



## Marin Healthcare District

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

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

Website: [www.marinhealthcare.org](http://www.marinhealthcare.org) / Email: [info@marinhealthcare.org](mailto:info@marinhealthcare.org)

### FINANCE AND AUDIT COMMITTEE

Closed Session & Regular Meeting

May 30, 2017, 5:30pm

#### Committee Member Attendance:

Larry Bedard, MD (Chair)  
Jennifer Hershon, RN, MSN

#### Staff Attendance:

Lee Domanico, CEO  
Jim McManus, CFO  
Jean Noonan, Controller  
Mary Friedman, Director  
Michael Lighthawk, EA

#### Regular Meeting Minutes

- I. **Call to Order** - Chair Bedard called the regular meeting of the Finance & Audit Committee to order at 5:40pm
- A. Roll Call – Chair Bedard and Member Hershon present.
  - B. Approval of Agenda – **Agenda approved** with one correction: Change Agenda Item 5 to: MGH Investment Committee Update.
  - C. Approval of Minutes of Regular Meeting: April 25, 2017. **Minutes approved.**
  - D. Approval of Closed Session Minutes of April 25, 2017. **Minutes approved.**
  - E. General Public Comment - *Any member of the public audience may make statements regarding any items NOT on the agenda. Statements are limited to a maximum of three (3) minutes. Please state your name if you wish to be recorded in the minutes.*  
**No public.**

#### II. **Review / Recommend Approval of Items Discussed in Closed Session**

- A. **Motion:** To recommend approval by the MHD Board of Directors for the lease of office space and services from Dr. Walter F. D’Costa, DPM, located at 2281 Cleveland Avenue, Santa Rosa, California (for Dr. Laura K. Pak).

Member Hershon so moved. Seconded by Chair Bedard. Vote: All ayes. **Motion passed.**

#### III. **Finance**

- A. Financial Report: April 30, 2017 – Mr. McManus invited Jean Noonan (Controller) to present the April and YTD District Financials.

Balance Sheet (Pg. 9) – Referring to the Balance Sheet, Ms. Noonan pointed out:

- ♦ Cash & Cash equivalents dropped slightly from the previous month due to timing of the cash transfers between the hospital and the district.



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- ♦ Tax Revenue receivables are at zero due to timing of the County Assessed Taxes transfers that clears the receivables.
- ♦ Hospital construction expenses continue to increase; up \$5.6M from March.
- ♦ Under liabilities there has been an increase in accruals due to MGH 2.0 construction costs.

### Income Statement (Pg. 10)

- ♦ Rental Revenue will trend higher as the Consumer Price Index goes up.
- ♦ Investment earnings on the \$1M currently in the District Corporate portfolio have been favorable.
- ♦ Depreciation Expense is trending lower than budgeted because assets are budgeted to be put into service this year within construction costs.

### 1206(b) Clinics (Pg. 11)

The District Clinics in April had a variance of \$466K. Urology had the highest variance at \$266K. However, due to an error earlier in the year, a \$180K correction landed in Urology contributing to the high variance. YTD financials were not affected. Because of the \$180K YTD variance, finance is looking more closely at salaries. This is similar to the work being done looking into the CAM financials. Payment and booked MIPA bonuses to physician compensation may also have affected the financials in April.

Chair Bedard asked if each of the clinics has an onsite manager. Ms. Noonan responded that MMPC is the front line for management of the clinics but there are 3-4 actual managers for all clinics. Jim McManus commented that an internal protocol has been added to the Monthly Financial Close of the clinics where MGH Finance will review all the statements with the respective managers before the financials are produced. Following review, Finance will address any variances based on certain tolerance levels for each clinic and develop a “back-to-budget” plan if needed.

### B. G.O. Bond Financing Plan

Jim McManus provided a report on the current plan for future financing of MGH 2.0. In summary, construction has used \$170M of the \$394M in GO Bonds. We are now poised to issue the remaining \$224M in GO Bonds. The construction schedule (updated monthly) indicates we will run out of bond funds by December of 2017. Starting last week, we have begun planning the new issuance with Hammond Hanlon Camp (Financial Advisors), Dean Orrick (Bond Counsel), and Morgan Stanley with Stifel/Nicholas as underwriters. The intention is to begin the working group and due diligence for bond council to review in order to receive opinions and a rating. We expect



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to go out for pricing at the very end of august and close the issuance in September and project we will receive monies shortly thereafter.

Following the issuance, Jenna Megan, (Counsel with Orrick), will come out to address the District Board of Directors and answer any questions you may have.

Citizens' Bond Oversight Committee – Jean Noonan (Controller) presented an updated version of the same presentation brought to the MHD Citizens' Bond Oversight Committee representing project fund balance and requisitions as of March 31, 2017. As of March, the balance of bond funds maintained at Bank of New York Mellon was \$70,676,897. Concurrently, MHD has requested 35 requisitions totaling \$99.8M from BNY Mellon. Total project cost remains at \$534.8M. As of April 30 \$118.6M in expenses were incurred for MGH 2.0.

C. Physician Transactions & Arrangements Policy (Updated) Pgs. 20-35 (Action)

Jim McManus reviewed his memo to the committee and spoke to the proposed revisions as listed in the memo. Overall, changes to the policy provide needed legal and compliance updates, as well as bring into alignment District and MGH policies to the fullest extent possible in order to promote process efficiencies between the two entities.

A key component of the policy was to make sure that both the COO and the CFO review the transaction before going to the board. This will enable a clear understanding of which board of directors need to have oversight and approval of contracts based on established parameters. Another important area of revision is updating current Fair Market Valuation (FMV) regulations in order to contain physician compensation to 50-75% of valuation.

Other discussions ensued extrapolating out the details within the Discussion section of the memo including:

- ♦ Incentives paid out to physicians including forgivable loans (moving expenses, signing bonus) with an aggregate of \$25K.
- ♦ Keeping physician compensation to the 75<sup>th</sup> percentile unless justification is presented.

**Motion:** To recommend the MHD Board of Directors approve the revised MHD Physician Transactions and Arrangements Policy, as presented to the MHD Finance and Audit Committee.

Member Hershon so moved. Seconded by Chair Bedard. Vote: All ayes. **Motion passed.**



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### IV. 2016 Audited Financials Review

Moss Adams

Referring to his presentation, Mr. Brian Conner summarized the audited financial statements. The auditors have provided an Unmodified Opinion that the 2016 Marin Healthcare District Financial Statements are presented fairly and in accordance with US GAAP.

Asset Composition - Changes from 2015-2016 are due mainly to construction and capital asset activity with the corresponding reduction in bond proceeds held in trust. The difference in Total Assets is the amount of money paid down for bond payments.

Liabilities and Net Position – Three periods are designated because the District changed its fiscal year in 2015 from June 30 to December 31, 2015 in order to match the Hospital’s fiscal year. Correspondingly, the Statement of Revenue and Expenses is a single year presentation because the most recent period was a 6 month period.

Patient Service Accounts Receivable – Auditors found that estimates are relatively consistent year to year. AR going down indicates that the estimates were on track.

Gross Receivables Payer Mix – The percentage of payer mix reflects the physician practices of the District only.

Further presentation points and discussions ensued regarding:

- ♦ Required Communications, Responsibilities of the Auditors and ownership of materials.
- ♦ Management Judgments & Accounting Estimates
- ♦ Consistency of Plan Scope and Timing
- ♦ No adjustments were identified; no findings of significant value; no difficulties with management encountered.

The Committee thanked Moss Adams for their expertise, presentation, and diligence. Chair Bedard asked for a motion to recommend acceptance of the 2016 Audit.

**Motion:** To recommend the MHD Board of Directors accept the Report of Independent Auditors and Financial Statements for the Marin Healthcare District of December 31, 2016 and 2015 as presented to the MHD Finance and Audit Committee.

Member Hershon so moved. Seconded by Chair Bedard. Vote: All ayes. **Motion passed.**

### V. MGH Investment Committee Update

Jim McManus provided a verbal update on the District’s Corporate Portfolio currently producing a 2.4% return on investment for Q1 2017 vs. a policy index of 0.8%. Since inception (less than a full year) the return is 3.2% vs. a policy index of 0.1%. The District’s Bond Proceeds portfolio’s return is 0.14% on an index of 0.14%; for one year the return is 0.42% vs. the index of 0.38%.

### VI. Adjournment – Chair Bedard adjourned the meeting at 7:02pm.