

MINUTES OF MEETING
BOARD OF DIRECTORS
SEQUOIA HEALTHCARE DISTRICT
April 7, 2004

Present:

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

Also present:

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

Excused:

Mr. MacNaughton

CALL TO ORDER:

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

PUBLIC COMMENT:

Director Hickey read a prepared statement. A copy is available with the original minutes. Mr. Gibson corrected the following information contained in Director Hickey's statement:

1. The District was formed in 1946, not 1996.
2. Sequoia Healthcare District was not surreptitiously created in the 1996 local election. Rather, a change in State law reclassified all "Hospital Districts" as "Healthcare Districts" to reflect their broader responsibilities to the overall health of the communities they serve.

CONSENT CALENDAR:

President Faro requested the removal of item 3.c. (Accept CEO's Resignation/Retirement Notice) and Director Hickey requested the removal of item 3.b. (Accept Financial Statements for January and February 2004) from the Consent Calendar. On a motion duly made and seconded the remaining items on the Consent Calendar were unanimously approved.

DISCUSSION:

Director Hickey asked what the monthly cost is for administrative services. Mr. Gibson informed him that administrative wages are approximately \$5000 per month. Director Katz offered a motion to accept the financial statements for January and February 2004, which was seconded by Director Kane and unanimously passed.

President Faro acknowledged Mr. Gibson's leadership and accomplishments especially for his work in moving the rebuilding of Sequoia Hospital forward and the very important grants programs that will benefit the community for years to come. President Faro offered a motion to accept Mr. Gibson's retirement and resignation with regrets. The motion was seconded and passed 3-1, with Director Hickey opposed, as he had not seen Mr. Gibson's contract.

NEW BUSINESS:

Annual Report (12/31/03) For The District's 457 Deferred Compensation Plan

Mr. Gibson introduced Mr. Peter Morris from California Fringe Benefits who addressed the Board concerning the District's 457 Deferred Compensation Plan. The plan is a voluntary supplemental retirement plan through which employees fund and select their own investments. Lincoln Financial Group is the plan administrator. There are no employer dollars contributed to this plan and it has been frozen to new employee contributions since 10/1/1996. As of December 31, 2003 there are 631 participants enrolled in the plan with total assets as of December 31, 2003 of \$24.265M. Lincoln Financial Group's credit ratings have remained unchanged during the past year.

Director Hickey asked what prevents the transfer of this plan to another entity besides the District. Mr. Morris explained the IRS requires that only governmental agencies can sponsor section 457 deferred compensation plans, whereas a non-profit or a for-profit company would have a 403(b) or a 401(k), respectively.

Annual Report (12/31/03) For The District's Employees Pension Plan

Mr. Gibson introduced Ms. Julianne Gee from KPMG to highlight the investment performance of the District's Employee Pension Plan, which has approximately 400 enrollees and \$47M in assets. The plan was frozen as of 10/1/1996 with no employee or employer contributions, except on the advice of our actuary when two supplemental contributions in the amount of \$1.9m per year were made. These contributions were made by the District to assure that the plan would not be under funded and were reimbursed by SHS per the transfer agreement dated 10/1/96.

Ms. Gee reported that the target investment allocations are within the range recommended by the Pension Plan Committee and KPMG representatives. Currently the Committee has set these targets to range between 45-65% for US Equities, 10-20% for International Equities, 15-40% for Bonds and 0-5% for Cash. The total returns on the investments for the year were 26.26%, which was above the policy index of 24.8% (the policy index is a benchmark against which performance is measured). Sequoia's performance ranked in the top 5% against other plans that have the same allocation guidelines. Mr. Gibson stated he was the plan administrator and that the Pension Plan Committee is comprised of Glenna Vaskelis, Cheryl Hayden, KPMG consultants, legal and administrative staff.

PUBLIC COMMENT:

Mr. El Don Corl expressed the opinion that the District should contribute its \$50M towards the rebuilding of Sequoia Hospital and that CHW should not own the Hospital.

An unidentified member of the audience stated that he feels the board should not be permitted to go into closed session, as it is his opinion it was illegal to do so.

Ms. Greenberg, District Counsel, assured those present that given the nature of the discussion for the closed session it was perfectly legal and nothing would be discussed that is prohibited by the Brown Act.

Another unidentified member of the audience asked if public funds would be dedicated towards the rebuilding of Sequoia Hospital. President Faro said he believed that public funds would be donated for the rebuilding of the hospital. However, the Board needs to understand the scope and viability of the proposed project so it can make a sound business decision.

Director Hickey asked for a reassessment of the function of the Board committee formed to work on plans regarding the future of Sequoia Hospital. Director Kane reminded Director Hickey that at the last Board meeting the Board voted to have the committee continue its work to ensure that the District's fiduciary obligations to the community are addressed.

On a motion duly made and seconded, the board adjourned to closed session on a 3-1 vote with Director Hickey opposed.

The Board reconvened in open session and those present were informed that no action was taken during closed session.

President Faro adjourned the meeting at 5:30 PM. The next regularly scheduled meeting of the Sequoia Healthcare District Board of Directors is Wednesday, June 2, 2004, 4:30pm, Sequoia Room, Sequoia Hospital.

Respectfully Submitted,

Kathleen M. Kane, Secretary