

**MINUTES OF MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
FEBRUARY 2, 2005**

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

Also present: Ms. Scott, CEO
Ms. Greenberg, Counsel
Ms. Johnson, Recorder

Excused: None

CALL TO ORDER:

President Kane called the meeting to order at 4:30 PM in the Sequoia Room at Sequoia Hospital.

PUBLIC COMMENT:

Ms. Veronica Palmer, a District resident, suggested the Board consider providing financial support to local clinics to allow them to remain open on evenings and weekends. Ms. Palmer cited a news article, which found that more than half of personal bankruptcies are due to medical costs resulting from illness or injury. Ms. Palmer noted some medical services are not covered by insurance and she urged the District, Sequoia Hospital, and other organizations to consider providing financial resources to assist patients who require physical or occupational therapy, which will allow them to return to work.

CONSENT CALENDAR:

Director Hickey requested the removal of all items from the consent calendar. Referring to item 3.a (Minutes), referencing the election results on the agenda, Director Hickey said that he made the statement that this agenda item should be an action item to allow the Board to vote on the election results. Director Faro offered a motion to approve the minutes of December 1, 2004 as corrected. Director Oblak seconded the motion, which unanimously passed.

Referencing item 3.b (Financial Statements for November and December), Director Hickey questioned the makeup of numerous line items on the November income statement, declaring he is aiming to reconcile payments to SHS and other District expenditures.

Director Faro offered a motion to approve the financial statements for November and December. Director Oblak seconded the motion, which unanimously passed.

Referencing item 3.c. (CEO's Report of January 26, 2005), Director Hickey asked if the District pays for Ms. Scott's participation in the Health Disparities Collaborative. Director Faro stated Ms. Scott should be out in the community representing the District and he does not want to see that changed. President Kane said participating in such community meetings is within the scope of her role as CEO and community outreach is part of Ms. Scott's responsibilities and is encouraged.

A motion was duly made, seconded and unanimously passed to approve the CEO's report of January 26, 2005.

NEW BUSINESS:

5. Presentation: State of the District and Financial Projection Scenarios.

President Kane reported she and Ms. Scott decided it would be beneficial to present a long-term picture of the District's finances, which could assist the Board in managing its assets while continuing to provide important health-related services to the community.

Ms. Scott began the presentation citing the strategic plan ratified by the Board in February 2003. The District's mission is twofold: to support and encourage programs designed to achieve health, wellness and disease prevention for District residents now and in the future, and to provide oversight and support to Sequoia Hospital. The District continues to work towards improving access to healthcare for community residents by (1) addressing the nursing shortage through participating in the baccalaureate nursing program designed to produce 300-400 nurses for this area; (2) funding for Samaritan House's medical clinic that treats the uninsured, unemployed and working poor in our community; (3) partnering with the County in the Children's Health Initiative to provide healthcare for the District's young people who cannot otherwise obtain it; (4) pledging financial support towards the rebuilding of Sequoia Hospital to ensure that it may continue to provide exemplary health care to the community.

The District's current annual commitments total approximately \$4 million, with the bulk used toward the four programs noted above. Ms. Scott discussed assessing unmet and emerging healthcare needs, through participating in the Health Disparities Collaborative, the Children's Health Initiative Coalition, and the District's recently formed Community Advisory Panel. Feedback from those channels has indicated the community has needs in the areas of healthcare workforce education; youth - obesity and behavioral health; seniors; and the uninsured.

At this time, Ms. Scott introduced Ms. Tammy Staeden, a health care financial consultant and a Manager of HFS Consultants (HFS) with over nine years experience in health care finance. Ms. Staeden has specific expertise in financial feasibility studies, budgeting and forecasting techniques and financial operations of facilities.

Ms. Staeden stated the goal of compiling a 10-year budget and cash flow projection was to ascertain the financial feasibility as to how the District can fulfill its objectives of continuing to meet community healthcare needs while maintaining appropriate reserves.

Ms. Staeden reported that she and Ms. Scott reviewed every line item on the income statement and balance sheet and applied an assumption for each item. Four different scenarios were created reflecting what the financial outcome to the District would be. Scenario 1: Current operations and healthcare commitments; 2: Current operations and expanded healthcare commitments; 3: Current operations and healthcare commitments including the sale of the medical office buildings (MOBs); 4: Current operations and expanded healthcare commitments including the sale of the MOBs. Key financial indicators were identified under each scenario. Ms. Staeden stressed these scenarios are not recommendations but a starting point for the Board to begin discussions to determine what steps must be taken for the District to accomplish the long-term vision of the Board while maintaining appropriate reserves and positive unrestricted cash flow.

Upon conclusion of the presentation, Director Hickey stated any plans for the future of the hospital should recognize the value of the MOBs toward the viability of the hospital and that the viability of Sequoia Hospital under the sole governance of CHW should be explored.

6. Appoint Board Representative(s) To Work With Staff And HFS Consultants To Develop Recommendations For Effective Use of District Assets.

Director Faro suggested the Board meet and discuss this matter as a group. Director MacNaughton said it will most likely cost more to rebuild the hospital than \$130 million and that he wondered how other programs could be addressed at this time. He asked Ms. Vaskelis when the District might receive a formal commitment from CHW that they are going to rebuild the hospital and authorize the financing to carry it out. Ms. Vaskelis responded that finance authorization may be finalized in March but could be delayed due to the timing of obtaining second bids on the construction to assure the project will be as cost effective as possible.

It was the consensus of the Board to meet as a group rather than appoint an ad hoc committee.

7. Consider Nominations and Approve Slate of Officers for a One-Year Term.

Two years ago the current officers were elected for a two-year term. Since the term is discussed in the draft Policies and Procedures, President Kane suggested that officers be appointed for a one year term. Director Faro nominated the existing slate of officers to serve for a one-year term (January 2005-December 2005): President, Kathleen Kane; Vice President, Malcolm MacNaughton; Secretary/Treasurer, John Oblak. Director MacNaughton seconded the motion, which unanimously passed.

8. Consider Adjourning To A Closed Session Under Government Code Sections 54957 And 54957.6 For The Following Purposes: PUBLIC EMPLOYEE PERFORMANCE EVALUATION (54957) And CONFERENCE WITH LABOR NEGOTIATORS (54957.6). President Kane announced that no action would be taken by the Board in Closed Session. On a motion duly made, seconded and unanimously passed, the board adjourned to closed session at 5:30 PM.

At 5:45 PM, the Board reconvened in open session and those present were informed that no action was taken during closed session.

President Kane adjourned the meeting at 5:45 PM. The next regularly scheduled meeting of the Sequoia Healthcare District Board of Directors is Wednesday, April 6, 2005, 4:30pm, Sequoia Room, Sequoia Hospital.

Respectfully Submitted,

John B. Oblak, Ph.D.
Secretary