



The Independent Citizens' Bond Oversight Committee

ICBOC Mid-Year Report to the Community

August 2008



Dear Citizens:

Welcome to the 2008 Mid-Year Report to the Community from the Proposition "G" Independent Citizens' Bond Oversight Committee (ICBOC). Although our policy requires only an annual report, the ICBOC Communications Sub-Committee believes that

this special update is appropriate and relevant as we fulfill our responsibilities to you, as fellow taxpayers in our East County community. Please review and share the Mid-Year Report information with your family and friends.

As a quick reminder, our Committee exists because of the leadership and foresight of the Grossmont Healthcare District (GHD) Board of Directors. GHD is a public agency that oversees operation of Sharp Grossmont Hospital in La Mesa, and it awards grants to serve unmet healthcare needs in the East County. Several years ago, the GHD board members realized that major capital improvements were needed at Grossmont Hospital. As a result, GHD sponsored a voter-approved bond measure that will finance a number of construction projects over the next several decades at the hospital. Proposition "G," which appeared on the June 2006 ballot, was overwhelmingly approved by more than 77 percent of voters, well above the two-thirds required. Prop. G approved the sale of up to \$247 million in general obligation bonds. The requirement to create an ICBOC as a representative for taxpayers was also a part of Prop. G. Our Committee has been assigned with the task of overseeing bond proceed expenditures to ensure that taxpayer dollars on infrastructure construction are spent effectively and efficiently, as well as to inform taxpayers.

I would encourage you to visit our website to review all pertinent ICBOC activities and public information, including agendas, meeting minutes, presentation documents, bylaws, construction contracts and reports and memos. The website can be visited at www.grossmonthealthcare.org, click the "Prop. G Independent Citizens' Oversight Committee" icon. In addition, the website is visible at <http://icboc.gafcon.net>. Gafcon, Inc., a San Diego-based construction management firm, is managing the website, as well as providing administrative support to the Committee. The website is designed in a consumer-friendly format so that every eye can see every relevant document and report, and at the same time, save a few reams of paper. I invite you to attend our meetings and we always welcome your input.

Sincerely,

Ernest Ewin, Chair

Construction Under Way

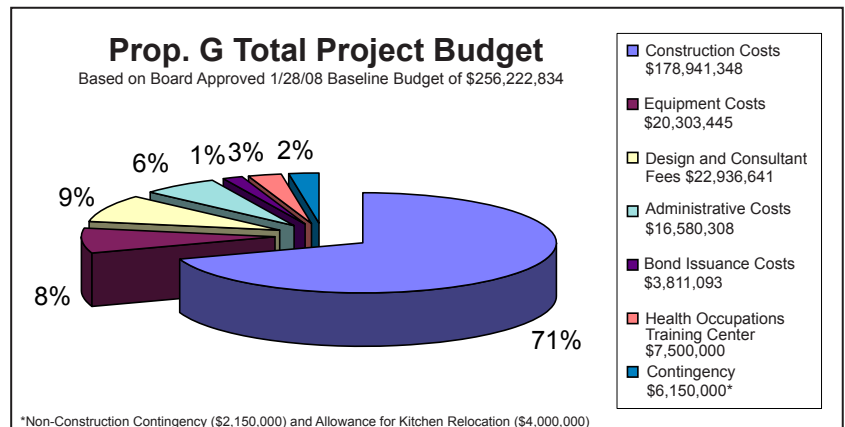
The Proposition "G" Independent Citizens' Bond Oversight Committee (ICBOC) is proud to announce that construction has begun on the first capital improvement project at Sharp Grossmont Hospital in La Mesa. This is following approval by voters of \$247 million in general obligation bonds that will finance infrastructure construction projects planned over the next several decades at the hospital. The ICBOC is a volunteer citizens group serving East County taxpayers by providing independent oversight to Grossmont Healthcare District's (GHD) use of the Prop. G bond proceeds.

The first project, in accordance with the Grossmont Hospital Facilities Master Site Plan, is the addition of 90 new beds, to include 24 intensive care unit beds and 66 medical-surgical beds, to the hospital's emergency department (ED) and critical care unit (CCU) tower. The build-out of the ED/CCU tower comprises about 68,400 square feet. Construction on the \$41-million project began in late 2007, and was originally scheduled for completion by the end of 2008, and is currently scheduled for completion in Spring 2009. Jaynes Corp. is the general contractor.

In addition, conceptual planning is ongoing simultaneously on three other building projects (the ballot measure limits bond proceeds to buildings and other fixed assets). They include:

- Diagnostic and Treatment Center, which includes space for a new pharmacy and clinical lab and cath labs, as well as multipurpose procedural rooms that can be used for general surgery, minimally invasive surgery, image guided surgery as well as endovascular interventional procedures.
- Improvements to existing patient rooms in the East Tower, including replacement of head-walls and conversion of four patient rooms on each floor to ADA compliance.
- Modernization and expansion of the Central Utility Plant that will provide energy needs to the Diagnostic and Treatment Center, four floors of the existing East Tower and will include the flexibility to expand for future needs.
- The John W. Hardebeck Health Occupations Training Center (HOTC), a multi-story building featuring classrooms, laboratory and support spaces for the training of students in the health professions.

"We are impressed with the diligence of the District's program management team and their ongoing efforts to initiate a process improvement plan that provides metrics on team performance and keep the work on schedule," said Ernest Ewin, ICBOC chairman. "It appears from our observations that an environment is in place toward continuous improvement and progress."



Citigroup's \$85M contract cancelled

In response to fluctuating conditions in the financial markets, the Grossmont Healthcare District (GHD) Board of Directors recently took action that resulted in protecting roughly \$85.6 million in taxpayer dollars. On behalf of local taxpayers, GHD board actions are monitored by the ICBOC.

In April of this year, GHD became concerned about the financial condition of Citigroup, the financial giant that was once one of the nation's largest banks. The concern was due to Citigroup's falling stock prices and losses from billions of dollars in write-down related to the mortgage crisis.

Back in August 2007, after a competitive bid process, GHD selected Citigroup to invest its building funds from the sale of Proposition "G" bonds. Citigroup was selected after it offered an attractive guaranteed rate of 5.048 percent. However, not long after Citigroup was selected, the financial giant's troubles began making headlines, including employee layoffs and the need for cash infusions.

This spring, when Citigroup's ratings with Moody's appeared to be on the brink of dropping below the required minimum rating level, GHD – on the advice of District consultants – opted for early termination of GHD's agreement with Citigroup, to which Citigroup agreed. Citigroup not only returned the remaining balance of the \$85.6 million but also paid an additional \$3 million in termination fees and interest.

The GHD Board's stewardship of its fiduciary responsibility to protect taxpayer funds resulted in the protection of the principal balance of the public bond funds. These funds were subsequently reinvested with Union Bank of California as District bond trustee in safer government backed securities and bond funds.

The ICBOC recognizes the responsiveness of GHD. The willingness of the ICBOC Communications Sub-Committee in sharing this report with you, the taxpayer, is evidence of our commitment to transparency and openness about how your tax dollars are being spent.



ICBOC Members (Back Row): Bob Klaiber, Dr. Michael Peddecord and Ernest Ewin. (Front Row): Dr. Peter Hanson, Ellen Arcadi, R.N., Dr. James Johnson and George Hawkins. Not Shown: Walter Heiser and Joseph Powell.

Thank you to those whose terms ended in July 2008: Andrew Knutson and James Schmidt.

Grossmont Healthcare District

9001 Wakarusa Street
La Mesa, California 91942

For meeting times please check the website:

<http://icboc.gafcon.net>

ICBOC Honored for "Commitment to Oversight"

The ICBOC was recently honored as a finalist for a Golden Watchdog award by the San Diego County Taxpayers Association (SDCTA). The SDCTA is an independent, non-partisan, non-profit organization that brings the taxpayer's perspective to public policy debates. The Association takes a leadership role in fiscal oversight of local government and aggressively resists unwarranted taxes and fees, discriminatory regulations and ill-advised public expenditures. The Golden Watchdog awards are awarded to programs that exemplify efficient use of tax dollars, while its Golden Fleece awards are given to examples of wasteful or inefficient government spending.

In honoring the ICBOC, the SDCTA said the Committee "has proven itself as an exemplary model of quality oversight. From the onset of the bond program, the Committee was involved in the process every step of the way. Since the Committee was formed nine months before the first bond issuance, members were given enough time to organize and review materials, as well as create a website to publish project updates prior to the beginning of construction. The Committee and GHD Board are noted as having an effective working relationship, due in large part to the District's sincere commitment to oversight."

"We are very gratified for the recognition by the Taxpayers Association, which validates our openness, transparency and eagerness to share bond-related information with taxpayers," said Ernest Ewin, ICBOC chairman. "Credible public information is a strong tool that permits citizens to check on the effectiveness of governmental agencies."

ICBOC Projects

**Emergency Department/
Critical Care Unit Tower**

- 90 new ER beds
- \$41 million
- 68,400 square feet
- Current construction schedule:
November 2007 to Spring 2009

Diagnostic and Treatment Center

- Five new operating rooms (three are shell rooms for future use)
- Prep/recovery unit
- Post-anesthesia care unit
- New pharmacy and clinical lab space
- \$110 million
- 73,767 square feet
- Under way: Schematic architectural design
- Anticipated construction start:
April 2011
- Anticipated construction completion:
April 2013

** HOTC also is anticipated to be under ICBOC oversight*

East Tower Upgrade

- Improvements to existing patient rooms
- Mechanical, electrical, plumbing, elevator upgrades
- \$34 million
- 64,000 square feet
- Architectural design in conceptual stage
- Anticipated construction start:
January 2011
- Anticipated construction completion:
July 2012

**Central Plant Modernization
and Expansion**

- Improvements are needed to support planned future buildings
- \$56 million
- Anticipated construction start:
March 2011
- Anticipated construction completion:
November 2012

Current ICBOC Members

Ernest Ewin, chair; **Dr. James Johnson**, vice-chair; **Ellen Arcadi, R.N.**, Communications Sub-Committee chair; **Walter Heiser**, Audit and Finance Sub-Committee chair; **Joseph Powell**, Construction Sub-Committee chair; **Dr. Peter Hanson**; **George Hawkins**; **Robert Klaiber**; and **Dr. Michael Peddecord**.

We are all residents of the East County. Our job is not to rubber-stamp the decisions of GHD, its board, the hospital or Sharp Healthcare, nor is it to micromanage and dictate construction direction. Rather, our committee's function is to understand the processes and structure that will be used during ongoing construction and provide conscientious and diligent oversight to the benefit of taxpayers. Our goal is to fully inform you, the District taxpayers, with detailed accounting and monitoring.

-The Independent Citizens' Bond Oversight Committee