

MINUTES

California Health Facilities Financing Authority
October 30, 2008 – 1:45 P.M.
915 Capitol Mall, Room 587
Sacramento, California

Alternate Location for Teleconference Participation

Sablan Medical Clinic
927 “O” Street
Firebaugh, CA 93622
(559) 659-3037

Patricia Wynne, Chairperson called the meeting to order at 2:10 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller’s Office
Tom Sheehy for Michael C. Genest, Department of Finance
Judith Frank
Dr. Oscar Sablan (via teleconference)
Ronald Joseph
Jack Buckhorn

Absent: Harry Bistrin
Sumi Sousa

Staff: Barbara J. Liebert, Executive Director
Ronald Washington, Deputy Executive Director
Greg Matayoshi, Macias Gini & O’Connell LLP

The Chair declared a quorum present.

Approval of Minutes

The minutes from the California Health Facilities Financing Authority’s (CHFFA) July 31, 2008, August 14, 2008, August 28, 2008 and September 25, 2008 meetings were approved as to form and content, except as amended for August 14, 2008 to reflect the presence of Mr. Buckhorn. Ms. Holton-Hudson moved for approval of the minutes, Mr. Joseph seconded the motion. The motion was adopted with a 6-0 vote, and one abstention (Mr. Sheehy).

Executive Director’s Report

Ms. Liebert, Executive Director, reported that bonds issued totaled \$21,578,572,017, the bonds outstanding were \$7,655,195,186, and the CHFFA fund balance was \$9,606,292.30 as of August 31, 2008. Ms. Liebert reported as of August 31, 2008, the HELP II Fund balance of \$14,716,472, the Cedillo-Alarcón Clinic Grant Fund balance of \$249,032, the Anthem-WellPoint Grant Fund balance of \$2,641,836, and the Children’s Hospital Bond Act of 2004 Fund balance of \$351,531,007. As of September 30, 2008 the CHFFA Fund Balance is \$11,280,407.64. Ms. Liebert corrected an entry on the September 30, 2008 report, indicating that Medi-Cal loan distributions should actually reflect approximately \$1.2 million as opposed to the \$584,327 listed on the report under “Loan/tran/non-exp disburse.”

Re Pending Resolutions: Ms. Liebert provided that the only resolution pending at this time is Children’s Hospital of Orange County (CHOC) with their tentative plans for going out to market in December of

2008. Ms. Liebert indicated that Providence Health and Services went out to market October 21, 2008 and had a successful pricing. Ms. Liebert also indicated that Providence Health and Services had submitted a letter thanking the Board for its most recent experience with the Board.

Re CHFFA's fund balance: Ms. Liebert noted an increase in CHFFA's Fund balance due to the repayment of all Medi-Cal loans, receipt of annual bond administrative fees and income from the Pooled Bond program of 1985B. Ms. Liebert advised that income from the 1985B program is approximately \$88,000 per month and will continue until August 2010.

Re Possible New Programs: Chair Wynne noted CHFFA's large fund balance and instructed CHFFA staff to develop additional programs to further CHFFA's mission by reinvesting funds back into those communities with struggling health clinics. To that end, Dr. Sablan stated that CHFFA might consider operating loans to clinics in outlying areas. Chair Wynne directed staff to take two or three months to develop new ideas and programs to further its mission of assisting California's health facilities. Chair Wynne encouraged Board members to speak to CHFFA staff about any ideas they might have for discussion at either its February or March Board meeting. As some ideas may require legislative support/approval, the Authority will need time to explore these issues.

Re HELP II and Bond Outreach: As an outreach tool, Ms. Liebert explained that CHFFA has a tentative plan to approach several health associations located throughout the state to submit articles for their various newsletters and/or publications that circulate to their members. Additionally, Ms. Liebert stated that a letter signed by Treasurer Lockyer had been sent to approximately forty-seven to fifty California hospitals, expressing to them CHFFA's desire to assist with their funding needs. Ms. Frank asked how staff identified which hospitals would receive the Treasurer's letter. Ms. Liebert responded that the top eleven CHFFA borrowers were selected, as was board of trustees for the California Hospital Association, and CHFFA's consistent smaller borrowers.

Re the Bond Application: Ms. Liebert stated that John Myers, from Orrick, Herrington and Sutcliffe LLP, was invited in the event there were questions about CHFFA's proposed revision to its bond application. CHFFA has been working with Orrick, Herrington and Sutcliffe LLP in an effort to make CHFFA's application more efficient. Ms. Liebert reported that the proposed application is currently down to five pages from its current thirty-four with the hopes of refining it further to two pages. CHFFA management staff is currently reviewing the revised five-page application with hopes of presenting a revised application to the board within the next few months. Mr. Myers stated that Orrick, Herrington and Sutcliffe LLP has looked at several other bond applications utilized outside of California in an effort to draw ideas from other conduit applications.

Re Short-Term Medi-Cal Program: Ms. Liebert indicated this program appears to have been a success as a direct result of the significant contribution from the Board in convening two additional meetings, CHFFA staff's joint contribution in working through all of the applications, and assistance from STO legal staff. Ms. Liebert reported that CHFFA disbursed \$1.2 million of the \$4.3 million that was approved and generated \$15,295 in fees for CHFFA. Ms. Liebert indicated a survey was sent to the twelve borrowers and two have responded by suggesting we streamline our application and start the process sooner.

Re Legislation: Ms. Liebert stated that SB 1221 (attempted to address CHFFA's pass-through requirement) was vetoed by Governor Schwarzenegger. Ms. Liebert indicated that SB 1293 (attempted to impose transparency and reporting requirements on competing Joint Powers Authorities) was also vetoed by Governor Schwarzenegger. Chair Wynne reminded the Board that these were not Board-sponsored bills but rather, were bills sponsored by the State Treasurer's Office. Mr. Sheehy encouraged State

Treasurer's Office staff to work more closely with the administration on similar legislation in 2009 to get a better result. Ms. Frank asked if SB 1221 and SB 1293 could be more thoroughly discussed at a future board meeting. Chair Wynne directed staff to agendaize SB 1221 and SB 1293 for future discussion.

Re Delegation Resolution: Ms. Liebert then turned to discuss a March 2008 Board resolution delegating authority to the Chair and to the Executive Director of CHFFA to execute various documents that might be needed to facilitate auction and variable rate refundings. Ms. Liebert expressed her belief that the delegation should remain in place due to the market. Chair Wynne asked if a motion is needed. She then stated this item would be agendaized for the January board meeting.

Re Loma Linda Validation Action: Ms. Liebert then provided an update on the Loma Linda Validation Action. The Authority and its legal office have executed documentation with the Attorney General's Office that would allow CHFFA to move forward with the Validation Action. The Attorney General's office is in the process of drafting the complaint. Once it is filed, Ms. Liebert will provide an update.

Congratulations: Ms. Liebert then congratulated Harry Bistrin and Dr. Oscar Sablan on their reappointment to the CHFFA Board for another four years.

Item #4 **Impact of U.S. Economic Crisis on California Bond Markets**
(Information Item)

Guest speaker: John Landers, Managing Director & Manager of West Coast Public Finance for Morgan Stanley. Mr. Landers presented a market update to the Board on the impact of the U.S. Economic Crisis on the California Bond market. See attached presentation.

Item #5 **HELP II Loan Program Quarterly Report**
(Information Item)

Chair Wynne indicated that Item 5 has been put over and may be heard at the December 4, 2008 Board meeting.

Item #6 **Anthem WellPoint & Cedillo-Alarcón Program**
(Information Item)

Chair Wynne indicated that Item 6 has been put over and may be heard at the December 4, 2008 Board Meeting.

Item #7 **Clinicas del Camino Real, Inc.**
Resolution No. 2008-35
(Action Item)

Ms. Liebert introduced Ray Artinian and Karma Manni of staff.

Ms. Liebert stated that Clinicas del Camino Real, Inc. (Clinicas) is a grantee that was awarded \$375,000 to initiate a project. Unfortunately, Clinicas experienced multiple unanticipated delays associated with their construction plans. Clinicas asked CHFFA if they could reallocate their funds to another project at their Newbury Park facility. After diligent research, staff concluded that Clinicas met the standards detailed in the clinic grant regulations, requiring extraordinary circumstances to justify document extensions and that a proposed change in use be "consistent" with the overall clinic grant program. Staff recommended approval of the request made by Clinicas to change the use of their grant funds for the Newbury Park project and to assign a new documentation deadline of December 1, 2008.

Ms. Holton-Hodson moved for the adoption of the Resolution and Dr. Sablan seconded the motion. The motion was adopted with a 7-0 vote.

Adjournment

Chair Wynne asked for any public comment. Having no further business or comments, Chair Wynne called adjournment.