

CITIZENS BOND
OVERSIGHT COMMITTEE

ANNUAL REPORT

April 15, 2010

BACKGROUND

On November 3, 2008, the voters in the Sonoma Valley Healthcare District approved the issuance and sale of \$35 million in general obligation bonds to pay for improvements to Sonoma Valley Hospital. In order to ensure that bond proceeds were spent in accordance with purposes described in the bond measure, a Citizens Bond Oversight Committee was appointed. The Committee was specifically called for in the Bond Measure and was appointed by the Board of Directors of the District in January of 2009.

MEMBERS OF THE COMMITTEE

Initial Committee members were Kevin Carruth, Dennis Ciocca, Pamela Gibson, Frank Mazzone, and Mary Smith. Three alternates were also appointed: Michael Gretz, Robert Hackman, and David Oster. Because of unforeseen obligations, some of the members have resigned. Today's committee members are as follows:

Pamela Gibson was elected chairman. During her 30-year career in local government she served as City Manager of Sonoma, La Palma, and San Juan Capistrano, and is currently a consultant to public agencies in the area of economic development, redevelopment, and historic preservation. She has a bachelor's degree in history from the University of California, Riverside, and a master's degree in Public Administration from Cal State Long Beach. She has provided oversight for the expenditure of bonds in several municipalities. She has served as a member of the steering committee for two successful parcel tax campaigns and the 2008 bond campaign. Previous service included stints on the Strategic Planning Committee. She currently serves as President of the Sonoma Community Center.

Kevin Carruth, vice chairman, has worked 35 years in state and county government retiring in 2005 as the Undersecretary of the California Department of Corrections and Rehabilitation. During his career he managed the State's \$4.5 billion bond-funded prison construction program which included a new hospital, a skilled nursing facility, and the renovation and licensing of two existing acute care hospitals. For Santa Clara County he oversaw the construction of San Jose's largest and most sophisticated hospital, Valley Medical Center. During the last three years he has been a consultant to the State and private construction management companies regarding \$7+ billion in bond-funded public works programs. He has a BA in Anthropology and attended graduate school in Criminal Justice Administration at San Diego State University.

Dennis G. Ciocca is Managing Director and Manager of the Public Finance Department of Sutter Securities. He joined the firm in 1995. In 1998 he was elected to become a shareholder in Sutter Securities and a member of the firm's Executive Committee. He has spent his 44-year career in public finance providing financial services to public agencies in the Western United States. During his fourteen years at Sutter, his public financing activities have been directed to economic development/public-private partnership issues. He has been involved in two successful military base closure/redevelopment issues. Between 2001 and 2007 he raised more than \$50 million for the Port of Stockton for the renovation of maritime infrastructure at Rough and

Ready Island, a former U.S. Navy Base. In 2006 he completed a three phase Tax Increment—Mello Roos Bond series for the Hawthorne Redevelopment Agency that funded the public financing elements of constructing a new Los Angeles Air Force Base, the national headquarters of the Air Force Space and Missile Systems Division. He is a guest lecturer at several universities.

Mary Smith spent twenty-seven years with the County of Sonoma, six years in the Assessor’s Office and twenty-one years in the Auditor-Controller’s Office. During her service with the Auditor-Controller, she worked in accounting on the countywide cost accounting plan that developed the basis for fees for services used by the county. During the rest of her seventeen years of service she was an Internal Auditor conducting financial and compliance audits of local districts, county departments and federal and state grant contracts. She served as chief financial officer on the Board of Directors of Burbank Housing Development Corporation for eight years. During that time Burbank developed over 1,000 low income rentals as well as many sweat equity, first-time home buyer projects, four of which are in Sonoma Valley. She is involved as a volunteer for many community agencies including the Sonoma Valley Hospital Auxiliary where she serves as President until June of 2010.

David Oster is an attorney. He and a partner operated their own firm from 1972 to 1977. He then became Assistant General Counsel for the Redevelopment Agency of the City and County of San Francisco from 1977 to 1989. From 1989 to 2004 he was a Partner in the law firm of Jones Hall, a firm practicing exclusively in the area of public finance. He received his BA from Santa Clara University, spending one year abroad at the University of Vienna in Austria. He received his law degree from Boalt Hall School of Law, University of California, Berkeley, in 1972. His civic involvements include serving on the San Francisco Mayor’s Fiscal Advisory Committee in 1988-89 and the Pleasant Hill Bart Station Redevelopment Project Area Committee in 1987-88. He has also worked with Boy Scouts of America at the local level, has served on the Sonoma County Civil Grand Jury, and is the Treasurer of the Valley of the Moon Vintage Festival.

DUTIES OF THE CITIZENS BOND OVERSIGHT COMMITTEE

The duties of the Committee are defined in the Citizen’s Bond Oversight Committee Bylaws adopted January 15, 2009, by the Board of Directors. A copy of the complete document is appended as Attachment A.

Briefly, the duties of the committee include the following:

- To inform the public concerning the District’s expenditures.
- To review expenditure reports, project management reports, and project budgets produced by the Healthcare District to ensure that bond proceeds are expended only for the purposes set forth in the Bond Measure and to see that no bond proceeds are used for administrative salaries or other operating expenses.
- To produce an annual report which shall be presented to the Board in a public session which includes a statement indicating whether or not the District is in compliance

with the objectives of the Bond Measure and a summary of the Committee's proceedings and activities for the preceding year.

In order to carry out these activities the Committee is authorized to do the following: receive and review copies of the District's annual independent financial audit; inspect facilities and grounds for which bond proceeds have been or will be expended; review copies of deferred maintenance proposals or plans; review efforts by the District to maximize bond proceeds by implementing cost saving measures; and, review copies of project management plans, budgets and expenditures.

There are also rules about membership, ethics, terms of service, and authority in addition to a list of ways in which the District shall provide technical support to the Committee.

ACTIVITIES OF THE COMMITTEE

The Committee held its first meeting on February 19, 2009, at Sonoma Valley Hospital. All subsequent meetings were held in that location. Meetings were also held on April 16, July 23, and October 15 of 2009 with one meeting held on January 21, 2010. The Committee voted to hold quarterly meetings on the third Thursday of January, April, July, and October hereafter. For the purposes of the Committee's annual report, the year to be reported shall be the twelve months from April through March of any given year. The Bylaws state that the annual reorganization meeting shall be done in the month of April, hence the selection of that month as the first month of the Committee's year.

Actions taken at the organizational meeting include the following:

- Elected Pamela Gibson Chairman and Kevin Carruth Vice Chairman.
- Explained the Ralph M. Brown Act and Conflict of Interest forms.
- Reviewed the Bylaws.
- Heard a report from Carl Gerlach, CEO, regarding the steps to be taken once bond proceeds become available and the time expenditures were expected to begin.

Actions taken at the meeting of April 16, 2009:

- Met David Hill, new Chief Operations Officer; met Steve Smith of Jtec HCM, the new project manager for the hospital upgrade.
- Reviewed expenditures to date and learned how to read and interpret the spreadsheet which will be used to identify sources and uses of funds by specific category outlined in the bond measure as appropriate.
- Reviewed criteria for using bond funds with Brian Quint, hospital bond counsel.
- Approved Committee Procedures drafted by member Mary Smith. A copy is attached and is labeled as Attachment B.

Actions taken at the meeting of July 23, 2009:

- Heard Chief Financial Officer Jim McSweeney explain how the financial statements he was to provide to the Committee would tie into the annual report of the hospital at the end of the fiscal year. He also said he would make available all copies of invoices and expenditures to date to anyone wishing to review them.
- Heard Carl Gerlach, Chief Executive Officer, give a brief explanation of where the COO and project management team is on completing the Master Plan for Construction.
- Met the new Chief Financial Officer, Tim Noakes, who replaced retiring CFO McSweeney.
- Heard a status report on the Master Plan given by Board Member Peter Hohorst, who went through a presentation prepared by Carl Gerlach.
- Reviewed expenditures to date presented by Tim Noakes, CFO. Because expenditures are reviewed after they have already taken place, the Committee has been reviewing them only, and not taking an action. At this meeting it was decided to approve the expenditures to date as “appropriate.”

Actions taken at the meeting of January 21, 2010:

- Reviewed expenditures made since last meeting.
- Heard an update on the process being used to select a general contractor for the hospital improvements.
- Commented on proposed content of annual report.

FINANCIAL REVIEW

In the bond documents there are several clearly defined expenditure categories. These categories appear in each of the Financial Reports presented to the Committee and expenditures are allocated to the appropriate category by the CFO. The expenditures are cumulative and will increase in respective categories until all bond money is spent. The Report which lists all bond money spent through March 31, 2010, is attached for review as Attachment C, as are all of the reports provided to the Committee.

The categories and amounts allocated from the bonds are as follows: Master Plan – \$600,000; Central Utility Plant – \$20,400,000; HVAC Upgrades – \$2,300,000; West Wing Seismic Upgrades – \$2,000,000; Electrical Panels – \$700,000; Information Technology – \$1,000,000; Major Medical Equipment – \$4,000,000; Retire Revenue Bonds – \$4,000,000. Total is \$35,000,000.

While the Committee is not charged with approving expenditures, it does take its job seriously in reviewing the money spent. Occasionally something appears not to fit a specific category, but if it is needed to facilitate the hospital improvements listed above, and does not fall into the category of administrative salaries, it has been deemed as appropriate by the Committee. One such expenditure was the rental of the Carinalli property which is needed for replacement parking and the staging of construction materials and equipment. It was rented early because it had to be locked down sooner than was technically needed for the purpose stated above. A memo

entitled Criteria for Using General Obligation Bond Funds spells out how criteria are applied to expenditures and is listed as Attachment D.

Another expenditure the Committee reviewed was the \$4 million retirement of existing revenue bonds. While this was clearly spelled out in the ballot measure, there was discussion about why it was done and an opinion expressed by one Committee member that there might be confusion on the part of the public. The Committee confirmed that this was an appropriate expenditure because the terms of the existing bonds would have unduly restricted the completion of the project.

In addition to the review taking place at each meeting, one member of the Committee, Mary Smith, who has an auditing background, volunteered to apply standard auditing practices to a few of the expenditures as a test, to satisfy herself and the Committee that financial reports are in order. The results of her test are appended as Attachment E.

To date, all expenditures of bond funds as of March 31, 2010, have been deemed appropriate by the Committee.

CONCLUSION

The Committee's activities and actions have been in accordance with the Bylaws adopted by the Board of Directors. Financial reviews have taken place at each of the Committee's meetings. The Committee has been apprised of the plans for the hospital as they relate to expenditure of bond funds, and all expenditures have been found to be in order.

Attachment A

CBOC BYLAWS

**CITIZENS' BOND OVERSIGHT COMMITTEE
PROPOSED BYLAWS
1/15/09**

Section 1. **Committee Established.** The Sonoma Valley Health Care District (“the District”) was successful at the election conducted on November 4, 2008 (the “Election”), in obtaining authorization from the District’s voters to issue up to \$35,000,000 aggregate principal amount of the District’s general obligation bonds (the “bond measure”). Pursuant to the terms of the Bond Measure, the District is now obligated to establish the Committee in order to satisfy the accountability requirements of the Bond Measure. The Board of Directors of the Sonoma Valley Health Care District Board (the “Board”) hereby establishes the Citizens’ Bond Oversight Committee (the “Committee”) which shall have the duties and rights set forth in these Bylaws. The Committee does not have independent legal capacity from the District.

Section 2. **Purposes.** The purposes of the Committee are to ensure that bond funds are expended only for the purposes described in the bond measure and in a fiscally responsible manner. The Committee shall be deemed to be subject to the *Ralph M. Brown Public Meetings Act* of the State of California and shall conduct its meetings in accordance with the provisions thereof. The District shall provide necessary administrative support to the Committee as shall be consistent with the Committee’s purposes.

The proceeds of the general obligation bonds issued pursuant to the Election are hereinafter referred to as “bond proceeds.” The Committee shall confine itself specifically to bond proceeds generated under the Bond Measure. Regular and deferred maintenance projects and all monies generated under other sources shall fall outside the scope of the Committee’s review.

Section 3. **Duties.** To carry out its stated purposes, the Committee shall perform the duties set forth in Sections 3.1, 3.2, and 3.3 below and shall refrain from those activities set forth in Sections 3.4 and 3.5 below:

- 3.1 **Inform the Public.** The Committee shall inform the public concerning the District’s expenditure of bond proceeds.
- 3.2 **Review Expenditures.** The Committee shall review expenditure reports, project management reports, and project budgets produced by the District to ensure that (a) bond proceeds are expended only for the purposes set forth in the Bond Measure; (b) no bond proceeds are used for any administrative salaries or other operating expenses.
- 3.3 **Annual Report.** The Committee shall present to the Board, in public session, an annual written report which shall include the following:
 - (a) A statement indicating whether or not the District is in compliance with the objectives of the Bond Measure.
 - (b) A summary of the Committee’s proceedings and activities for the preceding year.

3.4 Duties of the Board/President & CEO. Either the Board or the President & CEO as the Board shall determine, shall have the following powers reserved to it, and the Committee shall have no jurisdiction over the following types of activities:

- (i) Approval of construction contracts,
- (ii) Approval of construction change orders,
- (iii) Appropriation of construction funds,
- (iv) Handling of all legal matters,
- (v) Approval of construction plans and schedules, and
- (vi) Approval of the sale of bonds.

3.5 Voter-Approved Projects Only. In recognition of the fact that the Committee is charged with overseeing the expenditure of bond proceeds, the Board has not charged the Committee with responsibility for:

- (a) Projects financed through the other funding sources.
- (b) The establishment of priorities and order of construction for the bond projects shall be made by the President & CEO in his sole discretion.
- (c) The selection of architects, engineers, soils engineers, construction managers, project managers, California Environmental Quality Act consultants and such other professional service firms as are required to complete the project based on District criteria established by the Board in its sole discretion.
- (d) The approval of the design for each project including exterior materials, paint color, interior finishes, site plan and construction methods (modular vs. permanent) by the Board in its sole discretion and shall report to the Committee on any cost saving techniques considered or adopted by the Board.
- (e) The selection of independent audit firm(s), performance audit consultants and such other consultants as are necessary to support the activities of the Committee.
- (f) The approval of an annual budget for the Committee that is sufficient to carry out the activities included herein.
- (g) The adoption of a plan for publicizing the activities of the Committee and the determination as to whether a mailer, a newspaper notice or website materials would best suit the distribution of the Committee's findings and recommendations.
- (h) The amendment or modification of the Bylaws for the Committee as provided herein.
- (i) The appointment or reappointment of qualified applicants to serve on the Committee, subject to legal limitations, and based on criteria adopted in the Board's sole discretion.

Section 4. Authorized Activities.

4.1 In order to perform the duties set forth in Section 3.0, the Committee may engage in the following authorized activities:

- (a) Receive and review copies of the District’s annual independent financial audit.
- (b) Inspect facilities and grounds for which bond proceeds have been or will be expended, in accordance with any access procedure established by the District’s President & CEO, or his/her designee.
- (c) Review copies of deferred maintenance proposal or plans developed by the District.
- (d) Review efforts by the District to maximize bond proceeds by implementing various cost-saving measures.
- (e) Review copies of project management plans and budgets and expenditure reports.

Section 5. **Membership.**

5.1 Number.

The committee shall consist of five (5) active and three (3) alternate members appointed by the Board of Directors from a list of candidates submitting written applications, and based on the following criteria:

- Residence in the District.
- Cannot be an employee, District official or any vendor of the District.
- Demonstrated interest in supporting community enterprises in Sonoma Valley.
- Demonstrated trustworthiness.
- Experience with overseeing the expenditure of funds for major capital projects similar to those being undertaken by SVH.
- Financial expertise—accounting, financing, project budgeting and cost accounting.

5.2 Ethics: Conflicts of Interest. By accepting appointment to the Committee, each member agrees to comply with Articles 4 (commencing with Section 1090 and 4.7 (commencing with Section 1125) of Division 4 of Title 1 of the Government Code and the Political Reform Act (Gov. Code §§ 81000 *et seq.*). Additionally, each member shall comply with the Committee Ethics Policy attached as “Attachment A” to these Bylaws.

5.3 Term. Except as otherwise provided herein, each member shall serve a term wherein (a) all bond proceeds are spent, or (b) all projects funded by bond proceeds are completed.

5.4 Appointment. Members of the Committee shall be appointed by the Board of Directors through the following process: (a) advertise for applications in local newspapers; (b) interview qualified candidates; (c) or by another process that the Board of Directors may establish.

- 5.5 Removal/Vacancy. The Board may remove any Committee member for any reason including failure to attend two consecutive meetings without reasonable excuse or for failure to comply with the Committee Ethics Policy. Upon a member's removal, his or her seat shall be declared vacant. The Board, in accordance with the established appointment process shall fill any vacancies on the Committee.
- 5.6 Compensation. The Committee members shall not be compensated for their services.
- 5.7 Authority of Members. (a) Committee members shall not have the authority to direct staff of the District unless a majority of the members of the District Board have voted express authority to do so. (b) Individual members of the Committee retain the right to address the Board, either on behalf of the Committee or as an individual.

Section 6. **Meetings of the Committee.**

- 6.1 Regular Meetings. The Committee is required to meet at least once a year including an annual organizational meeting to be held in April.
- 6.2 Location. All meetings shall be held within the Sonoma Valley Health Care District, located in Sonoma County, California.
- 6.3 Procedures. All meetings shall be open to the public in accordance with the *Ralph M. Brown Act*, Government Code Section 54950 *et seq.* Meetings shall be conducted according to such additional procedural rules as the Committee may adopt. A majority of the number of Committee members shall constitute a quorum for the transaction of any business except adjournment.

Section 7. **District Support.**

- 7.1 The District shall provide to the Committee necessary technical and administrative assistance as follows:
- (a) preparation of and posting of public notices as required by the Brown Act, ensuring that all notices to the public are provided in the same manner as notices regarding meetings of the District Board;
 - (b) provision of a meeting room, including any necessary audio/visual equipment;
 - (c) preparation and copies of any documentary meeting materials, such as agendas and reports; and
 - (d) retention of all Committee records, and providing public access to such records on an internet website maintained by the District.
- 7.2 District staff and/or District consultants shall attend all Committee proceedings in order to report on the status of projects and the expenditures of bond proceeds.
- 7.3 No bond proceeds shall be used to provide District support to the Committee.

Section 8. **Reports.** In addition to the Annual Report required in Section 3.2, the Committee may report to the Board at least semiannually in order to advise the Board on

the activities of the Committee. Such report shall be in writing and shall summarize the proceedings and activities conducted by the Committee.

Section 9. **Officers.** The Chairman of the SVHCD Board of Directors shall select a ProTem Chair. Thereafter, the Committee shall elect a Chair and a Vice Chair. The Vice Chair shall act as chair only when the chair is absent. Either position may be for a term of one year or two years.

Section 10. **Amendment of Bylaws.** Any amendment to these Bylaws shall be approved by a two-thirds vote of the entire Board.

Section 11. **Termination.** The Committee shall terminate and disband after (a) all bond proceeds are spent, or (b) all projects funded by bond proceeds are completed, and after it has completed its final report to the Board.

**CITIZENS' BOND OVERSIGHT COMMITTEE
ETHICS POLICY STATEMENT**

This Ethics Policy Statement provides general guidelines for Committee members to following carrying out their roles. Not all ethical issues that Committee members face are covered in this Statement. However, this Statement captures some of the critical areas that help define ethical and professional conduct for Committee members. The provisions of this Statement were developed from existing laws, rules, policies and procedures as well as from concepts that define generally accepted good business practices. Committee members are expected to strictly adhere to the provisions of this Ethics Policy.

POLICY

CONFLICT OF INTEREST. A Committee member shall not make or influence a District decision related to: (1) any contract funded by bond proceeds or (2) any construction project which will benefit the committee member's outside employment, business, or a personal finance or benefit an immediate family member, such as a spouse, child or parent.

OUTSIDE EMPLOYMENT. A Committee member shall not use his or her authority over a particular matter to negotiate future employment with any person or organization that relates to: (1) any contract funded by bond proceeds, or (2) any construction project. A Committee member shall not make or influence a District decision related to any construction project involving the interest of a person with whom the member has an agreement concerning current or future employment, or remuneration of any kind. For a period of two (2) years after leaving the Committee, a former Committee member may not represent any person or organization for compensation in connection with any matter pending before the District that, as a Committee member, he or she participated in personally and substantially. Specifically, for a period of two (2) years after leaving the Committee, a former Committee member and the companies and businesses for which the member works shall be prohibited from contracting with the District with respect to: (1) bidding on projects funded by the bond proceeds; and (2) any construction project.

COMMITMENT TO UPHOLD LAW. A Committee member shall uphold the federal and California Constitutions, the laws and regulations of the United States and the State of California (particularly the Education Code) and all other applicable government entities, and the policies, procedures, rules and regulations of the Citrus Community College District;

COMMITMENT TO DISTRICT. A Committee member shall place the interests of the District above any personal or business interest of the member.

Attachment B

CBOC REVIEW PROCEDURES

CITIZENS' BOND OVERSIGHT COMMITTEE
REVIEW PROCEDURES
4/16/09

PURPOSE: Provide guidelines that assure bond funds are expended for the purposes described in the approved Bond Measure P in a fiscally responsible manner.

PRIMARY OBJECTIVES: To familiarize Committee Members with Bond Provisions Hospital Renewal Program and Hospital Expenditures. To provide a mechanism for Committee Members to use in completing their oversight responsibilities.

To become familiar, through review of management documentation and discussion with them, with the criteria that govern the appropriate use of bond funds. Consider meeting with bond counsel to review the criteria.

The responsibility for authorizing contracts in accordance with the approved bond uses rests with the criteria that govern the appropriate use of bond funds. Consider meeting with bond counsel to review the criteria.

AUTHORIZED ACTIVITIES: The following activities are to ensure bond proceeds are expended only for the purposes set forth in the Bond Measure:

1. Receive and Review copies of the District's annual independent financial audit.
2. As determined by the CEO, review the facilities and grounds for which bond proceeds will be expended.
3. Review deferred maintenance plans developed by the District.
4. Review District cost-savings measures which maximize bond funds.
5. Review project plans, project budgets and project expenditures.

REVIEW PROCEDURES:

1. Review the initial bond documents.
2. Review the initial Project Budget.
3. Receive an initial orientation from Legal Counsel on appropriate uses of bond funds.
4. Receive periodic reports of project expenditures which identify how funds are expended and to which sub-accounts of the overall project these expenses are assigned.

REPORTING REQUIREMENTS:

1. Committee Members will meet semi-annually and as needed to review project information.
2. The Committee will report to the Hospital Board after every meeting.
3. Committee Members will provide an annual statement to the SVHCD Board of Directors that identifies levels of compliance or non-compliance by the hospital in expending bond funds.

Attachment C

QUARTERLY REPORT TO CBOC

CBOC Report -- July 23, 2009

Summary Information

	Budget	Balance - Last Report	Current Activity	Current Balance
Project Management - to Allocate Master Plan	1,300,000.00	3,329.65	55,476.85	58,806.50
Project Management Master Plan	600,000.00	1,370.00	370.00	370.00
Central Utility Plant				
Planning & Project Management	-		13,701.63	13,701.63
Equip & Construction	2,000,000.00		433.35	433.35
HVAC				
Planning & Project Management	-			-
Equip & Construction	500,000.00			-
West Wing				
Planning & Project Management	-			-
Equip & Construction	500,000.00			-
Central Core				
Planning & Project Management	-		3,520.00	3,520.00
Equip & Construction	-			-
East Wing				
Planning & Project Management	-		480.00	480.00
Equip & Construction	-			-
Electrical Panels	700,000.00			-
Major Medical Equipment	2,000,000.00		45,390.07	45,390.07
Information Technology				
Planning & Project Management	100,000.00		2,720.00	2,720.00
Equip & Construction	300,000.00			-
Retire Revenue Bonds	4,000,000.00	4,000,000.00		4,000,000.00
Issue Costs	152,068.93	152,068.93		152,068.93
August 1 2009 Interest	335,456.67	-		-
Unallocated	184,474.40	-		-
Total	12,672,000.00	4,156,768.58	122,091.90	4,278,860.48
Project Costs from Above	7,700,000.00	4,699.65	122,091.90	126,791.55
Net capitalized Interest	-	-	131,027.38	131,027.38
Total Project Cost	7,700,000.00	4,699.65	253,119.28	257,818.93

Current Activity

Month	Vendor	Amount
April	Hanson Bridgett	8,312.40
May	Jtec HCM	24,455.00
June	Hanson Bridgett	324.45
June	Jtec HCM	7,705.00
June	Jtec HCM	14,680.00
	Project Management - to Allocate	<u>55,476.85</u>
June	Jtec HCM	370.00
	Project Management - Master Plan	<u>370.00</u>
April	Fugro West, Inc	2,145.00
May	Fugro West, Inc	2,854.13
May	Jtec HCM	8,382.50
June	Jtec HCM	320.00
	Central Utility Plant - Planning & Project Management	<u>13,701.63</u>
June	Hanson Bridgett	433.35
	Central Utility Plant	<u>433.35</u>
June	Jtec HCM	3,520.00
	Project Management - Central Core	<u>3,520.00</u>
June	Jtec HCM	480.00
	Project Management - East Wing	<u>480.00</u>
June	Spacelabs	45,390.07
	Major Medical Equipment	<u>45,390.07</u>
June	Jtec HCM	2,720.00
	Project Management - IT	<u>2,720.00</u>
Grand Total		<u><u>122,091.90</u></u>

CBOC Report -- October 15, 2009 (Balances as of September 30, 2009)

Summary Information

	Budget	Balance - Last Report June 30 2009	Current Activity	Current Balance Sept 30 2009
Project Management & Planning - to Allocate	1,300,000.00	52,471.50	79,706.66	132,178.16
Carinalli Rental		-	14,583.34	14,583.34
Master Plan				
Project Management		8,075.00	22,040.00	30,115.00
Master Plan	600,000.00	-	345,578.20	345,578.20
Central Utility Plant				
Planning & Project Management	-	13,701.63	-	13,701.63
Equip & Construction	2,000,000.00	433.35	338.00	771.35
HVAC				
Planning & Project Management	-	-	-	-
Equip & Construction	500,000.00	-	-	-
West Wing				
Planning & Project Management	-	-	160.00	160.00
Equip & Construction	500,000.00	-	1,276.15	1,276.15
Central Core				
Planning & Project Management	-	3,520.00	6,900.00	10,420.00
Equip & Construction	-	-	1,230.00	1,230.00
East Wing				
Planning & Project Management	-	480.00	1,440.00	1,920.00
Equip & Construction	-	-	-	-
Electrical Panels	700,000.00	-	-	-
Major Medical Equipment	2,000,000.00	45,390.07	54,619.96	100,010.03
Information Technology				
Planning & Project Management	100,000.00	2,720.00	52,784.00	55,504.00
Equip & Construction	300,000.00	-	384,620.52	384,620.52
Retire Revenue Bonds	4,000,000.00	4,000,000.00	-	4,000,000.00
Issue Costs	152,068.93	152,068.93	-	152,068.93
August 1 2009 Interest	335,456.67	-	-	-
Unallocated	184,474.40	-	-	-
Total	12,672,000.00	4,278,860.48	965,276.83	5,244,137.31

Current Activity

Category	Vendor	Source of Funds		
		Operations	Go Bonds	Total
Prjct Mgmt & Plng - to Allocate	Hanson Bridgett	-	50,876.02	50,876.02
	First Congregational Church		325.00	325.00
	Jtec HCM		28,505.64	28,505.64
		-	79,706.66	79,706.66
Carinalli Rental	North Valley Bank	-	14,583.34	14,583.34
Prjct Mgmt - Master Plan	Jtec HCM	-	22,040.00	22,040.00
Master Plan	Ratcliff		316,020.04	316,020.04
	Cattaneo & Stroud		22,576.96	22,576.96
	Hanson Bridgett		556.20	556.20
	Kenwood Energy		4,568.75	4,568.75
	Magrane Assoc		1,856.25	1,856.25
		-	345,578.20	345,578.20
Central Utility Plant	Sonoma Index Tribune		338.00	338.00
Prjct Mgmt & Plng - West Wing	Jtec HCM	-	160.00	160.00
West Wing	Grainger	-	1,276.15	1,276.15
Plng & Prjct Mgmt - Central Core	Jtec HCM	-	6,900.00	6,900.00
Central Core	OSHPD	-	1,230.00	1,230.00
Plng & Prjct Mgmt - East Wing	Jtec HCM	-	1,440.00	1,440.00
Major Medical Equipment	Castino Restaurant Supply	-	5,030.51	5,030.51
	Stryker Instruments	-	49,589.45	49,589.45
		-	54,619.96	54,619.96
Plng & Prjct Mgmt - IT	Jtec HCM	-	9,970.00	9,970.00
	Teecom Design Group		42,814.00	42,814.00
		-	52,784.00	52,784.00
Equip & Construction - IT	CDW	-	344,540.86	344,540.86
	Hewlitt-Packard		40,079.66	40,079.66
		-	384,620.52	384,620.52
Grand Total		-	965,276.83	965,276.83

CBOC Report -- January 21, 2010

Summary Information

	Budget	Balance - Last	Current	Current
		Report	Activity	Balance
		Sept 30 2009		Dec 31, 2009
Project Management & Planning - to Allocate	1,300,000.00	132,178.16	10,152.29	142,330.45
Carinalli Rental		14,583.34	71,804.23	86,387.57
Master Plan				
Project Management		30,115.00	105,602.47	135,717.47
Master Plan	600,000.00	345,578.20	212,077.45	557,655.65
Central Utility Plant				
Planning & Project Management	-	13,701.63	153,534.33	167,235.96
Equip & Construction	2,000,000.00	771.35	-	771.35
HVAC				
Planning & Project Management	-	-	-	-
Equip & Construction	500,000.00	-	-	-
West Wing				
Planning & Project Management	-	160.00	-	160.00
Equip & Construction	500,000.00	1,276.15	-	1,276.15
Central Core				
Planning & Project Management	-	10,420.00	29,241.50	39,661.50
Equip & Construction	-	1,230.00	24,764.09	25,994.09
East Wing				
Planning & Project Management	-	1,920.00	-	1,920.00
Equip & Construction	-	-	-	-
Electrical Panels	700,000.00	-	-	-
Major Medical Equipment	2,000,000.00	100,010.03	521,327.40	621,337.43
Information Technology				
Planning & Project Management	100,000.00	55,504.00	38,213.15	93,717.15
Equip & Construction	300,000.00	384,620.52	-	384,620.52
Retire Revenue Bonds	4,000,000.00	4,000,000.00	-	4,000,000.00
Issue Costs	152,068.93	152,068.93	-	152,068.93
August 1 2009 Interest	335,456.67	-	-	-
Unallocated	184,474.40	-	-	-
Total	12,672,000.00	5,244,137.31	1,166,716.91	6,410,854.22

Current Activity

Category	Vendor	Source of Funds		
		Operations	Go Bonds	Total
Prjct Mgmt & Plng - to Allocate	Norman Gilroy	-	9,527.29	9,527.29
	Degenkolb	-	625.00	625.00
		-	10,152.29	10,152.29
Carinalli Rental	North Valley Bank	-	43,750.02	43,750.02
	Sonoma County Tax Collector	-	25,635.46	25,635.46
	Magrane Associates	-	2,418.75	2,418.75
		-	71,804.23	71,804.23
Prjct Mgmt - Master Plan	Jtec HCM	-	105,602.47	105,602.47
Master Plan	Hanson Bridgett		40,521.55	40,521.55
	Cattaneo && Stroud, Inc.		17,325.00	17,325.00
	Ratcliff		134,924.00	134,924.00
	Thornton Tomasetti		136.90	136.90
	The Design Partnership		12,410.00	12,410.00
	Brandon Sherrets		6,760.00	6,760.00
		-	212,077.45	212,077.45
Prjct Mgmt & Plng - CUP	Fugro West, Inc.	5,990.66	3,415.00	9,405.66
	Jtec HCM	-	88,470.00	88,470.00
	OSHPD	250.00	-	250.00
	John Roberto Associates	-	945.00	945.00
	Alfatech Cambridge	39,000.00	-	39,000.00
	Degenkolb	7,780.74	3,182.93	10,963.67
TBD Consultants	4,500.00	-	4,500.00	
		57,521.40	96,012.93	153,534.33
Plng & Prjct Mgmt - Central Core	Nacht & Lewis	-	29,241.50	29,241.50
Central Core-Equip & Const.	Abbey Carpet	-	5,569.18	5,569.18
	Fort Docs	-	14,216.60	14,216.60
	Sonoma Truck and Auto	-	66.79	66.79
	Stephen Kardum Painting	-	1,850.00	1,850.00
	Wollborg/Michelson	-	2,682.50	2,682.50
	Trax Industrial Products	-	379.02	379.02
		-	24,764.09	24,764.09
Major Medical Equipment	Spacelabs	-	272,197.40	272,197.40
	Johnson & Johnson	-	249,130.00	249,130.00
		-	521,327.40	521,327.40
Plng & Prjct Mgmt - IT	Teecom Design Group	-	35,663.15	35,663.15
	Portola Systems	-	2,550.00	2,550.00
		-	38,213.15	38,213.15
Grand Total		57,521.40	1,109,195.51	1,166,716.91

CBOC Report: Date Ending March 31, 2010

Summary Information

	Budget	Balance - Last Report Dec 31, 2009	Current Activity	Current Balance 03/31/2010
Project Management & Planning - to Allocate	1,300,000.00	142,330.45	4,084.18	146,414.63
Carinalli Rental		86,387.57	69,385.48	155,773.05
Master Plan				
Project Management		135,717.47	176,241.77	311,959.24
Master Plan	600,000.00	557,655.65	312,217.28	869,872.93
Central Utility Plant				
Planning & Project Management	-	167,235.96	92,377.30	259,613.26
Equip & Construction	2,000,000.00	771.35	7,117.30	7,888.65
HVAC				
Planning & Project Management	-	-	-	-
Equip & Construction	500,000.00	-	-	-
West Wing				
Planning & Project Management	-	160.00	-	160.00
Equip & Construction	500,000.00	1,276.15	6,000.00	7,276.15
Central Core				
Planning & Project Management	-	39,661.50	12,995.35	52,656.85
Equip & Construction	-	25,994.09	7,220.08	33,214.17
East Wing				
Planning & Project Management	-	1,920.00	-	1,920.00
Equip & Construction	-	-	-	-
Electrical Panels	700,000.00	-	45,720.09	45,720.09
Major Medical Equipment	2,000,000.00	621,337.43	9,285.68	630,623.11
Information Technology				
Planning & Project Management	100,000.00	93,717.15	68,989.81	162,706.96
Equip & Construction	300,000.00	384,620.52	8,273.37	392,893.89
Retire Revenue Bonds	4,000,000.00	4,000,000.00	-	4,000,000.00
Issue Costs	152,068.93	152,068.93	-	152,068.93
August 1 2009 Interest	335,456.67	-	-	-
Unallocated	184,474.40	-	-	-
Total	12,672,000.00	6,410,854.22	819,907.69	7,230,761.91

Current Activity

Category	Vendor	Source of Funds		
		Operations	Go Bonds	Total
	Norman Gilroy	-	4,084.18	4,084.18
Prjct Mgmt & Plng - to Allocate		-	4,084.18	4,084.18
	North Valley Bank	-	43,750.02	43,750.02
	Sonoma County Tax Collector	-	25,635.46	25,635.46
Carinalli Rental		-	69,385.48	69,385.48
Prjct Mgmt - Master Plan	Jtec HCM	-	176,241.77	176,241.77
	Hanson Bridgett	-	86,888.70	86,888.70
	Norman Gilroy	-	3,000.00	3,000.00
	Cattaneo && Stroud, Inc.	-	16,144.73	16,144.73
	Ratcliff	-	138,210.47	138,210.47
	Kenwood Energy	-	551.25	551.25
	John Roberto Associates	-	210.00	210.00
	Brandon Sherrets	-	39,880.00	39,880.00
	Schirmer Engineering Corp	-	7,917.73	7,917.73
	First American Title	-	500.00	500.00
	Guttman & Blaevoet	-	17,500.00	17,500.00
	McDonough Holland & Allen	-	1,414.40	1,414.40
Master Plan		-	312,217.28	312,217.28
	Jtec HCM	-	92,127.30	92,127.30
	OSHPD	-	250.00	250.00
Prjct Mgmt & Plng - CUP		-	92,377.30	92,377.30
Equipment & Construction - CUP	Consolidated Engineering Labs	-	7,117.30	7,117.30
Equip & Construction - West Wing	MTB	-	6,000.00	6,000.00
Plng & Prjct Mgmt - Central Core	Nacht & Lewis	-	12,995.35	12,995.35
	California Radiographics	-	1,675.00	1,675.00
	Safety Environmental	-	3,065.08	3,065.08
	Stephen Kardum Painting	-	2,480.00	2,480.00
Central Core-Equip & Const.		-	7,220.08	7,220.08
	Montgomery Corp	-	5,525.00	5,525.00
	Blakeslee	-	40,195.09	40,195.09
Electrical Panels		-	45,720.09	45,720.09
	Johnson & Johnson	-	5,482.86	5,482.86
	Blakeslee	-	802.82	802.82
	McKesson	-	3,000.00	3,000.00
Major Medical Equipment		-	9,285.68	9,285.68
	Teecom Design Group	-	9,094.30	9,094.30
	Portola Systems	-	4,590.00	4,590.00
	Blakeslee	-	43,305.51	43,305.51
	Metropolitan Electrical Const	-	12,000.00	12,000.00
Plng & Prjct Mgmt - IT		-	68,989.81	68,989.81
Equipment & Construction - IT	CDW	-	8,273.37	8,273.37
Grand Total		-	819,907.69	819,907.69

Attachment D

CRITERIA FOR USING GO BOND FUNDS



Sonoma Valley Hospital

SONOMA VALLEY HEALTH CARE DISTRICT

To: CBOC Members, Carl Gerlach, David Hill & Gina Moll

From: Jim McSweeney

Date: April 8, 2009

Subject: Criteria for Using General Obligation Bond Funds

Last week we sent a memorandum to Brian Quint, bond counsel, outlining our understanding of the criteria we must follow in using these funds. On April 6, David Hill, Gina Moll and I held a phone conference with Brian, during which he confirmed that the understanding we outlined was correct and answered several questions that we had. For you information I have documented the substance of the memo and our questions below.

In general, if the expenditure is necessary to accomplish the Project (as defined in the ballot measure), then we may spend bond funds on it. Looked at another way, any expenditure that we would not make absent the Project qualifies. This includes 'soft' costs such as fees for master planning, architectural work, project management and the like, as well as the 'hard' costs such equipment purchases and construction costs. All of these costs will either be directly for an asset with a useful life greater than one year or (as is the case with the 'soft' costs) necessary to acquire such an asset. Such eligible soft costs can include consulting and legal fees expended in formulating requests for proposals for qualifying soft costs such as the project management costs. From an accounting perspective, the majority of the 'soft' costs will be capitalized, allocated to the 'hard' asset or assets that required their expenditure and depreciated over the useful life of those assets. However, should our auditor determine that some portion of the required 'soft' costs cannot be capitalized, that will not disqualify them from being funded with bond proceeds.

There are also some specific requirements related to the equipment component of the Project that must be met as well. We cannot use bond proceeds for application software or for equipment that is not effectively part of the facility. Generally, equipment such as fixed imaging units, operating tables and lights, and major lab analyzers would qualify, while items such as beds, and personal computers, and furniture would not.

Finally, because our ballot language expressly prohibits it, we cannot use bond proceeds for an expenditure that would otherwise qualify if it is for an employee's salary.

We sent the attorney the following recap of the budget that the Board reviewed in determining that a \$35 million bond issue was the appropriate amount:

	Debt	Master Plan	Project Mgmt	Const/Equip	Total
Master Plan		600,000			600,000
Central Utility Plant			900,000	19,500,000	20,400,000
HVAC Upgrades			100,000	2,200,000	2,300,000
West Wing Seismic Upgrades			300,000	1,700,000	2,000,000
Electrical Panels				700,000	700,000
Information Technology			100,000	900,000	1,000,000
Major Medical Equipment				4,000,000	4,000,000
Retire Revenue Bonds	4,000,000				4,000,000
Total	4,000,000	600,000	1,400,000	29,000,000	35,000,000

We then noted that these estimates were based on preliminary assumptions that were made without the benefit of a master plan and that these components *were not* outlined in the ballot language. Based on this information, Brian concurred that we were not constrained by these spending constraints on an individual basis. In other words, as long as we kept *total* spending below \$35 million (plus funds provided by the bond premium and interest earned on unexpended bond funds) we could spend more on one component and less on another.

We also reviewed with Brian the possibility that we may need to purchase land to accommodate parking that is displaced from our current site and lease land temporarily for construction staging. He said there were no legal impediments to either type of expenditure.

We should also note that Brian confirmed that the interest earnings on unexpended bond proceeds are subject to precisely the same rules as the funds generated from the principal.

As the project goes forward, we will consult with Brian about the appropriateness of using bond proceeds for any specific purpose where we have any question at all that it meets the criteria outlined above.

For reference, here are those portions of the full ballot measure that relate to the spending criteria.

To preserve essential emergency services by upgrading existing outdated buildings and equipment, meet state-mandated earthquake safety standards, upgrade energy, electrical, surgical and information technology systems, rebuild the hospital's central utility plant and refinance debt incurred to retrofit the west wing of the main hospital building, shall the Sonoma Valley Health Care District issue \$35 million in bonds, none of which will pay staff salaries ?

Purpose of the Bonds. Facility improvements resulting from this bond will preserve or enhance the quality of healthcare available to the residents of the Sonoma Valley Health Care District and patients requiring medical care in the region. Proceeds from this bond may be used to upgrade, improve, equip and renovate the existing health facilities of the District, and to provide for retirement of up to \$4 million of existing debt incurred to retrofit the west wing of the main hospital building.

Attachment E

REPORT TO CBOC

Report to CBOC
March 30, 2010

Source: Sonoma Valley Hospital accounting records, source documents and equipment purchased with general obligation bond funds

Purpose: To review the appropriateness and accuracy of general obligation bond fund expenditures

Conclusion:

General Accounting Principles require equipment purchased as capital improvements be permanently attached to the building. I selected three pieces of equipment purchased with general obligation bond funds to determine if they fit the capital improvement requirement.

The February 4, 2010, detailed expenditure report was used to select the items reviewed. They are as follows: (1) CDW Network switching materials; (2) Spacelabs patient monitors with printer; and (3) Stryker Instruments self-contained suction unit. This equipment represents approximately 25% of the bond expenditures to date less the retired revenue bonds.

The CDW Network switching materials costing \$306,076 is a system of panels and electrical wiring that works as a server allowing hospital departments to communicate on-line, real time, sharing patient information through workstations. The panel of connectors is on the wall in the Emergency Department with a system of wires starting there and running throughout the hospital building.

Spacelabs patient monitors with printer costing \$272,197 is two monitors, one in the Emergency Department, the other in the Intensive Care Unit. These patient monitors are mounted on the walls and are used to monitor a patient's medical condition. The monitor allows doctors to consult between ICU and ER and with specialists from other medical centers such as UC Davis. All doctors are able to see in real time the patient's condition while consulting with each other. These monitors have increased the doctors' ability to obtain advice from specialists outside the hospital for patients needing critical care.

Stryker Instruments self-contained suction unit costing \$49,589 is a monitoring and drainage system used in surgery. It has replaced an antiquated system of handling hazardous waste. The machine is rolled into the surgery room to collect bio-waste and monitor blood loss during surgery. Once the surgery is done, the machine is connected to a drainage system in the surgery wall that properly drains and disposes of the hazardous waste. This system has greatly increased the hospital's ability to dispose of bio-hazardous waste while protecting hospital employees from exposure.

All equipment reviewed is accurately supported by proper documentation, meets the criteria of a capital improvement, and fits the purpose of expansion and improvement of the facility required by the general obligation bonds.

Submitted by Mary Smith