



**MINUTES OF THE JUNE 16, 2021 MEETING OF THE  
PETALUMA HEALTH CARE DISTRICT BOARD OF DIRECTORS**

**1) CALL TO ORDER**

Director Hempel called the meeting to order at 4:00 PM via Zoom virtual meeting.

**PRESENT (VIDEO CONFERENCE CALL)**

Elece Hempel, Director

Crista Nelson, Director

Gabriella Ambrosi, Director

Jeffrey Tobias, MD, Director

Brian Dufour, Director

**STAFF PRESENT (VIDEO CONFERENCE CALL)**

Ramona Faith, CEO, PHCD

Andrew Koblick, Controller, PHCD

Ty Mooney, Board Clerk, PHCD

**CALL FOR CONFLICT**

Director Hempel called for conflict. Director Hempel inquired about a conflict that was raised regarding Director Tobias and his relations with KCM Investment Advisors. Director Tobias announced that KCM Investment Advisors manages his personal portfolio.

**1) MISSION AND VISION**

Director Ambrosi read the mission and vision of the Petaluma Health Care District.

*The mission of the Petaluma Health Care District is to improve the health and well-being of our community through leadership, advocacy, support, partnerships, and education.*

*The Petaluma Health Care District envisions a healthy community and equitable access to health and wellness services for all.*

**2) CONSENT CALENDAR**

**A MOTION was made by Director Tobias and seconded by Director Nelson to approve the June 16, 2021 agenda, May 19, 2021 Board Meeting Minutes and the June 1<sup>st</sup> Special Board Meeting Minutes. The motion was passed by a vote of 5 ayes (Directors Ambrosi, Hempel, Dufour, Nelson, and Tobias) and 0 noes.**

**3) PUBLIC COMMENTS ON NON-AGENIZED ITEMS**

There were none.

#### **4) BOARD COMMENTS ON NON-AGENIZED ITEMS**

Ms. Faith reported that there was an RFP submitted that was not included in the review process by the RFP Review Committee. The firm is Garcia Hamilton and Associates, located in Houston Texas. The RFP submitted by Garcia Hamilton and Associates will be reviewed by the RFP Committee using the same review criteria and process. If the firm meets the criteria that would warrant a board presentation one will be scheduled. With that said we will still move forward with the presentations as planned.

Jonathan Spees, Marin Street Consulting, reminded the presenters and board of the presentation guidelines. Each presenter will have 45 minutes to present and 15 minutes for questions.

#### **5) KCM INVESTMENT ADVISORS PRESENTATION IN RESPONSE TO DISTRICT'S REQUEST FOR PROPOSALS FOR INVESTMENT MANAGEMENT AND ADVISORY SERVICES**

KCM Investment Advisors presented. The presentation slides are included as Addendum A at the end of the minutes.

Mr. Spees mentioned that the firm noted they work with both equity and fixed income investments. Mr. Spees asked about what percent fixed income vs. equity is. Michelle Durgy, KCM Advisors, stated it is about 50%.

Mr. Spees pointed out that the firm manages multiple portfolios and inquired about how the firm makes decisions on which portfolio they are buying bonds for? Do you ever buy bonds and split it among clients? Jim Kellett, KCM Advisors, stated that they buy the bonds for the portfolio that has the cash that needs to be invested. The firm is required to split applicable bonds and when doing so put bonds in the same place in each portfolio.

Mr. Spees asked if this portfolio would be the only portfolio managed by the CA codes? Ms. Durgy stated they have other clients who are subject to the CA laws as well. Mr. Spees additionally asked if the firm would ensure compliance with all CA codes. Ms. Durgy stated, yes.

Director Tobias asked what kind of mechanisms KCM had in place for day-to-day compliance assessment. Mr. Kellett stated that the Portfolio Manager is looking at compliance every day. Mr. Spees asked how many portfolios do the managers manage? Ms. Durgy stated she has about 240 clients. Ms. Durgy added, each day she pulls a spreadsheet of the portfolios and that shows allocation ranges. It is built into the portfolio management software system which percentage goes to market and if it is over and under.

Ms. Faith reported that she checked the reference for a government agency, North Star, in Truckee. During this check she learned from the general manager that KCM, Michelle Durgy is not the lead for that agency. In addition, when asked about the investment policy the general manager shared that it has not been reviewed in many years. Ms. Faith said that the general manager did indicate that although it has not been reviewed, they felt it was in good hands. Mr. Kellett suggested that investment policy review is requested from the client on their terms, quarterly, annually, etc. Ms. Durgy noted that their attorney takes the lead on investment policy instead of their board. Ms. Nelson added that in this RFP it is expected that the selected candidate takes the lead on all investment matters as the hired expert in that field.

Director Hempel thanked the presenters and informed them that we would be in touch after review in July.

#### **6) PFM ASSET MANAGEMENT, LLC PRESENTATION IN RESPONSE TO DISTRICT'S REQUEST FOR PROPOSALS FOR INVESTMENT MANAGEMENT AND ADVISORY SERVICES**

PFM Asset Management, LLC presented. The presentation slides are included as Addendum B at the end of the minutes.

Mr. Spees noted that most of the presentation was centered around a collaborative working relationship. During the presentation an onboarding process was mentioned, Mr. Spees asked for more detail on what that looks like. Monique Spyke, PFM Asset Management, LLC responded. Ms. Spyke stated that the process starts with working with the custodian of the funds to ensure that the paperwork necessary is finalized for designations and trade instructions. While the settlements team process the custodian paperwork, the district staff would work with Ms. Spyke to evaluate the portfolio and to set objectives and expectations. These discussions typically take a month if the meetings happen once-twice a week.

Director Tobias clarified there is a separate fee to implement the ESG overlay between 8-9.5 bases points. Director Tobias asked for the purpose of the fee and if there is an additional SRI overlay fee as well? Ms. Spyke stated that fixed income services and managing the government code is about 8 bases points. Ms. Spyke then noted that the difference of SRI (socially responsible investing) and ESG is with SRI the process is simple and firms will work with the clients to determine if there were certain investments that they would like to avoid such as tobacco or gun companies. ESG is a different process as this strategy is another type of analysis of issuers on the portfolio. Ms. Spyke explained when doing an ESG (environment, social and governance) they dig deep into the issuers impact on their community, environment, staff, and how they govern themselves. This type of research takes more resources. SRI is inclusive of the base fee while ESG is extra.

Director Hempel commented on the importance of longevity. Director Hempel asked how PFM introduces a new board to the policy. Ms. Spyke stated when transitions like new board members occur the firms first action is to frame the objectives starting with the why the decisions were made and what were the outcomes.

## **7) CHANDLER ASSET MANAGEMENT PRESENTATION IN RESPONSE TO DISTRICT'S REQUEST FOR PROPOSALS FOR INVESTMENT MANAGEMENT AND ADVISORY SERVICES**

Chandler Asset Management presented. The presentation slides are included as Addendum C at the end of the minutes.

Director Tobias asked how Chandler Asset Management creates ESG assessments and incorporates them into the overall portfolio development. William Dennehy, Chandler Asset Management, responded that having a low ESG score is not something that will tell if investment is a good decision or not. Governance factors are important, and many companies are thriving in ESG due to the current political climate. Don Penner, Chandler Asset Management, stated that the conversation of ESG would occur when the onboarding process begun, and the firm got a chance to discuss what the district wants to accomplish.

Director Tobias asked if the firm does equity investing. Mr. Dennehy stated that there is an active asset allocation approach with passive vehicles to achieve that. This transparency and lower cost have been successful with other clients.

Ms. Faith asked if the services offered are all included in the fee? Mr. Penner stated yes, all fees are included in the quoted cost. Mr. Dennehy stated that discussing the strategy is included but there could be a separate fee structure if action is taken.

## **8) BOARD COMMENT**

Director Hempel opened the meeting to board discussion and reminded everyone that this is the only opportunity to have open and honest conversation about the candidates and to provide guidance to the staff as they move forward with a recommendation.

Director Hempel thanked the Finance Committee for all their hard work. Moving forward the Finance Committee will step aside and allow for full board discussion then ultimately wait for the staff recommendation at the July 6<sup>th</sup> board meeting.

Director Hempel asked for staff to create a grid that shows the thoughts from staff, reference checks, and other relevant data.

Director Dufour stated that he is comfortable stepping aside as the Finance Committee and trusts the staff to make a recommendation. Director Dufour also noted that there is a lot of discussion to have about the foundation and there is no promise that the financial advisor for the district will be the same as the foundation. Director Dufour stated he enjoyed the presentations and that all three are qualified candidates. Going into the meeting Chandler was the top choice however when the night concluded Director Dufour believed PFM stood out as the top candidate.

Director Ambrosi liked the fact that the first firms were local. While PFM was speaking, Director Ambrosi was researching Monique and noted that she is very involved with the community.

Director Tobias noted we have small medium and large firms. PFM is the large group, Chandler medium and KCM is small. Director Tobias noted PFM is slick and seem like a very capable organization. However, due to the nature and size of their company he is concerned that there will be charges for every service outside of the scope. Director Tobias is leaning towards PFM and Chandler.

Director Hempel noted she feels that having government and District experience is important to her.

Ms. Faith noted that KCM had great reviews regarding Ms. Durgy, but she was disappointed to find that Michelle, who was identified as having extensive experience working with government agencies, was not assigned as the lead to the one government agency who was identified as a reference. The investment policy not being reviewed was also surprising. Ms. Faith also noted that PFM is the management company for City of Petaluma and City of Santa Rosa. Chandler works closely with ACHD and healthcare districts.

## **8) PUBLIC COMMENT**

Director Hempel called for public comment. There were none.

## **8) ADJOURN**

Director Hempel adjourned the meeting at 8:12 PM.

Submitted by Director Gabriella Ambrosi, Secretary PHCD

Recorded by Ty Mooney, Board Clerk PHCD