

OFFICIAL MINUTES
California Health Facilities Financing Authority

915 Capitol Mall, Room 587
Sacramento, California
Thursday, April 25, 2002
1:45 PM

The Meeting was called to order by Anne Stausboll sitting for Chairman Philip Angelides. Members present were Annette Porini (sitting for Tim Gage), Cindi Aronberg (sitting for Kathleen Connell), Kambiz Babaoff, George Monardo and Harry Bistrin. Also present were staff members Sumi Sousa, Executive Director, Terry Partington, Deputy Executive Director, Gina Greer, Counsel to the Authority, Connie Le Louis, Attorney General's Office, Leslie Lava, Law Offices of Leslie Lava and Bob Kittredge, Financial Advisor, PricewaterhouseCoopers LLP.

The minutes of the March 28, 2002, meeting were approved as submitted.

The Executive Director's Report was presented covering the month of March 2002. As of March 31, 2002, bonds outstanding totaled \$6,464,892,596 and the fund balance was \$6,885,196.44. The Executive Director also reported that there were 10 borrowers with over \$100 million in CHFFA debt with a combined balance outstanding of \$5,044,962,935, which represents 78% of all CHFFA debt outstanding, and 9 equipment financings with a total balance outstanding of \$60,245,486. No equipment financings closed during the month. The Executive Director also reported a HELP II loan fund balance of \$16,702,934 as of March 31, 2002 and a clinic grant fund balance of \$32,626,349 as of March 31, 2002.

The Executive Director provided a list of borrowers with Outstanding Bonds to the Authority.

Per CHFFA Resolution No. 2002-07 that was approved by the Authority at the March 28, 2002 meeting, the Executive Director entered into a contract on behalf of the Authority with the Law Offices of Leslie M. Lava for Authority Counsel services. The contract with Leslie M. Lava is for a six-month period with a maximum amount of \$75,000, payable on an hourly basis at \$280 per hour. Detailed invoices on work performed will be submitted for review prior to payment by CHFFA.

The Supervising Deputy Attorney General presented a briefing on the current workload of the Attorney General's Office as it impacts their ability to provide legal counsel services on the Authority's transactions.

Resolution No. F-289 – Alliance for Community Care ("Alliance") requested the Authority to approve a bond issue Resolution in an amount not to exceed \$12,000,000. Alliance will use the loan proceeds to current refund two separate tax-exempt Series 1992 Cal-Mortgage insured certificates of participation (COPs) and an existing taxable mortgage, resulting in a net present value savings of \$869,000 or approximately 7.2% of the refunded issues. Staff recommended the Authority approve a Resolution in an amount not to exceed \$12,000,000 for Alliance for Community Care, subject to a final insurance commitment from Cal-Mortgage. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. F-292 – Hope Rehabilitation Services (“Hope”) requested the Authority to approve a bond issue Resolution in an amount not to exceed \$6,000,000. Hope will use the loan proceeds to current refund Authority debt, with projected present value savings of \$582,000 or approximately 10.7% of the refunded bonds. Staff recommended the Authority approve a Resolution in an amount not to exceed \$6,000,000 for Hope Rehabilitation Services, subject to a final insurance commitment from Cal-Mortgage, producing a rating in the “A” category. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. HII-118 – Orange County ARC (“OCARC”) requested the Authority to approve a HELP II loan Resolution in an amount not to exceed \$400,000 for a term of 15 years. OCARC will use the loan proceeds to purchase a 7,900 square foot industrial building. Annual savings are estimated to be approximately \$11,000 due to the lower interest rate. Staff recommended the Authority approve the Resolution in an amount not to exceed \$400,000 for a term of 15 years for Orange County ARC, subject to submission of 2001 audited financial statements consistent with the unaudited 2001 financials presented in the staff summary and the standard HELP II loan provisions. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. HII-119 – Selma Community Hospital, Inc. (“SCHH”) requested the Authority to approve a HELP II loan Resolution in an amount not to exceed \$392,630 for a term of 5 years. SCHH will use the loan proceeds to purchase several pieces of medical equipment that will enable its medical providers to provide new and enhanced services. Staff recommended the Authority approve the Resolution in an amount not to exceed \$392,630 for a term of 5 years for Selma Community Hospital, Inc., subject to staff verification of borrower funds, Adventist Health guaranteeing the loan and the standard HELP II loan provisions. After discussion by the Authority, a motion was made and seconded and the Resolution was unanimously approved.

Resolution No. 2002-08 – The Authority staff recommended the Authority approve an Extension Request for three additional clinics for extensions to the documentation deadline retroactive to April 11, 2002 due to extraordinary circumstances for the release of grant funds required under the Cedillo–Alarcón Community Clinic Investment Act of 2000. After discussion by the Authority, a motion was made and seconded to approve the recommended extension dates of June 30, 2002, for Planned Parenthood San Diego & Riverside Counties (Riverside Clinic) and August 31, 2002, for Clinicas de Salud del Pueblo, Inc. (Niland Health Clinic and Winterhaven Health Clinic), and to extend the documentation deadline date to be retroactive to April 11, 2002, and the Resolution was unanimously approved.

Resolution No. 2002-09 – The Authority staff recommended the Authority approve the Resolution in support of AB 2352 (Cedillo). AB2352 would authorize the Authority to provide grants for capital projects to all facilities currently eligible under CHFFA’s statute. In addition to the ongoing capital needs of community clinics, there are a number of facilities, such as alcohol and drug treatment centers, small rural hospitals, and adult day care centers for the developmentally disabled, that provide important services that could be expanded and improved, yet currently lack the ability to take on debt. If AB2352 is approved it would allow facilities to leverage additional grant money or loans that they would not qualify for without additional cash. It would also provide dollars for projects that would significantly expand or improve health care services and fund smaller capital projects. After discussion by the Authority, a motion was made and seconded and the Resolution in support of AB 2352 (Cedillo), was unanimously approved.

Resolution No. 2002-10 – Staff requested the Authority adopt a formal policy regarding the ongoing monitoring of borrower’s financial operations. Staff’s proposal was to receive and monitor annual audited financial statements for all borrowers having outstanding CHFFA bonds, including a formal review by the Authority’s Financial Advisor and an annual report to the Board. Further, staff would immediately inform Authority Members of any significant negative action on borrowers, but would require quarterly financial statements only from borrowers where the ability to repay the debt is threatened. After discussion by the Authority, an amended motion to also receive quarterly financial statements from the borrowers having \$100 million or more in CHFFA outstanding bonds was seconded and approved unanimously.

Financial Advisor Bob Kittredge of PricewaterhouseCoopers LLP made a presentation to the Authority providing a Summary of CHFFA Borrower’s Financial Status for the years ended December 31, 2000 and 2001.

Having no other business, the meeting was adjourned.