

MINUTES

**California Health Facilities Financing Authority
March 26, 2009 – 1:45 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 2:14 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
Jack Buckhorn

Members Absent: Dr. Oscar Sablan

Staff Present: Barbara J. Liebert, Executive Director
Ronald Washington, Deputy Executive Director

The Chair declared a quorum present.

Approval of the Minutes from the February 26, 2009 Meeting

The minutes from the California Health Facilities Financing Authority's (CHFFA) February 26, 2009 meeting were approved. Ms. Ruth Holton-Hodson moved approval of the minutes. Mr. Jack Buckhorn seconded the motion. The motion was adopted with an 8-aye vote.

Executive Director's Report

Ms. Liebert, Executive Director, reported that as of February 28, 2009, bonds issued totaled \$21,867,767,017, bonds outstanding totaled \$7,659,577,473, and the Children's Hospital of Orange County (CHOC) resolution remains outstanding.

Ms. Liebert provided the HELP II Fund balance of \$13,789,632; Cedillo-Alarcon Clinic Grant Fund balance of \$178,391, Anthem – WellPoint Grant Fund balance of \$1,383,671, and the Children's Hospital Bond Act of 2004 Fund balance of \$351,357,119.

Lastly, Ms. Liebert provided the CHFFA Fund balance of \$11,344,768.94 as of February 28, 2009.

Delegation of Powers Monthly Update

Ms. Liebert stated there was nothing to report this month.

2009 Medi-Cal Bridge Loan Program

Ms. Liebert raised the prospect of a 2009 Medi-Cal Bridge Loan Program to the Board members to gauge interest in implementing the program. Although a budget is currently in place, there was interest among Board members to proceed with the program again should the need arise.

Revised CHFFA Bond Application

Ms. Liebert discussed CHFFA's new bond application and that it had been previously disseminated to Board members electronically. Staff is planning on placing this new application on its website and making it available to potential borrowers. Draft copies of this application have been provided to potential borrowers who have indicated their desire to come back to the Authority for their financing needs.

Ms. Wynne thanked staff for their efforts in revising this application. Mr. Bistrin also recognized staff for their efforts in revising this application.

Item #4

Bond Market Economic Update

Sarah Hollenbeck, Senior Managing Consultant from Public Financial Management, Inc. provided an overview of the tax-exempt bond financial market.

Item #5

NCI Affiliates, Inc., Paso Robles, California Resolution No. HII-238

Chair Wynne introduced Mr. Ray Artinian, Program Manager, of staff. Mr. Artinian introduced Ms. Crystal Nevosh, Executive Director, and Ms. Amy Hicks, Senior Client Services Coordinator, both of NCI Affiliates, Inc.

Established in 1980, NCI provides rehabilitation and community living service to residents of San Luis Obispo County with mental and/or physical disabilities. Currently, NCI operates two facilities located in Paso Robles. Proceeds from this loan will be used to refinance an existing construction loan with a balance of approximately \$733,000. Refinancing this loan at a lower fixed interest rate of 3% will result in an estimated interest savings of approximately \$134,000 over the life of the proposed HELP II loan.

Staff recommended approval of a HELP II loan for NCI Affiliates, Inc. in an amount not to exceed \$745,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

Ms. Nevosh described the facilities. Mr. Buckhorn inquired as to when construction of this facility was completed and whether or not construction costs included payment of prevailing wage. Ms. Nevosh replied that it was constructed with private funds and the construction was completed a year ago.

Mr. Buckhorn conveyed his concern that refinancing non-prevailing wage paid construction projects may present a loop hole for borrowers to potentially circumvent the prevailing wage requirement. While stating it would not be fair to NCI Affiliates today, Mr. Buckhorn would like to follow-up this discussion with the Board at a later date. Ms. Wynne agreed that this does issue does not affect this particular project and indicated to staff to place this on the Board's agenda within the next several months.

Mr. Bistrin moved approval of the Resolution. Ms. Frank seconded the motion. The motion was adopted with a 8-0 vote.

Mr. Sheehy exited the board meeting at 2:50pm.

Item #6

University of California, Irvine Medical Center, Orange, California Resolution No. CHP 2009-03

Chair Wynne introduced Mr. Jim Rennie, Analyst, of staff. Mr. Rennie introduced Mr. Zareh Sarrafian, Administrator, and Ms. Dolores Aeberli, Director of Finance, both of University of California, Irvine Medical Center.

The University of California, Irvine Medical Center, Orange, California, requested approval of grant funds as reimbursement for the eligible proportional pediatric costs for constructing a replacement hospital, which replaces the main hospital building built in 1960. The new hospital has a 30-bed Neonatal Intensive Care Unit. Proceeds of the grant will be used by University of California, Irvine Medical

Center to reimburse the eligible proportional pediatric costs of constructing a 236-bed replacement hospital that has a 30-bed Neonatal Intensive Care Unit. Staff recommended Authority approval of a resolution for the University of California Irvine Medical Center to receive a grant not to exceed \$30,000,000 (less Costs of Issuance and Administrative Costs), subject to all requirements of the Children's Hospital Program.

Mr. Bistrin inquired as to the 20% decrease in charitable work on behalf of the Medical Center. Mr. Sarrafian responded that this decrease was the result of their efforts to work with their county and surrounding hospitals to contribute their fair share towards serving the local indigent community. Ms. Aeberli added that one-quarter of their net revenue is Medi-cal.

Mr. Bistrin moved approval of the Resolution. Mr. Buckhorn seconded the motion. The motion was adopted with a 7-0 vote.

Item #7

**Loma Linda University Medical Center, Loma Linda, California
Resolution No. CHP 2009-04**

Chair Wynne stated that Mr. Rennie would also be presenting this Board item. Mr. Rennie introduced Mr. Morris Frieling, Associate Director of Finance, and Ms. Jean Teetor, Associate Director of Finance, both of Loma Linda University Medical Center. The Loma Linda University Children's Hospital (LLUCH), Loma Linda, California requested approval of grant funds as reimbursement for costs to replace/update older equipment for patient care. Items listed in the application were earmarked for numerous departments including NICU, laboratory, and imaging. Some of the expenditures were for a pre-analytic blood sample handling machine (\$728,000 – pediatric proportional share), mobile fluoroscopy unit (\$202,000 – pediatric proportional share), several ventilators (\$334,000) and a variety of surgical equipment – pediatric proportional share. Staff recommended the Authority approve a resolution for Loma Linda University Medical Center to provide a grant not to exceed \$2,867,484 (less costs of issuance), subject to all requirements of the Children's Hospital Program and the above listed conditions.

Prior to moving forward with this agenda item, Chair Wynne asked Ms. Liebert about the status of a previous grant application approved for Loma Linda University Medical Center. Ms. Liebert responded that this grant, if approved, would be added to the previous grant application approved, and will be part of the validation action moving forward. When asked by Chair Wynne of the status of the validation action, Ms. Liebert stated that the Attorney General's Office had prepared the complaint and were waiting for any additional grant applications prior to filing.

When asked by Ms. Holton-Hodson as to why Loma Linda University Medical Center was coming before the Board now rather than later for a larger amount of money, Mr. Frieling provided that the hospital needs money and that it posted over \$130,000,000 in losses in Medi-Cal last year and they are not able to sustain that. Ms. Teetor confirmed for Ms. Bistrin that 68-74% of the patients served in their Children's Hospital are Medi-Cal eligible.

Ms. Diana Dooley, CEO, Children's Hospital Association, and present in the audience, was asked to provide additional information regarding this agenda item. Ms. Dooley stated that the portion of the patients served in the children's hospitals is the most significant differentiating factor and it is why the children's Hospitals went to the public for the bonds in the first place. Children's hospitals cannot reserve capital to invest in the capital needs.

Ms. Kristin Smith, Legal Counsel, State Treasurer's Office, asked to go back to the issue of the validation action. Ms. Smith stated that when the Authority files the validation action, it is basically an invitation for anyone to sue the Authority. If no one files suit, the Authority will likely request a default judgment which the Attorney General's Office will not accept as precedent setting. However, if someone does sue the Authority and the Authority prevails, and then prevails again on appeal, the Attorney General's Office will accept that as precedent setting.

Mr. Bistrin moved approval of the Resolution. Mr. Buckhorn seconded the motion. The motion was adopted with a 7-0 vote.

Item #8 **Lucile Salter Packard Children's Hospital at Stanford, Palo Alto, California**
Resolution No. CHP 2009-05

Chair Wynne stated that Mr. Rennie would again be presenting this Board item. Mr. Rennie introduced Mr. Mark Tortorich, Vice-President, Planning, Design & Construction. The Lucile Salter Packard Children's Hospital at Stanford requested Authority approval of grant funds and implementing regulations to award grants from the proceeds of general obligation bonds in an amount not to exceed \$74,000,000, less the bond issuance costs to qualified children's hospitals to finance eligibility projects. The grant was to be used to fund/reimburse several projects, including for the benefit of the Oncology Unit, Surgical suite, Pediatric Intensive Care Unit and the acquisition of patient care equipment. Staff recommended Authority approval of an extension of the project period end date to March 31, 2010.

After Board discussion with Ms. Tortorich with regards to the nature and specifics of the delays in the construction projects, Ms. Frank asked if there was any litigation pending. Mr. Tortorich responded there was not. Ms. Frank moved approval of the Resolution. Mr. Bistrin seconded the motion. The motion was adopted with a 7-0 vote.

Item #9 **Finance Committee Bond Issuance & Pooled Money Investment Board Loans**
Resolution No. CHP 2009-06

Chair Wynne introduced Mr. Barry Scarff, Program Manager, of staff. Mr. Scarff provided that pursuant to the passage of Proposition 3, the Authority must delegate authorization to its Executive Director to perform certain administrative functions associated with implementing the Children's Hospital Program of 2008 includes the following:

- Determining the amount of funds necessary to meet the purposes of the Program (not to exceed 980 million)
- Requesting the Children's Hospital Bond Act Finance Committee to issue bonds for purposes of the Program
- Applying for Pooled Money Investment Account loans to provide interim financing until bonds are issued and sold.
- Executing any application, documents or certificates relating to the Program, as appropriate.

Staff recommended Authority approval of Resolution No. CHP 2009-06 authorizing the Executive Director to take the necessary steps to ensure that hospital grant funds are available upon request and to administer the Program. Presented by Barry Scarff.

Staff recommended Authority approval of a resolution delegating authority to its Executive Director to request the Children's Hospital Bond Act Finance Committee to issue bonds and to apply for Pooled Money Investment Board loans, as well as any other necessary tasks related to the Program, all as detailed in the attached Resolution.

Chair Wynne asked for any questions or comments from either the Board or the public. Ms. Dooley approached the Board, stating that this agenda item is actually why she came today. Ms. Dooley thanked the Board for its staff's work to disburse funds as they become available due to the very serious issues facing children's hospitals, particularly Children's Hospital Los Angeles.

Mr. Joseph moved approval of the Resolution. Ms. Sousa seconded the motion. The motion was adopted with a 7-0 vote.

Item #10 **San Benito Health Foundation, Hollister, California**
Resolution No. 2009-06

Chair Wynne introduced Ms. Thera Hearne, Analyst, of staff. Ms. Hearne introduced Mr. Ahmed Hernandez-Cervantes, Accountant, San Benito Health Foundation. San Benito Health Foundation is an

awardee of the CCGP, and had an obligation to submit grant documentation to the Authority by February 23, 2009, as a condition for the funding its grant. San Benito Health Foundation now requests approval of the Authority to extend the documentation deadline to April 30, 2009, given the difficulty of securing equipment vendors and general construction contractors. Staff recommended Authority approval of the documentation deadline extension request submitted by San Benito Health Foundation from February 23, 2009 to April 30, 2009.

Ms. Holton-Hodson asked if the contracts have been signed yet. Mr. Hernandez-Cervantes, Accountant for the company replied 'yes' that the architects have already been chosen. Mr. Bistrin asked if the company had originally underestimated the cost of their project. Mr. Hernandez-Cervantez replied that the company is in the means of their budget and can move forward.

Ms. Smith, Legal Counsel, State Treasurer's Office, stated that since the document deadline has passed, the Board's motion and the language of the resolution has to be amended to reflect and acknowledge that the deadline has passed and that a new deadline is being established and not being extended. Ms. Smith stated you cannot extend a deadline that has already expired.

Ms. Frank moved approval of the Resolution. Ms. Holton-Hodson seconded the motion. The motion was adopted with a 7-0 vote.

With no other business or public comment, Chair Wynne called for adjournment at 3:00 PM.