

Lompoc Valley Medical Center
(Formerly known as Lompoc Healthcare District)
BOND OVERSIGHT COMMITTEE MEETING
Tuesday, July 22, 2008

Call to Order

Vice-Chairperson Kennedy called the meeting to order at 1:33 p.m. in the LVMC Board Room.

Roll Call

Members in attendance: Tony Fox, George Kennedy, Roger McConnell, Howard Grantz, and Justin Rughe.

Members absent: Gary Williams.

Others present: Bob Baden, Jim White and Irene Melton.

Review of Prior Meeting Minutes

The minutes from the April 22, 2008 committee meeting were m/s/c to accept as presented.

Revisions to Agenda

None.

NEW BUSINESS:

Status of the New Hospital Project:

- An update on the status of the New Building Project will be provided at the meeting. Mr. White began by reporting that the "B" was in the clean up phase and that electricity, gas, air handling were in the final check off phase. He noted the building is very close to final completion and an "open house" on the "B" building is being developed to occur in September or October.

He further reported that construction on the "I" building is moving along on time. He noted that the water piping, conduit footings and the pouring of the concrete slab was near completion and would be continued on Thursday through Saturday. He noted that the time to pour this slab was accomplished much faster than on the "B" building as the contractor had everything well organized. Steel for the girders and frame of the "I" building is expected shortly after the curing time of the concrete is met (about 28 days). In fact, construction is a bit ahead of schedule at this time.

Mr. White reported that the demolition of the Community Center building is still scheduled for August 2009 and rumors are that the City is looking at a new location to relocate it.

Mr. White also reported the permit had been obtained for pouring the concrete slab in the Imaging/radiology portion of the "B" now that the choices for the final equipment to be installed have been committed. This portion was delayed until the latest and best equipment could be purchased and bolted into the floor.

There were several questions from committee members regarding the construction, timing and review process that were responded to by Mr. White.

Overview of the Budget and Expenditures to date.

- Review of the total project budget and current projections based upon current commitments through June 30, 2008. Mr. Baden reviewed the June 30, 2008 Budget Control Report with

the Committee members which is now in a summary format of the detailed document for easier review. He also had a copy of the detailed report available for individual review by the member. Highlights of the report were:

- General costs to the project again reflected a positive variance from budget of approximately \$1,389,000, which showed an increase in savings from the March 31, 2008 report.
- "B" Building costs were projected to run \$3,794,000 over budget,
- "I" building costs were now projected at \$4,863,000 over budget, which resulted in a total cost of \$7,268,000, and
- Due to earnings on the bond proceeds during construction now being forecast at \$4,400,000, the total overage is currently projected at \$2,868,000.
- Mr. Baden noted that the expected earnings on the bond proceeds would be higher than the current \$4,400,000 and would be in the \$5,000,000 range, which will further reduce the net cost to the District.
- Mr. Baden noted that a couple of portions of the project remained to be bid out. The expectation is that this will further reduce the overage on the project.

Mr. Baden further commented that there are always things that occur that could drive up the total cost, although a majority of the construction bids were awarded and this solidifies the projections more than they have been since the beginning.

▪ Current actual expenditures to date through June 30, 2008.

Mr. Baden reviewed latest and current expenditures to date on the project from the worksheet labeled Cash Out Report Summary through June 30, 2008. He noted that expenditures during the month of June totaled \$1,691,000 primarily for construction costs on the "B" building, however with construction rolling now on the "I" building, \$470,000 of the cost related to it. Interest earnings on the bond proceeds invested until their use were \$143,000 for the month of June which resulted in net costs for the month of \$1,548,000. Total net cash expenditures to date were now at \$29,542,000 of the total \$74,500,000 received from the two GO Bond Sales. Questions from committee members regarding select line items were answered and no further action was necessary.

Committee Operations – Review Membership Status:

- The Committee shall consist of at least 5 members who will serve for a 2-year term without compensation. Members may serve no more than 3 consecutive terms.

Mr. Fox noted that Gary Williams had brought up at the March 22, 2008 meeting that the time was approaching to address membership terms, etc. He noted further the General Obligation Bond Oversight Committee document outlining the Purpose, Charge to the Committee and Committee Operations was a part of the committee's packet today to address that the committee had now been in existence and meeting for two years. This point was important since the members had each volunteered to serve a two year term on the committee. This discussion was for an opportunity for anyone that did not wish to serve a second term to advise the committee and they could be excused from the committee for the future. All members present acknowledged that they wished to continue to serve a second term on the committee. The committee members were thanked for their willingness to volunteer for another two years. Mr. Fox then noted that this would be an appropriate time to determine whether chairperson and vice chairperson positions should be changed to other members. The committee members agreed that Mr. Fox and Mr. Kennedy should stay in those roles unless they wished to step down. Both members accepted the committee's wishes for them to continue in their roles. It was also noted that before the second terms were complete the building project would be complete and the committee would wrap up its role.

Audit Hospital Construction Project September 2008:

- An update regarding the Hospital District's external audit of the new building construction and transactions and accounting.

Ms. Melton, LVMC Controller, reported to the committee that the District's annual audit will begin in September 2008. During the audit process the external auditor will review and sample data from the GO Bonds, the appropriate use of those funds and the internal controls in place to verify that the accounting and transactions are reasonable. The final report is expected to be issued in October 2008 for final District Board approval. The audit information will be shared with the Bond Oversight Committee as soon as it is available.

OLD BUSINESS:

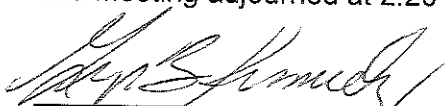
- Report to the Lompoc Valley Medical Center Board of Directors
 - LVMC Web site display of minutes.
Mr. Baden reported that Bond Oversight Committee purpose and all minutes are now on the LVMC web site for public access.
 - Display of minutes at the Lompoc Public Library.
Mr. Baden reported that all copies of the Bond Oversight Committee minutes are now distributed to the Lompoc Public Library for public access.
 - Report to the Board of Directors.
Mr. Fox reported that a report on the Bond Oversight Committee activities for the past two years will be presented to the District Board of Directors at their next regularly scheduled meeting. It would be a summary report along with the available minutes of the meetings held since inception as had been agreed to by the committee at one of its earlier meetings.

Other

- None.

Adjourn

The meeting adjourned at 2:20 p.m.



George B. Kennedy, Vice Chairperson