

MINUTES

**California Health Facilities Financing Authority
December 4, 2008 – 1:45 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 1:52 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Tom Sheehy for Michael C. Genest, Department of Finance
Harry Bistrin
Judith Frank
Ronald Joseph
Sumi Sousa

Absent: Dr. Oscar Sablan
Jack Buckhorn

Staff: Barbara J. Liebert, Executive Director
Ronald Washington, Deputy Executive Director
Greg Matayoshi, Macias Gini & O'Connell LLP

The Chair declared a quorum present.

Approval of Minutes

The minutes from the California Health Facilities Financing Authority's (CHFFA) October 30, 2008 meeting were approved as to form and content. Ms. Holton-Hodson moved for approval of the minutes, Mr. Joseph seconded the motion. The motion was adopted with a 6-0 vote. (Ms. Sousa arrived after the vote for the approval of the minutes.)

Executive Director's Report

Ms. Liebert, Executive Director, reported that as of September 30, 2008 bonds issued totaled \$21,578,572,017, the bonds outstanding were \$7,631,574,354, and the CHFFA fund balance was \$11,280,407.64. Ms. Liebert also indicated that as of August 31, 2008, the HELP II Fund balance was \$15,161,320, the Cedillo-Alarcón Clinic Grant Fund balance was \$251,093, the Anthem-WellPoint Grant Fund balance was \$2,588,721, and the Children's Hospital Bond Act of 2004 Fund balance was \$351,508,555. Lastly, Ms. Liebert indicated that as of October 31, 2008, the CHFFA Fund Balance was \$11,105,205.04. Ms. Liebert then reported specifically regarding several line items. First, regarding the C & P Services – Internal - Other of \$315,233, Ms. Liebert indicated that this is a lump sum paid on an annual basis to the Treasurer's office for various services provided to CHFFA. Secondly, Ms. Liebert reported that the Medi-Cal loan distribution actual year-to-date is \$1,223,601 as indicated under "Loan/tran/non-exp disburse" and lastly, that the "pro-rata fund level" of \$36,121 is CHFFA's proportionate share of the Treasurer's office proportionate share of the valuable services provided to CHFFA by the State Controller's Office and other outside agencies.

Re Pending Resolutions: Ms. Liebert reported the Children's Hospital of Orange County (CHOC) has postponed their tentative plans for going out to market in December of 2008 to January of 2009. Ms. Liebert indicated that Providence Health and Services went out to market October 21, 2008 and had a successful pricing.

Re Proposition 3: Ms. Liebert reported that Proposition 3 was passed in November 2008. CHFFA is the administrator for Proposition 3 as well as Proposition 61. Proposition 3 will be a new source of \$980 million for eight private and five University of California (UC) children's hospitals throughout the State. In January, staff will present the CHFFA board members with proposed regulations for the Children's Hospital Program to initiate the regulatory process to both amend the 2004 regulations and to promulgate new regulations for Proposition 3.

Ms. Wynne asked Ms. Liebert for the reaction of the Children's Hospital Association (CHA) to this time line. Ms. Liebert reported the CHA had no complaints and that CHA asked if they could submit an application in January without regulations for Proposition 3 in place. Ms. Liebert reported that she conferred with legal counsel who indicated the children's hospitals could use the existing application.

Mr. Joseph asked if Proposition 3 states how the \$980 million was to be allocated amongst the eight private and five UC children's hospital. For a response to this question, Ms. Liebert introduced Barry Scarff, Program Manager, and Jim Rennie, Program Analyst, both staff in CHFFA's Children's Hospital Program. They explained that eighty percent of the \$980 million is allocated to the eight private with twenty percent slotted for the five UC children's hospitals.

Mr. Scarff reported each non-UC children's hospitals would be allocated approximately \$98 million with slight reductions for administrative or cost of issuance costs and that each UC children's hospital would be allocated approximately \$39.2 million with similar deductions.

Mr. Scarff and Mr. Rennie were asked if the private hospitals were non-profit institutions. Mr. Scarff stated the private hospitals are non-profit institutions.

Ms. Frank asked if CHFFA collected any of the fees that are from cost of issuance. Mr. Scarff reported that Proposition 3 and 61 have a maximum of 1% of the total bond issue set aside for possible CHFFA administrative costs.

Ms. Wynne asked who keeps the interest from the bonds issued. Ms. Liebert stated that regulations and statutes provide that any interest generated from these bonds stay with the Authority. Any excess funds after the administration of either program will go back into the program and the Authority has the discretion as to how the funds will be allocated to those hospitals.

Ms. Frank requested staff to note the differences between the existing Proposition 61 regulations and the regulations to be proposed for Proposition 3 at the January 2009 board meeting.

Ms. Liebert stated that Mr. Ronald Washington, Deputy Executive Director, would serve as her back-up during her upcoming maternity leave. Ms. Liebert stated that she will stay as involved as possible.

Item #4

**Asian Pacific Health Care Venture
Resolution No. HII-230
(Action Item)**

Ms. Liebert introduced Ray Artinian, Program Manager, of staff.

Ms. Liebert reported that Asian Pacific Health Care Venture was a previous HELP II borrower. Ms. Liebert reported that Asian Pacific Health Care Venture came before the board in April 2008. At that time, they were granted a resolution to acquire property which subsequently had environmental

contamination issues. Asian Pacific Health Care Venture then found a new piece of property which brings them back before the Board seeking permission to utilize loan proceeds for this new property.

Asian Pacific Health Care Venture representatives introduced themselves: Kazue Shibata, Chief Executive Officer and Nardo Beltran, Chief Financial Officer.

Mr. Artinian reported that this loan is similar to the first loan. Asian Pacific Health Care Venture was able to locate a new piece of property and would like to get approval as soon as possible.

Ms. Wynne commented on how well the analysis was presented.

Mr. Bistrin asked Asian Pacific what their numbers looked like for 2008 versus 2007. Mr. Beltran answered that Asian Pacific would have a loss of \$400,000 in 2008. Ms. Shibata reported this loss could be attributed to the fact that Asian Pacific Health Care Venture started caring for uninsured patients.

Ms. Holton-Hodson asked what is anticipated for Asian Pacific Health Care Venture moving forward in this next year. Ms. Shibata stated that Asian Pacific Health Care Venture did receive several expansion grants.

Mr. Bistrin moved for the adoption of the resolution and Ms. Sousa seconded the motion. The motion was adopted with a 7-0 vote.

Item #5

**HELP II Loan Program Quarterly Report
(Information Item)**

Mr. Washington, Deputy Executive Director, provided information on both the previous HELP II loan programs and the current HELP II Loan program. The original program was the HELP program which was started in 1988 and continued through June 1994. This was an interest-free loan program and was initially funded by arbitrage interest earnings. In 1994, the current HELP II program was started. This program provided for loan securitization, as well as three percent interest. Mr. Washington provided the total amount of loans disbursed under each program.

Ms. Wynne confirmed with Mr. Washington that CHFFA has the authority to change the limit of the maximum loan amount internally. Mr. Washington reported that every limit change has been brought before the Board for approval.

Upon confirmation, Ms. Wynne further asked Mr. Washington what aspects of the HELP II program might require legislative approval. Ms. Liebert indicated staff would confer with legal counsel to best respond to her question.

Ms. Liebert then provided the board with an overview of current plans for HELP II outreach to new organizations. Ms. Liebert discussed how Authority staff has worked with State Treasurer staff to identify 20 to 30 organizations that serve as umbrella organizations for different types of health care facilities throughout the State and she indicated her intention to submit articles to these organizations with hopes they would provide marketing opportunities to their constituent members. Mr. Joseph requested that possible articles be provided to the Board members so they can best be informed of CHFFA's marketing efforts.

Ms. Frank inquired with Ms. Liebert as to whether CHFFA would be pursuing the possibility of providing programmatic loans (working capital) beyond the capital loans the Authority currently does. Ms. Liebert indicated that it was her recollection that the Chair had directed staff to place this issue on the agenda for

an upcoming 2009 Board meeting. Ms. Kristin Smith, STO General Counsel's Office, approached the Board to indicate that the Authority had to be mindful of its legislation and statutes in discussing the possibility of providing these types of loans. Ms. Smith also discussed the possibility of CHFFA seeking to amend its implementing statute. Chair Wynne encouraged staff to consult with STO General Counsel to ensure the Board does not venture beyond its legal authority.

Item #6

**Anthem WellPoint & Cedillo-Alarcón Program
(Information Item)**

Ms. Liebert introduced Ray Artinian of staff.

Ms. Liebert stated that CHFFA continues to administer the Cedillo-Alarcón community clinic grant program which has an ongoing balance of funds some of which came from the Anthem WellPoint program. Both programs began with \$35 million in funding. Approximately \$3 million remained from Anthem WellPoint and was transferred to the Cedillo-Alarcón program for continued administration.

Mr. Artinian confirmed the fiscal amounts provided by Ms. Liebert and then proceeded to discuss the handout provided to the board which provided a particularized overview and history of the program. Specifically, he mentioned that eight of the ten applicants on the waiting list have received funding and that all remaining funds in the program have been allocated and are waiting to be disbursed. Mr. Artinian expressed that both programs have been labor intensive yet very rewarding for all staff.

(Sumi Sousa left before adjournment)

Adjournment

Chair Wynne asked for any public comment. Having no further business or comments, Chair Wynne called adjournment.