

MARIN HEALTHCARE DISTRICT

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

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

Website: www.marinhealthcare.org

Email: info@marinhealthcare.org

CITIZENS' BOND OVERSIGHT COMMITTEE MEETING

WEDNESDAY, NOVEMBER 16, 2016, 6:00 P.M.

Chair: Leslie Lava
Members: Steven Dely
Jonathan Frieman
George Lula
Paul Violich
Jeffrey Tsai

Location:
MGH Finance Conference Room
100B Drakes Landing Road, Suite 190
Greenbrae, CA 94904

Staff: James McManus, Chief Financial Officer
Jean Noonan, Controller
Michael Lighthawk, Executive Assistant

MINUTES

I. Call to Order

Lava

Chair Lava called the meeting to order at 6:00pm.

A. Roll Call / Approval of Agenda

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

Committee Members Absent: Jonathan Frieman, George Lula

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

Staff Member Absent: Colin Coffey, Legal Counsel

Note: Agenda & Minutes Review and Approval postponed until a quorum was established with the arrival of a fourth committee member, Paul Violich, at 6:27pm.

B. **Agenda Review & Approval** - Agenda approved. Remove Item V – Public Comment.

C. **Minutes Review & Approval** – August 24, 2016. Minutes approved.

Minutes Review & Approval – May 25, 2015. Minutes approved with correction. Member Violich changed to absent due to teleconference not noticed.

D. **General Public Comment** – No Public Comment.

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

Noonan

Bond Requisitions (Pg. 20 of packet)

As of September 30, 2016, the project fund balance maintained at Bank of New York Mellon was a little over \$100M. To date, the Marin Healthcare District has received 22 Requisitions for a total of \$69M, the majority of which went towards the Hospital Replacement Project (\$34M). Ms. Noonan noted that the District is still incurring retention costs for the Hillside Parking Structure.

Significant Vendor Payments #22 (Pg. 21)

Nine of the twenty-two paid vendors account for 96% of expenditures. Ms. Noonan named the vendors and amounts paid following the slide on page 21 of the packet as well as a brief description of the specific services provided by each vendor.

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Member Tsai asked if the parking garage is a pay-for-parking structure. Mr. McManus responded that the garage is for MGH Employees and employees are not charged for parking. The structure has charging stations for electric vehicles and the adjacent lot has forty spaces allotted for Marin County Employees.

Member Dely asked if we are confident that the payments to vendors track with the actual work completed. Jean responded, yes, that is the case and the same approval process applies, i.e., invoices are assessed by Vertran & Associates first and Mr. Domanico has final approval. Ms. Noonan added that there are specific milestones with dates that can illustrate for the committee what the actual construction progress is to date and this can be presented to the committee for further clarity. Additionally, the CEO is aware of and involved with the detail of all construction progress.

Mr. McManus added that the Internal Audit on Construction is nearly complete and will go to the MGH Audit Committee at first opportunity and subsequently shared with this and other committees as appropriate. At present, there are no glaring items in the report but there are recommendations on how some of our financial policies can be improved.

Project Funds Expended (Pg. 23-24) – Total project cost is \$535M. Bond funds account for \$394M and to date actual bond funds expended are \$81.8M. The difference between the \$81.8M and the requisition amount of \$69M are costs already incurred on the hospital's books. Bond funds were not used to repay the hospital for these expenses.

Mr. Dely asked if the committee can assume that management has determined where the money will come from to pay for the difference between the total costs of new hospital construction and the total amount of bond funds available including funding from ongoing operations. Mr. McManus confirmed that is the case and that the main sources will be revenue bonds, bank loan, cash from operations, and philanthropy. If necessary, we can also re-allocate part of the projected Capital Budget expenditures of \$15M to fill part of the gap.

Budget to Actual Variance (Pg. 25)

Actual construction costs for all building categories are compared to the total originally budgeted construction costs through September 30th. From that perspective, the District is tracking favorable to the original budget from a payment perspective.

A delay in getting an OSHPD Shoring Permit resulted in a delay on the shoring work yet we did receive the permit for the foundation and that is underway. Jim commented that this is accurate and we may experience a 4-week lag in payments due to workers not being onsite for the shoring work.

Management will provide an update on the shoring work and steel purchase at the next meeting.

III. CFO Annual Report (Review & Commentary) Pgs. 16-17

McManus

In accordance with Measure F, the CFO is required to provide an annual report on January 1 of each year. At the time the measure was passed, the District's fiscal year was June 30. Shortly after,

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the District's fiscal year was changed to coincide with the MGH Fiscal Year, December 31. Following consultation with District Counsel, Mr. McManus chose October 31 as the closing date for an annual year of activity for the bonds to be reported on January 1 of each year going forward. Reporting points are: a) Amount of funds collected and expended, and b) Status of any project required or authorized to be funded as identified in subdivision (a) of Section 53410 (specific purposes of the Bond).

Similar to Ms. Noonan's presentation of Bond Requisitions, the CFO report contains, in section (b) requisitions totaling \$73,368,970 issued to BNY Mellon authorizing payment for the expenditures associated with Measure F within these categories:

- Parking Structure
- Hospital Replacement
- West-Wing Make Ready
- West-Wing Ground +L1
- Site Work

In conclusion, the report also points to the formation of the Citizens' Bond Oversight Committee who will ensure that proceeds are expended only for the purposes described in Measure F.

There are two avenues for the community to access additional information. One is through the District Office and the other is the Marin County Assessor.

The Measure F, CFO Report will be presented to the MHD Board of Director's next Tuesday.

Referring to the CFO Report, Member Dely pointed out that in the committee minutes of May 25, 2016, it was clarified that the formation of the CBOC was actually based on the Voters' Pamphlet Argument in Favor of Measure F which was technically not a part of Measure F. Steven asked if we could consistently adhere to that statement as the basis for the formation of the committee. Mr. McManus thanked Member Dely for that point of clarity and agreed to address.

- A. **Committee Report** – Having agreed that a Committee Report to the Community is indicated in addition to the CFO Report, Member Dely agreed to write a first draft and present at the next committee meeting on February 15, 2017. Member Tsai volunteered to assist as well. Further discussion ensued regarding the content of the report and what the community would like to hear from the committee's standpoint apart from the mandated content of the CFO Report.

Discussion ensued regarding any possible conflict with the Brown Act concerning committee members meeting in person or communicating by email outside of the regular meeting. Mr. Lighthawk stated that no conflict is foreseen but will consult with Legal Counsel for clarification and report back to the committee.

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IV. 2017 Meeting Schedule (Tentative)

Lighthawk

The committee reviewed and accepted the schedule as presented and agreed to continue to meet from 6:00 to 8:00pm.

A. Discuss December Meeting

Lava

Having discussed the timing of the Committee's Annual Report to the community, Chair Lava determined there was no need for a meeting in December.

V. Agenda Items For Next Meeting

Lava

- Status of General Obligation Bonds, Funding & Project Costs
- Review draft of CBOC Annual Community Report
- Internal Audit Report on Construction
- Report on MHD BOD acceptance of the CFO Annual Report (Verbal)

VI. Next Committee Meeting: February 15, 2017

VII. Adjournment – Chair Lava adjourned the meeting at 7:05pm.