

# MARIN HEALTHCARE DISTRICT

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

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

Website: [www.marinhealthcare.org](http://www.marinhealthcare.org)

Email: [info@marinhealthcare.org](mailto:info@marinhealthcare.org)

## CITIZENS' BOND OVERSIGHT COMMITTEE MEETING

WEDNESDAY, AUGUST 24, 2016, 6:00 P.M.

**Chair:** Leslie Lava

**Members:** Steven Dely

Jonathan Frieman

George Lula

Paul Violich

Jeffrey Tsai

**Staff:** James McManus, Chief Financial Officer

Jean Noonan, Controller

Colin Coffey, Legal Counsel

Michael Lighthawk, Executive Assistant

**Location:**

MGH Finance Conference Room

100B Drakes Landing Road, Suite 190

Greenbrae, CA 94904

### **MINUTES**

#### **I. Call to Order**

Chair Leslie Lava called the meeting to order at 6:05pm.

#### **II. Roll Call / Approval of Agenda**

*Committee Members Present:* Chair Leslie Lava; Steven Dely, Paul Violich

*Committee Members Absent:* Jonathan Frieman, George Lula, Jeffrey Tsai (Teleconference not noticed)

*Staff Members Present:* James McManus, CFO; Jean Noonan, Controller; Michael Lighthawk, Executive Assistant.

*Staff Members Absent:* Colin Coffey, Legal Counsel

A quorum was not established. **No actions may be taken.**

#### **III. Approval of Minutes of May 25, 2015** (Comments and changes are suggested. Approval of minutes tabled to next committee meeting) Pgs. 3-5 of the packet)

Member Dely commented on the last paragraph regarding committee's reporting responsibility to the public. Discussion ensued regarding a report coming from the committee in addition to the CFO's annual report as stated in the committee charter under Duties, #6. Mr. McManus described the content requirements of the CFO's annual report as well as reading counsel's comments recorded in the minutes of the first committee meeting on November 17, 2015 (Section IV, paragraph 4). Additionally, although not a requirement, Chair Lava is invited to publicly report on the committee's activities at the District Board meeting immediately following a committee meeting.

Mr. Dely suggested that the committee's report could be based on methodology of review to assure the public that funds are being spent properly. Mr. McManus stated he was fine with this approach.

Char Lava suggested the following corrections to the minutes for approval at the next meeting.

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- Section II, sub-section 1, paragraph 2: clarify exact wording from the voter's pamphlet; delete last sentence in paragraph 3.
- Section IV, paragraph 2, sentence 2, change to "(to be paid out to vendors/contractors)"; paragraph 3, sentence 3, change to ". . . as it is difficult to otherwise tell how the normal bond proceeds are being spent.
- Section V, #2, change to "Status of G.O. Bond Project Costs".
- Delete Safety Minute from future agendas.

### IV. Status of General Obligation Bonds, Funding & Project Costs (Pgs. 7-15)

Before Ms. Noonan began her report, Jim McManus asked to give a quick update on the status of the parking garage.

#### Parking Garage Update

Mr. McManus reported that on June 27<sup>th</sup>, the parking garage officially opened and is now being used by all MGH employees. The garage has 16 charging stations for electric vehicles and one Tesla station. We have received numerous positive comments from staff on the gift of the garage as it pertains to safety and employee satisfaction. Additionally, hospital construction has formally begun.

#### Bond Requisitions (Pg. 8 of packet)

Jean Noonan opened discussion on the seventeen Bond Fund Requisitions processed to date (July 31, 2016) totaling \$62.7M. There is \$107M remaining and we expect to pay that down through the remainder of 2016 and into October or November of 2017. The committee request for a Date Paid column has been included to show the time frame for each requisition.

#### Bond Requisition #17 (Pg. 9)

A sample of the latest requisition (#17) was included to show detail including the applicable Measure F reference indicating appropriate use of bond funds.

Additionally, at the request of the committee, Ms. Noonan brought forth a sample packet of requisitions that are sent BNY Mellon for payment. It is Vertran & Associates that assembles contractors' invoices and completes the Bond Requisition prior to approval by the CEO, CFO, or Controller. Mr. McManus commented that there is a secondary verification before funds are released by BNY Mellon following the requisition submission. Once the CEO or CFO submits the requisition, the Controller receives a call from BNY Mellon to verify the transfer.

Mr. Dely asked what checks are in place to verify McCarthy & Vertran's invoice and requisition submissions. Ms. Noonan stated that in addition to an ongoing internal audit process that pulls random samples of sub-contractors' invoices for work verification, we have engaged Moss Adams to perform an independent internal audit of all construction and work processes. Additionally, any changes to already submitted construction plans to OSHPD and the County of Marin must be submitted for approval to the same agencies. Any quality issues, changes to construction plans, or significant findings from the internal audits will be presented to the MGH Audit Committee initially

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with the intention of sharing the findings with this committee and subsequently making formal comments to the MGH Board.

Mr. McManus emphasized that Mr. Domanico has been intimately involved in all details of construction and design of the new hospital since 2011 and meets with Vertran Associates every two weeks to oversee every aspect of the MGH 2.0 construction project.

BNY Mellon – Ms. Lava commented that in her years of experience in overseeing Bond financing she has never seen a bank double call back to confirm transfer requests. The extra step of confirming transfer of funds is excellent. Ms. Noonan also pointed out that the finance check that occurs is to make sure that the bond funds are only used for the categories allowed for bond funding. Screening for appropriate earmarking for bond funds.

On behalf of the committee, Ms. Lava requested that management continue to provide the invoice details of all requisitions as presented tonight in Excel Spreadsheet format.

### Bond Requisitions (Pg. 10)

Ms. Noonan walked the committee through the top eight vendors who are paid out of the Bond Fund including their roles and service related specifically to bond spending categories.

Mr. McManus pointed out that hospital management decided to carry its own risk insurance through AON which provided a \$1.4M savings opportunity. Ms. Lava asked if the finance management team is maintaining a list of savings in construction costs. Mr. McManus stated that can be included in his report.

MGH 2.0 (Pg. 11) – Ms. Lava requested that management breakout other funding sources, such as funding from the Hospital or District, for the duration of the bond funding program; i.e., all funding sources other than bond funding.

Project Funds Expended (Pgs. 12-13) – Total project costs capitalized to date are \$72.9M including all funding sources. Vertran & Associates provides us with a monthly forecast of what we can expect to spend in the following month which aids in our requisition request projections.

Construction Costs (Pg. 14) – This table is meant to illustrate the Percentage of Completion (per Vertran & Associates); Percentage of Total Construction Costs and Budget to Actual Construction Costs across all four building categories. Ms. Noonan noted that the board of directors authorized the budget dollars to be moved between categories which occurred after the May 5<sup>th</sup> Committee meeting. This explains the discrepancy between the last Total Budget Construction Costs \$337M and the current budget costs of \$348M.

### Budget to Actual Variance (Pg. 15)

Detailed discussion ensued regarding the ability of the committee to clearly see and get a sense of what has been actually accomplished in each of the building categories month-to-month whether or not the costs are above or below budget. This approach would more clearly illustrate the actual

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percentage of completion across the categories relative to the budget. Ms. Noonan will adjust the Construction Costs' and Budget to Actual Variance to more clearly illustrate this detail.

### V. Bond Financing 101 (Final Review)

McManus

Mr. McManus presented a revised Bond Financing 101 slide set with changes recommended by the committee at the last meeting. Jim pointed out that slide number 5 had been redesigned to more clearly illustrate the distinctions between the Bond Issuance and Bond Repayment cash flows.

In order to move the meeting along more expediently, Ms. Lava gave the following comments and suggested corrections to the slide deck:

- 1) Slide 1 – Add: Updated September 2016.
- 2) Side 3 – Add: including the Hillside Parking Structure, West Wing Make Ready, West Wing Renovation, and Other Site Work to MGH 2.0 or “For additional details, please refer to Measure F.
- 3) Slide 4 – List full names of firms.
- 4) Slide 5 – Add female image to “Investors” on flow chart.

### VI. Agenda Items For Next Meeting

Chair Lava

- Minutes of May 25, 2016
- 2017 Meeting Dates
- Draft CFO Bond Report
- Internal Audit – Construction
- Requisition Detail Status
- Discuss Committee Report

### VII. Next Committee Meeting: November 16, 2016

### VIII. Adjournment – Chair Lava adjourned the meeting at 7:38pm.