

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

## Executive Summary

### The Last Frontier Healthcare District

### Amendment to Resolution No. HII-259

December 2, 2010

#### **BACKGROUND:**

Staff requests Authority approval to amend Resolution No. HII-259 to reflect a possible change in the security structure previously approved at the Authority's October 28, 2010 meeting. At that meeting, the Authority approved two interception mechanisms to ensure debt repayment:

- Staff recommended and the board approved intercepting three lump sum payments of \$175,000 each from the tax collector (the County of Modoc) beginning in April 2011, then December 2011, and finally April 2012 – each time period representing when the County collects and allocates tax assessment receipts to the Last Frontier Healthcare District (“the District”).
- Additionally, staff recommended and the board approved intercepting the sum of \$10,000 per month from the Department of Health Care Services (DHCS) for the District's Medical reimbursements until such time as the loan is paid in full.

Staff is working with both the County and DHCS to finalize the intercept agreements, but DHCS has indicated DHCS management is pondering whether DHCS is willing to incur the costs and administrative burdens associated with the intercept process. Though Authority staff has pressed DHCS for an indication one way or the other, DHCS has not yet been able to give any indication as of the time of this report.

Staff has discussed DHCS' potential unwillingness to participate in an intercept arrangement with the District and the District has indicated it will have no difficulties servicing the monthly obligation of \$10,000 directly to the Authority. Staff is comfortable with this arrangement, especially given that the other intercept with the County will be in place.

#### **RECOMMENDATION:**

Staff recommends the Authority give discretion to either engage in an agreement with DHCS to proceed with the interception if DHCS indicates its willingness to do so or to allow the transaction to proceed without the DHCS intercept and to instead require the District to simply provide payments directly to the Authority in the amount of \$10,000 per month for the duration of the loan. The intercept with the County will remain in place.