

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, OCTOBER 18, 2022 @ 5:30 P.M.

Committee:

Chair: Edward Alfrey, MD

Members: Larry Bedard, MD

Leslie Lava

Staff: David Klein, MD, CEO

Eric Brettner, CFO

Support: Louis Weiner, EA

Location:

Via Zoom:

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

Meeting ID: 977 9289 7234

Passcode: 19144

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 July 25, 2022 (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. District Financial Reports | Brettner | |
| A. July 2022 | | #2 |
| B. August 2022 | | #3 |
| C. September 2022 | | |
| 5. Next Meeting Date and Agenda | Alfrey/Brettner | |
| 6. Adjournment | Alfrey | |

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

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Board of Directors Finance and Audit Committee Monday, July 25, 2022 @ 5:00 pm Via Zoom

MINUTES

1. Call to Order

Chair Alfrey called the meeting to order at 5:02 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); Mary Hard (Director of Budgeting); Louis Weiner (EA)

Staff members absent: David Klein, MD (CEO)

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 May 31, 2022.

3. Public Comment

None.

4. Review Marin Healthcare District FY 2023 Operating Budget

Mr. Brettner presented the 2023 budget (Tab #2), commenting on several details.

In accordance with the Master Lease Agreement, rental income paid to the District from the Hospital is keyed to the annual Consumer Price Index and has increased 9.36%; this will be adjusted when the final CPI is set by the Fed in early 2023.

Most expense assumptions are continuations from 2022. Charitable Contributions increased from \$6k to \$46k following recent discussions by the Board on Community Benefit activities. Commitment continues for Mental Health Clinic Support (\$90k) and Mental Health Hospital Program Support (\$200k). There will be no 2023 election expense, while \$130k was budgeted for the current 2022 election. There is no 2023 Covid support budgeted, while \$250k was budgeted for 2022. Net operating income for 2023 is budgeted at \$156,772.

Ms. Lava noted a slight discrepancy in Bond Interest Expense variance YTD 2022. Mr. Brettner will research a possible small posting error and will correct in the final budget.

It was moved, seconded and carried to recommend the FY 2023 Operating Budget for approval by the MHD Board at their next regular meeting.

Mr. Brettner thanked the Finance team for their work on the budget.

5. Discuss and Determine Asset Allocation within the District Corporate Investment Portfolio

This was tabled, deferred to the next meeting of the committee.

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**Board of Directors
Finance and Audit Committee
Monday, July 25, 2022 @ 5:00 pm
Via Zoom**

MINUTES

6. District Financial Reports

Mr. Brettner presented the District financial reports for May and June 2022.

In May, investment earnings were favorable to budget by \$12K, but YTD were unfavorable by \$386K. There were no unusual expenses, and all was within budget. Cash assets declined by \$79K due to payments due to the Hospital for community education, legal, and consulting expenses.

In June, a poor financial market month, investment earnings were unfavorable to budget by \$84K. Total operating expenses were favorable by \$46K due to lower than budget expenses for legal, community education, and Covid support. Due to the poor market, YTD operating loss was \$407K.

7. Next Meeting Date and Agenda

The next meeting date is TBA.

8. Adjournment

Chair Alfrey adjourned the meeting at 5:25 pm.

Tab 2



To: MHD Finance and Audit Committee
From: Eric Brettner, CFO
Re: July 2022 Financial Report
Date: August 15, 2022

I. General Comments

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

II. FY 2022 Income Statement and Budget

The District's net operating income for the month was \$107,994 which was favorable to budget by \$121,272. The favorable variance is driven by higher than expected investment earnings and lower than budgeted expenses. Rental revenue from the hospital lease was \$49,144 in July. Investment earnings were comprised of \$8,306 dividend and interest income as well as \$4,978 of realized gains and a \$78,011 increase in the value of investments. The District incurred total operating expenses of \$32,435 which was favorable to budget by \$35,939. The favorable variance was due to lower than budgeted legal expenses, community education, and COVID-19 support cost. Depreciation expense was \$990,657 in July. Bond Related Revenues and Expenses included \$1,373,946 of accrued tax revenues less bond fund earnings, and \$1,191,590 of bond interest expense.

III. Balance Sheet

Assets

Cash at July 31, 2022 of \$650,507 decreased by \$2,422. The decrease was due to payment of related party payables. Investment account balances of \$3,632,137 increased by \$91,278 from the prior month due to a \$78,011 increase in the value of investments. Tax revenue receivables are \$8,622,411 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 – Bond Funds". These funds total \$9,573,441 at July 31, 2022 to be used for bond principal and interest payments.



Liabilities and Net Assets

Interest payable of \$7,637,750 increased by \$1,272,959 from the prior month due to the accrual of interest. Accrued expenses of \$92,707 are primarily comprised of accruals for legal fees and consulting fees.

Related party receivables of \$2,159 include of \$2,159 due from the Network for bank fees and clinic receipts.

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 \$680,000 is due in August 2022. 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 \$49,259,992.

Marin Healthcare District
Income Statement - Actual vs. Budget
July 31, 2022

	7/31/2022			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	49,144	49,218	(74)	343,999	344,525	(526)
Investment Earnings	91,285	5,878	85,407	(343,328)	41,149	(384,477)
Total Income	140,429	55,096	85,333	671	385,674	(385,003)
Legal Fees	634	3,750	3,116	39,455	26,250	(13,205)
Accounting Fees	2,457	2,457	-	17,199	17,199	-
Board Compensation	1,260	1,500	240	8,925	10,500	1,575
Board Expenses	-	2,083	2,083	-	14,583	14,583
Consulting Fees	-	1,667	1,667	56,500	11,667	(44,833)
Election Expenses	-	-	-	-	-	-
Charitable Contributions	-	500	500	48,213	3,500	(44,713)
Community Education	-	7,500	7,500	9,638	52,500	42,862
Dues	1,000	1,000	-	4,600	7,000	2,400
Advertising	-	-	-	1,810	-	(1,810)
MHMC Program Support	16,667	37,500	20,833	116,667	262,500	145,833
MHMN Program Support	10,417	10,417	-	76,441	72,917	(3,524)
Total Expense	32,435	68,374	35,939	379,448	478,616	99,168
Net Operating Income (Loss) Before Depreciation, Bond Related Revenue and Expense, and Other Non Operating Expenses	107,994	(13,278)	121,272	(378,777)	(92,942)	(285,835)
Depreciation Expense	990,657	995,265	4,608	6,934,598	6,966,855	32,257
Net Operating Income (Loss) Before Bond Related Revenue and Expense and Other Non Operating Expenses	(882,663)	(1,008,543)	125,880	(7,313,375)	(7,059,797)	(253,578)
Bond-Related Revenue(Expense)						
Tax Revenue	1,366,253	1,366,253	-	9,563,772	9,563,771	1
Bond Fund Earnings	7,693	-	7,693	33,417	-	33,417
Bond Interest Expense	(1,191,590)	(1,190,881)	(709)	(8,341,127)	(8,336,167)	(4,960)
Net Income (Loss)	(700,307)	(833,171)	132,864	(6,057,313)	(5,832,193)	(225,120)

Marin Healthcare District
Balance Sheet
July 31, 2022

	7/31/2022	6/30/2022	Change	12/31/2021
Assets				
Current Assets				
Cash	650,507	652,929	(2,422)	712,254
Investment	3,632,137	3,540,859	91,278	3,976,384
Tax Revenues Receivable	8,622,411	7,349,850	1,272,561	6,785,671
Prepaid Expenses	11,000	-	11,000	3,600
Total Current Assets	12,916,055	11,543,638	1,372,417	11,477,909
Property, plant, and equipment, net	402,224,625	403,132,810	(908,185)	408,416,972
Parking Garage, net	20,678,490	20,760,962	(82,472)	21,420,741
Assets Limited To Use - Building Funds	8,396	8,389	7	2,426,274
Assets Limited To Use - Interest & Sinking Funds	9,565,045	9,463,667	101,378	9,462,038
Deposits & Retainers	36,000	36,000	-	36,000
Total Non-Current Assets	432,512,556	433,401,828	(889,272)	441,762,025
Total Assets	445,428,611	444,945,466	483,145	453,239,934
Liabilities and Net assets				
Current Liabilities				
Accounts Payable	1,260	525	735	1,399
Interest Payable	7,637,750	6,364,791	1,272,959	6,364,791
Accrued Expenses	92,707	90,250	2,457	2,547,797
Other Current Liabilities	-	-	-	-
Related Party Payables	(2,159)	9,172	(11,331)	0
Current Bond Maturities	680,000	680,000	-	680,000
Total Current Liabilities	8,409,558	7,144,738	1,264,820	9,593,987
Bonds Payable	364,745,000	364,745,000	-	364,745,000
Bond Premium	23,014,061	23,095,429	(81,368)	23,583,642
Total Liabilities	396,168,619	394,985,167	1,183,452	397,922,629
Net Assets				
Net Assets	55,317,305	55,317,305	-	68,745,451
Net (Loss)/Income	(6,057,313)	(5,357,006)	(700,307)	(13,428,146)
Total Net Assets	49,259,992	49,960,299	(700,307)	55,317,305
Total Liabilities and Net Assets	445,428,611	444,945,466	483,145	453,239,934

Tab 3



To: MHD Finance and Audit Committee
From: Eric Brettner, CFO *EB*
Re: August 2022 Financial Report
Date: September 15, 2022

I. General Comments

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

II. FY 2022 Income Statement and Budget

The District's net operating loss for the month was \$74,231 which was unfavorable to budget by \$60,953. The unfavorable variance is driven by lower than expected investment earnings offset by lower than budgeted expenses. Rental revenue from the hospital lease was \$49,144 in August. Investment earnings were comprised of \$8,791 dividend and interest income as well as \$6,640 of realized losses and a \$92,750 decrease in the value of investments. The District incurred total operating expenses of \$32,776 which was favorable to budget by \$35,598. The favorable variance was due to lower than budgeted legal expenses, community education, and COVID-19 support cost. Depreciation expense was \$990,657 in August. Bond Related Revenues and Expenses included \$1,378,549 of accrued tax revenues less bond fund earnings, and \$1,191,590 of bond interest expense.

III. Balance Sheet

Assets

Cash at August 31, 2022 of \$671,199 increased by \$20,692. The increase was due to receipt of rental revenue. Investment account balances of \$3,541,529 decreased by \$90,608 from the prior month due to a \$92,750 decrease in the value of investments. Tax revenue receivables are \$9,988,664 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 – Bond Funds". These funds total \$1,259,581 at August 31, 2022 to be used for bond principal and interest payments. Interest and sinking funds decreased \$8,305,464 due to payment of interest expense for the 2015 and 2017 bond issuances.



Liabilities and Net Assets

Interest payable of \$592,958 decreased by \$7,044,792 from the prior month due to the payment of interest expense due in August for the 2015 and 2017 bond issuances. Accrued expenses of \$95,164 are primarily comprised of accruals for legal fees and consulting fees.

Related party receivables of \$984 include of \$2,274 due from the Network for bank fees and clinic receipts and \$1,290 due to the Hospital for payments relating to legal expenses paid on behalf of the District.

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 \$48,382,063.

Marin Healthcare District
Income Statement - Actual vs. Budget
August 31, 2022

	8/31/2022			Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	49,144	49,218	(74)	393,142	393,743	(601)
Investment Earnings	(90,599)	5,878	(96,477)	(433,927)	47,027	(480,954)
Total Income	(41,455)	55,096	(96,551)	(40,785)	440,770	(481,555)
Legal Fees	1,290	3,750	2,460	40,745	30,000	(10,745)
Accounting Fees	2,457	2,457	-	19,656	19,656	-
Board Compensation	945	1,500	555	9,870	12,000	2,130
Board Expenses	-	2,083	2,083	-	16,667	16,667
Consulting Fees	-	1,667	1,667	56,500	13,333	(43,167)
Election Expenses	-	-	-	-	-	-
Charitable Contributions	-	500	500	48,213	4,000	(44,213)
Community Education	-	7,500	7,500	9,638	60,000	50,362
Dues	1,000	1,000	-	5,600	8,000	2,400
Advertising	-	-	-	1,810	-	(1,810)
MHMC Program Support	16,667	37,500	20,833	133,333	300,000	166,667
MHMN Program Support	10,417	10,417	-	86,858	83,333	(3,525)
Total Expense	32,776	68,374	35,598	412,223	546,989	134,766
Net Operating Income (Loss) Before Depreciation, Bond Related Revenue and Expense, and Other Non Operating Expenses	(74,231)	(13,278)	(60,953)	(453,008)	(106,219)	(346,789)
Depreciation Expense	990,657	995,265	4,608	7,925,255	7,962,120	36,865
Net Operating Income (Loss) Before Bond Related Revenue and Expense and Other Non Operating Expenses	(1,064,888)	(1,008,543)	(56,345)	(8,378,263)	(8,068,339)	(309,924)
Bond-Related Revenue(Expense)						
Tax Revenue	1,366,253	1,366,253	-	10,930,025	10,930,024	1
Bond Fund Earnings	12,296	-	12,296	45,713	-	45,713
Bond Interest Expense	(1,191,590)	(1,190,881)	(709)	(9,532,717)	(9,527,048)	(5,669)
Net Income (Loss)	(877,929)	(833,171)	(44,758)	(6,935,242)	(6,665,363)	(269,879)

Marin Healthcare District
Balance Sheet
August 31, 2022

	8/31/2022	7/31/2022	Change	12/31/2021
Assets				
Current Assets				
Cash	671,199	650,507	20,692	712,254
Investment	3,541,529	3,632,137	(90,608)	3,976,384
Tax Revenues Receivable	9,988,664	8,622,411	1,366,253	6,785,671
Prepaid Expenses	10,000	11,000	(1,000)	3,600
Total Current Assets	14,211,392	12,916,055	1,295,337	11,477,909
Property, plant, and equipment, net	401,316,441	402,224,625	(908,184)	408,416,972
Parking Garage, net	20,596,017	20,678,490	(82,473)	21,420,741
Assets Limited To Use - Building Funds	8,407	8,396	11	2,426,274
Assets Limited To Use - Interest & Sinking Funds	1,259,581	9,565,045	(8,305,464)	9,462,038
Deposits & Retainers	36,000	36,000	-	36,000
Total Non-Current Assets	423,216,446	432,512,556	(9,296,110)	441,762,025
Total Assets	437,427,838	445,428,611	(8,000,773)	453,239,934
Liabilities and Net assets				
Current Liabilities				
Accounts Payable	945	1,260	(315)	1,399
Interest Payable	592,958	7,637,750	(7,044,792)	6,364,791
Accrued Expenses	95,164	92,707	2,457	2,547,797
Other Current Liabilities	-	-	-	-
Related Party Payables	(984)	(2,159)	1,175	0
Current Bond Maturities	955,000	680,000	275,000	680,000
Total Current Liabilities	1,643,083	8,409,558	(6,766,475)	9,593,987
Bonds Payable	364,470,000	364,745,000	(275,000)	364,745,000
Bond Premium	22,932,692	23,014,061	(81,369)	23,583,642
Total Liabilities	389,045,775	396,168,619	(7,122,844)	397,922,629
Net Assets				
Net Assets	55,317,305	55,317,305	-	68,745,451
Net (Loss)/Income	(6,935,242)	(6,057,313)	(877,929)	(13,428,146)
Total Net Assets	48,382,063	49,259,992	(877,929)	55,317,305
Total Liabilities and Net Assets	437,427,838	445,428,611	(8,000,773)	453,239,934