

OFFICIAL MINUTES
California Health Facilities Financing Authority

915 Capitol Mall, Room 587
Sacramento, California
Thursday, August 26, 2004
1:45 PM

The meeting was called to order by Mark Paul sitting for Chairman Philip Angelides. Members present were Cindy Aronberg (sitting for Steve Westly), Bob Campbell (sitting for Donna Arduin), Harry Bistrin, Judith Frank and Dr. Theodore Hariton. Also present were staff members Sandra Simpson-Fontaine, Executive Director, Greg Rogers, Deputy Executive Director, Mark Paxson, Counsel to the Authority, Gina Greer, Attorney General's Office, and Peggy Arrivas, Financial Advisor, PricewaterhouseCoopers LLP.

Mark Paul welcomed and introduced Sandra Simpson-Fontaine, as the new Executive Director for the California Health Facilities Financing Authority.

The minutes of the May 27, 2004 and July 29, 2004 meetings were approved as submitted.

The Executive Director's Report was presented covering the months of May and June 2004. As of June 30, 2004, bonds outstanding totaled \$6,012,086,899 and the fund balance was \$8,188,883.89. The Executive Director also reported that there were 9 borrowers with over \$100 million in CHFFA debt with a combined balance outstanding of \$4,476,310,000, which represents 74% of all CHFFA debt outstanding, and 9 equipment financings with a total balance outstanding of \$31,663,122. The Executive Director also reported a HELP II loan fund balance of \$11,282,420, a HealthCAP balance of \$0.00 and a clinic grant fund balance of \$3,294,703, as of June 30, 2004.

Resolution No. F-304 – Children's Hospital of Orange County (CHOC) & CHOCO Realty Corporation (Realty) requested the Authority to approve a bond issue Resolution in an amount not to exceed \$85,000,000. CHOC will use the funds for construction of a new hospital tower, parking structures and remodeling of the existing hospital. Staff recommended the Authority approve the Resolution in a total amount not to exceed \$85,000,000 for Children's Hospital of Orange County & CHOCO Realty Corporation, subject to a bond rating of at least an "A" rating by a nationally recognized rating agency. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. F-305 – Keiro Nursing Home (Keiro) requested the Authority to approve a bond issue Resolution in an amount not to exceed \$9,000,000. Keiro will use the loan proceeds to current refund the California Statewide Community Development Authority's 1994 Certificates of Participation. The refunding will result in a net present value savings of approximately \$803,000 or 6.89% of the par amount of existing bonds. Staff recommended the Authority approve the Resolution in a total amount not to exceed \$9,000,000 for Keiro Nursing Home, subject to a final Cal-Mortgage commitment and a wrap by an acceptable municipal bond insurer with a bond rating of at least an "A" by a nationally recognized rating agency. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. F-306 – Northern California Presbyterian Homes & Services, Inc. (NCPHS) requested the Authority to approve a bond issue Resolution in an amount not to exceed \$43,000,000. NCPHS will use the bond proceeds for various capital improvement projects to be completed at three of its continuing care retirement communities. Staff recommended the Authority approve the Resolution in a total amount not to exceed \$43,000,000 for Northern California

Presbyterian Homes & Services, Inc., subject to the bonds having at least an “A” rating by a nationally recognized rating agency. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. P-38 – AltaMed Health Services Corp. (AltaMed) requested the Authority to approve a Pooled Loan Program 1985 Series B loan in an amount not to exceed \$1,446,000. AltaMed will use the loan proceeds to purchase new medical equipment and currently leased equipment for the new clinic facility and the adult day health care facility. Staff recommended the Authority approve a Resolution providing for a Pooled Loan Program 1985 Series B loan in an amount not to exceed \$1,446,000 for AltaMed Health Services Corp., subject to a stand-by letter of credit as required by FGIC and receipt of final consent letter from Cal-Mortgage for the additional indebtedness. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. P-39 – Salud Para La Gente, Inc. (Salud) requested the Authority to approve a Pooled Loan Program 1985 Series B loan in an amount not to exceed \$2,170,000. Salud will use the loan proceeds to refinance existing loans and leases. Staff recommended the Authority approve a Resolution providing for a Pooled Loan Program 1985 Series B loan in an amount not to exceed \$2,170,000 for Salud Para La Gente, Inc., subject to a stand-by letter of credit as required by FGIC and receipt of final consent letter from Cal-Mortgage for the additional indebtedness. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. 2004-06 – Valley Presbyterian Hospital (VPH) requested the Authority to approve an Amendment to its Loan Agreement for the 1997 Series bonds, since there have been three technical events of default. VPH did not meet the covenants of Net Income Available for Debt Service in each fiscal year equal to at least 1.1 times Maximum Aggregate Annual Debt Service and the requirement to maintain 65 days cash on hand. In addition, VPH has not submitted its audited financial statements for the 2003 fiscal year (although a draft of the 2003 audited financial statements has been prepared). VPH and their auditors will not release these financial statements until they can confirm that the Authority and MBIA will grant waivers due to the material effect that un-waived defaults would have on the statements. Since at least November 2003, VPH has employed the Camden Group, a management-consulting firm, to improve its operating performance. MBIA indicated that it would consent to a waiver of these events of default contingent upon the additional covenants included in the First Amendment to the Loan Agreement including executing a deed of trust on substantially all of its real estate. Staff recommended the Authority approve a Resolution authorizing the First Amendment to the Loan Agreement for the Authority’s Valley Presbyterian Hospital, Series 1997 bonds. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. HII-170 – Summitview Child Treatment Center, Inc. (Summitview) requested the Authority to approve a HELP II Resolution in an amount not to exceed \$400,000. Summitview will use the loan proceeds to finance the construction of a new facility on land that is owned free and clear, to expand services. Staff recommended the Authority approve a Resolution for a HELP II loan in an amount not to exceed \$400,000 for a term not to exceed 15 years for Summitview Child Treatment Center, Inc. subject to the standard HELP II loan provisions and

receipt of NCB HealthCAP funding or other acceptable funding source. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. HII-171 – Advent Group Ministries (Advent) requested the Authority to approve a HELP II Resolution in an amount not to exceed \$400,000. Advent will use the loan proceeds to refinance its STARTS 1992 Series A bond which results in a yearly savings of approximately \$15,000 in interest. Staff recommended the Authority approve a Resolution for a HELP II loan in an amount not to exceed \$400,000 for a term not to exceed 15 years for Advent Group Ministries subject to a final Cal-Mortgage commitment, securing other financing and the standard HELP II loan provisions. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. 2004-07 – The Authority’s staff requested the Authority approve Resolution No. 2004-07, the annual Interagency Agreement with the State Treasurer’s Office for the fiscal year 2004-05 in an amount not to exceed \$277,972. The Resolution authorizes the State Treasurer’s Office to provide administrative services including accounting, budgeting, data processing, personnel and business services to the Authority for the fiscal year 2004-05. Staff recommended the Authority approve a Resolution for the Interagency Agreement with the State Treasurer’s Office. After discussion by the Authority, a motion was made and seconded for the staff proposal and the Resolution was unanimously approved.

Information Items – During the May 2004 Authority meeting, staff was directed to research competitors’ fees for transactions involving the refinancing of existing debt. In addition, staff was instructed to determine a fee for these types of transactions rather than charging no fee, and report back to the Authority at a future date. Staff reported to the Authority the amount of time necessary to analyze a financing application, prepare a staff report, review legal documents, participate in the sale of the bonds, and finally close the issue, requires up to 100 hours of staff time, including the Financial Advisors’ and the Attorney General’s review. Because there is a minimal impact to both a potential Borrower as well as the Authority, staff intends to leave the current fee structure in place for the refinancing of existing Authority debt. Continuing with current practice, staff will consider Policy Exceptions as necessary, for financings with unusual circumstances, such as a higher than normal dollar amount.

Staff presented the quarterly report of the HELP II Loan Program.

Peggy Arrivas of PricewaterhouseCoopers LLP made a presentation to the Authority regarding the Financial Results of the CHFFA borrowers. Following the presentation, member Harry Bistrin requested staff review the market share of bonds issued by the Authority vs. other healthcare issuers and report back to the Authority at a future meeting.

Other Business – Having no other business, the meeting was adjourned.