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Citizens Bond Oversight Committee

Wednesday, May 16, 2018, 6:00pm

Minutes

I. Call to Order – Chair Lava called the meeting to order at 6:00pm.

A. Roll Call

- ✓ Committee Members Present: Steven Dely, George Feiss, Jonathan Frieman, Leslie Lava, and Charles Reite.
- ✓ Committee Members Absent: Jeffrey Tsai.
- ✓ Staff Members Present: Jim McManus (CFO); Jean Noonan (Controller), Michael Lighthawk, (EA).

B. Agenda Approval - Motion to approve: Member Feiss so moved. Member Frieman seconded. Vote: All “Ayes”. **Agenda approved.**

C. Approve previous minutes of February 21, 2017

Jim McManus proposed that the following clarification be added to the previous minutes in “Section III, MGH 2.0 Update”:

“Ron Peluso stated that Vertran as the Project Manager has shared this information to the respective Committees and Boards of Marin General Hospital and the Marin Healthcare District. These governing bodies are continually updated on all aspects of the MGH 2.0 project and the steel fabrication issue will be updated to these governing bodies until resolution is completed.”

Additionally, Member Dely asked to correctly note in the previous minutes that the author of the CBOC Annual Report was Jonathan Frieman.

Chair Lava called for a motion to amend and approve the February 21, 2018, Committee meeting minutes as stated above. So moved by Member Frieman. Member Feiss seconded. Vote: All “Ayes”. **Minutes approved.**

D. General Public Comment – **No public.**

II. MGH 2.0 Project Update

A. Report on Financial Impact of Steel Fabrication Delay

Ron Peluso stated he is in the process of developing a recovery schedule to gain back time lost because of the delay caused by the sub-contractor that failed to gain OSHPD approval of its steel fabrication design changes. The plan calls for adding a swing shift over an 11-12 month period starting in June. Additionally, we needed to meet with the County of Marin to gain their approval and subsequently accepted additional conditions to extend the work hours.



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Vertran & Associates will also bring the plan to the MHD Board for approval on June 12, 2018, as well as to allow for a public forum on the extended hours. Ron expects this plan will offset the 90 days lost gaining OSHPD's approval of the new fabrication design.

MGH 2.0 Project Update

Ron was excited to report that the buildings' "skin" is now being installed on the south and east sides. As the walls more fully enclose the buildings, the noise levels of the added swing shift will be minimized around the construction area. At this time, curtain wall installation is ongoing and the concrete deck pours and metal deck installation previously held up by OSPD because of the steel repairs is moving forward again. Internally, all the overheads including mechanical, fire, curtain walls, door frames, overhead sprinklers, and gas piping are being installed. These are all the areas that the extra shift will be addressing and finishing in the next few months.

Leslie asked how many extra Rain Days remain in the budget. Ron will check but thinks there are 12 rain days remaining in the schedule. Once the skin is on the building we should not have any further issues with rain delays. When that milestone is reached, the remaining rain days will benefit the schedule.

George Feiss asked what county agency has say over the project. Ron responded that Vertran works with the Marin County Planning and Public Works departments. At this time, Ron does not foresee any conditions of the project needing to go before the Marin Board of Supervisors.

Member Feiss also asked Ron to restate the issues with the steel fabrication design. Ron reiterated the details in committee as reported in the previous minutes. Ron stated there will be a claim against the sub-contractor who fabricated the steel with the unapproved design changes as it was their responsibility to fabricate according to original specs. There were extra costs associated with fabrication issues including surveys and inspections but the CEO has not charged us for those expenses because of what happened in the contractor's shop.

Safety Record – Ron stated that the project continues to have a great safety record. There have been four injury claims so far at 250,000 work hours into the project. These four situations are closed and we paid out about \$65K for those claims. This is an Owner Controlled Insurance Program (OCIP) managed by AON. AON's representatives walk the site every quarter and have consistently found the site to be very safe. Jim McManus commented that management had a review of the OCIP program about a month ago and found that we are currently on track to realize around six figures in reimbursement from self-insuring the project if the safety record of the project continues.

Site Utilities – Ron stated we are currently bringing in electrical and medical gas across the entire site so there is an impact to the front of the hospital and parking. Connecting lines between the two hospitals will also be addressed during this summer to help ensure there are no further rain delays.

Activation Planning – Ron's team held interviews of management teams who specialize in new hospital activations and will help develop new processes for operations of the new hospital. We have selected CEG to assist with the transference of operations to the new hospital.



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Cash Flow – Ron stated we are trending a little bit off where we should be due to the impact of the steel fabrication issue. Right now we are about 36% complete on the project. There is \$14M of Owner Contingency remaining and \$7.6M in General Contractor Contingency remaining.

Leslie asked if the Contractor's Contingency reflects the financial impact of the steel fabrication issue. Ron replied the Contractor's Contingency does not yet reflect that number but the associated expenses will come out of that fund.

Summing up, Ron stated we are still projecting that we are on budget and on time to open the new hospital at the end of June in 2020.

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

Jean Noonan prefaced her remarks by stating we spent the first tranche of GO Bond funds (\$170M) and are well into the 2nd tranche of \$224M, the balance of which is currently about \$212M. The pace has quickened and as of today we have added nearly \$183M of new requisitions, the bulk of which will be in the Hospital Replacement category.

Ms. Noonan pointed out that as of April 30 we've incurred \$23.8M in project costs with Total Project Costs amounting to \$207M. We expect to spend an additional \$138M in 2018.

A. Requisition Detail - No Discussion.

IV. Revenue Bond Issuance

Jim McManus recapped the process of diligence for issuing the Revenue Bonds beginning in December. The Revenue Bonds will be on the credit of the hospital, not the District, as it was for the GO Bonds. Two Rating Agency meetings were organized in April with Fitch Ratings and Standard and Poor's. At these meetings, Lee Domanico and Jim presented the story of MGH before and during the transition from Sutter in June of 2010 through the financial and clinical excellence progress over the past 5 years. These meetings went very well, resulting in both agencies giving us an A- Stable rating. Subsequently, we gave a similar presentation to a live audience including Wells Fargo, T. Rowe Price and other potential investors.

\$165M of Revenue Bonds were issued to cover the delta of project costs (\$91M) and the refinancing of two credit facilities with Union Bank. The effective interest rate is 3.8% on the non-taxable Series-A Bonds and 4.7% on the taxable Series-B Bonds. The demand for the bonds far exceeded the demand we experienced with the GO Bonds and was beyond our expectations.

V. Agenda Items for Next Meeting

- Hospital Tour – Ron Peluso
- MGH 2.0 Project Update – Ron Peluso
- Status of GO Bond Funding & Project Costs – Jean Noonan

VI. Adjournment – Chair Lava adjourned the meeting at 7:00pm.