

OFFICIAL MINUTES
California Health Facilities Financing Authority

915 Capitol Mall, Room 587
Sacramento, California
Thursday, October 28, 2004
1:30 PM

The meeting was called to order by Mark Paul sitting for Chairman Philip Angelides. Members present were Bob Campbell (sitting for Michael Genest), Harry Bistrin, and Dr. John Whitelaw. Members on teleconference located at 304 S. Broadway Los Angeles, CA were Dr. Theodore Hariton and Cindi Aronberg (sitting for Steve Westly). Judith Frank arrived during the Executive Directors report. 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.

The minutes of the August 26, 2004 meeting were approved as submitted.

The Executive Director's Report was presented covering the months of July, August and September 2004. As of September 30, 2004, bonds outstanding totaled \$5,989,035,327 and the fund balance was \$8,079,155.85. There were 9 borrowers with over \$100 million in CHFFA debt with a combined balance outstanding of \$4,430,170,000, which represents 74% of all CHFFA debt outstanding, and 9 equipment financings with a total balance outstanding of \$28,261,550. The Executive Director also reported a HELP II fund balance of \$26,512,613, a HealthCAP balance of \$0.00 and a clinic grant fund balance of \$3,294,703, as of September 30, 2004.

Resolution No. F-307 – Solheim Lutheran Home (Solheim) requested the Authority approve a bond issue Resolution in an amount not to exceed \$6,750,000. Solheim will use the loan proceeds to current refund the California Statewide Community Development Authority's (CSCDA) 1994 Certificates of Participation. This refunding will result in an overall net present value savings of approximately \$688,000 or 11% of principal outstanding balance. Staff recommended the Authority approve a Resolution in an amount not to exceed \$6,750,000 for Solheim Lutheran Home, subject to a final Cal-Mortgage commitment and standard bond issuance guidelines. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Information Items – During the August 2004 Authority meeting, staff was requested to research competitors' comparison between CHFFA and other issuers of healthcare debt regarding bond issuance volume. CHFFA's primary tax-exempt bond issuance competitors are the Associated Bay Area Governments (ABAG) and the California Statewide Communities Development Authority (CSCDA). After an examination of the bond issuance process for each of these organizations, staff has concluded that CHFFA is losing market share to these issuers because the other issuers are willing to accept a greater level of risk that translates into an easier application process and more flexible bond issuance guidelines. In addition, ABAG and CSCDA are Joint Power Authorities (JPAs) that are subject to public notice requirements that are more lenient than the public notice requirements imposed on state agencies. With the significant difference in the public notice requirements, ABAG and CSCDA are less likely to have the public scrutinize each financing prior to consideration. Furthermore, following approval of the transaction, the issue can be in the market and sold much sooner than CHFFA issues, possibly receiving more favorable interest rates. After staff made the presentation Board members requested staff to develop specific recommendations and analyze pros and cons of each recommendation.

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

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