

Health Commission
City and County of San Francisco
Resolution No. 15-9

**RESOLUTION REQUESTING SALE AND RETENTION OF THE PROCEEDS OF ALL STOCKS IN
THE LAGUNA HONDA RESIDENT GIFT FUND**

WHEREAS, Laguna Honda Hospital and Rehabilitation Center (Laguna Honda) is part of the San Francisco Health Network operated by the Department of Public Health and is a safety net and community hospital with a mission to provide high quality, culturally competent long term care and rehabilitation services to the diverse population of San Francisco; and

WHEREAS, Generous donors, over many decades, have given certificates of stock to Laguna Honda to enhance patient care at Laguna Honda; and

WHEREAS, The donated certificates of stocks are held in the Laguna Honda Hospital Resident Gift Fund, established as a special fund for the general benefit and comfort of patients at Laguna Honda; and

WHEREAS, The Treasurer of the City and County recommends that all gifts of stock be sold at a price not less than the fixed price as set forth in the attached document entitled "Stock Positions in the Laguna Honda Hospital Resident Gift Fund as of May 13, 2015", and is incorporated herein by reference; and

WHEREAS, The Treasurer of the City and County recommends that the proceeds from the sale of the stocks be retained in the Laguna Honda Hospital Resident Gift Fund; now, therefore, be it

RESOLVED, That the Health Commission requests that the Treasurer sell all stocks held in the Laguna Honda Hospital Resident Gift Fund whether certificates are in the possession of the Treasurer or otherwise, at a price not less than the recommended fixed price; and, be it

FURTHER RESOLVED, That the proceeds of the sale of the stocks be retained in the Laguna Honda Hospital Resident Gift Fund; and, be it

FURTHER RESOLVED, That the sales of all stock be conducted consistent with San Francisco Administrative Code, Chapter 10, Article IX, governing the sale of securities.

I hereby certify that the San Francisco Health Commission at its meeting on May 19, 2015, adopted the foregoing resolution.

Mark Morewitz, MSW
Health Commission Executive Secretary

Department of Public Health
Barbara A. Garcia, MPA, Director of Health



Laguna Honda Hospital and Rehabilitation Center
Mivic Hirose, RN, CNS, Executive Administrator

Edwin M. Lee
Mayor

To: Honorable Edward A. Chow, M.D., President, San Francisco Health Commission and Members of the Health Commission

Through: Barbara Garcia, Director of Health

Through: Greg Wagner, Director of Finance
Roland Pickens, Director of San Francisco Health Network

From: Mivic Hirose, CEO, Laguna Honda Hospital and Rehabilitation Center *Mivic*

Date: May 14, 2015

Subject: Sale of Stock in the Laguna Honda Resident Gift Fund by the Treasurer.

Generous donors, over many decades, have given certificates of stock to Laguna Honda Hospital and Rehabilitation Center (Laguna Honda) to enhance patient care at the hospital. The stocks have been held in the Laguna Honda Hospital Resident Gift Fund that was established as a special fund to be used for the general benefit and comfort of patients at Laguna Honda.

The Treasurer of the City and County recommends that all certificates of stock be sold at a price not less than the fixed price. The sale of the stock shares would enable the Gift Fund to lock in the profits the stock portfolio has generated over the years and mitigate against the consequences of a potential period of increased volatility and downward market adjustment. A listing of the certificates of stocks, quantity, recommended sale price, and current price is attached, entitled "Stock Positions in the Laguna Honda Hospital Resident Gift Fund as of May 13, 2015".

We ask that the Health Commission recommend that (1) the Treasurer sell all stocks held in the Laguna Honda Resident Gift Fund, whether the stock certificates are in the possession of the Treasurer or otherwise, at a price not less than the recommended fixed price as stated in the above-referenced document; (2) the proceeds from the sales be retained in the Laguna Honda Hospital Resident Gift Fund; and (3) the sale of stocks be conducted consistent with the San Francisco Administrative Code, Chapter 10, Article IX, governing the sale of securities.

Thank you for your consideration.

MH

Attachment

Stock Positions in the Laguna Honda Hospital Resident Gift Fund as of May 13, 2015

Symbol	Description	Quantity	Recommended Sale Price	Current Price
BAC	BANK OF AMERICA CORP	904	\$14.82	\$16.47
BA	BOEING CO	2	\$130.98	\$145.53
BP	BP PLC ADR F SPONSORED ADR	420	\$38.48	\$42.75
CTL	CENTURYLINK INC	153	\$30.93	\$34.37
CVX	CHEVRON CORPORATION	936	\$96.65	\$107.39
KO	COCA COLA COMPANY	6,432	\$37.02	\$41.13
CSAL	COMMUNICATIONS SALES	46	\$24.88	\$27.64
DTV	DIRECTV	9	\$82.01	\$91.12
DD	DU PONT E I DE NEMOUR&CO	30	\$62.96	\$69.95
ESRX	EXPRESS SCRIPTS HLDG CO	351	\$77.24	\$85.82
XOM	EXXON MOBIL CORPORATION	4,016	\$77.85	\$86.51
FCX	FREEMPORT MCMORAN INC	8	\$20.38	\$22.64
GMT	GATX CORP	264	\$49.93	\$55.48
GE	GENERAL ELECTRIC COMPANY	3,216	\$24.37	\$27.08
HAL	HALLIBURTON CO HLDG CO	128	\$42.57	\$47.30
HKFI	HANCOCK FABRICS	180	\$0.68	\$0.75
IBM	INTL BUSINESS MACHINES	956	\$155.16	\$172.40
MMC	MARSH & MC LENNAN CO INC	1,596	\$51.79	\$57.54
MIRK	MERCK & CO INC NEW	1,200	\$53.19	\$59.10
MITOR	MERITOR INC	7	\$12.38	\$13.75
ROK	ROCKWELL AUTOMATION INC	32	\$110.90	\$123.22
SWKS	SKYWORKS SOLUTIONS INC	11	\$87.05	\$96.73
WY	WEYERHAEUSER CO	810	\$28.80	\$32.00
WIN	WINDSTREAM HLDGS INC	39	\$7.62	\$8.47
XEL	XCEL ENERGY INC	1,178	\$29.53	\$32.81

Office of the Treasurer & Tax Collector
City and County of San Francisco

Pauline Marx, Chief Assistant Treasurer
Michelle Durgy, Chief Investment Officer



José Cisneros, Treasurer

April 3, 2015

Chia Yu Ma
Chief Financial Officer
Laguna Honda Hospital and Rehabilitation Center
375 Laguna Honda Blvd
San Francisco, CA 94118

Dear Chia,

I am writing this letter to provide you with a final status report on the disposition of the stock certificates gifted to Laguna Honda Hospital. All of the certificates have either been deposited into the Charles Schwab account for the benefit of Laguna Honda Hospital or been determined to be worthless, lost, or escheated to the State. Please find attached the explanation for the eight stocks that could not be deposited and needed further research.

It is the recommendation of the Investment Division that all stocks in the account be sold and the proceeds retained in the Laguna Honda Hospital Resident Gift Fund. The proceeds on deposit would be managed by the Office of the Treasurer-Tax Collector in accordance with the investment policy set forth for the City and County of San Francisco Pooled Fund. Many of the stock holdings have experienced significant price appreciation over the many years since they were gifted. The stock market overall has done well with many of the US Stock Indices hitting record highs this year. Our assessment of the current condition of the economy and the potential for interest rate increases by the Federal Reserve later this year has caused us concern that the US equity market could see a period of increased volatility and potential downward market adjustment. It is likely that the market value of the Laguna Honda Hospital's portfolio would be negatively impacted by these events. The sale of these shares would enable your agency to lock in the profits the portfolio has generated over the years. Per Administrative Code Sections 10.50-51, we have attached a sheet with recommended sell prices. To the extent that your agency accepts our recommendation, we would sell these stocks at a price equal or better than the recommended levels herein.

I will proceed with the process of replacing the two certificates we have determined to be lost. Please let me know if you have any questions. We would be more than happy to appear and provide this recommendation to your Board.

Sincerely,

A handwritten signature in cursive script that reads "Hubert R. White".

Hubert R. White, CFA
Investment Officer/Assistant Portfolio Manager
Investment Division of the Office of the Treasurer and Tax Collector

Stock Holdings not in the LHH Schwab account deemed worthless or lost

- 1) **Bethlehem Steel Corporation** 3 shares
Company filed for Chapter 11. Sale completed of remaining assets on 5/7/2003. No value distributed to holders of common stock.

- 2) **General Motors Corporation** 78 shares
Old GM shares became worthless on March 31, 2011.

- 3) **Electronic Data Systems Corporation (GM Class E)** 8 shares
General Motors spun off Electronic Data Systems in August 1995. Holders of GM Class E received 1 share of EDS for each share of GM Class E. Hewlett-Packard acquired EDS in 2008. Shareholders of EDS received \$25.00 for each share they held. 8 shares X \$25 = \$200.00. Check mailed to LHH. Certificates are now worthless. Awaiting full history report from Computershare.

- 4) **Marine Transport Lines, Inc.** 13 shares
Acquired by Marine Transport Corp in June 1998. Marine Transport Corp had a 1:10 stock split after acquisition (I believe the 13 shares would have become 1.3 shares of Marine Transport Corp). Crowley Maritime Corp acquired Marine Transport Corp in February 2001. Crowley paid \$7 for each share of Marine Transport Corp. Payment for 1.3 shares would be \$9.10. Certificate is now worthless.

- 5) **Chevron Corporation** 234 shares
Lost certificate – replacement process to be initiated.

- 6) **Exxon Corporation** 1,480 shares
Lost certificate – replacement process to be initiated.

- 7) **Delphi Corporation** 104 shares
Delphi filed for bankruptcy and terminated Computershare as transfer agent October 10, 2009. Common shares are worthless.

- 8) **American Bonanza Gold Corporation** 9 shares
No documentation. Called old transfer agent and confirmed they had no records. Company was acquired by Kerr Mines in July 2014. Certificate is worthless.

Stocks, bonds or other securities received by any board, commission or officer, by donation, gift, devise, bequest or purchase and held by such board, commission or officer in trust for a special purpose for the benefit of the City and County or for the benefit of any of its departments may, on the recommendation of the officer, board or commission charged with the control or administration of such trust property or funds, be sold by the Treasurer of the City and County as provided by this Article.

(Ord. No. 2754(1939), Sec. 1)

SEC. 10.51. FIXING PRICE.

When any board, commission or officer shall in writing or by resolution of the board or commission, request the Treasurer of the City and County to sell any stocks, bonds or other securities received or held by the board, commission or officer in trust for a specific purpose for the benefit of the City and County, the board, commission or officer shall fix the price at which such stocks, bonds or other securities shall be sold, and notify the Treasurer to sell the same at a price at not less than the price fixed by the board, commission or officer.

(Ord. No. 2754(1939), Sec. 2)

SEC. 10.52. NOTICE OF SALE; PROCEDURE AT AUCTION OR PRIVATE SALE.

Upon receiving the notification from the board, commission or officer, it shall be the duty of the Treasurer to offer the stocks, bonds or other securities for sale, either at public auction or at private sale. The Treasurer shall, within five days prior to the making of the sale, publish a notice of the sale once in the official newspaper of the City and County. If the sale is to be at public auction, the notice shall contain the time and place of the sale. If at private sale, the notice shall contain the time and place when bids or offers for the stocks, bonds or other securities will be received. If the sale is made at public auction, the Treasurer shall sell the stocks, bonds or other securities to the highest and best bidder therefor. If sold at private sale, the Treasurer shall accept the highest bid or offer received therefor; provided, that no bid shall be accepted in an amount lower than the amount specified by the board, commission or officer requesting the sale.

It is provided, however, that when stocks, bonds or securities are listed on an established stock or bond exchange, no notice of sale need be given and sale may be made through any bank or broker, through any recognized stock exchange; and also provided, that such stocks, bonds or securities are not sold below the price fixed by the board, commission or officer requesting such sale.

(Ord. No. 2754(1939), Sec. 3)

SEC. 10.53. APPROVAL OF MINIMUM SALES PRICE.

Whenever any board, commission or officer shall request the Treasurer to sell any stocks, bonds or other securities held by or under the jurisdiction of the board, commission or officer the board, commission or officer shall fix a price below which the stocks, bonds or other securities shall not be sold; stocks, bonds or other securities shall not be offered for sale or sold, until such price is approved by the Controller.

(Ord. No. 2754(1939), Sec. 4; amended by Ord. 370-87, App. 9/11/87)

SEC. 10.54. EXPENSE OF SALE.

Stocks, bonds or other securities received by any board, commission or officer, by donation, gift, devise, bequest or purchase and held by such board, commission or officer in trust for a special purpose for the benefit of the City and County or for the benefit of any of its departments may, on the recommendation of the officer, board or commission charged with the control or administration of such trust property or funds, be sold by the Treasurer of the City and County as provided by this Article.

(Ord. No. 2754(1939), Sec. 1)

SEC. 10.51. FIXING PRICE.

When any board, commission or officer shall in writing or by resolution of the board or commission, request the Treasurer of the City and County to sell any stocks, bonds or other securities received or held by the board, commission or officer in trust for a specific purpose for the benefit of the City and County, the board, commission or officer shall fix the price at which such stocks, bonds or other securities shall be sold, and notify the Treasurer to sell the same at a price at not less than the price fixed by the board, commission or officer.

(Ord. No. 2754(1939), Sec. 2)

SEC. 10.52. NOTICE OF SALE; PROCEDURE AT AUCTION OR PRIVATE SALE.

Upon receiving the notification from the board, commission or officer, it shall be the duty of the Treasurer to offer the stocks, bonds or other securities for sale, either at public auction or at private sale. The Treasurer shall, within five days prior to the making of the sale, publish a notice of the sale once in the official newspaper of the City and County. If the sale is to be at public auction, the notice shall contain the time and place of the sale. If at private sale, the notice shall contain the time and place when bids or offers for the stocks, bonds or other securities will be received. If the sale is made at public auction, the Treasurer shall sell the stocks, bonds or other securities to the highest and best bidder therefor. If sold at private sale, the Treasurer shall accept the highest bid or offer received therefor; provided, that no bid shall be accepted in an amount lower than the amount specified by the board, commission or officer requesting the sale.

It is provided, however, that when stocks, bonds or securities are listed on an established stock or bond exchange, no notice of sale need be given and sale may be made through any bank or broker, through any recognized stock exchange; and also provided, that such stocks, bonds or securities are not sold below the price fixed by the board, commission or officer requesting such sale.

(Ord. No. 2754(1939), Sec. 3)

SEC. 10.53. APPROVAL OF MINIMUM SALES PRICE.

Whenever any board, commission or officer shall request the Treasurer to sell any stocks, bonds or other securities held by or under the jurisdiction of the board, commission or officer the board, commission or officer shall fix a price below which the stocks, bonds or other securities shall not be sold; stocks, bonds or other securities shall not be offered for sale or sold, until such price is approved by the Controller.

(Ord. No. 2754(1939), Sec. 4; amended by Ord. 370-87, App. 9/11/87)

SEC. 10.54. EXPENSE OF SALE.

All expenses incurred in the matter of the sale of any stocks, bonds or other securities offered for sale or sold as provided by this Article shall be paid from the proceeds of the sale of the same or by the department requesting the sale of the same.

(Ord. No. 2754(1939), Sec. 5)

SEC. 10.55. ARTICLE NOT APPLICABLE TO RETIREMENT SYSTEM SECURITIES.

The provisions of the Article shall not apply to any sale of stocks, bonds or other securities held or to be sold by or for the City and County Employees' Retirement System

(Ord. No. 2754(1939), Sec. 6)

SEC. 10.56. ENDORSEMENT BY MAYOR.

Whenever the Treasurer shall sell any stocks, bonds or other securities, as provided in this Article, and whenever any of such bonds, stocks or other securities stand in the name of the City and County with the endorsement of the City and County being necessary in order to transfer the stocks, bonds or other securities, the Mayor is hereby authorized to endorse the same for and on behalf of the City and County; and to take all other actions which may be necessary in order that the stocks may be transferred to the purchaser thereof when sold by the Treasurer, in accordance with the provisions of this Article.

(Res. No. 4111(1939))

ARTICLE X. FINANCIAL POLICIES

- Sec. 10.60. Reserve Policies
- Sec. 10.61. Use of Selected Nonrecurring Revenues.
- Sec. 10.62. Certificates of Participation; Commercial Paper.

SEC. 10.60. RESERVE POLICIES.

(a) **Rainy Day Reserve.** To enable the public to find all City reserve policies in one place, this ordinance includes a summary of the Charter-mandated Rainy Day Reserve. This summary is intended only for convenience and does not modify or supersede the Charter provisions.

The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5. In any year when the Controller projects that total General Fund revenues for the upcoming budget year are going to be more than 5 percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues," meaning the revenues above and beyond the current year plus 5 percent growth, in the Rainy Day Reserve. The total amount of money in the Rainy Day Reserve may not exceed 10 percent of the City's actual total General Fund revenues.

The City may spend money from the Rainy Day Reserve for any lawful governmental purpose, but only in years when the Controller projects that total General Fund revenues for the upcoming year will