

**MINUTES**  
**California Health Facilities Financing Authority**  
**(“CHFFA” or the “Authority”)**  
**915 Capitol Mall, Room 587**  
**Sacramento, California 95814**

August 4, 2016 – 2:00 P.M.

Public Participation

Call-In Number: (877) 810-9415 and Participant Code: 6535126

Deputy Treasurer, Grant Boyken, serving as Chairperson, called the meeting to order at 2:01 P.M.

**Roll Call**

Members Present: Grant Boyken for John Chiang, State Treasurer  
Alan LoFaso for Betty T. Yee, State Controller  
Todd Jerue for Michael Cohen, Director of Finance  
Judith Frank  
Jay Hansen  
Jack Buckhorn  
Oscar Sablan, M.D.

Member Absent: Sumi Sousa

Chairperson Boyken declared a quorum present.

Chairperson Boyken announced in an effort to promote transparency, a live, interactive, call-in number is available to the public to provide access to Authority meetings. Open meetings would be available live to all who wish to call-in to listen and participate.

Diane Stanton, Executive Director, reported staff had requested to cancel the meeting tentatively scheduled for August 25, 2016, due to the fact that no applications were received.

Chairperson Boyken reported another request had been made to move the October meeting to Wednesday, October 19<sup>th</sup>. Ms. Stanton reported a scheduling conflict. CHFFA’s staff would be attending mandatory training on the Essentials of Municipal Finance Conference, which is held every 18 months. The conference is scheduled on October 26, 27, and 28, 2016.

**Approval of July 7, 2016 Meeting Minutes**

Chairperson Boyken asked if there were any questions or public comment; there were none.

**Authority Action**

Motion to approve the minutes from the July 7, 2016 meeting.

MOTION: Member Buckhorn SECOND: Member LoFaso

AYES:.....Members: Sablan, Buckhorn, Hansen, Jerue, LoFaso, Boyken

NOES:.....None

ABSTAINS: .....Member Frank

RECUSE:.....None

MOTION ADOPTED.

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

Ms. Stanton introduced new staff, Erin Lane and Tom Finn. Ms. Lane would be working on bond and HELP II loan transactions and Mr. Finn would be working on grants and Children's Hospital Program transactions.

### **CHFFA Fund Balances & Comprehensive Debt List Summaries**

Ms. Stanton submitted fund balances for the record as of May 31, 2016 and June 30, 2016, including the Comprehensive Debt Limit Summaries of CHFFA's 16 top borrowers.

Ms. Stanton further reported there were significant adjustments in the Investment in Mental Health Wellness Grant Program Fund Balance, which was \$51 million in April, \$57 million in May, and \$12 million in June. These adjustments were due to an internal State Treasurer's Office ("STO") Accounting reporting error. Staff continues to work closely with STO Accounting to correct the reporting error.

### **Tax-Exempt Bond and HELP II Delegation of Powers Monthly Update**

- **Advent Group Ministries, Inc. ("Advent")** – In July 2016, The Office of Statewide Health Planning and Development on behalf of Advent Group Ministries, Inc. requested CHFFA execute a Full Re-conveyance Release and Termination Agreement to release the lien CHFFA had on Advent's property located at 1200 W. Edmundson Avenue, Morgan Hill, CA. The Release and Termination Agreement was necessary due to Advent's full payoff of its 2005 HELP II loan. CHFFA's Counsel confirmed the proposed action fell within CHFFA's delegation resolution. The Executive Director executed the Release and Termination Agreement on July 1, 2016.

- **Dignity Health (formerly known as Catholic Healthcare West)** – On June 24, 2016, Dignity Health requested CHFFA execute a Certificate of Redemption for CHFFA Revenue Bonds, Catholic Healthcare West 2011 Series A and 2009 Series F. CHFFA's Counsel confirmed the proposed action fell within CHFFA's delegation resolution. The Executive Director executed the Certificate of Redemption on June 27, 2016.

- **Sierra View Homes, Inc. ("SVH")** – On May 28, 2009, CHFFA authorized a HELP II loan in the amount of \$725,000 for SVH, securing a 1<sup>st</sup> lien position on the property and a 2<sup>nd</sup> lien position behind Cal-Mortgage on gross revenues. SVH was in the process of refinancing its Certificates of Participation which are insured by Cal-Mortgage. Cal-Mortgage requested to remain in the 1<sup>st</sup> lien position on SVH's gross revenues as a requirement to complete the proposed transaction. The HELP II Loan Program's delegation authority allowed the Executive Director to subordinate the Authority's lien on the gross revenues, since the Authority's position would remain the same. CHFFA's counsel confirmed the proposed action fell within CHFFA's HELP II Loan Program's delegation resolution. The Executive Director executed the subordination agreement on June 1, 2016.

### **HELP II Loan Program Update**

Staff attended the Association of Rural Health Clinics Conference. Over 140 attendees were in attendance, mainly CEOs and business managers for both clinics and community hospitals. Nine individuals showed interest in the HELP II Loan Program. Staff planned to follow up on those leads.

CHFFA staff took a survey regarding borrowers making payments on-line. Staff was working with different bank vendors to evaluate various on-line systems. Ms. Stanton would update Authority members on the progress.

### **Legislation**

In the 2016-17 Governor's budget, CHFFA received two new grant programs to administer with a total of approximately \$95 million. The first grant program was allocated approximately \$27 million for a Children's Crisis Capacity ("CCC") Grant Program. CCC would provide mental health services for youth ages 21 and under. There was approximately \$6 million that went un-awarded from the Investment in Mental Health Wellness Grant Program and was re-appropriated by the Legislature for the new CCC grant program. The second grant program was allocated approximately \$67.5 million for a Community Services Infrastructure ("CSI") Grant Program. The CSI program would be a jail diversion program focusing on funding infrastructure for programs serving individuals ending up in the city and county jails because of drug and alcohol abuse issues or mental health crisis issues and diverting them to rehabilitation programs. Staff requested additional positions to manage the workload since CHFFA is at capacity.

Also, the Governor recently signed AB1618, Assembly- sponsored legislation, which created the "No Place Like Home Grant Program." This program focuses on housing for homeless with mental health issues. CHFFA is working with the Department of Finance on trailer bill language to clarify the roles and responsibilities of all of the different agencies involved. CHFFA would be the issuer of the housing bonds, and the Housing and Community Development Agency ("HCD") would be the administrator of the grants. CHFFA will be working closely with HCD, Department of Health and Human Services and the Mental Health Oversight and Accountability Commission.

Mr. Hansen inquired whether the two new grant programs would be implemented in the same manner as the Investment in Mental Health Wellness Grant Program.

Ms. Stanton stated that there were needed modifications to the regulations specifically addressing issues relating to the delivery of services to children. Ms. Stanton continued that there is a similar set of stakeholders for the jail diversion program but slightly expanded because staff would need to bring in the criminal justice and the judicial branch as well.

Mr. Hansen inquired when CHFFA planned to accept grant applications for both programs.

Ms. Stanton replied that staff wanted to be sure the county partners had sufficient time to develop proposals, but roughly sometime in spring of 2017 for the CCC, and it's too early to determine when for the CSI.

### **Site Visits**

- **Sacramento County** – Brock Lewis, staff analyst, Carolyn Aboubechara, Program Manager, and selected staff from the Department of Finance ("DOF") visited a Mental Health Crisis Residential Program for the opening and a tour of the facility. DOF reported it was helpful to see the program visually and how the services are being delivered.

Ms. Frank recused herself for Item #4 due to ownership of Wells Fargo stock.

**Item #4** **Providence Health & Services (“PH&S”), Renton, Washington,**  
**Resolution No. 414**

Martha Maldonado, Operations Manager, presented. PH&S was seeking Authority approval to issue \$1,816,990,000 in CHFFA Fixed Rate and Variable Rate Bonds Series 2016 for the advance refunding of St. Joseph Health System Bonds California Statewide Communities Development Authority (“CSCDA”) 2007 Bonds A-F, CHFFA Series 2009 A-D, CHFFA Series 2011 A-D, and CHFFA Series 2013 A-D.

Ms. Maldonado noted Morgan Stanley and Wells Fargo were added to the financing team list.

Bond proceeds would be used to refund most or all of St. Joseph Health System bonds issued by CHFFA and California Statewide Communities Development Authority in order to consolidate debt under PH&S’ master indenture.

Attendees: Sue Painter, Vice President/Treasurer, PH&S; Darrin Montalvo, President, Enterprise Services, PH&S (via telephone); Jerry McGovern, Partner, Norton Rose Fulbright, Bond Counsel; and Rob Junqua, Managing Director, Bank of America Merrill Lynch, Underwriter.

Mr. Hansen inquired about the approximate savings amount to PH&S. Ms. Painter responded in today’s market the approximate savings would be \$6.8 million a year, over several states. Ms. Painter would provide staff the amount for California.

Mr. LoFaso inquired about the Providence Payor Source and the different percentages between 2014 and 2015. Ms. Painter would review and report back to staff.

Chairperson Boyken asked if there were any questions or public comment; there were none.

Authority Action

Motion to approve Resolution No. 414 in the amount not to exceed \$1,816,990,000 for Providence Health & Services.

MOTION: Member Hansen SECOND: Member Buckhorn

AYES:.....Members: Sablan, Buckhorn, Hansen, Jerue, LoFaso, Boyken

NOES:.....None

ABSTAINS: .....None

RECUSE:.....Member Frank

MOTION ADOPTED.

Ms. Frank recused herself for Item #5 due to ownership of Wells Fargo stock.

**Item #5** **Adventist Health System/West (“Adventist”), Roseville, California**  
**Resolution No. 415**

Yuanyuan Wei, staff analyst, presented. Adventist was seeking Authority approval to issue \$325 million in CHFFA Refunding Revenue Bonds Series 2016A for the refunding of prior CHFFA debt and CSCDA debt that financed capital investments as well as Lodi Memorial Hospital’s debt, which would become a member of the Obligated Group with this financing. Bond proceeds would be used to current refund the outstanding CHFFA Series 1998A Bonds

and to advance refund CHFFA Series 2009A, CSCDA Series 2007A and Series 2007B. Adventist expected to achieve approximately \$40 million in debt service savings from the proposed refunding over the life of the bonds.

Attendees: Jack Wagner, Chief Financial Officer, Adventist; Jenna Magan, Partner, Orrick, Herrington & Sutcliffe LLP, Bond Counsel; II You, Director, B.C. Ziegler, Underwriter.

Chairperson Boyken asked if there were any questions or public comment; there were none.

Authority Action

Motion to approve Resolution No. 415 in an amount not to exceed \$325,000,000 for Adventist Health System/West.

MOTION:           Member Buckhorn           SECOND: Member LoFaso

AYES:.....Members: Sablan, Buckhorn, Hansen, Jerue, LoFaso, Boyken

NOES:.....None

ABSTAINS: .....None

RECUSE:.....Member Frank

MOTION ADOPTED.

**Item #6                           Casa Colina, Inc. (“CCI”), Pomona, California, Resolution No. 416**

Matthew Saha, staff analyst, presented. Casa Colina, Inc. was seeking Authority approval to refinance CHFFA Variable Rate Revenue Bonds, Series 2011 with interest rate fixed for a term of 10 years in an amount not to exceed \$36,400,000. The refinancing was for risk avoidance and to take advantage of the historically low interest rates being offered in the marketplace. The initial 2011 variable rate bonds were utilized to finance the construction of and equipment for a 31-bed medical/surgical addition to the facility, including six intensive care rooms, three operating rooms and one procedure room. The construction project was completed and the facility opened effectively April 1, 2016.

Attendees: Felice L. Loverso, PhD, President and Chief Executive Officer, CCI; David V. Morony, Chief Financial Officer, CCI; and Kathleen Leak, Orrick, Herrington & Sutcliffe LLP, Bond Counsel.

Chairperson Boyken asked if there were any questions or public comment; there were none.

Authority Action

Motion to approve Resolution No. 416 in the amount not to exceed \$36,400,000 for Casa Colina, Inc.

MOTION:           Member Sablan           SECOND: Member LoFaso

AYES:.....Members: Sablan, Buckhorn, Hansen, Frank, Jerue, LoFaso, Boyken

NOES:.....None

ABSTAINS: .....None

RECUSE:.....None

MOTION ADOPTED.

Chairperson Boyken stated that items #7 and #8 would be taken up together with the presentation.

**Item #7** **Petaluma Health Center (“PHC”), Petaluma, California, Resolution No. 417**

Brock Lewis, staff analyst, presented. PHC was seeking Authority approval to advance refund the outstanding CHFFA Series 2010A Bonds in an amount not to exceed \$6.5 million, and finance a portion of the construction project to build out unfinished, but shelled in, 6,500 square-foot section of the medical facility located at 1179 N. McDowell Blvd. in Petaluma, CA. PHC anticipates a net present value savings of approximately \$945,000 over the life of the refunding bonds.

Attendees: Brian Burns, Chief Financial Officer, PHC; Pedro Toledo, Chief Administrative, PHC; and Gary Hicks, Financial Advisor, G.L. Hicks Financial, LLC.

Chairperson Boyken asked if there were any questions or public comment. There was a lengthy discussion among Authority members and the PHC team. Several Authority members inquired about the total project financing structure and the various financing options.

Mr. LoFaso requested cost scenarios of the various financing options be prepared. Ms. Frank concurred. Mr. Hicks would provide cost details to staff.

Authority Action

Member Buckhorn motioned to approve Resolution No. 417 with a revised amount not to exceed \$6,000,000 for Petaluma Health Center.

MOTION: Member Buckhorn SECOND: Member LoFaso

AYES:.....Members: Sablan, Buckhorn, Hansen, Frank, Jerue, LoFaso, Boyken

NOES:.....None

ABSTAINS: .....None

RECUSE:.....None

MOTION ADOPTED.

**Item #8** **Petaluma Health Center (“PHC”), Petaluma, California, Resolution No. HII-301**

Brock Lewis, staff analyst, presented. PHC was seeking Authority approval for an exception to the maximum loan amount of the HELP II Loan Program with a loan in an amount not to exceed \$2 million to finance the build out and equipping of an unfinished, but shelled in, 6,500 square-foot section of PHC’s medical facility located at 1179 N. McDowell Blvd. in Petaluma, CA. PHC was experiencing an increased need for primary care services, and the current facility was not sufficient to adequately meet the growing demand. The new patient care space would allow PHC to increase capacity and expand access to primary care, urgent care and mental health services for an estimated 6,500 additional medically underserved residents annually.

Attendees: Brian Burns, Chief Financial Officer, PHC; Pedro Toledo, Chief Administrative, PHC; and Gary Hicks, Financial Advisor, G.L. Hicks Financial, LLC.



AYES:.....Members: Sablan, Buckhorn, Hansen, Frank, Jerue, LoFaso, Boyken  
NOES:.....None  
ABSTAINS: .....None  
RECUSE:.....None

MOTION ADOPTED.

**Item #10 Plumas District Hospital (“PDH”), California, Resolution No. HII-303**

Amy Voong, staff analyst, presented. PDH was seeking Authority approval for an exception to the HELP II Loan Program to utilize working capital in an amount not to exceed \$1.5 million for on-going operation expenses such as accounts payable and payroll. This request would allow PDH to use its permanent and ongoing fund sources to qualify for federal funds through the Intergovernmental Transfer program.

Attendees: Caleb Johnson, Chief Financial Officer, PDH and Gary Hicks, Financial Advisor, G.L. Hicks Financial, LLC.

Chairperson Boyken asked if there were any questions or public comment. There was a lengthy discussion among the Authority members and Mr. Johnson from Plumas regarding Plumas’ working capital needs. The Authority also invited Mr. Johnson back to the Authority for an update at a future meeting.

Chairperson Boyken noted a correction to the resolution to reflect that the loan is for working capital rather than construction.

Mr. Hansen left the meeting at 3:17 P.M.

**Authority Action**

Motion to approve Resolution No. HII-303 in an amount not to exceed \$1,500,000 for Plumas District Hospital.

MOTION: Member Sablan SECOND: Member Buckhorn

AYES:.....Members: Sablan, Buckhorn, Frank, Jerue, LoFaso, Boyken  
NOES:.....None  
ABSTAINS: .....None  
RECUSE:.....None

MOTION ADOPTED.

**Items #11, #12, #13 Other Business/Public Comment/Adjournment**

Chairperson Boyken asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 3:27 P.M.