

**Tulare Local Health Care District
Board of Directors Meeting Minutes
Wednesday, July 24, 2019 6:30 PM
869 North Cherry Street, Tulare, CA 93274**

In attendance

Mike Jamaica - Vice President, District 2
Senovia Gutierrez - Secretary, District 3
Xavier Avila - Director, District 5
Stephen Harrell - Treasurer, District 1
Kevin Northcraft - President, District 4 (Remotely)
Dan Heckathorne - Interim CFO (Remotely)

Sandra Ormonde - CEO, TLHCD
Randy Dodd - President, AH
Jason Howard - Legal Counsel
Riley Walter - Legal Counsel
Jayne Presnell - Evolutions

1. Call to Order

Mike Jamaica called the meeting called to order at 6:33 pm.

2. Public Comment

None

3. Announcements - Board

Mike made an announcement to the board regarding the Vacation Bible School held at the church he attend. He and his wife both volunteered. There was about 327 kids who attended and about 200 volunteers. It is a nice program and continues to grow. They held a can food drive fundraiser to donate to emergency aid. \$800 to charity. \$900 for mission trip to Mexico.

Jason Howard reported that both of the following settlements were finalized. David Phelps, Plaintiff v. Bruce R. Greene; Baker Hostetler, LLP, a limited liability partnership; Yorai (Benny) Benzeevi, M.D.; Rebecca Zulim, M.D.; Tulare Local Health Care District dba Tulare Regional Medical Center (Tulare County Case No. 270681) and Thomas Drilling, et al., Plaintiffs v. Sherrie Bell, et al. (Tulare County Case No. 267051).

4. Approval of Minutes

06/26/2019 Regular Meeting Minutes

Xavier Avila motioned to accept the minutes of 6/26/2019. Senovia Gutierrez seconded the motion. Approved 4-0.

5. Tulare Hospital Foundation Update - Jan Smith

- a. Jan Smith was unable to attend tonight's meeting. Randy Dodd spoke on her behalf. The event that was held last weekend was relatively successful. \$30,000 was raised and there were 300 people that attended. Xavier mentioned that Dennis Medeiros bought the cow pen as he has quite a few dairy clients. The doctor that came to give her speech wanted the pink pen. Steve mentioned that Xavier did an outstanding job as auctioneer and that's what helped to make it a very special evening. Xavier mentioned he feels like he can see some healing in the community. Early on before Kevin and Mike were elected to the Board there was a big split with the

Foundation and even though there are some old wounds, this event showed that we are getting things back together.

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

Derek Jackson was unable to attend. Jayne Presnell came to let the Board know there was nothing for EVO to present. They did not meet in the month of July due to vacation schedules. They will be meeting in August and then give a report to the Board for June and July.

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

- a. Randy mentioned he was able to take vacation this month and upon his return he found that things were still operating well and still working in the right direction. July month-to-date average daily census is down slightly just below 10. We are still staffed for 15 patients. We've had days where we were that high, but typically what we see in healthcare in the hospitals during the summer time is that the census drops off. The Hanford hospital has been down as low as 60 and they are usually at over 100. It's not just a trend for the Tulare hospital. We've continued to see the Emergency Department grow. The month-to-date average there is about 77 patients a day. Other than March when we had the nice peak because of the late flu, this will be the highest month in terms of Emergency Room volume. Yesterday we received the valuation on Mineral King which is being reviewed right now. As soon as the review has been completed they will get back to the Board with the valuation. The Earlimart appraisal that came in is also under review and should be complete very soon. As he mentioned at the last meeting, the hospital café is open to the public and staff. It's pretty limited right now, but there are a lot of grab and go items such as salads, sandwiches, soups, and drinks. It is very well received by the physicians and nurses that have limited time to leave the facility to get food. We have some new leaders here as well. Sheri Pereira who I believe was born in this hospital comes in as our Nursing Executive. Toni Gonzales is an OB Nurse and comes in as the Director of OB Services and is building that team. We still have an open position for the Director of the ICU and ED. We are being covered right now by an Executive from Hanford that has a lot of experience in both of those areas. We have our eyes on a gentleman in our system that we think we're going to land for that position. It should be 2-3 weeks before that's finalized. That will complete our nursing leadership for the hospital. We are still having a little bit of trouble recruiting nurses from Kaweah Delta. As we expected we were going to get some movement, but we have a lot of plans in place to make sure the word gets out and everyone is aware of what we are offering which is not insignificant in terms of pay as well as bonuses and other things that we are using to attract some of the talent back this way that may have been here before and obviously some new ones as well. There are a number of projects being worked on. The OB construction project is mostly done. He did a walk through today and it looks beautiful. Equipment and so forth is being put in place and organized in that space. There will be video shoot for a number of people who were born here or had babies here for an event were having in early August that will celebrate the reopening of the OB services. Mammography plans are nearly complete. We are targeting an October opening which would be ideal for breast cancer awareness month. That really is largely dependent on the State and how quickly the process goes through approvals. Everything on our side is pretty much done, it just comes down to their blessing of the anchoring of that machine.

8. Adventist Health Tulare - Capital Improvements

- a. NPC-2 Emergency Lighting Revision

The NPC-2 lighting revision approval that was brought to the Board last month was essentially denied by OSHPD. They didn't like the plan of using the battery backups. They did like a different plan, that the higher ups in OSHPD blessed saying yes, if you do it this way it should work. That's being priced and engineered right now and as soon as we have those numbers we will bring those back for consideration. It's unfortunate, but the people in the field don't always have the same opinions of the people in Sacramento. It's a fairly interpretative set of regulations in OSHPD. The code there can be looked at a number of different ways. Kluger is supportive of this new plan as well. We're still on track to have that done by the end of the year which is important so we can get the application in for the extension on NPC-3 to 2030, that's what gets us to the tower.

b. Other Projects

The projects we are going to begin include the grease trap project which is outside of the hospital. The Selma hospital Kitchen has been taken down for repairs. The staff are coming to Tulare to help us here as well as to provide food to be transported back up to the Selma facility. We don't want to disrupt that with inside activity for about 3 months. When the staff go back to Selma we will finish everything inside.

The chillers 1 & 2 are nearly complete. Number 3 is being reviewed and has a target date of January next year for completion. That's later than we were anticipating. It is part of the OB area. It is functioning, although not well. We need to get through the next 2-3 months of heat and then by the time that project can be completed. We have provisions for portable air conditioners if we have to. We will make sure it's comfortable one way or another.

Operating Room number 3 was closed and used for storage for quite a while and power had been diverted from that room to run the Operating Room number 2. Drawings were due today to restore power to that OR. That Operating Room 3 will dedicated for OB C-Sections. That should be ready and completed as we open up the OB Services.

The Server room, I believe had the fire suppression plans approved early on, but in order for those to be complete there is some other work that has to be done prior to that. Those plans are being drawn up now and should soon be available for review.

Mike Jamaica asked about the OB deadline of August 19th. Originally it was scheduled for July, but it was pushed back. The 19th was chosen because it was a Monday and it would give ample time to get things complete. We still need more nurses and will start with travelers, but once we're open and the nurses that are out there see that it's real and it's ready to go we will attract some other talent. We have about 5 OB physicians to start. Mike said he's hoping when we open on the 19th that the first child will be born.

9. Chief Executive Officer Report

a. Property Management Updates

Still working with Armstrong to get the correct wording on the RFP because of prevailing wage. Microcorre is having trouble getting quotes because of the wood rot. We should have 3 bids to look at next week for the VA roof repair. The actual quote we have right now for the wood rot and the paint is Armstrong doing it with The Rental Company. The paint quote was comparable to an outside bid from someone who doesn't want to deal with the wood rot. The bid is comparable and we've used them in the past. We can use those types of qualifications to not

hold up the project and get it done. Steve said they have been our longest tenants and they tried to get that building taken care of when Shawn Bolouki was here and then again with HCCA and they got nowhere. It's time we step up and take care of that building.

b. Evolutions

Evolutions elevator permit came in and is posted.

c. CEO Duties Transition

Dan has been working with Sandra so that she can take over. He will still be available for his expertise and his historical knowledge. He will still be reporting on the financials for a while. Sandra has been doing all the day to day stuff.

d. Insurance Coverage

We still have our previous coverage based on the pre-chow. Until the chow is executed we have to continue to carry that coverage. They will back date cancellation when the time comes. They call it a flat cancel, meaning we won't have any cancellation fees. There might be some prorating that needs to be done. There was financing that needed to be done with some of those. Riley is working on one order that they need for the funding of the property. In the meantime Marsh & McLennan is paying that on our behalf. They're basically financing us so we don't have to come up with the payment upfront. BETA has agreed to finance the other part as well. They have new property values that Craig Smith provided. We are waiting on the results of the two different scenarios, one to rebuild as a regular office, which would be cheaper or two to not rebuild the two vacant buildings.

e. Other Items

The Tulare Medical Center result of Dr. Snyder and Armstrong have settled all fees due for that period. We are continuing to work the different construction projects with Randy's team. Steve asked about the 3 lots at the medical plaza and the reduction on price. Kevin said it was a closed session item. Kevin asked about the progress of opening the front area of the hospital. Sandra is waiting on a response from Jim Gonzales at Marsh & McLennan to make sure we don't have an insurance liability since it is part of the construction site. Senovia thanked Sandra for her weekly report to the Board.

10. Chief Financial Officer Report

a. June 2019 TLHCD Internal Financial Statements

Last night the finance committee met and went over this report. Dan read a portion of the June 2019 Internal Financial Statement that says, "These internal June Financial Statements contain several adjustments related to the District's 2017 Bankruptcy filing. Although these entries do not include all of the adjustments that will be forthcoming, certain adjustments have been included which relate to various matters that have been officially settled or resolved up to this point in time. It should be noted that further adjustments resulting from the Bankruptcy are expected to be incorporated into the final audited financial reports which will be prepared and presented late in the fall of 2019." At the end of June the cash balance was \$2.8 million that includes \$1.6 million of funds that we are still determining who the ownership belongs to. The accounts receivable is about \$63k. The miscellaneous receivables numbers changed because part of the \$1.6 million was received in June and so it shows up as a credit on the miscellaneous receivables. On the current liabilities accounts payable in May it was \$31,539,595 and in June it was \$16,732,988. It was a drop of about \$14.7 million. The accounts payable that have been

settled have been reduced or removed. After the audit is finished that number will drop again significantly, but the final numbers won't be available until the audit is complete and as we go through the bankruptcy process and we enter our final bookings on what the bankruptcy balances will be. Increase in net assets, in other words what our surplus or our loss was, in May was a negative \$11,433,216 and in June it was \$2,984,595. Again that number will change the further along we go. Reminder again that these are interim statements. The net patient revenue in June was \$136k. A good part of that was a collection on some old patient accounts during the month. The \$99 credit was basically a true up for an entry that was made in the past. The other operating revenue of \$89k represents income from our rentals and income from Evolutions. The salaries and wages dropped during the month of June, however, the employee benefits increased because we paid out PTO for Memorial Day. There was a change last night on the professional fees including legal and Wipfli costs. The professional fees in June dropped from \$321k to \$189k. The purchased services were high in May and again in June because the collection agency that collected for the patient accounts charged a fee of \$34k, although they collected \$180K. Operating expenses before the D&A and the EBITDA dropped to \$260k from last month at \$364k. This is a sign things are moving in a positive direction. The depreciation and amortization for June is \$122k. This will be the new normal moving forward. When Adventist purchased the major moveable equipment it reduced our depreciation. We are booking our interest expense each month for the City of Tulare Line of Credit and the Adventist Line of Credit. There was \$31k of other income that included \$10k from the sale of equipment and \$20k from a class action law suit recovery having nothing to do with the bankruptcy. It was from a managed care lawsuit. There was an extraordinary gain of \$14,742,245 that consisted of 346 vendors who did not file claims for the bankruptcy totaling \$4.6 million, there were 3 settlements totaling \$10.5 million, 2 administrative settlements totaling \$200k and then there was a favorable adjustment of \$194k which will be reviewed in the audit.

b. March 14, 2019 AH Internal Financial Statements

The Adventist Financial reports are just a preliminary report because Teresa and her team as well as Tim Haydock and his team are still working on trying to true up all the final activities through the pre-chow period. March's statement included some adjustments that rolled in from the past several months. They are trying to true some of them up. Teresa had to make some more accruals in March of about \$900k to make sure that all of the expenses are reflected. When the numbers are finalized and audited we will get a better picture. The net patient revenue for March is only showing March 1-14. The net patient service revenue in March was \$1,348,830 which is close to where it's been in previous months. That means even though its only half a month there has been some additional revenue generation, which is good. It is important to give appreciation to Adventist. If we look at the EBITDA, Adventist's costs have been about \$9.5 million to run the hospital during the pre-chow period. That is also exacerbated by the fact that they are not able to collect their accounts receivable for Medicare and Medi-Cal as of yet. I think we all have our hats off to Adventist for all the hard work they are doing and we all appreciate it. On the balance sheet for patient accounts receivable the gross for March was about \$27 million. The net patient accounts receivable actually increased by about \$1 million from February. Again, Adventist has been fronting the cash for the operations because as of this date they are still not able to bill for Medicare back to Jan 29th.

c. Cash Report Update - TLHCD; City of Tulare Line of Credit Update (verbal)

On the week of June 28th almost \$200K came in for Adventist for supplemental funds post-chow. Those funds were transferred over to Adventist immediately. The revenue on property taxes for

the week of July 12 came in at \$82k which was a little higher than we anticipated. Our City of Tulare Line of Credit balance is \$5.8 million. That will be changing over the course of the next few months, but we've been able thus far to maintain it at the \$5.8 million. Our first interest payment will be due to them on July 31st for about \$132k through June 30th. As a reminder the interest payments on the Line of Credit are calculated every 6 months and due within 30 days. The next interest payment will be due on Jan 31st. On July 5th we paid the bond payment of \$125k based on our agreement with the revenue bond people. That number will increase to about \$179k in the next month or two. We will need to pay a little more in order to catch up. The City of Tulare really stepped up and helped to bail out the District so we will honor them and honor our commitments to them.

d. Medicare Bad Debts Recovery Update

We have a firm that's coming to do a sampling to see if they might be able to do some recovery for us. It's a very complex process. Gathering the data is a huge task. They will run a sample of a few and if they feel there is an opportunity they would take the entire project on a contingency process. We will bring you up to date when we get an answer on that.

e. FYE 2019 Financial Audit - Update

We are preparing various schedules, contracts, Board minutes, and all types of documentation for the auditor. Now that we have the interim financial statement drawn we will start the much greater in depth reconciliation process of all the balance sheet accounts and then through the course of the audit we will work on the balance reconciliation for the bankruptcy accounts payable. The auditor will be on site August 15th. Dan will also be here for the audit kick off day. It will be full force over the next several weeks after that. Teresa and her team have a huge amount of work that they are directly responsible for and they are working on that.

f. Other Items

Reminder that we did enter a transitional services agreement with Adventist Health for a year. In order to help provide information that is needed out of our computer systems for them to be able to do their work and to close their books and do other various things. It turns out there is a fair amount of work involved with that. The work that is done for Adventist is in turn passed through the District and the fees will be sent to Adventist to be reimbursed. Sandra spoke about the bond arbitrage project, everything is good and we don't owe the IRS anything.

Xavier Avila motioned to approve the financial statements. Steve Harrell seconded the motion. Approved 4-0.

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

- a. Jason made it clear that Steve could discuss the 3 properties at the medical plaza that were mentioned earlier outside of closed session. There has been no movement on those properties. There was a suggestion from Craig Smith and Kyle that we drop the total amount for those 3 lots to \$250k. Steve felt that was too much of a drop and suggested we drop 20% for a total of \$400k, going no lower than \$375k. They've remarketed the 3 lots. The original total price was \$500k. They are following up with one broker who might be interested.

12. Suspend Open Session - Recess to closed session

Recess to closed session at 7:38pm

13. 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

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

Nothing to report

15. Adjournment

Next regular meeting scheduled for 6:30 pm on Wednesday, August 28, 2019.



Senovia Gutierrez, Secretary