

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

Held on May 24, 2010  
Special Meeting

Attendance:

Commissioner G. Sue Bowman, President; Commissioner-at-large  
Commissioner Aaron Heide, M.D., Commissioner-at-large  
Commissioner Anthony R. Hemstad, Commissioner, District No. 3  
Commissioner Donald O. Jacobson, Secretary; Commissioner, District No. 1  
Commissioner Carolyn V. Parnell, Vice-President; Commissioner, District No. 2  
Richard D. Roodman, Administrator/CEO – Superintendent  
Paul S. Hayes, R.N., Executive Vice President  
Kathryn D. Beattie, M.D., Senior Vice President - Chief Medical Officer  
Larry Smith, Senior Vice President – Chief Financial Officer  
Scott Alleman, R.N., Senior Vice President – Patient Care Services  
L. Michael Glenn, Senior Vice-President – Business Development  
Paul Larson, Senior Vice President – Clinic Network  
Amin Hakim, M.D., Vice President/Chief Medical Director – Clinic Network  
Robert L. Thompson, M.D., Vice President – Physician Relations  
David E. Smith – General Counsel  
Kim Blakeley, Public Relations Manager  
Sandra Sward, Assistant to CEO and Board of Commissioners

Those present for a portion or all of the meeting:

John Bonow, PFM Group  
Dennis Box, Editor – *Covington/Maple Valley Reporter*  
Jeannine Grinnell, Vice President – Finance/Treasurer  
Dan Gottlieb, Bond Counsel – Gottlieb Fisher, PLLC  
Peter Hasegawa, SEIU Local 1199  
Jessica Oliver, Maple Valley Resident  
Rand Strobel, Vice President – Information Technology

This special meeting of the Board of Commissioners of Public Hospital District No. 1 of King County was opened by President Bowman at 4:00 p.m. in the Board Room of Valley Medical Center. It was moved and seconded to approve the minutes of May 3, 2010. There were no suggested corrections or additions. Motion was approved with three in favor (Bowman, Jacobson, Parnell), one abstention (Hemstad), and one against (Heide).

Community Affairs Ms. Blakeley reported on various community outreach activities of the Public Relations and Marketing Department as follows:

Recent media coverage included an April 30 article in the *Renton Reporter* regarding the Best of Renton 2010. The survey ranked Valley Medical Center as No. 1 for Best Medical Clinics. Dr. Amit Joshi was ranked No. 2 in the physician category.

Recent seminars included *Common Foot Conditions* on May 12 with Drs. Veith and Novak (over 75 attendees) and *Knee and Hip Replacement* on May 20 with Dr. Barrett (86 attended, 52% of whom were attending a VMC seminar for the first time).

Valley participated in the May 15 *March of Dimes "March for Babies"* and the *Renton Relay for Life* on May 20 and 21.

## Programs

### Taping of Board Meetings

Mr. Roodman provided a summary of the assessment plan that was provided to the Commissioners in response to the motion made at the April 19, 2010, Board meeting. He explained that there were multiple options available and his recommendation on behalf of Administration represents a "gold standard" approach to taping and archiving Commissioner meetings. The proposal included an overview of the necessary equipment purchases, a process for publishing the meetings on Valley's external website and archiving the audio/video data files. Mr. Roodman noted that while his Administrative proposal is to adopt the video/audio recording of Commissioner meetings, he explained the practice is not recommended by many local and national medical legal experts, (e.g. Snoqualmie Hospital was specifically encouraged to not tape their Board meetings). In addition, he noted that taping meetings could adversely impact the level of candor expressed, promote political aggrandizement by visitors, potentially expose the medical center to additional risk and/or liability and impart undue advantage to competitors who gain knowledge of business plans prematurely. Nevertheless, he indicated Administration is recommending an adoption of audio/video recording as presented in order to achieve a "gold standard" level of transparency to the residents of the District.

Rand Strobel provided an explanation of where the cameras would be mounted, indicating the cameras would capture Commissioners at one end of the table and presenters/public comment at the other end of the table. A table microphone would be provided for each person at the table and include a "mute" feature along with clear visibility when microphones are in the "off" or "mute" position. The audio/video data file would be converted without editing and uploaded to Valley's website within three (3) business days following the Board meeting. Commissioner Hemstad indicated he had contacted the Ports of Seattle and Tacoma to understand how they tape their Board meetings. He asked if a live stream could be provided on Valley's website and if the files could be left on the website for an indefinite length of time (as opposed to the recommended six months). Mr. Strobel explained from a technical standpoint, the files could be kept on Valley's website indefinitely. Commissioner Heide asked if cameras could be installed so that everyone seated at the table would be captured. Mr. Strobel said the cameras could be positioned to capture everyone seated but the viewing screens would be doubled, making the images smaller and less distinct. Commissioner Hemstad suggested we review the procedure used by Kent City Council, wherein staff stand at the podium when presenting material, to ensure they are picked up on the camera.

Mr. David Smith provided a summary of the legal requirements involved with maintaining the official transcript of the Commissioner meetings. The meeting minutes are the official record of the Commissioner meetings and would record the following information:

- The date, time and place of the meeting.
- The presiding officer.
- The Commissioners in attendance, together with the names of those making presentations to the Board.
- A summary statement of the topics discussed during the meeting and the results of any voting that may have occurred.
- Action to recess for executive session with a general statement of the purpose and length of such session.
- Time of adjournment.

Discussion followed regarding placement of cameras and whether or not the pilot program should be initiated with cameras capturing everyone at the table, or fixed on the two ends of the table. Mr. Roodman indicated that visual acuity would be lost with cameras picking up everyone seated at the table. Commissioner Hemstad agreed with Mr. Roodman and suggested the Board move forward with the pilot process, positioning the cameras to record the two ends of the table. He further suggested the tapes be available for viewing on Valley's website for a period longer than the suggested six (6) months. Mr. Strobel clarified that July 1 is the anticipated "go live" date for taping Board meetings and that after the six month trial period the Board could re-evaluate how long the tapes would remain available on the website.

MOTION

It was moved and seconded to approve the assessment plan as submitted by Mr. Roodman on behalf of the Administration. The plan includes audio/video taping Board meetings, providing public access on Valley's website, condensing the summarized content of the written record of the meetings, providing a podium for presentations/public comment and a visual light that identifies when time limits for speaking have expired. The motion was approved unanimously.

Medical Affairs

Quality Management Update

Dr. Beattie provided summary information reported at the May 5 Quality Improvement Council meeting. The Puget Sound Blood Bank will be staffing a Blood Product Safety Officer at VMC to facilitate improved efficiency of utilization. Pathology Quality Assurance Correlations were met 97% of the time and Pharmacy Performance Improvement programs were reviewed. A mock Joint Commission survey will be performed May 25-27. Patient care units will not be informed of surveyor schedules for visiting their areas. The window for VMC's actual Joint Commission survey opens late fall of 2010. Valley received the American Stroke Association's *Get With The Guidelines-Stroke* silver performance achievement award. Dr. Beattie provided an overview of the guidelines involved with this award.

Medical Executive Committee

Dr. Beattie reported on the Medical Executive Committee meeting of May 18. A number of specific privileging criteria were reviewed and approved for recommendation to the Board. These recommendations will be presented at the next regularly scheduled Board meeting. Information Technology provided MEC with an instructional presentation involving the automated patient bed control system which allows notification to nurses that an order has been written.

Credentials

MOTION

Recommendations dated May 18, 2010, from the Medical Executive Committee outlining appointments, changes of staff status, change in privileges, and resignations were distributed and individually reviewed by Dr. Beattie. Following discussion, the motion to approve the credentialing and privileging recommendations of MEC was moved and seconded. Motion carried unanimously. Copies are attached to and made a part of these minutes.

## Reports

Reports from AdministrationFinancial Affairs - Bond Resolution

Mr. Larry Smith requested approval of the borrowing resolution that would authorize up to \$100 million in debt. This revenue bond financing transaction has been reviewed and discussed at several recent Board meetings. He thanked the Board for adjusting their meeting schedule to accommodate the completion of the financing plan. The proposed bond financing plan would allow implementation of strategic plans which were approved during the October and November timeframe. The financing plan will allow completion of the last two floors of the Emergency Services Tower, retrofit of the vacated Emergency Department space in the main hospital (providing for ancillary services) and construction of the Free Standing Emergency Department in Covington. Mr. Smith indicated that completion of these projects using the proceeds of the new financial plan will ensure that cash reserves are not depleted, noting the importance of preserving cash while the uncertain economic downturn continues. Mr. Smith thanked Commissioner Hemstad for his earlier suggestion about the possibility of refinancing existing bonds at lower interest rates. Beyond the \$700,000 in savings, the refinancing of 1997/1998 bonds allowed VMC to update its bond terms to address current financing realities. In addition to borrowing for new cash, the resolution authorizes refunding existing 1997/1998 debt. A recap of the Build America Bonds (BABs) was provided, along with preliminary financial ratings received from Standard and Poor's and Fitch earlier this afternoon. Fitch has rated the bonds as A- while Standard and Poor's rated the issue BBB+. These ratings are comparable to similar stand-alone hospitals including Overlake and Virginia Mason.

John Bonow, PFM Group, explained that his firm is an independent financial advisor and has no underwriting relationship to the choice of bond purchase. He explained the economic advantages of underwriting Series 2010 Bond Financing. The economics supporting restructuring of the 1997/1998 bonds were reviewed. Mr. Bonow explained that the BABs allow for repayment from net facility revenues, ensuring that tax dollars are not required in bond repayment. Mr. Bonow explained the financial target of \$100 million will allow flexibility in responding to the financial market, stating that conditions could improve and interest rates could drop further. Best estimates indicate an \$88 million total issue. Commissioner Hemstad requested clarification about excess approved debt levels beyond the \$88 million projection in the event interest rates drop and the bonds are purchased for a reduced amount. Mr. Bonow confirmed unused authorized amounts would expire after one-hundred twenty (120) days.

Credit ratings from Fitch (A-) and Standard and Poor's (BBB+) were explained. Mr. Bonow indicated the rating outlook of "stable" is very important in the current economic climate as it defines the long term financial outlook for investors. The schedule calls for financial document preparation during the week of May 31, followed by an offer of the bonds the week of June 7.

Commissioner Hemstad asked if there were any language or financial terms within Resolution No. 943 that were unusual or atypical for a transaction of this type. Mr. Bonow indicated the financial transaction contained within this resolution a generic transaction and will aid investors who can easily identify with the transaction terms. He said the financial planning accommodates BABs but is also generic to other financial plans.

Mr. Smith introduced Dan Gottlieb, Bond counsel with Gottlieb Fisher. Mr. Gottlieb referred to the presentation he provided to the Commissioners at the May 3 Board meeting and noted the financial document is largely formulaic and does not contain any out of the ordinary language. Mr. Gottlieb noted that the refinancing and defeasance of the

1997/1998 bonds will provide Valley with the opportunity to rebuild a bond funding base that complies with changes that have been developed in the financial market over the last twenty (20) years. Refinancing and defeasing all of the existing bonds will allow Valley to take the basic concepts of the earlier bonds and modernize them, taking advantage of new tax and interest rate incentives. He explained the financial transaction is a delegating resolution and applies to revenue bonds only, not to tax supported long-term governmental obligations. While the structure of the resolution has not changed significantly, Mr. Gottlieb pointed out one change involves the elimination of the requirement that all parity bonds be secured by the same debt service reserve account, creating greater flexibility for the District. Mr. Gottlieb also explained the new 2010 refundable credit fund and informed the Board that interest subsidy to be received from the federal government in respect of the BABs would be dedicated to paying the BABs and not any other bonds of the District. Delegation and authorization for the sale was explained. Mr. Gottlieb noted that changes were also made to the last part of the resolution dealing with the financing plan to reflect that all of the outstanding 1997/1998 revenue bonds are being refunded or defeased. Mr. Gottlieb explained annual financial information is required to be supplied to the financial institutions which will include fiscal performance tests, financial audits, etc. Valley is currently providing this data for all of its outstanding bonds and will need to continue this practice for the new bond purchase.

Recess President Bowman called for a recess at 5:15 p.m. to provide an opportunity to review the entire financial plan document, contained in Resolution No. 943.

Reconvene Meeting reconvened at 5:30 p.m.

Mr. Smith addressed perspectives related to the need for VMC to fund facility development to prepare for healthcare reform and projected demands on healthcare facilities following healthcare reform initiatives. It is projected that 75% of individuals who currently do not have healthcare coverage will be provided with some type of funded assistance to medical services under the new healthcare reform.

Commissioner Hemstad indicated he received clarification during the break that the clauses contained within the financial transaction document were standard and that Valley would receive the best interest rates in the event rates drop further. Commissioner Hemstad then asked if the additional \$11.2M would be extinguished if it is not used in the bond sales. Mr. Gottlieb clarified that the delegation of authority to sell bonds expires after 120 days, and any bonds not sold during that period will no longer be available to be issued or sold.

Commissioner Jacobson asked Mr. Larry Smith if he thought the medical center could meet the financial obligations outlined in the financial transaction. Mr. Smith affirmed that the medical center should be able to meet the obligations. Commissioner Jacobson asked Mr. David Smith if this was a legal transaction and Mr. David Smith affirmed it was.

Resolution No. 943 Hospital Facilities Revenue Bonds Series 2010

MOTION It was moved and seconded to approve Resolution No. 943 calling for the cash defeasance of the refundable noncallable portion of outstanding facilities revenue and refunding bonds, Series 1998; the issuance and sale of revenue bonds, Series 2010; refund and defease outstanding hospital facilities bonds Series 1997 and 1998; acquire, construct, remodel, renovate and equip hospital facilities, to fund a deposit into the reserve account, and to pay the incidental costs and costs related to the sale and issuance of such Series 2010 bonds. The motion passed unanimously.

Bills/Vouchers

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

Lydig Construction Incorporated  
 VMC Emergency Tower – App. No. 29 \$ 318,144.58

	WARRANT NUMBERS			
	FROM	TO	DATED	AMOUNT
ACCOUNTS PAYABLE	39088	39207	5/4/2010	108,366.39
ACCOUNTS PAYABLE	39208	39273	5/11/2010	17,374.63
ACCOUNTS PAYABLE	826876	826900	5/4/2010	2,441.34
ACCOUNTS PAYABLE	2142265	2142479	4/29/2010	1,686,467.06
ACCOUNTS PAYABLE	2142480	2142690	5/4/2010	1,110,637.02
ACCOUNTS PAYABLE	2142691	2142699	5/4/2010	475.50
ACCOUNTS PAYABLE	2142700	2142700	5/5/2010	365.84
ACCOUNTS PAYABLE	2142701	2142701	5/5/2010	365.00
ACCOUNTS PAYABLE	2142702	2142961	5/6/2010	1,127,384.77
	2142962	2143105	5/11/2010	1,115,898.44
 TOTAL AP				 5,169,775.99
 EFT	5000615	5000652	5/11/2010	 848,640.24
WIRES				<u>1,522,943.77</u>
 GRAND TOTAL AP and EFT/Wires				 \$7,859,504.58

Resolution No. 944 – Surplus Property

MOTION It was moved and seconded to approve Resolution No. 944 declaring certain equipment in the District's hospital as surplus to the needs of the District and direct the Superintendent of the District's hospital or his designee to effect proper disposal of such surplus property, as provided by the statute. The motion was approved unanimously.

Operations Update

Mr. Hayes provided an update on a report provided at the May 3 Commissioner meeting regarding decreased volumes experienced January through April of this year and the resultant action being taken to prepare for the upcoming (traditionally slower) months ahead. The budget has been restated, spending has been reduced by 10% across all departments, television advertising has been suspended and temporary staffing has been eliminated where appropriate. Similar to other healthcare organizations across the region, Valley has implemented a reduction in force, and a realignment effort is underway with our core staffing to meet newly defined lower patient volumes. The majority of the staffing realignment is complete and reduces the employee count by approximately 2% (or 44 employees). Patient care services are being evaluated for core staffing requirements. Mr. Hayes indicated staffing realignment is scheduled for completion within the next two (2) weeks.

Mr. Roodman noted that the adjustment to core staffing is different than making adjustments to nurse-patient ratios. Adjusting core staffing deals with managing position

control related to volumes and other operational needs. Valley is fortunate to have a high nurse to patient ratio when compared to the nearest competition, Auburn Regional Medical Center.

Patient Care Services

Mr. Alleman provided an informational update on recent changes to the Infusion Unit. The Infusion Unit recently relocated to the vacated space previously occupied by Intensive Care. The relocation afforded an expanded area for patient care, brighter lighting and more pleasant surroundings that greatly enhance the often long procedures involved with treatment.

Clinic Network

Mr. Larson provided information on the SCORE correction facility project which has been adopted by the cities of Auburn, Burien, Des Moines, Federal Way, Renton, SeaTac and Tukwila. The jail will be located on a 14-acre site in Des Moines and plans include a 668-bed single story building that houses individuals charged with misdemeanor crimes. Mr. Larson noted the potential business opportunity includes approximately 150 employees that will require annual physicals, in addition to the 29-bed inpatient 24/7 care facility within the jail. Both Mr. Larson and Mr. Glenn have met with the program administrator to discuss preliminary information. Completion date for the facility is anticipated to be late 2011. Commissioner Hemstad asked if Valley has approached King County jails regarding this same type of arrangement. Mr. Larson indicated they have been contacted in the past.

Business Development

Mr. Glenn indicated that President Bowman, Mr. Roodman and he will be attending the Covington City Council meeting this week to present Valley's vision for the Free Standing Emergency Department (FSED) in Covington Town Center. Additionally, Mr. Glenn advised that several other healthcare organizations have initiated discussions with Valley in recent weeks regarding possible affiliation opportunities related to providing healthcare in the Covington area. Mr. Glenn said these conversations will be pursued only as they relate to the constructive and overall strengthening of Valley's mission within the District.

Public Comment

Public Comment

At 6:00 p.m. President Bowman called for public comment. There was none.

Commissioner  
Comment

Commissioner Hemstad asked that any materials handed out at Commissioner meetings be separately mailed to any Commissioners who have missed the Board meetings.

Superintendent  
Comments

Mr. Roodman commented on the unique role Valley plays in the community with Valley's Occupational Health Services clinic. In the long term, this opportunity will grow and recover as the economy rebounds.

Mr. Roodman provided additional information regarding current reduction in force that adjusts operations to meet decreased volumes. With 2,800 employees, the 2% reduction affects twenty-two (22) individuals who have been laid off and twenty-two (22) positions that have not been filled based on attrition activity. Fortunately, Valley's reduction is significantly less than other area hospitals.

05/24/10(8)

Mr. Roodman further commented on two (2) significant and noteworthy topics that were approved at tonight's Commissioner meeting. The motion to approve Administration's proposal to audio/video tape Commissioner meetings comes after much scrutiny (and press) regarding the subject of transparency; but with no citations or adverse findings identified by the State Auditor's Office in terms of practice at Valley. Secondly, the BAB financial plan and current interest rates will provide a tremendous opportunity that will enhance operations and optimize revenue in the months and years ahead. The Covington FSED is the anchor to the financing and the decision to expand operations in Covington has been affirmed by several tertiary medical centers who have shown interest in joining us.

Adjournment

There being no further business, motion was made to adjourn this meeting at 6:05 p.m.