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# ATTACHMENT A

**Stephen P. Yerxa, Chair**  
**PPH Independent Citizens' Oversight Committee**  
**c/o Palomar Pomerado Health**  
**15255 Innovation Drive**  
**San Diego, CA 92128**

March 27, 2006

Mr. Robroy R. Fawcett  
1576 Katella Way  
Escondido, California 92027

Re: Palomar Pomerado Health Independent Citizens' Oversight Committee

Dear Mr. Fawcett:

We wish to address your requests and concerns regarding the activities of the Palomar Pomerado Health Independent Citizens' Oversight Committee (the "Committee"). As you may be aware, the Board of Directors of Palomar Pomerado Health (the "Board of Directors") established the Committee in accordance with Measure BB. As specified in Measure BB, the Board of Directors provided for the formation and operation of the Committee as set forth in the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee Procedures, Policies, and Guidelines (the "Policies and Procedures"), [a copy of which is attached]. Together, the provisions of Measure BB and the Policies and Procedures govern the activities of the Committee.

With respect to notices and agendas to be provided regarding regular meetings and special meetings, in accordance with Section 6.3 of the Policies and Procedures, all meetings of the Committee are required to be open and public in accordance with the provisions of the Ralph M. Brown Act, Government Code Sections 54950 *et seq.* (the "Brown Act"), which, among other matters, specifies provisions regarding notice and the posting of agendas for regular and special meetings. In accordance with Section 54954.2 of the Brown Act, notice and posting of the agenda for regular meetings is required, and will be provided, at least 72 hours prior to a regular meeting. In accordance with Section 54956 of the Brown Act, notice of a special meeting is required, and will be provided, at least 24 hours prior to a special meeting. With respect to the manner of giving of notice of meetings of the Committee, Section 6.3 of the Policies and Procedures requires that the Committee apply the same standards as used by the Board of Directors in giving notice of its meetings.

With respect to the posting of minutes of Committee meetings, in accordance with Section 6.4 of the Policies and Procedures, the Secretary of the Committee is required to keep a report of all Committee meetings, which may be in the form of minutes, which will become a part of the public records of Palomar Pomerado Health (the "District"). Such reports of

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Committee meetings and the annual report of the Committee prepared pursuant to Section 3.2 of the Policies and Procedures are to be made available to the public on the District's web site. With respect to your request regarding the posting of supporting materials presented at any Committee meeting, attachments to the Committee minutes will also be made available on the District's web site.

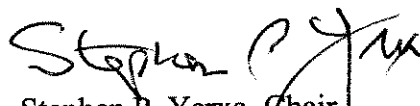
With respect to your request that members of the Committee identify their membership on the Committee when discussing use of proceeds of bonds authorized by Measure BB with members of the public or government bodies, the Committee will consider your recommendation and will take whatever action it deems appropriate in the discharge of its duties.

With respect to your concern that a member of the Committee is also a member of the Board of Directors of the Palomar Pomerado Health Foundation, Section 5.2(a) of the Policies and Procedures specifies the general qualification standards for membership on the Committee. Pursuant to Section 5.2(a) of the Policies and Procedures, a member of the Committee may not be an employee, official, vendor, contractor or consultant of the District. Palomar Pomerado Health Foundation, incorporated in 1984 as a nonprofit public benefit corporation to support the programs, services, capital projects and community outreach programs of the District, is a separate legal entity and is not a component of the District. Membership on the Board of Directors of the Palomar Pomerado Health Foundation does not preclude membership on the Committee.

With respect to your requests regarding activities of the Board of Directors and the committees of the Board of Directors, we have forwarded a copy of your letter to the Board of Directors for its consideration. As we discussed at the October 5, 2005, meeting of the Committee, this request is beyond the purview of this Committee.

We hope that the information provided addresses your concerns.

Very truly yours,



Stephen P. Yerxa, Chair  
PPH Independent Citizens' Oversight Committee

**Stephen P. Yerxa, Chair**  
**PPH Independent Citizens' Oversight Committee**  
**c/o Palomar Pomerado Health**  
**15255 Innovation Drive**  
**San Diego, CA 92128**

March 27, 2006

Mr. Jeff Switzer  
1224 Via Privada  
Escondido, California 92029-7711

Re: Suggested Methodology for Palomar Pomerado Health Independent Citizens' Oversight Committee

Dear Mr. Switzer:

We wish to thank you for your suggested methodology concerning the activities of the Independent Citizens' Oversight Committee (the "Committee"). As you are aware, the Board of Directors of Palomar Pomerado Health (the "Board of Directors") established the Committee and the provisions and procedures to provide for the formation and operation of the Committee in accordance with Measure BB.

As set forth in Measure BB, the Committee is to be provided with a copy of each annual expenditure report prepared by the chief financial officer of Palomar Pomerado Health (the "District") for submission to the Board of Directors. Each annual expenditure report is required to state the amount of bond proceeds received and expended in each fiscal year and the status of any projects funded or to be funded from the proceeds of bonds authorized to be issued by Measure BB. As specified in Measure BB, the Board of Directors provided for the formation and operation of the Committee as set forth in the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee Procedures, Policies, and Guidelines (the "Policies and Procedures") [a copy of which is attached]. Together, the provisions of Measure BB and the Policies and Procedures govern the activities of the Committee.

In accordance with Measure BB and as set forth in Section 2 of the Policies and Procedures, the purpose of the Committee is to ensure that proceeds of the bonds authorized by Measure BB are expended only for purposes permitted by Measure BB. As specified in Section 3 of the Policies and Procedures, the duties of the Committee are: (i) to review each annual expenditure report to ensure that Measure BB bond proceeds are expended only for the purposes set forth in Measure BB and to ensure that no Measure BB bond proceeds are used for staff or administrator salaries or other operating expenses; and (ii) to prepare an annual report concerning the Committee's review of each annual expenditure report, which is to be forwarded to the Board of Directors for response and inclusion in the public records of the District, in accordance with Section 6.4 of the Policies and Procedures.

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In order to perform the duties specified in Section 3 of the Policies and Procedures, the Committee may engage in the activities specified in Section 4 of the Policies and Procedures. The activities which the Committee may engage in are as follows: (i) receive and review copies of each annual expenditure report and personally conduct such physical examination of the construction sites as the Committee shall deem reasonably necessary to verify the expenditures reported in each annual expenditure report; (ii) report to the Board of Directors any exceptions, discrepancies, issues and/or concerns regarding the use of Measure BB bond proceeds for the Board of Directors' consideration and response and for dissemination to the public; (iii) review and reply to the Board of Directors' response to any Committee report submitted to the Board of Directors pursuant to item (ii) above and provided to the Committee by the Board of Directors in accordance with Section 7.4 of the Policies and Procedures; and (iv) submit a final report of the Committee's activities when all Measure BB bond proceeds have been spent and the Committee has reviewed the final annual expenditure report.

In order to perform the duties specified in Section 3 of the Policies and Procedures, the Committee is required to establish a schedule for the date and time for regular meetings, with a meeting to be held at least annually, as specified in Section 6.1 of the Policies and Procedures. The Committee may also meet more frequently as the Committee deems reasonably necessary or as requested by the Board of Directors.

In accordance with Section 6.4 of the Policies and Procedures, the Secretary of the Committee is required to keep a report of all Committee meetings, which may be in the form of minutes, which will become a part of the public records of the District and will be made available to the public as provided in Section 3.2, Section 6.4 and Section 7.1 of the Policies and Procedures.

We hope that the information provided above concerning the purposes, duties and activities of the Committee as set forth in Measure BB and the Policies and Procedures proves helpful. The Committee is required to function in accordance with the applicable provisions of Measure BB and the Policies and Procedures and may only engage in the activities specified in Section 4 of the Policies and Procedures. As your review will indicate, many of the activities suggested in the methodology set forth in your letter exceed the scope of the duties and activities specified in Measure BB and the Policies and Procedures that govern the Committee.

Very truly yours,

  
Stephen P. Yerxa, Chair  
Independent Citizens Oversight Committee

J10

# ATTACHMENT B



RECEIVED  
 FEB 10 2006  
 PALOMAR POMERADO HEALTH  
 CFO. VP FINANCE

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 mtg.

Lee Human, M.D.

2400 Peet Lane  
 Escondido, CA 92025

T (760) 747-7086  
 F (760) 747-1718  
 leehumanmd@cox.net

February 10, 2006

Bob Hemker  
 CFO  
 Palomar Pomerado Health  
 15255 Innovation Drive  
 San Diego, CA 91128

Dear Bob,

I thought I might be useful as the medical representative to the Oversight committee when I volunteered. Unfortunately this has not been the case. Having recently retired, my wife and I are in a "travel phase." As a result I was out of the country when the first meeting of the Committee was held. I planned a trip so as to have been able to attend the second meeting, but the date of the meeting was then changed and we were abroad at that time also. I just learned of the date of the third meeting and, as it turns out, we will be biking in Sicily on that day.

Perhaps it would be best if I were replaced on the Committee by someone who would be more readily available. I regret that I have not been able to serve more effectively.

Sincerely yours,

Lee Human, M.D.

# ATTACHMENT C



## PART I

### DISCUSSION OF GENERAL OBLIGATION BONDS

#### I. General Features

General obligation bonds issued by local health care districts are secured by and payable from ad valorem property taxes, which are required to be levied in an amount sufficient to pay the principal and interest coming due on such general obligation bonds in each year.

Pursuant to Section 1(b) of Article XIII A of the California Constitution, any indebtedness to be repaid from ad valorem property taxes levied against real property must be (i) approved by a two-thirds vote of the qualified electors and (ii) may only be used to finance "the acquisition or improvement of real property."

#### II. Constitutional Limitations Re Use of General Obligation Bond Proceeds

There is no direct legal authority defining what constitutes "real property" for purposes of Article XIII A of the California Constitution. However, there is general agreement that the real property limitation precludes financing vehicles, equipment, furnishings and supplies. Generally, anything which is truly portable, or which can be removed from land or a building without causing damage to the land or building, may not be financed with general obligation bonds.

For purposes of Article XIII A of the California Constitution, "improvement" does not include ordinary repairs, maintenance costs, supplies or labor, and therefore such items may not be financed with the proceeds of general obligation bonds.

Fixtures, equipment, and materials which become part of, or are affixed to, land or to a building in the course of making improvements to real property are generally considered real property improvements which may be financed with the proceeds of general obligation bonds. In addition, labor costs, professional fees (such as for general contractors, architects, etc.), real estate closing costs and other costs directly connected to real property acquisition and improvement are generally considered to be real property improvements. However, direct legal authority is also lacking in this area.

#### III. Ballot Measure Limitations Re Use of General Obligation Bond Proceeds

General obligation bond proceeds may be used only for those purposes approved by the voters.

Measure BB, approved by the voters of Palomar Pomerado Health (the "District") on November 2, 2004, specifies the purposes for which proceeds of general obligation bonds issued by the District may be used, which the purposes are to provide financing

or refinancing for hospital and health care facilities projects consisting of the acquisition and improvement of real property for hospital and health care purposes.

In addition, pursuant to Measure BB and the local health care district law, costs incidental to issuing general obligation bonds, including costs of conducting the general obligation bond election, may be paid from the proceeds of general obligation bonds.

## **PART II**

### **DISCUSSION OF INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE**

#### **I. Creation**

Neither the local health care district law nor any other applicable provision of California law requires that a local health care district establish a citizens' oversight committee in connection with the issuance of general obligation bonds.

The Board of Directors of Palomar Pomerado Health (the "PPH Board") agreed that it would establish an independent citizens' oversight committee if Measure BB was approved by the voters.

#### **II. Composition and Appointment Process**

As set forth in the full text of Measure BB, such independent citizens' oversight committee (i) to be comprised of at least nine (9) members, each member to be selected by the PPH Board through a public application process and to serve without compensation, (ii) to include one (1) member active in a taxpayers' organization, one (1) member active in a senior citizens' organization, one (1) member active in a business organization, resignation from such taxpayers' organization, senior citizens' organization or business organization, as applicable, to be deemed a concurrent resignation from the independent citizens' oversight committee, and one nurse or physician, three (3) members of which shall be appointed by the PPH Board to serve for an initial term of one (1) year, three (3) members of which shall be appointed by the PPH Board to serve for an initial term of two (2) years and three (3) members of which shall be appointed by the PPH Board to serve for an initial term of three (3) years, each member thereafter appointed to the independent citizens' oversight committee by the PPH Board to serve for a term of two (2) years and each member to serve for no more than two (2) consecutive terms, and (iii) to remain in existence for so long as any proceeds of general obligation bonds remain unexpended.

#### **III. Documentation to be Provided to Independent Citizens' Oversight Committee**

As set forth in the full text of Measure BB, for so long as any proceeds of general obligation bonds authorized by Measure BB remain unexpended, the chief financial officer of the District shall cause a report to be filed with the PPH Board no later than five (5) months after the end of each fiscal year, commencing with the first fiscal year

during which any proceeds of general obligation bonds authorized by Measure BB shall have been received. Each report (hereinafter referred to as an "Annual Expenditure Report") shall state (i) the amount of general obligation bond proceeds received and expended in such fiscal year and (ii) the status of any projects funded or to be funded from the proceeds of general obligation bonds authorized to be issued by Measure BB.

Also as set forth in Measure BB, audited financial statements of the District will be made available in accordance with applicable requirements.

Pursuant to Measure BB, the independent citizens' oversight committee is to receive a copy of each Annual Expenditure Report concurrently with delivery of such Annual Expenditure Report to the PPH Board. In addition, the audited financial statements of PPH will also be available to the independent citizens' oversight committee.

#### **IV. Adoption of Policies, Procedures and Guidelines**

The PPH Board further agreed in Measure BB that it would establish by one or more resolutions such additional provisions and procedures as would be necessary to provide for the formation and operation of the independent citizens' oversight committee if Measure BB was approved by the voters.

Subsequent to approval of Measure BB, as provided in Measure BB, the PPH Board, acting by resolution, adopted procedures, policies and guidelines relating to the operation of the independent citizens' oversight committee (the "Guidelines").

#### **V. Purpose and Duties of Independent Citizens' Oversight Committee**

**Purpose.** As set forth in the Guidelines, the purpose of the independent citizens' oversight committee is to ensure that the proceeds of the general obligation bonds authorized by Measure BB are expended for the purposes permitted by Measure BB.

**Duties.** As set forth in the Guidelines, the independent citizens' oversight committee: (i) shall review each Annual Expenditure Report to ensure that proceeds of general obligation bonds issued are expended only for the purposes set forth in Measure BB and that no proceeds of general obligation bonds are used for staff or administrator salaries or other operating expenses; (ii) shall prepare and provide to the PPH Board an annual report (each such annual report being hereinafter referred to as the "Annual Committee Report") concerning the independent citizens' oversight committee's review of each Annual Expenditure Report; and (iii) shall consider the response provided by the PPH Board relating to each Annual Committee Report and shall provide a reply to the PPH Board for inclusion in the records of the PPH Board, all as provided in the Guidelines.

## **VI. Activities and Authority of Independent Citizens' Oversight Committee**

**Activities.** As set forth in the Guidelines, the following activities comprise the activities of the independent citizens' oversight committee: (i) receiving and reviewing copies of each Annual Expenditure Report and making such physical examination of the construction site as the independent citizens' oversight committee shall deem reasonably necessary to verify the expenditures reported in each Annual Expenditure Report; (ii) reporting to the PPH Board any exceptions, discrepancies, issues and/or concerns regarding the use of proceeds of general obligation bonds for the consideration and response of the PPH Board and for dissemination to the public in accordance with the Guidelines; (iii) receiving, reviewing and replying to the response of the PPH Board to any Annual Committee Report; and (iv) submission of a final report upon termination of the activities of the independent citizens' oversight committee in accordance with the Guidelines when all proceeds of general obligation bonds authorized pursuant to Measure BB have been expended.

**Authority.** As set forth in, and in accordance with, the Guidelines, necessary technical and administrative assistance shall be provided to the independent citizens' oversight committee by the District. However, members of the independent citizens' oversight committee are not authorized to direct District staff.

## **VII. Meetings of Independent Citizens' Oversight Committee**

As set forth in the Guidelines, the independent citizens' oversight committee shall establish a schedule for the date and time of regular meetings to be held at least annually. In addition, the independent citizens' oversight committee may meet more frequently as it deems reasonably necessary or as requested by the PPH Board.

All meetings shall be open and public in accordance with the Ralph M. Brown Act, California Government Code Sections 54950 et. seq.

The independent citizens' oversight committee shall apply the same procedures as used by the PPH Board in giving notice of meetings.

## **VII. Actions of Independent Citizens' Oversight Committee**

As set forth in the Guidelines, a majority of the number of members of the independent citizens' oversight committee shall constitute a quorum for the transaction of any business except adjournment.

Also as set forth in the Guidelines, all decisions of the independent citizens' oversight committee shall be made by a majority vote of the members of the independent citizens' oversight committee in attendance.

### **VIII. Termination of Independent Citizens' Oversight Committee**

Pursuant to the Guidelines, the independent citizens' oversight committee shall disband when all proceeds of the general obligation bonds authorized pursuant to Measure BB have been expended, the independent citizens' oversight committee shall have reviewed the final Annual Expenditure Report and the independent citizens' oversight committee shall have submitted its final Annual Committee Report to the PPH Board.

# ATTACHMENT D

# Palomar Pomerado Health Schedule of G.O. Bond Project Fund Draws Through March 28, 2006

	Initial Funding	Draws	Interest Income	Balance
Net Proceeds excl. Cost of Issuance:	80,000,000		\$	80,000,000
- Draw # 1		(7,180,571)		72,819,429
- Draw # 2		(2,941,161)		69,878,267
- Total Interest Income to Feb 2006			1,484,865	71,363,132
<b>Balance through Feb 2006</b>	<b>80,000,000</b>	<b>(10,121,733)</b>	<b>1,484,865</b>	<b>71,363,132</b>
<b>March Activity</b>				
3/1/2006		(27,490,000)		43,873,132
3/16/2006		(7,425,333)		36,447,799
3/22/2006		3,283	200,000	36,451,082
				36,651,082
<b>Total / Balance</b>	<b>80,000,000</b>	<b>(45,033,782)</b>	<b>1,684,865</b>	<b>\$ 36,651,082</b>

ACCT-CATEGORY DESCRIP	Total
Architect, Costing, Engineering & Consul	9,220,151
Legal, Insurance, Other	1,404,591
GO Bond Cost Of Issuance	1,818,564
Land-ERTC	34,404,140
Permitting & Inspection	4,900
rounding	(1)
<b>Grand Total</b>	<b>46,852,347</b>
	<b>45,033,782</b>
<b>PROJECT FUND DRAWS</b>	
Cost of Issuance-GO Bonds	1,818,564
Draw #1	7,180,571
Draw #2	2,941,161
Draw #3	7,425,334
Wire Transfer - Land	27,490,000
- Escrow refund excess Land draw	(3,283)
rounding	(1)
	<b>46,852,347</b>
	<b>45,033,782</b>