

# MARIN HEALTHCARE DISTRICT

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## Board of Directors Finance and Audit Committee Tuesday, May 31, 2022 @ 5:00 pm Via Zoom

### MINUTES

#### 1. Call to Order

Chair Alfrey called the meeting to order at 5:05 pm.

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

*Committee members present:* Edward Alfrey, MD (Chair); Larry Bedard, MD; Leslie Lava (Community Member)

*Staff members present:* Eric Brettner (CFO); Liz Lasnier (Controller); Louis Weiner (EA)

*Staff members absent:* David Klein, MD (CEO)

*Guests present:* Katherine Jackson (Moss Adams); Debashis Chowdhury and Jason Levey (Canterbury Consulting)

*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 March 22, 2022.

#### 3. Public Comment

There was no public comment.

#### 4. Marin Healthcare District: 2021 Report of Independent Auditors

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, bond payables, tax revenues, depreciation and amortization, and bond interest expenses.

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.**

#### 5. Discussion of MHD Corporate Investment Portfolio

Mr. Brettner introduced Mr. Chowdhury and Mr. Levey of Canterbury Consultants, investment advisors to MarinHealth Medical Center, MarinHealth Foundation, and Marin Healthcare District. The District Board has indicated interest in considering asset reallocation options.

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Mr. Levey presented (Tab #5) a review the components of the investment policy and the asset allocation framework. The current District Corporate portfolio is 100% in fixed income of higher quality, intermediate duration bonds. Several options given showed incremental movement into equities (ranging from 5% to 50%), with explanations of risk and return of the given options compared to the current position in regard to principles, objectives and needs. Including some equities shows to be less risky than remaining 100% in bonds.

Mr. Brettner noted that, in the current environment of rising inflation, diversification offers a hedge against inflation, and suggested considering reallocating into equities between 10% and 25%. Mr. Chowdhury supported that, suggesting that a higher target could be set, toward which it could be increasingly phased in over time.

Dr. Alfrey and Mr. Brettner suggested an "Option 2.5" between 10% and 25%, to be presented to the full Board for recommendation, and it was agreed to do so.

The draft Statement of Investment Policy (Tab #6) was discussed. The equity targets discussed above will be included in this Policy when presented to the full Board for approval. Ms. Lava suggested some wording edit suggestions in the draft Policy for legal clarity.

**It was moved, seconded and carried to update the draft Policy with the changes, including reallocation targets, and recommend it to the full Board for approval.**

Dr. Bedard exited the meeting.

#### **6. District Financial Reports**

Mr. Brettner presented the District financial reports for March and April 2022.

In March, net operating loss was \$119k, unfavorable to budget by \$106k due to lower than expected investment earnings and higher than budgeted expenses. Cash of \$664k decreased by \$70k due to charitable contributions to Marin County Schools for Covid support.

In April, net operating loss was also \$119k, unfavorable to budget also by \$106k for the same reasons as in March. Cash of \$711k increased by \$47k due to deposit of rent revenue.

Investment balance of \$3.6M decreased by \$136k due to realized losses of \$21k and a decrease in the value of investments by \$121k.

#### **7. Next Meeting Date and Agenda**

Next meeting date will be in July, at which the 2023 budget will be presented.

#### **8. Adjournment**

Chair Alfrey adjourned the meeting at 5:55 pm.