



Marin Healthcare District

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

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

Website: www.marinhealthcare.org / Email: info@marinhealthcare.org

FINANCE AND AUDIT COMMITTEE

Closed Session & Regular Meeting

August 29, 2017, 5:30pm

Members:

Chair: Larry Bedard, MD (Remote Location)
Member: Jennifer Hershon, RN, MSN
Staff: James McManus, CFO
Jean Noonan, Controller
Michael Lighthawk, Executive Assistant

Marin County Location:

MHD Conference Room
100B Drakes Landing Road, Suite 250
Greenbrae, CA 94904

Remote Location for Dr. Larry Bedard:

Hilton Double Tree Hotel
1000 Multnomah Street, Room 829
Portland, OR 97232

Minutes

I. Call to Order

Bedard

- A. Roll Call – Present: Larry Bedard; Jennifer Hershon; James McManus; Jean Noonan; Michael Lighthawk.
- B. Approval of Agenda – Agenda approved.
- C. Approval of Minutes of Regular Meeting: July 25, 2017. Previous minutes approved.
- D. General Public Comment – None.

II. Finance

McManus/Noonan

A. Financial Report – July 31, 2017

Ms. Noonan prefaced the financial report by informing the committee that management has changed over the District's billing and collections vendor from Marin Medical Practice Concepts (MMPC) to CHMB, Inc., on August 2nd. Most of the employees at MMPC that were on the billing and collections side of the organization, took employment with CHMB. The Practice Managers of the MHD Clinics remained employees of MMPC.

Balance Sheet – Cash was down \$900K but intercompany receivables went up \$770K due to the usual timing differences month-to-month. Hospital construction costs continue to grow. The \$7M change in Hospital Construction Costs represents actual invoices received as well as accruals resulting in offsets of Assets Limited to Use (Bond Funds) as well as an increase in accrued expenses (construction services received but not yet paid.)

The upcoming August Financial Close will reflect the receipt of the \$1M retainer paid back by MMPC to the District.

Income Statement – Investment earnings against budget was up \$7K continuing to show good performance in the portfolio through 2017. Depreciation expense is favorable to budget because of how depreciation expense is spread over the course of the year.



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Clinic Performance – The clinics were \$145K off of budget for the month of July due to annual seasonal affects and the MPC/CHMB transition. With this transition the weekly check runs will grow. The West Marin Medical Center will be transitioning back to the physician as of August 1st.

B. **Debt Policy (Action)**

Mr. McManus asked that the committee recommend approval of the MHD Debt Management Policy as presented today. The origination of this policy came from the District's Bond Counsel; Orrick, Herrington & Sutcliffe LLP, in conjunction with the issuance of the remainder of the GO Bonds. This new policy is in response to a new California law that indicates there should be a policy in place for debt programs in all local state agencies. This policy will provide insights into the District's borrowing. The policy has been reviewed by H2C and Colin Coffey of Archer Norris.

Motion - The MHD Finance & Audit Committee recommends that the MHD Board of Directors approve the Debt Management Policy as presented. So moved by Chair Bedard. Seconded by Member Hershon.

Discussion: Member Hershon referred to the Internal Controls Procedures section of the policy where the District shall comply with other applicable policies. What will be the mechanism whereby the District will "periodically review" compliance with other applicable policies regarding bond issuance?

Mr. McManus responded that some reporting responsibilities are included in the metrics that are reported quarterly. Other reports and protocols are reviewed by the Citizen's Bond Oversight Committee and reported on a quarterly basis to the board of directors. Jean Noonan posts the required Continuing Disclosure Statements annually which are uploaded to the Electronic Municipal Market Access (EMMA) website with a corresponding link posted to the MHD website.

Friendly Amendment to the Motion - The committee asked that the policy reflect specifically that the reporting requirements indicated in the policy be brought to this committee on a quarterly basis. Mr. McManus agreed to amend the policy to include this change with the following language: "*The District will periodically, but no less than quarterly, report to the District Finance & Audit Committee to review the reporting requirements in order to remain in compliance with the following:*" (#5. *Internal Control Procedures, 2nd paragraph*).

Vote: All ayes. **Motion passed.**

C. **GO Bond Issuance Update & Rating Agencies' Report**

Mr. McManus reported that management requested two ratings: one from Moody's and a secondary rating from Fitch as well as an underlying rating on the hospital as a standalone



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knowing that we will shortly go out for a Revenue Bond to finish the building project. Following the meeting with Fitch and largely due to Mr. Domanico's presentation, Fitch came back with a AAA rating for the District which is the highest you can get. Additionally, Fitch awarded MGH with an A Minus Stable rating which was far above management's expectations. Pricing of the bonds is expected to be on December 7, 2017. We are expecting to close within a two week period and are expecting a multiple purchasing scenario.

Additionally, in response to Chair Bedard's request, Mr. McManus presented the committee with a memo indicating how family and friends of the District may place an order on this issuance of GO Bonds by December 7th. However, there is an expectation that there will be significant activity for the bonds at issuance and an order does not guarantee that the order will go through.

- D. **Investments Update** – The District Corporate portfolio to date has performed at a 1.4% positive vs. a policy index of 2.6%. YTD is 3.9%. Since inception, the portfolio has seen a 4% per year growth. The District's Bond Proceeds Portfolio is at budget of 4.3% as expected.

E. **Citizens' Bond Oversight Committee Update**

Ms. Noonan reviewed the Bond Requisitions as of July 31, 2017. The project fund balance maintained at BNY Mellon was \$56M. To date, the Marin Healthcare District has requested 43 Requisitions for bond funds totaling \$114M.

III. Agenda Items for Next Meeting Bedard

No additional agenda items at this time.

IV. Adjournment 5:58pm. Bedard