

**MINUTES OF A SPECIAL MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
August 7, 2002**

Present:

Mr. Faro, President
Ms. Kane
Mr. MacNaughton
Dr. Shefren

Also present:

Mr. Gibson, CEO
Ms. Johnson (recorder)
El Don A. Corl, resident
Melanie Carroll, reporter

Absent:

None

CALL TO ORDER:

President Faro called the meeting to order at 4:45 PM in the Board Room at Sequoia Hospital.

PUBLIC COMMENT:

There was no public comment.

CONSENT CALENDAR:

On a motion offered by Director Shefren and seconded by Director MacNaughton, the Consent Calendar was approved as presented.

NEW BUSINESS:

Resignation of Cecilia Montalvo:

Director Faro announced that Cecilia Montalvo has resigned from the Board effective immediately. Ms. Montalvo's letter of resignation cited the time commitment to fully serve on the Board coupled by her role as a full-time working mother of four. Director Faro reported that the Elections Department has been officially notified. Director Kane moved to accept Ms. Montalvo's resignation. The motion was seconded by Director MacNaughton and unanimously passed.

Options to Fill Vacancy on the Board of Directors:

Mr. Gibson reported on various options open to the Board for the filling the vacancy created by Ms. Montalvo's resignation. The Board could post the vacancy and interview interested candidates. The candidate then duly appointed by the Board would run in the November election as an "appointed incumbent." An alternative is to leave the position

vacant, allowing it to be filled by the election process. After consideration, Director MacNaughton moved to leave the seat vacant and thereby filled by the election process. Director Kane seconded the motion which unanimously passed.

Investment Report:

Mr. Alan Seidner and Mr. Eric Reynolds of Fiduciary Trust International (FTI), the District's investment portfolio managers, were in attendance to report on the performance for the second quarter of 2002. Mr. Seidner stated that the District's investments are in adherence with State guidelines and regulations.

Mr. Reynolds reported that the portfolio increased in value by 3.9%, compared to the benchmark, the Lehman Government Intermediate Index, of 3.6%. As of June 30, 2002, the portfolio's asset allocation was 6.36% cash, 33.25% government treasury notes, 13.57% government agencies, 19.89% mortgage-backed, 7.00% asset-backed and 19.84% corporate bonds. The portfolio's average weighted maturity is 4.5 years and duration of 3.10 years. Mr. Reynolds noted that the asset allocation and length of maturity comply with the District' investment guidelines adopted by the Board on August 7, 2000.

Director Shefren offered a motion to approve the investment report as presented. The motion was seconded by Director MacNaughton and unanimously passed. (A copy of FTI's written report is included with the original of these minutes.)

Fiscal 2001/2002 Annual Audit:

After review of the proposed engagement letter from Pearson Del Prete to provide audit services for the annual audit, Director Shefren moved to authorize Mr. Gibson to execute the engagement letter as presented at a cost not to exceed \$11,250. Director MacNaughton seconded the motion which passed by unanimous vote. Mr. Gibson noted that the fee has increased by 4% over last year.

Biannual Review of Conflict of Interest Code:

Mr. Gibson reported that the State code requires government entities to review their conflict of interest code and acknowledge that it is in accordance with State regulations. Directors reviewed the current code, which has been in effect since 1998, and found it to be in order. Director Kane offered a motion to ratify the existing Code as presented. Director MacNaughton seconded the motion which unanimously passed.

OLD BUSINESS:

Sequoia Hospital Foundation Request for Matching Grant for FY 02-03:

Mr. Gibson reported that at the last meeting, the Board approved a matching grant to the Foundation for up to \$1 million contingent upon review of the Foundation's work plans for those funds. Ms. Key's letter included in the Board packet specifies that the District's matching funds would be used toward the Cardiac Catheterization Laboratory, purchase of a dual head camera for the Nuclear Medicine Department, and a patient monitoring system for the ICU. Director Kane offered a motion to reaffirm the Board's approval of

the \$1 million matching grant to the Foundation. Director Shefren seconded the motion which unanimously passed.

ADJOURN:

At 5:10 PM, President Faro adjourned the meeting.

Respectfully submitted,

Gerald Shefren, M.D.
Secretary