

**Tulare Local Health Care District
Board of Directors Meeting Minutes
Wednesday, June 26, 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

Sandra Ormonde - CEO, TLHCD
Dan Heckathorne - Interim CFO
Jason Howard - Legal Counsel
Riley Walter - Legal Counsel
Randy Dodd - President, AH

1. Call to Order

Kevin Northcraft call the meeting called to order at 6:34 pm.

2. Public Comment

None

3. Announcements - Board

- a. Sandra Ormonde introduced Stephanie Trueblood who is the new Executive Assistant. Stephanie is a Tulare native. She's worked for two Irrigation Districts and is familiar working in a public agency. She is familiar with accounting as well as some of the other duties she will be responsible for.

The Board thanked Chris for the service she's provided to us by taking Minutes for the District.

- b. Jason Howard reported that the lawsuit, which was filed in 2016 based on a public records acts complaint styled as Martin Soares, has since been settled and signed by all parties.

4. Consent Agenda

- a. 05/22/2019 Regular Meeting Minutes
- b. 06/11/2019 Special Meeting Minutes

Stephen Harrell motioned to accept the minutes of 5/22/2019 and 6/11/2019. Senovia Gutierrez seconded the motion. Approved 5-0.

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

Derek Jackson reported that EVO Management was able to produce a check to the Board in the amount of \$10,059.22. Workers compensation dropped from \$10,739.24 last month to \$1,875.50 this month. Most of the lights are being converted to LED. Due to summer conditions the next rent check might be lower due to the utility costs increasing. Memberships have been holding steady with a current total of approximately 6,153 members. The Silver Sneakers program is doing well, although payment is only received if members show up and check in. EVO management is working to make sure the Silver Sneaker Members do so by hosting potlucks or other events that they would enjoy. The parking lot is complete. Members are

parking in that area again. Jerry Hunt made a comment about the South West corner of the parking lot not being addressed. He was reassured that in time it would also be completed, but the funds were just not there to complete the entire parking lot at once. The elevator did break down, but is back up and running. Final numbers will be provided at the next board meeting as to final cost of repairs and fines associated with the elevator. There was discussion about a new Planet Fitness coming to town and whether or not it would affect Evolution's business.

6. Tulare Hospital Foundation Update- Jan Smith

- a. Jan discussed the Foundation's position and their ability to fundraise. There was some clean up that needed to be done to the Articles of Incorporation because of the new management and how it relates to the hospital. They will now be allowed to raise money for the hospital whether it's under Adventist Health or it's under the District.

The intent is to continue doing the tower tours, however right now they have to wait due to the heat. They hope to continue in the fall when the weather is not so bad. Along with the tower tours they would like to set up some type of closed circuit camera system that would be visible online also including still shots. This would allow all members of the community to see the progress being made. Once the tours commence they will be able to reach out to the corporate sponsors who have put their pledges on hold. They have quite a few who have sent letters stating that once the construction begins again they will fulfil their pledges.

New trustees have been recruited. Kevin Mooney is the Board Development Chair and is also the President of the Chamber. He recruited 4 individuals from the community that are very influential. The intent is continue to build the Trustees to the 21 that they are allowed in the current Articles. They are trying to reach the different sectors of Tulare that are not currently being represented on the Board.

There is an event coming up on July 13, 2019. Real Men Wear Pink is an event they are hosting in order to create all types of cancer awareness. They held a photoshoot that included 5 women and 1 gentleman. The ambassadors were able to share their stories. New individuals who wanted to take part in the event shared how happy they were that the hospital was open. The service that has been provided thus far is exceptional. Jan thanked Xavier for his willingness to step in to take Dave Macedo's place as auctioneer at the event. The Foundation prides itself in being able to sponsor wellness and educational programs like this.

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

- a. There has been a 50% increase in the average daily census, 8 in the month of May and 12 in the month of June. It all has to do with getting the appropriate staffing to manage the next wave of patients that are coming through. They are currently staffing 20 and soon should be at 25. Also, went through a process of increasing nurse pay. They were behind in regards to the competition with Kaweah Delta. People want to work for Adventist, but don't want to take a hit financially to do so. This should take place next month. They are encouraging nurses to make that move. An open house was held for the OB department. About 50 people were in attendance. There were 6 nurses that signed up and all the monitor tech positions were filled as well as a few other staff positions. It was very successful and a lot of interest was expressed from people coming from both Kaweah Delta and Porterville. Emergency Department visits are still averaging about 74 per day. They've exceeded over 18,200 visits since opening. Continues to be a steady incline. Month to date includes 65 surgeries. Last month was 92 and they

foresee it being at about the same by the end of June. As additional specialists are brought on, that number will continue to grow. OB will not meet the originally anticipated July 15th opening and is being pushed back to August 19th. They will open it earlier if possible. There was delay due to some construction challenges as well as some licensing issues. Sleep lab is still targeting an August opening. Café will be open starting tomorrow, June 27, 2019. This will be a partial opening including grab and go items like sandwiches, salads, and soups. The bigger project for the café is planned for a little further down the road once more information is provided in regards to the budget. Cardiology call was intended to begin this month, but it also went through a contract delay. It's looking like the cardiology call coverage for the Emergency Department will be available starting the beginning of August. Randy informed the Board that once a month he's been inviting staff in for breakfast and getting their input on how things are going. He also uses this time to tell them about the plans they have for the hospital. One of the Respiratory Therapists came up to Randy after the meeting and told him that she's worked for the hospital for 17 years and in the one hour they spent she got more information, more clarity, and more transparency from this hospital than she'd ever gotten in the 17 years prior.

b. Capital Improvement Updates

i. Parking Lot South of Allied Building

Removed from the Agenda.

ii. NPC-2 Emergency Lighting Revision

Approval is needed for a battery backup power source that is required to meet regulations, but was not included in the original quote. All of the emergency lighting is set up to run off of the generator in case of a power outage, but the regulations require it be run through a separate paneling. This option is the most cost effective and meets all the requirements.

Kevin Northcraft called for a motion. Mike Jamaica motioned to comply with the additional cost of \$47,007 associated with the battery backup installation. Xavier Avila seconded. Approved 4-1 with Senovia Gutierrez in dissent.

- iii. There is a pilot transportation program in the works for patients to get from a provider's office to the hospital for labs, testing, and imaging. It would benefit patients who do not drive and do not have care givers at home. The hope is that patients who need assistance can get a ride to and from the doctor's office and/or to the hospital if needed. The Foundation has been generous enough to pay for these rides through dial a ride. Patients would be issued voucher and use it as payment when paying for the ride. There would be no charge to the patient. This is a way to give back to the providers and bring more business to the hospital as well as to make sure people are receiving the care they need. Lab and radiology also provide bus vouchers to patients who can get a ride to the facility, but have no way of getting home. It will also be used for discharge patients. The city has agreed to collect all vouchers at the end of the month and only bill for the vouchers actually used vs charging a flat fee. The pilot program currently includes Dr. Miyakawa and Dr. Welden. The pilot program will run for three months and then be reevaluated to see if any changes need to be made in order for the program to further expand, at which time additional providers will be included.

8. Discussion and Action to approve the following Capital Projects:

a. Parking Lot South of Allied Building

Removed from the Agenda

- b. NPC-2 Emergency Lighting Revision
Sandra commented the project and associated expense was approved in earlier discussion.

9. Discussion and Action Determining Financial Responsibility of the following Capital Improvement Project(s):

- a. Parking Lot South of Allied Building
Removed from the Agenda
- b. NPC-2 Emergency Lighting Revision
Sandra recommends we concur the District has financial responsibility for the NPC-2 project.

Xavier Avila motioned to approve. Steve Harrell seconded. Approved 5-0.

10. Discussion and Action to approve submittal to Adventist Health of following Capital Improvement Project(s) Expenditures as offset against Rent pursuant to Lease with Adventist Health:

- a. Parking Lot South of Allied Building
Removed from the Agenda
- b. NPC-2 Emergency Lighting Revision
Sandra recommends we submit to Adventist to pay this expense and offset against rent pursuant to the lease.

Xavier Avila motioned to approve. Steve Harrell seconded. Approved 5-0.

11. 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.

- a. Randy Dodd spoke in place of Abraham Betre, D.O. Medi-Cal approved the change of ownership and back dated it to March 15, 2019. Usually Medicare gets approved first and triggers the Medi-Cal approval, but this time it did not work out that way. We are still waiting on the Medicare CMS approval change of ownership 855A application. Once approved, Adventist Health will be the overseeing body of the Medical Executive Committee. MEC recommends granting privileges to the following doctors:

Emergency Medicine - 2 Providers

Norlan Maltez, MD
Mary Ziola, NP

Inpatient Medicine - 3 Providers

Utkarsh Singh, MD
Dominique Dorsainvil, MD
Moshen Thomas, MD

Surgery - 1 Provider

Frank Feng, DO

Steve Harrell motioned to approve the list of doctors recommended by the MEC. Senovia Gutierrez seconded. Approved 5-0.

12. Consideration and Action on proposed Amendment 2 to the Lease by and Between Tulare Local Healthcare District and Adventist Health Tulare related to additional lease terms required by the California Board of Pharmacy

Senovia Gutierrez motioned to approve. Mike Jamaica seconded. Approved 5-0.

13. Chief Executive Officer Report

- a. Elevator Inspection at Evolutions was done in February and the final report was not sent to the correct location. It was mailed to the hospital and ended up getting delivered to Adventist engineers' office instead. It did not reach the proper hands until 2 months later. Fines were issued for it being delinquent. Passion, at Evolutions, immediately put an out of order sign on the elevator. She then spoke to Thyssenkrupp about the confusion. They are now aware that the maintenance for Evolutions is separate from the hospital. All repairs have been made. Elevators can be operated after inspection while waiting for the permit to arrive. Permits can take up to 3-5 months before they are received. Jayne is in the process of making sure the maintenance contract is reinstated.

The VA Building needs some roof repair and also looking to repaint Microcorre. There was wood rot found at that location which needs to be addressed. Sandra is working with Armstrong to get a better understanding of prevailing wage and how to determine when it needs to be applied. Will be going to the Association of Healthcare Districts (AHCD) office up north to get some insight on prevailing wage.

The tower has been cleaned up, but the landscaping guys are not allowed to prune trees or move fencing. We would like to relocate some of the metal near the front entrance of the hospital and possibly push the fence back at more of an angle. We want to do something to make it look a little more finished. It doesn't give the appearance it should and there are people that are not aware that the hospital is open. We need to look at increasing Allied patrol in tower area and make sure people remain out of areas that are restricted. Look into adding additional security such as lighting, cameras, and fencing.

- b. Kevin Northcraft, Senovia Gutierrez and Sandra Ormonde attended the planning commission meeting on Monday, June 24th to address the 4 acres of real property at 1425 E Prosperity Ave. The support was very strong. They sent out all the notices and no one showed up to oppose it. The report was positive from the traffic aspect as well as from us negating the sound and light to the residents. Everyone seems to think it's a really good fit. This area can be used for offices or retail. This will go to City Council on July 16th. We are hoping to close by November.
- c. Insurance renewals are due on July 1, 2019. Jim Gonzales and Brett Buchanan from Marsh McLennan presented the renewals based on us transitioning from operating the hospital to not operating it. The renewal costs presented were based on the lease with Adventist Health being fully executed. There was a discussion on whether or not the extra expense of purchasing the D&O tail coverage outweighed the risk associated with not having it.

Kevin Northcraft motioned to approve the Insurance as follows: Property, subject to looking more closely at our property and maybe reducing the number of properties and the value of said properties; Professional/ General Liability; Professional Liability Tail; Commercial Automobile; Workers Comp & Employer's Liability; and the Executive Liability; and, removal the D&O 3 year Tail. Senovia Gutierrez seconded. Approved 5-0.

- d. Adventist Health will be switching to a new system for their IT security. We need to obtain our own system. Thomas Grove presented an IT budget proposal that would support both TLHCD employees as well as the Evolutions employees. This proposal would support 10 employees and include End User Devices, Office Infrastructure, Software, Hosting, and additional services and ongoing support.

Xavier Avila motioned to approve. Steve Harrell seconded. Approved 5-0.

- e. There are other expenses that come along with our Capital Improvements such as inspections or specific design costs for engineering or architecture work. These would be much smaller amounts that don't require Board approval, but they all add to the overall project expense. The current process involves getting approval pursuant to the lease and submitting to Adventist to have them pay and offset the lease. Sandra asked for a blanket approval for the smaller items and would like to include them in the package that is submitted to Adventist to pay and offset the lease. Xavier asked if there was a certain limit. Sandra clarified that anything under 25k she has the authority to approve. There will be a forecast given to Adventist so they have a better idea of where all of the expenses are coming from. We will pay the invoices and then present the exact amounts to Adventist to pay vs submitting just a broad amount.

Xavier Avila motioned to approve the CEO's submittal to Adventist for periodic expenditures related to capital improvements. Senovia Gutierrez seconded. Approved 5-0.

14. Chief Financial Officer Report

- a. April and May 2019 Internal Financial Statements
- b. Cash Report Update – TLHCD; City of Tulare Line of Credit Update
- c. Medicare Bad Debts Recovery

April 2019 was not presented at the last meeting, but was completed before the months end. On the cash equivalence there was 1.78 million dollars of HQAF money that we sent in an IGT earlier in the year that we've since gotten back. We also received another 591k of 18/19 HQAF money which in terms of the ownership it's still unidentified. In early May we borrowed 350k on the City of Tulare line of credit and the last week of May we paid back 1 million dollars in principal for a net reduction of 650k. It shows the city we are only taking what we need. Our patient receivables are still standing at about the same. We are estimating the value at about 150k. In April on the tax revenue receivables we received 581k in property taxes. On miscellaneous receivables from April it went from 3 million down to 290k due to the funds we put into this account. The current maturities of long term debt jumped a little over 1 million dollars from April to May. We did not take on any additional debt, it was just a reclassification from long term debt to current debt. Other operating revenue in April jumped up to 238k partly because in April we booked our first 3-4 months of staffing costs of 154k. In May we booked 46k that was billed out to Adventist for the staff we are leasing to them. We will get this money back from Adventist. In April we received 52k of supplemental funding that we were not expecting and in May we received another 71k. These are historical Medi-Cal supplemental payments. May salaries did increase due to the Mineral King Lab staff transitioning to the

Adventist payroll. There was a pay increase due to our staff being underpaid. There was also a new CEO added on in May. The number was higher in May and will be higher in June. Purchased services in May jumped to 111k which includes a 50k payment to the city for the loan fee. Other operating expenses includes a lock box fee that we receive for ER physician payments. We are now billing Adventist back from the time they took over the hospital which is why you see a credit in May. Depreciation and amortization in May you'll notice dropped to 50k from 194k, reason being we sold our major moveable equipment to Adventist. All of that depreciation is no longer an expense to the District. Other income in May 11, 900 that includes the gain that we got on the Visio equipment.

We have not booked the impacts of all of the bankruptcy's activities. There's been a lot of discussion about how to approach that, but there are so many things moving on the bankruptcy with settlements and payouts. We have decide to keep these books true to what our operations are for this year. When we get down to the audit and everything is finalized we can make one big entry to adjust all of our AP and all of our expenses related to the bankruptcy. This will be a huge job accounting wise and we don't want to tackle it until all of our numbers are final. This will transpire sometime around August or September. These will be included in our Audited Statement that we are shooting to have in October.

Kevin wanted to know why the cash receipt and disbursements page shows the Adventist Health line of credit at 9.6 million. He was under the impression that when they purchased the equipment from us that amount went down. The only thing being reflected on this report is strictly cash transactions. We will book all of those types of things in the year-end audit.

In June we paid payment No. 2 in the amount of 100k to our medical staff settlement. They have now been paid 200k of the total 300k. Evolutions parking project was also paid in the amount of \$59,392.

Brief update regarding the audit. We've met with the auditor and made staff assignments to start gathering information. The audit will start in mid-August and will continue through September and end in October. Majority of the audit will be surrounding the bankruptcy and truing all of the books up to those final numbers. We still have all of the Medicare cost reports and everything that needs to be validated as well as loans with the city and Adventist. The audit is on track.

Transition services continue to provide banking services for the collections for Adventist. In the month of May we billed back 46k to Adventist for those services. That number will decrease. Teresa is working on finishing up Adventist financial statements. After which, she will be focused strictly on district business.

A firm approached us that has identified we have potential for Medicare bad debt recoveries. This firm works completely on a contingency. The contract we have with them that will cost us approximately 5-6k. We will need to do a data dive and also request information from Medicare and Medi-Cal to see if this is a project we can move forward with. If we can collect the right data there is potentially a lot of money to recover. We will get about 2/3 of the money owed after paying the firms contingency fees. No action to take at this time.

Kevin had a question about the transition for the Wipfli consultants and the time still being spent. We want to expedite the process as much as we can to save the District money, without a huge loss of resource. Dan said that he hopes to cut back to half time. He has been working about 200 hours/month and in July he projects to be at about 110 hours with only one trip. There needs to be some transition to get the staff familiar with everything Teresa is currently doing as well. Teresa has also been working remotely to help save travel days. There will be a huge amount of work for the staff once the consultants are gone. The Board mentioned how impressed they were at how quickly Sandra is picking everything up and how she never expresses that she's overwhelmed. The Board thanked Dan for helping to get Sandra up to speed.

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

- a. Everything is still on track and there have been no changes.

16. Suspend Open Session - Recess to closed session

Recess to closed session at 9:30pm

17. Closed Session

- a. Discussion and Action Re: Arbitrage Rebate Calculation Services for District's Bonds
- b. 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, Parmond 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*
 - 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*
- c. 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*).
- d. 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*).
- e. 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*).
- f. Instructions to designated representative, Steve Harrell, related to real property at 922 N. Cherry Street, Tulare, CA 93274, commonly known as Dr. Evans' former office (*pursuant to Ca. Govt. Code § 54956.8*)
- g. 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*).
- h. Update on public employee matter (*pursuant to Govt. code § 54957*)
- i. End closed session

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

Nothing to report

19. Adjournment

Next regular meeting scheduled for 6:30 pm on Wednesday, July 24, 2019



Kevin Northcraft - President



Senovia Gutierrez - Secretary