

**Tulare Local Health Care District
Board of Directors Meeting Minutes
Wednesday, August 28, 2019 6:30 PM
869 North Cherry Street, Tulare, CA 93274**

In attendance

Kevin Northcraft - President, District 4
Mike Jamaica - Vice President, District 2
Senovia Gutierrez - Secretary, District 3
Xavier Avila - Director, District 5
Stephen Harrell - Treasurer, District 1
Derek Jackson – EVO Oversight Chair
Paul Atlas – EVO Management

Sandra Ormonde - CEO, TLHCD
Jason Howard - Legal Counsel
Riley Walter - Legal Counsel
Dan Heckathorne - Interim CFO (Remotely)
Ken Nunes – EVO Accountant
Jayne Presnell – Evolutions Manager

1. Call to Order

Kevin called the meeting to order at 6:35 pm.

2. Public Comment

John Roberts with Three Rivers shared his thoughts on the 4 acre property they are purchasing and developing. He feels like it's a good deal for all parties involved including the City, the District, the tenant, and hopefully them as well. It is a complicated deal that's been in the works for over a year. Everyone is now aligned. All permits are being processed. The price they agreed to pay is 2x the appraised value. The only way to make it work is if the deal goes as they have proposed. Their good faith is demonstrated by the work that's being completed and the money being spent. When it's complete it will yield a big benefit to the District and hopefully to all parties involved. Approximately another million dollars of risk money will be involved in doing the remaining onsite and offsite improvements including curbs, gutters, grading, turn pockets, etc. It would be very difficult for this project to reset and start over. Another complication is the Tulare Irrigation District easement that's runs along the front of the property. Engineering work and additional costs are involved with that. Time is of the essence. They need the requested changes to be approved. If this deal falls apart there isn't an alternative path to another deal with the same price or timeline. September 1st is their drop date on the contract that's currently in place. He's asking the Board to discuss and decide tonight during closed session because they only have a couple of days to make some important decisions.

Paul Atlas mentioned the previous discussion regarding the city putting no parking signs up on the 4 acres. Trucks are still pulling in and parking in that area. Kevin said the city engineer said he would have the sign up within 3 weeks, but that was 3 months ago.

3. Announcements - Board

a. Bankruptcy Plan Confirmation

Kevin - News releases about 8 days apart. It's very good news for the District and it's a good sign for the future. Lots of people to thank including the management team, the original people involved, and the bankruptcy attorney. The judge said some fantastic things about our District and our representation.

Riley - No one person did this, it took the whole community. We're still standing with everything that's happened since September 29, 2017.

Xavier - Looking back at all of the roles they've played and ups and downs that they've experienced along the way he'd still volunteer. The city loan made a big impact with our plan. Valley Voice wrote an article that said this ends a long, questionable period and that the District will stay intact. The first baby being born was an emotional event. Next commitment is finishing the Tower.

Riley - The plan had over 98% approval rate from the creditors. This is the first time a hospital has gone through a bankruptcy and reopened its doors.

Kevin - We have so many people to thank including the city, the county, the creditors, the citizens, and the hospital employees.

Xavier - One visit to the ER will show you why it's all been worth it. Proposal for the future that somehow our District can see about getting more people interested in healthcare careers.

- b. Birth Center Opening & Operation - First birth was on August 19th. 5 babies have been born to date, 3 girls and 2 boys.

Other Announcements - Sandra would like to recognize the Wipfli team that has led us through the process. When Rich Gianello retired, he requested donations be made to the District in lieu of gifts. He also matched all the donations.

Riley - Wipfli took some incredible risks. Would like to thank Teresa, Sandy, and Dan as well.

4. Consent Agenda/Approval of Minutes/2019 Regular Meeting Schedule

- a. 7/24/19 Meeting Minutes
- b. November 20, 2019 Regular Board Meeting, one week earlier than currently scheduled.
- c. December 18, 2019 Regular Board Meeting, one week earlier than currently scheduled.

Steve made a motion to approve the Minutes of 7/24/2019 and the schedule for November and December 2019. Mike seconded the motion. Approved 5-0.

5. Tulare Hospital Foundation Update - Jan Smith

- a. Jan - Follow up to what Xavier said, it has taken an army to get us back. It's wonderful to hear the District's bankruptcy plan has been approved. There are still some community members who are confused as to the roles of the Foundation, Adventist Health, and the District. We are three different agencies, but we are all in this together. It's about the hospital and the care we give to the community. The Foundation trustees are proposing after the first of the year we do an open community forum of sort by invitation. We take our top donors and invite them to the golf course. We would each give a presentation of what our roles are. We then ask for feedback. Do they have any questions for us? Asking them to help us to inform the community. When working towards the tower we want to make sure we're all on the same page. We are one big team. We all want what's best for the hospital. We've served 21k in ED, over 350 elective surgeries, 5 babies have been born, and Family Health Care Network is sending their patients to us now. The Foundation and Adventist helped the Life Hope Centers in Visalia to see 185 patients. It was an opportunity to let them know we're open and ready. We have over 500 physicians in the network. The mobile unit is in the works. The Foundation has pledged \$10,000 to get it ready. Central Valley Health Foundation has pledged another \$10,000. The Foundation is building the trustees. They would like to reach the 21 trustee limit. Kevin Mooney has been meeting with key individuals from the community to help us. Adventist Health has a physician

network available to us here in Tulare. These are physicians of all specialties. We will have satellite offices available so they can come once or twice a week to meet with certain patients and if the patients need surgery it would be done in Hanford. We have a contract with Valley Children's. If a child is brought to the Emergency Room with something more serious we could transfer them.

6. Evolutions Wellness Center Update - Evolutions Oversight Committee and EVO Management Company

Derek - There was not a meeting in June, but \$17,278.70 was paid to the Board for rent. In July they paid \$8,954.08 for rent. The 6 month average building costs are \$1,090. July was up to \$9,074. Jayne told us that included expense for the fire alarm system repairs. Utility spike is due to the hot weather. Electricity bill will be going up in August, September, and October. August is a 3 payroll period so the rent paid will reflect that. Upcoming projects include tree trimming and finding an internet system provider. One thing that was brought up at the last meeting was a proposal to cut back the time spent as a committee. Possibly going to a quarterly system. The conversation will be continued at next month's meeting.

Kevin - There is a 2 year commitment to bring Evolutions back up and we are only about a year through it.

Derek - Transparency between the Board and EVO Management has been consistent.

Xavier - Asked about membership numbers. Jayne responded that they are climbing and are at about 6,800. Numbers are swayed because of the Silver Sneakers program. There is no reimbursement unless they show up. It doesn't cost anything if they are a Silver Sneakers member, but they are less likely to come if it doesn't cost anything. They tried to call people with incentives to show up, but ended up having less members show up the months they called.

Steve - Asked about fire alarm system. Today it was tested and only one person asked if they should leave the building.

Kevin - Thanked EVO for all their help.

Ken Nunes - Staff is doing a great job. Passion is doing a great job. If memory serves correctly, since EVO reopened their doors there has been a total of \$350k worth of payments. Thanked the 3 entities who put up money to get it all started.

Sandra - Trying to get IT service. EVO has been able to help us by getting quotes.

7. Adventist Health and Staff Updates - Randy Dodd, President

Randy not present.

Sandra - Birthing Center is open. Mammography is in the works. Compressor went out on one of the chillers for labor and delivery. Our IOR and Adventist Project Manager got on it right away and we now have a temporary chiller in place. The 3 Chiller project that was earlier approved is now being worked on. NPC-2 is in progress. The second alternate method of compliance was approved. Kristen from HOWE is working on the proposal. It will tie in to the life safety panels with no battery backup. The lights have been ordered with no tariffs.

8. Adventist Health Tulare - Capital Improvements

- a. Parking Lot Improvements - Central Valley Asphalt. Phase 1: Pave parking lot and drive path located south of the Allied Building in the amount of \$83,339. Phase 2: Seal remainder of parking lots located throughout the campus in the amount of \$29,166.

- i. Discussion and Actions to Approve Projects

Mike made a motion to approve both phases of the project. Kevin seconded the motion. Approved 3-2 (Xavier, Senovia dissenting).

ii. Discussion and Actions Determining Financial Responsibility

Xavier made a motion to approve the financial responsibility as TLHCD. Steve seconded the motion. Approved 5-0.

iii. Discussion and Actions to Approve Adventist Health Payment of Project Expenses as Offset Against Rent Pursuant to the Lease

Xavier made a motion to approve the project expense to be offset against rent pursuant to the Lease. Steve seconded the motion. Approved 4-1 (Senovia dissenting).

b. Other Projects

None

9. Discussion and Action on Medical Executive Committee recommendation to grant hospital privilege for physicians in accordance with the list of physicians provided – Abraham Betre, D.O.

Xavier made a motion to approve the list of doctors recommended by the MEC. Senovia seconded the motion. Approved 5-0.

10. Discussion and Action to Approve Second Amendment to Agreement for Purchase and Sale of Assets (APA) related to final list of assumed contracts under the terms of the APA and as approved by the Bankruptcy Court.

Steve made a motion to approve the Second Amendment to Agreement for Purchase and Sale of Assets. Mike seconded the motion. Approved 5-0.

11. Discussion and Actions to Approve in Principle Right of First Refusal Agreement with Adventist Health relating to Real Property Owned by District, and to Assign Negotiating Authority to District CEO and Interim Legal Counsel.

Approving the principle of the agreement subject to conditions.

Xavier made a motion to approve the Right of First Refusal with the following conditions: Carving out Kings View property which includes 793, 795, and 799 North Cherry Street, allowing them 10 days to respond, and making it our decision to use the line of credit or not. Steve seconded the motion. Approved 4-1, Senovia dissenting.

12. Discussion and Action on Resolution 872 Declaring Surplus Property related to Mineral King Toxicology Lab, 880 East Merritt Avenue, Tulare, California.

Xavier made a motion to approve Resolution 872 declaring surplus property related to MKL, 880 East Merritt Ave, Tulare. Steve seconded the motion. Approved 5-0.

13. Discussion and Action on Resolution 873 Declaring Surplus Property related to 793, 795 and 799 North Cherry Street, Tulare, California.

Steve made a motion to approve Resolution 873 declaring surplus property related to 793, 795, and 799 North Cherry Street, Tulare. Xavier seconded the motion. Approved 5-0.

14. Discussion and Action on Resolution 874 Declaring Surplus Property related to Earlimart Clinic Building, 398 South Street, Earlimart, California.

Steve made a motion to approve Resolution 874 declaring surplus property related to Earlimart Clinic, 398 South Street, Earlimart. Xavier seconded the motion. Approved 4-0 with Senovia recusing herself.

15. Chief Executive Officer Report 1:29

- a. Property Management Updates
 - Bid has been received for repairs on Microcorre, but no official start date.
 - Stephanie has been working on the lease updates. She's contacted all of the tenants and are working with them to get caught up on past due rent and utilities.
 - Waiting on another bid for the VA repair. Had to repair the AC on the IOR office at 799 North Cherry. 795 North Cherry, where our security team sits, does not have AC, but we will not be repairing that unit.
- b. Evolutions
 - Received three bids for AC repair. Two companies said we need to replace the whole unit costing about \$26 - \$30K. Morris Levin will be able to repair the unit for \$7,500. We are buying about \$1,200 worth of equipment for Gi to allow him to do maintenance at Evolutions. George Canto has confirmed that Gi is completely trained and certified. We got a notice from the City to trim the trees so Evolutions will be taking care of that.
 - We need to remember that Evolutions has 3 pay periods in the month of August plus the added expense of the tree trimming will throw them into the negative. The following month that makes up for the negative month may be close to zero as well.
- c. Insurance Coverage

Email from Jim showing a savings of about \$6,000. There is about a \$220 difference whether or not we use market value. We can move the fence back. The fence denotes where it is a construction site. We would be downsizing the construction area which falls under our coverage and the open area will now be up to Adventist to insure. Steve said we could get someone with a forklift to move all the metal. He said about 95% of that is the helipad. Need to talk to Adventist about their thoughts on the helipad. We need to make the entrance more visible and appear more open with landscaping, signage, and lighting.
- d. Audit Presentation November Regular Board Meeting

Planned for the November Regular Board Meeting.
- e. Other Items

Staffing - We've lost a couple of our temporary hires, which in turn has left us shorthanded in trying to get the audit done. We are working with Robert Half to find coverage. Two of our top

candidates fell through. We need someone we won't have to train, that's willing to work for a short time. We're looking for someone with enough accounting experience to understand the tasks at hand and comfortable enough to learn a new system. The job title is Staff Accountant with experience in reconciliation & journal entries. Kevin said to reach out to Darlene Thompson for a referral of someone she knows who fits the qualifications.

16. Chief Financial Officer Report

a. FYE 2020 Budget

i. TLHCD FYE 06/30/2020 Narrative (PowerPoint)

See attached.

ii. TLHCD FYE 2020 Operating & Cash Flow Budgets

See attached.

Senovia made a motion to approve the FYE 2020 budget as presented. Xavier seconded the motion. Approved 5-0.

b. TLHCD Internal Financial Statements - July 2019

Dan presented the Balance Sheet and the Statement of Revenue and Expenditures. See attached.

c. Cash Report Update - August 23, 2019

Dan presented the Cash Receipts and Disbursements. See attached.

d. FYE 2019 Financial Audit - Update (Verbal)

Clean up and true up of the books before the audit. Agree to provide trail balance to auditor by 9/6/19. Team to continue making journal entries. Scheduled to meet in early October. Audit is complex.

e. Medicare Bad Debts Recovery - Update (Verbal)

Still waiting on information from IT so the company can perform the data analysis.

17. Update on Rental and Status of District Real Properties - Steve Harrell

a. Nothing to report.

18. Suspend Open Session - Recess to closed session

Recess to closed session at 8:50pm.

19. Closed Session

a. Conference with Interim Legal Counsel - Existing litigation (*pursuant to Ca. Govt. Code § 54956.9*):

i. *Tulare Local Healthcare District dba Tulare Regional Medical Center v. Bruce R. Greene; Baker Hostetler, LLP, Parmod Kumar, M.D.; Linda Wilbourn; Richard Torrez, United States Bankruptcy Court Eastern District of California Case No. 17-13797*

ii. *In re Tulare Local Healthcare District dba Tulare Regional Medical Center -- United States Bankruptcy Court Eastern District of California Case No. 17-13797*

1) Post confirmation actions

2) Financing

- iii. *Tulare Local Health Care District v. Bruce R. Greene, et al.*, Superior Court for the State of California for Tulare County Case No. 278333
 - iv. *Cabrera v. Tulare Regional Medical Center, et al.*, Superior Court for the State of California for Tulare County Case No. 268396
 - v. Process for resolution of preference adversary proceedings
- b. Instructions to designated representative, Kevin Northcraft, related to real property at 1425 E. Prosperity Avenue commonly known as Evolutions (*pursuant to Ca. Govt. Code § 54956.8*).
 - c. Instructions to designated representative, Kevin Northcraft, related to 4 acres real property contiguous to, but not a part of the real property at 1425 E. Prosperity Avenue commonly known as Evolutions (*pursuant to Ca. Govt. Code § 54956.8*).
 - d. Update and recommendation related to real property at 398 South Street, Earlimart, CA 93218, commonly known as Earlimart Clinic Building and Earlimart property (ground) Lease (*pursuant to Ca. Govt. Code § 54956.8*).
 - e. Update and recommendation related to assets at 880 E. Merritt Street, Tulare CA 93274, commonly known as Mineral King Laboratory (*pursuant to Ca. Govt. Code § 54956.8*).
 - f. Update and recommendation related to real property at 793, 795 and 799 N. Cherry Street, Tulare CA (*pursuant to Ca. Govt. Code § 54956.8*).
 - g. Update and recommendations related to negotiation of real property lease for 935 and 937 Gem Street and 906 North Cherry Street, Tulare, Ca (*pursuant to Ca. Govt. Code § 54956.8*).

20. Suspend Closed Session - Reconvene Open Session - Public Report of Action Taken in Closed Session (If necessary) Pursuant to Government Code 54957.1

Nothing to report.

21. Adjournment - Next regular meeting scheduled for 6:30 PM on Wednesday, September 25, 2019 at the TLHCD Administrative Offices located in the Annex Lab Building, 2nd Floor - Conference Room 2.