

MINUTES OF THE MEETING OF
THE BOARD OF COMMISSIONERS
PUBLIC HOSPITAL DISTRICT NO. 1
OF KING COUNTY, WASHINGTON

Held on December 17, 2007

Attendance:

Commissioner Carole A. Anderson, President, Commissioner, District No. 3
Commissioner Donald O. Jacobson, Vice-President, Commissioner, District No. 1
Commissioner Gary F. Kohlwes, Commissioner-at-large
Commissioner Michael W. Miller, Commissioner-at-large
Commissioner Carolyn V. Parnell, Secretary, Commissioner, District No. 2
Richard D. Roodman, Administrator/CEO – Superintendent
Paul S. Hayes, Chief Operating Officer
Michael I. Bernstein, Chief Financial Officer
Maria Gardner, Interim Administrator – Patient Care Services
Paul Larson, Administrator – Clinic Services
Barbara Mitchell, Administrator – Organizational Development
Robert L. Thompson, M.D. – Medical Staff Relations/Recruitment
David E. Smith – General Counsel
Todd Thomas, Director – Facilities
Steven Haton, Risk Manager
Dan Gottlieb, Bond Counsel – Gottlieb, Fisher and Andrews
Ellen Riley, Financial Advisor – Kaufman Hall
Jonathan Ma, Underwriter - Morgan Stanley
Brad Malsed, Financial Advisor – Kaufman Hall
George Beal, Perkins Coie (via conference call)
Kris Tiernan, Assistant TO CEO and Board of Commissioners

This meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Anderson at 3:32 p.m. in the Board Room of Valley Medical Center. Minutes of the meetings of December 3, and December 5-7, 2007, were approved as submitted.

Community Affairs Ms. Mitchell reported on activities of the Public Relations and Marketing Department as follows:

During December, VMC participated in the March of Dimes *Nurse of the Year* celebration on the 6th and had a booth at the annual Arthritis Foundation *Jingle Bell Run/Walk* on December 9th.

Dr. David Vossler, Director of Valley's Washington Neurosciences Institute, (WNI) will host an Epilepsy Seminar for the community on December 18th

Communities in Schools of Renton will holds it's annual benefit dinner January 24th at the Renton Senior Center. VMC has purchased a table and all commissioners are invited to attend.

Capital Expenditures/
Clinical Equipment/
Programs

Call for Bids – 3 North Remodel

Mr. Thomas requested Board authorization to advertise for bid the 3 North Patient Wing Remodel. The scope of this project includes the design and construction of 1900sf of the 3N Nurses Station and surrounding support spaces. This work includes extensive reconfiguration and upgrades to the nurse station, surrounding corridors, work area, dictation spaces and the staff lounge. The Nurse Station will be split in half to separate

the functions of the Cardiac/PCU and Respiratory/Renal patient wings. All flooring, paint, casework, ceilings and light fixtures will be upgraded to the current hospital finish standards. Major upgrades to the mechanical and electrical infrastructure are not required. The project also includes the design and construction of the security, fire alarm, nurse call and patient monitoring systems necessary to support these spaces. Construction is expected to take 60 days and the estimated cost of this project is \$604,000, including construction, contingencies, equipment and fees. Funding for this project is included in the 2008 capital budget.

MOTION

Following discussion, it was moved and seconded to authorize advertising for bid, the 3-North Remodel Project. Motion carried.

Safety Report 2007

Mr. Haton reviewed and the Board acknowledged receipt, of the 2007 Safety Report, which had previously been shared with each commissioner. The report includes data on how VMC compares to the Osborne Engineering Environment of Care Benchmarking Database for Hospitals. Mr. Haton said that Environment of Care (EOC) rounds are complete for 2007, with patient care area rounds completed twice annually and non-patient care area rounds completed once per year. Valley's EOC manual may be accessed by all employees on-line on the Valley Times website. Other items of note for this year include the Clinic Network Disaster Plan coming back in-house and the rolling out of the Hazardous Waste Collection Program for the Clinic Network.

Financial Affairs

Bills/Vouchers

MOTION

The Board, by motion, approved payments of the following bills and vouchers:

	WARRANT NUMBERS		DATED	AMOUNT
	FROM	TO		
ACCOUNTS PAYABLE	13723	13723	11/30/2007	1,562.50
ACCOUNTS PAYABLE	2089653	2090019	11/27/2007	2,810,206.49
ACCOUNTS PAYABLE	2090020	2090020	11/28/2007	16,919.77
ACCOUNTS PAYABLE	2090021	2090226	11/29/2007	1,139,250.50
ACCOUNTS PAYABLE	2090227	2090500	12/4/2007	1,843,538.69
ACCOUNTS PAYABLE	2090501	2090684	12/6/2007	384,843.44
TOTAL AP				<u>6,196,321.39</u>
GRAND TOTAL AP				<u><u>\$6,196,321.39</u></u>

2008 Operating and Capital Budget

Mr. Bernstein reviewed the Final Operating and Capital Budget for 2008, noting that once again, VMC will be operating in a very difficult environment. Projected net income from operations for 2008, excluding taxes, is \$44,636. It was noted that income from taxes

would be shown as operating income in a manner consistent with existing practice and in accordance with agency requirements.

Priorities for 2008 include:

- Growth of Centers of Excellence, including Birth, Joint, Neuro and Stroke;
- Continue expansion of services into the community through the Clinic Network;
- Maintain state-of-the art equipment, while continuing to upgrade and expand the facility;
- Continue investment in information system technology, allowing for better service to patients and staff;
- Provide growth and opportunity for current staff, as well as continue to recruit team members that will provide quality patient care;
- Provide financial results necessary to comply with bond covenants and maintain an A-rating;
- Refinancing of the \$65 million 2005 Revenue Bonds and Financing up to \$50 million through the issuance of LTGO Bonds to ascertain sufficient capital is available to complete the capital requirements of the District.

He added that the objectives of ensuring compliance with regulatory and union requirements, confronting financial pressures from government and third-party payors, along with increasing market costs in all expense categories is a delicate balance to which the management team remains committed.

MOTION Following discussion, it was moved, seconded and carried to accept the 2008 Operating and Capital Budget as submitted.

Resolution No. 869 – Goals for 2008

MOTION It was noted that the Goals for 2008 have been previously reviewed and discussed by the Finance Committee and the Board. It was moved and seconded to adopt Resolution No. 869, establishing an incentive program that parallels the goals for the year 2008 which should benefit the community. Motion carried.

Resolution No. 870 – Restructuring the 2005 Bond Issue and Bond Issue 2008

Mr. Bernstein introduced the financing team made up of Dan Gottlieb, Gottlieb, Fisher and Andrews, the District's bond counsel; Jonathan Ma, Morgan Stanley, the underwriters; and, Ellen Riley and Brad Malsed, Kaufman Hall, the District's financial advisors, all of whom are deemed experts in their field. It was noted that the District has relied on these three firms in past transactions. Mr. Bernstein then summarized the structure of the 2005 bond refunding and new financing money which are referred to as the Limited Tax General Obligation and Refunding Bonds, 2008

Mr. Ma reviewed the proposed restructure and bond issuance, describing the risk mitigation and solution for the capital shortfall. Mr. Gottlieb followed, pointing out the key elements of Resolution No. 870, including the maximum amount of debt, interest rate and term. Section 13, Debt Limit not Exceeded, "The District funds and covenants that the Bonds are issued within all constitutional and statutory debt limitations presently applicable to the District," was also reviewed. He went on to describe the security for the bonds, how the bonds are first backed by net revenues after the debt service is paid and then by tax revenues and that typically the net revenue is sufficient to secure the revenue bonds, thus requiring the tax revenues to secure the LTGO's. Mr. Gottlieb then described the sales process.

Ms. Riley explained to the Board that Kaufman Hall's role as the District's financial advisor is to review the structure of the proposed transaction and assist the District on negotiating various fees. She said Kaufman Hall has reviewed the proposal and supports going forward with the transaction as described

MOTION

Following discussion, it was moved and seconded to adopt Resolution 870, Providing for the Issuance and Sale of LTGO Bonds 2008, and Refunding Outstanding Hospital Facilities Revenue Bonds Series 2005A and 2005B. Motion carried.

Resolution No. 871 – Increasing the Valley Dividend

Mr. Bernstein reviewed with the Board the Administrative Adjustment Program for Hospital Bills of District residents (Valley Dividend) which was established in 1988, setting the amount of credit as the total amount of property taxes paid to the District up to a lifetime maximum of \$1,000 per taxpayer. The program was subsequently raised to \$2,000 per taxpayer. In light of the increase in costs associated with certain inpatient procedures, and in recognition of the contribution of taxpayers in the District in providing tax dollars to support hospital services, it is now in the best interests of the District to increase the Valley Dividend amount. Mr. Bernstein added that approximately \$200,000 was credited to about 800 patients during 2007. It was noted that this program which was developed by Administration 20 years ago, has been professionally recognized and is relatively unique to Valley Medical Center.

MOTION

It was therefore moved and seconded to adopt Resolution No. 871, increasing the Valley Dividend to \$3,000. Motion carried.

Medical Affairs

Report from Executive Committee

Mr. Hayes reported that the December 11th meeting of the Medical Executive Committee was devoted to reviewing proposed amendments to the bylaws, Joint Commission survey readiness and updating of the application process for Medical Staff privileges.

Credentials

MOTION

Recommendations dated December 11, 2007, from the Medical Executive Committee outlining appointments, reappointments, extensions of status and changes to staff status, were approved by motion of Board. A copy is attached to and made part of these minutes.

Quality Management Update

Mr. Hayes also reported on the December 12, 2007, meeting of the Quality Improvement Council, which focused on management of information and blood utilization protocols and documentation.

Public Comment

Chris Clifford, Taxpayer, encouraged the Board to record its minutes. He said that this Board is the only public body he is aware of that does not record its minutes. He referenced the minutes of the November 19, 2007 meeting stating they did not reflect a statement made to him by Commissioner Miller. He concluded his remarks by again encouraging the Board to post meeting agendas on the web and record its minutes

Tom Reiter, Chair of the Benson Hill Community Progress Group, referenced the recent annexation of his neighborhood to the City of Renton. He requested the Board's official

stand on universal health care. President Anderson stated that the Board has historically focused on healthcare in our community versus national issues. Mr. Reiter stated that he appreciates the direction of Valley Medical Center and hopes the hospital remains public.

Resolution No. 872 – Recognition of Carole Anderson and Gary Kohlwes for years of excellent service to the District

MOTION

In recognition of Commissioners Carole Anderson and Gary Kohlwes many years of tireless service, commitment and oversight of the District, its Administration, Operations and provision of health care services to the communities the District serves, it was moved seconded and carried to adopt Resolution No. 872.

Consideration of Formalizing Existing Practices: Code of Ethics

Mr. Beal joined the meeting via speaker-phone and reviewed the history and intent of the Board's efforts to formalize a number of existing practices into a Code of Ethics. After clarification of specific provisions, it was moved and seconded to adopt the Code of Ethics as presented, with the Code to be reviewed in six months and annually thereafter. Motion carried. A copy of the Code of Ethics is attached to and made part of these minutes.

Each Commissioner also signed the Code signifying individual acceptance. Signed documents will be filed with the Secretary to the Board.

Recess

President Anderson acknowledged a request for a recess at 4:53 p.m. following which the Board convened in Executive Session for approximately 15 minutes for the purpose of discussing real estate issues, in accordance with RCW 42.30.110 (b) and (c).

Reconvened

The meeting reconvened 5:15 p.m.

Adjournment

There being no further business, motion was made to adjourn this meeting at 5:16 p.m.