

## MINUTES

**California Health Facilities Financing Authority  
February 24, 2011  
915 Capitol Mall, Room 587  
Sacramento, California 95814**

Bettina Redway, Chairperson called the meeting to order at 1:48 P.M.

### **Roll Call**

Members Present: Bettina Redway for Bill Lockyer, State Treasurer  
Ruth Holton-Hodson for John Chiang, Controller's Office  
Pedro Reyes for Ana J. Matosantos, Department of Finance  
Jack Buckhorn  
Judith Frank  
Ronald Joseph  
Ann Madden Rice  
Samuel Qiu – Teleconference  
Dr. Oscar Sablan - Teleconference

Staff Present: Barbara J. Liebert, Executive Director  
Rosalind Brewer, Deputy Executive Director

Chairperson Redway declared a quorum present.

### **Approval of the Minutes from the January 27, 2011 Meeting (Action Item)**

Ms. Liebert commented that there was a small adjustment to the minutes in item #5. Ms. Holton-Hodson moved for approval with the amendment of the minutes and Mr. Buckhorn seconded the motion. The minutes were unanimously approved with an 8-Aye vote; Mr. Reyes abstained (taken by roll call).

### **Executive Director's Report (Information Item)**

Ms. Liebert submitted the following balances via the written materials disseminated to the board, including: the following as of January 31, 2011: Bonds issued: \$24,912,562,017; Bonds outstanding: \$9,321,880,836; CHFFA fund balance: \$13,754,751; HELP II fund balance: \$12,867,947, Cedillo-Alarcón Clinic: \$53,850; Anthem-WellPoint: \$274,632; Children's Hospital Bond Act of 2004: \$163,813,852 and the Children's Hospital Bond Act of 2008: \$713,449,129.

### **Delegation of Powers Monthly Update**

Ms. Liebert reported that Northern California Presbyterian Homes and Services, Inc. requested substitution of its current letter of credit provider from Allied Irish Banks, p.l.c. to Union Bank. STO's general counsel reviewed the amended Loan Agreement and confirmed the proposed action fell within CHFFA's delegation resolution. The Executive Director and the Deputy Treasurer signed the amended Loan Agreement and the letter of credit change took effect on February 1, 2011.

### **HELP II Loan Defaults**

Ms. Liebert reported two borrowers were technically in default and asked the Board for any questions or directions.

Ms. Liebert reported Samuel Dixon Family Health Center, (“Samuel”), a community clinic, located in Valencia, California received a loan for \$120,000 in 2002, and its current outstanding balance was \$35,000. The original loan was a refinance, renovation of facility, and purchase of equipment, and they have been timely until November 2010. CHFFA has sent letters and made phone calls pursuant to the Late Payment Collection Protocol presented to the Board on February 25, 2010. In response, they sent a letter requesting payment deferment with no late fees until January 2012.

Ms. Liebert report that STO’s general counsel would send a very strong letter letting them know that they are out of compliance with their agreement and would list various remedies that exist under the loan agreement. In addition, CHFFA staff would review Samuel’s audited and unaudited financials as they are available on a continuous basis, and then potentially have the borrower come before the board.

After a lengthy Board discussion, the Board was satisfied with Ms. Liebert’s approach with the borrower. However, Ms. Rice requested CHFFA staff review the pending FQHC application to access the likelihood of the Federal Government granting status. Ms. Liebert explained that there may be an agenda item regarding this issue next month.

Ms. Liebert stated the other borrower in default was Yolo Family Service Agency (“Yolo”), a Community Mental Health Facility. Yolo received a loan in 2005 for \$325,000. Yolo was a struggling facility at the time of approval. The Board was made aware that they were refinancing two HELP II loans to improve their debt service on a monthly basis, and some of the funds were also used for a roof replacement. Ms. Liebert believes Yolo was current until November 2010. In November 2010 and December 2010, Yolo forwarded partial payments of \$2,000.00 instead of the required payment of \$2,210.00 per month. Yolo requested a reprieve until June and would start repayments in June with an additional \$800.00 per month in order to bring the loan current. CHFFA sent letters and made phone calls to the borrower. STO’s general counsel is aware of the default and Yolo may be another agenda item with a similar type of recommendation as the last one.

Ms. Liebert stated Treasurer Lockyer sent a letter in opposition to the United States Securities and Exchange Commission in response to the SEC’s proposal that non-elected officials who sit on boards must be designated as “municipal advisors.” Ms. Liebert noted the proposal has not yet been adopted. The proposal would impact our Board by requiring different responsibilities, additional disclosure, reporting, and costs. Many other Treasurers across the nation sent similar letters. Mark Paxson, STO’s general counsel, was very instrumental in preparing the letter and was available to answer any questions.

Ms. Liebert introduced Michael Tang, CHFFA’s newest Treasury Program Officer, who came from DGS. He was a budget analyst there for 3 ½ years. Ms. Liebert reported there were two open positions- a position within the Children’s Hospital Program and an Operations Manager position.

She further noted that a few of the Board members during the course of preparing for the Board meeting suggested that it might be worth while in future staff reports, particularly for HELP II transactions, that staff include either a narrative section that talks about future forecasts of what the borrowers anticipate their budgets will look like, how operations will be, whether that is portrayed through additional line item entries in the financial statement or a short narrative in the analytical section. She mentioned that they are exploring how best to get the information in an intelligible way that is relevant and does not rely too much on estimations from the borrowers. After a lengthy Board discussion, the Board agreed on a narrative description of the future forecasts. Ms. Liebert added that Macias, the Authority’s financial analyst, reviews all of the transactions and performs in-depth financial analysis on each borrower.

Mr. Qui disclosed that he has a long-term sub-contract for audit work in the LA area with CHFFA's financial analyst, Macias Gini & O'Connell, LLP. He had been advised that he has to recuse himself from any financial advisory selection process or contracts. Ms. Redway asked whether that means that he cannot participate in any HELP II loans. Mr. Paxson stated that in his subcontracting work with Macias, Mr. Qui cannot do anything related to any CHFFA work with Macias, but that he can still participate in votes on matters that come before the Board.

Mr. Buckhorn asked if Ms. Liebert would give an update on the Health for All issue that was discussed at the last Board meeting. Ms. Liebert stated an update would be provided to the Board during a closed session at the next Board meeting.

**Item #4** **Six Rivers Planned Parenthood, Resolution No. HII-263**

Ms. Liebert stated the borrower was not present due to long distance travel. However, Claudette Lemon, Director of Finance, Six Rivers Planned Parenthood, was on telephone stand-by if there were any questions from the Board members.

Carolyn Aboubechara, Staff Analyst, presented the staff report. Ms. Aboubechara stated the loan proceeds would be used to purchase equipment and software in order to comply with a federal mandate to adopt a new electronic health records system.

Staff recommended approval of Resolution Number HII-263 for Six Rivers Planned Parenthood, in an amount not to exceed \$196,500 for a term not to exceed 5 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, the Authority's financial analyst concurred with the Authority's staff recommendations.

Dr. Sablan asked whether they will receive a Federal Incentive from implementing the EMR system, and whether they expect revenues to increase. Ms. Liebert mentioned that staff would ask the borrower after the board meeting and get back to Dr. Sablan with the answer.

Chairperson Redway asked if there were any questions from the board members on this item. Hearing none, Mr. Reyes moved for approval of the Resolution and Ms. Holton-Hodson seconded the motion. The Resolution was adopted with a 9-Aye vote (taken by roll call).

**Item #5** **Kings Rehabilitation Center, Inc., Amendment Resolution No. HII-235**

Marissa Sequeira, Staff Analyst, introduced Steve Mendoza, Executive Director, Kings Rehabilitation Center, and Lubov Pavluk, Finance Director, Kings Rehabilitation Center ("KRC"). KRC requested the board amend Resolution No. 235 (previously approved at the January 2010 meeting) to extend the expiration date for one year, currently set to expire February 26, 2011. The terms and project details remained the same. Ms. Sequeira summarized the loan proceeds would be used to construct a new Day Training Activity Center (DTAC) on its main property to relieve overcrowding at its current facility, as well as to provide for additional capacity.

Staff recommended approval of amended Resolution Number HII-235 for Kings Rehabilitation Center, Inc., in an amount not to exceed \$750,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, the Authority's financial analyst concurred with the Authority's staff recommendations.

Ms. Holton-Hodson asked what their contingency plan was for the Adult Day Health Center if the Governor's proposal goes into effect. Mr. Mendoza replied that he could not respond about the Governor's proposal because he has not seen the details yet. However, KRC has a contingency plan for all the scenarios including if there was a rate reduction or a drop in service.

Ms. Holton-Hodson asked what percentage of their revenue, program service fees, was state funding. Ms. Pavluk replied that 45% was state funding.

Chairperson Redway asked if there were any questions from the board members or the public. Hearing none, Ms. Holton-Hodson moved for approval the Amended Resolution and Mr. Buckhorn seconded the motion. The Resolution was adopted with a 9-Aye vote (taken by roll call).

**Item #6**

**HELP II Program Bi-Annual Report**

Rosalind Brewer, Deputy Executive Director presented a very detailed overview of the Original HELP and HELP II Loan Programs.

Mr. Joseph asked all board members to go to TAB B –there were a little over 5 million dollars of loans initiated in 2010 with another 4.4 million pending for near term release of funds. Over the course of a year, CHFFA has been repaid \$1.6 million. With approximately \$8 million dollars left for continuing loans, it appears that we might be facing a shortage.

Ms. Brewer replied that CHFFA’s projected revenue comes from bond fees, and CHFFA has had several large transactions to fund the program. Also, Ms. Liebert mentioned that we were replenishing the funds monthly with the loan servicing payments from the borrowers.

Chairperson Redway asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 2:25 P.M.