



**FINANCE COMMITTEE MINUTES
8 AM, TUESDAY, APRIL 20, 2021
1200 E. PLANT STREET, STE 200
WINTER GARDEN, FL 34787
VIRTUAL 828 2618 2032
1-929-436-2866**

The West Orange Healthcare District Finance Committee met on Tuesday, April 20, 2021 in the Boardroom of the Healthy West Orange building at 1200 E. Plant Street in Winter Garden. Chair Maryke Lee called the meeting to order at 8:01am. **Trustees Present:** Maryke Lee, Rod Talbot, Mark Griffith, Jaclyn Whiddon and Jeff Sedloff. **Trustee Present Remotely:** John Murphy. **Trustee Absent:** Tim Keating. **Staff Present:** Chief Executive Officer Tracy Swanson and Chief Financial Officer Ken Harker. **Guest Present:** Patricia Brown, Controller, Foundation for a Healthier West Orange.

M. Lee asked if there were members of the public in attendance. There were none.

APPROVAL OF PRIOR MINUTES

Chair M. Lee commented that the Committee did not meet in March. Therefore, the minutes for February are included in the meeting materials. She asked if there were comments or a motion on the minutes of the Committee's February 16th meeting. There were none.

Action: Upon a motion made and seconded, the minutes of February 16, 2021 Committee meeting were unanimously approved.

LEGAL UPDATE

Chair M. Lee called upon Attorney Brian Smith for an update on medical malpractice claims arising during the period that the District owned and operated the Health Central Hospital. Attorney Smith reported on the current status of only known claim, reviewed the mediation process and informed the Committee that mediation is scheduled for May 10.

FINANCIAL REPORTS FOR MARCH 2021

Chair M. Lee called upon CFO K. Harker to present the internal financial reports. K. Harker responded that the financial statements are as of March 31st, which is the half-way point in the fiscal year. Referring to the Statements of Net Position, he commented that the total assets were \$72.7 million vs. \$78.5 million a year earlier. The contraction is due primarily to grant activity and funding of the Plant Street building construction, noting that the investment portfolio and the money market account at Seacoast Bank are the funding sources for this project. The money market account at Seacoast Bank is at \$7.8 million and earns the Bank's



“special rate” of 44 basis points. K. Harker commented that the investment portfolio was at about \$58 million with a closer look at its performance to follow. The investment in the Plant Street property, including building construction and furnishings, was at \$6.7 million at month end, exclusive of retainage owed McCree Construction. As an update, the District has retained consultants affiliated with the audit firm of MSL, CPA’s to do a cost allocation of the project’s component costs for depreciation and renewal and replacement fund purposes. Their report is nearing completion.

As to liabilities, K. Harker noted that grants payable are at \$428 thousand with details shown at Exhibit A. The District has also committed to funding grantee construction projects with unpaid balances totaling \$18.5 million, also detailed in Exhibit A.

After liabilities & construction grant commitments, the unrestricted resources of the District at March 31st were \$53.4 million.

K. Harker then called attention to the Statement of Changes in Net Assets for the month of March. The top line shows that the investment portfolio had a good month in this very volatile market, producing returns of almost \$797 thousand. As to other monthly results, expense categories are generally within their monthly budgets, with the exception of “office occupancy”. The reason that this category was not budgeted in the District is because the assumption was that building would have been granted to HWO, Inc. during the prior fiscal year. As to the bottom line for the month, expenditures exceeded revenues by \$745 thousand.

Moving to the Statement of Changes in Net Assets for the six months ended March 31st, K. Harker commented that investment income was almost \$1 million per month at \$5.9 million. He then reviewed actual year to date amounts compared to budgeted amounts for the four expense categories noting that total actual expenses for the year to date of \$395 thousand is close to the budgeted amount for the six months of \$391 thousand. For the six months, the bottom line shows a negative \$7 million, roughly attributable to some \$6 million in investment income offset by \$13 million in grants and expenses.

K. Harker then called attention to the active grant status report. There were seven grants disbursed during March totaling \$1.9 million. Active grant awards were \$87 million of which some \$68 million has been disbursed, leaving \$18.9 million owed on them. K. Harker reminded the Committee that these numbers do not include grants that the Priorities Task Force is considering for recommendation to the Board. More on grants follows when the cash flow projection is presented later in the meeting.

Referring to the AndCo investment performance report for March, K. Harker called attention to page 1 which shows that the total portfolio returned a solid 1.52% for the month. The equities

allocation led the way with 3.44%. However, the fixed income allocation did not perform well, at a negative .81%, noting that the four fixed income managers each experienced losses for the month.

As to the real estate component, returns are getting back to what they once were with 1.36% for the month. K. Harker reminded the Committee that several months ago the District informed Trumbull Property Income Fund and Clarion Lion Properties Funds of the desire to liquidate the investments in those partnerships. That liquidation is underway with an additional \$119 thousand received in April from Trumbull following receipt of \$370 thousand in January. As to Clarion Lion, a first liquidation installment of \$1.1 million was received on April 1st.

Directing attention to page 4 of the AndCo report, K. Harker noted that all asset allocations are within the ranges specified in the Investment Policy Statement but with considerable deviation from the mid-points of those ranges. Financial markets continue to be volatile. He reminded the Committee that J. Breth is scheduled to attend next month's Committee meeting with his quarterly update.

K. Harker then concluded his report and Chair M. Lee asked if there were questions or comments and, if there are none, a motion is needed.

Action: Upon a motion made and seconded, the Financial Report for March 2021 was unanimously approved.

CASH FLOW PROJECTION

Chair M. Lee called upon K. Harker for comments on the cash flow projection. He began by pointing out that the projection assumes that over the next 12 months, or maybe less, the District could be in a position to commit remaining unrestricted funds resulting in the need to address the future of the District and the investment strategy. The schedule begins with the actual cash and investment balances at April 1, 2021 but most of the other numbers are estimates and assumptions. It is not being presented for approval, but only for the Committee's information.

Discussion then centered on how much of the unrestricted assets of some \$53 million shown on the Statements of Net Position is available for future grants. K. Harker responded that the investment in the building, other fixed assets and operating expenses for the remainder of the fiscal year should be deducted from the \$53 million in arriving at a true uncommitted "unrestricted" balance. He added that a more informative presentation would be to separate the unrestricted balance to reserve categories such as "invested in fixed assets". K. Harker stated that future financial reports will be modified accordingly.



Discussion then arose on investment policy and the point at which funds committed to grants should no longer be considered for inclusion in the equities portion of the investment portfolio. J. Murphy reasoned that, if left in the equities portfolio, these funds are exposed to market fluctuations. He suggested that such funds are best invested in fixed income type accounts. Following discussion, it was the conclusion of the Committee that this matter should be addressed with Investment Consultant Jon Breth and that it also be included in next month's Committee agenda for further consideration.

OPEN FORUM

Chair M. Lee asked if there was other business to come before the Committee. There was none.

ADJOURN

There being no further business to come before the Committee, upon a motion made and seconded, the meeting was adjourned at 8:55am.

Maryke Lee, Committee Chair