

South Broward Hospital District

Board of Commissioners

Hobel Florido, *Chairman* • Jose Basulto, *Vice Chairman* • Laura Raybin Miller, *Secretary/Treasurer*
 Alfredo Avalos • Kathleen A. Durham • Albert C. Jones • Sara E. Wolfer

Frank V. Sacco / *President & Chief Executive Officer* • Kimarie R. Stratos / *Senior Vice President & General Counsel*

Group: **FINANCE COMMITTEE**

Date: September 17, 2012

Chairman: Jose Basulto

Time: 12: 00 p.m.

Vice Chairman: Kathleen Durham

Location: Executive Conference Room

In Attendance: Jose Basulto, Chairman; Kathleen Durham, Vice Chairman; Frank Sacco; Matt Muhart; John Benz; Aurelio Fernandez; Sarah Griffith; Bill Wheatley; Mike Durr; Jackie Ryan; Tom Oliveri; Chris Tschida (Jeffrey Slocum & Associates by telephone for their portions of the meeting only); Jane Kirk-Henderson (Walter Scott & Partners, LTD by phone for their portion of the meeting only).

SUBJECT: **Pension Fund Manager Update – Walter Scott & Partners, Ltd.**

Walter Scott manages approximately \$88 million in global equities for the District's pension plan. Their mandate began in December 2011 as a part of the reallocation of equities into global versus separate domestic and international strategies. Ms. Kirk-Henderson provided an overview of the portfolio. The firm typically invests in 40-60 companies that have expected long term growth rates in the 7-10% range. The portfolio tends to be very stable with little turnover. Since inception, the portfolio has returned 7.2% on a gross basis and 6.7% net of fees compared to the benchmark return on 7.2%.

Mr. Tschida from Jeffrey Slocum & Associates, the District's independent investment consultant commented that Walter Scott is performing as expected.

No Action is required by the Board of Commissioners.

SUBJECT: **Review of Quarterly Operating Fund Performance Report**

Mr. Tschida of Jeffrey Slocum & Associates reviewed the Operating Funds Performance Report for the first fiscal quarter ending July 31, 2012. Quarterly performance for the Operating Funds totaled 0.7% compared to the Policy benchmark of 0.5%. One-year performance for the period ending July 31, 2012 was 2.5% which outperformed the Policy benchmark of 1.9%. Additionally, the Operating Funds portfolios returns for the 2-year, 3-year, 5-year and since inception (2001) periods ending July 31, 2012 exceeded their Policy benchmarks.

The Flash Performance Report was reviewed for the month and year-to-date periods ending August 31, 2012. The Operating Funds portfolios returned 0.2% in August and 1.6% for the calendar year-to-date period. Policy benchmark returns were 0.0% and 1.1%, respectively, for these periods

In July, the Funded Depreciation investments were reclassified to unrestricted from Board designated for capital improvements. As a result, the Short-Term portfolios increased to a 26.1% weighting compared to the Target weighting of 10% for the portfolios. The differential is approximately \$190 million. The Finance Committee requested Mr. Tschida's views on rebalancing alternatives. Mr. Tschida recommended moving 2/3rd of the balance to the Intermediate portfolios and 1/3rd to Opportunistic portfolios as this represents the most opportune balance between yield and duration risk. The Finance Committee instructed management to rebalance the Operating Fund portfolios per Slocum's recommendation.

Mr. Tschida indicated that all Operating fund managers are performing as expected.

The Finance Committee recommends the Board of Commissioners accept the Operating Fund Performance Report for the quarter ending July 31, 2012 and the Flash Performance Report for the period ending August 31, 2012.

Memorial Healthcare System

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SUBJECT: **Review of Quarterly Pension Plan Performance Report**

Mr. Tschida presented the first fiscal quarter Performance Report for the Pension Plan. The report for the quarter ending July 31, 2012 showed the overall pension plan performance at -0.8 % which outperformed the Policy benchmark return of -1.2%. One-year performance for the period ending July 31, 2012 was 1.2% which exceeded the Policy benchmark return of 0.8 %.

The Flash Performance Report was reviewed for the month and year-to-date periods ending August 31, 2012. The Plan returned 1.3% in August and 6.6% for the calendar year-to-date period. Policy benchmark returns were 1.3% and 6.5%, respectively, for these periods.

Mr. Tschida commented that the Pension Plan has completed the allocation to its new asset classes with the addition of Turner Spectrum Fund in May. He recommended allocating accumulating cash balances in excess of what is needed to pay Plan benefits and expenses to the managers based on the Policy Target percentages. The Finance Committee instructed management to allocate excess cash balances in the Pension Plan to the Policy Targets (35% fixed income, 55% global equities and 10% long/short equity) based on Slocum's recommendation. Lastly, Mr. Tschida reported that all managers are performing as expected.

The Finance Committee recommends the Board of Commissioners accept the Quarterly Performance Report for the Pension Plan for the quarter ending July 31, 2012 and the Flash Performance Report for the period ending August 31, 2012.

SUBJECT: **Review of Banking Services RFP Responses and Short Listing of Respondents**

Mr. Wheatley reviewed responses to the banking services RFP. Seven banks responded to the RFP. One bank (City National) was eliminated from consideration because they did not bid on all services. Technical and pricing proposals were summarized. Estimated 3-year costs for the six qualifying respondents for Treasury Services, Investment Management, Bank-at-Work and ATM installation and maintenance are shown below. These include certain first year pricing concessions for such items as equipment and offsets for duplicative expenses that would result if the District changed banks.

Wells Fargo	PNC	Fifth Third	JPMorgan	BofA	SunTrust
\$ 1,293,042	\$ 1,032,196	\$ 1,077,909	\$ 870,711	\$ 907,394	\$ 1,691,874

The RFP also requested pricing and terms for a multi-year credit facility that would be available to the Obligated Group. Each of the six-banks provided pricing and terms. Pricing is not included in the above chart due to large differences in the amounts of the credit facilities proposed.

After discussion, a motion was made and seconded to short list four banks – Wells Fargo, PNC, JPMorgan and Bank of America – and to invite them to present their credentials at the October Finance Committee meeting.

The Finance Committee recommends the Board of Commissioners approve Wells Fargo, PNC, JPMorgan and Bank of America as short list candidates to provide banking services for the District.

The Finance Committee instructed management to complete further due diligence on the ability of each bank to improve key elements of the District's revenue cycle processes based on ideas contained in each of their proposals.

Being no further business the Finance Committee adjourned at 1:30 p.m.

Respectfully submitted,



Jose Basulto
Chairman, Finance Committee

South Broward Hospital District

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Group: **FINANCE COMMITTEE**

Chairman: Jose Basulto

Vice Chairman: Kathleen Durham

Location: Executive Conference Room

In Attendance: Jose Basulto, Chairman; Kathleen Durham, Vice Chairman; Frank Sacco; Matt Muhart; Aurelio Fernandez; Kimarie Stratos; Bill Wheatley; Dave Alexander; Jackie Ryan; Tom Oliveri; Lisa Gendal, Ivy Bibler, Erika Baadte, and Charles Alston (Bank of America for their portion of the meeting only); Mel Martinez, Mark Meyer, Angie Jover, Charlie Stringer and Donna Varrichio (JPMorgan for their portion of the meeting only); Ralph Swanson, Jean Hippert, Margaret Dowling, Andrea Smith, Michael Lyons, Jeff Troutman, and Craig Grant (PNC Bank for their portion of the meeting only); Bill Morgan, John Bonifacio, Christine Tolleson and Jeff McRea (Wells Fargo Bank for their portion of the meeting only).

Date: October 15, 2012

Time: 12: 05 p.m.

SUBJECT: Resolution for Authorized Financial Services

Ms. Stratos and Mr. Wheatley discussed the need for an updated resolution authorizing opening and maintaining accounts with financial institutions for banking, investment, custody and related services. After discussion, a motion was made to request Board of Commissioner approval for a resolution for Authorized Financial Services.

The Finance Committee recommends the Board of Commissioners approve Resolution Number 364 for Authorized Financial Services (Attached).

SUBJECT: Banking Services Contract Short List Interviews

At the September Board of Commissioners meeting the Board voted to invite four banks – Wells Fargo, PNC Bank, JPMorgan and Bank of America - to present their credentials to provide banking services for the District. After listening to the presentations, the Finance Committee requested management to undertake additional due diligence related to potential revenue cycle improvements and other items discussed by the banks. Management will provide this information at the November Finance Committee meeting.

No Action is required by the Board of Commissioners.

Being no further business the Finance Committee adjourned at 4:00 p.m.

Respectfully submitted,



Jose Basulto
 Chairman, Finance Committee

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RESOLUTION NO. 364

RESOLUTION OF BOARD RELATING TO AUTHORIZED FINANCIAL SERVICES

WHEREAS, the Board recognizes the need for the District to open and maintain accounts with financial institutions for banking, investment, custodial and other services.

NOW THEREFORE, the Board resolves as follows:

1. The Board hereby authorizes and directs the District to transact business with and open and maintain accounts ("**Accounts**") with financial institutions approved by the Board from time to time (each a "**Financial Institution**") for banking, investment, custodial and other services approved by the Board from time to time to be performed by a specified Financial Institution ("**Authorized Services**").
2. The Board hereby designates the President and Chief Executive Officer of the District and the Executive Vice President and Chief Financial Officer of the District to be an "**Authorized Officer**" (collectively "**Authorized Officers**") for purposes of the following financial services resolutions.
3. The Board hereby authorizes, empowers, and directs the Authorized Officers, acting together, on behalf of the Board and in the name of the District to take the following actions solely with respect to the Financial Institutions and the Authorized Services at each such Financial Institution:
 - (a) To open and close Accounts;
 - (b) To execute and deliver in the District's name such agreements regarding the Accounts and the Authorized Services as may be required, subject to the signing authority of such Authorized Officers as may otherwise be approved by the Board from time to time;
 - (c) To add and delete signatories for Accounts, so long as two signatories are required at all times; and
 - (d) To appoint, from time to time, such additional officers, employees or agents of the District to take the following actions solely with respect to the Authorized Services at each Financial Institution:
 - (i) To sign checks and other instruments withdrawing funds from one or more Accounts;
 - (ii) To request funds transfers to and from one or more Accounts;
 - (iii) To enter into arrangements for the processing of automated clearinghouse ("**ACH**") transactions to and from one or more Accounts;
 - (iv) To endorse on behalf of the District, and otherwise negotiate, checks and other items payable to the District; and
 - (v) To invest the District's funds on such terms and conditions as the Board approves from time to time.

4. The Board hereby authorizes each Authorized Officer to take actions to effectuate the foregoing activities by the District to the extent each such Authorized Officer determines that they are necessary, appropriate or in the best interests of the District.
5. The Board hereby directs that the execution of any documents authorized by these financial services resolutions or any document executed pursuant hereto and the accomplishment of any action or actions so authorized, is or shall become, upon delivery, the enforceable and binding act of the District, and that the seal of the District shall not be necessary to cause any such document to be an enforceable and binding act of the District.

Chairman, South Broward Hospital District

(SEAL)

South Broward Hospital District

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Group: FINANCE COMMITTEE

Date: November 15, 2012

Chairman: Jose Basulto

Time: 10:05 a.m.

Vice Chairman: Kathleen Durham

Location: Executive Conference Room

In Attendance: Jose Basulto, Chairman; Kathleen Durham, Vice Chairman; Frank Sacco; Matt Muhart; Aurelio Fernandez; Kimarie Stratos; John Benz; Bill Wheatley; Cheryl Boucher; Dave Alexander; Ed Werner; Jackie Ryan; Tom Oliveri; Andre Boucher (Jeffrey Slocum & Associates for their portion and Dodge & Cox' portion of the meeting); Matthew Beck (Dodge & Cox for that portion of the meeting).

SUBJECT: Accounts Receivable Management Update

Ms. Boucher presented the accounts receivable management report to the Finance Committee for the six-month fiscal period ending October 31, 2012. Ms. Boucher reported favorable net patient receivables trends, cash collection and bad debt and charity levels. Mr. Muhart commented that continuing challenges remain with net revenue and days in receivables due to payors' changing processes and systems implementations. Ms. Boucher added that normalization in these numbers is not expected prior to the end of the fiscal year.

No Action is required by the Board of Commissioners.

SUBJECT: Pension Fund Manager Update – Dodge & Cox

Dodge & Cox manages approximately \$47 million of pension fund assets through their Global Stock Fund. Mr. Beck reviewed the investment objectives and performance of the fund. Calendar year-to-date and one-year performance though September 30, 2012 was 15.63% and 24.23%, respectively and compared favorably to the MSCI ACWI Index returns of 12.86% and 20.97%, for those periods.

Mr. Boucher from Jeffrey Slocum & Associates, the District's independent investment consultant commented that they are pleased with Dodge and Cox's performance and recommend retaining them as an investment manager for the pension plan.

No Action is required by the Board of Commissioners.

SUBJECT: 403/457 Plans Investment Performance Report

Mr. Boucher reviewed the fund manager performance for the quarter-ending September 30, 2012 and Flash Report for periods ending October 31, 2012 for the District's 403 and 457 plans. Overall the funds performed as expected. Mr. Boucher noted the planned retirement of the senior portfolio manager at T. Rowe Price and that the transition was managed as expected without disrupting performance. Additionally, he noted the replacements of the Neuberger Berman and Marsico funds that were approved at the August 2012 Board of Commissioners' meeting were completed on November 1st. Vanguard Large Cap Growth Index Fund and Vanguard International Growth Index Fund, respectively, replaced these funds in the 403 and 457 plans.

The Finance Committee recommends the Board of Commissioners accept the 403/457 Plans Investment Performance Reports for the quarter ending September 30, 2012 and the Flash Report for the period ending October 31, 2012.

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SUBJECT: **Review of Operating Funds Flash Performance Report**

Mr. Boucher reviewed the Operating Funds Flash Performance Report for periods ending October 31, 2012. Combined Operating Funds performance was 0% for the month and 1.7% for the calendar year period which exceeded the Allocation Index Benchmark returns of -0.1% and 0.9%, respectively for these periods.

No Action is required by the Board of Commissioners.

SUBJECT: **Review of Pension Plan Flash Performance Report**

Mr. Boucher reviewed the Pension Flash Performance Report for periods ending October 31, 2012. Overall performance was 0.2% for the month and 8.2% for the calendar year period which exceeded the Policy Index Benchmark returns of -0.3% and 8.1%, respectively, for these periods.

No Action is required by the Board of Commissioners.

SUBJECT: **Review of Quarterly Financial Statements**

Mr. Muhart reviewed the financial performance for Memorial Healthcare System for the month of October 2012 and the six-months ended October 31, 2012. Mr. Muhart commented that the System's balance sheet remains very strong and highlighted key liquidity and capitalization ratios. Month-end and year-to-date net patient revenue softness was favorably offset by excellent management of expenses. The System earned \$7.1 million in the month of October and \$50.7 million for the six-months ending October 31, 2012. This compares to budgeted earnings of \$7.5 million and \$34.0 million, respectively, for these periods.

No Action is required by the Board of Commissioners.

SUBJECT: **Banking Services Contract Short List Ranking**

At the October 2012 Finance Committee meeting, four banks – Wells Fargo, JPMorgan, PNC Bank and Bank of America - were interviewed for possible selection to providing banking services to the District. At the conclusion of the interviews management was requested to undertake additional due diligence related to revenue cycle improvements, implementation resources, and to obtain best and final offers from the banks.

Ms. Boucher summarized feedback from references for each bank relating to Epic revenue cycle implementation experiences and results. This feedback favored PNC over Bank of America. Mr. Wheatley reviewed best and final pricing which showed PNC with a lower Estimated 3-Year Cost of \$663,214 compared to Bank of America at \$757,394. Mr. Muhart reviewed a memo from Jeffrey Slocum & Associates indicating that PNC was statistically more favorable compared to Bank of America. After discussion, the Finance Committee ranked PNC Bank's proposal first and Bank of America's proposal second. A motion was made and seconded requesting Board of Commissioners approval to initiate contract negotiations with PNC and if unsuccessful negotiate with Bank of America to provide banking services for the District for an initial three-year period beginning May 1, 2013 and providing for two additional one-year terms.

The Finance Committee recommends the Board of Commissioners approval to initiate contract negotiations with PNC Bank and if unsuccessful negotiate with Bank of America to provide banking services for the District for an initial three-year period beginning May 1, 2013 and providing for two additional one-year terms.

Being no further business the Finance Committee adjourned at 11.40 a.m.

Respectfully submitted,



Jose Basulto
Chairman, Finance Committee



South Broward Hospital District Board of Commissioners

**REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF THE
SOUTH BROWARD HOSPITAL DISTRICT
INCLUDING REPRESENTATIVES OF THE MEDICAL STAFF
OF EACH OF ITS HOSPITALS**

DECEMBER 5, 2012 5:30 P.M.

**MEMORIAL REGIONAL HOSPITAL
PERRY AUDITORIUM
3501 JOHNSON STREET
HOLLYWOOD, FLORIDA**

PUBLIC ATTENDANCE AND PARTICIPATION ARE WELCOMED

AGENDA

- 1. CALL TO ORDER**
- 2. APPROVAL OF MINUTES**
 - a. Regular Meeting Held October 24, 2012**
- 3. REPORTS TO THE BOARD; REPORTS FROM BOARD OFFICERS
AND STANDING COMMITTEES**

- a. Finance Committee; Mr. J. Basulto, Chairman**

Minutes of Meeting Held 11/15/12

**(1) Request Board Acceptance of the 403/457
Plans Investment Performance Reports for the
Quarter Ending September 30, 2012 and the Flash
Report for the Period Ending October 31, 2012**

**(2) Request Board Approval to Initiate Contract
Negotiations with PNC Bank and if Unsuccessful,
Negotiate with Bank of America to Provide
Banking Services for the District for an Initial
Three-Year Period Beginning May 1, 2013 and
Providing for Two Additional One-Year Terms**

**Accounts Receivable Management Performance
Review**