



## 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)

### FINANCE AND AUDIT COMMITTEE

Special Closed Study Session of the Board w/Finance & Audit Committee,  
and Regular Committee Meeting

October 23, 2018, 5:30pm

#### Committee & Board Members

Ann Sparkman, JD; Larry Bedard, MD;  
Jennifer Rienks, PhD; Jennifer Hershon, RN,  
Harris Simmonds, MD

#### Locations:

MGH Conference Room at Drakes Landing  
100B Drakes Landing Road, Suite 167  
Greenbrae, CA 94904

#### Director Location (Remote)

24650 Oro Valley Road  
Auburn, CA 95602

### CLOSED SESSION AGENDA

- I. **Call to Order** Bedard
- A. Roll Call
  - B. Review of Closed Session Agenda
  - C. Review of previous Closed Session Minutes of August 28, 2018
  - D. General Public Comment - *Any member of the public audience may make statements regarding any items on the agenda. Statements are limited to a maximum of three minutes. Please state your name if you wish to be recorded in the minutes.*
- II. **Trade Secrets** – Discussion involving trade secrets pursuant to H&S Code Section 32106, concerning new District/Hospital Programs, Services, Facilities and Strategic Planning.
- III. **Adjourn Closed Meeting** Bedard

### REGULAR MEETING AGENDA - 5:45pm

- I. **Call to Order** Bedard
- A. Roll Call
  - B. Approval of Agenda of Closed Session (Action)
  - C. Approval of Regular Meeting Agenda (Action)
  - D. Approval of Minutes of previous regular meeting of August 28, 2018 (Action)
  - E. Approval of Minutes of previous closed session of August 28, 2018 (Action)
  - F. General Public Comment - *Any member of the public audience may make statements regarding any items NOT on the agenda. Statements are limited to a maximum of three minutes. Please state your name if you wish to be recorded in the minutes.*
- II. **Recommend Approval of Items Discussed in Closed Session (Action)** Bedard
- IV. **Finance** McManus
- A. Financial Report – September 30, 2018
  - B. Investments Update
- V. **2019 Committee Schedule** Lighthawk
- VI. **Agenda Items for Next Meeting** Bedard
- VII. **Adjournment** Bedard

A copy of the agenda for the Regular Meeting will be posted and distributed  
at least seventy-two (72) hours prior to the meeting.  
American Sign Language Interpreters may be requested by calling (415) 927-5755 (voice)  
or (415) 927-5759 (facsimile) at least 48 hours in advance of this meeting.



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### FINANCE AND AUDIT COMMITTEE

#### Regular Meeting

Tuesday, August 28, 2018, 5:30pm

#### Members:

##### **Chair:**

Larry Bedard, MD

##### **Members:**

Jennifer Rienks, PhD

##### **Staff:**

Jim McManus, CFO

Mark Zielazinski, CITIO

Jean Noonan, Controller

Michael Lighthawk, EA

#### Location:

MHD Conference Room

100B Drakes Landing Road, Suite 250

Greenbrae, CA 94904

### REGULAR MEETING MINUTES

#### I. **Call to Order** – Chair Bedard called the regular meeting to order at 5:40pm.

##### A. Roll Call

- Members Present: Larry Bedard, MD; Jennifer Rienks, PhD.
- Staff Present: Jim McManus, Jean Noonan, Mark Zielazinski, Michael Lighthawk.

##### B. Approval of Closed Session Agenda: **Agenda approved.**

##### C. Approval of Regular Meeting Agenda: **Agenda approved.**

##### D. Approval of Minutes of Regular Meeting of June 26, 2018: **Minutes Approved.**

##### E. General Public Comment – No Public.

#### I. **Review / Recommend Approval of Items Discussed in Closed Session (Action)** **Recommend approval by the BOD.**

**Motion:** To recommend the MHD Board of Directors approve the Under Arrangements Agreement for Outpatient Diagnostic Services related to Men's Health and Urology Clinic.

So moved by Member Rienks. Chair Bedard seconded. Vote: All Ayes. **Motion passed.**

#### II. **Finance**

##### A. Financial Report – July 31, 2018

Balance Sheet - Jim McManus reported Cash and Cash Equivalents of \$2.7M which fluctuates period to period depending on what the District needs to pay to the hospital based on the amount of funding to the Clinics. Intercompany Receivables is the activity of the Clinics.

We now have construction costs associated with the hospital replacement project and have spent \$207M to date. The first tranche of \$170M from the GO Bonds has been spent and we are now into the second tranche of \$224M.

MGH 2.0 is considered 45% complete and the two towers are expected to be watertight by the end of the year. We are still making up the 45 days lost in rain delays and the steel fabrication error aided by the implementation of a 2<sup>nd</sup> shift which was approved by the County. The expenses associated with the 2<sup>nd</sup> shift is being picked up by McCarthy while they resolve the steel fabrication errors with the sub-contractor.

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Accrued expenses include costs of operations with the clinics and outstanding payments on MGH 2.0. At the end of July, the District had Total Net Assets \$36.3M and Total Liabilities and Net Assets of \$474M.

Income Statement – The District had a Net Operating Income of -\$98.5M. This is largely because of depreciation and when depreciation is added back, the District's cash flow is positive. YTD Net District Operating Income is a positive \$216K. Clinic support required \$1.5M which is paid by MGH. Clinic support YTD vs. budget is positive at \$609K.

1206(b) Clinics – The three clinics needing the most support in July were CAM (\$88K); Urology (\$27K) and; Vascular Surgery (\$270K).

### B. Review and Approve District Policy Updates

#### 1. Travel Expense Reimbursement Policy

Jim McManus presented the updated policy for approval noting that there are no changes to the Staff & Director Expense Report form. Expenses for spouse or companion travel was discussed and is not reimbursable according to the policy. It is up to the individual staff or director to indicate on applicable receipts that only half of the cost is reimbursable when a spouse or companion attends a meal or function. Additionally, alcohol is not reimbursable.

**Motion:** Recommend the MHD Board of Directors approve the updated MHD Travel Reimbursement Policy as presented to the Finance and Audit Committee.  
So moved by Chair Bedard. Seconded by Member Rienks. All ayes. **Motion passes.**

#### 2. Financial Procedures & Internal Controls

Jim pointed out that updates to this policy had to do with the incorporation of the clinic practices into MGH Finance for payroll and accounts payable services as well as allowing for current technology in the policy (imaging and scanning).

**Motion:** Recommend the MHD Board of Directors approve the updated MHD Financial Procedures & Internal Controls policy as presented to the Finance and Audit Committee.  
So moved by Director Rienks. Seconded by Chair Bedard. All ayes. **Motion passes.**

III. **Agenda Items for Next Meeting** – No agenda items for the next meeting were identified.

IV. **Adjournment** – Chair Bedard adjourned at 6:16pm.



**To: MHD Finance and Audit Committee**  
**From: Jim McManus, CFO**  
**Re: September 2018 Financial Report**  
**Date: October 15, 2018**

**I. General Comments**

These financial statements contain, in summary format, the balance sheet and net support to the District Clinics. The Clinics, as of September 30, 2018 are comprised of 14 locations and 58 practitioners, and are reported as one combined unit.

**II. FY 2018 Income Statement and Budget**

The net District operating loss for the month was \$101,391 which was favorable to budget by \$37,433. The September year to date budget includes \$13,155,000 of tax revenue. At the time of closing September financials, this information was not available from the County of Marin and will be recorded in October. Income included rental revenue from the hospital lease of \$43,435, interest income and net unrealized investment gains of \$1,560. The District incurred total expenses of \$146,386, including depreciation expense of \$117,970 associated with the MGH 2.0 parking garage which was completed in August, 2016.

MGH provided support of \$1,485,643 to the clinics for the month of September.

**III. Balance Sheet**

**Assets**

Cash at September 30, 2018 of \$3,016,212 decreased by \$150,104 due to the timing of District Clinic expenses and reimbursements. Accounts Receivable increased by \$73,946 from August relating to billing and collection activity for the clinics.

Intercompany Receivables (Payables) of \$1,004,711 represent amounts due from/to MGH for Clinic reimbursements.

Tax revenue receivables are \$0 and represent amounts due from the County of Marin. Payments of \$449,160 received from the County for debt service are reflected in the Assets Limited To Use – Bond Funds balance.

In August 2016, the hospital parking facility was completed and placed into service. The cost of the garage was transferred from Hospital Construction Costs to Parking Garage. The asset is being depreciated over a period of 25 years.

Intangible Assets represent the Cardiovascular Associates of Marin (CAM) asset purchase price that was deemed to be for medical records and other intangibles (original cost of \$185,844 and \$675,660 respectively). These balances are reduced each month by amortization over a period of 15 years.



*Creating a healthier Marin together.*

The balance of the proceeds from the bonds issued in November 2015 and the proceeds from the bonds issued in September 2017, net of issuance costs, are reflected in the account “Assets Limited to Use – Bond Funds”. Hospital Construction Costs incurred to date are \$255,328,854 (including the completed parking garage).

### **Liabilities and Net Assets**

Accounts Payable of \$1,804,032 and Accrued Expenses of \$20,147,184 are comprised of invoices payable and accruals for District, construction, and clinic expenses.

Bonds payable are separated into current (principal due within one year) and non-current (due in greater than one year). 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 \$36,125,045.

**Marin Healthcare District  
Balance Sheet  
September 30, 2018**

	<b>09/30/2018</b>	<b>08/31/2018</b>	<b>Change</b>	<b>12/31/2017</b>
<b>Assets</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	3,016,212	3,166,316	(150,104)	3,715,366
Net Patient Accounts Receivable	4,174,982	4,101,036	73,946	3,279,765
Other Receivables	67,286	73,976	(6,690)	93,717
Intercompany Receivables (Payables)	1,004,711	498,776	505,935	359,809
Inventories	15,692	15,692	-	15,692
Tax Revenues Receivable	-	-	-	5,296,212
Prepaid Expenses	312,044	604,810	(292,766)	224,782
<b>Total Current Assets</b>	<b>8,590,927</b>	<b>8,460,606</b>	<b>130,321</b>	<b>12,985,343</b>
Property, plant, and equipment, net	4,776,072	4,819,159	(43,087)	5,088,035
Parking Garage, net	24,472,217	24,554,690	(82,472)	25,214,468
Hospital Construction Costs	230,856,637	225,826,627	5,030,010	161,419,902
Intangible Assets, net	472,137	476,907	(4,770)	515,067
Assets Limited To Use - Bond Funds	189,688,344	198,848,426	(9,160,082)	272,262,340
Notes Receivable	124,642	132,077	(7,435)	195,587
Deposits & Retainers	72,633	72,633	-	72,633
<b>Total Non-Current Assets</b>	<b>450,462,682</b>	<b>454,730,518</b>	<b>(4,267,836)</b>	<b>464,768,032</b>
<b>Total Assets</b>	<b>459,053,609</b>	<b>463,191,124</b>	<b>(4,137,515)</b>	<b>477,753,375</b>
<b>Liabilities and Net assets</b>				
<b>Current Liabilities</b>				
Accounts Payable	1,804,032	1,851,049	(47,017)	1,851,374
Accrued Expenses	20,147,184	24,059,014	(3,911,830)	31,087,929
Intercompany Payables	1,000,000	1,000,000	-	1,000,000
Current Bond Maturities	6,645,000	6,645,000	-	6,050,000
Current Maturities of Long-Term Obligations	-	-	-	-
<b>Total Current Liabilities</b>	<b>29,596,216</b>	<b>33,555,063</b>	<b>(3,958,847)</b>	<b>39,989,303</b>
Bonds Payable	366,045,000	366,045,000	-	372,690,000
Bond Premium	26,757,023	26,838,392	(81,369)	27,489,342
Long-Term Obligations, Less Current Maturities	530,325	526,234	4,091	493,425
<b>Total Liabilities</b>	<b>422,928,564</b>	<b>426,964,689</b>	<b>(4,036,125)</b>	<b>440,662,070</b>
<b>Net Assets</b>				
Net Assets - Beginning Balance	37,091,305	37,091,305	-	25,767,421
Net (Loss)/Income	(966,260)	(864,870)	(101,390)	11,323,884
<b>Total Net Assets</b>	<b>36,125,045</b>	<b>36,226,435</b>	<b>(101,390)</b>	<b>37,091,305</b>
<b>Total Liabilities and Net Assets</b>	<b>459,053,609</b>	<b>463,191,124</b>	<b>(4,137,515)</b>	<b>477,753,375</b>

Marin Healthcare District  
Income Statement - Actual vs. Budget  
For the Nine Months Ended September 30, 2018

	September Month-to-Date			September Year-to-Date		
	Actual	Budget	Variance	Actual	Budget	Variance
Rental Revenue	\$43,435	\$43,435	\$0	\$390,915	\$390,915	\$0
Other Revenue	0	0	0	0	0	0
Investment Earnings	1,560	250	1,310	(8,001)	2,250	(10,251)
<b>Total Income</b>	<b>44,995</b>	<b>43,685</b>	<b>1,310</b>	<b>382,914</b>	<b>393,165</b>	<b>(10,251)</b>
Legal Fees	3,527	3,333	(194)	28,113	30,000	1,887
Accounting Fees	1,667	2,500	833	15,000	22,500	7,500
Board Compensation	500	1,017	517	9,700	9,150	(550)
Board Expenses	5,055	2,083	(2,972)	22,111	18,750	(3,361)
Depreciation Expense	117,970	151,242	33,272	1,061,738	1,361,181	299,443
Consulting Fees	0	0	0	0	0	0
Charitable Contributions	0	500	500	0	4,500	4,500
Community Education	0	4,167	4,167	50,433	37,500	(12,933)
Dues	1,000	1,000	0	9,000	9,000	0
MGH Program Support	16,667	16,667	(0)	150,000	150,000	0
Advertising	0	0	0	1,195	0	(1,195)
<b>Total Expense</b>	<b>146,386</b>	<b>182,509</b>	<b>36,123</b>	<b>1,347,290</b>	<b>1,642,581</b>	<b>295,291</b>
<b>Net District Operating Income</b>	<b>(101,391)</b>	<b>(138,824)</b>	<b>37,433</b>	<b>(964,376)</b>	<b>(1,249,416)</b>	<b>285,040</b>
<b>Non-Operating Income/Expense</b>						
<b>Clinic Activity</b>						
Net Loss From Clinics	(1,485,643)	(1,019,256)	(466,387)	(11,171,173)	(9,737,708)	(1,433,465)
MGH Clinic Reimbursement	1,485,462	1,019,256	466,206	11,171,173	9,737,708	1,433,465
<b>Net Clinic Activity</b>	<b>(181)</b>	<b>0</b>	<b>(181)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Bond-Related Revenue/Expense</b>						
Tax Revenue	0	0	0	0	13,155,000	(13,155,000)
Bond Fund Earnings (transferred to construction in progress)	0	0	0	0	0	0
Bond Issuance Costs	0	0	0	(1,884)	0	(1,884)
<b>Net Income/(Loss)</b>	<b>(\$101,572)</b>	<b>(\$138,824)</b>	<b>\$37,252</b>	<b>(\$966,260)</b>	<b>\$11,905,584</b>	<b>(\$12,871,844)</b>

Marin Healthcare District  
1206b Clinics  
Summary of Profit & Loss - Accrual Basis  
For the Nine Months Ended September 30, 2018

Managed Clinics	# MD/NP	# Of Months	MTD			Monthly Invest/MD	YTD			Avg. Annual Invest/MD
			Actual	Budget	Variance		Actual	Budget	Variance	
San Rafael Medical Center	1.00	9.00	(4,033)	(2,819)	(1,214)	(4,033)	(27,853)	(26,423)	(1,429)	(37,137)
Marin Medical Group (MMG)	3.67	9.00	(103,560)	(47,224)	(56,336)	(28,216)	(521,294)	(440,307)	(80,987)	(189,377)
El-Ghoneimy	1.50	9.00	(8,637)	(4,105)	(4,532)	(5,769)	(48,876)	(34,900)	(13,976)	(43,527)
Tamalpais Internal Medicine (TIM)	2.00	9.00	(16,393)	4,391	(20,784)	(8,197)	(71,548)	53,756	(125,304)	(47,699)
Cardiology Associates (CAM)	18.18	9.00	(761,915)	(541,960)	(219,955)	(41,908)	(5,744,284)	(5,522,908)	(221,376)	(421,275)
Urology	5.00	9.00	(185,842)	(102,389)	(83,453)	(37,167)	(1,108,090)	(910,278)	(197,812)	(295,477)
Vascular Surgery	3.30	9.00	(99,677)	(106,668)	6,991	(30,205)	(1,074,846)	(1,052,146)	(22,700)	(434,281)
Marin Endocrine	3.00	9.00	(16,761)	(34,862)	18,101	(5,587)	(346,545)	(324,253)	(22,292)	(154,020)
2 Bon Air - Rheumatology/Chase	3.35	9.00	(39,253)	(4,580)	(34,673)	(11,714)	(119,315)	(38,663)	(80,652)	(47,475)
Murphy	3.60	9.00	(2,865)	(4,329)	1,464	(797)	(107,404)	105,853	(213,257)	(39,812)
Novato Medical Office	5.00	9.00	(11,855)	(29,370)	17,515	(2,371)	(234,929)	(163,851)	(71,078)	(62,648)
<b>Totals</b>	<b>49.60</b>		<b>(\$1,250,792)</b>	<b>(\$873,915)</b>	<b>(\$376,877)</b>		<b>(\$9,404,984)</b>	<b>(\$8,354,120)</b>	<b>(\$1,050,864)</b>	
<b>Palliative Care</b>	0.00	0.00	\$4,761	(\$22,354)	\$27,115		\$39,008	(\$175,380)	\$214,388	
<b>After Hours Clinic</b>	0.00	6.00	(\$16,448)	\$0	(\$16,448)		\$35,212	\$0	\$35,212	
<b>Clinic Administration</b>	0.50	9.00	(\$157,236)	(\$99,401)	(\$57,835)		(\$1,357,297)	(\$904,841)	(\$452,456)	
<b>Behavioral Health (Note 1)</b>	8.00	9.00	(\$65,521)	(\$23,586)	(\$41,935)	(\$8,190)	(\$474,012)	(\$233,367)	(\$240,645)	(\$79,002)
<b>Closed/Inactive Clinics</b>	<b># MD/NP</b>	<b># Of Months</b>	<b>MTD</b>			<b>Monthly Invest/MD</b>	<b>YTD</b>			<b>Avg. Annual Invest/MD</b>
			<b>Actual</b>	<b>Budget</b>	<b>Variance</b>		<b>Actual</b>	<b>Budget</b>	<b>Variance</b>	
West Marin Medical Center (Pt. Reyes)	0.00	0.00	(363)	0	(363)		(8,712)	(70,000)	61,288	
Soluna Health	0.00	0.00	(44)	0	(44)		(389)	0	(389)	
<b>Totals</b>	<b>0.00</b>		<b>(\$408)</b>	<b>\$0</b>	<b>(\$408)</b>		<b>(\$9,101)</b>	<b>(\$70,000)</b>	<b>\$60,899</b>	
<b>Total All Clinics</b>	<b>58.09</b>		<b>(1,485,643)</b>	<b>(1,019,256)</b>	<b>(466,387)</b>		<b>(11,171,173)</b>	<b>(9,737,708)</b>	<b>(1,433,465)</b>	

Note 1 - Up to \$200K of Behavioral Health Clinic losses is included in the Program Support payments by the District to MGH.



<b>Marin Healthcare District</b>	<b>Jan</b>	<b>Feb</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June</b>	<b>July</b>	<b>Aug</b>	<b>Sept</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>	
Finance & Audit	22	26	26	23	28	25	23	27	24	22	19	17	Tu