



**Minutes of the Open Session of the
Joint Meeting of the Finance Committee
El Camino Hospital Board of Directors
Monday, July 27, 2020**

Pursuant to State of California Executive Order N-29-20 dated March 18, 2020, El Camino Health did not provide a physical location for this meeting. Instead, the public was invited to join the open session meeting via teleconference.

Members Present

Hospital Board Members:

Lanhee Chen, Chair**

Peter C. Fung, MD**

Gary Kalbach**

Julie Kliger, MPA, BSN**

Julia E. Miller, Secretary/Treasurer**

Jack Po, MD, PhD**

Bob Rebitzer**

George O. Ting, MD**

Don Watters**

John Zoglin, Vice Chair**

Finance Committee Members:

Joseph Chow**

Boyd Faust**

Richard Juelis**

Board Members Absent

None

**via teleconference

Members Excused

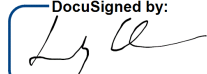
None

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	<p>The open session meeting of the Joint Meeting of the Finance Committee and the Board of Directors of El Camino Hospital (the “Board”) was called to order at 5:30pm by Chair Chen. A verbal roll call was taken. Chair Chen reviewed the logistics for the meeting. Director Fung and Mr. Faust joined the meeting at 5:31pm. All Board and Committee members were present and participated via teleconference and videoconference pursuant to Santa Clara County’s shelter in place order. A quorum was present pursuant to State of California Executive Orders N-25-20 dated March 12, 2020 and N-29-20 dated March 18, 2020.</p>	
2. POTENTIAL CONFLICTS OF INTEREST DISCLOSURES	<p>Chair Chen asked if any Board members may have a conflict of interest with any of the items on the agenda. No conflicts were noted.</p>	
3. PUBLIC COMMUNICATION	<p>Members of the public, including representatives from SEIU – United Healthcare Workers West, expressed concerns about the financial impact of the pandemic on frontline staff, including flexed staffing schedules, stresses on the job, and difficulties in navigating and having sufficient benefits.</p> <p>Employees from the Labor & Delivery Department in Los Gatos expressed concerns about the restructure in the current model of care and schedules in the department, including the change from 12 to eight-hour shifts, the lack of employee and provider input, and the consolidation with post-partum space and services.</p> <p>Kevin Baptiste, member of the SEIU-UHW Executive Board, expressed concerns about the lack of communication from leadership to floor staff about how best to keep employees safe. He also urged management to invest in employee health and safety, including hazard pay for frontline workers.</p>	
4. REVIEW AND	<p>Chair Chen explained that there will be a motion on this item in the Special</p>	


<p>DISCUSS UPDATE ON PREVIOUSLY APPROVED SWAP TRANSACTION</p>	<p>Hospital Board meeting immediately following the joint session.</p> <p>Michael Moody, Interim CFO, introduced Chuck Kirkpatrick and Jennifer Brown from Ponder & Co and explained that the presentation will cover risks and mitigation tactics.</p> <p>Mr. Kirkpatrick reviewed the mechanics of an interest rate swap: a contract to exchange cash flows between two different counterparties.</p> <p>He then outlined the type of transaction that ECH is considering, a fixed payer swap, where the buyer (ECH) pays a fixed rate, receives a variable rate that offsets variable interest costs on bonds, and is used in conjunction with variable rate bonds to affect synthetic fixed debt. Mr. Kirkpatrick noted that ECH is considering an Interest Rate Swap because of very low current interest rates (0.81%) and the ability to lock in low, long-term rates in anticipation of future refunding. The traditional tax-exempt market does not have an efficient way to lock in rates for a future bond issue; instead, organizations can enter into a forward-starting fixed rate payer swap. ECH has bonds that are callable February 1, 2025 and those cash flows would become effective when the bonds are called.</p> <p>Mr. Kirkpatrick explained that current costs would be SIFMA, a weekly tax-exempt index for floating rate bonds (about 0.11%), plus a 0.60% (a credit facility cost); the current cost of capital (total synthetic fixed rate) would be 1.6%. Mr. Kirkpatrick provided an overview of the main risks with this type of transaction as further detailed in the materials: issuance, renewal, basis, MTM (mark to market), negative rate, collateral posting (which includes credit rating maintenance requirements), and counterparty.</p> <p>Mr. Kirkpatrick explained that the 1.6% cost of capital includes transaction costs and the net present value bond savings would be \$1.4 million. He, Mr. Moody, and Ms. Brown further described 1) the potential lost opportunity cost to issue bonds at a lower interest rate, 2) how there are no bonds that can be refunded today to take advantage of low interest rates, and 3) how tax law changed in 2017 to prohibit advanced refunding.</p> <p>Mr. Moody reported that the proposed transaction would apply to one third of the outstanding par amount on the 2015 bonds (\$40 million) as a way to mitigate risk. In response to Director Ting’s question, Mr. Moody noted that this amount was determined based on risk appetite.</p> <p>In response to Board and Committee member questions, Mr. Kirkpatrick noted that 1) this transaction would be saving money on the debt side of the balance sheet, 2) several other Ponder & Co. clients are reviewing these kinds of transactions, and 3) ECH executed a Swap like this in 2007, which was did not turn out favorable as the transaction occurred before the 2007-08 financial crisis. Mr. Kirkpatrick commented that it is worth considering if the enterprise can make money from operations if the cost of capital is 1.6% on this relatively small portion of the structure.</p>	
<p>5. ADJOURN TO CLOSED SESSION</p>	<p>Motion: To adjourn to closed session at 6:25pm pursuant to <i>Health and Safety Code Section 32106(b)</i> for a report and discussion involving health care facility trade secrets: FY21 Initial Forecast & FY21 Budget – New Services and Programs.</p> <p>Movant: Kalbach Second: Po Ayes: Chen, Chow, Faust, Fung, Juelis, Kalbach, Kliger, Miller, Po, Rebitzer, Ting, Watters, Zoglin Noes: None Abstentions: None</p>	<p>Adjourned to closed session at 6:25pm</p>

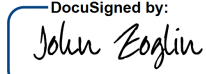
	Absent: None Recused: None	
6. AGENDA ITEM 9: RECONVENE OPEN SESSION/ REPORT OUT	Open session was reconvened at 7:52pm by Chair Chen. Agenda Items 6-8 were addressed in closed session. No actions were taken during the closed session.	
7. AGENDA ITEM 10: FY21 INITIAL FORECAST AND FY21 BUDGET	There was no discussion on this item.	
8. AGENDA ITEM 11: ADJOURNMENT	Motion: To adjourn at 7:53pm. Movant: Kalbach Second: Watters Ayes: Chen, Chow, Faust, Fung, Juelis, Kalbach, Kliger, Miller, Po, Rebitzer, Ting, Watters, Zoglin Noes: None Abstentions: None Absent: None Recused: None	<i>Meeting adjourned at 7:53pm</i>

Attest as to the approval of the foregoing minutes by the Finance Committee and the Board of Directors of El Camino Hospital:

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Lanhee Chen
 Chair, ECH Board of Directors


 Julia E. Miller
 Secretary, ECH Board of Directors

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 John Zoglin
 Chair, ECH Finance Committee

Prepared by: Cindy Murphy, Director of Governance Services
 Sarah Rosenberg, Contracts Administrator/Governance Services EA