

OFFICIAL MINUTES

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

Thursday, March 23, 2006
1:30 PM

The meeting was called to order by Ted Eliopoulos sitting for Chairman Philip Angelides. Members present were Anne Sheehan (sitting for Michael C. Genest), Windie Scott (sitting for Steve Westly), Harry Bistrin and Sumi Sousa. Also present were staff members Sandra Simpson-Fontaine, Executive Director, Greg Rogers, Deputy Executive Director, Mark Paxson, Counsel to the Authority, and Peggy Arrivas, Financial Advisor, PricewaterhouseCoopers LLP.

The minutes of the February 23, 2006 meeting were approved as submitted.

The Executive Director's Report was presented covering the month of February 2006. As of February 28, 2006, bonds outstanding totaled \$6,397,745,389 and the fund balance was \$8,050,914.92. There were 10 borrowers with over \$100 million in CHFFA debt with a combined balance outstanding of \$4,968,080,000, which represents 78% of all CHFFA debt outstanding, and 8 equipment financings with a total balance outstanding of \$24,023,742. The Executive Director also reported a HELP II Fund balance of \$19,072,923, a HealthCAP balance of \$0.00, a Cedillo-Alarcón Clinic Grant Fund balance of \$3,451,656, an Anthem-Wellpoint Grant Fund balance of \$35,955,267 and the Children's Hospital Bond Act of 2004 Fund balance of \$606,543,836, as of February 28, 2006.

Resolution No. F-317 – California-Nevada Methodist Homes requested the Authority approve Resolution Number F-317, authorizing the increase in the previously approved bond amount from \$39 million to \$45 million to cover an increase in construction costs. Staff recommended the Authority rescind Resolution Number F-315 in the amount of \$39,000,000 and approve Resolution Number F-317 in an amount not to exceed \$45,000,000 for California-Nevada Methodist Homes, subject to a final Cal-Mortgage Insurance commitment. After discussion by the Authority, a motion was made and seconded and the resolution was unanimously approved.

Resolution No. 2006-04 – UC Davis Children's Hospital (UCDCH) requested the Authority approve grant funds in an amount not to exceed \$9,157,038. UCDCH is seeking grant funds as reimbursement for the eligible proportional pediatric costs for finishing the fifth and twelfth floors of its Davis Tower and for the reimbursement of patient care equipment. The Neonatal Intensive Care Unit (NICU) is located on the fifth floor and has 51 beds which replaced the 38-bed unit in what is known as the North-South Tower. The twelfth floor is an adult Medical Surgical floor and not eligible for this program. Staff recommended the Authority approve a resolution for the University of California Davis Medical Center to receive a grant not to exceed \$9,157,038 (less Costs of Issuance and Administrative Costs), subject to all requirements of the Children's

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Hospital Program. After discussion by the Authority, a motion was made and seconded and the resolution was unanimously approved.

Resolution No. 2006-04 – Kaiser Permanente (“Kaiser”) requested the Authority approve a Resolution granting exceptions to certain financial covenants in the bond issuance guidelines, in particular, elimination of the Gross Revenue Pledge and the requirement to maintain appropriate rates and charges to maintain a minimum coverage ratio of at least 1.25 times maximum annual debt service (“MADS”). This also eliminates the requirement to maintain minimum 1.25 times coverage to incur additional debt. Kaiser will comply with all other currently published bond issuance guidelines. Due to Kaiser’s strong financial condition and business model and protections provided by other financial covenants, it is staff’s conclusion that the Authority will be no less protected, and likely more protected in connection with Kaiser financings as compared to other borrowers. Staff recommended the Authority approve a resolution to certain financial covenants in the Authority’s currently published bond issuance guidelines with respect to revenue bonds issued in 2006 for the benefit of Kaiser Permanente: 1) Gross Revenue Pledge and 2) Reporting requirement to maintain appropriate rates and charges and the requirement to maintain a minimum coverage ratio of at least 1.25 times maximum annual debt service (including the requirement to maintain minimum 1.25 times coverage to incur additional debt). Future requests by Kaiser Permanente for exceptions to the Authority’s bond issuance guidelines will be considered on a case-by-case basis with each application for financing, taking into account Kaiser’s financial strength and business plan to ensure that, in no case, the level of protection drops below the full protection needed to ensure the Authority’s and bondholders interests. After discussion by the Authority, a motion was made and seconded and the resolution was unanimously approved.

Having no other business, the meeting was adjourned.