
PUBLIC NOTICE

Bloss Memorial Healthcare District, A Public Entity • 3605 Hospital Road, • Atwater, California 95301 •
(209) 381-2000 x 7002 • fax: (209) 722-9020

Date: February 17, 2017

Phone: (209) 724-4102

Fax: (209) 722-9020

The Bloss Memorial Healthcare District Finance Committee meeting will be held Thursday, February 23, 2017 at 1:30 pm in the Board Room at 3605 Hospital Road, Atwater, CA 95301.

The next Bloss Memorial Healthcare District **Board of Directors** meeting will be held Thursday, February 23, 2017 at 2:00 pm in the Board Room at 3605 Hospital Road, Atwater, Ca 95301.

I, Fily Cale, posted a copy of the agenda of the Board of Directors of Bloss Memorial Healthcare District, said time being at least 72 hours in advance of the meeting of the Board of Directors.

**BLOSS MEMORIAL HEALTHCARE DISTRICT, A Public Entity (BMHD)
 BOARD OF DIRECTORS MEETING
 BOARD ROOM
 Thursday, February 23, 2017
 2:00 pm**

AGENDA FOR PUBLIC SESSION

I. CALL TO ORDER

II. ROLL CALL

ACTION

EXHIBIT

III. APPROVAL OF AGENDA

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IV. PUBLIC COMMENTS

Comments can be made concerning any matter within the Board's jurisdiction; but if the matter is not on the agenda, there will be no Board discussion of the issue.

V. APPROVAL OF MINUTES

A. January 24, 2017 CCDSC Advisory Committee Meeting – **Informational**

B. January 24, 2017 CDSC Advisory Committee Meeting – **Informational**

C. January 26, 2017 Board of Directors Meeting

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D. February 8, 2017 Annual CDSC Partnership Meeting

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VI. FINANCIAL REPORT

A. January 26, 2017 Finance Committee Minutes

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B. Chief Financial Officer Report

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C. January Payroll, Electronic Payments & Check Register

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VII. CHIEF EXECUTIVE OFFICER REPORT

VIII. OLD BUSINESS / REPORTS

A. Castle Family Health Centers, Inc Report

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B. Bloss Board Member Report

IX. NEW BUSINESS

A. Provider Credentialing / Privileging

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B. Approval of CCDSC / CDSC Policies & Procedures

C. Approval of BMHD Investment Guidelines Policy

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X. AGENDA FOR CLOSED SESSION

Closed Session Items Pursuant the Brown Act will be:
 Section 54954.5(h) Report Involving Trade Secrets – Regarding New Services.
 Estimated date of public disclosure will be in 2017.
 Section 54954.5 (c); 54956.9 Conference with Legal Counsel for Initiation of
 Litigation.
 Section 1461 of the Health and Safety Code – Quality Management.
 Section 54957 Personnel Actions.

XI. NEXT MEETING DATE

XII. ADJOURNMENT

Assistance for those with disabilities: If you have a disability and need accommodation to participate in the meeting, please call Fily Cale at (209) 724-4102 or (209) 381-2000 extension 7000 for assistance so that any necessary arrangements may be made.

Any written materials relating to an agenda item to be discussed in open session of a regular meeting that is distributed within the 72 hours prior to the meeting is available for public inspection at the time the record is distributed to all, or a majority of all, members of the Board. These documents are available from the Executive Assistant in administration at 3605 Hospital Road, Suite F, Atwater, California 95301.

**BLOSS MEMORIAL HEALTHCARE DISTRICT, A Public Entity (BMHD)
CENTRAL CALIFORNIA DENTAL SURGERY CENTER (CCDSC)
Advisory Committee Meeting
Executive Conference Room
Tuesday, January 24, 2017
10:00 am**

CALL TO ORDER

Edward Lujano called the meeting to order at 10:00 a.m.

ROLL CALL

Present: Edward Lujano, Bloss CEO; Fily Cale, Executive Assistant; Lloyd Weaver, Committee Member and Alfonse Peterson

Others Present: David Thompson, CCDSC Administrator and Dawnita Castle, Senior Accountant

Absent: Kory Billings, Committee Member

APPROVAL OF AGENDA

A motion was made / seconded, (Lloyd Weaver / Alfonse Peterson) to approve the January 24, 2017 agenda as presented. Motion carried.

APPROVAL OF MINUTES

A. December 20, 2016 Meeting Minutes, Exhibit 1

A motion was made /seconded, (Lloyd Weaver / Alfonse Peterson) to approve the December 20, 2016 meeting minutes as presented, Exhibit 1. Motion carried.

FINANCIAL REPORT

A. December 2016 Financials, Exhibit 2

Dawnita Castle reported that for the month of December 2016, CCDSC treated 135 patients and recorded a net profit in the amount of \$152 before overhead and a net loss of \$4,675 after allocation of overhead.

Net revenue per case was \$1,316 and expense per case was \$1,321.

CCDSC had YTD net income profit of \$140,228 for December 2016.

A motion was made /seconded, (Alfonse Peterson / Lloyd Weaver) to approve and accept the November 2016 Financials report, Exhibit 2. Motion carried.

ADMINISTRATOR REPORT

David Thompson reported that in listening to Dr. Price's hearing confirmations, which have been ongoing for the past week, it will be interesting to see what he does with the Obama Care issue. The threshold for eligibility for Medi-Cal went up under the Obama Care plan, which is how a lot of people got coverage.

Although we don't see a lot of Blue Cross patients, they are now requiring authorization for their facility fees and you already need to obtain authorization for the IPA for anesthesia through Medi-Cal. We have seen some issues and people are beginning to complain about that.

Health Net has also begun to pay us random amounts, we bill five codes and they will not pay 2 to 3 codes and then pay an enormous amount on the other 2 codes. They have always paid well for the facility fee for a long time and they have made of system updates. We don't see many Health Net patients.

The survey prep is going well, although they are noticing a lot of work on the new Life Safety Code that was approved middle of last year by CMS. Now all new surveys are done under a new Life Safety Code, it has a different approach to how they implement the fire and building regulations. We anticipate that we will have some corrections on regarding to the building space for the surgical center, but it nothing that we would not encounter through any other type of survey.

The annual review of the Policy & Procedure binder was completed in December 2016. This is normally completed in January.

David Thompson stated that a new quality study is staring and will be addressed in Closed Session.

REPORTS

This item will be removed from the agenda.

OLD BUSINESS

None

NEW BUSINESS

A. Policies & Procedures Recommendation, Exhibit 4

David Thompson presented a Petty Cash / Change Fund policy for cash handling. Each site has a cash box for petty cash (\$300) and one is for making change (\$100).

A motion was made / seconded, (Lloyd Weaver / Alfonse Peterson) to recommend to the Board of Directors approval of the Petty Cash / Change Fund policy & procedure as presented, Exhibit 4. Motion carried.

B. Credentialing Privileging Recommendation

None.

AGENDA FOR CLOSED SESSION

Edward Lujano, stated that there will be discussion under Section 1461 Quality Management.

NEXT MEETING DATE

The next Governance meeting will be held Tuesday, February 21, 2017 at 10:00 am.

ADJOURNMENT

As there was no further business, the meeting adjourned into closed session at 10:11 am.

The meeting reconvened into public session at 10:18 am. No action taken.

Respectfully Submitted,

Fily Cale
Executive Assistant

Lloyd Weaver
Committee Member

**BLOSS MEMORIAL HEALTHCARE DISTRICT, A Public Entity (BMHD)
U.S. DENTAL SURGERY
d/b/a CHILDREN'S DENTAL SURGERY CENTER (CDSC)
Advisory Committee Meeting
Executive Conference Room
Tuesday, January 24, 2017
11:00 a.m.**

PUBLIC COMMENTS

None.

CALL TO ORDER

Edward Lujano, Bloss CEO, called the meeting to order at 11:02 am.

ROLL CALL

Present: Edward Lujano, Bloss CEO; Fily Cale, Executive Assistant;
Rosalie Heppner, Committee Member; Alfonse Peterson,
Committee Member

Others Present: Dawnita Castle, Senior Accountant and David Thompson, CDSC
Administrator @ 11:03 am

Absent: None

APPROVAL OF AGENDA

A motion was made / seconded, (Rosalie Heppner / Alfonse Peterson) to approve the January 24, 2017 agenda as presented. Motion carried.

APPROVAL OF MINUTES

A. December 20, 2016 Meeting Minutes, Exhibit 1

A motion was made / seconded, (Alfonse Peterson / Rosalie Heppner) to approve and accept the December 20, 2016 Meeting minutes as presented. Exhibit 1. Motion carried.

FINANCIAL REPORT

A. December 2016 Financials, Exhibit 2

Dawnita Castle reported that for December 2016, CDSC had treated 161 patients and recorded a net loss of \$66,731.

She provided a comparison of what payrolls were still outstanding compared to last year. There were 6 months of payroll that were outstanding from July to December in 2015 and if you look at 2016 it is almost the same thing. We no longer have the 2015 obligation, but BMHD is still covering the 6 months of payroll for 2016 along with advances since the start up.

BMHD has been covering cash flows for a while, there is net ;loss total from inception cumulative of \$2,559,000 and if you add the cash we are waiting on from the balance sheet, the pre-paids and inventory, you are getting close to the BMHD payable of \$3M.

Edward Lujano stated that CDSC will have a loss for 2016 and BMHD has been able to cover the bulk of this, but the payroll totals \$1M.

A motion was made / seconded, (Rosalie Heppner / Alfonse Peterson) to approve and accept the December 2016 Financial Report, Exhibit 2. Motion carried.

Dawnita Castle reported that several bids were sent to four companies for the CDSC 2016 audit. Jerrel Tucker of JWT & Associates performed the audit last year and her recommendation is to use Jerrel Tucker of JWT & Associates again for the 2016 audit. They are charging \$8,000, which is the same fee that he charged the prior year.

ADMINISTRATOR REPORT, EXHIBIT 3

David Thompson reported that the survey for CDSC is coming up in April 2017. They have started the prep work. Last survey they had to get a variance for the firewall in the building and every time they have a survey they will need to get that variance approved. The last time they did it, it took almost 2 years for the approval to come back.

The annual Policy & Procedure manual was reviewed in December 2016. This is normally done in January of each year.

David Thompson stated that a new quality study is staring and will be addressed in Closed Session.

Rosalie Heppner asked about the security issues. David Thompson replied that they still have the homeless, last week law enforcement was called as they started fighting among each other. A remote buzzer has been added for access to the door from the waiting room into the clinical space. The next option may be to do the same thing to the glass door in the entryway, so that no one may enter the building.

OLD BUSINESS

None.

NEW BUSINESS

A. Policies & Procedures Recommendation, Exhibit 4

David Thompson presented a Petty Cash / Change Fund policy for cash handling. Each site has a cash box for petty cash (\$300) and one is for making change (\$100).

A motion was made / seconded, (Alfonse Peterson / Rosalie Heppner) to recommend to the Board of Directors approval of the Petty Cash / Change Fund policy & procedure as presented, Exhibit 4. Motion carried.

B. Credentialing / Privileging Recommendation

None.

AGENDA FOR CLOSED SESSION

Edward Lujano stated that there will be discussion under Section 1461 Quality Management.

NEXT MEETING DATE

The next Governance Meeting will be held Tuesday, February 21, 2017 at 11:00 a.m.

ADJOURNMENT

As there was no further business, the meeting adjourned into closed session at 11:28 am.

The meeting reconvened into public session at 11:33 am. No action taken.

Respectfully Submitted,

Alfonse Peterson
Committee Member

Edward Lujano
Chief Executive Officer

**BLOSS MEMORIAL HEALTHCARE DISTRICT (BMHD)
BOARD OF DIRECTORS MEETING
BOARD ROOM
Thursday, January 26, 2017
2:00 pm**

CALL TO ORDER

Rosalie Heppner, Board Chair, called the meeting to order at 1:59 pm.

ROLL CALL

Board Members Present: Rosalie Heppner, Chair; Al Peterson, Secretary / Treasurer and Glenn Arnold, Board Member

Others Present: Edward Lujano, CEO; Fily Cale, Executive Assistant; Dawnita Castle, Senior Accountant; Dorothy Bizzini, CFHC Board Chair; David Thompson, CCDSC/CDSC Administrator; Ralph Temple, Jr., Legal Counsel; Sabrina Cooksey, HR Director @ 2:06 pm and Peter Mojarras CFHC COO @ 2:11 pm

Absent: Kory Billings, Vice Chair

APPROVAL OF AGENDA

A motion was made/seconded, (Lloyd Weaver / Glenn Arnold) to approve the January 26, 2017 agenda as presented. Motion carried.

PUBLIC COMMENTS

None.

APPROVAL OF MINUTES

- A. December 20, 2016 CDSC Advisory Committee Meeting – **Informational**
- B. December 20, 2016 CCDSC Advisory Committee Meeting – **Informational**
- C. December 13, 2016 Special Board of Directors Meeting, Exhibit 1
- D. January 5, 2017 (December 2016) Board of Directors Meeting, Exhibit 1a

A motion was made / seconded, (Lloyd Weaver / Glenn Arnold) to approve and accept the December 13, 2016 Special Board of Directors Meeting and the January 5, 2017 (December 2016) Board of Directors Meeting, as presented, Exhibits 1 and 1a. Motion carried.

FINANCIAL REPORT

A. January 5, 2017 (December 2016) Finance Committee Meeting Minutes, Exhibit 2

A motion was made / seconded, (Alfonse Peterson / Glenn Arnold) to accept the January 5, 2017 (December 2016) Finance Committee Meeting Minutes as presented. Exhibit 2. Motion carried.

B. Chief Financial Officer Report, Exhibit 3

Dawnita Castle reported that for the month of December 2016, BMHD had a net loss before depreciation in the amount of \$45,220 compared to a net loss of \$70,740 of last year.

The operating cash balance for December 2016 was \$1,226,604 and Days of Cash on Hand is at 121 days.

She also distributed and described the CDSC payable to BMHD calendar year 2015 compared to year 2016 for payroll that BMHD has covered as cash flow. There was not much change on these, just basically the years. The audited financials were also reviewed and discussed back to 2009 and there was a cumulative net loss of \$2,559,694.

C. December 2016 Payroll, Electronic Payments and Check Register, Exhibit 4

A motion was made / seconded, (Alfonse Peterson / Lloyd Weaver) to accept the December 2016 Payroll in the amount \$147,580.20 and Accounts Payable in the amount of \$451,802.96 for a total Disbursement of \$599,383.16, Exhibit 4. Motion carried.

CHIEF EXECUTIVE OFFICER'S REPORT

Edward Lujano reported that there were many discussion the past month with Carol Freeman in regards to CDSC.

Edward Lujano stated that he had contacted the individual requesting leasing space for a skin care business and that she had responded (copy forwarded to each board member). She is asking to pay \$200 per month on a month-to-month basis and this would be effective once they are actually ready to open for business. They also want access on the weekend. Should business not be profitable they would like to take back the flooring and fans they installed. After board discussion it was determined that this would not be a fit for BMHD.

Both, CCDSC and CDSC were closed the last two weeks in December 2016, which caused much lower stats.

CDSC scheduled 261 patients in December 2016 and completed 161 compared to last December they completed 167. As of yesterday CDSC was up to 192 cases and still have 3 days to go, which will raise it about 200. They received 331 referrals for the month.

CCDSC scheduled 205 patients and completed 135 cases in December 2016, last December they completed 99. As of yesterday CCDSC was at 185 and again they also have 3 days to go. Both centers will be above 200 for the month.

OLD BUSINESS / REPORTS

A. Castle Family Health Centers, Inc Report, Exhibit 5

Peter Mojarras reported that he had attended the Merced County Health Affordable Care Act meeting this morning. There were State representatives from Health Access and Policy Program for Immigrant Health along with representatives from Planned Parenthood, GVHC and other local agencies. About 30,000 were enrolled into the expansion Medi-Cal program; \$20M is given to California annually; 1,500 children will also come from the immigration expansion that was done. A fiscal cliff was discussed and concerns were expressed by the 330 Grantees' in attendance. If there is a repeal it will take several years and this would allow for a replacement program to be developed. There will be ongoing meetings regarding the Affordable Care Act.

CFHC continues to be aggressive in their provider recruitment. We had a husband/wife (pediatricians) who came out to tour the facility and hopefully they are interested in joining CFHC. They are also working with a psychiatrist and two family practice physicians on joining CFHC. A letter was also sent out within the central valley seeking a podiatrist and a couple of interests have been received.

CFHC is also expanding in Winton, CFHC has been challenged by space and lack of enough exam rooms. This in turn limits the number of providers that can see patients in Winton. Rosalie Heppner asked if CFHC will be building a new facility. Edward Lujano stated that the building will be at the corner of Winton Way and Gertrude Avenue, which was previously occupied by a plant nursery.

Hoffman Security is also on site preparing for the installation of new security cameras. Glenn Arnold asked how far along they were. Sabrina Cooksey replied that they are preparing the cables and within two weeks the cameras should be installed.

Merced County is also working on the Health Information Exchange, which allows all the health care centers and hospitals to share patient medical information. This will allow for quality and continuity of care.

B. Bloss Board Member Report

Ralph Temple, Legal Counsel, reported that the Board had met with Wells Fargo Bank and there will be a later discussion about that.

This Board along with representatives of the Merced Union High School Board, Le Grand Union High School District and Wells Fargo Bank met on January 18, 2017 to go over the Christine T. Bloss Trust.

NEW BUSINESS

A. Provider Credentialing / Privileging

Sabrina Cooksey, HR Director, presented contract provider, Alejandro Marquez, MD, Anesthesiologist, for privileges and credentialing for re-appointment for anesthesia for both Central California Dental Surgery Center and Children's Dental Surgery Center as recommended by Perry Solomon, MD, Medical Director.

Contract provider, Christopher Chiu, DDS and So Young Park, DDS, were also presented for privileges and credentialing for re-appointment for both Central California Dental Surgery Center and Children's Dental Surgery Center as recommended by Sung Cho, DDS Dental Director.

Contract provider Sung Cho, DDS, was also presented for re-credentialing and re-appointment for both Central California Dental Surgery Center and Children's Dental Surgery Center.

These providers have gone through a mandatory 2-year review. David Thompson, CCDSC/CDSC Administrator, Perry Solomon, MD, Medical Director and Sung Cho, DDS, Dental Director have been a part of this process.

A motion was made / seconded, (Alfonse Peterson / Lloyd Weaver) to approve privileges and credentialing for re-appointment for Alejandro Marquez, MD for anesthesia; privileges and credentialing for re-appointment for Christopher Chiu, DDS, So Young Park, DDS and Sung Cho, DDS for both Central California Dental Surgery Center and Children's Dental Surgery Center. Motion carried.

B. Approval of CCDSC / CDSC Policies & Procedures, Exhibit 6

Lloyd Weaver commented that the Petty Cash / Change Fund policy and procedure for CCDSC / CDSC was reviewed at their perspective Advisory Committee meetings and were recommended for approval.

A motion was made / seconded, (Lloyd Weaver / Alfonse Peterson) to accept the recommendation of the CCDSC / CDSC Advisory Committee's to approve and accept the Petty Cash / Change Fund policy & procedure, Exhibit 6. Motion carried.

C. Ung Goodwin Trust Disclosures, Exhibit 7

Ralph Temple, Legal Counsel, stated that this is a request from Wells Fargo Bank and essentially a conflict of interest understanding that the funds from the Goodwin Trust could not be used for anything that the board might have a conflict of interest. That it should be used for the purpose for which the trust was designed.

A form has been provided by Wells Fargo Bank that after the money is spent we are to reply how it was spent and as this board had requested the same type of information we will complete the form and forward it to Wells Fargo Bank with a copy to the Board of Directors. This information will come from Castle Family Health Centers, Inc.

A motion was made / seconded, (Lloyd Weaver / Alfonse Peterson) to authorize Edward Lujano, CEO to sign this agreement on behalf of the Board of Directors, Exhibit 7. Motion carried.

D. Wells Fargo Payment Schedule, Exhibit 8

Ralph Temple, Legal Counsel, reported that this Board met with the Wells Fargo Bank representatives for the Christine T. Bloss Trust as well as the school representatives on January 18, 2017.

Wells Fargo Bank brought to our attention that the will that sets up the trust for BMHD specifies that a payment shall be made to each of the beneficiaries once per year. This has not been the case in the past and they felt more comfortable if they could do this once a year. There was a lot of discussion about that and the majority of the beneficiaries needs to agree if they are going to change their policy and do that.

This would be a payment that would be made after January 1st each year.

A motion as made / seconded, (Lloyd Weaver / Alfonse Peterson) to approve the request of Wells Fargo Bank that the payments from the Christine T. Bloss Trust be made annually. Motion carried.

AGENDA FOR CLOSED SESSION

There will be discussion under 54954 Involving Trade Secrets.

Ralph Temple, Legal Counsel, reported that there will discuss with some of the ramifications of negotiations with Carol Freeman and US Dental Corporation, which is our partner in the Children's Dental Surgery Center.

There will be a Performance Improvement report under Section 1461 of the Health and Safety Code – Quality Management.

NEXT MEETING DATE

The next Board of Directors Meeting will be held on Thursday, February 23, 2017 at 2:00 p.m. in the Board Room.

The Finance Committee will also meet on Thursday, February 23, 2017 at 1:30 p.m. in the Board Room.

ADJOURNMENT

As there was no further business, the meeting adjourned into closed session at 2:49 pm.

The meeting reconvened into public session at 3:48 pm and adjourned. No action taken.

Respectfully Submitted,

Fily Cale
Executive Assistant

Alfonse Peterson
Board Secretary

**BLOSS MEMORIAL HEALTHCARE DISTRICT (BMHD)
CHILDREN'S DENTAL SURGERY CENTER (CDSC)
ANNUAL PARTNERSHIP MEETING
BOARD ROOM**

**Wednesday, February 8, 2017
2:00 pm**

CALL TO ORDER

Rosalie Heppner, Vice Chair, called the meeting to order at 2:03 pm.

ROLL CALL

Board Members Present: Rosalie Heppner, Chair; Kory Billings, Vice Chair; Al Peterson, Secretary / Treasurer; Lloyd Weaver and Glenn Arnold, Board Member

Others Present: Edward Lujano, CEO; Fily Cale, Executive Assistant; Dawnita Castle, Senior Accountant; David Thompson, CDSC Administrator and Eric Tetrault, Berliner Cohen, LLP via Teleconference

Absent: Ralph Temple, Jr., Legal Counsel and Carol Freeman, US Dental Partner

APPROVAL OF AGENDA

Edward Lujano stated that Carol Freeman representing US Dental was advised of the Partnership meeting by email on January 30, 2017 and on the same day she replied that she would not attend either by person or by phone.

A motion was made/seconded, (Glenn Arnold / Kory Billings) to approve the February 8, 2017 agenda as presented. Motion carried.

PUBLIC COMMENTS

None.

ANNUAL FINANCIAL REPORT

Dawnita Castle reported that at the last Board of Directors meeting she had distributed an accumulative loss statement for the dental center from 2009 to 2016 in the amount of \$2,559,694 as of December 31, 2016.

The 2016 audit has not been completed, but we are looking at a loss of \$96,466 for the year. BMHD has been giving cash advances from day one to cover all expenses to keep the surgery center open.

Dawnita Castle has reviewed the original balance sheet provided by Carol Freeman when we first started. There were some fixed assets in the amount of \$450,000. When she reviewed how these

assets were purchased, she noticed that they were basically capital leases that the partnership assumed; \$400,000 of these capital assets were paid by the partnership.

Edward Lujano stated that Carol Freeman / US Dental's name is on the lease along with BMHD, so this obligation has remained over the course of the last 7 years, totaling \$2,633,000 that BMHD had paid out. If we were to cease operations the lease would still be an obligation of both entities.

OLD BUSINESS / REPORTS

None

NEW BUSINESS

A. Partners Involvement and Participation

Edward Lujano introduced attorney Eric Tetrault of Berliner Cohen, LLP. BMHD hired Eric Tetrault to help us in looking at our relationship with US Dental and what opportunities could exist. The lease is ending in 2018 and Carol Freeman has had concerns in the past about her tax obligation and responsibilities for the partnership. During the last 3-4 years she has been a silent partner, just receiving information on a monthly basis.

We need to understand where we are as the business moves forward. Eric Tetrault was hired to look at the different options and what are some of the key points. We know that based on Mrs. Freeman's emails she is very emotionally attached to the surgery center, but we need to put a mechanism in place to see what her expectations are. This has been previously discussed with Ralph Temple about options sent to Mrs. Freeman.

Eric Tetrault reported that in December 2016 a letter was sent to Carol Freeman. It basically gave her an overview of a structure of a transaction that he researched, analyzed and put together that would give her the most optimal tax results for her. If the partnership were to just terminate in light of US Dental's negative capital account in the partnership there would be some serious tax consequences to US Dental.

In the letter, Eric Tetrault proposed that BMHD pursue an acquisition of all of Carol Freeman's stock in US Dental. In doing so, a transaction without a structure would allow Carol Freeman to walk away from US Dental and from the partnership with none of the negative tax consequences associated with the termination of the partnership. So far the response has been not what we hoped.

If US Dental is not going to contribute to its partnership obligation than BMHD cannot keep doing down this road much further. And with the lease negotiations being at the forefront something needs to happen in relatively short order. Exploring BMHD's rights and remedies under the partnership agreement and other applicable law under California and otherwise to protect itself and see what movement we get from Carol Freeman and US Dental.

Eric Tetrault's thought on the next step is to put together a proposal to Carol Freeman that outlines what BMHD's rights and remedies are and ultimately to say that this is where things stand Ms. Freeman, this is the actions that we are prepared to take and if we can't come to some agreement then these are the consequences to US Dental and possibly to you with BMHD looking at having to terminate the partnership.

Edward Lujano asked what the consequences are to both BMHD and US Dental if we were to terminate the partnership. Eric Tetrault replied that one main consequence that US Dental needs to be aware of is that under the partnership agreement there is a capital account deficit restoration provision. This provides that if the partnership is terminated any partners that has a negative balance in their capital account is obligated under the partnership agreement to restore that capital account. Based on the most recent financials that he has reviewed, it appears that US Dental's capital account is negative to the tune of over \$750,000.

The immediate consequences of terminating the partnership with US Dental is that BMHD in the partnership would have a claim against US Dental for that amount, because US Dental is contractually obligated to restore its capital account. In addition the income tax consequences to US Dental and Carol Freeman, as he believes that this is a flow through S corporation is that US Dental is relieved of any debt in connection with the partnership, that also has an immediate tax consequence to US Dental as well. Some of this was explained in the letter and he invited Ms. Freeman to have her tax, legal and other professional advisors to contact us and this has not happened.

B. Renewal of CDSC Facility Lease

Edward Lujano reported that the lease will come due June 30, 2018. On the email response from Mrs. Freeman on January 30, 2017 she advised us that she will not sign an extension or new lease with the present landlord.

Kory Billings commented that not only is she not willing to participate in the lease, she is not willing to participate in partnership meetings in any form.

C. General Operations Requirements

Edward Lujano stated that as Dawnita Castle had reported, operations have been over the course of the past 8 years we have been in business and each year cash for operations has been needed. Part of the discussions from the partnership is, are we looking in the future for those cash calls to ensure that we can meet the financial obligations of the business. It is important to discuss those requirements, limitations and thresholds that the board may feel is we need to infuse some cash at certain times.

Looking at the financials and cash flow, are we going to put into place those requirements as we move through the end of this lease terms in June of 2018.

Although we marginally operate, we also know that cash is not always sufficient to meet the obligations of that months operations, which is why we have been carrying some of the payrolls in the past. Do we look at having those cash calls based on a certain threshold that is directed to staff to do that. We need to consider as we continue on, however the partnership goes, because we are still obligated through June of 2018.

We did receive the balance sheet of US Dental, which was very minimal, other than a debt due to her, the investment that was put in on behalf of the Freeman's, which was \$608,000. The balance sheet shows a negative total assets of \$532,000 and a negative total equity of \$1,346,000.

Eric Tetrault stated that the information received on the balance sheet, plays a role in analyzing how this can proceed.

D. Health Plan of San Joaquin Status Update

David Thompson stated that we are still waiting on the attorney who is dealing with that issue to return from leave, which will be in March 2017. We will continue to pursue the old claims from that one year they stopped authorizing and paying everything.

E. Status of Future Opportunities and Threats

Edward Lujano stated that we continue to talk about the challenges of the operations. We continue to market and recruit. We still see the health plans trying to put in restrictions on getting authorizations, even though the need is there.

If we have opportunities to reduce costs, such as the high cost of the lease, it makes it challenging for us to maintain those marginal profit margins.

AGENDA FOR CLOSED SESSION

There will be discussion under Section 54954.5(h) Report Involving Trade Secrets – Regarding New Services.

NEXT MEETING DATE

The next Board of Directors Meeting will be held on Thursday, February 23, 2017 at 2:00 p.m. in the Board Room.

ADJOURNMENT

As there was no further business, the meeting adjourned into closed session at 2:25 pm.

The meeting reconvened into public session at 3:18 pm and adjourned. No action taken.

Respectfully Submitted,

Fily Cale
Executive Assistant

Alfonse Peterson
Board Secretary

**BLOSS MEMORIAL HEALTHCARE DISTRICT, A Public Entity (BMHD)
FINANCE COMMITTEE MEETING
BOARD ROOM
Thursday, January 26, 2017
1:30 p.m.**

Committee: Edward Lujano, CEO; Fily Cale, Executive Assistant; Alfonse Peterson, Committee Chair and Glenn Arnold, Committee Member

Others Present: Dawnita Castle, Interim Chief Financial Officer; Dorothy Bizzini, Castle Board Chair and Rosalie Heppner, Board Chair

Absent: None

CALL TO ORDER

Al Peterson, Committee Chair, called the meeting to order at 1:30 p.m. in the Board Room.

APPROVAL OF AGENDA

A motion was made/seconded, (Edward Lujano / Glenn Arnold) to approve the January 26, 2017 agenda as presented. Motion carried.

PUBLIC COMMENTS

None.

APPROVAL OF FINANCE COMMITTEE MINUTES

A. January 5, 2017 (December 2016) Finance Committee Minutes, Exhibit 1

A motion was made / seconded, (Glenn Arnold / Edward Lujano) to approve and accept the January 5, 2017 (December 2016) Finance Committee Minutes as presented, Exhibit 1. Motion carried.

REVIEW OF DISTRICT FINANCIAL STATEMENTS, EXHIBIT 2

Dawnita Castle reported that for the month of December 2016, BMHD had a net loss before depreciation in the amount of \$44,220 compared to this time last year, which was a net loss of \$70,740.

The Bloss Trust revenue for the month of December 2016 was \$47,855.

A motion was made / seconded, (Edward Lujano / Glenn Arnold) to approve and accept the Review of District Financial Statements, Exhibit 2, as presented. Motion carried.

CCDSC FINANCIAL REPORT, EXHIBIT 3

Dawnita Castle reported that CCDSC had treated 135 patients for December 2016 and recorded a net profit in the amount of \$152 before overhead and a net loss of \$4,675 after allocations of overhead. They had a YTD income profit of \$140,228 for December 2016.

SKDSC FINANCIAL REPORT, EXHIBIT 4

Dawnita Castel reported that SKDSC total expenses for December 2016 were \$21,237.

CDSC FINANCIAL REPORT, EXHIBIT 5

Dawnita Castle reported that for the month of December 2016, CDSC treated 161 patients and recorded a net loss in the amount of \$66,731. The YTD net revenue was a loss of \$29,736 and she is not expecting any audit adjustments at year.

Dawnita Castle stated that Jerrel Tucker of JWT & Associates will be performing the CDSC 2016 Audit and it is anticipated that he will be done by the end of April 2017.

Glenn Arnold asked if the two dental centers had been closed part of the time in December 2016. Edward Lujano stated that they were both closed the last two weeks of December 2016, which accounted for the lower numbers.

Dawnita Castle also distributed a comparison which is reflective of since the inception of CDSC. Total net loss for contributions that BMHD has put toward CDSC and also showing a cash receivable of allowances in the amount of \$375,000. Pre-paid expenses, which is the cash that BMHD has put out in the amount of \$68,000 and inventory for \$44,000.

DENTAL CENTERS' COMPARISON, EXHIBIT 6

Dawnita Castle reported that CCDS cases were up 685 visits compared CCDSC.

A motion was made / seconded, (/ Glenn Arnold / Edward Lujano) to approve and accept the Review of District Financial Statements, Exhibit 2; CCDSC Financial Report, Exhibit 3; SKDSC Financial Report, Exhibit 4; CDSC Financial Report, Exhibit 5 and Dental Centers' Comparison, Exhibit 6 as presented. Motion carried.

WARRANTS AND PAYROLL

A. December Payroll, Electronic Payments & Check Register, Exhibit 7

A motion was made/seconded, (Glenn Arnold / Edward Lujano) to approve and accept the December 2016 Total Payroll in the amount \$147,580.20 and Total Accounts Payable in the amount of \$451,802.96 for a total Grand Total Disbursement of \$599,383.16, Exhibit 7. Motion carried.

DISCUSSION

None

AGENDA FOR CLOSED SESSION

There was no Closed Session item(s) for discussion.

NEXT MEETING DATE/ADJOURNMENT

The next Finance Committee meeting will be held on Thursday, February 23, 2017 at 1:30 pm.

As there was no further business, the meeting adjourned at 1:38 p.m.

Respectfully Submitted,

Fily Cale
Executive Assistant

Alfonse Peterson
Committee Chair

CHIEF FINANCIAL OFFICER REPORT

This item unavailable at this time

**JANUARY 2017 PAYROLL, ELECTRONIC PAYMENTS
& CHECK REGISTER**

Bloss Memorial Healthcare District
 Payroll, Accounts Payable and Funds Disbursements - Summary
 Month of January-17

Payroll			<u>\$126,555.98</u>
Total Payroll			<u>\$126,555.98</u>

Accounts Payable:

A/P Checks	Bloss	<u>\$117,381.85</u>	<u>\$117,381.85</u>
------------	-------	---------------------	---------------------

Auto Debits		\$170.16	
Electronic Payments to Castle on Payable		<u>\$38,406.80</u>	
Total Auto Debits and Electronic Transfers		<u>\$38,576.96</u>	<u>\$38,576.96</u>

Profeses paid through Payroll system			
Total ACH Pro Fees 1099'S		<u>\$12,500.00</u>	<u>\$12,500.00</u>

Electronic Payments - ACH		<u>\$173,207.35</u>	<u>\$173,207.35</u>
---------------------------	--	---------------------	---------------------

Total Accounts Payable			<u>\$341,666.16</u>
-------------------------------	--	--	----------------------------

Grand Total Disbursements			<u>\$468,222.14</u>
----------------------------------	--	--	----------------------------

BLOSS	Payroll Disbursements for		January-17
	Payroll dated		
Earnings	01/05/17	01/20/17	Total
Regular			-
Overtime			-
Vacation			-
Sick			-
Holiday			-
Salary	3,500.00	3,500.00	7,000.00
Double Time			-
Call In			-
On Call			-
Other			-
			-
CCDSC Surgery Center	25,777.13	27,295.43	53,072.56
CDSC Surgery Center	27,452.22	30,167.74	57,619.96
			-
Total	56,729.35	60,963.17	117,692.52
			-
Deductions			-
FICA (+)	4,269.35	4,619.01	8,888.36
Insurance (-)	(1,541.07)	(1,129.94)	(2,671.01)
Emp Deduction(-)/Reimb(+)	1,366.63	986.51	2,353.14
Christmas Fund (-)	-	(945.00)	(945.00)
Process Fee (+)	1,065.63	172.34	1,237.97
			-
Total	5,160.54	3,702.92	8,863.46
			-
			-
Net Payroll	\$ 61,889.89	\$ 64,666.09	126,555.98

RUN DATE: 02/01/17
 RUN TIME: 0902
 RUN USER: COOKS

Castle Family Health Centers AP **LIVE**
 CHECK REGISTER BY DATE

C
 FROM 01/01/17 TO END

DATE	CHECK NUM	VENDOR NUM	VENDOR NAME	STATUS	STATUS DATE	AMOUNT	
						ISSUED/ CLEARED	VOIDED/ UNCLAIMED
01/04/17	036886	B0199	ANTHEM BLUE CROSS	ISSUED	01/05/17	10817.23	
01/04/17	036887	B0052	BLUE SHIELD OF CALIFORNIA	ISSUED	01/05/17	220.75	
01/04/17	036888	B0148	DMV RENEWAL	ISSUED	01/05/17	153.00	
01/04/17	036889	B0017	MERCED COUNTY - CASTLE AIRPORT	ISSUED	01/05/17	7050.71	
01/04/17	036890	B0212	JAVIER MENDOZA	ISSUED	01/05/17	105.00	
			REMITTED TO: NATURAL GARDENS				
01/04/17	036891	B0021	PG&E (1384254881-3)	ISSUED	01/05/17	261.91	
01/04/17	036892	B0020	PG&E (1873896591-4)	ISSUED	01/05/17	211.18	
01/05/17	036893	B0084	AMERICHEK	ISSUED	01/05/17	96.00	
01/05/17	036894	B0072	BETA HEALTHCARE GROUP	ISSUED	01/05/17	2655.21	
01/05/17	036895	K0035	CITY OF PARLIER	ISSUED	01/05/17	193.64	
01/05/17	036896	B0153	GEIL ENTERPRISES INC.	ISSUED	01/05/17	2808.00	
01/05/17	036897	B0016	GUARDCO SECURITY SERVICES	ISSUED	01/05/17	1680.00	
01/05/17	036898	B0030	HD SUPPLY FACILITIES MAINTENANCE	ISSUED	01/05/17	2668.38	
01/05/17	036899	B0038	KINGS VIEW WEC	ISSUED	01/05/17	2430.50	
01/05/17	036900	K0003	M-D VENTURES	ISSUED	01/05/17	18912.55	
01/05/17	036901	B0133	MERCED/MODESTO COMMERCIAL SWEEPERS	ISSUED	01/05/17	240.00	
01/05/17	036902	B0014	PG&E (4705482162-5)	ISSUED	01/05/17	4728.88	
01/05/17	036903	B0056	CARDMEMBER SERVICE (9140)	ISSUED	01/05/17	2441.69	
01/09/17	036904	B0114	ALRENA JANACEK	ISSUED	01/09/17	377.42	
01/09/17	036905	B0116	DOROTHY BIZZINI	ISSUED	01/09/17	1320.97	
01/09/17	036906	B0120	ED ROSSI	ISSUED	01/09/17	188.71	
01/09/17	036907	B0112	GREGORY FLOYD	ISSUED	01/09/17	377.42	
01/09/17	036908	B0115	KAREN BIZZINI	ISSUED	01/09/17	377.42	
01/09/17	036909	B0102	THE HARTFORD	ISSUED	01/09/17	234.40	
01/09/17	036910	B0113	UNITED METHODIST CHURCH OF ATWATER	ISSUED	01/09/17	188.71	
01/09/17	036911	B0013	WEST COAST GAS CO, INC.	ISSUED	01/09/17	8564.91	
01/09/17	036912	B0015	WINTON, WATER & SANITARY DISTRICT	ISSUED	01/09/17	72.80	
01/12/17	036913	B0189	BERLINER COHEN	ISSUED	01/12/17	2777.50	
01/12/17	036914	B0132	CLARK PEST CONTROL	ISSUED	01/12/17	75.00	
01/12/17	036915	B0043	INSIGHT EMPLOYEE ASSISTANCE PRGRM	ISSUED	01/12/17	65.40	
01/12/17	036916	K0034	JOE S RODRIGUEZ	ISSUED	01/12/17	375.00	
01/12/17	036917	B0198	BANNER LIFE INSURANCE	ISSUED	01/12/17	1100.00	
01/12/17	036918	B0218	JOHN P. NIEMOTKA	ISSUED	01/12/17	400.00	
			REMITTED TO: OCTANE ADVERTISING & DESIGN				
01/12/17	036919	B0042	RALPH TEMPLE	ISSUED	01/12/17	1980.00	
01/12/17	036920	K0057	THE GAS COMPANY	ISSUED	01/12/17	15.78	
01/12/17	036921	B0044	TRIPP SECURITY SYSTEMS	ISSUED	01/12/17	20.00	
01/19/17	036922	B0223	BEVERLY YI ZHANG HONG	ISSUED	01/19/17	1275.77	
01/19/17	036923	B0159	CAHHS	ISSUED	01/19/17	264.00	
01/19/17	036924	B0187	CAPITOL DOOR SERVICE	ISSUED	01/19/17	296.17	
01/19/17	036925	B0037	CARDMEMBER SERVICE-4798510044371793	ISSUED	01/19/17	1667.80	
01/19/17	036926	B0132	CLARK PEST CONTROL	ISSUED	01/19/17	749.00	
01/19/17	036927	B0025	MERCED IRRIGATION DISTRICT	ISSUED	01/19/17	280.90	
01/19/17	036928	B0026	MERCED IRRIGATION DISTRICT	ISSUED	01/19/17	17584.13	
01/19/17	036929	B0091	OFFICE DEPOT	ISSUED	01/19/17	5748.02	
01/19/17	036930	B0130	RPC FRESNO, INC.	ISSUED	01/19/17	1873.00	

RUN DATE: 02/01/17
 RUN TIME: 0902
 RUN USER: COOKS

Castle Family Health Centers AP **LIVE**
 CHECK REGISTER BY DATE

C
 FROM 01/01/17 TO END

DATE	CHECK NUM	VENDOR NUM	VENDOR NAME	STATUS	STATUS DATE	AMOUNT	
						ISSUED/ CLEARED	VOIDED/ UNCLAIMED
01/19/17	036931	B0039	VALERO MARKETING AND SUPPLY CO.	ISSUED	01/19/17	324.41	
01/25/17	036932	B0052	BLUE SHIELD OF CALIFORNIA	ISSUED	01/25/17	225.25	
01/25/17	036933	B0027	CITY OF ATWATER (010448-000)	ISSUED	01/25/17	691.72	
01/25/17	036934	B0134	CITY OF ATWATER (020161-000)	ISSUED	01/25/17	617.30	
01/25/17	036935	B0016	GUARDCO SECURITY SERVICES	ISSUED	01/25/17	3690.00	
01/25/17	036936	B0038	KINGS VIEW WEC	ISSUED	01/25/17	2018.00	
01/25/17	036937	B0018	PG&E (0665563335-9)	ISSUED	01/25/17	287.85	
01/25/17	036938	B0021	PG&E (1384254881-3)	ISSUED	01/25/17	262.63	
01/25/17	036939	B0019	PG&E (1832229927-4)	ISSUED	01/25/17	14.38	
01/25/17	036940	B0020	PG&E (1873896591-4)	ISSUED	01/25/17	266.49	
01/25/17	036941	B0200	UPS	ISSUED	01/25/17	88.15	
01/31/17	036942	B0060	GLENN ARNOLD	ISSUED	01/31/17	300.00	
			REMITTED TO: ARNOLD, GLENN				
01/31/17	036943	B0109	KORY BILLINGS	ISSUED	01/31/17	200.00	
01/31/17	036944	B0132	CLARK PEST CONTROL	ISSUED	01/31/17	460.00	
01/31/17	036945	B0032	GRAINGER INDUSTRIAL SUPPLY	ISSUED	01/31/17	147.24	
01/31/17	036946	B0059	LLOYD WEAVER	ISSUED	01/31/17	400.00	
01/31/17	036947	B0212	JAVIER MENDOZA	ISSUED	01/31/17	105.00	
			REMITTED TO: NATURAL GARDENS				
01/31/17	036948	B0064	PETERSON, ALFONSE	ISSUED	01/31/17	500.00	
01/31/17	036949	K0044	PG&E (8300477674-2)	ISSUED	01/31/17	167.12	
01/31/17	036950	B0061	ROSALIE HEPPNER	ISSUED	01/31/17	400.00	
01/31/17	036951	B0102	THE HARTFORD	ISSUED	01/31/17	218.65	
01/31/17	036952	B0015	WINTON, WATER & SANITARY DISTRICT	ISSUED	01/31/17	72.80	
TOTAL \$						117381.85	

Bloss Memorial Healthcare District
Bloss Electronic Transfers

Bloss Auto Debits

Bank Fees	170.16
Total	<u>170.16</u>

Electronic Payments to Castle on Payabl	<u>38,406.80</u>
Total	<u>38,406.80</u>

Grand Total	<u>38,576.96</u>
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ACH DENTAL PRO FEES 1099'S

Jan-17

DESCRIPTION	ACCOUNT	AMOUNT
PRO FEES :	SERVICE	PYMT METHOD
SOLOMON, PERRY	Director Fees	Check
HCBINTEL-DAVID THOMPSON	Administrator	Check
ADMINISTRATOR		
DIRECTOR FEES	6022	
TOTAL		

\$ 5,000.00
\$ 7,500.00
\$ 7,500.00
\$ 5,000.00
\$ 12,500.00

RUN DATE: 02/01/17
RUN TIME: 0859
RUN USER: COOKS

Castle Family Health Centers AP **LIVE**
ELECTRONIC PAYMENT NUMBER LIST

PAGE 1

C
FROM D106342 TO D106960

PMT NUM	DATE	VENDOR NUM	VENDOR NAME	STATUS	STATUS DATE	AMOUNT	
						ISSUED	VOIDED
D106350	01/04/17	B0079	ALEJANDRO R. MARQUEZ, DDS INC.	DIRECTD	01/04/17	5070.00	
D106352	01/04/17	B0149	SUNG Y. CHO DDS, INC.	DIRECTD	01/04/17	12272.75	
D106353	01/04/17	B0178	CHRISTOPHER CHIU, D.D.S., INC.	DIRECTD	01/04/17	7800.00	
D106356	01/04/17	B0213	WONIL EDWARD JUNG DDS, INC.	DIRECTD	01/04/17	6100.00	
D106357	01/04/17	B0219	KAREN ANN DROSDIK	DIRECTD	01/04/17	4856.20	
D106358	01/04/17	B0220	JOSEPH S. KIM, D.D.S. INC.	DIRECTD	01/04/17	4373.75	
D106842	01/19/17	B0079	ALEJANDRO R. MARQUEZ, DDS INC.	DIRECTD	01/19/17	8470.00	
D106843	01/19/17	B0149	SUNG Y. CHO DDS, INC.	DIRECTD	01/19/17	13113.00	
D106844	01/19/17	B0152	SO YOUNG PARK, DDS INC.	DIRECTD	01/19/17	10192.00	
D106845	01/19/17	B0178	CHRISTOPHER CHIU, D.D.S., INC.	DIRECTD	01/19/17	13617.60	
D106846	01/19/17	B0213	WONIL EDWARD JUNG DDS, INC.	DIRECTD	01/19/17	13200.00	
D106847	01/19/17	B0215	JANICE JAI-YING HUANG, DDS, INC.	DIRECTD	01/19/17	4400.00	
D106848	01/19/17	B0219	KAREN ANN DROSDIK	DIRECTD	01/19/17	7689.40	
D106849	01/19/17	B0220	JOSEPH S. KIM, D.D.S. INC.	DIRECTD	01/19/17	10081.75	
D106850	01/19/17	B0221	CHRISTINA BAEK, DDS, PC	DIRECTD	01/19/17	10400.00	
D106851	01/19/17	B0222	FUTURE HEALTH SERVICES, LLC	DIRECTD	01/19/17	7500.00	
D106960	01/31/17	C0001	OMNI MEDICAL PROPERTIES	DIRECTD	01/31/17	34070.90	
TOTAL \$						173207.35	

CASTLE FAMILY HEALTH CENTERS, INC REPORT

Castle Family Health Centers Inc
 Operations Summary Report
 Seven Months Ending January 31, 2017

Total encounters for the month are 11,262 compared to 9,561 last year, a 17.79% increase.

Department	Jan-17	Jan-16	VARIANCE	%	Y-T-D Jan-17	Y-T-D Jan-16	Y-T-D VARIANCE *	Y-T-D %
Castle Clinic	3,778	3,526	252	7.15%	24,115	21,161	2,954	13.96%
Specialty Clinic	874	813	61	7.50%	6,239	6,435	(196)	-3.05%
Bloss Clinic	1,230	923	307	33.26%	7,542	7,622	(80)	-1.05%
Winton Clinic	836	584	252	43.15%	5,225	3,990	1,235	30.95%
Urgent Care	483	416	67	16.11%	3,543	3,040	503	16.55%
Lab	1,861	1,545	316	20.45%	11,804	11,619	185	1.59%
Radiology	580	500	80	16.00%	3,830	3,318	512	15.43%
Behavioral Health	257	226	31	13.72%	1,530	1,622	(92)	-5.67%
Adult Day Health Care	509	411	98	23.84%	3,571	3,320	251	7.56%
Optometry	535	332	203	61.14%	3,621	2,398	1,223	51.00%
Ophthalmology	319	285	34	11.93%	2,130	1,961	169	8.62%
TOTAL ENCOUNTERS	11,262	9,561	1,701	17.79%	73,150	66,486	6,664	10.02%

January-17 Working Days 21 and 1 holiday
 January-16 Working Days 20 and 1 holiday

**APPROVAL OF BMHD
INVESTMENT GUIDELINES POLICY**

Fily Cale

From: Michael Muhareb <michael@thiesendueker.com>
Sent: Wednesday, February 08, 2017 11:17 PM
To: Ed Lujano; Conrad Fournier
Cc: Fily Cale
Subject: Bloss/Castle IPS Rework
Attachments: Bloss Memorial Healthcare District IPS.docx

Hi Ed and Fily,

Conrad and I wanted to take this opportunity to follow up regarding Bloss Memorial and Castle Family's IPS.

Attached, please this your original IPS with some notes that we thought could be a good starting point of discussion with the board.

Please let me know if either of you have any questions.

As always, thank you for your trust and your business.

Michael Muhareb

Associate and LPL Financial Consultant

CA Insurance Lic.# 0G73061

Fresno Office

7050 N. Fresno St. #105

Fresno, CA 93720

Phone 559.448.8190

Fax 559.448.8656

www.thiesendueker.com

Merced Office

105 W El Portal Dr Suite B

Merced, CA 95340

Phone 209.364.3380

Fax 209.383.3898



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Policy NO.: 1.6.8 Subject: <u>Investment Guidelines</u>	Effective Date: June 30, 2005 Review Date: Revised Date: Approved Date: June 30, 2005
Manual : <u>Finance</u>	Page: <u>1 of 4</u>
Department Approval: Date: June 30, 2005	Administrative Approval: Date: June 20,2005
Medical Approval: N/A Date:	Committee / Board Approval: Date: June 30, 2005

POLICY

To establish investment guidelines related to asset allocation and risk associated with the District’s investments.

PROCEDURE

The District has identified the following primary investment objectives:

- Preservation of capital is considered a primary objective.
- Equally as important is appreciation of "Capital" as it is necessary to help offset the effects of inflation and build capital for future uses over the long term.

Commented [M1]: Capital Appreciation

Commented [M2]: Capital preservation.

*Add- Third objective is Income.

The above objectives dictate that the District’s unrestricted investments must be invested to achieve a long-term nominal total return of two to three percent over the Consumer Price Index (CPI).

Asset Allocation

The asset allocation that is dictated by these return objectives would approximate fifty percent fixed income and fifty percent equities, assuming that the averages over time are similar to the historical returns achieved by these asset classes as in the past (three to six percent

average annual return for fixed income and six to ten percent for common stocks.) Restricted investment portfolios shall be invested consistent with their particular or unique investment objectives, return requirements, and risk parameters.

Subject: <u>Investment Guidelines</u>	Effective Date: June 30, 2005
Manual: <u>Finance</u>	Pages <u>2</u> of 4

Responsibilities of the District's Investment Committee

The Investment Committee will have responsibility for the operation and revisions to the Investment Policy that governs the District's investment portfolios and submitting any and all recommendations to the Board of Directors. The Investment Committee will appoint an "Investment Manager(s)" and will communicate the investment objectives of the District portfolios to the Investment Manager(s). The Investment Manager(s) will be responsible for:

- 1) Investing the District's portfolios in a manner consistent with the investment objectives of the District's Investment Policy Statement and Risk-Control Guidelines.
- 2) Periodically reporting to the Investment Committee that the District's portfolios are in compliance with the Investment Policy Statement Objectives and Risk-Control Guidelines.
- 3) Periodically reporting investment results of the District's portfolios against appropriate indices.
- 4) Periodically providing the Investment Committee with anticipated investment plans and strategies within the context of the adopted Investment Policy Statement and indicating reasons for significant deviations from the normal or equilibrium asset allocation targets contained in the policy if such deviations exit.

Investment Risk Control Guidelines

1. Allowable Securities – Fixed Income

- A) Taxable Money Market Instruments including Financial Institution Certificates of deposit with ratings as follows by two of the three rating services: A-1/SP-1 or better by Standard & Poor's, P1-MIG1 or better by Moody's F-1 or better by Fitch.
- B) Taxable money market mutual funds redeemable daily upon demand at PAR.

Commented [M3]: Remove

Subject : <u>Investment Guidelines</u>	Effective Date: June 30, 2005
Manual: <u>Finance</u>	Page <u>3</u> of 4

C) U.S. Government Securities, including:

- i. Treasury Bills, Notes or Bonds
- ii. Direct or Guaranteed Obligations of the U.S. Government.

D) Corporate Debt Securities, including:

- i. Bonds, Debentures, or Medium-Term Notes with ratings that must be at least BB or equivalent by two of the four following rating agencies: Stand & Poor's or equivalent, Moody's, Fitch or Duff & Phelps.

E) International Debt Securities, including:

- i. Bonds, Debentures, or Medium-Term Notes with ratings that must be at least BB or equivalent by two of the four following rating agencies: Standard & Poor's or equivalent, Moody's, Fitch, or Duff & Phelps. U.S. dollar Denominated Securities only unless they are part of a managed portfolio such as a Mutual Fund.

F) Mortgage-Backed securities, including:

- i. GNMA, FNMA, and FHLMC Agency product and adjustable rate mortgage product, and agency-backed Collateralized Mortgage Obligations (CMO's). These securities must be AA rated or better by two of the four following rating agencies: Standard & Poor's, Moody's, Fitch, or Duff & Phelps.

Commented [M4]: Change to A.

G) Auction Rate Preferred securities rated A or better Standard & Poor's and/or Moody's.

H) Convertible Debt or convertible Equity Securities including Convertible Debenture and Convertible Preferred Stock. These securities must be rated at least BB or better by two of the four following rating agencies: Standard & Poor's, Moody's, Fitch, or Duff & Phelps.

Ratings on at least seventy percent of the total fixed income portfolio (measured by market value) must carry a rating of BBB or better by two rating agencies.

Commented [M5]: Adder by inserting the phrase: "Allocation Method: To: Weir Group of Thomson Reuters"

Subject: <u>Investment Guidelines</u>	Effective Date: June 30, 2005
Manual: <u>Finance</u>	Page 4 of 4

2. Risk Control Parameter "Fixed Income"

Risk Control Parameter	Low or Minimum	Normal Target or Equilibrium	Higher or Maximum
Treasury/Agency to Corporate Mix	70%-30%	30%-70%	20%-80%
Market Value Per Issuer Limit	-----	1.0%-2.0%	3.0%
Maturity-Individual Security	2.0 Years	-----	30.0 Years
Portfolio Modified Duration	30.0 Years	5.0-8.0 Years	30.0 Years
Credit Quality-Individual Security	BB	A-AA	-----
Percent Portfolio Market Value-BB Rating	0%	15%	30%
Average Portfolio Credit Quality	BBB	A+/AA-	AAA

Commented [M6]: Consider removing

Commented [M7]: Consider removing

3. Risk Control Parameter "Equities"

The equity portion of the portfolio shall be invested in common stocks or stock mutual funds across the full spectrum of capitalization so as to provide prudent diversification. The portfolio shall not be invested in the securities of foreign issuers in excess of twenty-five percent of the equity market portfolio may be in any one industry segment. The investment manager(s) shall maintain adequate diversification such that no single equity holding will exceed fifteen percent of the portfolio's equity market value, company's average monthly trading value.

Commented [M8]: Add: Electronic Traded Funds (ETFs)

Commented [M9]: Should read: No single common stock or issuer

Commented [M10]: Consider removing average value. Ex: SPY is an ETF that has the most volume in all the exchanges. It is considered an equity and has just over 500 stocks that it holds. In other words, by holding this low cost, diversified investment, due to its volume, we would be out of the boundaries of this IPS

4. Risk Control Parameter "Asset Allocation"

Within the context of the target: Fifty percent fixed income and fifty percent equity asset allocation mandated by the long-term total return objectives for the unrestricted District portfolios, the investment manager(s) shall have the discretion to vary the actual asset allocation of such portfolios by twenty percent in either direction based on market conditions and the long-term relative valuation levels of bonds and stocks. Risk Control parameters should be reviewed at least annually or more frequently as needed.

Commented [M11]: Adjust to 25 or 30 percent

Bloss Memorial Healthcare District, a Public Entity

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Department Approval: Date: February 23, 2017	Administrative Approval: Date: February 23, 2017
Medical Approval: N/A Date:	Committee / Board Approval: Date: February 23, 2017

POLICY

To establish investment guidelines related to asset allocation and risk associated with the District's investments.

PROCEDURE

The District has identified the following primary investment objectives:

- Preservation of capital appreciation is considered a primary objective.
- Equally as important is appreciation of "Capital" preservation as it is necessary to help offset the effects of inflation and build capital for future uses over the long term.
- Income

The above objectives dictate that the District's unrestricted investments must be invested to achieve a long-term nominal total return of two to three percent over the Consumer Price Index (CPI).

Asset Allocation

The asset allocation that is dictated by these return objectives would approximate fifty percent fixed income and fifty percent equities, assuming that averages over time are similar to the historical returns achieved by these asset classes as in the past (three to six percent average annual return for fixed income and six to ten percent for common

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stocks). Restricted investment portfolios shall be invested consistent with their particular or unique investment objectives, return requirements, and risk parameters.

Responsibilities of the District's Investment Committee

The Investment Committee will have the responsibility for the operation and revisions to the Investment Policy that governs the District's investment portfolios and submitting any and all recommendations to the Board of Directors. The Investment Committee will appoint an "Investment Manager(s)" and will communicate the investment objectives of the District portfolios to the Investment Manager(s). The Investment Manager(s) will be responsible for:

- 1) Investing the District's portfolios in a manner consistent with the investment objectives of the District's Investment Policy Statement and Risk-Control Guidelines.
- 2) Periodically reporting to the Investment Committee that the District's portfolios are in compliance with the Investment Policy Statement Objectives and Risk-Control Guidelines.
- 3) Periodically reporting investment results of the District's portfolios against appropriate indices.
- 4) Periodically providing the Investment Committee with anticipated investment Plans and strategies within the context of the adopted Investment Policy Statement and indicating reasons for significant deviations from the normal or equilibrium asset allocation targets contained in the policy if such deviations exist.

Investment Risk Control Guidelines

1. Allowable Securities – Fixed Income

- A) Taxable Money Market Instruments including Financial Institution Certificates of deposit with ratings as follows by two of the three rating services: A-1/SP-1 or better by Standard & Poor's, P1-MIG1 or better by Moody's F-1 or better by Fitch.
- B) Money market mutual funds redeemable daily upon demand at PAR.

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C) U.S. Government Securities, including:

- i. Treasury Bills, Notes, or Bonds
- ii. Direct or Guaranteed Obligations of the U.S. Government.

D) Corporate Debt Securities, including:

- i. Bonds, Debentures, or Medium-Term Notes with ratings that must be at least BBB or equivalent by two of the four following rating agencies: Standard & Poor's or equivalent, Moody's, Fitch, or Duff & Phelps.

E) International Debt Securities, including:

- i. Bonds, Debentures, or Medium-Term Notes with ratings that must be at least BBB or equivalent by two of the four following rating agencies: Standard & Poor's or equivalent, Moody's, Fitch, or Duff & Phelps. U.S. dollar Denominated Securities only unless they are part of a managed portfolio such as a Mutual Fund.

F) Mortgage-Backed securities, including:

- i. GNMA, FNMA, and FHLMC Agency product and adjustable rate mortgage product, and agency-backed Collateralized Mortgage Obligations (CMO's). These securities must be A rated or better by two of the four following rating agencies: Standard & Poor's, Moody's, Fitch, or Duff & Phelps.

G) Auction Rate Preferred securities rated AA or better Standard & Poor's and/or Moody's.

H) Convertible Debt or convertible Equity Securities including Convertible Debentures and Convertible Preferred Stock. These securities must be rated at least BBB or better by two of the four following rating agencies: Standard & Poor's, Moody's, Fitch, or Duff & Phelps.

Ratings on at least seventy percent of the total fixed income portfolio (measured by market value) must carry a rating of BBB or better or by a measured by a Third party Asset Allocation I.e. Morningstar or Thomson Reuters.

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2. Risk Control Parameter “Fixed Income”

<u>Risk Control Parameter</u>	<u>Low or Minimum</u>	<u>Normal Target or Equilibrium</u>	<u>Higher or Maximum</u>
Maturity-Individual Security	2.0 Years	-----	30.0 Years
Portfolio Modified Duration	30.0 Years	5.0-8.0 Years	30.0 Years
Credit Quality-Individual Security	BB	A-AA	-----
Percent Portfolio Market Value- BBB Rating	0%	15%	30%
Average Portfolio Credit Quality	BBB	A+/AA-	AAA

3. Risk Control Parameter “Equities”

The equity portion of the portfolio shall be invested in common stocks or stock mutual Electronic Traded Funds (ETF’s) across the full spectrum of capitalization so as to provide prudent diversification. The portfolio shall not be invested in the securities of foreign issuers in excess of twenty-five percent of the equity portion of the portfolio at market and no more than twenty-five percent of the equity market portfolio may be in any one industry segment. The investment manager(s) shall maintain adequate diversification such that no single common stock or issuer will exceed fifteen percent of the portfolio’s equity market value.

4. Risk Control Parameter “Asset Allocation”

Within the context of the target: Fifty percent fixed income and fifty percent equity asset allocation mandated by the long-term total return objectives for the unrestricted District portfolios, the investment manager(s) shall have the discretion to vary the actual asset allocation of such portfolios adjust to 25 or 30 percent.