

MINUTES

California Health Facilities Financing Authority
April 11, 2011
915 Capitol Mall, Room 587
Sacramento, California 95814

Patricia Wynne, Chairperson called the meeting to order at 1:35 P.M.

Roll Call

Members Present: Patricia Wynne 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
Ronald Joseph
Samuel Qiu
Judith Frank – Teleconference

Members Absent: Dr. Oscar Sablan – Teleconference*
Ann Madden Rice

Chairperson Wynne declared a quorum present.

* Dr. Sablan was unable to attend the meeting; however, due to his location being noticed as an alternate location, the phone line remained open for the duration of the meeting.

Chairperson Wynne announced the State Treasurer's Attorney, Kristin Smith, lost her battle to cancer on Friday, April 8, 2011. She will be missed terribly.

Executive Director's Report and Delegation of Powers Monthly Update (Information Item)

Ms. Liebert commented there were no minutes from the March meeting and noted staff's intention to provide them at the April 28th meeting.

Ms. Liebert reported that no actions were taken pursuant to the delegation resolution for the month of April.

Also, Ms. Liebert submitted into the record the balances for all Authority accounts.

Before the presentation and discussion of the Kaiser Foundation Hospitals request, Ms. Liebert noted that Ms. Frank would recuse herself from agenda item #3 by stepping away from and out of the room where the phone is located, but due to her location being noted as an alternate location, the phone line would remain open for the duration of the meeting. Ms. Liebert noted that when the Kaiser matter was completed, staff planned to phone Ms. Frank on her cell phone to alert her to return back to the meeting for purposes of participating in the closed session agenda item.

Item #3 Kaiser Foundation Hospitals and Kaiser Foundation Health Plan, Inc., Resolution No. 363

Carolyn Aboubechara, Staff Analyst, introduced Thomas Meier, Senior Vice President and Treasurer, Kaiser Foundation Hospitals, Steven Kim, Vice President, J.P. Morgan Securities, LLC, Brandon Dias, Managing Associate, Orrick, Herrington & Sutcliffe, LLP and John Myers, Partner. Ms. Aboubechara indicated bond proceeds would be used to acquire several medical office buildings and clinical facilities throughout California.

Staff recommended the Authority approve Resolution No. 363 in an amount not to exceed \$204,545,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and

Public Financial Management, Inc. the Authority's financial advisor, concurred with the Authority's staff recommendation.

Chairperson Wynne asked Mr. Meier if he would like to add to Ms. Aboubechara's description of the Kaiser project. Mr. Meier commented on the benefits provided by the bonds being refinanced.

Chairperson Wynne asked Mr. Meier about the distinction between the north and south regions of Kaiser. Mr. Meier then provided an overview of the Kaiser organization. Ms. Holton-Hodson asked Mr. Meier to elaborate on the composition of Kaiser non-profit and for profit entities. Mr. Meier responded by providing a history regarding the development of the Kaiser organization, including the for-profit medical groups.

Chairperson Wynne announced that there were members of the public that would like to testify.

Debra Grabelle, Kristine Richter, and Winny Knowles of the CA Nurses Association ("CNA"), spoke in opposition to the Kaiser transaction and presented their case to the Board Members. Chairperson Wynne asked the Board for comments. Ms. Holton-Hodson responded by requesting CNA and the speakers to provide advance notice to facilitate communication with the Controller. Ms. Grabelle commented she would work with Ms. Liebert for a possible solution to transmit their opinions in a timely manner. Ms. Holton-Hodson replied the open meeting law requires a 10-day notice before a meeting and this meeting had been properly noticed. Ms. Holton-Hodson commented she understood CNA's concerns, but that Kaiser's proposed transaction appeared to save Kaiser millions of dollars which might then benefit CNA's concerns.

Chairperson Wynne thanked CNA for attending the meeting and for expressing their concerns. She acknowledged the concern expressed as an important issue in their community, but Chairperson Wynne noted that the CHFFA board meeting is not the proper forum to resolve those concerns. Kaiser asked for authorization to issue tax exempt financing and Kaiser has met all of CHFFA's requirements.

Ms. Holton-Hodson moved for approval of the Resolution and Mr. Reyes seconded the motion. Chairperson Wynne asked if there were any further comments.

Mr. Buckhorn replied that he is a labor representative that he represents workers and has worked with Kaiser as well. Mr. Buckhorn noted that Kaiser is one of the best employers and owners of construction projects in the building trades, setting a high labor standard for treating their workers well. Mr. Buckhorn noted the importance of the concerns raised by CNA, indicating he would explore the issue on his own with his Kaiser representative, but that ultimately, he echoed what Chairperson Wynne had mentioned, and namely, that Kaiser has met all the requirements that are necessary for this conduit financing.

Mr. Reyes commented he agreed with the rest of the Board members' comments.

The Resolution was adopted with a 6-Aye vote; Ms. Frank recused (taken by roll call).

CLOSED SESSION

Item #4

Litigation (Government Code Section 11126(e)(1))

The Authority consulted with legal counsel regarding pending litigation (California Health Facilities Financing Authority vs. Health for All, Inc.; et al, Case No.: 34-2010-00092737, County of Sacramento) as authorized by Government Code Section 11126 (e)(2)(A).

Chairperson Wynne ended the closed session, opened the regular session and noted for the record that no action was taken.

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 2:55 P.M. in memory of Kristin Smith.