

Palomar Pomerado Health
JOINT Board and FINANCE COMMITTEE MEETING
Pomerado Hospital, 15615 Pomerado Road, Poway, CA
Meeting Room E
Tuesday, June 27, 2006, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
NOTICE OF MEETING	The notice of meeting was mailed before close of business on Friday, June 23, 2006, which is consistent with legal requirements		
MEETING CALLED TO ORDER	6:02 p.m. by Chairman Marcelo Rivera, M.D.		
ESTABLISHMENT OF QUORUM	By roll call. Present: Directors Nancy Bassett, R.N., Linda Greer, R.N., Ted Kleiter, Bruce Krider, Gary Powers and Marcelo Rivera, M.D.		
ATTENDANCE	Also in attendance were: Michael Covert, Bob Hemker and Scribe Tanya Howell		
PUBLIC COMMENTS	There were no public comments.		

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JOURNMENT TO CLOSED SESSION	<p>After the establishment of a quorum, the meeting adjourned to Closed Session at 6:05 p.m.:</p> <p>~ PURSUANT TO CALIFORNIA GOVERNMENT CODE §54956.8</p> <p>PROPERTY: ASSESSOR PARCEL #229-442-01-00 AND LAND AND BUILDING COMMONLY KNOWN AS 451 EAST VALLEY PARKWAY, ESCONDIDO, CA</p> <p>AGENCY NEGOTIATOR: BOB HEMKER, CFO, PPH</p> <p>NEGOTIATING PARTIES: BOB HEMKER AND PROPERTY OWNER JOAN IRVING</p> <p>UNDER NEGOTIATION: INSTRUCTION TO NEGOTIATOR WILL CONCERN PRICE AND TERMS</p> <p>ESTIMATED DATE OF PUBLIC DISCLOSURE: AUGUST 2006 ~ Anticipated Action</p> <p>~ PURSUANT TO CALIFORNIA GOVERNMENT CODE §54956.8</p> <p>PROPERTY: ASSESSOR PARCELS #281-190-9-00 THROUGH #281-190-12-00 AND LAND AND BUILDINGS COMMONLY KNOWN AS 114 14TH STREET RAMONA, CA</p> <p>AGENCY NEGOTIATOR: BOB HEMKER, CFO, PPH</p> <p>NEGOTIATING PARTIES: BOB HEMKER AND PROPERTY OWNER ERNST AUERBACH</p> <p>UNDER NEGOTIATION: INSTRUCTION TO NEGOTIATOR WILL CONCERN PRICE AND TERMS</p> <p>ESTIMATED DATE OF PUBLIC DISCLOSURE: AUGUST 2006 ~ Anticipated Action</p> <p>~ PURSUANT TO CALIFORNIA GOVERNMENT CODE §54954.5(H)</p> <p>REPORT INVOLVING TRADE SECRET</p> <p>DISCUSSION WILL CONCERN CAPITATION STRATEGY FOR CALENDAR YEAR 2007</p> <p>ESTIMATED DATE OF PUBLIC DISCLOSURE: DECEMBER 31, 2006 ~ Anticipated Action</p>	<p>MOTION: By Director Kleiter, seconded by Director Bassett and carried to adjourn to closed session.</p>	
OPEN SESSION CALLED TO ORDER	By Chairman Rivera at 7:30 p.m.		
ACTION RESULTING FROM CLOSED SESSION DISCUSSION			
	<ul style="list-style-type: none"> Assessor Parcel #229-442-01-00 and land and building commonly known as 451 East Valley Parkway, Escondido, CA 	<p>MOTION: Seconded and carried to instruct Management to accelerate the required timeline in the City of Escondido MOU and enter into negotiations for purchase of said property.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
	<ul style="list-style-type: none"> Assessor Parcels #281-190-9-00 through #281-190-12-00 and land and buildings commonly known as 114 14th Street, Ramona, CA <p>Chairman Rivera stated that both of the above actions were taken in keeping with the stated goals and directions of the hospital Board—the first taken in terms of commitments made to the City of Escondido; the second in terms of commitments made to the Citizens of Ramona.</p>	<p>MOTION: By Director Krider, seconded and carried to approve the Letter of Intent to Purchase and instruct Management to consummate the transaction, subject to completion of Due Diligence, at a price consistent with the Letter of Intent.</p>	
	<ul style="list-style-type: none"> Capitation Strategy for Calendar Year 2007 	<p>MOTION: By Director Kleiter, seconded by Director Krider, and carried (<i>w/Chairman Rivera & Director Greer declining to vote</i>) for Palomar Pomerado Health to adopt a capitation risk pool policy requiring an upside and downside sharing of risk be applied on an equal and consistent basis over a trended period of time. Further, Management is instructed to develop a formal policy for adoption by the Board of Directors at an upcoming meeting, consistent with the criteria identified herein, said policy to be effective with the 2007 Calendar Year capitation plans.</p>	
ADDITIONAL INFORMATION ITEM(S)	None		

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<p>PLAN OF FINANCE AND REVENUE BOND ISSUANCE</p>	<p>Chairman Rivera welcomed the guests and turned the floor over to Bob Hemker, who made introductions of the members of the Financing Team: Ellen Riley of Kaufman Hall and Peter Reilly of Citigroup, leading the discussions; accompanied by Chad Keenan of Citigroup & Eric Jordahl of Kaufman Hall. The attached presentation was used to aid discussion.</p> <ul style="list-style-type: none"> • Plan of Finance last reviewed with the Board in April 2006 <ul style="list-style-type: none"> o Efforts ongoing toward issuance of Revenue Bonds o Meetings held with potential bond insurers and with rating agencies o Updates regarding the following were discussed: <ul style="list-style-type: none"> • Issuance of monies • How to be issued • Instrument(s) to be used • Timing and purposes • Discussion ensued regarding timing, potential insurance instruments and proposed revenue bond instrument, with requisite Board resolution encompassing actions that will allow Management to proceed with issuance • Ongoing bond insurer discussions have been held <ul style="list-style-type: none"> o Successful discussions, none yet finalized <ul style="list-style-type: none"> • Rates to be charged are yet to be negotiated • Proposed terms and covenants and how they would affect existing bonds are being evaluated and negotiated <p>Overriding Question: What insurance, if any, makes sense for the District?</p> <ul style="list-style-type: none"> • Preliminary Offering for Official Statement (POS) <ul style="list-style-type: none"> o In initial phases; will translate into OS, upon completion of drafting • Expect rating of A3 (stable outlook) • Page 5 – Current Plan of Finance as approved by the Board • Page 6 – Plan of Finance updated to allow flexibility <ul style="list-style-type: none"> o Smaller issue of Revenue Bonds for 2006 • Revenue Bond issuance anticipated to market in mid- to late October 2006 <ul style="list-style-type: none"> o Par amount of Revenue Bonds at \$150 million • Pages 9 & 10 – Comparison of various forms of Fixed Rate Debt <ul style="list-style-type: none"> o Little difference in the two traditional forms o Beneficial interest in Synthetic Fixed Rate Debt (4.16% rate w/\$4 million in annual interest vs. 4.99%/5.01% rates w/\$5.2 million/\$4.9 million in interest, respectively) o Synthetic Fixed Rate forecast is flat vs. Traditional Fixed Rate's upward curve • Page 11 – Benefits & considerations re: Synthetic Fixed Rate Debt <ul style="list-style-type: none"> o Substantial savings on interest over the life of the bond, which will affect P&L o Consistent with policy o Benefit of about \$40 million o Prudent structure with slight risk o Sharp reduction in margin tax rates over the next few years might cause reduction and/or negative interest savings 	<p>Motion: By Director Rivera, seconded by Director Kleiter and approved unanimously that the Board Approve the Resolution Authorizing the Issuance of Palomar Pomerado Health Revenue Bonds or Palomar Pomerado Health Certificates of Participation in Such Aggregate Principal Amount as Shall be Necessary to Provide up to \$150 Million Dollars for Capital Projects, Authorizing the Issuance of Palomar Pomerado Health Revenue Refunding Bonds or Palomar Pomerado Health Refunding Certificates of Participation in Such Aggregate Principal Amount as Shall be Necessary to Refund All or a Portion of Palomar Pomerado Health System Insured Revenue Bonds, Series 1993 and Palomar Pomerado Health System Insured Refunding Revenue Bonds, Series 1999, Authorizing One or More Hedging Transactions in Connection with All or a Portion of Said Bonds or Certificates of Participation and Said Refunding Bonds or Refunding Certificates of Participation, Authorizing the Execution and Delivery of One or More International Swaps and Derivatives Association, Inc. Master Agreements, Schedules, Confirmations and Credit Support Annexes Relating to All or a Portion of Said Bonds or Certificates of Participation and Said Refunding Bonds or Refunding Certificates of Participation, Authorizing Securing Municipal Bond Insurance, Reserve Fund Instruments and Swap Insurance in Connection with all or a Portion of Said Bonds or Certificates of Participation and Said Refunding Bonds or Refunding Certificates of Participation and Said Hedging Transactions, and Authorizing the Taking of all Actions Necessary or Advisable in Connection Therewith.</p>	

ADJOURNMENT	There being no further business, the meeting was adjourned at 8:20 p.m.	MOTION: By Director Kleiter, seconded by Director Bassett and carried to adjourn.	
SIGNATURES: • BOARD CHAIR _____ Marcelo Rivera, M.D. • BOARD SECRETARY _____ Linda Greer, R.N.			