

MARIN HEALTHCARE DISTRICT

100-B Drake's Landing Road, Suite 250, Greenbrae, CA 94904

Telephone: 415-464-2090

Fax: 415-464-2094

Website: www.marinhealthcare.org

Email: info@marinhealthcare.org

BOARD OF DIRECTORS FINANCE & AUDIT COMMITTEE TUESDAY, JULY 25, 2023 @ 4:00 P.M.

Committee:

Chair: Edward Alfrey, MD

Members: Ann Sparkman, RN/BSN, JD

Leslie Lava, JD

Staff: David Klein, MD, CEO

Eric Brettner, CFO

Colin Leary, General Counsel

Liz Lasnier, Controller

Support: Louis Weiner, EA

Location:

Via Zoom only:

<https://mymarinhealth.zoom.us/join>

Meeting ID: 914 4371 0234

Passcode: 728144

Or via Zoom telephone: 1-669-900-9128

AGENDA

- | | | <u>TAB</u> |
|----|--|----------------------------|
| 1. | Call to Order / Approval of the Agenda (action) | Alfrey |
| 2. | Approval of the Minutes of the MHD Finance & Audit Committee Meeting of June 27, 2023 (action) | Alfrey #1 |
| 3. | Public Comment
<i>Any member of the audience may make statements regarding any item NOT on the agenda. Statements are limited to a maximum of three (3) minutes. Please state and spell your name if you wish it to be recorded in the minutes.</i> | Alfrey |
| 4. | Review Marin Healthcare District FY 2024 Operating Budget (action) | Brettner #2 |
| 5. | District Corporate Investment Portfolio Policy (action) | Brettner/
Canterbury #3 |
| 6. | District Financial Report
A. June 2023 | Brettner #4 |
| 7. | Adjournment | Alfrey |

Next meeting: October 24, 2023, 4:00 pm

A copy of the agenda for the Meeting will be posted and distributed
at least seventy-two (72) hours prior to the meeting.

In compliance with the Americans with Disabilities Act, if you require accommodations to participate in a District meeting please contact the District office at 415-464-2090 at least 48 hours prior to the meeting.

Tab 1

MARIN HEALTHCARE DISTRICT

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

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Website: www.marinhealthcare.org

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Board of Directors Finance and Audit Committee Tuesday, June 27, 2023 @ 4:00 pm Via Zoom

MINUTES

1. Call to Order

Chair Alfrey called the meeting to order at 4:00 pm.

2. Roll Call / Approval of Agenda / Approval of Minutes

Committee members present: Edward Alfrey, MD (Chair); Ann Sparkman (Board Member);
Leslie Lava (Community Member)

Staff members present: David Klein, MD (CEO); Eric Brettner (CFO); Liz Lasnier (Controller);
Colin Leary (General Counsel); Louis Weiner (EA)

Guests present: Katherine Jackson and Chris Ng (Moss Adams)

Approval of the Agenda: It was moved, seconded and carried to approve the agenda as presented.

Approval of the Minutes: It was moved, seconded and carried to approve the minutes of the meeting of the committee on April 25, 2023.

3. Public Comment

There was no public comment.

4. Marin Healthcare District: 2022 Report of Independent Auditors

Ms. Kate Jackson of Moss Adams presented the Audit Results (Tab #2) and the Report of Independent Auditors (Tab #3). Moss Adams has given an Unmodified Opinion, the highest level of assurance that the financial statements are presented fairly and in accordance with US GAAP. No material weaknesses were identified.

The areas of significant risk inspected in the audit were: tax assessment receivables and revenues, capital assets, commitments and contingencies, and management override of control via manual journal entries.

Among other normal assets and liabilities, the financial ratios and metrics reflect the results of the hospital construction on capital assets, bonds payable, tax revenue, lease receivables and deferred inflows, depreciation and amortization, and bond interest expenses.

GASB 87, a model for improving lease accounting, was adopted by MHD as of January 1, 2021. Ms. Jackson explained it in the presentation, and it is materially disclosed in Note 5 of the Report.

Ms. Lava inquired after Note 6 – Bonds Payable, regarding mention of the mandatory sinking fund payments of the 2015 bonds, and that such mention was not included for the 2017 bonds. Ms. Jackson agreed that would be included in the final report.

Chair Alfrey commended Mr. Brettner, Ms. Lasnier and the Finance team for their work.

There was no further discussion. **It was moved, seconded and carried to recommend the audit to the MHD Board of Directors for approval at their next Regular Meeting.**

After the vote, Ms. Jackson and Mr. Ng departed the meeting.

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MINUTES

5. District Financial Reports

A. April 2023

Mr. Brettner reported that April's income was strong due to investment earnings. Expenses continue well below budget largely because outflows for Charitable Contributions, Community Education, and Board Expenses have not yet occurred.

The balance sheet shows Tax Revenues Receivable has gone down by \$5.2M because county sales tax revenues have been received in April. The next such payment will occur in November.

B. May 2023

In May, investments turned around by \$40K unfavorable to budget, but YTD still holds favorable to budget by \$63K. Expenses were similar to April. YTD operating income is \$192K, favorable to budget by \$126K.

The balance sheet shows little movement or variance. Tax receivables continue to accrue.

6. Discussion of Canterbury Investment Consulting

Dr. Klein reported that the Hospital Board Investment Committee is reviewing all investment policies and their delegations of authority. It became evident that the District's investment oversight, decisions and policy is to be kept entirely separate from the Hospital's. Mr. Leary explained the legal aspects, that a public agency (the District) not delegate decision-making authority to a private organization (the Hospital). Canterbury Consulting (or another vendor of the District's choosing) will now be working directly with the MHD Board and this Committee on the District's investment decisions and policies, and the Hospital Board's Investment Committee will not be involved.

Canterbury Consulting will be invited to attend and present at the next meeting of this Committee.

It was moved, seconded and carried to proceed with this change.

5. Adjournment

Chair Alfrey adjourned the meeting at 4:35 pm.

Tab 2



July 25, 2023

FY 2024 Operating Budget

Eric Brettner
CFO



FY 2024 Budget Assumptions - Receipts

- Rental Income
 - Increased 4.2% based on estimated 2023 CPI
- Lease Interest Revenue
 - GASB 87 Accounting rule change is now in effect
- Investment Earnings
 - Based on March, 2023 current yield
- Tax Revenue
 - In working with the County of Marin, we have calculated the amount to be \$15.1M in total for the 2015 and 2017 Bond Funds



FY 2024 Budget Assumptions - Expenses

- **Legal Fees** - expected expenses in 2024 based on estimates from internal legal counsel
- **Audit Fees** - 5% increase to FY2023 actuals. Fees are split 50/50 with Hospital
- **Board Comp and Board Expenses** - slight decrease from the FY2023 budget due to fewer anticipated meetings
- **Charitable Contributions** - \$6K + additional \$10K to be used at District Board's discretion
- **Advertising** - \$7K + additional \$10K to be used at District Board's discretion
- **Community Communications & Education** - assumed \$60K for events, \$50K for annual reports, and \$35K for completion of website
- **Depreciation** - based on current fixed assets related depreciation expenses
- **Mental Health Clinic Support** - assumed \$100K for year 3 of the 3 year (\$300K) commitment
- **Mental Health Program Support** - \$200K continued support pending District Board approval



FY 2024 Income Statement Budget

	1/1/23 through 5/31/23 (5 months)				No accounting change	GASB 87 Accounting Change
	FY2023 Budget	To Date - Budget	To Date - Actual	Variance	FY2024 Budget	FY2024 Budget
Rental Revenue	\$ 629,599	\$ 268,713	\$ 260,702	\$ (8,010)	\$ 651,965	\$ 92,743
Lease Interest Revenue	-	-	-	-	-	565,066
Investment Earnings	63,862	26,609	89,874	63,265	179,697	179,697
Total Income	693,461	295,322	350,577	55,255	831,661	837,505
Legal Fees	60,000	25,000	18,864	6,136	50,000	50,000
Accounting Fees	24,000	10,000	8,464	1,536	27,500	27,500
Board Compensation	18,000	7,500	4,410	3,090	14,000	14,000
Board Expenses	25,000	10,417	787	9,629	20,000	20,000
Election Expenses	-	-	250	(250)	200,000	200,000
Charitable Contributions	46,000	19,167	-	19,167	16,000	16,000
Advertising	7,000	2,917	-	2,917	17,000	17,000
Community Education	70,000	29,167	0	29,167	145,000	145,000
Dues	12,000	5,000	5,000	-	12,000	12,000
MHMC Program Support	200,000	83,333	83,333	-	200,000	200,000
MHMN Program Support	90,000	37,500	37,500	-	100,000	100,000
Total Expense	552,000	230,000	158,608	71,392	801,500	801,500
Net Operating Income/(Loss) before Depr & Bond-Related	141,461	65,322	191,969	126,647	30,161	36,005
Depreciation Expense	11,910,028	4,962,512	4,950,248	12,263	11,878,774	11,878,774
Net Operating Income/(Loss) before Bond-Related	(11,768,567)	(4,897,190)	(4,758,280)	138,910	(11,848,613)	(11,842,769)
Bond-Related Revenue (Expense)						
Tax Revenue	15,808,220	6,586,758	6,586,758	-	15,101,308	15,101,308
Bond Fund Earnings	-	-	110,428	110,428	66,257	66,257
Bond Interest Expense	(14,262,758)	(5,942,816)	(5,949,447)	(6,631)	(14,219,642)	(14,219,642)
Net Income/(Loss)	\$ (10,223,105)	\$ (4,253,247)	\$ (4,010,541)	\$ 242,707	\$ (10,900,689)	\$ (10,894,845)



FY 2024 Balance Sheet Budget

	12/31/2022	Expected 12/31/2023	Expected 12/31/2024
Current Assets			
Cash	748,674	783,478	635,942
Investment	3,463,546	3,729,215	3,906,912
Tax Revenues Receivable	6,921,837	7,088,190	6,525,151
Prepaid Expenses	6,000	6,000	6,000
Total Current Assets	11,140,057	11,606,884	11,074,006
Property, plant, and equipment, net	397,683,703	387,706,132	376,817,020
Parking Garage, net	20,266,128	19,358,934	18,369,270
Assets Limited to Use - Building Funds	10,518,468	-	-
Assets Limited To Use - Sinking Funds	11,136,137	9,941,749	8,154,706
Deposits & Retainers	36,000	36,000	36,000
Total Non-Current Assets	439,640,436	417,042,815	403,376,996
Total Assets	450,780,493	428,649,698	414,451,003
Current Liabilities			
Accounts Payable	420	210	210
Interest Payable	6,356,291	6,340,375	6,003,789
Accrued Expenses	58,318	15,944	16,614
Other Current Liabilities	10,366,037	-	-
Related Party Payables	81,972	-	-
Current Bond Maturities	955,000	1,250,000	1,250,000
Total Current Liabilities	17,818,038	7,606,529	7,270,613
Bonds Payable	363,790,000	362,540,000	361,290,000
Bond Premium	22,607,217	21,630,789	20,654,361
Total Liabilities	404,215,255	391,777,318	389,214,974
Net Assets	56,792,572	46,565,238	36,872,380
Net (Loss)/Income	(10,227,334)	(9,692,858)	(11,636,351)
Total Net Assets	46,565,238	36,872,380	25,236,029
Total Liabilities and Net Assets	450,780,493	428,649,698	414,451,003



Questions?



Tab 3

Marin Healthcare District Corporate Portfolio

Statement of Investment Policy

Draft: As of ~~November, 2022~~July, 2023

Marin Healthcare District

Statement of Investment Policy

Purpose and Scope

This Statement of Investment Policy (the “Policy”) governing the management of the investment assets held as a Corporate Portfolio, (the “Corporate Portfolio”) by or for the benefit of Marin Healthcare District (the “District”) is created to set forth the Corporate Portfolio’s investment objectives, allocate responsibility for the management and oversight of the Corporate Portfolio, provide the policy parameters within which assets are to be managed and against which the success of the investment function is to be evaluated, and ensure compliance with applicable rules and regulations

It is expected that all those involved in the management and oversight of the Corporate Portfolio will act in such a way as to enable the District, as best as possible, to attain the objectives stated in the Policy.

It is intended that the guidelines set forth in the Policy will be both sufficiently specific to be meaningful and flexible enough to be practical.

Marin Healthcare District

Statement of Investment Policy

Investment Goals & Philosophy

The MHD Board has determined that the assets in the Corporate Portfolio are to be invested, with due regard to preservation and growth of principal, as to maintain the liquidity needs of the District, as a supplement to other District's resources, to support the District's operations. It is the Board's expectation that this objective will be best met if the Corporate Portfolio is managed as a balanced portfolio consisting of, but not limited to, equity and fixed income securities.

Background

The purpose of the Policy is to set forth the guidelines whereby surplus funds are invested by the District in accordance with statutory guidelines and a prudent balance between Fund preservation, liquidity, and return on investment. As provided in Section 53600.3 of the Government Code, except as provided in subdivision (a) of Section 27000.3 of the Government Code, all governing bodies of local agencies or persons authorized to make investment decisions on behalf of those local agencies investing public funds pursuant to this chapter are trustees and therefore fiduciaries subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law.

Definition of Duties

Marin Healthcare District (MHD)

~~The MHD Board of Directors delegates oversight of the Corporate Portfolio and its investment to the MGH Investment Committee, which will advise the Finance and Audit Committee and the MHD Board on investment options and investment policy. The MGH Investment Committee shall have such other responsibilities that may be delegated in accordance with the District Bylaws or from time to time assigned by the MHD Board of Directors. The MHD Board of Directors is ultimately responsible for the disposition of the District's funds.~~

The Marin Healthcare District (-MHD) Board & The Finance and Audit Committee

The MHD Board is responsible for broad fiduciary oversight of the District's investments. In exercising that oversight role, the Board has determined that it is appropriate that the MHD Board delegate to the MHD MGH Investment Finance and Audit Committee to assist the MHD Board in formulating appropriate investment policies, in selecting an Investment Advisor and Investment Managers, and in

Marin Healthcare District

Statement of Investment Policy

overseeing the investment of the assets held in the Corporate Portfolio. ~~With the assistance of the MGH Investment Committee, the~~ The MHD Board and the Finance and Audit Committee have adopted this Policy as the statement of intent for achieving the District's investment objectives. The MHD Board and the Finance and Audit Committee have the responsibility to:

- Review this Policy at least annually and adopt modifications to this Policy as appropriate
- Approve the investment policy statement and any future revision of the statement.
- ~~• Appoint the Investment Committee and delegate to the committee the responsibility to oversee the implementation of this policy.~~
- Approve the engagement of an Investment Advisor ~~recommended by the Investment Committee~~, including the terms of the Investment Advisor's retention and the scope of activities to be delegated to the Investment Advisor ^[UL1].
- ~~• Develop criteria to review the Investment Advisor's performance and, with the assistance of the Investment Committee, review that performance annually and as otherwise necessary.~~
- Consider and approve recommendations from the Investment ~~Committee~~ Advisor on Asset Allocation and other strategic matters related to the investment portfolio.
- Implement the hiring and termination of Investment Advisor, whether directly or through an agreement held by an affiliate.
- Develop criteria for the review of the Investment Advisor's performance, conduct that review annually and as otherwise necessary and report the results of any such review to the Board.
- With the Investment Advisor, monitor and evaluate the performance of the Corporate Portfolio including the expenses of managing the Corporate Portfolio at least quarterly and on an ongoing basis.
- ~~• Review investment results, asset allocation, composition and other information the Board may request.~~

In carrying out its responsibilities, the MHD Board may delegate the above duties to the Finance and Audit Committee which will make periodic reports to the MHD Board.

The MGH Investment Committee

~~The MGH Investment Committee is responsible for implementing the investment policies established by the MHD Board and making recommendations to the MHD Board with respect to possible changes in those policies at such times as the Investment Committee, with the assistance of the Investment Advisor, believes such changes to be appropriate. The MGH Investment Committee will also function as the District's interface with the Investment Advisor and through it with any Investment Managers retained on the advice of the Investment Advisor.~~

~~The Investment Committee has the responsibility to:~~

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- ~~▪ Review this Policy at least annually and make recommendations to the Board with respect to any modifications to this Policy it deems appropriate.~~
- ~~▪ Recommend to the Board the engagement of an Investment Advisor, the terms of the Investment Advisor's retention and the scope of activities to be delegated to the Investment Advisor.~~
- ~~▪ Implement the hiring and termination of Investment Advisor.~~
- ~~▪ Develop criteria for the review of the Investment Advisor's performance, conduct that review annually and as otherwise necessary and report the results of any such review to the Board.~~
- ~~▪ Monitor and evaluate the performance of the Corporate Portfolio including the expenses of managing the Corporate Portfolio at least quarterly and on an ongoing basis.~~
- Report to the Board of Trustees regarding the investment results, asset allocation, composition and other information the Board may request.
- On matters not delegated to the Investment Advisor, including the investment of assets in the Corporate Portfolio that are not subject to the Investment Advisor's oversight, consider and approve the arrangements regarding such matters.

The Financial Officer

The District's Chief Financial Officer ~~in collaboration with the Districts' Treasurer~~, in consultation with the Investment Finance and Audit Committee and the Investment Advisor(s), is responsible for the financial management and enforcement of the investment assets within the context of the Policy. In addition, they will:

- Assure proper custody of the investments
- Negotiate contracts related to investments
- Monitor investment expense

The Investment Advisor

The Investment Advisor has the responsibility to manage the investment funds given a set of asset allocation targets within asset allocation ranges of the portfolio and assist the Investment Committee Finance and Audit Committee and Board in fulfilling their responsibilities for the oversight of the Corporate Portfolio. In exercising its duties, the Investment Advisor will be expected to act in good faith and with the care that an ordinarily prudent person would exercise in managing his or her own assets under similar circumstances.

The Investment Advisor will be expected to take into account not only general economic conditions (including, without limitation, rates of current and expected inflation) and their possible effects upon investment performance, but also whether particular asset classes, and specific assets within those asset classes, will further the District's overall investment strategy, including the risk and return parameters set forth in this Policy.

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The Investment Advisor has the responsibility to:

- Assist in the development and revisions, as needed, of the Investment Policy statement, which will include, investment policies, guidelines and objectives for the District's assets, and asset allocation targets and ranges.
- Review, hire and terminate investment managers.
- Review, monitor, and adjust allocation among investment managers within the constraints of the Investment Policy Statement for Asset Allocation;
- Work with the custodian and respective managers to implement cash flow requirements, rebalances, and other investment decisions.
- At least annually and more frequently as necessary, provide the ~~Investment~~ Finance and Audit Committee with performance measurement and evaluation reports for each Investment Manager and for the overall Portfolio's, which shall include:
 - The overall performance results in relation to stated objectives and policy guidelines and specifically in relation to the relevant custom policy index designed for the Portfolio's as defined under "Investment Guidelines and Performance Criteria" below.
 - For Individual Investment Managers,
 - Performance results in relation to stated objectives and policy guidelines, including both rates of return and an examination of the risk an Investment Manager assumed in order to achieve that return.
 - Comparison of each Investment Manager's performance against their respective benchmarks and peers.
- At least quarterly and otherwise as necessary, review with the ~~Finance and Audit~~Investment Committee general economic and market conditions or situations and their possible effect on the future performance of the Portfolio's.
- Assist in the selection of one or more trustees, custodians, or administrators if necessary.
- Provide appropriate support to the District's internal staff in their work in maintaining and safeguarding the assets in the Portfolio.

The Investment Managers

Each investment Manager will be expected to act in good faith and to invest the District's assets entrusted to it in the manner described in materials defining the investment philosophy of such Investment Manager. So long as the Investment Manager acts in accordance with its stated investment philosophy, it will have full discretion and authority as to the manner in which it executes that investment strategy, including security selection and the timing of purchases and sales of securities.

Investments held in separate accounts will be held to the investment guidelines for such accounts established by the ~~Finance and Audit~~Investment Committee, with the advice of the Investment Advisor.

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Investments made through a mutual fund governed by the Investment Advisers Act of 1940 will be considered a liquid investment even if the underlying strategy does not fit into a traditional equity or fixed income strategy. Mutual funds and commingled funds shall be held to the specific guidelines of their respective prospectuses.

The investment performance, net of fees, of the portion of the Portfolio managed by each Investment Manager will be measured quarterly and on an ongoing basis against a market index determined by the Investment Advisor and approved by the [Finance and AuditInvestment](#) Committee.

The Custodians

The Custodians have possession of securities for safekeeping, for settlement of trades and for the collection of income. In addition, the Custodians process contributions and withdrawals, and provide comprehensive monthly statements for each investment in the Corporate Portfolio subject to their control. Each Custodian will be expected to:

- Provide means and procedures to each Investment Manager for the voting of proxies.
- Meet with the Investment Advisor and the staff of the District, as required, to address custodial issues that may be of concern.

Investment Guidelines and Performance Criteria

General

The Board has determined that the assets in the Corporate Portfolio are to be invested, with due regard to preservation and growth of principal, as a balanced portfolio consisting of, but not limited to, equity and fixed income securities.

Investment performance of the Portfolio is to be measured over rolling three- to five-year periods.

In addition, the aim is that, on an annualized basis, the performance of the Portfolio's should exceed the Policy Index approved by the [Finance and AuditInvestment](#) Committee from time to time, as reflected in a resolution adopted at a duly constituted meeting of the [Finance and AuditInvestment](#) Committee and approved by the Board. As of the date of adoption of this Policy, the Policy Index is set forth in Appendix A.

In managing to achieve the desired returns, it is the intention of the [Finance and AuditInvestment](#) Committee that the Investment Advisor provide for an allocation of funds in the Corporate Portfolio so as to limit the overall risk of the Portfolio's to a level not to exceed that of a basket of assets mirroring

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the Policy Index in effect from time to time. Funds will be only be invested in instruments in which local agencies are permitted to invest pursuant to Section 53601, et seq., of the Government Code.

Socially Responsible Investing:

It is the ~~investment committee~~Board's desire that ~~the MHD's Pension's~~ investment program reflect ~~the Pension's MHD's~~ values. The investment program will seek to invest in companies with strong track records of corporate responsibility and minimize holdings in companies as described in Appendix C.

Asset Allocation

The allocation of assets held in the Portfolio's should be consistent with the objectives of return and risk established by the ~~Investment Finance and Audit~~ Committee and the Board from time to time. These policies, which consider the historic relationships of return and risk among asset classes, are designed to provide the highest probability of meeting or exceeding the Portfolio's return objectives, while limiting risk to the extent practicable.

The table in Appendix B indicates the allowable ranges for each of the major asset categories. Changes in policy ranges may occur as a result of changing market conditions or anticipated changes in the District's needs. While the policy ranges will be reviewed on a regular basis, the Board believes that the need to deviate from the policy ranges would arise infrequently. Any changes in the policy ranges will be evidenced by resolutions adopted by the ~~Investment Finance and Audit~~ Committee and the Board and delivered to the Investment Advisor. See Appendix B.

Rebalancing

In order to maintain the risk and return characteristics of the Portfolio established by the Board, the Investment Advisor will rebalance the portfolio towards target allocations when contributions to or distributions from the Portfolio are made or when the asset class allocations have fallen outside the allowable ranges established within these guidelines.

Liquidity

The Investment Advisor will be expected to maintain adequate cash reserves to accommodate regular operational needs. While the total Portfolio may include investments that have less than daily liquidity, it is expected that the overall Portfolio will have enough liquidity to (a) provide for the District's expected draws to support the District's operations in both normal and difficult market conditions, and (b) allow

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for the reallocation of assets to areas of opportunities that may present themselves as a result of changes in market conditions or otherwise.

Investment Manager Fees; Transaction Costs

In recommending individual Investment Managers, the Investment Advisor will be expected to take into account, among the factors to be considered in evaluating the Investment Manager's suitability, the fees charged by such Investment Manager, including any transaction costs to be borne by the District. It is expected that transaction costs will be minimized to the extent practicable.

Benchmarking:

The Board recognizes that an Investment Manager's performance is best measured over a full market cycle. In general terms, the performance of Investment Managers is expected to deviate from their benchmark during any quarter or annual period, but Investment Managers will be expected to outperform their respective benchmarks over rolling 3- to 5- year periods. The benchmark against which any Investment Manager's performance is to be measured will be determined by the Investment Advisor and approved by the [Finance and AuditInvestment](#) Committee.

Asset Classes

Equities

The purpose of the equity investments, both domestic and international, is to provide capital appreciation, growth of income and current income. This asset class carries the assumption of greater market volatility and increased risk of loss, but also provides a traditional approach to meeting portfolio total return goals. This component includes domestic and international common stocks, American Depositary Receipts (ADRs) and other equity securities traded on the world's stock exchanges or over-the-counter markets.

The allocation to domestic large cap equity will be passively invested in index funds. Active management maybe utilized for the U.S. small and mid-cap equity allocation. The investment objective for the domestic equity composite is to outperform the Russell 3000 Index over a normal investment cycle.

The investment objective for the international (developed and emerging) markets equities is to outperform the MSCI ACWI ex US Index over a normal investment cycle.

Fixed Income Securities

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The purpose of the fixed income segment is to provide a hedge against deflation, provide a stable component of return, and to minimize the overall volatility of the fund.

The fixed income asset class includes the fixed income markets of the US and the world's other economies. It includes, but is not limited to US Treasury and government agency bonds, US and non-US dollar denominated securities, public and private corporate debt, mortgage and asset-backed securities, non-investment grade debt and currencies. Also included are money market instruments such as commercial paper, certificates of deposit, time deposits, bankers' acceptances, repurchase agreements, and US Treasury and agency obligations. Recommending Investment Managers to manage the fixed income portion of the Portfolio, the Investment Advisor shall take into consideration credit quality, sector, duration, and issuer concentrations in selecting an appropriate mix of fixed income securities. It is expected that Investment Managers managing the Portfolio's fixed income assets will manage those assets actively, so as to be able to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums.

The allocation to investment strategies will be managed to maintain an average intermediate duration at the level of the overall fixed income segment.

The investment objective for the total fixed income segment is to outperform the Barclays Global Aggregate Bond index over a normal investment cycle.

Cash Equivalents

The percentage of total assets allocated to cash equivalents should provide enough liquidity to support general operational expenses.

Cash equivalents may include a selection of high-quality money market instruments such as U.S. Treasury bills, commercial paper, certificates of deposit [as well as bank Short Term Investment Funds (STIFs)].

Derivatives

Derivatives are financial instruments that derive their value from the value of some underlying security or asset. Derivative instruments may be used in lieu of physical securities when the derivatives offer greater liquidity (lower transaction costs) or greater precision for the purpose of managing a portfolio's market or security exposure, duration, yield curve exposure, credit risk or prepayment risk. Derivatives will be used primarily to hedge or reduce risk, but they may also be used to increase exposure to a market factor or portfolio attribute if that desired exposure is not easily obtainable via physical securities.

The Board recognizes that certain of the Investment Managers selected by the Investment Advisor may utilize derivatives as part of their investment strategies. It is the Board's expectation that the Investment Advisor will carefully review the extent to which any Investment Manager employs derivatives, with due regard to appropriate limitations on the extent to which they are used and the care employed by the Investment Manager in determining the characteristics of any particular derivative, including without limitation duration, counterparty credit quality, asset concentration, etc. Any derivatives used must be highly liquid and have an active secondary market. Derivatives may be

Marin Healthcare District

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used when they offer a more efficient means to manage the portfolio, but they are not to be used for the sole purpose of yield enhancement.

Guidelines for acceptable derivatives instruments and limitations on their use are directly applicable for separate accounts. If commingled funds or mutual funds are utilized, it is recognized that the fund's prospectus will govern the management of the fund. These guidelines then become relevant in fund selection.

Marin Healthcare District

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Appendix A

Total Fund	Policy Index	Universe
District Corporate	11% Russell 3000/9% MSCI ACWI Ex. US/80% Barclays Global AGG	N/A

Manager	Benchmarks	Universe
U.S. Equity Composite		
Vanguard Russell 3000	Russell 3000	US All Cap
Non-U.S. Equity Composite		
Vanguard All World ex US	MSCI ACWI ex U.S.	Foreign All Cap
Fixed Income Composite		
MetWest Total Return (CCI Core Bond Fund)	Barclays Aggregate	Intermediate-Term Bond
WAMCO Core Plus	Barclays Aggregate	Intermediate-Term Bond
Payden Limited Maturity	91 Day T-Bills	Ultrashort Bond

Marin Healthcare District

Statement of Investment Policy

Appendix B

Asset Class	Minimum %	Maximum %
Equity	0%	30%
Fixed Income	0%	100%
Cash	0%	25%

Marin Healthcare District

Statement of Investment Policy

Appendix C – Socially Responsible Investing

The purpose of the investments of ~~the Pension~~MHD is to provide for the security of the funds and to optimize return on them. At the same time, we want the investment decisions to support the values of ~~the Pension~~MHD. Therefore, we wish to minimize investments in companies which:

- Engage in the manufacturing of materials or weapons that would likely destroy human life
- Engage in the manufacturing of tobacco products

Marin Healthcare District

Statement of Investment Policy

Acknowledged & Agreed

The Investment Policy Statement has been reviewed and approved by the Trustees of the plan assets. Should the Trustees believe at any time that changes, additions, or deletions to this statement are advisable, it shall be his/her full responsibility to recommend them to the Investment Advisor.

APPROVED by the FO of Marin Health

By: _____ Date: _____

Name: Eric Brettner, CFO

Tab 4



To: MHD Finance and Audit Committee
From: Eric Brettner, CFO
Re: June 2023 Financial Report
Date: July 18, 2023

I. General Comments

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

II. Income Statement and Budget

The District's net operating income for the month was \$18,774 which was favorable to budget by \$5,708. The favorable variance is driven by lower than expected operating expenses. Rental revenue from the hospital lease was \$52,141 in June. Investment earnings were comprised of \$15,809 dividend and interest income as well as \$17,187 of realized loss and a \$4,209 increase in the value of investments. The District incurred total operating expenses of \$36,198 which was favorable to budget by \$9,801. The favorable variance was due to lower than budgeted community education and charitable contributions. Depreciation expense was \$989,898 in June. Bond Related Revenues and Expenses included \$1,359,025 of accrued tax revenues less bond fund earnings, and \$1,189,889 of bond interest expense.

III. Balance Sheet

Assets

Cash at June 30, 2023 of \$768,712 increased by \$31,667. The increase was due to deposit of rent revenue. Investment account balances of \$3,551,036 increased by \$28 from the prior month. Tax revenue receivables are \$6,991,428 and represent amounts due from the County of Marin. The payments received from the County are deposited directly into the bond fund accounts.

The tax payments received from the County, together with the balance of the proceeds from the bonds issued in November 2015 and September 2017, net of issuance costs, are reflected in the account "Assets Limited to Use – Interest & Sinking Funds". These funds total \$10,868,993 at June 30, 2023 to be used for bond principal and interest payments.

**Liabilities and Net Assets**

Interest payable of \$6,356,291 increased by \$1,271,258 from the prior month due to the accrual of interest. Accrued expenses of \$19,157 are primarily comprised of accruals for audit fees and legal fees.

Related party receivables of \$7,721 include \$1,361 due from the Network for bank fees and \$13,461 due from the Hospital for payments relating to audit and legal fees.

Bonds payable are separated into current (principal due within one year) and non-current (due in greater than one year). The current payable amount of \$955,000 is due in August 2023. 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 \$41,752,709.

Marin Healthcare District
Balance Sheet
June 30, 2023

	6/30/2023	5/31/2023	Change	12/31/2022
Assets				
Current Assets				
Cash	768,712	737,045	31,667	748,674
Investment	3,551,036	3,551,008	28	3,463,546
Tax Revenues Receivable	6,991,428	6,553,253	438,175	6,921,837
Prepaid Expenses	-	1,000	(1,000)	6,000
Total Current Assets	11,311,176	10,842,306	468,870	11,140,057
Property, plant, and equipment, net	392,243,263	393,150,688	(907,425)	397,683,703
Parking Garage, net	19,771,294	19,853,766	(82,472)	20,266,128
Assets Limited To Use - Interest & Sinking Funds	10,868,993	9,948,144	920,849	10,518,468
Lease Receivable	11,136,137	11,136,137	-	11,136,137
Deposits & Retainers	36,000	36,000	-	36,000
Total Non-Current Assets	434,055,687	434,124,735	(69,048)	439,640,436
Total Assets	445,366,863	444,967,041	399,822	450,780,493
Liabilities and Net assets				
Current Liabilities				
Accounts Payable	945	-	945	420
Interest Payable	6,356,291	5,085,033	1,271,258	6,356,291
Accrued Expenses	19,157	15,433	3,724	58,318
Deferred Lease Inflows	10,366,037	10,366,037	-	10,366,037
Related Party Payables	7,721	469	7,252	81,972
Current Bond Maturities	955,000	955,000	-	955,000
Total Current Liabilities	17,705,151	16,421,972	1,283,179	17,818,038
Bonds Payable	363,790,000	363,790,000	-	363,790,000
Bond Premium	22,119,003	22,200,372	(81,369)	22,607,217
Total Liabilities	403,614,154	402,412,344	1,201,810	404,215,255
Net Assets				
Net Assets	46,565,238	46,565,238	-	56,792,572
Net (Loss)/Income	(4,812,529)	(4,010,541)	(801,988)	(10,227,334)
Total Net Assets	41,752,709	42,554,697	(801,988)	46,565,238
Total Liabilities and Net Assets	445,366,863	444,967,041	399,822	450,780,493

Marin Healthcare District
Income Statement - Actual vs. Budget
June 30, 2023

	6/30/2023			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	52,141	53,743	(1,602)	312,843	322,455	(9,612)
Investment Earnings	2,831	5,322	(2,491)	92,705	31,931	60,774
Total Income	54,972	59,065	(4,093)	405,548	354,386	51,162
Legal Fees	4,641	5,000	359	23,503	30,000	6,497
Accounting Fees	2,182	2,000	(182)	10,646	12,000	1,354
Board Compensation	945	1,500	555	5,355	9,000	3,645
Board Expenses	-	2,083	2,083	787	12,500	11,713
Consulting Fees	-	-	-	-	-	-
Election Expenses	-	-	-	250	-	(250)
Charitable Contributions	-	3,833	3,833	-	23,000	23,000
Community Education	-	5,833	5,833	-	35,000	35,000
Dues	1,000	1,000	-	6,000	6,000	-
Advertising	3,263	583	(2,680)	3,263	3,500	237
MHMC Program Support	16,667	16,667	-	100,000	100,000	-
MHMN Program Support	7,500	7,500	-	45,000	45,000	-
Total Expense	36,198	45,999	9,801	194,804	276,000	81,196
Net Operating Income (Loss) Before Depreciation, Bond Related Revenue and Expense, and Other Non Operating Expenses	18,774	13,066	5,708	210,744	78,386	132,358
Depreciation Expense	989,898	992,502	2,604	5,940,146	5,955,014	14,868
Net Operating Income (Loss) Before Bond Related Revenue and Expense and Other Non Operating Expenses	(971,124)	(979,436)	8,312	(5,729,402)	(5,876,628)	147,226
Bond-Related Revenue(Expense)						
Tax Revenue	1,317,352	1,317,352	-	7,904,110	7,904,110	-
Bond Fund Earnings	41,673	-	41,673	152,100	-	152,100
Bond Interest Expense	(1,189,889)	(1,188,563)	(1,326)	(7,139,337)	(7,131,379)	(7,958)
Net Income (Loss)	(801,988)	(850,647)	48,659	(4,812,529)	(5,103,897)	291,368