



**Finance & Audit Committee:
Special Study Session of the
Board of Directors
October 31, 2017**



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 & Audit Committee

SPECIAL STUDY SESSION WITH THE BOARD OF DIRECTORS

Closed Session & Regular Meeting

October 31, 2017, 5:30pm

Location: Marin Healthcare District, 100B Drakes Landing Road, Suite 250, Greenbrae, CA 94904

Board of Directors: Ann Sparkman, JD (Chair), Harris "Hank" Simmonds, MD (Vice Chair), Jennifer Hershon, RN, MSN (Secretary), Larry Bedard, MD (Director), Jennifer Rienks, PhD (Director).

Committee: Larry Bedard, MD (Chair), Jennifer Hershon, RN, MSN (Member).

Staff: Jim McManus, CFO; Jean Noonan, Controller; Ellen Akre, Director; Joel Sklar MD, CMO; Michael Lighthawk, EA.

CLOSED SESSION AGENDA

5:30pm

- I. **Call to Order** Bedard
 - A. Roll Call
 - B. Review and approval of agenda
 - C. Review of Previous Closed Session Minutes of July 25, 2017
- II. **Trade Secrets** – Discussion involving trade secrets pursuant to H&S Code Section 32106, concerning new District/Hospital Programs, Services, Facilities and Strategic Planning.
- III. **Adjourn Closed Meeting** Bedard

REGULAR SESSION AGENDA

5:40pm

- I. **Call to Order** Bedard
 - A. Roll Call
 - B. Approval of Agenda (Action)
 - C. Approval of Minutes from previous Closed Session, July 25, 2017 (Action)
 - D. Approval of Minutes of Regular Meeting: August 29, 2017 (Action)
 - 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.*
- II. **Review / Recommend Approval of Items Discussed in Closed Session (Action)**
- III. **Finance** McManus
 - A. Financial Report – September 30, 2017
 - B. GO Bond Issuance Update
 - C. Revenue Bond Timeline & Pricing Analysis
- IV. **2018 Committee Schedule** Lighthawk
- V. **Agenda Items for Next Meeting** Bedard
- VI. **Adjournment** Bedard



**Previous Minutes
August 29, 2017**



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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



MHD Financials
September 30, 2017



To: MHD Finance Committee
From: Jim McManus, CFO
Re: September 2017 Financial Report
Date: October 16, 2017

I. General Comments

These financial statements contain, in summary format, the balance sheet and net support to the District Clinics. The Clinics, as of September 30, 2017 are comprised of 14 locations and 54 practitioners, and are reported as one combined unit.

II. FY 2017 Income Statement and Budget

The Net District Operating Loss for the month was \$93,818 which was favorable to budget by \$35,106. Income included rental revenue from the hospital lease of \$42,542, interest income and net unrealized investment gains of \$502. The District incurred total expenses of \$136,862, including depreciation expense of \$111,370 associated with the MGH 2.0 parking garage which was completed under budget in August, 2016. Expenses also included \$16,667 for the Behavioral Health program support.

Contributions to the District Clinics was \$824,967 (\$89,068 unfavorable to budget) and was reimbursed by MGH.

Tax revenues of \$6,050,000 related to the outstanding bonds were recorded during the month in accordance with the County of Marin's tax assessment schedule. Costs of \$711,496 related to the bond issuance completed in the month were also recognized.

III. Balance Sheet

Assets

Cash at September 30, 2017 of \$3,454,853 increased by \$833,245 due to the timing of District Clinic expenses and reimbursements. Accounts Receivable increased by \$394,465 from August relating to billing and collection activity for the clinics.

Intercompany Receivables (Payables) of \$(421,058) represent amounts due from/to MGH for Clinic reimbursements and are in a payable status due to timing of expenditures and reimbursements.

Tax revenue receivables increased \$6,050,000 to \$12,391,747 and represent amounts due from the County of Marin.

In August 2016, the hospital parking facility was completed and placed into service. The cost of the garage was transferred from Hospital Construction Costs to Parking Garage. The asset is being depreciated over a period of 25 years.

Intangible Assets represent the Cardiovascular Associates of Marin (CAM) asset purchase price that was deemed to be for medical records and other intangibles (\$185,844 and



Creating a healthier Marin together.

\$675,660 respectively). These balances are reduced each month by amortization over a period of 15 years.

The balance of the proceeds from the bonds issued in November 2015 (\$44,323,346) and the proceeds from the bonds issued in September 2017, net of issuance costs, (\$243,141,687) are reflected in the account "Assets Limited to Use – Bond Funds". Hospital Construction Costs incurred to date are \$147,441,373.

Liabilities and Net Assets

Accounts Payable of \$1,644,299 and Accrued Expenses of \$13,282,929 are comprised of invoices payable and accruals for District, construction, and clinic expenses.

Bonds payable are separated into current (principal due within one year) and non-current (due in greater than one year). Bond Premium represents payments by bond purchasers greater than the face amount of the bond because the stated interest rate of the bonds was higher than the market rate at the date of issuance. The premium is amortized over the life of the bonds as a reduction to interest expense.

The net assets of the District are \$37,471,662.

Marin Healthcare District
Balance Sheet
September 30, 2017

	9/30/2017	8/31/2017	Change	12/31/2016
Assets				
Current Assets				
Cash and Cash Equivalents	3,454,853	2,621,608	833,245	2,803,128
Net Patient Accounts Receivable	3,669,101	3,274,636	394,465	2,298,670
Other Receivables	66,799	59,314	7,485	141,958
Intercompany Receivables (Payables)	(421,058)	967,001	(1,388,059)	1,142,733
Inventories	17,443	18,026	(583)	15,692
Tax Revenues Receivable	12,391,747	6,341,747	6,050,000	1,776,393
Prepaid Expenses	261,839	270,706	(8,867)	51,252
Total Current Assets	19,440,724	13,553,038	5,887,686	8,229,826
Property, plant, and equipment, net	5,196,292	5,233,883	(37,591)	5,417,320
Parking Garage, net	23,587,089	23,669,562	(82,473)	24,329,340
Hospital Construction Costs	123,854,284	115,210,112	8,644,172	68,351,311
Intangible Assets, net	529,377	534,147	(4,770)	572,307
Assets Limited To Use - Bond Funds	287,534,520	44,629,716	242,904,804	96,885,786
Notes Receivable	218,215	224,847	(6,632)	210,037
Deposits & Retainers	72,633	72,633	-	1,072,633
Total Non-Current Assets	440,992,410	189,574,900	251,417,510	196,838,734
Total Assets	460,433,134	203,127,938	257,305,196	205,068,560
Liabilities and Net assets				
Current Liabilities				
Accounts Payable	1,644,299	1,694,432	(50,133)	2,475,914
Accrued Expenses	13,282,929	4,746,776	8,536,153	9,808,707
Intercompany Payables	1,050,000	1,066,667	(16,667)	1,200,000
Current Bond Maturities	6,050,000	-	6,050,000	2,645,000
Current Maturities of Long-Term Obligations	-	-	-	-
Total Current Liabilities	22,027,228	7,507,875	14,519,353	16,129,621
Bonds Payable	372,690,000	154,740,000	217,950,000	154,740,000
Bond Premium	27,743,078	8,155,760	19,587,318	8,353,475
Long-Term Obligations, Less Current Maturities	501,166	497,327	3,839	78,044
Total Liabilities	422,961,472	170,900,962	252,060,510	179,301,140
Net Assets				
Net Assets - Beginning Balance	25,767,421	25,767,421	-	25,781,263
Net (Loss)/Income	11,704,241	6,459,555	5,244,686	(13,843)
Total Net Assets	37,471,662	32,226,976	5,244,686	25,767,420
Total Liabilities and Net Assets	460,433,134	203,127,938	257,305,196	205,068,560

Marin Healthcare District
Income Statement - Actual vs. Budget
For the Nine Months Ended September 30, 2017

	September Month-to-Date			September Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	\$42,542	\$42,500	\$42	\$382,875	\$382,500	\$375
Other Revenue	0	0	0	0	0	0
Investment Earnings	502	250	252	56,683	2,250	54,433
Total Income	43,044	42,750	294	439,558	384,750	54,808
Legal Fees	2,118	3,333	1,215	24,451	30,000	5,549
Accounting Fees	1,667	1,667	0	15,833	15,000	(833)
Board Compensation	300	1,017	717	7,500	9,150	1,650
Board Expenses	4,740	2,083	(2,657)	9,662	18,750	9,088
Depreciation Expense	111,370	142,907	31,537	1,002,326	1,286,163	283,837
Consulting Fees	0	0	0	0	0	0
Charitable Contributions	0	500	500	0	4,500	4,500
Community Education		2,500	2,500	31,359	22,500	(8,859)
Dues	0	1,000	1,000	6,000	9,000	3,000
MGH Program Support	16,667	16,667	0	150,000	150,000	0
Advertising	0	0	0	11,565	0	(11,565)
Total Expense	136,862	171,674	34,812	1,258,696	1,545,063	286,367
Net District Operating Income	(93,818)	(128,924)	35,106	(819,138)	(1,160,313)	341,175
Non-Operating Income/Expense						
Clinic Activity						
Net Loss From Clinics	(824,967)	(735,899)	(89,068)	(7,773,602)	(6,661,267)	(1,112,335)
MGH Clinic Reimbursement	824,967	735,899	89,068	7,773,602	6,661,267	1,112,335
Net Clinic Activity	0	0	0	0	0	0
Bond-Related Revenue/Expense						
Tax Revenue	6,050,000	0	6,050,000	13,234,877	0	13,234,877
Bond Fund Earnings (transferred to construction in progress)	0	0	0	0	0	0
Bond Issuance Costs	(711,496)	0	(711,496)	(711,496)	0	(711,496)
Net Income/(Loss)	\$5,244,686	(\$128,924)	\$5,373,610	\$11,704,243	(\$1,160,313)	\$12,864,556

Marin Healthcare District
1206b Clinics
Summary of Profit & Loss - Accrual Basis
For the Nine Months Ended September 30, 2017

Managed Clinics	# MD/NP	# Of Months	MTD			Monthly Invest/MD	YTD			Avg. Annual Invest/MD
			Actual	Budget	Variance		Actual	Budget	Variance	
San Rafael Medical Center	0.80	9.00	(9,205)	(2,642)	(6,563)	(11,506)	(17,042)	(23,778)	6,736	(28,403)
North Marin Internal (Novato)										
Marin Medical Group (MMG)	3.50	9.00	(41,341)	(41,876)	535	(11,812)	(468,260)	(376,884)	(91,376)	(178,385)
El-Ghoneimy	1.00	9.00	3,286	(2,972)	6,258	3,286	(51,639)	(26,748)	(24,891)	(68,852)
Tamalpais Internal Medicine (TIM)	2.82	9.00	16,973	(6,085)	23,058	6,019	(55,369)	(54,765)	(604)	(26,179)
Cardiology Associates (CAM)	15.65	9.00	(387,976)	(424,325)	36,349	(24,791)	(4,149,889)	(3,816,433)	(333,456)	(353,558)
Urology	4.00	9.00	(123,050)	(54,940)	(68,110)	(30,762)	(770,665)	(477,716)	(292,949)	(256,888)
Vascular Surgery	4.00	9.00	(101,343)	(90,365)	(10,978)	(25,336)	(813,507)	(813,643)	136	(271,169)
Marin Endocrine	3.85	9.00	(51,797)	(30,526)	(21,271)	(13,454)	(414,551)	(268,770)	(145,781)	(143,567)
2 Bon Air - Rheumatology/Chase	2.62	9.00	(29,116)	7,039	(36,155)	(11,113)	(59,234)	84,343	(143,577)	(30,145)
Murphy	3.60	9.00	19,600	(6,291)	25,891	5,444	(108,378)	(64,883)	(43,495)	(40,140)
Novato Medical Office	5.00	9.00	(52,017)	(19,426)	(32,591)	(10,403)	(437,029)	(253,970)	(183,059)	(116,541)
Totals	46.84		(\$755,985)	(\$672,409)	(\$83,576)		(\$7,345,562)	(\$6,093,247)	(\$1,252,315)	
Palliative Care	1.00	9.00	(\$8,390)	(\$8,183)	(\$207)	(8,390)	(\$68,919)	(\$73,647)	\$4,728	(\$91,893)
Clinic Administration	0.00	9.00	(\$11,218)	(\$23,852)	\$12,634		(\$123,446)	(\$211,278)	\$87,832	
Self - Managed Clinics	# MD/NP	# Of Months	MTD			Monthly Invest/MD	YTD			Avg. Annual Invest/MD
West Marin Medical Center (Pt. Reyes)	3.50	9.00	(25,979)	(8,928)	(17,051)	(7,422)	(114,913)	(80,352)	(34,561)	(43,777)
Soluna Health	0.00	0.00	0	0	0		(377)	0	(377)	
Totals	3.50		(\$25,979)	(\$8,928)	(\$17,051)		(\$115,290)	(\$80,352)	(\$34,938)	
Totals Before Behavioral Health	51.34		(\$801,571)	(\$713,372)	(\$88,199)		(\$7,653,218)	(\$6,458,524)	(\$1,194,694)	
Behavioral Health (Note 1)	6.40	9.00	(\$23,396)	(\$22,527)	(\$869)	(\$3,656)	(\$120,384)	(\$202,743)	\$82,359	(\$25,080)
Total All Clinics	57.74		(\$824,967)	(\$735,899)	(\$89,068)		(\$7,773,602)	(\$6,661,267)	(\$1,112,335)	

Note 1 - Up to \$200K of Behavioral Health Clinic losses is included in the Program Support payments by the District to MGH.