscal year end June 30, 2010 Audit for the Petaluma Health Care District as presented by Marilyn Everett of Matson and Isom. This motion was approved by all present.

PETALUMA HEALTH CARE DISTRICT SPHERE OF INFLUENCE:

Suzanne Cochrane presented the current Sphere of Influence map of the Petaluma Health Care District to the Board of Directors for review. The Sonoma Local Agency Formation Commission (LAFCO) requires the Petaluma Health Care District to review their District Sphere of Influence map every five years.

A motion to approve the Sphere of Influence map as presented was made by Director Thornton seconded by Director Powell and approved by all present.

OATH OF OFFICE:

President Ostroff administered the Oath of Office to Director Powell and Director Thornton extending their terms for an additional four years. Documents were signed and will be forwarded to the Registrar of Voters Division.

STRATEGIC PLANNING COMMITTEE REPORTS:

Asset Management Committee:

Director Thornton reported on the recent Asset Management Committee meeting noting another offer has been received on the Lynch Creek property and will be discussed at this meeting in closed session.

Petaluma Valley Hospital:

Director Thornton noted the SRM Alliance Board did not meet in November.

Hospital Stewardship Committee

Director Adams noted no meeting has been held of the Hospital Stewardship Committee and no issues have been submitted to schedule a future meeting.

Joint Venture Committee:

Daymon Doss noted the November 5th RAP meeting was rescheduled for November 19, 2010. Progress continues in developing a marketing plan and meetings with Marin IPA, Annadel Foundation and other medical groups are being scheduled and information from these meetings will be presented at the November 19th meeting.

Lease Oversight Committee:

President Ostroff reported the Lease Oversight Committee submitted a report on their research findings pertaining to Petaluma Valley Hospital to the SRM Alliance Board. The Committee continues to review information utilizing OSHPD data and will be working with a consultant to further analyze OSHPD information.

Discussion ensued relative to hiring a consultant to assist the Lease Oversight Committee to further complete their financial research and have a better understanding on costs associated in operating a hospital. This includes the utilization of a management company for specific hospital departments and/or operating independently. Cost involved in this study could range from \$10,000 to \$100,000. Concern was voiced to limit the cost to a minimal utilizing the data that has been collected from the Lease Oversight Committee.

Directors assigned the Lease Oversight Committee to select a financial consultant who will then come forth in closed session to meet with the full Board of Directors to determine specific criteria to be completed by the Consultant.

A motion was made by Director Powell, seconded by Director Ostroff, to pursue obtaining a consultant to provide an overview on the costs associated in the operations of a hospital independently or through management contracts, selected by the Lease Oversight Committee and scheduled to attend the January 26, 2010 Board meeting in closed session for research criteria approval. This motion was approved by all present.

Physician Relations Committee:

Mr. Doss has been meeting with Dr. Kosinski and Dr. Clark to obtain a better understanding of the operational costs for the Petaluma Women's Health. At this time, the District has revised the management fee to actual costs incurred in an effort to establish a system for the Petaluma Women's Health to repay their loan from PHCD. A reduction in staff at the PWH will also be implemented in an effort to reduce costs.

Mr. Doss has also met with Joel Criste regarding Prima OB Group, and Annadel to explore options for the Petaluma Women's Health that could enhance the practice through reimbursement rates and office expenses.

A Physician Relations Committee meeting will be set to review options for PWH and other items relative to physician services.

South County Mental Health Collaborative:

Director Adams reported on a recent South County Mental Health Collaborative meeting held on November 18, 2010. At this meeting, Lynn Campanario, part of Mental Health Coalition of Sonoma County, provided a presentation on an extensively integrated health model through an online website for provider partners and consumers on issues of stigma, access, data and evaluation. The integrated health model is titled a "Safety Net" in terms of information, services and positive outcomes.

WORK ITEM: REPORTS

Finance Report:

Richard Nadale, Controller, provided an overview on the PHCD financials ending October 31, 2010. The Statement of Net Assets reflected assets of \$16,527,613 and liabilities and deferred revenue of \$4,400,522 leaving the net fund balance at \$13,227,091.

The year to date Statement of Revenue and Expense shows a loss of \$7,782 which is \$80,240 less than budgeted.

PHCD operational loss from Petaluma Women's Health (PWH) in the month of October 2010 was \$14,830. The loss was due to the advertising campaign and replacing medical supplies. The total advanced to PWH through October 2010 is \$480,383.

The District's rate of return on investments decreased .04% to 5.03% for October 2010.

President's Report:

Directors reviewed the Ongoing Task List noting no changes.

Due to scheduling conflict the December Board of Director's meeting was moved to Wednesday, December 15th. Location will be determined.

It was also noted conflict in Directors schedule for January and communications to Board members regarding availability for January will be completed through emails. Proposed date for the January Board meeting is January 20, 2011.

CEO Report:

A reminder of the upcoming Mari Gras event sponsored by the Community Health Foundation honoring Daymon Doss scheduled for March 5, 2011 and Directors interested in attending this event are to contact Suzanne Cochrane.

ADJOURNED TO CLOSED SESSION:

President Ostroff adjourned the meeting into closed session pursuant to the following sections:

- **Government Code §54956.8 closed session regarding real property negotiations at Lynch Creek Property.**
- **Government Code §54956.9 closed session regarding pending litigation at 1460 Cader Lane.**
- **Government Code §54957.6 closed session regarding employee matters.**

ADJOURNED TO OPEN SESSION:

President Ostroff adjourned the meeting into open session and reported a revised CEO Job Description was approved and designated a salary range for the replacement position of the CEO position of the Petaluma Health Care District.

DISCUSSION OF PUBLIC COMMENTS:

There were no discussions regarding public comments.

NEXT STEPS:

No items were discussed.

ADJOURN:

President Ostroff adjourned the meeting at 9:35 p.m.

Respectfully submitted,

Stephen Steady, MD, Board Secretary

RECORDED BY:

Suzanne Cochrane, Board Liaison

