

MINUTES

California Health Facilities Financing Authority
March 25, 2010
915 Capitol Mall, Room 587
Sacramento, California

Patricia Wynne, Chairperson called the meeting to order at 1:36 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Cynthia Bryant for Ana J. Matosantos, Department of Finance
Jack Buckhorn
Judith Frank
Dr. Oscar Sablan – Via Teleconference

Members Absent: Ronald Joseph
Sumi Sousa
Harry Bistrin

Staff Present: Barbara J. Liebert, Executive Director
Rosalind Brewer, Deputy Executive Director

The Chair declared a quorum present.

Approval of the Minutes from the February 25, 2010 meeting

Judith Frank moved approval of the February 25, 2010 meeting minutes and Cynthia Bryant seconded the motion. The minutes were approved with a 6-0 vote.

Executive Director's Report

Ms. Liebert reported the following as of February 28, 2010: Bonds issued: \$24,414,717,017; Bonds outstanding: \$9,334,430,847; CHFPA fund balance: \$13,411,107; HELP II fund balance: \$12,836,932, Cedillo-Alarcón Clinic: \$213,659; Anthem-WellPoint: \$346,093; Children's Hospital Bond Act of 2004: \$231,715,130 and the Children's Hospital Bond Act of 2008: \$825,294,764.

Delegation of Powers Monthly Update

Ms. Liebert indicated there were no actions to report pursuant to the Delegation Resolution.

Accounts Receivable Status Report

Ms. Liebert reported on the status of the one delinquent HELP II borrower in the Authority's inventory of HELP II loans and advised she would keep the board informed of further developments.

Treasurer Lockyer Champion for Children's Award

Ms. Liebert reported that Treasurer Bill Lockyer was presented with the Champion for Children's Award by the Children's Hospital Association on March 4, 2010.

Streamlining Staff Reports

Ms. Liebert indicated staff is interested in streamlining its staff reports and she asked for board member input as to those areas most important and/or not so important to them and to provide comments to staff. Chair Wynne asked for board members to provide their input to staff within the month.

Alternative Forms of Security for HELP II Loans

Ms. Liebert informed the board that the Authority may be seeing more transactions seeking to finance the cost of equipment. Ms. Liebert discussed a potential loan that may be coming to the board in the foreseeable future where approximately one-half of the loan proceeds will be used for the purchase of computer equipment and the other half of the loan proceeds will be used for the purchase of software. In these instances, because of the arguably significant depreciation of computer software, staff recommended that for these types of loans, the borrower provide an alternative form of security, including real property. Ms. Liebert asked for discussion from the board as to their concerns and whether they find this proposal an acceptable process. Ms. Liebert stated that in the past, CHFFA did not look for alternative forms of security; rather, liens were simply placed on the equipment. In this proposed scenario, the Authority would be placing a lien on real property.

Chair Wynne commented that this conversation becomes relevant relative to health information technology, which the Authority may be asked with greatly regularity in the next year or two to assist with financing. There was discussion of this proposal among the board, with input provided by bond counsel, Ms. Diane Potter, Esq., Orrick, Herrington & Sutcliffe LLP, and Authority Financial Advisor, Mr. Greg Matayoshi, Assistant Director, Macias Gini & O'Connell, LLP.

Item #4 **Petaluma Health Center (PHC), Resolution No. 353**

Thera Hearne, Staff Analyst, introduced Kathryn Powell, the Chief Executive Officer and Tim Moran, the Chief Financial Officer for Petaluma Health Center; and Lalo Trujillo, Vice President of Piper Jaffray & Co. Ms. Hearne provided an overview of the transaction and indicated bond proceeds will be used to purchase an existing building in Petaluma and to fund modifications to convert the building into a state-of-the-art clinic facility. Ms. Hearne elaborated that PHC has successfully secured a federal grant in the amount of \$9,400,000, plus a grant in the amount of \$642,000 from United Health Group as an additional source of funding for the project. Ms. Hearne further indicated that PHC will consolidate three locations that it currently leases, including its administrative offices, into the new facility and, that PHC plans to expand patient services by 50%.

Staff recommended the Authority approve Resolution Number 353 in an amount not to exceed \$6,000,000 for Petaluma Health Center subject to financing terms acceptable to the Authority and pending final Cal-Mortgage Insurance commitment. Ms. Liebert added that this recommendation is contingent upon approval of Cal-Mortgage.

Ms. Frank commented she would like to find a way of lowering financing costs for the borrower. After discussion by the board, including input from Mr. Trujillo, Jack Buckhorn moved approval of the Resolution and Ruth Holton-Hodson seconded the motion. The motion was adopted with a 6-0 vote.

Item #5 **Citrus Valley Medical Center, Inc. and Foothill Hospital – Morris L. Johnston Memorial (d.b.a. Foothill Presbyterian Hospital), Resolution No. E-25**

Marissa Sequeira, Staff Analyst, introduced Diane Potter, Esq., Orrick, Herrington & Sutcliffe LLP, and Bruce Barnum, Enterprise Client Manager, GE Healthcare Financial Services. Prior to beginning discussion of the application, Ms. Liebert reported the history of the Authority's Tax-Exempt Equipment Financing Program.

Ms. Sequeira provided that the applicant operates multiple acute care facilities with a total of 623 licensed beds and provides inpatient, outpatient, and emergency care services for the communities surrounding its

three medical center campuses located in Covina, West Covina and Glendora California. The mission is to help people keep well in body, mind and spirit by providing quality health care in a compassionate environment. The service area is the East San Gabriel Valley which serves a wide diversity of ethnicities and income levels.

Ms. Sequeira indicated bond proceeds would be used to acquire equipment essential to providing patient care at its numerous facilities to replace several pieces of equipment which are beyond their useful life. Staff recommended the Authority approve Resolution Number E-25 in an amount not to exceed \$5,000,000 for the applicant.

After discussion by the board, Ms. Holton-Hodson moved approval of the Resolution and Ms. Bryant seconded the motion. Prior to the vote, Ms. Frank declared that she owned some GE stock and would therefore recuse herself from the vote. The motion was adopted with a 5-0-1 vote, with Ms. Frank abstaining.

Item #6 **Seneca Healthcare District (SHCD), Resolution No. HII-247**

Cheryl Ide, Staff Analyst, introduced Doug Self, Chief Executive Officer, SHCD. Ms. Ide provided an overview of the transaction and indicated bond proceeds would be used to finance a portion of an existing variable rate loan. Ms. Ide recommended approval subject to the terms and conditions set forth in the state report and Ms. Liebert noted for the record that the staff report indicated the monthly savings equated to \$11,000 with the refinancing, but that the actual savings was roughly \$8,000 per month.

After discussion by the board and comments from Mr. Self, Mr. Buckhorn moved approval of the resolution and Ms. Bryant seconded the motion. The motion was adopted with a 6-0 vote.

Item #7 **Bloss Memorial Healthcare District (BMHCD), Amended Resolution No. HII 221**

Yassar Dahbour, Staff Analyst, introduced Bill Able, Chief Financial Officer, BMHCD. Staff requested the board to amend the security interest on a HELP II loan for Bloss Memorial Healthcare District, previously approved by the board at its May 29, 2008 Authority meeting to allow BMHCD to sell the Iridex Combo Argon/YAG Laser (the Ophthalmology Laser Equipment) previously purchased with HELP II funds. Mr. Dahbour indicated the company intended to use the proceeds from the sale to purchase other eye care equipment for BMHCD Eye Care Center. Mr. Dahbour further indicated the amendment would necessitate releasing the UCC-1 lien on the piece of equipment to be sold while simultaneously placing a new UCC-1 lien on the equipment to be purchased.

Ms. Holton-Hodson moved approval of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with a 6-0 vote.

Item #8 **Children's Hospital Central California, Resolution No. CHP 2010-02**

Jim Rennie, Staff Analyst, presented the staff report for Children's Hospital Central California. Mr. Rennie summarized the transaction and then recommended the Authority approve an extension of the project period end date to July 31, 2010.

Dr. Sablan moved approval of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with a 6-0 vote.

Item #9 **Bond Issuance Guidelines Working Group Update (Information Item)**

Ms. Liebert provided an update on the efforts of CHFFA and CEFA working group examining the Authority's guidelines for each of our bond transactions. Ms. Liebert reminded the board of who participates on the working group and then provided a general overview of where staff is heading with its recommendations. Ms. Liebert indicated that at the board's April 2010 meeting, there will be more of an open ended discussion with specific recommendations.

Chair Wynne asked staff to arrange for a joint meeting with CHFFA and CEFA to avoid a duplicated presentation for board members who sit on both Authorities

After further discussion by the board with regard to the bond guidelines, Chair Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 2:32 P.M.