



## Legislation Text

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### Resolution Approving the Memorial Health System/Colorado Springs Health Foundation Funds Management Agreement

**From:**

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**Summary:**

City Finance, the City Attorney's Office and the Colorado Springs Health Foundation (CSHF) worked together to develop the attached Funds Management Agreement (Agreement). The Agreement provides greater clarity to how lease proceeds will be transferred to the CSHF and how the CSHF will invest funds.

In summary, the basic terms of the agreement are as follows:

- The City will maintain a balance of \$5M in the MHS Enterprise Fund.
- The City will transfer MHS Enterprise Fund balances in excess of \$5M to the CSHF.
- If the MHS Enterprise Fund balance falls below the \$5M target, the CSHF will remit funds to the City to address the deficiency and return the fund balance to \$5M.
- The City will transfer lease payment proceeds to the CSHF after ensuring the MHS Enterprise Fund balance is \$5M.
- Beginning 10/1/15 and until the current litigation has reached a final disposition on appeal, the CSHF will invest \$25M in currently restricted funds in instruments as allowed by the City's Investment Policy, however the CSHF will have discretion over asset allocation and term. Once the current litigation is resolved, the CSHF may invest the funds in accordance with the CSHF's investment policy.
- The remaining \$25M in restricted funds will continue to be invested in short-term US Treasuries or Instrumentalities until 10/1/2017.
- The Agreement provides a process for reconsideration of the \$5M fund balance target.
- The Agreement reaffirms the CSHF's commitments under the Lease and the Financial Guaranty.

**Previous Council Action:**

On September 23, 2014, the City and the Public Employees' Retirement Association executed a settlement agreement resolving pending litigation. Escrow funds were released pursuant to this agreement and residual funds were sent to the CSHF on October 3, 2014. On September, City Council approved Resolution No. 99-14 which authorized the transfer of \$10 million from the MHS Enterprise Fund to CSHF.

On October 1, 2012, the City of Colorado Springs executed the Memorial Health System (MHS) Operating Lease Agreement and the Integration and Affiliation Agreement by and among the City of Colorado Springs, University of Colorado Health, Poudre Valley Health Care, Inc., and UCH-MHS. The MHS Enterprise endures and is primarily a leasing enterprise.

On September 23, 2014 City Council approved Resolution 92-14 approving revisions to the Articles of Incorporation, and Bylaws of the Foundation and approving the investment and grant making policies developed by the Board of Trustees of the CSHF.

On June 27, 2012 City Council approved Resolution 92-12 approving a City-controlled foundation (CSHF) for the segregation, oversight, and management of funds to be received from the proposed Memorial Health System Operating Lease Agreement and the Integration and Affiliation Agreement with University of Colorado Health.

**Background:**

N/A

**Financial Implications:**

This agreement will provide the MHS Enterprise with an ongoing balance of \$5M to address remaining run-out liabilities and will provide the Foundation with funds to invest lease proceeds to generate income and make grants for the benefit of the Pikes Peak Region.

**Board/Commission Recommendation:**

N/A

**Stakeholder Process:**

N/A

**Alternatives:**

N/A

**Proposed Motion:**

Move approval of the Resolution Approving the Memorial Health System/Colorado Springs Health Foundation Funds Management Agreement

N/A