

## MINUTES

**California Health Facilities Financing Authority  
June 25, 2009 – 1:45 P.M.  
915 Capitol Mall, Room 587  
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 1:55 P.M.

### **Roll Call**

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer  
Ruth Holton-Hodson for John Chiang, Controller's Office  
Miriam Ingenito for Michael C. Genest, Department of Finance  
Ronald Joseph  
Jack Buckhorn  
Dr. Oscar Sablan  
Judith Frank

Members Absent: Harry Bistrin  
Sumi Sousa

Staff Present: 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 the Minutes from the May 13, 2009 and May 28, 2009 Meetings**

Ms. Liebert commented on the May 28, 2009 meeting minutes. Specifically, Ms. Liebert noted an amendment to further explain the recusal of Board member Judith from participation in Item # 4 of that agenda, the Stanford Hospital and Clinics Project, to avoid a possible conflict-of-interest. Ms. Liebert stated that she would amend these meeting minutes to more definitively reflect what occurred during this item.

For ease of approval purposes, Chair Wynne instructed that the voting for approval of these two sets of meeting minutes would be done separately.

Chair Wynne put over the approval of the May 13, 2009, minutes until the Board's July 30, 2009, meeting to ensure a quorum.

Ms. Frank moved for approval of the May 28, 2009, meeting minutes. Mr. Buckhorn seconded the motion and the motion was adopted with a 7-aye vote.

### **Executive Director's Report**

Ms. Liebert reported as of May 31, 2009, bonds issued totaled \$22,501,272,017 and bonds outstanding totaled \$7,647,144,341. Ms. Liebert indicated the Children's Hospital of Orange County Resolution remains outstanding.

Ms. Liebert also reported the HELP II Fund balance of \$12,532,496, the Cedillo-Alarcón Clinic Grant Fund balance of \$185,226, the Anthem-WellPoint Grant Fund balance of \$1,095,151, and the Children's Hospital Bond Act of 2004 Fund balance of \$351,274,840.

Lastly, Ms. Liebert reported the CHFFA Fund balance total of \$11,220,382.29.

Ms. Liebert further reported that CHFFA had formed two working groups to address two separate issues to ultimately present to the board. One group will be looking at the Authority's guidelines for possible revision. The other working group will examine the documents CHFFA utilizes in bond transactions to determine if they can be templated and standardized to ensure consistent documents from transaction to transaction. Staff aspires to have these documents available on the Authority's website.

Ms. Liebert reported that the need for the Medi-Cal Loan Bridge Program has not presented itself. Staff will keep the Board updated as to whether or not it may be presented in the foreseeable future.

### **Delegation of Powers Monthly Update**

No delegated powers were exercised this month.

To accommodate the borrowers, Agenda Item #7 was moved forward with no objection from the Board.

#### **Item #7**

#### **The Help Group (THG), Sherman Oaks, California Resolution No. 345**

Chair Wynne introduced Cheryl Ide, Analyst, of staff. Ms. Ide introduced Dr. Barbara Firestone, President and CEO of The Help Group, Michael Love, Senior Vice President of The Help Group and Roy Nelson of Wulff, Hansen & Co. THG is composed of seven affiliated non profit campuses that assist children and families with special needs by providing a wide range of mental health therapy. THG currently provides services in the Los Angeles area with seven specialized programs, while also providing therapy and residential programs. Bond proceeds will be used to renovate and equip a building that will provide a wide array of interdisciplinary services to children diagnosed with autism spectrum disorder.

Staff recommended Authority approval of Resolution No. 345 in an amount not to exceed \$600,000,000 for The Help Group, subject to a bond rating of at least an "A" category rating by a nationally recognized rating agency and final Cal-Mortgage commitment.

Ms. Liebert explained a pending legal issue before the Attorney General's (AG) office concerning the Help Group's eligibility and that staff's recommendation for approval would consequently be made subject to the AG's Office determining that the project is eligible for financing. Ms. Liebert stated that financing will not occur if the AG deems the project ineligible.

Ms. Ingenito asked when the determination is expected. Ms. Liebert did not know and asked if there was a representative from the AG's office in the audience. There was not. Ms. Liebert stated that the financing will not go forward unless a positive determination is made.

Mr. Nelson responded that they have been working the last 4-6 days to resolve the issues and have made significant progress. He believed it would be only a matter of a few days, rather than a few weeks, on this matter.

Chair Wynne asked Ms. Liebert to provide an update at the next Board meeting as to how this was resolved.

Mr. Joseph moved approval of Resolution No. 345 and Ms. Holton-Hodson seconded the motion. The motion was adopted with a 6-aye vote. Ms. Holton-Hodson abstained, stating that the State Controller, John Chiang, is a long time contributor to thTe Help Group and wants to avoid any potential perception of a conflict of interest.

**Item #4****Providence Health System (PHS) – Southern California  
Providence Holy Cross Medical Center, Mission Hills, California  
Resolution No. 342**

Chair Wynne introduced Karma Manni, Analyst, of staff. Ms. Manni introduced Sue Painter, System Director and Treasurer of PHS, Kerry Carmody, Chief Operating Officer for the California Region of PHS, Kenneth Vallrugo of Merrill Lynch & Co., and Michele Dulik of Sidley Austin. PHS is a non-profit health system providing health care services in the State of Washington, Oregon, Montana, Alaska and California. Bond proceeds will be used to construct a four-story medical tower, to complete required seismic retrofits, and to upgrade an existing central utility plant.

Staff recommended Authority approval of Resolution No. 342 in an amount not to exceed \$150,000,000 for Providence Health & Services subject to a bond rating of at least an “A” category rating by a nationally recognized rating agency.

Ms. Holton-Hodson moved approval of Resolution No. 342 and Dr. Sablan seconded the motion. The motion was adopted with a 7-aye vote.

**Item #5****Asian Health Services (AHS), Oakland, California  
Resolution No. 343**

Chair Wynne introduced Yassar Dahbour, Analyst, of staff. Mr. Dahbour introduced Judy Gong, Chief Financial Officer of AHS and Roy Nelson of Wulff, Hansen & Co. AHS is a private corporation that provides health care and health education to individuals residing in low income Asian immigrant communities in Alameda County. AHS commenced operations in 1974 and has grown to a comprehensive primary care community clinic providing medical, dental and behavioral health services to approximately 20,000 patients. Bond proceeds will be used to refund Revenue Certificates of Participation issued by the Association of Bay Area Government (ABAG) Finance Authority for Nonprofit Corporations.

Staff recommended Authority approval of Resolution No. 343 in an amount not to exceed \$4,265,000 for Asian Health Services subject to a bond rating of at least an “A” category rating by a nationally recognized rating agency and subject to a final Cal-Mortgage Insurance commitment. Mr. Dahbour clarified that the staff report provided an incorrect amount. Ms. Liebert stated that the resolution provided to the Board had the correct amount.

Ms. Holton-Hodson moved approval of Resolution No. 343 and Mr. Buckhorn seconded the motion. The motion was adopted with a 7-aye vote.

**Item #6****Cedars-Sinai Medical Center (CSMC), Los Angeles, California  
Resolution No. 344**

Chair Wynne introduced Jerome LaTorre, Analyst, of staff. Mr. LaTorre introduced Edward Prunchunas, CFO, Ellen Riley, Financial Advisor, Kaufman Hall, and John Woodward, Underwriter, Merrill Lynch. CSMC, a California nonprofit public benefit corporation, incorporated in 1961, owns and operates a major tertiary medical center in Los Angeles, California. CSMC is situated on an approximately 26-acre site and includes a 1.7 million square foot main medical center complex supported by an additional 891,000 square feet in adjacent research and ancillary facilities. In addition, CSMC owns an adjacent outpatient Surgery Center of approximately 44,000 square feet. As a teaching hospital, CSMC serves as a regional resource with a full complement of primary care, specialty and subspecialty services. Bond proceeds will be used to make various facility improvements and upgrades, to design, build, and implement Epic Clinical Systems and an Epic electronic medical record system (EMR), and to construct a 390,000 square foot Advance Health Sciences Pavilion. Additionally, bond proceeds will finance the reimbursement of prior routine capital expenditures, including \$121 million in information systems spending, including the opening of a new data center.

Staff recommended Authority approval of Resolution No. 344 in an amount not to exceed \$600,000,000 for CSMC, subject to a bond rating of at least an “A” category rating by a nationally recognized rating agency. Mr. LaTorre provided to the Board, a replacement page for the staff report was handed out prior

to the presentation with a correction on page 2 for *Financing Costs* which should read *Original issue discount \$11,880,000*.

Chair Wynne asked the guest if there was anything else that they would like to add. Mr. Prunchunas thanked staff, indicating that CSMC does not often borrow money, believing that the last time was in 2000 or 2001. He indicated that there are a number of projects CSMC is involved in and the community has a need for their services. He stated as the need for neurosciences, cancer and cardiology had increased, CSMC has increased their capacity to address that need.

Ms. Liebert provided that last night, the evening of June 24, 2009; staff received a letter from the California Nurses Association (CNA). This letter, which has been circulated to the Board, voiced CNA objections to this transaction. Ms. Liebert indicated that the thrust of their objections were that the pass-thru requirements imposed on CSMC in 2005 had not been fulfilled and that is the basis for the transaction not going forward today. Mr. Liebert indicated that four layers of staff had combed through the CSMC application, which included the pass-thru certification policy the board passed last May and CSMC had fulfilled the requirements, including all of the documentation they submitted in support of the request.

Chair Wynne stated that the nurses can come up for public comment but first she asked the board if they had any questions. Ms. Holton-Hodson asked if CSMC would be applying for federal health information technology dollars. Mr. Prunchunas replied that the company will hopefully apply for that but it is highly unlikely that an individual organization will get anything. Ms. Holton-Hodson commented it was her understanding there was a dedicated sum for California and for hospitals within California. Mr. Prunchunas replied yes but it will still be an interesting fight for it.

Chair Wynne asked for public comment, specifically Kelly Green, CNA.

Ms. Green, on behalf of the CNA stated in length why the California Nurses Association/National Nurses Organizing Committee (CNA/NNOC) was opposed to CSMC's application. Ms. Green also provided a hand out to the board members prior to the Cedar-Sinai presentation.

Chair Wynne replied that CHFFA has a thirty-year-old authorizing statute that is extraordinarily complicated, but was obligation to come up with some kind of pass-thru that had to do with hospital rates. Ms. Wynne stated that about a year ago, the board adopted a formal policy which would make it predictable and easier for hospitals to see what we are looking at and easier for the board to react to borrowers. The board is satisfied that staff had done the analysis and had determined that CSMC had met their obligation.

After discussion by Board members, including questions to Ms. Green, Chair Wynne asked if there were any other public comments on this item. There were none.

Mr. Joseph moved approval of Resolution No. 344 and Ms. Frank seconded the motion. The motion was adopted with a 7-aye vote.

**Item #8                      Children's Hospital & Research Center at Oakland (CHO), Oakland, California**  
**Resolution No. CHP 2009-09**

Chair Wynne introduced Jim Rennie, Analyst, of staff. Mr. Rennie introduced Gary Chawk, CFO, and Mary L. Dean, Sr. VP and Chief Strategy Officer of the Children's Hospital & Research Center at Oakland. Children's Hospital Oakland is a non-profit general acute care hospital with a current license from the Department of Health Services. The 2008 (year ending December 31) audit was submitted and it was free of "going concern" language. CHO is seeking grant funds to acquire (proportional share), renovate and equip the Children's Specialty Care Center located in Walnut Creek.

Approximately 50% of the building is leased to other entities. CHO is therefore only eligible for a portion of the acquisition costs. The Children's Specialty Care Center currently has 15 exam rooms, two cast rooms, and a laboratory. Upon completion of remodeling, in addition to the above, the clinic will

have an imaging department, two operating rooms, one procedure room and space for induction and recovery for same-day surgery, for a total of about 32,000 square feet of usable space.

Staff recommended Authority approval of Resolution No. CHP 2009-09 for the Children's Hospital & Research Center at Oakland to provide a grant not to exceed \$28,187,942 (less costs of issuance), subject to all requirements of the Children's Hospital Program.

Chair Wynne asked if there were any questions or comments from the board members or the public. There were none.

Dr. Sablan moved approval of Resolution No. CHP 2009-09 and Mr. Joseph seconded the motion. The motion was adopted with a 7-aye vote.

**Item #9** **Community Action Partnership of San Luis Obispo County, Inc.,  
Arroyo Grande, California**  
**Resolution No. HII-242**

Chair Wynne introduced Yassar Dahbour, Analyst, of staff. Mr. Dahbour introduced Joan Limov, CFO and Raye Fleming, Health Services Director of the Community Action Partnership of San Luis Obispo County, Inc. The Community Action Partnership of San Luis Obispo County (formerly the Economic Opportunity Commission) is a private, nonprofit public benefit Community Action Agency. Established in 1965 as part of President Lyndon Johnson's war on poverty, the Partnership is dedicated to addressing the issues of poverty through a comprehensive array of community-based social and medical programs and actions. In 2008, the Partnership's programs served more than 43,000 low-income persons in San Luis Obispo County and nine central and southern California counties. The Partnership is located in a rural Medical Service Study Area as defined by the California Health Manpower Policy Commission. Loan proceeds will be used to refinance a 7% variable rate loan that was used to acquire the Arroyo Grande Clinic.

Staff recommended approval of a HELP II loan for Community Action Partnership of San Luis Obispo County, Inc. in an amount not to exceed \$376,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

Ms. Ingenito moved approval of Resolution No. HII-242 and Mr. Buckhorn seconded the motion. The motion was adopted with a 7-aye vote.

**Item #10** **East Valley Community Health Center, Inc. (EVCHC), West Covina, California**  
**Resolution No. HII-243**

Chair Wynne introduced Ray Artinian, Program Manager, of staff. Mr. Artinian introduced Alicia Mardini, CFO and Joe Gotsill, Finance Director of the EVCHC project. EVCHC is a private, non-profit corporation founded in 1970. EVCHC has evolved from a free clinic that focused on family planning and counseling services into a comprehensive health care provider, operating facilities in West Covina and Pomona and currently employing over 130 staff. EVCHC has been a Federally Qualified Health Care since 2002. Bond proceeds will be used to finance a portion of a construction line of credit (LOC) from Promerica Bank. EVCHC is obtaining the CHFFA loan to refinance the smaller portion of the LOC. In comparison to a commercial loan of \$750,000 at a fixed rate of 7%, the proposed financing will potentially save approximately \$282,000 over the life of the proposed HELP II loan.

Staff recommended approval of a HELP II loan for EVCHC in an amount not to exceed \$750,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

After discussion by the Board, Ms. Holton-Hodson moved approval of Resolution No. HII-243 and Ms. Frank seconded the motion. The motion was adopted with a 7-aye vote.

**Item #11** **Project Ninety, San Mateo, California**  
**Resolution No. HII-244**

**WITHDRAWN**

## **Item #12      Other Business**

Bond counsel present at the Board meeting informed staff that the State had been downgraded to an A-rating which means that Cal-Mortgage had been downgraded to an A-. The threat of a further downgrade would bring it down to a B category. That additional downgrade would affect two of the applications heard before the Board today: Asian Health Services and The Help Group.

After discussion and input from various individuals, including Ms. Diane Potter, Of Counsel, Public Finance, Orrick, Herrington, & Sutcliffe LLP, Mr. Nelson, Mr. Rennie and Kristin Smith, Legal Counsel, State Treasurer's Office, Chair Wynne indicated she would like to have Cal-Mortgage staff come and present before the Board.. Chair Wynne indicated she would be comfortable this month to grant an exception for one month to allow the borrowers to get out to market and try to get their bonds sold, with the condition that the credit rating does not drop below B+. Chair Wynne stated this is a very unusual circumstance that has occurred and the borrowers would be hurt if the Board did not allow this. However, if the borrowers are unable to get to market, then the Board will look at it again at its July 30, 2009, meeting.

After a motion by Mr. Joseph, Chair Wynne asked if the Board should take the transactions up one at a time. Ms. Smith recommended the Board move to amend the resolutions for each of the borrowers; that way they are separate.

After Chair Wynne commented to vote on Asian Health Services, Ms. Smith stated that the Board will have to rescind the vote and then approve the original version. Chair Wynne stated that she believed there are four motions. Mr. Joseph move to rescind previous action on Asian Health Services, Ms. Frank seconded the motion.

Ms. Smith commented that rather than having both resolutions rescinded you could have approved a second resolution which is an amended resolution which could actually have a 30-day sunset provision so it really is only good for 30-days or make it 45-days so if you want to. Ms. Potter stated that the existing resolution is good for a year with the A rating. The Board did not want to necessarily lose that one.

Chair Wynne asked if Mr. Joseph and Ms. Frank would be willing to rescind their motion? Ms. Smith said that you may want to put a 45-day sunset so that if in 30-days, if it is 35-days before we have the board meeting you have the ability to renew it.

Chair Wynne stated that we are going to pass an addendum in the way of an amendment. Ms. Potter provided language for the resolution for these borrowers, stating that you can do one resolution for each, you can do a third that is a motion to add a resolution allowing an exception to each of the resolutions for agenda item #5 and agenda item #7, stating that until August 1, 2009, if the minimum rating is no less than BBB+ based solely on the Cal-Mortgage credit, that the bond sale can proceed within the other parameters of the existing resolutions.

Mr. Joseph asked if the Board will have any problems with the open meeting act with this resolution. He was informed that there was no problem. Ms. Potter replied that it is still an action on the same items that were agendized.

Chair Wynne stated such will be the motion from Mr. Joseph, as articulated by Ms. Potter. Ms. Frank seconded that motion.

Chair Wynne further asked if there were any public comments, hearing none, Chair Wynne asked if there was any objection to the recording the seven Board members present as voting aye. There was no objection and the motion was passed.

With no other business or public comment, Chair Wynne adjourned the meeting at 3:21 P.M.