

**Tulare Local Healthcare District
Board of Directors Meeting SPECIAL BOARD MEETING
Minutes July 17, 2018 Tuesday 6:00 P.M.
TRMC Administrative Offices (Annex Lab Building, 2nd Floor)**

869 North Cherry Street, Tulare. CA (Enter parking lot from Merritt Avenue)

AGENDA

In attendance:

| | | | |
|-------------------|---------------------|-----------------|---------------|
| Kevin Northcraft | President | Larry Blitz | Interim CEO |
| Mike Jamaica | Vice President | Dan Heckathorne | Interim CFO |
| Senovia Gutierrez | Secretary/Treasurer | Rich Giordano | Wipfli |
| Xavier J. Avila | Director | Todd Wynkoop | Legal Counsel |
| Stephen Harrell | Director | Ben Nicholson | Legal Counsel |

1. Call to order

Meeting called to order at 6:03 p.m.

2. Public Comment:

Barry Caplan

3. Consideration of and action on Resolution calling for consolidation with Tulare County for the regular election of Board of Directors for Districts 1, 3, and 5, and addition of ballot measure to approve lease with Adventist Health

Xavier Avila moved to approve, Senovia Gutierrez seconded. Approved 5-0

4. Report on the terms of settlement of litigation in the matter of *TRMC Medical Staff v. Tulare Local Healthcare District, HCCA et al*; Tulare Case No. 264227

Item deferred

5. Consideration of and action on Resolution authorizing staff to secure interim borrowing of up to one million dollars (\$1,000,000) on terms set forth in the proposed promissory note

Withdrawn by legal counsel

6. Discussion of negotiations related to Letter of Intent between Adventist Health and Tulare Local Healthcare District and timetable for proposed deal between Adventist Health and Tulare Local Healthcare District related to the lease of Tulare Regional Medical Center and the purchase of associated assets.

No action taken

7. Discussion of proposed definitive agreements between Adventist Health System West and Tulare Local Healthcare District related to the lease of Tulare Regional Medical Center and affiliated real properties and the purchase/sale of specified assets to include the following documents:

- a. Lease between Tulare Local Healthcare District and Adventist Health System West affiliate whereby the affiliate would lease the real property commonly known as the Tulare Regional Medical Center and other properties operated under the license associated with that hospital and operate the hospital as a general acute care hospital for a period of five years;
- b. Agreement for Purchase and Sale of Assets by and Among Tulare Local Healthcare District and Adventist Health System West affiliate whereby Tulare Local Healthcare District would sell and Adventist Health System/West would purchase assets associated with and affixed to the Tulare Regional Medical Center and other properties operated under the hospital license.
- c. Debtor-in-Possession Credit Agreement by and between Tulare Local Healthcare District and Adventist Health System West affiliate whereby Tulare Local Healthcare District would borrow and Adventist Health System/West would lend up to \$10,000,000 for Tulare Local Healthcare District to use to open the Tulare Regional Medical Center by October 28, 2018;
- d. Security Agreement and Chattel Mortgage by and between Tulare Local Healthcare District and Adventist Health System West affiliate whereby Tulare Local Healthcare District would pledge collateral in the form of title to the assets which are the subject of the Agreement for the Purchase and Sale of Assets between the parties and books and records of the Tulare Local Healthcare District;
- e. Short Form Deed of Trust and Assignment of Rents by and between Tulare Local Healthcare District and Adventist Health System West affiliate whereby Tulare Local Healthcare District would provide Adventist Health System/West a secured interest in the specified real property and assign the rents of such property to Adventist Health System/West;
- f. Interim Management Services Agreement by and between Tulare Local Healthcare District and Adventist Health System West affiliate whereby Adventist Health System/West would provide Tulare Local Healthcare District management services related to the Tulare Regional Medical Center from the date that the Tulare Local Healthcare District reinstates the Tulare Regional Medical Center license to operate through the closing of the lease and related transactions.

No action taken

Public comment made by: Alex Gutierrez
 Marmie Fidler
 David Higdon
 Jennifer Burcham

8. Consideration of and action on proposals to perform a market valuation of the hospital and associated furniture, fixtures, and equipment in order to determine fair market value of lease and purchase provisions, towards reopening of the hospital.(Power Point presented at the Board Meeting).
 Xavier made a motion to retain DeLoitte to perform a market valuation of the hospital and fixtures. Senovia Gutierrez seconded. Approved 5-0

9. Consideration of and action on bids for construction improvements for the hospital facility in preparation for its reopening

Larry Blitz said the list of projects will be completed before CDPH does their survey

Lionel Machado reported the list of repairs needed dates back to 2017 and was presented to the past administration. Adventist Health is aware of the items on the list:

Chillers - The hospital has 2 old chillers. They have one temporary in place. 1 is functional and 1 needs to be replaced as well as water pumps, compressor, and vacuum pumps. Procurement of the chiller takes 3 months. A temporary is in place.

Elevator repairs include seismic switchbox

Nurse call system upgrades

Fire doors

IT server room needs life safety system

Floors – carpet is an infection control issue. Tile glue contains asbestos and will require abatement and new flooring. ER flooring needs to be redone. ER registration needs carpeting removed.

Generator needs a load test and maintenance agreement

Line isolation in the OR – safety mechanism need upgrade

Total is \$300,000 which needs to be approved to avoid delay in opening

Stephen Harrell moved to approve all items. Mike Jamaica seconded the motion.

Kevin Northcraft asked if competitive bids were obtained and was told yes.

Jennifer Burcham and Barry Caplan offered public comment

Motion approved 5-0

10. Discussion of lease ballot measure for voter approval of Adventist Health lease of real property and sale of assets of Tulare Local Healthcare District.

Ballot measure regarding lease must be a 75 word draft. The County will offer impartial analysis. The District will provide an argument in favor. Due by 8/10. Xavier Avila hoped the ballot measure and argument will put an emphasis on how vital the lease is.

Jennifer Burcham offered public comment

11. Approval of financing of leased equipment previously approved for the upgrade of Evolutions Fitness facility

Joseph Soares, legal counsel for EVO management said the agreement will need to be amended for upgraded equipment. Riley Walter said it is an unsecured obligation that doesn't need court approval. An event will be held when the equipment is installed.

Stephen Harrell moved to approve and Senovia Gutierrez seconded. Approved 5-0

12. Consideration of and action on moving and/or adding board meetings as needed in July and August 2018

The regular Board meeting to be held 7/25/18 will be held for public input on the Adventist Health lease agreement. The item will be carried over to an 8/1/18 special meeting for approval. Agreed by consensus of the Board. Todd Wynkoop said a version of the documents will be posted to the hospital website this weekend, including red-line copies. The 8/1/18 meeting will be held at the Tulare City Council Chambers, if available.

13. Consideration of an ad hoc committee to review and comment to the board on the terms of the lease being proposed with Adventist Health

Kevin Northcraft appointed an ad hoc committee to review the proposed lease with Adventist Health. The proposed members of the committee are: Phil Smith, Dennis Mederos, Darlene Thompson, Leroy Trippel, and Lionel Pires. Todd Wynkoop will send the ad hoc committee the documents.

Xavier Avila moved to approve the committee, Senovia Gutierrez seconded the motion. Approved 5-0

14. Update on new lease and lease renewal discussions regarding District owned facilities now leased or proposed to be leased in the future

Stephen Harrell reported a lease is being discussed with the Veteran's Administration to operate a clinic in hospital adjacent property that could bring in \$225,000 per year. They have toured the cottages and expressed interest in 2-3 of the cottages. It needs to go to the General Services Administration for appraisal. Facilities people for the VA are coming done next week. One of the cottages is on Cherry and one is on Gem Street. It will not be a substantial investment to rehab the cottages.

Jennifer Burcham offered public comment.

Stephen Harrell said a lease has been completed with Pro PT and they have leased the former POSH location to Starting Line Up Barbershop. They need to negotiate the leases with Revive, Fugazzi's and Top O the Morn.

15. Discussion of options with the gift shop previously located in the hospital's first floor

No action taken

16. Suspend open session – recess to closed session

17. Closed Session

a. Conference with Interim Legal Counsel – Existing litigation (Government Code 54956.9)

- i. *In re Tulare Local Healthcare District dba Tulare Regional Medical Center -- United States Bankruptcy Court Eastern District of California Case No. 17-13797*
- ii. *HCCA v. Tulare Local Healthcare District, and Counterclaim, U.S. Bankruptcy Court Eastern District of California Adv. Proc. No. 17-01095 – B*
- iii. *TRMC v. Celtic Leasing Corp, U.S. Bankruptcy Court Eastern District of California Adv. Proc. No. 18-01008*
- iv. *First Source Solutions USA LLC v. TRMC et. al, United States District Court, Eastern District of California Case No. 1:15 –cv-01136*
- v. *Specialty Laboratories, Inc. v. TRMC et al, U.S. Bankruptcy Court Eastern District of California Adv. Proc. No. 18-01014*
- vi. *In re TLHD, Maxim Healthcare Services, Inc. v. HCCA, United States Bankruptcy Court Eastern District of California Case No. 17-13797*
- vii. *Zulim v. TRMC et al., Tulare Case No. 274358*

b. Real property negotiations

18. Reconvene Open Session -- Public report of action taken in closed session (if necessary) pursuant to Government Code 54957.1

19. Adjournment *Next regular meeting scheduled for 6:30 PM on Wednesday, July 25, 2018 at the Tulare City Council Chambers*