

Palomar Pomerado Health
BOARD OF DIRECTORS
SPECIAL BOARD MEETING
 Pomerado Hospital, Meeting Room E, 15615 Pomerado Road, Poway
 Tuesday, August 30, 2005 at 5:00 p.m.

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	5:10 p.m. Quorum comprised Directors Bassett, Greer, Kleiter, Krider, Larson, Rivera and Scofield. Also in attendance: Michael Covert, CEO Bob Hemker, CFO Mike Shanahan Architectural representatives Legal Counsel Jim Flinn, Chief Administrative Officer, Pomerado Attorney Allen Haynie		
NOTICE OF MEETING	Notice of meeting was posted consistent with legal requirements.		
PUBLIC COMMENTS	None		
LETTER OF APPRECIATION	Chairman Rivera relayed a letter of patient appreciation for PPH that had arrived that day and for which he was most appreciative.		
IDENTIFICATION OF CLOSED SESSION ITEMS – REAL PROPERTY	Chairman Rivera then read out to those assembled identification of the item for Closed Session: CONFERENCE WITH REAL PROPERTY NEGOTIATORS – <i>pursuant to Government Code Section 54956.8</i> <i>Property: A certain portion of Blocks 63 and 67 Rancho Los Vallecitos Drive, San Marcos in the County of San Diego, Map #806 comprising approximately 86 gross acres.</i> <i>Agency Negotiators: Bob Hemker, CFO,</i>		

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	<p align="center"><i>PPH</i></p> <p><i>Negotiating Parties: Michael P. Neal, President and CEO H. G. Fenton Company and PPH</i></p> <p><i>Under Negotiation: Price and terms</i></p>		
ADJOURNMENT TO CLOSED SESSION	5:15 p.m.	MOTION: by Bassett, 2 nd by Greer and carried to adjourn the meeting to Closed Session.	
OPEN SESSION RESUMED	6:10 p.m.		
SAN MARCOS PROPERTY		Chairman Rivera noted that all members of the Board were present at the Closed Session, and that he would report out at the end of this session.	
ERTC SITE (Escondido Research & Technology Centre)? Michael Covert, CEO	<p>Michael Covert explained the background, noting that August 31, 2005 would determine whether we would exercise our option to purchase the balance of the acreage at the ERTC site for a new hospital. If we chose not to do so, that was the Board's decision whether we would either purchase all of the parcels involved, or sell the currently purchased parcels.</p> <p>We had not finalized our CEQA requirements but once that was done we would know whether to move forward with that property, particularly the zoning by the City of Escondido. He anticipated that the CEQA process would move in an aggressive fashion and could be completed in several weeks, as we would want a level of comfort in that process. We would need to undertake the zoning with the City of Escondido pending the CEQA process.</p> <p>Chairman Rivera summarized Resolution No. 2005-107 approved at the May 4, 2005 Escondido City Council Meeting in which three Council members voted against our being located on the ERTC site. After community</p>		

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	<p>support and some action by City Councilman Ron Newman and, on a 5-0 vote, the City later directed City Staff to meet with PPH staff to look into ways to make the 52 acres available for a hospital at the ERTC site. It was a positive step, but not necessarily a definitive one that would zone us for a hospital, pending CEQA approval. On behalf of the Board, Chairman Rivera was however, grateful for this step.</p> <p>There were two conditions to this: (i) that we participate in the traffic infrastructure. Chairman Rivera felt that we should only be apportioned our fair share of such costs; and (ii) a binding agreement on the Escondido downtown development. It was felt that there should be no such binding agreement.</p> <p>Chairman Rivera expressed gratitude to the Mayor and Councilman Ron Newman and to the three City Council Members for changing their minds in that regard, as well as recognizing that Spruce Street was not an appropriate site. However, the ERTC site had two conditions as already stated.</p>		
Bob Hemker	<p>Bob Hemker, CFO, recapped on the closing of the previously purchased parcels. He then referred to parcels 27-29 and 33-36 inclusive and whether the Board chooses to exercise its option for their purchase. The option closed at 5 pm the following day, Wednesday, August 31, 2005.</p> <p>A map was portrayed on screen of the ERTC site, noting that we needed all of these parcels. If this proceeded as planned and we entered into agreement, it was anticipated we would close escrow on or about February 2006. Certain actions including due diligence and</p>		

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	<p>review of CC&Rs would need to be done to make a closing possible. Mr. Hemker then went into further detail regarding potential development or infrastructure participation agreements.</p> <p>Director Larson understood we had paid \$6.6 million for parcels 31 and 32. Mr. Hemker confirmed that this was so and that we had closed escrow on those parcels which PPH now owns.</p> <p>Discussion ensued on more property across the street (described as an egg-shaped football area) from the ERTC potential hospital site. Director Larson then inquired as to City or other restrictions that may apply to the site and that it was pad-ready.</p> <p>Mr. Hemker responded that if we exercised our option to purchase the remaining parcels and could not obtain the needed zoning, that would be regulatory and, as it would be on our site, we would have to pay.</p> <p>Mr. Hemker referred to the map of the ERTC site stating that within the dotted lines was rock. However, through the indicated diagonal lines rock had been filled in. He had received standards from the City for grading and they were for "industrial use". Our standards were more rigid re: OSHPD and certain grading may, or may not be required.</p> <p>Mike Shanahan confirmed that grading would have to meet hospital standards.</p>		
Director Greer	<p>Director Greer asked about run-off from part of the ERTC site displayed on the map. Bob Hemker responded that the developer was responsible for creating adequate run-off controls, noting that the storm drain issue occurred during early grading. A grading</p>		

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	permit would not have been granted had they thought it would be a problem in the future.		
Director Krider	Director Krider inquired about the CEQA issue. Mr. Shanahan replied that we were through the traffic issues. How PPH might impact air quality and noise such as helicopters etc., needed to be reviewed. There were also some traffic intersection impacts.		
Chairman Rivera – August 23, 2005 Letter from the City of Escondido	<p>Chairman Rivera then read out the middle paragraph of the August 23, 2005 letter from the City of Escondido addressed to the Chairman and Board of Directors of PPH, in which the City believed that after careful consideration, PPH's request for acreage at the ERTC could be accommodated if the District was prepared to address two significant issues:</p> <ul style="list-style-type: none"> (i) the District must enter into a partnership with the City and developers to make long-term improvements to infrastructure (including Citracado Parkway), which was necessary to deal with the costs associated with developing the ERTC; (ii) the District must enter into a development agreement with the City for the downtown facility, as PPH presented to the Subcommittee at the meeting with the City on August 22, 2005, which would serve as a binding commitment on behalf of both parties to ensure the continued viability and contribution of this critical downtown property. 		
Attorney Allen Haynie	<p>Attorney Allen Haynie explained that under the exercising option for the ERTC site, if we were unable to reach closure with the City, we would have to write a \$2 million check.</p> <p>Director Larson noted that we had recently</p>		

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	<p>paid \$6.5 million a year ago and hoped that if we had to sell parcels 31 – 32 we would not be losing on both ends. Discussion ensued on the market value of the parcels and value-added use.</p>		
<p>ERTC Site – Comments/Motion</p>	<p>Director Krider noted that it was a gamble in regard to the possible payment of \$2 million if we were unable to reach closure with the City.</p> <p>Director Kleiter commented that we had come a long way in this process so far as our dealing with the City of Escondido. He would take them at their word regarding zoning. The developer owned the site – we were going to purchase it and the developer was the one paying the taxes at present.</p> <p>Director Bassett believed the City of Escondido would not have continued negotiations in good faith if there was to be an adverse impact.</p> <p>Director Greer felt that \$2 million was a lot of money if we were unable to reach closure, apart from the CEQA and zoning aspects, and did not feel comfortable about voting for this.</p> <p>Director Larson said he would vote Yes, but would prefer to have the opportunity to discuss other items later.</p> <p>Chairman Rivera said he would call for a motion but would remind the Board that the ERTC site was the preferred site for a new hospital. We had experienced a big change with the City of Escondido and it was time to exercise our option. If we did not do so the developer could take this off the table, but our word was worth something.</p>	<p>MOTION: by Scofield, 2nd by Kleiter and carried to approve the Option to Purchase, Purchase Agreement and Escrow Instructions dated as of March 18, 2005 between JRM-ERTC, L.P. and Palomar Pomerado Health (Parcels 27-29; and 33-36).</p> <p>All in favor. None opposed. Director Greer abstained.</p> <p>Motion passed 6-0 with one abstention.</p> <p>Chairman Rivera asked if Director Greer would consider changing her vote to a No on this, rather than Abstain.</p> <p>Director Greer agreed, thus the Motion passed 6-1.</p> <p>Chairman Rivera appreciated her consideration, and thanked all concerned.</p>	
<p>ERTC INFRASTRUCTURE</p>	<p>Michael Covert introduced this item stating that approximately \$25 million had to be borne by somebody regarding Citracado Parkway</p>		

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	<p>including the Nordahl Bridge widening, and with a decision as to a new bridge or to widen the existing one. These were separate issues. Consideration of density, roads, etc were discussed.</p> <p>Bob Hemker stated that we should tie any dollars involved to our appropriate needs for our intended use.</p> <p>Mr. Covert emphasized that everyone at the City of Escondido had been very supportive and congenial and we had to determine what would be best for all.</p> <p>Attorney Allen Haynie explained that the City was looking for us to participate in infrastructure development of the site and that this would be a negotiable amount based upon what Council Members may feel. A figure of possibly between \$15-\$18 million had been mentioned. Mr. Covert noted that the amount is that which the City of Escondido believes would be needed.</p> <p>This topic was opened up for discussion.</p> <p>Director Larson was concerned every time we spent money on non-healthcare issues and hoped that we did not undermine our ability to have a "hospital of the future". He would like to direct everyone including Michael Covert as it appeared we needed to ask at the next City Council meeting to bring this matter into the open in terms of costs of infrastructure and what was a fair portion that PPH should pay. It behooved us to work on all fronts to proceed with this on a very short timescale and this was what he was urging the Board to do.</p>		
	<p>Director Bassett noted that we had come a long way in working with the City as a sub-group and there had been discussions as to what may be our fair share. She would not suggest that</p>		

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	<p>we suspend discussions.</p> <p>Director Larson continued that he would like to accelerate the process in a positive manner.</p>		
	<p>Director Krider said there were two issues, one being the potential dollar amount to pay for Escondido streets, and the other was spending any additional moneys noting that construction costs were escalating. He cautioned that we dared not spend anything more than we had to.</p>		
	<p>Director Scofield agreed, noting that it would be absolutely unconscionable to pay more than our fair share.</p> <p>Director Greer also agreed that we should only pay our fair share of infrastructure costs.</p>		
	<p>Director Kleiter stated that we were discussing tax payers' dollars and that when the City referred to costs, it was similar to taking it from one tax area to another tax area. Ours is for healthcare. He strongly disagreed with our paying for any other City costs.</p> <p>Chairman Rivera then summarized the above.</p>		
	<p>Director Kleiter requested a motion to provide direction to Staff to negotiate with the City of Escondido for a cost that would specifically outline the improvements and how they would directly affect the ERTC potential hospital site.</p> <p>Chairman Rivera relayed that we had to be accountable as all communities had paid equal share regarding their property values. We would be good neighbors and be cooperative, but we wanted to obtain the zoning change for this site as soon as possible.</p>	<p>MOTION: by Kleiter, 2nd by Greer and carried to direct Staff to continue diligently to negotiate with the City of Escondido Staff regarding the nature and amount of PPH's contribution to roadway infrastructure, with the specific direction that PPH Staff make every effort to limit those contributions to PPH's fair share and to items that are directly related to the potential hospital on the ERTC site.</p> <p>All in favor. None opposed.</p> <p>It was noted, per Attorney Allen Haynie, that zoning would be brought back at a later time and that it was anticipated a special request would be</p>	

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		made by letter in this regard to the September 14 City Council Meeting.	
REPORT FROM CLOSED SESSION	Chairman Rivera reported out into Open, that earlier in Closed Session concerning "Conference with Real Property Negotiators" and property in San Marcos, no action was taken but direction given to Staff that bearing in mind the Board's fiduciary responsibility, they must keep all options open and continue in earnest with discussions should there be a problem with the City of Escondido.	Informational.	
FINAL ADJOURNMENT	7:25 p.m.	MOTION: by Kleiter, 2 nd by Scofield and carried to adjourn. All in favor. None opposed.	
SIGNATURES <ul style="list-style-type: none"> ▪ Board Secretary ▪ Board Assistant 	<hr/> Nancy H. Scofield <hr/> Christine D. Meaney		