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Bond Oversight Committee

February 5, 2016 – 11:00AM

MINUTES

- I. Call to Order:** James McManus, CFO, called the meeting to order at 11:00am.
- A. Roll Call:**
- Acting Chair: James McManus, CFO
Members: Steven Dely, Jonathan Frieman, George Lula, Jeffrey Tsai, Paul Violich
Absent: Leslie Lava
Guest: Ron Peluso, Vertran Associates
Staff: Lee Domanico, CEO; James McManus, CFO; Jean Noonan, Controller
Jamie Maites, Director of Marketing; Colin Coffey, Legal Counsel
Michael Lighthawk, Executive Assistant
Public: Dennis Whipp
- B. Approval of Agenda** (Pg. 1 of packet)
Agenda reviewed and approved.
- C. Approval of Previous Minutes: November 17, 2015**
Two corrections of members' names indicated: Jeffrey Tsai and Jonathan Frieman.
Previous minutes approved with corrections.
- D. Safety Minute** – Mr. Lighthawk introduced the committee to the hospital wide Operation Safety initiative. Mr. Domanico pointed out that Operation Safety is designed to reduce serious safety events in the hospital and that, since its inception two years ago, Operation Safety has reduced the number of serious safety events by 75%.
- II. Tour Of Marin General Hospital** Lee Domanico
Lee Domanico, Ron Peluso, and Jim McManus led the committee on a tour of the Marin General Hospital Campus and construction areas, pointing out existing and planned structures sites as well as the extensive excavation required to accommodate MGH 2.0.
- Returning from the campus tour, Mr. Domanico pointed out that the project to date has not generated a single neighbor complaint nor has there been a single injury on site during construction. The project is on time, on budget, 100% complete on design and 50% bid on the project. Mr. Domanico then invited the committee to view the new Hospital Replacement Project Video "Building for the Future" which outlines goals, building and floor plans, and patient room design.
- Member Dely opened discussion on questions raised at the previous committee meeting, specifically:
- Committee Organization – Under what auspices is the committee established and what, exactly, are the responsibilities of the committee?

Mr. Domanico responded that a public oversight committee is required by the public bond. Also, the committee charter references back to Proposition F.

Further discussions ensued regarding clarification of the committee's responsibility to the public recognizing that the foundation of public oversight of the proper use of bond funds is founded in Proposition F itself and that the Committee Charter approved by the Marin Healthcare District Board of Directors is the highest public authority overseeing expenditures.

III. Review Of Proceeds Received From First Series of Bonds Issued

Jim McManus

Mr. McManus prefaced his presentation by saying that if there are areas that the committee would like more detail on, please let us know and will take any other over-arching questions as well.

General Obligation (GO) Bonds (Pg. 9) J

Mr. McManus pointed out that the first series of bonds (\$170M) was issued on October 27th (2015) and the transaction closed on November 10th with the funds being transferred to BNY Mellon. This happened to be perfect timing for the market and the District realized an effective interest rate of 3.83%. On December 8th the District Board enacted the resolution that allowed the bond funds to be used. Subsequently, in December (2015), the district began paying down project expenditures that were previously paid for by Marin General Hospital. These expenditures began in 2009 and continued through the end of 2015. During that time the assets were transferred over to the District as well. Currently, BNY Mellon is holding a little over \$150M of bond funds. In order to realize a little bit of interest, we are looking to pass a resolution to invest available cash on a short term basis of the bond proceeds in instruments that give very minimal returns because of the very strict requirements and regulations governing public fund investments. Member Violich asked if management could provide the schedule of securities and investments intended for the investable cash of the bond proceeds from the investment advisors, Canterbury Consulting.

In November, Mr. McManus mentioned that the Chief Financial Officer is required to provide an annual report to the community. This report will be presented to this committee, the District Board and publicly posted on the District website. Mr. McManus then outlined his choice of timing of the report taking into consideration the recent change in the fiscal year of the District to a calendar year. Therefore, Mr. McManus chose October 31 as the date of the report with a due date of January 1 of each fiscal year.

IV. Review of Project Expenditures to Date

Bond Requisitions Pg. 10

Jean Noonan

Provided in chart format are the first three requisitions submitted to BNY Mellon by the District signatories: Lee Domanico, CEO; James McManus, CFO; and Jean Noonan, Controller. BNY Mellon pays the vendor directly using a standard form for distribution of funds. The first two requisitions were for reimbursement of hospital expenditures. The same day of the reimbursement, the assets were transferred to the District. Detail is provided in the slide summarizing what the expenditures and related assets were, i.e., Hospital Replacement, West Wing Make Ready, Hillside Parking Structure, and West Wing Renovation. The hospital was reimbursed for expenditures from June 1, 2013 to present day. The third requisition went mostly to Hospital Replacement (\$1.7M) and was paid towards the end of December, 2015. Invoice support is required by BNY Mellon.

Member Dely asked what the process is to assure that the work is actually done that matches the expenditures. Ms. Noonan stated that the invoices are reviewed by the Project Manager, Ron Peluso, who reviews the schedule of values with all the sub-contractors who indicate the percentage of the individual

projects are complete. The inspector of record actually walks the site and reviews the scope of the project so far and validates the work completed. Contractors and sub-contractors invoice monthly.

Bond Requisitions Pg. 11

The bulk of the initial three bond fund requisitions went to McCarthy Building Companies - \$21.6M. The last vendor payment went to the Office of Statewide Planning (\$1.0M) for permits and fees to assure that we pass inspections. Mr. McManus interjected that these "OSHPD" (Office of Statewide Health Planning and Development) permits are required anytime there is a change in a building or renovation plans. Additionally, OSHPD revises their building code requirements for healthcare every year, so we will continue to have a very active relationship with OSHPD as we proceed with the project.

MGH 2.0 Pg. 12

Total cost of the MGH 2.0 project is estimated at \$534M of which \$394M will be realized from bond funding with additional funding coming from ongoing hospital operations, philanthropic resources and revenue bonds. As of the end of December 2015, \$49.6M in expenses have been incurred for MGH 2.0 as detailed in the slide on page 12 and further broken down in the schedule on page 13.

Project Funds Expended to Date Pg. 13

Member Violich noted that the schedule on page 13 does not illustrate whether or not the expenditures are above or below budget which would have a bearing on the timing and level of what the next tranche of bond funds will need to be. Ms. Noonan indicated that Mr. Peluso provides monthly updates and updated forecasts for what the subsequent months spending will be and management can provide a delta between that and the budget in our reports going forward.

Projected Costs 2016-2020 Pg. 14

Mr. McManus pointed out that this schedule represents the budget for each year. Each column for each year is a summary of expected costs that is further broken down into minute detail under each category in the far left column. These numbers are all budget numbers and forecasted by Ron Peluso. Again, Ron reforecasts the expenditures every month based on any unexpected expenditures occurring in the prior month. Therefore, when Lee Domanico says we are currently on time and on budget the Total Project Costs for all categories will still be \$534M.

Member Dely asked that if any balance over the \$394M in bond funds will be partially fulfilled by hospital operational revenue, what would be important to know is the future operational cost structure of the new hospital. Mr. McManus responded that, although an excellent question, it is actually external to this group because it involves the actual operations of the hospital which is charged by the District to the MGH organization and management group.

Further discussions ensued regarding the committee's responsibility to the public to see that the bond funds are being appropriately spent on the actual construction of the new hospital according to the mandate provided by the passage of Measure F.

V. Bond Oversight Committee Web Page

Jamie Maites

Ms. Maites introduced herself as Director of Marketing, Communications and Public Relations activities for MGH and MHD. Jamie's team has put together a webpage on the Marin Healthcare District's website dedicated to the Citizen's Bond Oversight Committee that includes the MGH 2.0 video, links to the committee charter as well as to the Public Meetings section where all the documents for the committee will be archived.

Ms. Maites invited the committee members to submit their professional bios for the webpage and hopes that members are willing to have their portraits taken to go with the bios. A link to the hospital's MGH 2.0 webpage includes FAQ's about Measure F and the related taxes that Marin residents started to receive this year.

Further discussions ensued regarding how helpful it would be to have a clear three dimensional picture of how the bond process works not only for the committee but for the public on the website as well.

VI. Selection of Committee Chair

Mr. McManus called attention to the fact that Leslie Lava is absent from this meeting. However, Ms. Lava did express sincere interest in serving the committee as Chair and wished Mr. McManus to convey that desire to the committee.

Now that the committee members have had ample opportunity to consider the resumes of each member, Mr. McManus, as acting chair, asked for input and direction from the members on how to proceed.

Following a brief discussion, Member Violich, recognizing Ms. Lava's expertise and willingness to serve moved to nominate Ms. Lava as Chair of the Citizen's Bond Oversight Committee.

Member Tsai, speaking for the members, asked that if Ms. Lava is confirmed as chair, that she would continue the discussion of clarifying the purpose and scope of the committee at the next meeting.

The motion was seconded. The vote was unanimous.

Motion passed. Leslie Lava is elected Chair of the Citizen's Bond Oversight Committee.

Member Dely asked for confirmation if the members of the committee are protected under director's indemnity insurance under the Marin Healthcare District liability insurance. Mr. McManus stated that he asked both the District's internal counsel as well as our insurance agent, James + Gable, and is able to validate that coverage.

Mr. McManus concluded by thanking the committee for their time and patient, open conversation.

VII. Agenda Items for Next Meeting (Wednesday, May 25, 2016)

A. Clarification of Purpose, Scope, and Authority of the CBOC

VIII. Adjournment - There being no further business, the chair adjourned the meeting at 12:55pm.