

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Delegation Authority to Certain Officers of the Authority

March 11, 2008

Background: In recent weeks, auction and variable rate bond markets have experienced dramatic changes, causing many hospitals and other institutions to experience significant and very costly interest rate increases in their outstanding debt. At CHFFA's most recent board meeting on February 28, 2008, CHFFA's financial advisor, John Bonow of Public Financial Management in Seattle, provided the board with an overview of the dramatic changes in the market and the ways in which CHFFA could respond to help borrowers quickly refund or convert their debt to more stable rates.

The Authority recognized that one of the most valuable means of support would be to facilitate borrower conversion of debt on an expedited basis. In order to accomplish this expedited means of accessing the market, the Authority determined that it would be necessary to provide authority to certain officers of the Authority to execute various documents, grant consents and to approve and execute amendments to certain documents without the need for formally bringing the matters before the board. Consequently, the Authority duly noticed an additional meeting for the month of March to properly consider a request for delegated authority.

There is precedent for this type of action. The Authority has previously passed Resolution 2005-03 relating to the delegation of authority to the executive director for the power to sign or approve certain documents as defined by Resolution 2005-03.

Request: This proposed resolution, No. 2008-02, would specifically authorize the Executive Director, together with the Chair or the Deputy of the Chair of the Authority to, amongst other things, execute and deliver, such consents, amendments to existing bond documents and supplemental documents as the Authorized Officers executing such consents and/or documents shall deem appropriate, with the advice of the Attorney General or other counsel to the Authority, to speed, aid, and facilitate various matters to be specified within the resolution, including without limitation, the following matters:

- (1) conversion of outstanding bonds of the Authority to different interest rate modes,
- (2) addition of letters of credit, lines of credit, bond insurance or other credit enhancement or liquidity support to outstanding bonds of the Authority,
- (3) establishment of intercreditor relationships between existing bond insurers and the providers of additional credit enhancement or liquidity support,
- (4) suspension or termination of bond insurance that is no longer cost effective,
- (5) compliance with federal tax law in connection with any such actions.

Staff Recommendation: The Attorney General's office is in the midst of finalizing appropriate resolution language and thus template language has not been attached for review. Staff will provide a final version to the board at the time of the hearing. Staff recommends that the Authority approve this resolution once the final version approved by the Attorney General's Office has been submitted to the board.