

**SPECIAL MEETING
BOARD OF DIRECTORS
BEACH CITIES HEALTH DISTRICT
February 27th, 2019**

A Special Meeting of the Board of Directors of the Beach Cities Health District was called to order in the Beach Cities Room of the Beach Cities Health Center at 5:06 p.m.

Members Present: Dr. Michelle Bholat
Dr. Noel Chun
Jane Diehl
Vanessa Poster
Vish Chatterji

Members Not Present:

Staff Present: Tom Bakaly, CEO

AGENDA ITEM	DISCUSSION	ACTION OR FOLLOW-UP
I. Call to Order	Ms. Poster opened the meeting.	
II. Presentation & Update for Financial Strategy on Healthy Living Campus located at 514 N. Prospect Ave, Redondo Beach, CA 90277	<p>Ms. Poster asked Mr. Tom Bakaly, Chief Executive Officer to give an update:</p> <p>Jackie Berling highlighted the following</p> <ul style="list-style-type: none"> • We are officially a Certified Medical Fitness Facility • The only one in the state of California <p>Mr. Bakaly highlighted the following:</p> <ul style="list-style-type: none"> • We discussed the Master Plan last time discussing the What and the Why • Tonight we will speak about the How. • Continue meeting with the Finance Committee and Open House on March 23rd, 2019 to see and feel how the Master Plan looks like • We need to use our assets to fund our services • We want to create a place we can house our programs • BCHD legislative Authority: <ul style="list-style-type: none"> ○ In 1955 Legislation enacted the Local District Hospital Act, enabling a community to form a special district to support the construction and operation of 	

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	<p>hospitals and health care services</p> <ul style="list-style-type: none"> ○ In 1994 with increasing recognition that public health strategies, prevention and primary care are vital to community health and cost-effective in health care deliver, the Legislature broadened the scope of Hospital Districts and renamed them “Healthcare Districts” ○ In 2017 Little Hoover – “BCHD: The Future of Healthcare Districts?” State oversight committee lists BCHD as a potential model on 2017 Healthcare District Report <ul style="list-style-type: none"> ● Key Health outcomes was that Exercise was up 8%, Smoking was down 36% ● Cost savings of Blue Zones Project is at 21 Million in Direct Medical Expenses <p>Ms. Kerianne Lawson highlighted the following:</p> <ul style="list-style-type: none"> ● There’s less opportunity for traditional senior housing models to be connected to the community ● We have the opportunity to build a vibrant multi-use campus for all ages to experience health and wellness ● Green spaces and gathering spaces promoting activity, socialization and wellness ● We have an opportunity to help folks age in place <p>Mr. Bakaly introduced Ms. Monica Suua.</p> <p>Ms. Monica Suua, Chief Finance Officer sated the following:</p> <ul style="list-style-type: none"> ● Long Term Financial Planning cycle includes Mobilization, Analysis, Execute/Monitor and Evaluation ● Analysis and Mobilization have been completed ● We evolved through analysis and market studies ● We have prepared fiscal and cost analysis ● We are looking at Fiscal strategic alternatives for the future 	

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	<ul style="list-style-type: none"> • We get funding from APlex and CHF, Property Taxes, Lease revenues, Investments and limited partnerships • Funding Evolution: <ul style="list-style-type: none"> ○ From 1955-1998 there was hospital revenues, general obligation bonds and property taxes ○ From 1998-2023 there was 514 Medical office, Lease buyout, Off-Campus /Joint Ventures, H&F operations and property Taxes ○ From 2023 going forward we have off campus/joint ventures, H7F operations, property taxes and RCFE/Grants/Philanthropy/Partnerships • The expenses for the 514 building is starting to cost us more • We foresee some tenants leaving us, losing some revenue • We have our window of opportunity for the next few years <p>Mr. Bakaly highlighted:</p> <ul style="list-style-type: none"> • Partnerships is going to be a key facet for the future • Healthy Living Campus Mission : To enhance community health through partnerships, programs and services for people who live and work in Hermosa Beach, Manhattan Beach and Redondo Beach • Healthy Living Campus Vision: The Healthy Living Campus project is a unique opportunity for our community to chart the future of health by purposefully building an intergenerational, vibrant, research-driven campus where people can learn and engage in healthy behaviors, form meaningful connections and be well... for many generations to come • Healthy Living Campus Pillars include: Health, Livability and Community • We will focus on Leveraging the campus to expand community health programs and services • BCHD Assets and Strengths <ul style="list-style-type: none"> ○ Highly valued land 	

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	<ul style="list-style-type: none"> ○ 15 million in cash ○ Ability to issue tax-exempt debt ○ Significant market need for Residential Care for the Elderly ○ Proven public-private Partnerships ● Sunrise Ownership Evolution: <ul style="list-style-type: none"> ○ In 1997 there was a land lease, \$17,000 per month and in 1999 operations began ○ In 2002 there was 80% ownership, \$4.4 million capital, \$9.8 million Debt ○ In 2012 \$7.8 million debt paid up and \$14.2 million investment ● The debt equity was very high when the District was investing in the sunrise property ● Long Term Financial Strategy- reviewed and analyzed <ul style="list-style-type: none"> ○ Sell Land and assets ○ Infeasible to find independently ○ Cost of 514 building renovations ○ Cost of original site plan and “Do Everything” option ● 2017 Site plan cost was 460M and does not optimally align ● Do “Everything” scenario cost was 585m and does not align ● 514 building renovations cost is 127M and does not align ● Phase 1 (2022-2025) includes RCFE (162 units), parking, center for health and fitness and child development for a total cost of 153M ● Phase 2 (2025-2028) includes RCFE (99 units), parking and wellness pavilion for a total cost of 149M ● Phase 3 (2030-2035 includes RCFE (159 Unites) and parking for a total cost of 234M ● Total cost of the project is at 537M ● If BCHD owns 100% <ul style="list-style-type: none"> ○ Timing: 15 years ○ Debt-millions: 175M ○ Equity – millions: 51M ○ Gap- capital contributions: 311M ○ Tradeoffs: financially infeasibly ● If BCHD owns 50% <ul style="list-style-type: none"> ○ Timing: 5-15 years ○ Debt-millions: 77M ○ Equity – millions: 30M 	

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	<ul style="list-style-type: none"> ○ Gap- capital contributions: 161M ○ Tradeoffs: financially feasible ● How to close Capital Contribution Gap? <ul style="list-style-type: none"> ○ Equity ○ Debt Financing ○ P3 ○ New revenue sources ○ Optimize BCHD Ownership % ○ Assess land and BCHD Value ○ Explore new funding sources ○ Reduce project scope ○ Consider 510 lease buy-out ● Healthy Living Campus Benefits <ul style="list-style-type: none"> ○ Enhanced RCFE options ○ Community Wellness Pavilion ○ Reduced traffic impacts ○ 5.8 acres of green space ○ Medical Exercise Facility ○ Warm Water pool therapy ○ New child development center ○ Bike & Pedestrian paths ○ Medical offices and pharmacy ○ 40+ BCHD Programs ○ Expanded services like research and development, mental health & happiness, Care management and Older adult day care ● In summary, Master plan estimated at 537M, finding independently is infeasible, immediate action is critical, continue partnership development, close capital contribution gap to maximize ownership, expert assistance needed to continue analysis and entitlements essential to complete financial analysis ● Initial recommendations: <ul style="list-style-type: none"> ○ Additional Finance committee meetings in next 3 months ○ Move forward with EIR concurrently with partnership development, finance committee & community review ● Community Working Group Feedback <ul style="list-style-type: none"> ○ Affordable residential care vs funding preventive health services ○ Potential partners must adhere to BCHD Mission & Vision 	

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<p>III. Public Input regarding Healthy Living Campus</p>	<p>Ms. Poster asked if any member of the public would like to address the board.</p> <p>Mr. Bob Pinzler stepped up to the podium. He stated that BCHD has morphed into new versions of itself. Now you are planning to become something else that is already occupied by the public sector. If you want to offer the world a new model of senior living, fill role by serving the public for those of moderate means and make a necessary statement. You are not a profit making entity. It is in the best interest to not duplicate the ongoing market. Still think you should sell the property to turn into a park.</p> <p>Mr. Geoff Gilbert stepped up to the podium. The more meeting attending the more it comes out that this is more a commercial institution rather than the way it was originally proposed. Does not mind that BCHD wants to get into the commercial aspects of providing healthcare at the highest possible cost, but wish they would come out in the first place and say BCHD wants to provide this now and do not have enough income from our tax base to do it therefore we are now going to get into the business of providing elder healthcare. While applaud the efforts, wishes BCHD was more transparent about getting into the RCFE.</p> <p>Mr. Craig Cadwallader stepped up to the podium. He stated that we have a good idea of what it will take to finance this project. A partnership deal will be required. Is concerned about losing focus of BCHD Mission & Vision. Thinks affordability issues need to be kept in mind and keep a focus on mission and unique benefit of the organization.</p> <p>Mr. Wayne Craig stated that he was born in the Beach Cities. It seems that the public has perception of BCHD getting into the profit business. Thinks that it makes sense to do some re-imagining and thinks the public won't be happy with this. Public outreach will be important and doesn't think this will get positive feedback.</p>	

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	<p>Mr. Dency Nelson stated that he is a big fan of this project. Residential units would be affordable to folks and community would have to recognize the trade-offs if indeed the cost is higher than what would be a more affordable cost. If we are going to go in that direction they need to be affordable. The EIR can move forward and pursue partnerships. Lots of alternatives ad lots of paths but we should not be putting up road blocks. No one really is doing this yet.</p> <p>Mr. George Schmeltzer stated that he thinks BCHD is finding ways through the P3 to find programs that otherwise would not be funded. Elderly housing today is boring with parking lots in the middle with narrow halls and no place to walk. This would set an example for a private sector to get up to speed for what's necessary for older citizens and be a model. This can be a great catalyst for what can be done.</p>	
<p>IV. Board Discussion regarding Financial Strategy on Healthy Living Campus</p>	<p>Mr. Chatterji stated that he wondered about a year ago about how much this would cost. Was excited to see the amount of work that has been done with getting the financials. To have analysis of if we do nothing is a great undertaking and to know that we will not survive. Fantastic to have this level of detail put up on the slides. Sees ourselves as a public health agency. Our business is not to solve housing crisis but how to promote health and this project is a great way to promote a healthy beach community. Concerns is what are the options to reduce the scope? Like to know from debt equity ratio what is the timeline of the payback with this project if we build it.</p> <p>Dr. Chun stated that this was extremely comprehensive and thank staff for putting all the work and gathering all the data. Sees 514 campus as having multiple functions. We have to grow our services in the future. Over course of time the demand for services we provide will be increased and it's important that we become a model for a center of excellence. We are in a unique position here to do that.</p> <p>Ms. Diel stated she wants to thank staff for the presentation for thorough info the board received. Extremely helpful that the info was</p>	

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	<p>clear. Concern that people have in doing assisted living, used to make money and caught eye was the Adult Day Care. Can we do it without the money? No because it's a major undertaking. Love options of making more money to do things like this.</p> <p>Dr. Bholat thanks staff for the presentation. Couple of things like to see is understand the population a little bit more. Who will be the people in the Beach Cities that will participate in this building and who are the individuals and what their incomes are. Income is fixed and not a supporter of all profit. Assisted living is like 400 sq. ft. for the room and pushing a button when something happens is not assisted living. What we are doing now is minimal and we need to think about what our future looks like. We must think about the quality and as a community wants us to understand the patients being 65 years and older and what their incomes are and it's crucial, but is all in for this innovation we are currently doing.</p> <p>Ms. Poster stated she wanted to thank staff and community for the year long process in continuing the conversation. Wants to add analysis of debt and equity ratio and timeline for paying back. Options to see reducing scope. How does this impact starting the EIR? Revisiting market analysis and looking at need and looking at the people and what we can find out about their resources, income and assets. Continued commitment in using our resources to maximize the health and wellness of the community. We have lots of partnerships we have implemented so we can continue the amazing programs and we have a committeemen of that. If we are looking at possible partnerships it's important that our partners align with our mission. Would like to get a better sense of what is available in terms of philanthropy.</p>	
<p>V. Adjournment</p>	<p>Ms. Poster moved to adjourn the meeting.</p>	<p>There being no further business, Ms. Poster Moved to adjourn the meeting. Meeting adjourned at 6:35p.m.</p>