



Legislation Text

File #: 14-0703, **Version:** 1

A resolution authorizing a transfer not to exceed \$4,500,000 from the Memorial Health System Enterprise Fund to the Colorado Springs Health Foundation in accordance with the Health System Operating Lease and Integration and Affiliation Agreement

From:

Kara Skinner, Chief Financial Officer

Summary:

With settlement of the City v. Public Employees Retirement Association of Colorado (PERA) lawsuit, funds were transferred from the PERA lawsuit Escrow Account to PERA (\$190 million) and to the Colorado Springs Health Foundation (the Foundation) (\$50 million to a segregated account and approximately \$20 million to the general account). With that transfer of funds, the Foundation has requested additional funds be transferred from the Memorial Health System (MHS) Enterprise Fund to the Foundation in accordance with provisions in the Health System Operating Lease Agreement and the Integration and Affiliation Agreement. The attached resolution authorizes a transfer not to exceed \$4.5 million from the MHS Enterprise Fund to the Foundation.

Previous Council Action:

On October 1, 2012, the City of Colorado Springs executed the Health System 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.

City Council authorized and directed that such funds and monies from the lease be placed into an appropriate segregated account and shall be spent only to satisfy obligations specifically provided for in the agreements. Funds remaining after satisfying the obligations shall be transferred directly into the City controlled non-profit foundation, Colorado Springs Health Foundation, as provided for under IRS Sections 501(c)(3) and 509(a) and authorized by City Council and the Mayor pursuant to Resolution No. 89-12.

City Council approved Resolution No. 99-14 on October 14, 2014 authorizing the transfer of \$10 million to the Colorado Springs Health Foundation.

Background:

After the lease of its facilities and operations, MHS continued to exist as an enterprise fund of the City for purposes of carrying out its rights and duties under the Lease Agreement, including without limitation collecting lease payments, satisfying ongoing obligations and remitting funds to the Foundation to be used for the purpose of addressing regional health issues in the and reviewing the Lessee's performance of its obligations under the Lease Agreement.

At closing, after MHS repaid or defeased all of its debt, funded the PERA lawsuit Escrow Accounts and paid transaction costs, the balance of the transaction proceeds was deposited in the MHS Enterprise fund to satisfy ongoing obligations per the lease. Since closing, City finance has provided City Council with monthly updates on MHS Enterprise fund revenues, expenses and ending cash balances.

Financial Implications:

The most recent MHS Monthly Financial Report is also being presented to City Council on January 12, 2015. The report shows an ending November 30, 2014 cash balance of \$7.8 million. With the transfer not to exceed \$4.5 million to the Foundation, there will remain a cash balance in the MHS Enterprise fund of approximately \$3.3 million to satisfy legal expenses and final run-out of other liabilities associated with the Memorial Health System prior to the lease.

Board/Commission Recommendation:

N/A

Stakeholder Process:

N/A

Alternatives:

City Council could authorize a transfer of a different amount to the Foundation.

Proposed Motion:

Move approval of the attached resolution authorizing a transfer not to exceed \$4,500,000 from the Memorial Health System Fund to the Colorado Springs Health Foundation in accordance with the Operating Lease and Integration and Affiliation Agreement

N/A