

MARIN HEALTHCARE DISTRICT

100B Drakes Landing Road, Suite 250, Greenbrae, CA 94904

Telephone: 415-464-2090 Fax: 415-464-2094

Website: www.marinhealthcare.org

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CITIZENS' BOND OVERSIGHT COMMITTEE MEETING MAY 25, 2016 AT 6:00 P.M.

Chair:	Leslie Lava	Location:	MGH Finance Conference Room
Members:	Steven Dely Jonathan Frieman George Lula		100B Drakes Landing Road, Suite 190 Greenbrae, CA 94904
Absent:	Paul Violich (<i>Teleconference not noticed</i>)		
Staff:	James McManus, Chief Financial Officer Jean Noonan, Controller Michael Lighthawk, Executive Assistant	Members Absent:	Jeffrey Tsai
		Staff Absent:	Colin Coffey, Legal Counsel

MINUTES

I. Call to Order 6:14 pm

Chair Lava

1. Roll Call
2. Agenda Approval. Agenda approved.
3. Previous minutes approval for February 5, 2015. Minutes approved.
4. Safety Minute – 2016 Operation Safety Goals

M. Lighthawk

II. Item Tabled from Previous Meeting

Leslie Lava

1. Clarification of Purpose, Scope, and Authority of the CBOC

Chair Lava offered time to follow up on discussion points brought up in previous meetings by committee members concerning the purpose, scope, and source of authority for the establishment of the Bond Oversight Committee as well as a broader discussion of the reporting responsibility of the committee to the public.

Following a brief discussion and referring to information previously presented by Jim McManus, it was established that the formation of the committee was based on a statement contained in the voters' pamphlet argument in favor of Measure F stating, ". . . *an independent Citizens' Oversight Committee will insure that funds are spent properly*". This recommendation resulted in the formation of the committee under its own charter which was approved and adopted by the District Board.

Regarding reporting obligations the committee has to the public, Mr. McManus reiterated that, as the Chief Financial Officer, he is required to provide an annual report to the community which will be presented to the committee and the District Board of Directors and publicly posted on the District's website annually. The annual due date of the report is January 1.

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III. Measure F: Bond Financing 101

Jim McManus

Mr. McManus presented a set of informational slides that define and describe the G.O. Bond process as well as the various district, government, and legal entities' purpose and roles of the bond process. This slide set will provide the Marin Community with information that will clarify the flow of funds from the taxpayers to the hospital building project (MGH 2.0) and will be posted on the District's website. Mr. McManus invited the committee to comment and/or make suggestions that will improve the materials before posting.

During discussion a few suggestions and edits were recommended by the committee, including:

- 1) Clarification that the \$394M of the bond issuance is not drawn down at the same time and that the bond debt is repaid by the G.O. Bond property tax assessment.
- 2) A graphic illustration of the flow of funds from Taxpayers to bond debt repayment to the investors and the flow of funds from the investors to MGH 2.0.
- 3) Explanation of the involvement and roles of the entities involved in the bond process, i.e.; rating agency, bond trustee, bond advisors, etc.
- 4) Other minor word changes and edits intended to keep the information clear and concise for the public.

Mr. McManus thanked the committee for its input. The Bond Financing 101 presentation will be updated with the suggested changes and posted to the District website and Committee webpage.

IV. Status of General Obligation Bonds, Funding & Project Costs

Jean Noonan

Ms. Noonan outlined how invoices are paid as the need arises; she works directly with Bank of New York, Mellon (BNY Mellon); we list out the vendors, the amount that needs to be paid and, send the formal requisition and copies of invoices to BNY Mellon who, in turn, pays the invoices by wire transfer or check.

At the end of April, a total of \$136,608,000 remains in the bond fund accounts. Of that total, nearly \$118M was in the project fund (to be paid out to vendors/contractors); \$19M in debt service fund (bond payments); and, \$90K cost-of-issuance account.

Ms. Lava asked what happened to the other \$34M of the original \$170M issued. Ms. Noonan responded that 12 requisitions have been made so far as well as receiving the debt service funds from the county at different periods than the actual bond payments are scheduled. Leslie asked if this in-flux of debt service funds can be shown separately as it is difficult to otherwise tell how the normal bond proceeds are being spent. Ms. Noonan agreed to include that content in future reports.

12 Requisitions (Pgs. 21-23) – Referring to the slide on page 21, Ms. Noonan spoke to each requisition on the list noting the total amount requested from BNY Mellon as well as which segment of the project the payments go to. The next slide indicates the six significant vendors paid by BNY Mellon from the first 12 requisitions.

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Chair Lava said this is the heart of what the committee will be working on and suggests that including more detail in this part of the report would be helpful, such as; Date Paid, Name of Payee and, Purpose of Payment. Ms. Noonan positively agreed that this information can be generated in a format that will clearly show such detail. Mr. McManus suggested bringing copies of the actual requisitions and Ms. Lava would like to see a chart that has all this information on it so it can be mapped out over the next few years. Also, please add a column that ties payments under the seismic requirements (Measure F).

Relating to one of the significant vendor payees, AON Risk Insurance Service, Mr. McManus stated that normally contractors would provide their own insurance and there is an option to either have an owner controlled construction insurance program or a contractor controlled insurance program. Going with the owner controlled insurance program saves about \$1.5M. Additionally, we also have dual safety programs; McCarthy has a very good safety program that we've seen and AON has their own safety program to oversee what is going on with the project.

Project Funds Expended & Projected Costs 2016-2020 (Pgs. 24-25) – Ms. Noonan pointed out that the Funds Expended schedule shows total to date project costs by categories beginning with 2010 through YTD 2016. Construction progress and costs are reviewed by Vertran & Associates and, along with other project progress indicators are able to forecast and adjust the forecast model on a monthly basis (Projected Costs 2016-2020).

Mr. McManus pointed out the importance of tracking construction costs and project progress throughout the time line. This tracking and forecasting model tells us when we can expect to need to initiate the second tranche of the bonds. At this point, management is expecting to initiate the second tranche towards the end of 2017. This committee will be advised prior to and at the point of initiation of the second tranche.

In response to Mr. Lula's comment from previous meeting, Ms. Noonan asked Vertran to provide a percent of completion schedule breaking out the project completion percentages across all five categories. Additionally, we've provided Actual vs. Budgeted Construction Costs and Percent of Total Construction Costs in this table.

At the request of the committee, Jean will bring a full packet of invoices as an example of what is being submitted for payment by BNY Mellon.

V. Agenda Items For Next Meeting

Chair Lava

1. Bond Financing 101 (Final Review)
2. Status of G.O. Bond Project Costs

VI. Adjournment

Chair Lava

The meeting adjourned at 7:35pm.