



**Finance & Audit Committee
Regular Open Meeting**

February 25, 2020



Marin Healthcare District

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

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

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

FINANCE AND AUDIT COMMITTEE

Special Closed Study Session of the Board of Directors (5:30pm) &

Regular Open Meeting (5:45pm)

February 25, 2020

Committee Members:

Chair: Harris Simmonds, MD
Member: Ann Sparkman, JD
Staff: Eric Brettner, CFO
Elizabeth Lasnier, Controller
Michael Lighthawk, EA

Location:

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

Regular Open Meeting Agenda

- | | |
|---|------------------|
| I. Call to Order | Simmonds |
| A. Roll Call | |
| B. Approve Agenda of Closed Session (Action) | |
| C. Approve Minutes of previous Closed Session - January 28, 2020 (Action) | |
| D. Approve Regular Open Meeting Agenda (Action) | |
| E. Approve Minutes of previous Regular Open Meeting - January 28, 2020 (Action) | |
| F. General Public Comment - <i>Any member of the public audience may make statements regarding any items NOT on the agenda. Statements are limited to a maximum of three minutes. Please state your name if you wish to be recorded in the minutes.</i> | |
| II. Review/Recommend Approval of Items Discussed in Closed Session (Action) | Simmonds |
| III. Finance | |
| A. Financial Report – January 31, 2020 | Brettner/Lasnier |
| B. Operating Cash Balance | |
| C. Accrued Expense Review | |
| D. Legal Expenses | |
| E. Bond Rating Update | |
| IV. Agenda Items for Next Meeting | Simmonds |
| V. Adjournment | Simmonds |



**Previous Meeting Minutes
January 28, 2020**



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FINANCE AND AUDIT COMMITTEE Special Closed Study Session of the Board of Directors & Regular Open Meeting January 28, 2020, 5:30pm

REGULAR MEETING MINUTES

- I. **Call to Order** - Chair Simmonds called the regular meeting to order at 5:50pm.
 - A. Roll Call
 - Members Present: Harris Simmonds, MD; Ann Sparkman, JD
 - Board Member Present: Brian Su, MD
 - Staff Present: Eric Brettner, Elizabeth Lasnier, Michael Lighthawk, Vivian Bobka
 - B. Approve Regular Open Meeting Agenda - Moved to approve by Chair Simmonds. Member Sparkman. Seconded. All ayes. **Agenda approved.**
 - C. Approval of Agenda of Closed Session – Chair Simmonds added “Review of Previous Minutes of August 28, 2018” (not previously approved) to the agenda. Moved to approve by Chair Simmonds. Member Sparkman seconded. All ayes. **Agenda approved.**
 - D. Approval of previous Closed Session Minutes (tabled) of August 28, 2018 - Moved to approve by Member Sparkman. Seconded by Chair Simmonds. All ayes. **Minutes approved.**
 - E. Approval of previous Closed Session Minutes of October 23, 2018 - Moved to approve by Member Sparkman. Seconded by Chair Simmonds. All ayes. **Minutes approved.**
 - F. Approval of previous Regular Open Meeting of October 22, 2019 - Moved to approve previous minutes by Member Sparkman. Seconded by Chair Simmonds. All ayes. **Minutes approved.**
 - G. General Public Comment – No public attendance.
- II. **Review/Recommend Approval of Items Discussed in Closed Session**
 - A. The Out Patient Behavioral Health Program Proforma discussion was tabled to the February 2020 committee meeting.
 - B. **Motion:** Based on management’s recommendation, to recommend that the Board of Directors approve the EKG Interpretation Services Agreement.
So moved by Ann Sparkman. Seconded by Chair Simmonds. Vote: All Ayes. **Motion approved.**
- I. **Finance**
 - A. Financial Report – December 31, 2019

Income Statement

Mr. Brettner reported a net operating loss for the month was \$67,233 favorable to budget by \$43,942. Income included rental revenue from the hospital lease of \$44,260, interest income and net unrealized investment gain of \$31, 319. The District’s total expenses were \$143,302, including depreciation expense of \$117,971 associated with the MGH 2.0 parking garage which was completed in August 2016.

Balance Sheet

Incurred hospital construction costs increased by \$32M in December due to increased billing activity while accrued expenses also rose by \$30M to be paid in January 2020.

Chair Simmonds referred to the \$5M in Cash and Investments and asked for management approval to move an additional \$1M from Cash into the MHD Corporate portfolio. Mr. Brettner asked to wait until he is able to determine what the upcoming Revenue Bond payment will be before moving the \$1M into investment. The committee agreed.



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II. Agenda Items for Next Meeting

- Add the Behavioral Health Proforma discussion to the February meeting agenda. Invite Rebecca Maxwell, Director of Behavioral Health, and other stakeholders of the initiative to clarify the committee's questions regarding funding of the program and physician compensation.

III. Adjournment – Chair Simmonds adjourned the meeting at 6:20pm.



**Financial Report
January 31, 2020**



To: MHD Finance and Audit Committee
From: Eric Brettner, CFO *EB*
Re: January 2020 Financial Report
Date: February 21, 2020

I. General Comments

These financial statements contain, in summary format, the balance sheet and income statement.

II. FY 2020 Income Statement and Budget

The net District operating loss for the month was \$63,949 which was favorable to budget by \$41,188. Income included rental revenue from the hospital lease of \$44,260, interest income and net unrealized investment gain of \$34,215. The District incurred total expenses of \$142,424, including depreciation expense of \$117,971 associated with the MGH 2.0 parking garage which was completed in August 2016.

III. Balance Sheet

Assets

Cash at January 31, 2020 of \$2,260,848 increased by \$64,604 from December due to collections on clinic accounts receivables for services rendered prior to 2019.

Tax revenue receivables are \$4,089,150 and represent amounts due from the County of Marin. Payments received from the County for debt service are reflected in the Assets Limited To Use – Bond Funds balance.

The balance of the proceeds from the bonds issued in November 2015 and the proceeds from the bonds issued in September 2017, net of issuance costs, are reflected in the account “Assets Limited to Use – Bond Funds”. Hospital Construction Costs incurred to date are \$444,048,448 (including the completed parking garage).

Liabilities and Net Assets

Accounts Payable and Accrued Expenses of \$40,351,667 are comprised of invoices payable and accruals for District and construction expenses. The decrease in liabilities from the prior month are due to payment of construction 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 \$58,643,210.

Marin Healthcare District
Balance Sheet
January 31, 2020

	1/31/2020	12/31/2019	Change	12/31/2019
Assets				
Current Assets				
Cash	2,260,848	2,196,244	64,604	2,196,244
Investment	3,244,829	3,210,664	34,165	3,210,664
Net Patient Accounts Receivable	-	-	-	-
Other Receivables	-	-	-	-
Intercompany Receivables (Payables)	63,330	63,330	-	63,330
Inventories	-	-	-	-
Tax Revenues Receivable	4,089,150	4,212,709	(123,559)	4,212,709
Prepaid Expenses	-	-	-	-
Total Current Assets	9,658,157	9,682,947	(24,790)	9,682,947
Property, plant, and equipment, net	3,947,409	3,982,908	(35,499)	3,982,908
Parking Garage, net	23,152,660	23,235,132	(82,472)	23,235,132
Hospital Construction Costs	420,895,788	414,313,140	6,582,648	414,313,140
Intangible Assets, net	-	-	-	-
Assets Limited To Use - Bond Funds	32,805,985	52,668,185	(19,862,200)	52,668,185
Notes Receivable	-	-	-	-
Deposits & Retainers	36,000	36,000	-	36,000
Total Non-Current Assets	480,837,842	494,235,365	(13,397,523)	494,235,365
Total Assets	490,495,999	503,918,312	(13,422,313)	503,918,312
Liabilities and Net assets				
Current Liabilities				
Accounts Payable	1,000	497	503	497
Accrued Expenses	40,351,667	53,629,165	(13,277,498)	53,629,165
Other Current Liabilities	-	-	-	-
Intercompany Payables	0	0	-	0
Current Bond Maturities	190,000	190,000	-	190,000
Current Maturities of Long-Term Obligations	-	-	-	-
Total Current Liabilities	40,542,667	53,819,662	(13,276,995)	53,819,662
Bonds Payable	365,855,000	365,855,000	-	365,855,000
Bond Premium	25,455,123	25,536,492	(81,369)	25,536,492
Long-Term Obligations, Less Current Maturities	-	-	-	-
Total Liabilities	431,852,790	445,211,154	(13,358,364)	445,211,154
Net Assets				
Net Assets	58,707,158	47,363,032	11,344,126	47,363,032
Net (Loss)/Income	(63,949)	11,344,126	(11,408,075)	11,344,126
Total Net Assets	58,643,209	58,707,158	(63,949)	58,707,158
Total Liabilities and Net Assets	490,495,999	503,918,312	(13,422,313)	503,918,312

Marin Healthcare District
Income Statement - Actual vs. Budget
January 31, 2020

	Month-to-Date			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	\$44,260	\$45,101	(\$841)	\$44,260	\$45,101	(\$841)
Other Revenue	0	0	0	0	0	0
Investment Earnings	34,215	250	33,965	34,215	250	33,965
Total Income	78,475	45,351	33,124	78,475	45,351	33,124
Legal Fees	4,536	3,583	(953)	4,536	3,583	(953)
Accounting Fees	2,250	2,250	0	2,250	2,250	0
Board Compensation	1,000	1,017	17	1,000	1,017	17
Board Expenses	0	2,083	2,083	0	2,083	2,083
Depreciation Expense	117,971	117,971	0	117,971	117,971	0
Consulting Fees	0	0	0	0	0	0
Charitable Contributions	0	500	500	0	500	500
Community Education	0	5,417	5,417	0	5,417	5,417
Dues	0	1,000	1,000	0	1,000	1,000
MGH Program Support	16,667	16,667	0	16,667	16,667	0
Advertising	0	0	0	0	0	0
Total Expense	142,424	150,488	8,064	142,424	150,488	8,064
Net District Operating Income	(63,949)	(105,137)	41,188	(63,949)	(105,137)	41,188
Non-Operating Income/Expense						
Clinic Activity						
Net Income (Loss) From Clinics	0	0	0	0	0	0
MGH Clinic Reimbursement	0	0	0	0	0	0
Net Clinic Activity	0	0	0	0	0	0
Bond-Related Revenue/Expense						
Tax Revenue	0	0	0	0	0	0
Bond Fund Earnings (transferred to construction in progress)	0	0	0	0	0	0
Bond Issuance Costs	0	0	0	0	0	0
Net Income/(Loss)	(\$63,949)	(\$105,137)	\$41,188	(\$63,949)	(\$105,137)	\$41,188



Accrued Expenses

Marin Healthcare District
Accrued Expenses
January 31, 2020

January Balance Sheet	<u>40,351,667</u>
Accrued Contruction Costs	31,716,200
Intercompany due to Prima	847,223
Accrued Audit Fees-Moss Adams	23,150
Accrued Legal Fees-BBK	7,336
Accrued Election Expense	1,983
Accrued Interest Expense-Bonds	<u>7,755,775</u>
Total Accrued Expenses	<u>40,351,667</u>



Legal Expenses

Marin Healthcare District
2020 Legal Expense
8610-62300

2020 Legal Budget 43,000.00
Monthly Budget 3,583.33

Invoice #	Amount	Vendor	Regarding
	(2,800.00)		Reverse Dec 2019 Legal Expense
868722	3,756.00	BBK	General Services-Marin Healthcare District December 2019-Accrued
	3,580.00	BBK	Accrue January 2020 Legal Expense
YTD Total	<u>4,536.00</u>		



Bond Rating Update



Fitch Places 17 USPF Ratings on RWN/UCO Following Release of Revised Tax-Supported Rating Criteria

Fitch Ratings - New York - 17 January 2020:

Fitch Ratings has placed 10 ratings on Rating Watch Negative (RWN) and seven ratings Under Criteria Observation (UCO) following the Jan. 10 release of revised "U.S. Public Finance Tax-Supported Rating Criteria." The Rating Watch Negative is maintained for another six ratings.

ANALYTICAL CONCLUSION

The ratings on RWN or UCO include all local government ratings in Fitch's rated universe that Fitch believes could be affected by the changes in criteria. However, not all of the ratings designated as RWN or UCO will necessarily be changed. The full list of ratings on RWN or UCO appears below.

KEY RATING DRIVERS

CHANGES TO CRITERIA: The criteria revisions reflect Fitch's re-evaluation of the value of legal structures that attempt to separate bond default risk from the credit quality of the related local government. This re-evaluation, which limits the amount of rating distance from a related government's Issuer Default Rating (IDR), was triggered by court rulings interpreting potential protections provided by Chapter 9 of the U.S. Bankruptcy Code.

AFFECTS MULTIPLE SECTORS: The criteria revision affects bonds rated under both the tax-supported criteria referenced above and the "Public Sector, Revenue Supported Entities Rating Criteria" and related sector criteria.

RELATIONSHIP TO LOCAL GOVERNMENT: The revised criteria clarify Fitch's analysis of the relationship between the issuing entity and any related local government. This relationship limits the rating on revenue bonds with strong independent credit characteristics but that are issued by enterprises of a local government with weaker general credit quality.

RATING WATCH NEGATIVE CREDITS: The placement of ratings on RWN reflects a preliminary assessment that the distance between a security rating and the related general government credit quality is greater than is permissible under current criteria.

























CREDITS UNDER CRITERIA OBSERVATION: The designation of ratings as UCO reflects that there may be some credit impact on these ratings as a result of the criteria implementation, but that rating impact is uncertain pending a full review. This list includes ratings on entities for which the related general government's credit quality has not been determined.























CREDITS ALREADY ON RWN: Several ratings were placed on Rating Watch Negative on April 11, 2019, in reaction to the Court of Appeals for the First Circuit's ruling regarding special revenue bonds. Those ratings have the designation Rating Watch Maintained.





RATING SENSITIVITIES

RESOLUTION WITHIN SIX MONTHS: Individual credit reviews for those issuers placed on RWN or UCO will take place over the next six months.

RATING ACTIONS

ENTITY/DEBT	RATING	PRIOR
Maricopa County Special Health Care District dba Maricopa Integrated Health System (AZ)		
Maricopa County Special Health Care District dba Maricopa Integrated Health System (AZ) /General Obligation - Unlimited Tax - Dedicated Tax/1 LT	LT AAA  Rating Watch Maintained	AAA 
Palm Bay (FL) [General Government]		
Palm Bay (FL) /PST/Non-ad Valorem/2 LT	LT AA+  Rating Watch On	AA+ 
Palm Bay (FL) /Public Service Tax Revenues/1 LT	LT AAA  Rating Watch On	AAA 
Sacramento City Unified School District (CA)		
Sacramento City Unified School District (CA) /General Obligation - Unlimited Tax - Dedicated Tax/1 LT	LT AAA  Rating Watch Maintained	AAA 
Yuma County Free Library District (AZ)	LT IDR AA+  Under Criteria Observation	AA+ 
Yuma County Free Library District (AZ) /General Obligation - Unlimited Tax/1 LT	LT AAA  Under Criteria Observation	AAA 
Yuma County Free Library District (AZ) /Issuer Default Rating/1 LT	LT AA+  Under Criteria Observation	AA+ 
St. Charles Parish Law Enforcement District (LA)	LT IDR AA  Under Criteria Observation	AA 
St. Charles Parish Law Enforcement District (LA) /Issuer Default Rating/1 LT	LT AA  Under Criteria Observation	AA 
St. Charles Parish Law Enforcement District (LA) /Limited Ad Valorem Tax Revenues/1 LT	LT AA  Under Criteria Observation	AA 
Miami-Dade County (FL) [General Government]		
Miami-Dade County (FL) /Public Service Tax Revenues/1 LT	LT AA+  Rating Watch On	AA+ 
Panama City Beach (FL) [Water, Sewer]		
Panama City Beach (FL) /Water & Sewer Revenues/1 LT	LT AA  Under Criteria Observation	AA 

San Francisco County Transportation Authority (CA) [General Government]		
San Francisco County Transportation Authority (CA) /Sales Tax Revenues - Dedicated Tax/1 LT	LT AAA  Rating Watch On	AAA 
Marin Healthcare District (CA)		
Marin Healthcare District (CA) /General Obligation - Unlimited Tax - Dedicated Tax/1 LT	LT AAA  Rating Watch On	AAA 
Vallejo City Unified School District (CA)		
Vallejo City Unified School District (CA) /General Obligation - Unlimited Tax - Dedicated Tax/1 LT	LT AAA  Rating Watch On	AAA 
Sweetwater Union High School District (CA)		
Sweetwater Union High School District (CA) /General Obligation - Unlimited Tax - Dedicated Tax/1 LT	LT AAA  Rating Watch Maintained	AAA 
Montebello Unified School District (CA)		
Montebello Unified School District (CA) /General Obligation - Unlimited Tax - Dedicated Tax/1 LT	LT AAA  Rating Watch On	AAA 
Chicago (IL) [Sewer]		
Chicago (IL) /Sewer Revenues (2nd Lien)/1 LT	LT AA-  Rating Watch On	AA- 
Chicago (IL) [Water]		
Chicago (IL) /Water Revenues (2nd Lien)/1 LT	LT AA-  Rating Watch On	AA- 
Gary-Chicago International Airport Authority (IN) [General Government]		
Gary-Chicago International Airport Authority (IN) /Tax Increment Revenues/1 LT	LT BBB  Under Criteria Observation	BBB 
Chicago Board of Education (IL)		
Chicago Board of Education (IL) /Limited Ad Valorem Tax Revenues/1 LT	LT A  Rating Watch Maintained	A 
Oakland Unified School District (CA)		
Oakland Unified School District (CA) /General Obligation - Unlimited Tax - Dedicated Tax/1 LT	LT AAA  Rating Watch Maintained	AAA 
Melrose Park (IL) [Water, Sewer]		
Melrose Park (IL) /Water & Sewer Revenues/1 LT	LT A+  Rating Watch On	A+ 
Palomar Health (CA)		

Palomar Health (CA) /General Obligation - Unlimited Tax - Dedicated Tax/1 LT	LT AAA  Rating Watch Maintained	AAA 
Birmingham-Jefferson Civic Center Authority (AL)		
Birmingham-Jefferson Civic Center Authority (AL) /Various Non-Property Tax Revenues/1 LT	LT BBB+  Under Criteria Observation	BBB+ 

Additional information is available on www.fitchratings.com

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Applicable Criteria

U.S. Public Finance Tax-Supported Rating Criteria (pub. 10 Jan 2020)

Additional Disclosures

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