

**Minutes of the Special Meeting  
Board of Directors  
of the El Camino Healthcare District  
Tuesday, March 18, 2014**

1. **Call to Order.** The Open Session meeting of the Board of Directors of the El Camino Healthcare District ("Board") was called to order by Chair Patricia A. Einarson, MD at 5:30 pm on Tuesday March 18, 2014, Conference Rooms E, F and G at El Camino Hospital, 2500 Grant Road, Mountain View, California and at 1005 Los Altos Avenue, Los Altos, CA.
2. **Roll Call.** Roll call was taken. Board members present were Dennis Chiu; Patricia A. Einarson, MD; Julia Miller; and David Reeder. John Zoglin participated by telephone.
3. **Potential Conflict of Interest Disclosures.** Director Einarson asked if any Board member or anyone in the audience believes that a Board member may have a conflict of interest on any of the items on the agenda. No conflict was reported.
4. **Election Law and Rules.** Director Einarson asked if any of the Board members had any questions about the materials presented. Director Reeder commented that it is timely to review these materials in light of the upcoming November 2014 election. In response to Director Miller's question, Cindy Murphy, Board Liaison, explained that the word "election" rather than "appointment" was used in the materials with respect to the El Camino Hospital Board members because the word election is used in the Bylaws. Mitchell J. Olejko of Buchalter Nemer also explained that the word "election" is used in the California Corporations Code with respect to members of the Board of Directors of a non-profit corporation.
5. **Historical Perspective on the El Camino Healthcare District.** Mr. Olejko gave a presentation regarding the studies, approvals and formation of the El Camino Healthcare System corporation and Integrated Delivery System and subsequent unwinding of the Integrated Delivery System that occurred between 1990 and 1998. He also explained, in general terms, the process and terms of El Camino Hospital's 2009 Los Gatos Real Estate Purchase. Mr. Olejko also discussed the recent Civil Grand Jury Report and LAFCo Proceedings related to the District.
6. **ECHD Board Reserve Powers.** Mary Rotunno, Associate General Counsel, explained that, pursuant to the California Corporations Code, the District has certain "reserve powers" with respect to the Hospital: (1) Election of Hospital Directors, (2) Amendment of the Articles of Incorporation, (3) Amendment of the Bylaws, (4) Approval of sale of assets outside the ordinary course of business and (4) Approval of a merger or dissolution of the corporation. She also explained that the Hospital's Bylaws provide for additional powers reserved to the District including: (1) Removal of Hospital Directors, (2) May require the Hospital to provide financial information, (3) Approval of the Hospital's annual budget, (4) Approval of the selection of the CEO, (5) Approval of single capital transactions in excess of \$25 million and expenditures or transfers of more than 5% of the Hospital's assets in related transactions and (6) Approval of the Hospital's overall strategy.

In response to the Board members questions, she and Mr. Olejko explained that the District does not own the Hospital, but is the sole member of the Corporation, and that the District's voters and taxpayers do not own the Hospital.

The Directors discussed the reserve powers and whether they provide enough control and oversight of the Hospital. In response to Director Chiu's question, Mr. Olejko advised the Board that if the Hospital Board made a decision that the District Board disagreed with, the subject matter of which is not specifically addressed in the reserve powers, the District Board could simply replace the Hospital Board members.

The Directors also discussed whether it is necessary for all five members of the District Board to serve on the Hospital Board in order to fulfill their responsibilities as elected officials.

**Public Comment:** Paul Donahue commented that he appreciates that the District Board is reviewing this information tonight. He also commented regarding a bond measure that raised funds that went to build the new hospital building and his perspective regarding the subsequent use of the Hospital Corporation's funds to purchase the Los Gatos Real Estate in 2009.

7. **Board Members Fiduciary Duty.** Mr. Olejko gave a presentation and answered the Board members questions regarding the qualifications to serve as a Healthcare District Director, duties imposed by district law, other statutory duties, and certain common law duties. He noted that taxpayers and voters are two different groups and that some of the District's taxpayers may not live in the District.

8. **Expectations of Working Relationship Between the El Camino Hospital Board and the District Board.** Director Einarson noted that, since the election of Neal Cohen, MD as the Chair of the El Camino Hospital Board in May 2013, the Chair of the Hospital Board is no longer a member of the District Board. The two Boards now have different individuals serving as Chair. She commented that this presents an opportunity to be very conscious of how the two Boards might work together. Steve Valentine of the Camden Group made suggestions and facilitated a conversation among the Board members regarding (1) various measures the District Board could employ to ensure appropriate oversight of and control over the Hospital Board without actually serving as members of the Hospital Board, (2) options for governance of succession planning with respect to the Hospital Board and (3) regular communication patterns between the Chair of the District Board and the Chair of the Hospital Board.

9. **ECHD's Role as a Steward of Community Health.** Mr. Valentine gave a presentation and facilitated a conversation among the Directors regarding the northern California healthcare marketplace, including (1) the need to conduct business in accordance with the Triple Aim (quality, service and affordability) and organize around population health, (2) challenges

and opportunities presented by healthcare reform, health insurance exchanges, reduced reimbursements, primary care redesign and continuum of care relationships, (3) the need to strictly employ cost-cutting measures, (4) Covered California enrollment, (5) Physician-Hospital integration models, and (6) Hospital related initiatives on the November 2014 ballot.

10. **Public Communication.** Mr. Geoffrey Mangers provided a document to each of the Board members. Director Einarson reported that the District Board has received a letter from El Camino Hospital notifying it that the Hospital intends to purchase two properties improved with medical office buildings in Los Gatos and that the Hospital intends to notify LAFCo.

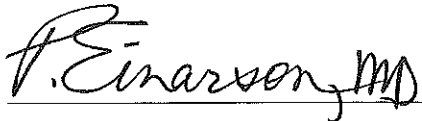
11. **Board Comments.** None.

12. **Adjourn to Closed Session.** The Board adjourned to closed session at 7:50 pm.


13. **Agenda Item 16 – Reconvene Open Session.** Open Session was reconvened at 8:05 pm. The Board did not take any action during the closed session.

14. **Agenda Item 17 – Adjournment.** Director Miller made a motion, seconded by Director Reeder and adopted by a vote of five Directors in favor (Chiu, Einarson, Miller, Reeder and Zoglin) to adjourn at 8:05 pm.

**Attest as to the approval of the  
foregoing minutes by the Board of  
Directors of El Camino Healthcare  
District:**



Patricia A. Einarson, MD  
Chair, ECHD Board of Directors



Dennis Chiu  
ECHD Board Secretary