



**SPECIAL BOARD OF TRUSTEE MEETING
TUESDAY, June 18, 2013**

**Central Administration Offices Located at Highland Hospital
1411 East 31st Street Oakland, CA 94602
Marla D. Cox, Clerk of the Board
(510) 437-8468**

MINUTES

THE MEETING WAS CALLED TO ORDER AT 4:30 PM.

ROLL CALL WAS TAKEN AND THE FOLLOWING TRUSTEES WERE PRESENT:

Daniel Boggan, Michele Lawrence, Valerie D. Lewis, Esq., Kirk E. Miller, Stanley M. Schiffman, Anthony Slimick, , J. Bennett Tate, Anthony B. Varni and Barry Zorthian, MD.

Ronald D. Nelson excused.

NON-VOTING MEMBER PRESENT:

Taft Bhuket, MD excused.

TAB #3 REPORT: Legal Counsel's Report on Action Taken in Closed Session

Douglas B. Habig, General Counsel, reported that the Board conferred with counsel on matters related to substantial litigation. No action was taken.

TAB #1 ACTION: Alameda Hospital Board Action LOI/Resolution

Wright Lassiter, III, Chief Executive Officer, presented details regarding the Alameda Hospital Board Letter of Intent and Resolution. Mr. Lassiter introduced Alameda Hospital CEO, Deborah E. Stebbins and key team members attending in support of the discussion. This discussion highlights #5 on our strategic priority list, development of a network, engaging community and external partnerships that align our resources necessary for a sustainable clinically integrated network of care.

The board was reminded that we looked at financial, operational, organization, clinical, market presence drivers. We have identified both benefits and risk to a potential

partnership; major benefits in expansion capabilities with surgery and clinical programs.

We presume that we will move from a letter of intent stage to a definitive stage. When we return to you with the definitive agreement we will show you more modeling around the best, worse, middle case scenarios, the bottom line is we think there is a positive improvement of over five million dollars in additional net income in the first full year with the set of volume we see shifting from waiting to get into our system to their system.

This is not a real estate transaction, this is an affiliation agreement between two parties, we are not transferring assets. We would want an existing board member to service on the AHS Board of Trustees and have directors serve on our committees. AHS Board of Trustees would assume governance responsibility of their organization.

We expect their employees to remain under the district until legislation issues can be worked out. Medical staff is being kept separate.

Trustee Lewis asked if any board members had any questions regarding the broad terms or underlying assumptions.

Trustee Schiffman, I have supported this concept for a long time, there is no question I believe in it. I believe it's the only direction for both Alameda Health System and as parcel tax payer in the City of Alameda, I also believe it's the right move for the City of Alameda. But an overriding concern I've had, for a bit of time, is the financial viability and health of AHS. I'm going to note something I did note prior to session, that we not get carried away without knowing what the real capital structural needs are. I'm not questioning the numbers I've heard recently, I just want to caution that we do have to have our own structural analysis of the terms of the earthquake proofing which is a licensure issue, as well as any modifications that we made need to make if we decide to use 2025 as rehab, do we use them just the way they are or do we have other things we have to do.

Doug Habig, General Counsel, commented that we will be conducting extensive due diligence including a hard look at the capital needs of the organization.

Trustee Lewis, Vice President, asked for clarification on the assumptions for increases, for example from 2,000 to 3,500 new surgeries. Is that 1,500 net new surgeries or is that a combined figure between Alameda Hospital and AHS, and what would the delta look like?

Trustee Lawrence, the status quo net income. I didn't understand the line that jumped from 2017 to the 2 million to 211 million, page 27 the Kaufman plan.

Wright Lassiter III, CEO, explained that this is what would happen if the assumptions are modified. Keep this question in mind, we are continuing to do the analysis around the financials and will come back in our finance committee and full board meeting.

Wright Lassiter III, CEO, what we have indicated in the letter of intent is if that district board is delegating to this organization the operation management of that hospital then it would be our responsibility to support the capital needs to run the organization such as electronic health records. In reference to the 2020 seismic standards Alameda Hospital leadership team and board have already captured an assessment of those standards and have estimated that at around 15 million. We have indicated that the 2030 standards change, raising the bar. We have made a prospective commitment that we will support the seismic standard requirements for 2020, we have not made a commitment that we would prospectively support the 2030 as there has been no planning and we understand the liability. The parties must come back together

Trustee Miller, Chair, I received questions regarding 2020 seismic standards, it is my assumption that we will be working to meet the 2020 standards between now and then, it's something you do in 2020, is that correct, so that a portion of the prospective capital expenditure will be used between now and 2020 to ready in 2020.

Wright Lassiter III, CEO, that is correct. The intent of the affiliation is that we can get additional revenue through the hospital that will support capital investments. The principal obligation of the Alameda Hospital district board going forward is to ensure that the parcel tax is levied and available to support the capital needs of the hospital. We've committed to extending a 1.5 million line of credit at signing of the letter of intent and up to an additional similar amount at the signed of the definitive agreement. We have committed that on an annual basis we would communicate with the district board our intention to maintain a full service hospital so they see that the revenue for parcel tax are going to the hospital and not being used for something else. We breach provisions in place.

Trustee Miller, Chair, in our recent meetings we were discussing the challenge with lack of flexibility of cash being available to us presently, have we made some progress on that, that permits us to have the additional dollars available to accommodate the 1.5 million reference.

Wright Lassiter III, CEO, two issues, as the board knows, we are subjected to slow pay by the State of California on a regular basis. We very recently received a large eight figure payment we had been waiting on for some time. We always intended that to satisfy this we would use 1.5 million dollars from board designated funds so this would not come out of our operating cash, it would come out of reserve funds.

Wright Lassiter III, CEO, lastly, the Alameda Hospital leadership put together an affiliation timetable for their board; last night the Alameda Hospital board voted in support of this, we are having a meeting tonight, we expect a due diligence period that is approximately 90 days. During that time the Alameda Hospital district board is planning some public town hall forums with the residents of Alameda to ensure that since the voters vote for and support their hospital, there is adequate opportunity for the

community residents to weigh in on this potential affiliation. We are presuming that within the timeframe that would be appropriate for your September board meeting session that we would likely be able to come back to you with a definitive agreement. If we are unable to make the September agenda we would most likely bring this up as an item at the board retreat or hold a special meeting such as tonight. If this timeline works, we would look at implementation/close in the last quarter of this calendar year.

Doug Habig, General Counsel, I would be happy to answer any further questions the board has regarding the terms of the LOI. The resolution presented authorizes two actions, the approval and ratification of the letter of intent and authorized Mr. Lassiter to execute such necessary documents to affect the loan.

Trustee Boggan, having spent 6 months working through this, I want to make a motion to approve the resolution and reserve comments at the end.

Trustee Slimick, I see the vision of this facility and it's management, I've been on this board for 6 years now, and I believe in what we are doing here but we have a fundamental issue with the streaming of efficiencies with our board of supervisors. Is there a portion here that is going to get mucked up here. If I remember correctly, wasn't there a by-laws change, is that a substantial piece to this.

Doug Habig, General Counsel, the by-laws would need to be modified in order to allow appointment of one board member by the district. Yes there will be a requirement of a by-laws modification.

Trustee Miller, will that be a condition of closing, that the by-law change had been made.

Doug Habig, General Counsel, yes it will certainly be a condition of closing.

Wright Lassiter III, CEO, Trustee Slimick, I would just add that Trustee Lewis has requested to appear at the health committee of the board of supervisors next month to discuss the board's request for by-laws changes and earlier today Trustee Miller and I received communication from Supervisor Chan that the board of supervisors would be taking up our by-laws and keep our board chair posted on the update.

Trustee Lewis, Vice President, we would need a by-law change for the additional capacity.

ACTION: A motion was made, seconded, and unanimously approved the Resolution as presented.

MOTION: Trustee Boggan

SECOND: Trustee Miller

AYES: *Lawrence, Lewis, Schiffman, Slimick, Tate, and Zorthian*

NAYS: *None*

ABSTAIN: *Trustee Varni*

ABSENT:

Public Comments:

None.

Board of Trustees Remarks:

Trustee Boggan commented there are a few times where you actually have strategic plans that seem to be followed and seem to work and seem to find the kinds of partners that we had anticipated when we were thinking through how do we survive, how do we become a sustainable organization in the future. This is one of those rare occasions, there is absolutely a win-win for both organizations, and I hope that as you saw the slides, you could see the economic benefit to the Alameda Hospital but also the reach that it helps to provide and the service that it improves to the residents of this county. That's what we're supposed to be about. I want to thank Debbie and her organization because we had some tough discussions, it was not always kumbaiya. We had some things that we had to resolve but we always looked at how do we solve the problem rather than how do we create more obstacles for ourselves. They came prepared to help solve the problem, we came prepared to help solve the problem and I think that has to be acknowledged. I want to say thank you and thank you to our board as well.

Trustee Miller, it's rare in healthcare that there is an opportunity to really rationalize existing resources as opposed to simply building more where they aren't needed because there's the ability to construct a business case for that. Here we have an overloaded and under loaded institution and to match them in such a way that service can be enhanced and hopefully cost actually over long term reduced from what they would otherwise be is a very nice thing. As Trustee Boggan says it's wonderful to see a plan that was envisioned in concept now coming to fruition in actuality in this rather unique way.

Wright Lassiter III, CEO, I would just ask the board to acknowledge Trustee Boggan work, it was very helpful this past 6 months to have a board member did into an issue with as much wisdom, knowledge and balance as he provided.

Trustee Miller thanked everyone for attending the meeting and adding this additional meeting to their schedule.

ADJOURNMENT: THE MEETING WAS ADJOURNED AT 5:30 PM.

Respectfully Submitted by:

Marla D. Cox,
Clerk of the Board

APPROVED AS TO FORM:

Reviewed by: _____


Douglas Habig, Esq.
General Counsel