



**CITIZENS' BOND
OVERSIGHT COMMITTEE**

**Wednesday, May 16, 2018
6:00pm – 7:30pm**

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



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Citizens Bond Oversight Committee
Wednesday, May 16, 2018, 6:00pm

Chair:	Leslie Lava	Location:	
Vice Chair:	Jonathan Frieman		MGH Finance Conference Room
Members:	Steven Dely, George Feiss		100B Drakes Landing Road
	Charles Reite, Jeffrey Tsai		Suite 190
Staff:	James McManus, Chief Financial Officer		Greenbrae, CA 94904
	Jean Noonan, Controller		
	Michael Lighthawk, Executive Assistant		

AGENDA

- | | |
|--|------------|
| I. Call to Order | Chair Lava |
| A. Roll Call | |
| B. Agenda Review and Approval (Action) | |
| C. Minutes Review and Approval: February 21, 2018 (Action) | |
| D. General Public Comment | |
| <i>(At this point, any member of the public audience may make statements regarding any items not on the agenda. Statements are limited to a maximum of three (3) minutes. Please state your name if you wish to be recorded in the minutes.)</i> | |
| II. MGH 2.0 Project Update | Ron Peluso |
| A. Report on Financial Impact of Steel Fabrication Delay | |
| III. Status of General Obligation Bonds, Funding & Project Costs | Noonan |
| A. Requisition Detail | |
| IV. Revenue Bond Issuance | McManus |
| V. Agenda Items For Next Meeting | Lava |
| VI. Adjournment | Lava |



**Previous Minutes
February 21, 2017**



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Citizens Bond Oversight Committee

February 21, 2018, 6:00pm

Minutes

- I. **Call to Order** – Chair Lava called the meeting to order at 6:00pm.
 - A. Roll Call
 - ✓ Committee Members Present: Leslie Lava, Jeffrey Tsai, George Feiss, Steven Dely, and Jonathan Frieman.
 - ✓ Committee Members Absent: Charles Reite.
 - ✓ Staff Members Present: Jim McManus (CFO); Jean Noonan (Controller).
 - B. Agenda Approval - Motion to approve: Member Dely so moved. Member Frieman seconded. Vote: All ayes. **Agenda approved.**
 - C. Approve previous minutes of November 15, 2017 - Motion to approve: Member Frieman so moved. Member Tsai seconded. Vote: All ayes. **Minutes approved** (with one minor grammatical change).
 - D. General Public Comment – **No public.**

II. CBOC Annual Report to Community – (Pgs. 7-8 of Packet)

Steven Dely and Jeffrey Tsai presented the “Annual Report of the Citizens Bond Oversight Committee”. Following discussion, Member Dely suggested adding a statement that states, “Construction expenditures to date are commensurate with construction progress”.

Motion: To accept the Citizens’ Bond Oversight Committee’s Annual Report to the Community as presented with the previously suggested edits.

Member Tsai so moved. Member Feiss seconded. Vote: All ayes. **Motion Passed.**

III. MGH 2.0 Project Update (Pg. 10)

Ron Peluso

Ron Peluso reported there were steel fabrication issues that caused a delay in that area of construction. The fabricator had made design changes that needed to be reviewed and approved by OSHPD. Following OSHPD’s approval of the changes, McCarthy needed to implement fixes that will be absorbed by the Contractor responsible in terms of time delays and overtime. The delay mostly impacted the concrete floor-pours that are now projected to be completed by the end of March. Curtain wall installation will begin around that same time on the project’s south side. Electrical conduit and plumbing is being installed now and production drywall will also begin at the end of March. As of today, the project has all the permits necessary from OSHPD. Fireproofing of the building started today.

Steven Dely asked what financial impact the steel fabrication delay may have on the District and Project. Ron responded that once we were able to determine the extent of the delay and what caused the fabrication error and subsequently submitted a claim to the sub-contractor



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responsible. (It was noted that an on-site investigator failed to identify the misstep of the sub-contractor in not notifying OSHPD of the changes in fabrication design at the factory.) The claim and the cost of that claim is pending. Once we know what that value is, then whatever balance is needed to make up for that will come out of the sub-contractor's contingency. There were no assessments or penalties from OSHPD.

Ron will bring detailed financial information on the impact of the delay and subsequent make-up costs to the next committee meeting.

Jim McManus asked Ron to speak to worksite injuries and safety on the project. Ron responded that there have been 3 injuries so far at 185,000 work-hours into the project. There has been no lost time from injuries and we are currently at 43 days with no injuries. We have two OCIP (Owner Controlled Insurance Program) representatives on the project who continue to validate that the project is safe. Mr. McManus added that if we continue to have very few injuries on the project and maintain the high safety standard, the amount of credit coming back from the OCIP investment can be in the seven figure range which can then be added back into the project funding.

IV. Status of General Obligation Bonds, Funding & Project Costs (Pgs. 13-18)

As of January 31, 2017, there have been 52 Requisitions totaling \$154.1M. There are two \$10M requests waiting to be submitted by McCarthy which are expected to be paid by early March. It was noted that additional funding from ongoing operations, philanthropy via the MGH Foundation and Revenue Bonds will be used to bridge the gap from \$394M to \$535M.

Jean pointed out that we will continue to see the delta widen between the total amount of requisitions to BNY Mellon and what we've incurred for the full project as expenditures continue.

A. Requisition Detail – No discussion.

V. Revenue Bond Timeline

Jim McManus reported all \$394M of GO Bond Funds have been issued and we have \$50M of philanthropic funds available to us from the Foundation over a 5 year period. This leaves us with a gap of \$91M that we will ask for in Revenue Bond funding. Our borrowing capacity for the hospital is around \$154M. We may consider refinancing other debt we have on the books.

Jim stated we expect to price the revenue bonds and receive interest rates by the middle of May. We expect the demand for the bonds to be very good given our geographical region. The target date to close the revenue bond transaction is at the end of May. Important to note is the revenue bonds are on the credit of the hospital not the Marin Healthcare District. Our underwriters Morgan Stanley and Stifel will be doing their best to create excitement around Marin General's bond issuance. We are meeting with two rating agencies on March 27th, Standard & Poors and



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Fitch Ratings (who knows us and gave us the A- rating last year). We anticipate the demand for the Revenue Bonds will be very high.

Following receiving the ratings from S&P and Fitch, we will have live Investor Call meetings as well as follow up meetings with interested investors. This is where it is important to tell our story as a stand-alone hospital which Lee does very well.

VI. Agenda Items For Next Meeting – Chair Lava called for agenda items for the next meeting.

- ✓ MGH 2.0 Project Update – Report on financial impact of the steel fabrication delay (Peluso).
- ✓ Status of General Obligation Bonds, Finding, & Project Costs (Noonan).

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

103:00



MGH 2.0

Construction Update



Requisition Detail

PE April 30, 2018



Status of General Obligation Bonds, Funding & Project Costs