



**FINANCE COMMITTEE MINUTES
8 AM, TUESDAY, JULY 20, 2021
BOARD ROOM
1200 E. PLANT STREET
WINTER GARDEN, FL 34787
ZOOM 852 5564 9202**

The West Orange Healthcare District Finance Committee met on Tuesday, July 20, 2021 in the Boardroom of the Healthy West Orange building at 1200 E. Plant Street in Winter Garden.

In the absence of Chair Maryke Lee, Acting Chair Rod Talbot called the meeting to order at 8:00am. **Trustees Present:** Rod Talbot, Mark Griffith, Jaclyn Whiddon, Tim Keating and Jeff Sedloff. **Trustees Present ZOOM:** John Murphy & Maryke Lee. **Trustee Absent:** None. **Staff Present:** Chief Executive Officer Tracy Swanson, Chief Financial Officer Ken Harker and Controller Janet Ziomek. **Guest Present:** Patricia Brown, Controller, Foundation for a Healthier West Orange & **(Remote)** Jon Breth of AndCo Consulting.

Acting Chair Rod Talbot asked if there were members of the public in attendance. There were none.

APPROVAL OF PRIOR MINUTES

Acting Chair R. Talbot asked if there were comments or a motion on the minutes of the Committee's prior meeting. There were no comments.

Action: Upon a motion made and seconded, the minutes of June 15, 2021 Committee meeting were unanimously approved.

FINANCIAL REPORTS FOR JUNE 2021

Acting Chair R. Talbot called upon CFO K. Harker to present the internal financial reports. K. Harker responded that the financial statements are as of June 30, 2021 the ninth month of the fiscal year. Referring to the Statements of Net Position, he commented that the total assets were \$71.9 million vs. \$86.2 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 \$23.9 million after a transfer of some \$18 million from the investment portfolio during the month. K. Harker reminded the Committee that at its May meeting, it was decided that upon approval of grants, funds of equal to the grant amounts should be removed from the investment portfolio and deposited to the money market account. The thinking behind this policy is to reduce the risk of market decline of funds committed to grants. At June 30th, there was still about \$8.7 million from the Sterling



managed account to be transferred from the investment portfolio. That transfer was completed in July. K. Harker then added that a report on portfolio performance will follow.

The investment in the Plant Street property, including building construction and furnishings, was at \$6.9 million at month end. As an update, the District had retained MS Consultants, LLC to do a cost allocation of the project's component costs for purposes of recording depreciation and establishing a renewal and replacement fund. K. Harker reported that the study is now complete and last week, staff met with the auditors to address next steps. As to depreciation, it was concluded that since the District had the building constructed and equipped with the intent of contributing it to HWO, Inc. or its affiliate, no depreciation should be recorded in the District. Recording of depreciation will commence upon the deeding of the property to HWO, Inc. or its affiliate, such deeding to take place upon final settlement with the building general contractor. That settlement is expected to be finalized before fiscal year end.

As to liabilities, K. Harker noted that grants currently payable are at \$1 million with details shown at Exhibit A. The District has also committed to funding grantee construction projects with unpaid balances totaling just over \$15.9 million, also detailed in Exhibit A. A reserve for other grants in various stages of approval totals \$19.2, leaving unrestricted resources of the District at June 30 of \$35.5 million.

K. Harker then called attention to the Statement of Changes in Net Assets for the month of June. The top line shows that the investment portfolio produced returns of just over \$220 thousand. As to other monthly results, expense categories are generally within their monthly budgets with the exception of office occupancy and general & administrative. The reasons are an original assumption was that new building would have been granted to HWO, Inc. during the prior fiscal year plus an annual renewal of the Survey Monkey subscription at \$13,000. As to the bottom line for the month, expenditures exceeded revenues by \$2.5 million.

Moving to the Statement of Changes in Net Assets for the nine months ended June 30th, K. Harker commented that investment income was at \$8.5 million for the year to date. He then reviewed actual year to date amounts compared to budgeted amounts for the four expense classifications noting that total actual expenses for the year to date of \$555 thousand exceeds the budgeted amount for the nine months of \$544 thousand, legal fees being the culprit as has previously been discussed. For the nine months year to date, the bottom line shows a negative \$8.5 million, this roughly attributable to some \$8.5 million in investment income offset by \$17 million in grants and expenses.

K. Harker then called attention to the active grant status report. There were four grants disbursed during June totaling almost \$2.7 million. Active grant awards were \$88 million of which some \$71 million has been disbursed, leaving \$17 million owed on them. K. Harker

reminded the Committee that these numbers do not include grants that have been approved by the Board subject to execution of grant agreements that total some \$19 million nor \$27 million of grants recently approved by the Priorities Task Force to be recommended to the Board.

K. Harker then asked J. Breth to review the performance of the investment portfolio. Referring to the AndCo investment portfolio performance report for June, J. Breth called attention to page 1, which shows that the total portfolio returned .27% for the month. The returns for the month were not good across all allocations, equities and fixed. However, the overall return for the fiscal year to date is good at 14.7%, thanks to excellent earlier returns.

Directing attention to page 4 of the AndCo report, J. Breth noted that the allocations are showing considerable deviation from the targets set forth in the Investment Policy Statement (IPS). The reason is the significant liquidation and reallocation that took place in late June and early July. In particular, J. Breth called attention to the significant under-allocation to equities and a big over-allocation to cash. When the dust settles, AndCo will be positioned to restore the allocations to conform to the IPS or to modify them upon direction from the Committee. A factor in this decision will be the actions of the Board related to amounts and timing of future grants expected to take place at the July board meeting.

J. Breth then reminded the Committee that the District is in the queue for liquidation of its real estate portfolio allocation and has received several payments in redemption of its interests. No liquidation payments were received in June but late word from fund managers is that there will be further payments in July.

K. Harker & J. Breth then concluded their reports and Acting Chair R. Talbot asked if there were questions or comments and, if none, a motion is needed.

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

2021-2022 BUDGET

Acting Chair R. Talbot called upon K. Harker to comment on the 2021-2022 budget. K. Harker reminded the Committee that as a unit of government, the District must comply with timetable and public disclosure rules even though it does not levy a property tax. In compliance with those rules the cycle will be review of the budget by the Finance Committee and recommendation of it to the Board at its meeting next week. The Board will then adopt the budget and the District will advertise its availability for public comment no later than August 1st.



K. Harker then offered overview comments on the proposed budget. First, he noted that the budget calls for a deficit of some \$519 thousand which is significantly less than those of prior years as The District has considerably less activity anticipated. As to revenue, we don't try to anticipate financial market results so we budget only for money market earnings, even though our expectation is that the investment portfolio will generate significant revenue. We have assumed an average MMA balance of \$10 million earning a rate of 44 basis points. As to management fee revenue, we have assumed that the District will charge HWO, Inc. for the services of its CEO at about 50% of actual compensation and benefits.

On the expense side, K. Harker stated that the committee members have been provided with a line-by-line projection of expenses for the current year vs the current budget placed side by side with the proposed 2021-2022 budget. K. Harker then offered overview comments on the new year budget. There is no provision for office occupancy expense because it is assumed that ownership of the office building will have been granted to HWO Holdings before the start of the fiscal year. And, there is no provision for grants as The District evaluates how best to invest its remaining available funds. Otherwise, K. Harker commented that expense lines are budgeted based upon the assumptions provided in the budget documents.

Discussion and comments among and between staff and Committee members ensued. Following that, Acting Chair R. Talbot asked for a motion.

Action: Upon a motion made and seconded, the 2021-2022 budget as presented was unanimously recommended to the Board of Trustees for adoption.

CASH FLOW AND INVESTMENT FORECAST

Acting Chair R. Talbot called upon CFO K. Harker to comment on the cash flow and investment balance forecast that was provided to the Committee members in advance of the meeting. K. Harker responded that the forecast covered the five quarters beginning with 9.30.2021 through 9.30.2022. He added that as we look at the forecast results, keep in mind that this is only a forecast and is subject to considerable variation. Much of the timing used is not within the District's control so we use "guesstimates". Overall, note that we have assumed that by June of next year, all grants will have been funded and that during the last quarter of the forecast period, activities will largely be devoted to liquidation/dissolution. He added that no investment gains or losses are included, but these are certain to occur unless or until the District totally liquidates its investment portfolio.

Discussion then ensued about the balances in the money market account and the investment portfolio and the practice suggested during the May meeting of removing approved grant amounts from the investment portfolio and depositing them in the money market account.



One of the concerns was that the money market account earns only 44 basis points while the investment portfolio has the potential for earning considerably more. A suggestion was that consideration be given to a policy of not removing money from the investment portfolio until the grant was to be actually funded. No action was taken in response to these concerns.

K. Harker concluded by saying that the forecast is presented for information only and no Committee action is required.

OPEN FORUM

Acting Chair R. Talbot 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 9.25am.

Rodney Talbot, Acting Committee Chair