

ADDENDUM C

PARTICIPANT ROSTER

PALOMAR POMERADO HEALTH
HOSPITAL, EMERGENCY CARE, TRAUMA CENTER IMPROVEMENT AND REPAIR MEASURE BONDS

INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE

ANNUAL MEETING, DECEMBER 19, 2006

Palomar Pomerado Health, Conference Room A, 15255 Innovation Drive, San Diego, CA

PARTICIPANTS	MEETING DATES							
	7/12/05	10/5/05	3/28/06	12/19/06				
MEMBERS								
WILLIAM L. CORWIN (AT LARGE)	P	P	P	P				
MARGUERITE JACKSON DILL, PHD, RN, FAAN (AT LARGE)				P				
STEPHEN FRIAR (AT LARGE)	P	P	P	P				
GEORGE KUNG, M.D. (PHYSICIAN)				P				
EDWARD R. LEHMAN (SR CITIZENS' ORG)	P	P	P	P				
JOHN McIVER (BUSINESS ORG) – SECRETARY	P	P	P	P				
KATHY LEECH MCKINNEY (AT LARGE)	P	P	P	E				
MARGARET MOIR (AT LARGE)	P	P	P	P				
BOB WELLS (TAXPAYERS' ORG) – VICE CHAIR	P	P	E	P				
STEPHEN P. YERXA (AT LARGE) – CHAIR	P	P	P	P				
DISTRICT SUPPORT STAFF								
BOB HEMKER, CFO	P	P	P	P				
TANYA HOWELL, EXECUTIVE ASST – SCRIBE	P	P	P	P				
GUEST(S)								
KATHLEEN LEAK, BOND COUNSEL ORRICK, HERRINGTON & SUTCLIFFE			P	P				

[P = Present E = Excused A = Absent]

**Independent Citizens' Oversight Committee
Meeting Minutes – Tuesday, December 19, 2006**

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
I. CALL TO ORDER & ROLL CALL	<p>The meeting was called to order at 12:10 p.m. by Chair Steve Yerxa, followed by roll call.</p> <p><i>See roster for attendance.</i></p>	
II. INFORMATION ITEM(S)	<p>Bob Hemker informed the ICOC that the agendas and minutes of previous meetings are now available on the PPH Website, as had previously been requested. They can be found by following the ICOC link on the "About Us" page on that site or by typing the address: http://www.pph.org/about.aspx?nd=714.</p>	
III. OATH OF OFFICE	<p>New members Marguerite Jackson Dill, PhD, RN, FAAN, and George Kung, MD, and reappointed member Steve Friar simultaneously read the Oath of Office, then signed copies for the record.</p> <p>Reappointed member Kathy Leech McKinney was absent and will be sworn in at the next meeting.</p>	
IV. PUBLIC COMMENTS	<p>There were no public comments. Ruth Moskowitz of the League of Women Voters was welcomed as an observer.</p>	
V. MINUTES ICOC MEETING MARCH 28, 2006	<p>No discussion.</p>	<p>MOTION: By John Mclver, seconded by Margaret Moir, and carried to approve the Minutes of the March 28, 2006, ICOC Meeting</p>
VI. DISCUSSION AGENDA		
REPORTS		
A. IDENTIFICATION OF OFFICERS APPOINTED PURSUANT TO ICOC PP&G	<ul style="list-style-type: none"> • Pursuant to the PP&G, nominations for officers of the ICOC are made to the PPH Board by the Finance Committee. The PPH Board has delegated appointment authority to the Chairs of the Board and the Finance Committee, who made the following reappointments at the Finance Committee meeting on October 31, 2006: <ul style="list-style-type: none"> o Steve Yerxa was reappointed Chair of the ICOC o Bob Wells was reappointed Vice-Chair of the ICOC o John Mclver was reappointed Secretary of the ICOC 	<p>No Action Required</p>
B. NOTIFICATION TO MEMBERS DILL & KUNG OF MEMBERSHIP CLASSES PURSUANT TO ICOC PP&G	<ul style="list-style-type: none"> • Pursuant to the PP&G, members who resign shall be replaced via application process, with the new members finishing out the original terms of office <ul style="list-style-type: none"> o Lee Human, M.D., resigned from his position as the required Physician member (Class of 2006) as he felt that his retirement travel precluded proper fulfillment of his duties to the ICOC <ul style="list-style-type: none"> ▪ George Kung, M.D., was appointed to finish out Dr. Human's term of office ▪ Physician member – now in second and final term, which will expire July 1, 2008 o Jerry Kaufman resigned from his position as an At Large member (Class of 2008) as his adult son is employed at PPH 	<p>No Action Required</p>

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	<ul style="list-style-type: none"> ▪ Marguerite Jackson Dill, PhD, RN, FAAN, was appointed to finish out Mr. Kaufman's term of office – now in first term, which will expire July 1, 2008 • The new members were requested to introduce themselves and provide a little background information <ul style="list-style-type: none"> ○ Dr. Dill is an Escondido resident who spent her entire professional career at UCSD. She retired in December 2003, after having served as Director of Epidemiology/Infection Control and Director of Education, Development and Research, and she is currently working part-time as an Administrator with the School of Medicine. She was involved with USCD in the construction of the Thornton Hospital. ○ Dr. Kung is an OB/Gyn who had a practice in Poway for 25 years and served as Chief of Staff for Pomerado Hospital for two terms. He now practices in San Marcos. 	
PRESENTATIONS		
<p>B. REVIEW OF THE DUTIES & ROLES OF THE ICOC</p>	<p>Utilizing Attachment B (<i>in which sections pertinent to the duties of the ICOC were highlighted</i>), as well as referencing the previous Discussion of General Obligation Bonds from the March 28, 2006, meeting (<i>Pages A-14-18 of the agenda packet</i>) Kathleen Leak, Esq., Bond Counsel for PPH, from Orrick, Herrington & Sutcliffe, LLP, led a discussion that covered the duties and roles of the ICOC with regard to the issuance and distribution of funds derived from General Obligation (GO) Bonds.</p> <ul style="list-style-type: none"> • The Constitution of the State of California sets limitations on the use of GO Bonds, stating that they may only be used to purchase “real property” <ul style="list-style-type: none"> ○ No direct legal definition for “real property – consensus over time as to what is or is not allowed <ul style="list-style-type: none"> ▪ Anything truly portable, ordinary repairs, maintenance costs, supplies or labor are not generally allowed ▪ Fixtures that are affixed to or become part of the land/building, labor costs, professional fees, real estate closing costs and other costs directly connected to real property acquisition and improvements are generally allowed • As there are limitations on the use of proceeds from GO Bonds, PPH Measure BB provided citizens with a method by which PPH is accountable to the public, and the PPH Board adopted the Policies, Procedures & Guidelines for the establishment of an Independent Citizens' Oversight Committee (ICOC), to review those expenditures <ul style="list-style-type: none"> ○ The ICOC membership includes some individuals with specified skill sets as well as “at large” members ○ The ICOC's role is to review expenditures after they have been made to confirm that GO Bond proceeds were used appropriately • The ICOC will review expenditures via an annual expense report, prepared after the close of the fiscal year <ul style="list-style-type: none"> ○ The first GO Bonds were issued July 7, 2005 ○ The Annual Report covers only GO Bond expenditures for FY2006 (July 1, 2005 through June 30, 2006) 	<ul style="list-style-type: none"> • The members of the ICOC will be added to the distribution list for the Audited Financials for PPH, and copies of the FY2006 Audited Financials will be forwarded to the ICOC members via email

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	<ul style="list-style-type: none"> o The ICOC will determine if the expenditures were authorized by Measure BB and will prepare a report of their findings for presentation to the PPH Board <ul style="list-style-type: none"> ▪ The PPH Board will review the ICOC's report and respond • The ICOC will be disbanded once all GO Bonds have been expended (in approximately 2013) • Ms. Leak then entertained and discussed questions from the membership <ul style="list-style-type: none"> o Examples of improper use of GO Bonds: <ul style="list-style-type: none"> ▪ Purchase of land in Temecula – not within the boundaries of the District ▪ Purchase of a McDonald's franchise – doesn't fit the definition 	
<p>B. District Expenditure Report for FYE June 30, 2006</p>	<p>Utilizing <i>Attachment C</i>, Bob Hemker, CFO for PPH, led a discussion regarding the GO Bond expenditures</p> <ul style="list-style-type: none"> • An annual expense report will be prepared after the close of the fiscal year <ul style="list-style-type: none"> o The PPH Fiscal Year ends on June 30th, and the external audit is generally completed by the end of October following FY close o The Annual Expense Report will cover only GO Bond expenditures o Whole picture will be available by putting the Annual Report together with the District's Audited Financial Statements, which will be made available for the ICOC's review <ul style="list-style-type: none"> ▪ GO Bonds are entered on the PPH books, clearly separated so that they can be extrapolated • The Master Facilities Plan (MFP) and Plan of Finance (PoF – <i>see attached chart</i>) are both PPH Board approved <ul style="list-style-type: none"> o No single source of funding, with different types of funding interspersed throughout the life of the PoF <ul style="list-style-type: none"> ▪ Cash Contributions include working capital & philanthropic donations ▪ \$180 million par Revenue Bonds were issued in December 2006, and the 1993 debt was also refinanced ▪ Bond Anticipation Notes (BANs) can be used to bridge funding prior to issuance of GO or Revenue Bonds o Multiple campuses are covered by the MFP, PoF & Measure BB o Use of Measure BB funds can be spread across all campuses, as long as those uses fall under the definition of appropriate funding <ul style="list-style-type: none"> ▪ Measure BB authorized the issuance of \$496 million ▪ PPH promised taxpayers to maintain a yearly property tax of \$17.75 per \$100K of assessed value <ul style="list-style-type: none"> (1) Expectation is that assessed values will go up (conservative estimate of 5% annually) ▪ GO Bonds cannot be issued all at once as they must be spent down within the first three years in order to ensure their tax-exempt status is maintained ▪ \$496 million in GO Bonds will be combined with other sources of funding to finance the entire MFP o GO Bonds are limited in use (facilities, land, etc., but not movable equipment), 	<ul style="list-style-type: none"> • MOTION: By Margaret Moir, seconded by John McIver and carried to refer inquiries made of any ICOC member by the press/public to the Chairman of the ICOC • At the request of the Chair, Interim reports will be made to the ICOC on a quarterly basis, prefaced by a 2-3 page summary

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	<p>whereas Revenue Bonds can also be used for equipment</p> <ul style="list-style-type: none"> o The Financing Team is continually reassessing the timing of the various financing tools based on market opportunities and construction needs • Expenditures to date are primarily related to land purchases and A&E (Architecture & Engineering) <ul style="list-style-type: none"> o The expenditure Report itself was not audited, but the auditing firm of Deloitte & Touche reviewed the \$80 million GO Bond issue as a part of the District's annual financial audit o On purchases, the auditors verify that we gained an asset, not whether it was appropriate for purchase with GO Bond funds • Purchase procedures <ul style="list-style-type: none"> o A requisition must be made to the Paying Agent (Wells Fargo Corporate Trust Section) for every single draw, with supporting documents o The Paying Agent verifies the certifications within the requisition and releases funds if consistent with the Paying Agent Agreement o Tab E in the agenda packet contains copies of all requisitions <ul style="list-style-type: none"> ▪ All originals that went to the Paying Agent were signed by Bob Hemker, the authorized representative to whom authority for expenditures was delegated by the PPH Board (that authority is also delegated to CEO Michael Covert) • Chairman Yerxa inquired as to proper protocol should a member of the ICOC be contacted by the media <ul style="list-style-type: none"> o A motion was made for queries to be forwarded to the CFO, who would inquire further of bond counsel if necessary, then return answers to the ICOC for review and action o After further discussion about the appropriateness of PPH responding to queries made of an independent committee, the above motion was tabled (<i>see Action/Comments</i>) • Bob Hemker detailed the contents of each tab in Attachment C <ul style="list-style-type: none"> o TAB A – a recap of the first tranche of bonds issued, including maturity dates o TAB B – a banking recap of June 30, 2006, and current bank statements o TAB C – a requisition schedule, noting costs of issuance funds <ul style="list-style-type: none"> ▪ Reviewed by Bond Counsel to ensure tax-exempt status of bonds o TAB D – \$7 million for land and buildings has already been paid out of PPH reserves and is pending CEQA review/approval <ul style="list-style-type: none"> ▪ Will be reimbursed from GO Bonds when approved o TAB E – each requisition made of the Paying Agent o In response to specific inquiries made by members of the ICOC: <ul style="list-style-type: none"> ▪ The “signage” purchased from Home Depot on page E5 refers to design/architectural efforts to date ▪ Mock-ups are life-size and fall under design & development <ul style="list-style-type: none"> (1) The use of mock-ups has been the basis for re-design in some areas ▪ The “honorarium” to Tim Vanderveen on page E46 was for speaking/conducting a seminar during one of the Centers for Health design 	

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	<p>(1) It and the twelve or so others under that title or “professional services” were deemed by Management to fit GO Bond expenditures in the design/development category</p> <ul style="list-style-type: none"> ▪ If the ICOC disagrees with an assessment of expenditures being paid from GO Bond proceeds, the report would include a statement that might include, “...except line items...” <ul style="list-style-type: none"> (1) If the PPH Board were to agree with the ICOC, then the GO proceeds would be reimbursed and another source of funding would be used for those items (2) If the PPH Board were to disagree with the ICOC, then they would report that fact back to the ICOC ▪ The POM OSP is noted in several line items within the requisitions, although it was noted that it is ineligible for GO Bond funding <ul style="list-style-type: none"> (1) Bob Hemker noted the discrepancy and will have the issue reviewed & corrected as appropriate ▪ There are separations of monies for each project in Finance books and records, but those are not detailed at this summary level ▪ Costs for architects have been approximately \$14 million for all projects <ul style="list-style-type: none"> (1) The detail is behind the draws, invoiced by project (2) It is outside the scope of the ICOC to review proposed architectural expenditures 	
<p>C. ANNUAL REPORT OF THE COMMITTEE TO THE PPH BOARD</p>	<p>Chairman Steve Yerxa stated that a succinct report would be prepared, indicating that the ICOC met, what was reviewed, whether there were any discrepancies to report, and that their questions were satisfactorily answered by PPH staff and Bond Counsel</p> <ul style="list-style-type: none"> • Mr. Yerxa will work with PPH staff to put the report together • The report will be distributed to the ICOC via email <ul style="list-style-type: none"> o All comments will be reviewed and incorporated into the report as appropriate o If no comments are received within ten (10) days of report distribution, it will be assumed to be correct o The report will then be forwarded to the PPH Board pursuant to the PP&G 	

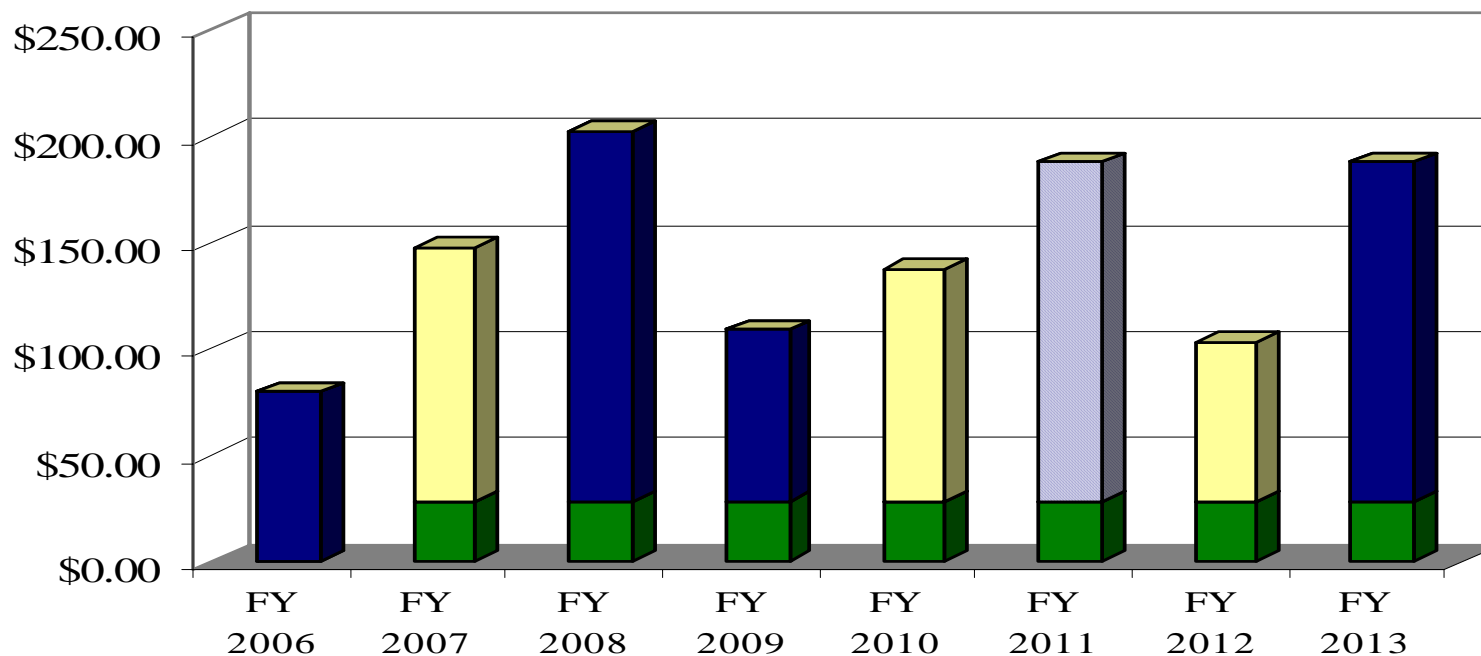
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<p>D. BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MEETING</p>	<ul style="list-style-type: none"> • The ICOC requested that two terms used during the meeting be defined: <ul style="list-style-type: none"> o OSHPD – The Office of State Health Planning & Development <ul style="list-style-type: none"> ▪ California State Agency responsible for approving hospital projects ▪ Can't build hospital buildings w/out OSHPD approval, receipt of which can take as long as 12-18 months o Tranche – a debt term meaning “a portion of the entire” <ul style="list-style-type: none"> ▪ The first series of GO Bonds was an “\$80 million tranche of the \$496 million” • Holding special meetings when the quarterly reports are received was proposed, but consensus was that it would likely be difficult to get them scheduled in a timely manner on short notice • When would site visits be appropriate? <ul style="list-style-type: none"> o The mock-ups at the warehouse space on Enterprise Street in Escondido will be taken down the middle of January <ul style="list-style-type: none"> ▪ If members of the ICOC would like to tour the mock-ups, they should let Tanya Howell know so that arrangements can be made prior to disassembly o As the ERTC is still just dirt; there have been no significant changes to PMC East; and the POM OSP is going up, with staging work completion (i.e., roadways, parking structure, chassis for tower), but not part of GO funding, site tours to the various campuses are likely premature at this time • Next meeting is Tuesday, September 25, 2007, 3:00 p.m., in Conference Room A at the Administrative Offices of PPH, 15255 Innovation Drive, San Diego, CA (incorrectly noticed on agenda as September 27, 2007) 		<ul style="list-style-type: none"> • Tanya Howell will work with Marcia Jackson to arrange a site tour of the mockup rooms at the Enterprise Street warehouse and will notify members of the ICOC so they may make arrangements to attend as available • The schedule for the Strategic Planning Committee – which provides a quarterly update to the PPH Board – will be distributed by Tanya Howell to the ICOC; and future agendas will also be forwarded so that members may attend as guests when items of interest are slated for discussion
<p>E. ADJOURNMENT</p>	<p>Meeting adjourned at 5:02 p.m.</p>		<ul style="list-style-type: none"> • MOTION: By Bob Wells, seconded by Ed Lehman and carried to adjourn the meeting
<p>DRAFT REVIEWED AND APPROVED FOR SUBMISSION TO DISTRICT BOARD</p>	<p>CHAIR</p>	<p>_____ Steven P. Yerxa</p>	
	<p>SECRETARY</p>	<p>_____ John McIver</p>	
<p>APPROVED BY DISTRICT BOARD</p>	<p>CHAIR</p>	<p>_____ Marcelo Rivera, M.D</p>	
	<p>SECRETARY</p>	<p>_____ Linda Greer, R.N.</p>	

Phased, Integrated Plan of Finance (updated as of June 2006)

- Issue Revenue Bonds in conjunction with GO Bonds and Bond Anticipation Notes allows PPH to
 - ✓ Meet projected construction draw schedule in a timely fashion and maintain \$17.75 tax promised to voters
- PPH maintains the flexibility to adjust the timing of Revenue and GO bonds to meet construction needs and take advantage of market opportunities

Millions



■ Cash Contribution ■ General Obligation Bonds
■ Bond Anticipation Notes ■ Revenue Bonds