

MARIN HEALTHCARE DISTRICT

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

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

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CITIZENS' BOND OVERSIGHT COMMITTEE MEETING FEBRUARY 15, 2017 AT 6:00 P.M.

Meeting Location:

MGH Finance Conference Room
100B Drakes Landing Road, Suite 190
Greenbrae, CA 94904

MINUTES

I. Call to Order

A. Roll Call

Committee Members Present: Leslie Lava (Chair). Members: Steven Dely, Jonathan Frieman, Jeffrey Tsai. (Quorum established.)

Committee Members Absent: George Lula, Paul Violich

Staff Present: James McManus, CFO; Jean Noonan, Controller; Michael Lighthawk, EA.

B. Agenda Review and Approval: Chair Lava asked for a motion to approve. So moved by Mr. Frieman. Seconded by Mr. Tsai. All ayes. **Agenda Approved.**

C. Review & Approval of minutes for November 16, 2016 - Chair Lava asked for any comments on the previous minutes and a motion to approve. So moved by Mr. Dely. Seconded by Mr. Tsai. All ayes. **Minutes approved.**

D. General Public Comment – Mr. Ron Peluso, Vertran & Associates (Consultant to the District)

II. MGH Construction Update (Pg. 9 of the packet)

Jim McManus introduced Mr. Ron Peluso of Vertran and Associates, Project Managers for MGH 2.0. Mr. Peluso regularly attends the MGH Board Building Subcommittee. Ron regularly submits an updated version of the MGH 2.0 Schedule Milestones (Pg. 9) to the subcommittee and this version was posted on January 9, 2017. The Milestones grid covers the building project from inception through to completion on December 28, 2019.

Since January 9th the building project has been impacted by 30 inches of rainfall. Site engineers have treated and released about 1.9 million gallons of water into storm drains.

MGH 2.0 - Schedule Milestones – Mr. Peluso pointed out that the OSHPD completion date of 12/31/2019 was left off of the milestone's table. The OSHPD HRB Increment Design Schedule indicates the target and actual dates to acquire the permits needed for the various phases of the project. The Shoring start-date target was April 5, 2016 but the permit was received on July 12 resulting in a 12 week delay for shoring. McCarthy brought in two crews at their own expense to make up 6 weeks of the delay. The delay has not been incorporated into the project schedule as Vertran believes the remaining 6 weeks can be made-up in the remaining life of the project. Ron will continue to report back to the Board Building Subcommittee.

Additionally, an OSHPD structural steel permit delay of 4 weeks resulted in a 10 week total delay to date in the project. However, McCarthy Construction believes two weeks can be made up with structural steel.

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That combined with the remaining 30 day bank of planned weather delay could make up the 10 weeks. There have been no requests for general conditions from the contractor and the contractor is not pointing to a change in timeline.

Safety – Mr. Peluso cited that, to date, there has been about 65,000 man-hours for the HRB phase of construction and there have been zero safety incidents. In the “Make Ready” phase of the project, which is preparing the existing building to receive the new structure, there has been about 45,000 man-hours and no safety incidents. There were about 50,000 man hours that went into construction of the Parking Garage with one injury. We have an Owner Controlled Insurance Program (OCIP) underwriter that regularly visits the site and we’ve been given high marks on the condition of the site.

III. Internal Audit – MGH 2.0 (Pgs. 11-18)

Mr. McManus prefaced his remarks noting that Moss Adams is engaged to conduct the Internal Audit of designated hospital operations and the Hospital Construction audit is one of three audits completed in 2016. The purpose of the audit was to review the project cost charges and controls to assess if they comply with contractual terms and best practices. This audit was performed on the Parking Garage segment of the overall construction plan with the intention of providing insights and opportunities to be applied to hospital construction.

The total contract amount of the Parking Garage Project was \$21.8M. The auditors reviewed 87% of billed amounts totaling \$18.7M and reviewed expenditures and cost reports as well as contractor and sub-contractor records.

Observations - In addition to the Summary of Good Practices on page 12 of the packet, Jim McManus noted that the auditors confirmed that the architects and contractors were meeting frequently with the MGH Board of Directors and the Board Building Subcommittee. Additionally, communications between Vertran & Associates and McCarthy Construction were noted as open and honest and the general contractor (McCarthy) was receptive to auditor’s recommendations.

Questioned Costs (Pg. 13-15) – The auditors had findings in: 1) Subcontractor Overhead & Profit Markups, 2) Insurance Markups, 3) Allowance Costs and, 4) Self-Performed Work Costs. The fourth observation had no dollars involved but was listed to make sure those specific areas’ processes were appropriate and effective. One finding noted that McCarthy was being paid a lump sum per month for work performed, yet the contract stated a time and materials basis. After speaking with the parties involved, they agreed to an amendment to the contract that reflected the true agreed upon relationship. (See pages 14-16 for details.)

Member Dely asked who comprises the Internal Audit Team. Mr. McManus responded that the audit team was formed by Moss Adams who was charged by the MGH Audit Committee to conduct the Hospital Internal Audits. Members of the audit team include construction specialists (a senior manager) and staff associated with him. The Internal Audit has been reviewed by the MGH Audit Committee and presented to the MHD Finance & Audit Committee. The chair of the Audit Committee or Mr. McManus will report on the findings to the MGH Board of Directors as well. Although there is no definitive plan as yet to conduct an audit of the

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Hospital building project, Mr. McManus is certain that a discussion will be brought up in the MGH Audit Committee later in the year.

IV. Status of General Obligation Bonds, Funding & Project Costs (Pgs. 21- 27)

Jean Noonan (Controller) stated that, as of December 31, 2016, the balance of bond funds maintained at Bank of New York Mellon was \$90M. As of December 31st, there were 28 Requisitions totaling nearly \$80M. Ms. Noonan followed with a review of the seven top significant vendor payments listed on page 23 with McCarthy Building Companies topping the list at \$59.5M as expected. Total project costs remains at \$534.8M and total expenses incurred for MGH 2.0 as of December 31st is \$96M.

Jim McManus added that, regarding the remaining funds, we expect to exhaust those funds in November. Management is now discussing drawing on the remainder of the GO Bond Funding with our financial advisors because expenses will increase dramatically as we move into the next phases of construction. Mr. McManus will provide an update on the next phase of the Financial Plan at the next meeting of the committee.

Steven Dely asked Mr. Peluso if the Budget to Actual Variance numbers compare to completion performance. Mr. Peluso suggested that project expenditures to date can be compared to construction value which would give a percentage of money spent and Vertran can compare that number to the construction schedule to indicate what percentage of project completion has been reached. Mr. Dely agreed that would be very helpful. Mr. McManus added that it would still be helpful to retain the Budget to Actual Variance table and add a line below stating what the estimate of completion is as well as adding a footnote that the estimate may vary.

V. CBOC Annual Report to Community – Review Draft (Pgs. 40, 41)

Chair Lava presented the “Annual Report of Citizens Bond Oversight Committee” authored and edited by Leslie Lava and Steven Dely. Following commentary and discussion the committee agreed to add a reference to the document that other materials relating to the committee can be accessed on the Citizen’s Bond Oversight Committee web page on the Marin Healthcare District’s website.

Additionally, Mr. Frieman suggested adding a commentary on the history of Marin General Hospital and the challenging journey of bringing the new hospital to fruition. Mr. McManus offered to convey Mr. Frieman’s remarks to the MGH Executive Council.

Motion – Member Frieman moved to approve the first Annual Report of Citizens Bond Oversight Committee with the suggested changes. Member Dely seconded. All ayes. **Motion passes.**

VI. Discuss Meeting Attendance

Chair Lava reviewed the 2017 CBOC Meeting Schedule and thanked the attending members for their ongoing commitment and involvement in the committee.

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VII. Agenda Items For Next Meeting

- Status of General Obligation Bonds, Funding & Project Costs
- MGH 2.0 - Financial Plan Update
- Invite Mr. Peluso to attend the next meeting
- Impact of Construction on Daily Operations (Verbal report)
- Discuss Committee Tour of Construction Site (August 2017)

VIII. Adjournment – Chair Lava adjourned the meeting at 7:02PM.