

**MINUTES OF MEETING  
BOARD OF DIRECTORS  
SEQUOIA HEALTHCARE DISTRICT  
June 1, 2005**

Present: Mr. Faro  
Mr. Hickey  
Ms. Kane, President  
Mr. MacNaughton  
Excused: Dr. Oblak

Also present: Ms. Scott, CEO  
Ms. Greenberg, Counsel  
Ms. Johnson, Recorder

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**CALL TO ORDER:**

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

**PUBLIC COMMENT:**

President Kane announced that agenda item 5.b. would be followed by 5.d.

President Kane spoke to the recent report issued by the 2004-2005 San Mateo County Civil Grand Jury. She thanked the Grand Jury for their support and recommendations and expressed appreciation that the Grand Jury is aware of the dramatically increasing cost of health care in the County and understands that the dissolution of the District would result in further disparities in access to healthcare and would not result in a tax refund to District residents.

Director Hickey stated that this Grand Jury asked different questions than the previous Grand Jury.

At 4:35 Director Faro joined the meeting.

**CONSENT CALENDAR:**

Director Hickey requested the removal of items 3.a and 3.c (Minutes of the April 6<sup>th</sup> meeting and CEO's Report) from the consent calendar. Director MacNaughton offered a motion to approve the minutes of the April 19<sup>th</sup> Special Meeting and item 3.b (Financial Statements for March and April 2005). Director Faro seconded the motion, which passed by unanimous vote.

Referring to item 3.a (Minutes of April 6, 2005), Director Hickey thought Ms. Vaskelis had reported that the cost of annuitizing the Pension Plan was \$48 million, not \$45 million. Director Faro suggested that since an exact dollar amount is unknown, that the minutes be amended to reflect the cost of annuitizing the Plan would cost between \$40-\$50 million.

Director Hickey, referring to the Allied Health grant, clarified his comments in that he intended to suggest E-books as a cost-saving alternative for students, if the textbooks were available in such a form.

Director Faro moved for approval of the April 6, 2005 minutes as amended. Director MacNaughton seconded the motion, which unanimously passed.

Citing item 3.c (CEO's Report of May 24, 2005), Director Hickey said there is no mention of the schedule for showing the video on the Nursing program.

Referring to ERAF, Director Hickey objected to Ms. Scott supporting legislation on behalf of the District.

Referencing the checking account opened at Bay Area Bank, Director Hickey requested copies of the bank statements for the money market and operational accounts.

Director Hickey questioned the District's authority to issue grants as cited in the grant making guidelines. Ms. Greenberg responded that such authority to issue grants is allowed as provided in the California Health & Safety Codes as noted.

Director Faro moved to approve the CEO's report of May 24, 2005. Director MacNaughton seconded the motion, which unanimously passed.

#### **NEW BUSINESS:**

##### **5.a. Receive Annual Report By Fiduciary Trust.**

President Kane introduced Eric Reynolds of Fiduciary Trust International (FTI). Mr. Reynolds reported that investment performance for the year ending 12/31/04 reflected a return on assets of 2.33%, which compares favorably to the benchmark (Lehman Government Intermediate Index) of 2.30%. Over a 5-year period, the District's portfolio has returned 6.42% compared to the LGI index at 6.33%. The portfolio's investments are in compliance with the District's investment policy and California State regulations. (A copy of FTI's written report is included with the original of these minutes.)

##### **5.b. Receive Annual Report For The District's 457 Deferred Compensation Plan.**

President Kane introduced Peter Morris of California Fringe Benefit. Mr. Morris reported that there has been no change in Lincoln Financial Group's bond ratings. Lincoln Financial is the plan administrator. The 457 Plan is a voluntary supplemental retirement plan which is 100% funded by employees who select their own investments. There are no employer dollars contributed to this plan and it has been frozen to new employee contributions since 10/1/1996.

##### **5.d. Amendment To Bring District 457(b) Plan Into Compliance With IRS Ruling 2005-5.**

Mr. Morris explained that this amendment is due to a new IRS ruling that allows the administrator of the plan (Lincoln Financial) to distribute balances of accounts with values of \$5,000 or less. Mr. Morris stated that the District incurs no costs from this Plan and Lincoln Financial intends to continue to administer funds of less than \$5,000. The amendment will bring the District's plan into compliance with IRS regulations.

Director Faro offered a motion to approve the 2005 Amendment to the Plan. President Kane seconded the motion, which was unanimously passed.

##### **5.c. Receive Report On Matching Grant For FY 04/05 From Sequoia Hospital Foundation.**

The Board reviewed Ms. Kemist's May 18<sup>th</sup> report on the District's pledge to match the first \$1,000,000 raised by the Foundation. To date, the Foundation has raised \$1.5 million. The projects funded by the Foundation include standardized infusion pumps throughout the hospital and a new mobile imaging system. This year the Foundation joined the collaboration founded and funded by the District for the nursing education program by establishing a nursing scholarship in memory of Dr. William Kennett.

##### **Sequoia Hospital Foundation Request For Matching Grant For FY 05-06:**

The second part of Ms. Kemist's report requested approval to continue the matching grant of up to \$1 million for 2005-06. She stressed the importance of the matching grant for the Foundation's fund raising efforts as it provides a significant incentive to the Foundation's donors. Director Faro offered a motion to continue the Matching Grant to the Foundation for \$1 million. Director MacNaughton seconded the motion. Director Hickey said he applauded the Foundation's efforts; however, he is opposed to the matching grant. The motion passed 3-1 with Director Hickey voting no.

##### **5.e. Board Authorization To Implement Statutory Process To Clear Escheat Liability.**

As recommended by the Civil Grand Jury in their recent report, Ms. Greenberg and Ms. Scott have begun researching how to resolve the escheat liability carried on the District's balance sheet. Ms. Greenberg described the steps required and requested Board authorization to implement such a process. The motion was duly made, seconded and unanimously approved.

**5.f. Consider Placement Of The Following Question To Voters Of The District On The Ballot In The November 5, 2005 Countywide Election: "Shall The Sequoia Healthcare District Board Of Directors, Pursuant To The California Taxation And Revenue Code §96.8, Request The County Auditor Reduce The Sequoia Healthcare District's Tax Allocation To Zero For Fiscal Year 2006-2007?"**

President Kane said this item was placed on the agenda at the request of Director Hickey.

Director Hickey read from the findings of the 2002 Civil Grand Jury report recommending that the District request a tax apportionment reduction on a yearly basis. Director Hickey suggested that the Board place this item on the ballot for the November 2005 special election.

Legal counsel has advised that if the proposal were placed on the ballot, the vote would be advisory only. Director Faro stated that he is not opposed to considering a reduction of the tax allocation on an annual basis, but there are too many unknown factors at this time. Director MacNaughton agreed, stating that it would not be prudent to reduce tax revenue until, among other things, the Board knows what the rebuild of Sequoia Hospital is going to cost.

Ms. Merla Murdock, a member of the audience, said Director Hickey's argument should not be based on a past Grand Jury report, noting that the current Grand Jury found the District Board to be doing a good job.

Director Hickey offered a motion to place the above item on the November 2005 ballot. President Kane offered a second to call for the vote. The motion was opposed by a vote of 3-1 with Director Hickey voting in favor.

**6.a. Adopt Budget For Fiscal Year ending 6/30/06.**

Ms. Scott reported that the proposed budget for fiscal year ending 6/30/06 is based on 2005 annualized revenues and expenses plus an inflation rate of 3% for most line items with the exception of administrative expenses. An inflation rate of 7% for that item has been estimated per industry standards. Grant expense is projected to equal the continuance of four existing grants, future new grants of \$500,000 per year and \$45,000 for the hiring of a grants manager. Variances to the budget will be reported to the Board.

Director Faro questioned if \$500,000 is enough for new grants for health-related programs within the District. Director MacNaughton said that if the Board thought it necessary, the budget could be modified to allocate more for other worthy projects. Director Hickey stated he was opposed to the grants program, hiring a grants manager and healthcare benefits for the Directors. Director MacNaughton offered a motion to approve the budget as presented. Director Faro offered a second and the budget was approved by a 3-1 vote with Director Hickey opposed.

**7. ADJOURN:**

Upon a motion duly made and seconded, President Kane adjourned the meeting at 5:50 PM. The next regularly scheduled meeting of the Sequoia Healthcare District Board of Directors is Wednesday, August 3, 2005, 4:30pm, Sequoia Room, Sequoia Hospital.

Respectfully Submitted,

John B. Oblak, Ph.D.  
Secretary