



## 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

April 19, 2018, 5:00pm

100B Drakes Landing Road, Suite 167

Greenbrae, CA 94904

#### Regular Meeting Minutes

**I. Call to Order** – Jennifer Rienks called the regular meeting to order at 5:55pm.

- A. Roll Call
  - Members Present: Larry Bedard, MD, and Jennifer Rienks, PhD.
  - Staff Present: Jim McManus, Jean Noonan, Mark Zielazinski, Michael Lighthawk.
  - Guests: Kate Jackson, Etta Goldstein (Moss Adams), Elaine Yao (H2C) by phone.
- B. Approval of Regular Meeting Agenda: **Agenda approved.**
- C. Approval of Closed Session Agenda: **Agenda approved.**
- D. Approval of Closed Session Minutes of February 27, 2018: **Minutes Approved.**
- E. Approval of Minutes of Regular Meeting of February 27, 2018: **Minutes Approved.**
- F. General Public Comment – No Public.

**II. Review/Recommend Approval of Items Discussed in Closed Session (Action)**

**Motion:** To recommend the MHD Board of Directors approve the Under Arrangements Billing for Marin Advanced Imaging Center (MAIC) as presented in Closed Session. So moved by Chair Bedard. Seconded by Jennifer Rienks. Vote: all ayes. **Motion passed.**

**III. Audit – Marin Healthcare District**

Kate Jackson / Etta Goldstein

Kate Jackson introduced herself as the Moss Adams Partner assigned to the District Audit and Ms. Etta Goldstein is the Audit Manager. Ms. Jackson then outlined the scope of services provided to the District as well as the responsibilities of the auditors.

The auditors have provided an Unmodified Opinion that the 2017 Marin Healthcare District Financial Statements are presented fairly and in accordance with United States Generally Accepted Accounting Principles (GAAP).

Etta Goldstein spoke to the required communications of the audit. The auditors are responsible for determining the audit strategy and audit plan as well as the extent of procedures necessary to obtain sufficient audit evidence to communicate to those charged with governance. However, the financial statements are the sole responsibility of management. Moss Adams does consider internal controls but does not opine on them.

Areas of Audit Emphasis:

- Accounts Receivable
- Revenue Recognition
- Tax Assessment Receivables & Revenue
- Transactions with Affiliates
- Management Override of Control

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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### Communications with Those Charged with Governance

- There were no corrected or uncorrected adjustments.
- There was no material weakness or significant deficiencies in Internal Controls.
- No significant difficulties or disagreements with management were encountered during the audit.
- Auditors are not aware of any instances of fraud or noncompliance with laws and regulations.
- Auditors are not aware of any significant accounting or auditing matters that management consulted with other accountants.
- Management is consistent with accounting practices year over year.

Further discussions ensued regarding:

- Testing of Fair Market Value of investments
- Management's ability to recognize and collect AR
- Examination of Financial Controls
- Lease expenses having to be booked as assets and current liabilities in future tax years.
- Financial Ratios & Metrics

In conclusion, Ms. Jackson mentioned other services offered by Moss Adams including Accounting, Strategic Operations consulting and other healthcare related services.

The committee thanked Kate Jackson and Etta Goldstein for coming to Marin and presenting the audit.

**Motion:** To recommend the MHD Board of Directors accept the Report of Independent Auditors and Financial Statements for the Marin Healthcare District of December 31, 2017 as presented to the MHD Finance and Audit Committee.

Chair Bedard so moved. Member Rienks seconded. Vote: All ayes. **Motion passed.**

## IV. Finance

### A. Revenue Bonds Financial Review (Action)

McManus

At this time, Jim asked if the committee would allow Ms. Elaine Yao of H2C to join the meeting on the phone. Elaine is one of our financial advisors supporting management through the Revenue Bond process.

Jim McManus presented the overall framework for the 2018 Revenue Bond Issuance. **Jim is asking the MGH Finance Committee to recommend that the MGH Board of Directors approve the Corporate Resolution for the Revenue Bonds.** The Resolution provides for:

- Approval of the Plan of Finance for the revenue bonds
- Appointment and delegation of authority to MGH's CEO & CFO to execute the transaction
- Approval of the preliminary official statement and the final official statement
- Authorization for the CEO & CFO to approve other documents needed for complete financing
- And confirms the authorized representatives as Lee Domanico as CEO and Jim McManus

Financing for the hospital is still \$535M and construction continues to be on time and on budget. GO Bond funding of \$394M was approved by the voters and issued in 2015. Additionally, the \$50M target of the Foundation's Capital Campaign for new construction was met (and exceeded) leaving a gap of \$91M. The Revenue Bond Issuance will cover this gap but will be covering more than the \$91M in order to refinance the Union Bank credit facilities.



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On March 27<sup>th</sup>, MGH hosted Rating Agencies meetings with Standard & Poors and Fitch Ratings. These were very successful meetings and Fitch came back with an A- Stable rating which is exceptional for a stand-alone community hospital. We hope to get the S&P rating in the next 2 days. Investor calls begin next Friday, pricing begins on May 8<sup>th</sup> and the transaction closes about 2 weeks after that.

The Obligated Group is Marin General Hospital and Prima Medical Foundation (PMF). These parties are responsible for payment of principal and interest on the bonds.

- Bonds to be issued will have a maturity of 27 years to coincide with the MHD & MGH hospital lease that runs thru 2045.
- Maximum Annual Debt Service (MADS) represents MGH's annual payment on the outstanding debt. Of the projected \$10.3M annual payment, approximately \$7M represents additional payment over prior years since MGH was already paying interest on the \$64M debt to Union Bank.
- Two series of bonds will be issued; 2018A (nontaxable) and 2018B (taxable). A taxable and nontaxable series is required since we are refinancing the Union Bank credit facilities which is not considered part of the MGH 2.0 project.
- Total for both series is \$159M.
- There will be a Bond Premium of \$7M on the nontaxable bonds. There will be a premium due to higher expected investor interest.

The takeaway is that MGH will need to maintain profitability to ensure payment of principal and interest on the bonds. Any loans, leases, guarantees and other financings will need to be scrutinized prior to execution of any agreement.

Further discussions ensued on the following topics:

- Working capital of \$2M represents the activation fees for starting up the new hospital
- The importance of ratings and associated tax benefits

At the conclusion of his presentation, Jim McManus asked the committee if they needed any more detailed discussion on any elements of the presentation. Member Rienks suggested reaching out to other District Board members with the same offer. Mr. McManus agreed and thanked the committee.

**Motion:** To recommend the MHD Board of Directors approve the Revenue Bond Issuance and attached Resolution of the Board of Directors as presented to the MHD Finance and Audit Committee. Chair Bedard so moved. Member Rienks seconded. Vote: All ayes. **Motion passed.**

Ms. Rienks thanked the Finance Staff for all the hard work done on this process.

### A. Financial Report – February 28, 2018

In the interest of time, the committee agreed to forego the February financial report.

### V. Agenda Items for Next Meeting

Bedard

- Discuss Committee Meeting Time

### VI. Adjournment – Chair Bedard adjourned the meeting at 6:45pm.