

MINUTES OF MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
August 28, 2003

Present:

Mr. Faro
Mr. Hickey
Ms. Kane
Dr. Katz
Mr. MacNaughton

Also present:

Mr. Gibson, CEO
Mrs. Penny Greenberg, Counsel
Ms. Scott, Recorder

Absent:

None

CALL TO ORDER:

President Faro called the meeting to order at 4:30 PM in the Sequoia Room at Sequoia Hospital.

PUBLIC COMMENT:

Ms. Merla Murdoch addressed the Board, and expressed hope that the Board would pass the resolutions pertaining to funding the Sequoia Healthcare District Employee Pension Plan, as many employees' pensions are dependent upon it.

President Faro announced that the annual meeting of the Association of California Health District's is scheduled for October 1-3, 2003, and advised that those interested in attending should contact him or the office for further information.

Two unidentified members of the audience spoke to the agenda for this meeting, noting it was posted on the website as August 28, 2002 rather than August 28, 2003. Staff acknowledged the error and noted that the correct agenda was posted in the hospital and the professional staff lounge, in addition to it being mailed out to the press and members of the community that have requested it.

CONSENT CALENDAR: Director Kane requested the removal of the June 11, 2003 Board of Directors meeting minutes from the Consent Calendar. Director Hickey asked that the CEO Report be removed from the Consent Calendar. A motion was offered to approve the remaining items on the Consent Calendar, followed by a second, which unanimously passed.

3.A. Approve Minutes Of June 11, 2003 Board Of Directors Meeting: President Faro opened the discussion: Director Kane referred to the minutes where Ms. Merla Murdoch's length of

employment with the hospital is referred to and suggested that Ms. Merla Murdoch has been employed with the hospital longer than seven years. Staff acknowledged that Ms. Murdoch has been employed at Sequoia since 1973 and the minutes would be changed to reflect that.

Director Hickey requested that the Board not approve the minutes of the meeting until he has reviewed the audiotapes of the meeting and offered a motion not to approve the June 11, 2003 minutes until the next Board meeting. After a brief discussion, the motion was seconded by Director MacNaughton, but failed on a 4-1 vote with Director Hickey in favor.

Director Kane offered a motion to approve the minutes of the June 11, 2003 Board of Directors meeting with the correction to Ms. Murdoch's tenure, Director Katz seconded the motion, which was passed on a 4-1 vote with Director Hickey opposed.

President Faro offered a motion to amend the minutes if it was found there was a substantive discrepancy between the minutes and the tapes of the meeting. Director Kane seconded the motion, which passed by a vote of 4-1 with Director Hickey opposed.

3.C. Accept CEO's Report Of August 21, 2003: President Faro opened the discussion: Director Hickey expressed that he would have liked the topic of nominations and appointments to the Sequoia Health Services Board of Directors addressed in the CEO's report. Director Hickey was directed to the last paragraph in the CEO's report and to agenda item D, both of which addressed nominations and appointments to the Sequoia Health Services Board. A motion was offered to accept the CEO's Report of August 21, 2003, followed by a second, which unanimously passed.

NEW BUSINESS:

5.A. Consider Contracting With Pearson, Del Prete & Co., LLP For Provision Of The District's Annual Audit For Fiscal Year Ending 6/30/03 In The Amount Of \$12, 030:

Director MacNaughton commented that the fee seemed high and asked if any comparison quotes had been acquired. Mr. Gibson explained that the value in retaining the same auditor from year to year is the savings in the cost of the start-up labor associated with a new provider. Director Kane offered a motion to approve contracting with Pearson, Del Prete & Co., LLP for the District's annual audit, which was seconded, and unanimously passed.

5.B. Pension Plan:

5.B. (1) Consider Resolution 03-2 To Fund Sequoia Healthcare District Employee Pension Plan In The Amount Of \$1.9 Million For Plan Year 2003 As Recommended By Pension Plan Committee And Its Enrolled Actuary: Mr. Gibson stated that The Sequoia Healthcare District Employee Pension Plan has been frozen since October 1, 1996, covers several hundred people and has roughly \$40 million in assets. He explained that the actuary and the Pension Plan Committee recommend that the plan receive supplemental funding in the amount of \$1.9 million, which requires Board approval. Mr. Gibson explained that Resolution 03-3 requests that Sequoia Health Services reimburse the District for funding the pension plan in the same amount of \$1.9 million.

Director Hickey asked for clarification of why the District has to fund the plan. Mr. Gibson stated that the plan is legally a District plan, which was active when the District owned the

Hospital, and since the Hospital is not be owned by a government entity, the plan could not be transferred in 1996; however, SHS is bound by the terms of the Purchase Agreement to reimburse the District for its contributions. The plan is a defined benefit plan and has a required payout of 7%. This contribution funds the plan to an actuarial level recommended by the Pension Plan Committee and was necessary due to the decline in equity market valuations.

PUBLIC COMMENT:

Ms. Merla Murdoch urged the Board to fund the plan, as she and others are dependent upon it for their retirement.

An unidentified member of the audience asked if the Hospital employees are contributing to the plan and who is on the Pension Plan Committee. Mr. Gibson stated that the Hospital employees do not contribute to the plan as the plan has been frozen since October 1, 1996, and the Pension Plan Committee is comprised of Mr. Gibson, an attorney, V.P. for finance (CHW), the Hospital's CEO, an investment advisor, and an actuary. The same gentleman inquired about the name and location of the actuary. Mr. Gibson stated that the actuary is AON Company, located in San Francisco. Director Hickey requested that no action be taken until more information was available.

Director Kane commented that it would be negligent not to fund what the actuary and the Pension Plan Committee recommend. Director Kane offered a motion to waive the reading of Resolution 03-2, which was seconded, and unanimously passed. President Faro called for the vote to approve Resolution 03-2: Roll call vote:

AYES: Directors Kane, Katz, MacNaughton

NOES: Director Hickey

ABSTAIN: Director Faro

ABSENT: None

5.B. (2) Consider Resolution 03-3 Requesting Sequoia Health Services To Reimburse Sequoia Healthcare District For Funding Employee Pension Plan In The Amount Of \$1.9 Million:

Director MacNaughton offered a motion to waive the reading of Resolution 03-3. Director Kane seconded the motion, which unanimously passed. Director MacNaughton offered a motion to approve Resolution 03-3. Director Kane seconded the motion. President Faro called for the vote to approve Resolution 03-3: Roll call vote:

AYES: Directors Hickey, Kane, Katz, MacNaughton

NOES: None

ABSTAIN: Faro

ABSENT: None

5.C. Consider Resolution 03-4 Authorizing Residual Funds From Dissolved Sequoia Services Corporation In The Amount Of \$30,632 Be Distributed To Sequoia Hospital:

Mr. Gibson explained that Sequoia Services Corporation was created by the District prior to 1996 for the purpose of serving as owner and operator of Sequoia Medical Clinic. The Corporation was dissolved in 1999. The Articles of Incorporation provided that upon dissolution the remaining

assets accrue to Sequoia Healthcare District. Since the decision to dissolve the Corporation the Hospital has funded millions of dollars of expenses in closing it. It is recommended that the assets remaining in the amount of \$30,632 be distributed to the Hospital and that the District waives any future interest in this entity. Director MacNaughton offered a motion to waive the reading of Resolution 03-4, which was seconded and unanimously passed.

Discussion: Director Hickey opposes the resolution and suggests the funds remain in the District. Gibson explained that the residual funds are the result of old account receivables and have not been netted against the losses the Corporation experienced which were in excess of 11 million dollars. After further discussion the board voted to waive the requirement as delineated in the Articles of Incorporation and approve that the funds be transferred to Sequoia Health Services. Director MacNaughton offered a motion to approve Resolution 03-4; Director Katz seconded the motion. President Faro called the question: Roll call vote:

AYES: Directors Faro, Kane, Katz

NOES: Directors Hickey, MacNaughton

ABSENT: None

ABSTAIN: None

5.D. Nominations And Appointments To SHS Board - Per The Bylaws Of Sequoia Health Services, The District Is Required To Nominate Candidates For Appointment To The Sequoia Health Services Board. Director Kane's Seat Requires Consideration For Nomination Of Reappointment And The Board Shall Consider The Nomination And Appointment Of A Candidate From The Attached List For The Seat Remaining Open Due To Dr. Shefren's Resignation: President Faro explained the two vacancies and the process for filling those seats as delineated in the agenda. Director Kane's seat requires consideration for reappointment to the Sequoia Health Services Board of Directors, and the other vacancy is due to Dr. Shefren's resignation.

5.D. (1) Consider Waiving Board Policy To Establish An Ad Hoc Committee To Interview Candidates: President Faro summarized the process that the District has followed in publicizing the vacancy and interviewing persons who have expressed interest in these posts. Since the full Board is considering all those who have expressed an interest, a waiver of the policy to establish an ad hoc committee to interview candidates is being requested. Director Kane offered a motion to waive the board policy to establish an ad hoc committee to interview candidates, which was seconded and unanimously passed.

5.D. (2) Consider Nominating Candidates For the SHS Board Subject To The Approval of SHS and CHW: Mr. Gibson reviewed the process for recommending the nominees for appointment to the Sequoia Health Services Board of Directors subject to the approval of the SHS Nominating Committee, the SHS Board of Directors and Catholic Healthcare West. The SHS Nominating Committee, upon their approval of these recommended nominations, then recommends these nominations to the SHS Board of Directors and CHW.

PUBLIC COMMENT:

An unidentified member of the audience stated that he believes members of the District Board should automatically be appointed to serve on the Hospital Board.

Ms. Merla Murdoch commented that when SHS Board was formed she remembered that it was not the intent to have District Board members automatically seated on the SHS Board and the District Board always had the right to appoint.

President Faro made it clear that a person appointed to serve on the Hospital Board as a representative of the District must meet certain qualification to do so. Director MacNaughton stated that the District Board has to remain sensitive to the needs of the SHS Board to ensure the continuation of excellent healthcare to the District residents and to do otherwise would be irresponsible. Director MacNaughton offered a motion to recommend the nomination of Director Kane for reappointment to the SHS Board for an additional term of three years expiring September 2006. The motion was seconded and unanimously passed.

Director Katz made a motion to recommend the nomination of Dr. Tanya Spirtos to the SHS Board as a District representative. After a short discussion, the motion was seconded, which passed by a vote of 4-1 with Director Hickey opposed.

5.D. (3) Consider Appointing Nominees To The SHS Board Subject To SHS Board and CHW Approval: Director MacNaughton offered a motion to appoint Director Kane and Dr. Spirtos to the SHS Board of Directors for three-year terms expiring September 2006 contingent upon the approval of the SHS and CHW Board of Directors. The motion was seconded, which passed by a vote of 4-1 with Director Hickey opposed.

ADJOURN:

At 1730 hours, President Faro adjourned the meeting. The next Regular Meeting of the Board of Directors is scheduled for 1630 hours, Wednesday, October 1, at Sequoia Hospital in the Sequoia Room.

Respectfully submitted,

Kathleen M. Kane
Secretary