

## MINUTES

**California Health Facilities Financing Authority  
June 30, 2011  
915 Capitol Mall, Room 587  
Sacramento, California 95814**

Patricia Wynne, Chairperson called the meeting to order at 11:29 A.M.

### **Roll Call**

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer  
Dave O'Toole for John Chiang, Controller's Office  
Jennifer Rockwell for Ana J. Matosantos, Department of Finance  
Jack Buckhorn  
Dr. Oscar Sablan – Teleconference  
Ann Madden Rice  
Ronald Joseph

Members Absent: Judith Frank  
Samuel Qiu

Chairperson Wynne declared a quorum present.

Chairperson Wynne explained to Board Members that the Open Meetings Act requires a board member to be at the location where the agenda identifies an alternative location for the public meeting. Since Samuel Qiu was not present at the location identified, he could not participate in the meeting from a different location.

### **Item #2** **Approval of the Minutes from the June 13, 2011 Meeting (Action Item)**

Ms. Rockwell moved for the approval of the minutes and Mr. Buckhorn seconded the motion. The minutes were unanimously approved with a 6-Aye roll call vote. Mr. Joseph abstained.

### **Item #4** **St. Joseph Health System and its Affiliates, Resolution No. 365**

Carolyn Aboubechara, Staff Analyst, introduced Jo Ann Escasa-Haigh, Sr. Vice President of Finance at St. Joseph Health System and John Landers, Managing Director at Morgan Stanley & Co. as Underwriter. Bond proceeds will be used for the purpose of financing, including reimbursement of previous expenditures, certain construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of four California health facilities.

Staff recommended the Authority approve Resolution Number 365 in an amount not to exceed \$305,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & OConnell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concur with the Authority's staff recommendation.

Mr. O'Toole requested an explanation of the denial management practices as shown in the staff report.

Ms. Escasa-Haigh replied that previously at any time a claim was denied by a health plan each of its hospitals would collect it separately. With the new denial management practice, St. Joseph has consolidated and standardized its collection efforts and has been able to collect claims more quickly.

Ms. Liebert added that denial management practices is a new term of art which is used by other facilities and it is an approach of handling denied claims.

Ms. Rockwell asked if it was a timing issue or if it was the ability to get a greater number of claims paid.

Ms. Escasa-Haigh replied both. It could be timing because St. Joseph focuses its collection efforts upfront a lot earlier in the process but St. Joseph's is also able to see trends and identify patterns so they can get claims collected more quickly.

Mr. Buckhorn asked for an update on the construction status of the four projects being financed.

Ms. Escasa-Haigh replied that the construction status of the four projects is on schedule. St. Joseph Hospital of Eureka will open later this year, St. Jude Hospital, Inc. will open in 2014, Queen of the Valley Hospital will open in 2013, and St. Joseph Hospital of Orange was completed in June 2011.

Dr. Sablan asked about what St. Joseph was doing for its community service requirements.

Ms. Escasa-Haigh replied that they provided approximately \$216 million of community service in 2010, which included both charity care and Medicaid patients and equated to approximately 6% of the total operating expenses.

Chairperson Wynne asked if there were any questions or comments from the board members or public comments on this item. Mr. Buckhorn moved approval of Resolution Number 365 and Mr. Joseph seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

**Item #5** **Vista Community Clinic, Resolution No. HII-253**

Paul Dulai, Staff Analyst, introduced Michele Lambert, Chief Financial Officer, Vista Community Clinic (VCC). Mr. Dulai stated that the loan proceeds will be used to construct a new 31,000 square foot facility next to VCC's main clinic and a parking structure on the property VCC currently owned. VCC requested a change in the collateral due to the fact that the title company could not offer title insurance with mechanic liens coverage on the original collateral. VCC will pay off the existing HELP II loan before closing.

Chairperson Wynne noted the borrower's requested exception to the \$30 gross revenues limit and asked Ms. Liebert to review this matter in the near future.

Staff recommended approval of amended Resolution Number HII-253 for Vista Community Clinic in an amount not to exceed \$750,000, for a term not to exceed 15 years, contingent upon financing terms acceptable to the Authority, and subject to VCC payoff of its existing HELP II Loan from its own internal funds. Macias Gini & O'Connell, LLP, the Authority's financial analyst, concur with the Authority's staff recommendations.

Chairperson Wynne asked if there were any questions from board members or public comments on this item. Mr. Joseph moved approval of Resolution Number HII-253 and Mr. Buckhorn seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Ms. Rockwell left the meeting at 11:43 a.m.

**Item #3** **Executive Director's Report (Information Item)**

Ms. Liebert submitted all fund balances for the record.

**Item #6****Post Issuance Tax Compliance Procedures, Resolution No. 2011-05**

Ms. Liebert reported the resolution represented the beginning of a more comprehensive post issuance compliance process and the resolution was related to recent changes implemented by the Internal Revenue Service (IRS) pertaining to IRS Form 8038, which is a form the Authority routinely files with its bond issuances. CHFFA has a working group and is currently reviewing the post issuance tax compliance process. The working group is composed of the Attorney General's (AG's) office, Public Finance Management, bond counsels and staff. We are reviewing other Authorities' compliance procedures as well, in addition to processes adopted by other conduit JPAs throughout California.

Jim Rennie, Staff Analyst, introduced Jenna Magan, Orrick, Herrington & Sutcliffe. Ms. Magan provided the Board with a more in-depth explanation of the IRS revisions. The procedures address three major issues, which are: 1) arbitrage rebate and yield; 2) use of bond proceeds and bond-financed or refinanced assets; and 3) record keeping requirements. In consultation with Orrick, Herrington & Sutcliffe LLP, staff recommended the Authority approve Resolution Number 2011-05 authorizing the adoption of the written procedures for post bond issuance tax compliance.

Mr. O'Toole asked for a definition of a non-qualified bond and how such an instrument is remediated.

Ms. Magan and Mr. Rennie collaborated that a non-qualified bond is a bond that broke the tax rules and has a certain amount of time to correct the issue.

Chairperson Wynne asked if there were any public comments on this item. Mr. Joseph moved approval of Resolution Number 2011-05 and Mr. Buckhorn seconded the motion. The Resolution was adopted with a 6-Aye roll call vote.

At 11:56 a.m. the open session was closed for a closed session matter.

**CLOSED SESSION****Item #7****Litigation (Government Code Section 11126(e)(1))**

Consult with legal counsel regarding pending litigation (California Health Facilities Financing Authority vs. Health for All, Inc.; et al, Case No.: 34-2010-00092737, County of Sacramento) as authorized by Government Code Section 11126(e)(2)(A).

The open session reconvened at 12:35 p.m.

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 12:36 p.m.