

Independent Citizens' Oversight Committee
Approval of Minutes from Meeting on March 28, 2006

TO: Board of Directors
Monday, May 8, 2006

FROM: Board Finance Committee
Tuesday, April 25, 2006

BY: Bob Hemker, CFO

Background: On Tuesday, March 28, 2006, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their third meeting.

Pursuant to §6.4 of the ICOC PP&G, a draft report of all ICOC meetings is to be submitted to the District Board for inclusion in the Board's public records. The attached draft minutes from the meeting on March 28, 2006, have been reviewed by the Chair and the Secretary of the ICOC and approved for presentation to the ICOC members and the District Board.

Budget Impact: N/A

Staff Recommendation: Approval of the draft minutes from the ICOC meeting held on March 28, 2006.

Committee Questions:

COMMITTEE RECOMMENDATION: The Finance Committee recommends approval of the draft minutes from the ICOC meeting held on March 28, 2006.

Motion: X

Individual Action:

Information:

Required Time:

PARTICIPANT ROSTER

**PALOMAR POMERADO HEALTH
HOSPITAL, EMERGENCY CARE, TRAUMA CENTER IMPROVEMENT AND REPAIR MEASURE BONDS
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE**

Palomar Pomerado North County Health Development, Conference Room, 642 East Grand Avenue, Escondido, CA

| PARTICIPANTS | | | | | | | | |
|---|---|---|---|--|--|--|--|--|
| MEMBERS | | | | | | | | |
| WILLIAM L. CORWIN (AT LARGE) | P | P | P | | | | | |
| STEPHEN FRIAR (AT LARGE) | P | P | P | | | | | |
| LEE HUMAN, MD (PHYSICIAN) | E | E | E | | | | | |
| JERRY KAUFMAN, MPT (BUSINESS ORG) - SECRETARY | P | P | E | | | | | |
| EDWARD R. LEHMAN (SR CITIZENS' ORG) | P | P | P | | | | | |
| JOHN MCIVER (AT LARGE) | P | P | P | | | | | |
| KATHY LEECH MCKINNEY (AT LARGE) | P | P | P | | | | | |
| MARGARET MOIR (AT LARGE) | P | P | P | | | | | |
| BOB WELLS (TAXPAYERS' ORG) - VICE CHAIR | P | P | E | | | | | |
| STEPHEN P. YERXA (AT LARGE) - CHAIR | P | P | P | | | | | |
| DISTRICT SUPPORT STAFF | | | | | | | | |
| BOB HEMKER, CFO | P | P | P | | | | | |
| TANYA HOWELL, EXECUTIVE ASST - SCRIBE | P | P | P | | | | | |
| GUESTS | | | | | | | | |
| KATHLEEN LEAK, BOND COUNSEL ORRICK, HERRINGTON & SUTCLIFFE | | | P | | | | | |

[P = Present E = Excused A = Absent]

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**Independent Citizens' Oversight Committee
Meeting Minutes – Tuesday, March 28, 2006**

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---|---|---|
| <p>I. CALL TO ORDER & ROLL CALL</p> | <p>Meeting called to order at 3:02 p.m. by Chair Steve Yerxa. See roster for attendance.</p> | |
| <p>II. INFORMATION ITEM(S)</p> | <ul style="list-style-type: none"> • Chair Steve Yerxa replied to the letters of inquiry received at the October 2005 meeting from Messrs. Robroy Fawcett & Jeff Switzer (<i>Attachment A</i>) • Assistant to the ICOC Tanya Howell is working with the PPH Webmaster to create an appropriate link on the site for posting of the schedule, agendas & minutes of the ICOC • Assistant Tanya Howell distributed the following items to the membership: <ul style="list-style-type: none"> o Petty cash funds distribution and expense vouchers for mileage to previous ICOC meetings o Minutes with attachments from October 5, 2005, ICOC meeting o Letters from Chair Steve Yerxa to public letters of inquiry referenced above o Draft biographical sketches of ICOC membership for review & approval o Current ICOC Contact List o Letter from Lee Human, M.D. (<i>referenced in Agenda item IV.A.</i>) • PMC North Campus <ul style="list-style-type: none"> o PPH closed on the land o The City approved the zoning changes for rights & entitlements o There is a Development Agreement with the City, which includes extending Citracado Parkway for access o There is also a Memorandum of Understanding (MOU) with the City regarding changes being made on the current PMC campus and plans for downtown Escondido <ul style="list-style-type: none"> ▪ Early-stage evaluations of properties on Valley Boulevard are being done as PPH would require rights to both sides of the road for it to be closed to meet current plans o The District Board Finance Committee is reviewing the relocation of Supply Chain Services and the Warehouse to Escondido to begin to reallocate local sales tax <ul style="list-style-type: none"> ▪ The Development Agreement with the City allocates \$13M in cash plus an approximate \$6-7M in local tax reallocations to pay for infrastructure upgrades along Citracado Parkway • ICOC minutes <ul style="list-style-type: none"> o October minutes were reviewed & approved by District Board at their March 13, 2006, meeting o Future distribution: <ul style="list-style-type: none"> ▪ First draft to Chair Steve Yerxa ▪ To Committee members after Chair approval ▪ To PPH Finance Committee for review ▪ To consent agenda at District Board meeting ▪ To next scheduled ICOC meeting agenda | <ul style="list-style-type: none"> • ICOC Web posting to be worked out prior to Annual Meeting • Minutes of this meeting will be drafted, reviewed by Chair, then forwarded to the District Board via the April 25, 2006, Finance Committee meeting |

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**Independent Citizens' Oversight Committee
Meeting Minutes – Tuesday, March 28, 2006**

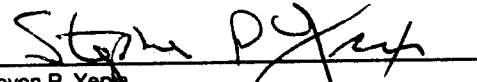



| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|--|---|--|
| | <ul style="list-style-type: none"> • Jerry Kaufman's resignation was reported to the District Board <ul style="list-style-type: none"> o Bob Hemker confirmed with bond counsel the propriety of the resignation o John McIver's nomination by the ICOC as replacement—both as Secretary and Business Organization representative—was also reported to the District Board o As the membership remains at the required number of nine, no further action is required | |
| III. PUBLIC COMMENTS | There were no public comments | |
| IV. DISCUSSION AGENDA | | |
| REPORTS | | |
| A. RESIGNATION OF LEE HUMAN, M.D. | <ul style="list-style-type: none"> • Lee Human, M.D., submitted a letter of intent to resign, based on scheduling conflicts (<i>Attachment B</i>) <ul style="list-style-type: none"> o Resignation discussed and accepted o Leaves a vacancy on the ICOC, specifically a "Required Member" who is either a nurse or a physician o Vacancy also requires replacement of member, as required membership shall be NLT nine (9) <ul style="list-style-type: none"> ▪ Eight (8) members is still a quorum o Current applications to be forwarded to the Finance Committee for consideration: <ul style="list-style-type: none"> ▪ Two applications recently received will be included if they meet the nurse/physician requirement ▪ Applications from first round of applicants who met the nurse/physician requirement | <ul style="list-style-type: none"> • Dr. Human's resignation will be reported to the District Board via the Board Finance Committee, with a recommendation that the vacancy be posted for nurse/physician applicants only, as all other required and at-large memberships are filled |
| PRESENTATIONS | | |
| A. LEGAL ASPECTS OF GO BONDS B. CLARIFICATION OF THE DUTIES & ROLES OF THE ICOC | <p>Utilizing <i>Attachment C</i>, Kathleen Leak, Esq., Bond Counsel for PPH, from Orrick, Herrington & Sutcliffe, LLP, led a discussion that covered both the legal aspects of the issuance of and distribution of funds derived from General Obligation (GO) Bonds and the duties and roles of the ICOC with regard to those funds. Ms. Leak also acknowledged the team of individuals known as the PPH Financing Team—consisting of PPH staff and consultants from Citigroup, Kaufman Hall and Orrick—who are coordinating the formulation of the Plan of Finance, a component of which is the issuance of 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"> o 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 | <ul style="list-style-type: none"> • Tanya Howell is to add Kathleen Leak to both the ICOC Contact List and the ICOC emailing group listing |

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**Independent Citizens' Oversight Committee
Meeting Minutes – Tuesday, March 28, 2006**

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | ACTION/COMMENTS |
|---------------------|--|-----------------|
| <p>159</p> | <ul style="list-style-type: none"> ▪ 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 • The ICOC is responsible only for oversight of the GO Bonds issued by the PPH District, even if other sources of funding are utilized by the district to complete the various hospital projects <ul style="list-style-type: none"> o ICOC's role is to review expenditures after they have been made to confirm GO Bonds were used appropriately o Once all GO Bonds have been spent, role of ICOC ends • Annual expense report will be prepared after close of the fiscal year <ul style="list-style-type: none"> o Annual Report will cover only GO Bonds o Whole picture will be available by putting the Annual Report together with the District's Audited Financial Statements • Will the purchase of a new building for the warehouse constitute an appropriate GO Bond expenditure? As Measure BB was a "hospital & healthcare project" – not just "hospital", answer would be, "Yes", contingent on: <ul style="list-style-type: none"> o Review by Bond Counsel o Review by Financing Team o Warehouse that supports the hospital is technically part of the hospital – if housed within the physical buildings of the hospital, there would be no doubt as to validity of use • POM OSP will not be GO financed due to its condo structure – not an "owned asset" of PPH • Discussion of ICOC Concept <ul style="list-style-type: none"> o No requirement for healthcare districts to have ICOC – District Board decided it would be an appropriate aspect of the planning process o Based on the requirement of School Districts to have an ICOC for school bond issuances o Could not ultimately change a decision made by the District Board, but provides input for Board consideration regarding possible inappropriate expenditures <ul style="list-style-type: none"> ▪ Committee report made to District Board ▪ District Board required to reply to comments – "closes the loop" o ICOC protects the citizenry o Bond Counsel protects the bond holders o ICOC has access to bond counsel for questions regarding appropriate vs. inappropriate expenditures <ul style="list-style-type: none"> ▪ Any questions should be made collectively as a body through Bob Hemker's office, utilizing the ICOC emailing list • PPH Fiscal Year 2006 ends June 30th, and the external audit is generally completed by the end of October following FY close | |

Independent Citizens' Oversight Committee Meeting Minutes – Tuesday, March 28, 2006

| AGENDA ITEM/PURPOSE | DISCUSSION/RECOMMENDATION | | ACTION/COMMENTS |
|---|---|--|---|
| B. UPDATE ON MASTER FACILITY PLAN & GO BOND PROCEEDS TO DATE | <p>Bob Hemker distributed a spreadsheet that contained a high-level, interim snapshot of GO Bond Project Draws through March 28, 2006 (<i>Attachment D</i>)</p> <ul style="list-style-type: none"> • \$80M in GO Bonds were issued in July 2005 • \$45M draw-down against that amount to date <ul style="list-style-type: none"> o \$34M for land o \$9M for Architect, Costing, Engineering & Consulting o \$1M for legal fees • \$1.7M in interest income <ul style="list-style-type: none"> o Federal arbitrage rules provide limitations on the amount of interest income that can be derived from tax-exempt bonds • About \$36.7M remains of the first tranche of GO Bonds issued | | <ul style="list-style-type: none"> • |
| C. BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MEETING | <ul style="list-style-type: none"> • Discussion of timeliness of receipt of materials for ICOC meetings • It was noted that the minutes from the prior meeting were not an agenda item at this meeting <ul style="list-style-type: none"> o Omitted as the minutes had been reviewed by Chair and had already been forwarded to the District Board for final approval—new procedures will be followed in future • If the ICOC needs to meet sooner than the next regularly scheduled meeting, at least 30 days' lead time should be given the membership • Next meeting is Tuesday, September 26, 2006, 3:00 p.m., in Admin Conference Room 1 at Palomar Medical Center | | <ul style="list-style-type: none"> • Meeting materials will be distributed to members well in advance of future meetings – materials for the September 28, 2006, meeting will be distributed at least one (1) week ahead of time • Approval of minutes will become a standing agenda item for future meetings |
| D. ADJOURNMENT | <p>Meeting adjourned at 5:10 p.m.</p> | | <p>Motion by John McIver, seconded by Ed Lehman and carried to adjourn the meeting</p> |
| DRAFT REVIEWED AND APPROVED FOR SUBMISSION TO DISTRICT BOARD | CHAIR |  Steven P. Yerna | |
| | SECRETARY |  John McIver | |
| APPROVED BY DISTRICT BOARD | CHAIR |  Marcelo Rivera, M.D. | |
| | SECRETARY |  Linda Greer, R.N. | |

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

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.

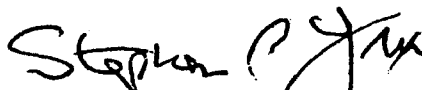
With respect to your request that members of the Committee identify their membership on the Committee when discussing use of proceeds of bonds authorized by Measure BB with members of the public or government bodies, the Committee will consider your recommendation and will take whatever action it deems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

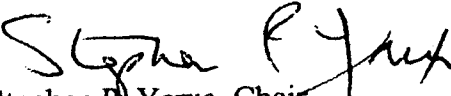
In order to perform the duties specified in Section 3 of the Policies and Procedures, the Committee may engage in the activities specified in Section 4 of the Policies and Procedures. The activities which the Committee may engage in are as follows: (i) receive and review copies of each annual expenditure 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

ATTACHMENT B



RECEIVED
FEB 10 2006
PALOMAR POMERADO HEALTH
CFO, PP FINANCE

Tickler file ICOC
mf

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 hiking 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 MD

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

| | 80,000,000 | | \$ | 80,000,000 |
|---|-------------------|---------------------|---------------------|-------------------|
| 10/25/2005 - Net Proceeds excl. Cost of Issuance: | | | | |
| 11/22/2005 - Draw # 1 | | (7,180,571) | | 72,819,429 |
| Pd monthly - Draw # 2 | | (2,941,161) | | 69,878,267 |
| - Total Interest Income to Feb 2006 | | | 1,484,865 | 71,363,132 |
| Balance through Feb 2006 | 80,000,000 | (10,121,733) | 1,484,865 | 71,363,132 |
| March Activity | | | | |
| 3/1/2006 - ERTC Land Escrow | | (27,490,000) | | 43,873,132 |
| 3/16/2006 - ERTC Initial Land & related | | (7,425,333) | | 36,447,799 |
| 3/22/2006 - Escrow refund excess Land draw | | 3,283 | | 36,451,082 |
| - Estimated March Interest Income | | | 200,000 | 36,651,082 |
| Total / Balance | 80,000,000 | (45,033,782) | 1,684,865 \$ | 36,651,082 |

| <u>ACCT-CATEGORY DESCRIP</u> | <u>Total</u> | |
|--|-------------------|-------------------|
| Architect, Costing, Engineering & Consul | 9,220,151 | 9,220,151 |
| Legal, Insurance, Other | 1,404,591 | 1,404,591 |
| GO Bond Cost Of Issuance | 1,818,564 | |
| Land-ERTC | 34,404,140 | 34,404,140 |
| Permitting & Inspection | 4,900 | 4,900 |
| rounding | | (1) |
| Grand Total | 46,852,347 | 45,033,782 |

| <u>PROJECT FUND DRAWS</u> | | |
|----------------------------------|-------------------|-------------------|
| Cost of Issuance-GO Bonds | 1,818,564 | |
| Draw #1 | 7,180,571 | 7,180,571 |
| Draw #2 | 2,941,161 | 2,941,161 |
| Draw #3 | 7,425,334 | 7,425,334 |
| Wire Transfer - Land | 27,490,000 | 27,490,000 |
| - Escrow refund excess Land draw | (3,283) | (3,283) |
| rounding | | (1) |
| | 46,852,347 | 45,033,782 |

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**Independent Citizens' Oversight Committee
Resignation of Lee Human, M.D.
Next Steps Required of the Board**

TO: Board of Directors
Monday, May 8, 2006

FROM: Board Finance Committee
Tuesday, April 25, 2006

BY: Bob Hemker, CFO

Background: On Tuesday, March 28, 2006, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their third meeting.

At that meeting, a letter of resignation received from Lee Human, M.D., was read and discussed. Dr. Human's resignation was accepted, and the attached letter confirming that action was sent to Dr. Human by ICOC Chairman Steve Yerxa.

Dr. Human's resignation in effect causes two vacancies on the ICOC: 1) A vacancy in number, as the Policies, Procedures & Guidelines (PP&G) of the ICOC require that there shall be not less than nine (9) members; and, 2) A vacancy in Required Members, as Dr. Human was the Nurse/Physician representative on the ICOC—required pursuant to the PP&G, and none of the current members are qualified to fill that vacancy.

Pursuant to the PP&G, the PPH Board shall appoint a new person to serve the remainder of the term (Dr. Human was a member of the Class of 2006, with his initial term to expire on June 30, 2006, followed by a second term of two (2) years, to expire June 30, 2008).

- The PPH Board shall post the vacancy and solicit applications from the general public.
- The Board designee [the Board Finance Committee] shall review applications and make recommendations to the Board for applicants to fill the vacant position.

Budget Impact: N/A

Staff Recommendation: Posting of the vacancy created by the resignation of Lee Human, M.D., with applications accepted from qualified nurse or physician applicants only, to be reviewed by the Board Finance Committee for recommendation to the Board.

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends posting of the vacancy created by the resignation of Lee Human, M.D., with applications accepted from qualified nurse or physician applicants only, to be reviewed by the Board Finance Committee for recommendation to the Board.

Motion: X

Individual Action:

Information:

Required Time:

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

April 20, 2006

Lee Human, M.D.
2400 Peet Lane
Escondido, CA 92025

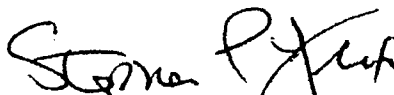
Re: Letter of Resignation – Palomar Pomerado Health Independent Citizens' Oversight Committee

Dear Dr. Human:

As Chair of the Palomar Pomerado Health Independent Citizens' Oversight Committee (the "Committee"), I would like to thank you on behalf of the Committee for your willingness to serve. As you are aware, the Committee reviewed your Letter of Resignation at its last meeting, on Tuesday, March 28, 2006. It was obvious that your resignation was not made lightly; and the Committee was very appreciative of the opportunity to refill your seat with someone whose schedule would be more accommodating, knowing that opportunity brought with it the loss of your expertise and familiarity with the District.

We wish you the best of luck in your retirement and would encourage your return to community service should the opportunity present itself over the coming years.

Very truly yours,



Stephen P. Yerxa, Chair
Independent Citizens' Oversight Committee

cc: Committee Members
Bob Hemker, CFO (District Staff Support)
PPH Board Finance Committee
PPH Board