

TUESDAY, NOVEMBER 14, 2006  
5:30 p.m. (Buffet Dinner for Board Members & Invited Guests Only)  
6:00 p.m. Meeting

PALOMAR POMERADO HEALTH  
15255 Innovation Drive, San Diego, CA  
Conference Rooms B&C

	<u>Time</u>	<u>Page</u>	<u>Target</u>
<b>CALL TO ORDER</b> .....	.....	.....	<b>6:00 p.m.</b>
➤ Public Comments.....	.....5	.....	6:05 p.m.
<b>❖ ADJOURNMENT TO CLOSED SESSION</b>			
~ <b>pursuant to California Government Code §54954.5(h)</b> .....	.....20	.....	6:25 p.m.
<i>REPORT INVOLVING TRADE SECRET</i>			
<i>Discussion Will Concern Proposed New Service</i>			
<i>Estimated date of public disclosure: February 2007</i>			
<b>~ Anticipated Action</b>			
~ <b>pursuant to California Government Code §54956.8</b> .....	.....10	.....	6:35 p.m.
<i>Property: Assessor Parcel #229-442-01-00 and land and building commonly known as 451 East Valley Parkway, Escondido, CA</i>			
<i>Agency Negotiator: Bob Hemker, CFO, PPH</i>			
<i>Negotiating Parties: Bob Hemker and property owner Joan Irving</i>			
<i>Under Negotiation: Instruction to Negotiator will concern price and terms</i>			
<i>Estimated date of public disclosure: November 2006</i>			
<b>~ Anticipated Action</b>			
<b>❖ ADJOURNMENT TO OPEN SESSION</b>			
<b>CALL TO ORDER</b> .....	.....	.....	<b>6:35 p.m.</b>
➤ <b>Action Resulting from Closed Session Discussion, If Any</b> .....	.....5	.....	<b>6:40 p.m.</b>
➤ Information Item(s)			
• .....	.....5	.....	6:45 p.m.
1. * Review/Approval: 2006 Issue of Revenue Bonds & Resolution(s) .....	.....60	.....2-3	7:45 p.m.
2. * Approval: Draft Audited Financial Statements for Years Ended June 30, 2006 and 2005 & Independent Auditors' Report ( <i>Separate Cover</i> ).....	.....20	.....4	8:05 p.m.
<b>ADJOURNMENT</b> .....	.....	.....	<b>8:05 p.m.</b>

**NOTE: If you have a disability, please notify us 72 hours prior to the event so that we may provide reasonable accommodations.**

**Board Members**

Marcelo Rivera, MD, Chair, Board of Directors  
Ted Kleiter, Chair, Board Finance Committee  
Nancy Bassett, RN  
Linda Greer, RN  
Bruce Krider  
Alan Larson, MD  
Gary Powers

**DISTRIBUTION**

**Finance Committee Members**

Michael Covert, CEO  
Robert Trifunovic, MD  
Paul E. Tornambe, MD

**Staff Representatives**

Bob Hemker, CFO  
Gerald Bracht, CAO PMC  
Jim Flinn, CAO POM  
Tanya Howell, Finance Committee Asst

\* Other packets to: Sharon Andrews, Tom Boyle, Sheila Brown, Duane Buringrud, MD, LeAnne Cooney, Dana Dawson, Kwaja Floyd, Gustavo Friederichsen, Janet Gennoe, Wallie George, Andy Hoang, Marcia Jackson, Dr. Marilyn Johnson, Christine Meaney, Jim Neal, Genevieve Nelwan, Tim Nguyen, Mary Oelman, Tina Pope, Opal Reinbold, Paul Sas, Mike Shanahan, Lorie Shoemaker, Steve Tanaka, Brenda Turner, Melanie Van Winkle, Deloitte and Touche (Drew Sutter)

## Plan of Finance and Revenue Bond Issuance

**TO:** Joint Board/Finance Committee

**MEETING DATE:** Tuesday, November 14, 2006

**FROM:** Bob Hemker, CFO

**Background:** The Financing Team has been and continues to develop the various steps of financing for the Master Facility Plan, specifically for the issuance of new Revenue Bonds/Certificates of Participation in December 2006. Management, working with the Financing Team, has developed the next steps of the financing, as well as the components of the requisite debt and swap structure.

At its December 6, 2005, meeting, the Board Finance Committee approved and recommended to the full Board authorizations for the Financing Team to:

- Use Credit Enhancement
- Issue Variable Rate Debt and Maintain an Unhedged Portion Within the Guidelines of the Debt Policy
- Increase the Borrowing Amount in 2006
- Enter into an Interest Rate Swap Agreement
- Lock in Interest Rates
- Formulate a Debt and Interest Rate Swap Policy

The above authorizations were approved by resolution at the December 12, 2005, Board Meeting.

In April 2006, Management, the Board Chair, the Board Treasurer and members of the Financing Team met with potential Bond Insurers, and they met with Rating Agency(s) in May 2006. The outcome of these meetings has further focused the available options, type and amount of Revenue Bonds to be issued (i.e., Hedge or no Hedge, Variable or Fixed Rate, etc.) in calendar year 2006.

Management and the Financing Team subsequently assessed and evaluated the impact of the increased project costs, then-current market conditions, and PPH's credit position, access to bond insurance and market position. In addition, debt instruments were identified and evaluated. As a result of the that assessment, certain updates were made to the Financial and Capital Plan, including the proposed amount of debt to be issued in the 2006 tranche, the proposed type of debt instrument, and the proposed debt structure. The Updated Financial and Capital Plan was reviewed and approved at a joint Board/Finance Committee meeting on June 27, 2006, to include the associated Updated Board Resolutions and Declarations needed to facilitate a Revenue Bond/Certificates of Participation issuance later in calendar year 2006.

The foregoing efforts have resulted in the preparation of a \$180 million financing package (approximately \$155 million of new money), to be issued on or about December 7, 2006. Inclusive to the package is the use of Certificates of Participation, issued as 7-Day Auction Rate Securities. PPH will enter into a floating-to-fixed-rate swap as part of the transaction.

## Plan of Finance and Revenue Bond Issuance

In addition, the Series 1993 Bonds will be refunded, resulting in approximately \$1.2 million in savings. The Series 1999 Bonds will not be refunded, as agreement with the insurer for a new Master Trust Indenture (MTI) was reached. Details of the transaction – including the upcoming process and associated documents—will be reviewed and discussed at the meeting.

**Budget Impact:** N/A

**Staff Recommendation:** Management recommends approval of the issuance of the new bonds, the refunding of the Series 1993 Bonds and use of a Synthetic Fixed Rate Swap Structure. Further, Management recommends approval of the associated Agreements, Documents and Resolutions—as presented in substantially final form—necessary to consummate the transaction, and authorization for Michael Covert, CEO, and/or Robert Hemker, CFO, to execute final form documents and Agreements necessary to consummate the transaction and issuance.

**Committee Questions:**

**NOTE:** The draft Agreements, Documents and Resolutions were being finalized at the time of the agenda release. They will be forwarded under separate cover upon receipt. It is possible that some or all of the documents may not be available until the Joint Board/Finance Committee meeting on Tuesday.

### COMMITTEE RECOMMENDATION:

**Motion:**

**Individual Action:** X

**Information:**

**Required Time:**

**Draft Consolidated Financial Statements for the Years  
Ended June 30, 2006 and 2005 and Independent Auditors' Report**

**TO:** Joint Board/Finance Committee  
**DATE:** Tuesday, November 14, 2006  
**FROM:** Tim Nguyen, Corporate Controller  
**BY:** Bob Hemker, CFO

**BACKGROUND:** The draft Audited Financial Statements for the Years Ended June 30, 2006 and 2005, and the Independent Auditors' Report will be submitted for approval.

**NOTE:** The draft Audited Financial Statements and Independent Auditors' Report were being finalized at the time of the agenda release. They will be forwarded under separate cover upon receipt. It is possible that they may not be available until the Joint Board/Finance Committee meeting on Tuesday.

**BUDGET IMPACT:** N/A

**STAFF RECOMMENDATION:** Approval of the draft Audited Financial Statements for the Years Ended June 30, 2006 and 2005, and the Independent Auditors' Report as submitted.

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**