

MINUTES

**California Health Facilities Financing Authority
("CHFFA")
December 1, 2011
915 Capitol Mall, Room 587
Sacramento, California 95814**

Alternate Location for CHFFA Teleconference Participation

**Sablan Medical Clinic
927 "O" Street
Firebaugh, CA 93622**

Patricia Wynne, Chairperson called the meeting to order at 2:13 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Jennifer Rockwell for Ana J. Matosantos, Department of Finance
Dr. Oscar Sablan - Teleconference
Jack Buckhorn
Ronald Joseph
Judith Frank
Ann Madden Rice

Members Absent: Samuel Qiu

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the October 12 and October 27, 2011 Meetings

Jack Buckhorn moved approval of both meeting minutes and Ann Madden Rice seconded the motion. The meeting minutes were unanimously approved with an 8-Aye roll call vote.

Executive Director's Report (Information Item)

Ms. Liebert submitted the updated fund balances for the record as of October 31, 2011.

Delegation of Powers Monthly Update: Ms. Liebert stated that a ministerial action was taken on behalf of the Authority to allow the HELP Group to redeem its bonds. Ms. Liebert then provided the board with a list summarizing all of the delegation actions the Authority had taken over the course of the year and noted staff's intention to provide this type of summary to the board on an annual basis.

One-Year Overview of Bond Guidelines for Investment-Rated Debt: Ms. Liebert provided the board with an overview of all bond transactions that have closed since the board's adoption of the new process for investment grade rated transactions. Sarah Hollenbeck of Public Financial Management Inc (PFM) provided comment on the impact the new process has had on the Authority's risk profile. A general discussion by the board ensued.

HELP II Survey: Ms. Aboubecchara gave an update on the general survey. She presented to the board with some highlights and recommendations that were submitted by certain borrowers, which were as follows:

- 1) Extend the payment terms to decrease the monthly payment;
- 2) Increase the maximum amount to \$1 million;

- 3) Waive or reduce the percentage share that the borrower has to contribute to the loan;
- 4) Allow for interest only payments for a couple of years;
- 5) Assist with State cuts and provide line of credit loans.

She stated there was one interesting recommendation from a borrower which was the following:

“Continue to be flexible and accommodating when evaluating clinic applications. It is a difficult time for health centers and it is important to help keep the organizations stable until the health care reform is implemented.”

Chairperson Wynne thanked Ms. Aboubechara for her efforts on her presentation.

The board had a lengthy discussion about the results of the survey. Some of the questions discussed included borrower’s future business plans regarding any Medi-Cal future cutbacks. The board asked staff to provide a cash flow analysis of the program to date. Staff agreed to provide the analysis at the next available board meeting.

Ms. Liebert stated that in the last board meeting she mentioned a HELP II loan borrower had fallen substantially in arrears and that staff would bring the matter to the board’s attention at the next meeting. Since then, the borrower has become current on its HELP II loan payments. Furthermore, Ms. Liebert stated two other borrowers were currently delinquent and staff had initiated communication with the borrowers to resolve the matters in a timely manner.

Item #4

Scripps Health, Resolution No. 374

Marissa Sequeira, Staff Analyst, introduced Rich McKeown, Corporate Treasurer, Richard Rothberger, Chief Financial Officer, both from Scripps Health. Also, introduced were Diane Potter and John Myers, Bond Counsel, Orrick, Herrington & Sutcliffe LLP, James Kim, Director of Barclays Capital, Sarah Hollenbeck, Senior Managing Consultant, Public Financial Management, Inc. and Jeffrey Rich, Issuer’s counsel, CA Attorney General’s Office. Bond proceeds will be used toward renovations, expansions, building improvements, safety equipment installation, equipment acquisition, seismic upgrades and construction at numerous facilities.

Staff recommended the Authority approve Resolution Number 374 in an amount not to exceed \$275,000,000 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, concur with the Authority’s staff recommendation.

Mr. Rothberger described in detail the various projects at numerous facilities impacted by the renovations, expansions, building improvements, safety equipment installation, equipment acquisition, seismic upgrades and construction activities.

Ms. Holton-Hodson stated that this was an enormous amount of construction and asked how many jobs were being created. Mr. Rothberger replied that contractors were hired for four major construction projects and he did not know how many jobs would be created.

Mr. Buckhorn commented that it was great to have Scripps Health back before the board.

Chairperson Wynne asked if there were any questions from the public. There were none.

Ms. Madden Rice moved approval of Resolution Number 374 and Mr. Buckhorn seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

Item #5 **Transitions – Mental Health Association, Resolution No. HII-267**

Chairperson Wynne announced that Agenda Item #5 had been removed and it is unclear when Transitions – Mental Health Association will return to the board.

Item #6 **Lucile Packard Children’s Hospital at Stanford, Resolution No. CHP-3 2011-03**

Jim Rennie, Staff Analyst, introduced Jill Sullivan, Vice President of Hospital Transformation, Transplant and Dialysis and Sherri Sager, Chief Government Relations Officer and Dana Haering, Controller of Lucile Packard Children’s Hospital (LPCH) at Stanford.

LPCH requested \$98,000,000 to build two five-story patient towers connected at the base by two additional floors. The expansion will total 521,000 square feet with about 150 beds, operating rooms and other imaging services.

Staff recommended the Authority approve Resolution Number CHP-3 2011-03 for Lucile Salter Packard Children’s Hospital at Stanford to provide a grant not to exceed \$98,000,000 (less issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2008.

Ms. Sullivan described in detail the current project for the board members.

Chairperson Wynne asked if there were any questions from the public. There were none.

Mr. Buckhorn moved approval of Resolution Number CHP-3 2011-03 and Ms. Holton-Hodson seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

Ms. Sullivan invited the board members to come anytime to participate in 101-Program, a day behind the scenes in the operating room.

Dr. Sablan left the board meeting at 3:04 pm due to a medical emergency; however, the phone line was kept open for the duration of the board meeting.

Item #7 **Resolution of the California Health Facilities Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to Bond Financings**
Resolution No. 2011-15

Ms. Liebert stated the existing delegation resolution expires at the end of January 2012. Staff requested to renew the resolution at the beginning of December in anticipation of the expiration date. The new resolution is similar to the existing resolution with a number of modifications recommended by the Deputy Attorney General Office who had worked with staff as well as in-house counsel.

Ms. Liebert highlighted the changes to the new delegation resolution and then recommended the Authority approve Resolution Number 2011-15 authorizing the delegation of certain functions to the Executive Director and Deputy Executive Director.

Chairperson Wynne asked if there were any questions from board members or the public. There were none.

Ms. Holton-Hodson moved approval of Resolution Number 2011-15 and Mr. Joseph seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Item #8 Resolution of the California Health Facilities Financing Authority Delegating Certain Powers and Authorizing Certain Actions Related to HELP II Loan Program Financings
Resolution No. 2011-09

Ms. Aboubechara requested the board approve the HELP II Loan Program delegation resolution. Based on the recommendations suggested by the board members at the last board meeting, Ms. Aboubechara reviewed the suggested changes to the delegation resolution which included the subordination and the encumbrance sections.

Ms. Rockwell left the board meeting at 3:11pm.

There was discussion regarding the risks to the Authority. However, the board was comfortable with the updated language but still had concerns regarding encumbrances. After the discussion, the board agreed to remove the section regarding encumbrances and to then re-evaluate it in a year.

Chairperson Wynne asked if there were any questions from the public. There were none.

Mr. Joseph moved approval of Resolution Number 2011-09 with the amendment to exclude the section regarding encumbrances and Mr. Buckhorn seconded the motion. The Resolution was adopted with a 6-Aye roll call vote.

Item #9 Post Issuance Tax Compliance Procedures, Resolution No. 2011-16

Jim Rennie, Staff Analyst requested the Authority approve the adoption of the amended written procedures for post bond issuance tax compliance. It was the goal of the Treasurer's Office, to have all of the other Authorities' procedures consistent. Staff worked with bond and tax counsel at Orrick, Herrington & Sutcliffe LLP, and Sidley Austin and developed the amendments to the procedures and most of the amendments were non substantive. Most of the significant changes were the addition of model procedures for borrowers to follow if they have not adopted their own procedures.

Staff recommended the Authority approve Resolution Number 2011-16 authorizing the adoption of the amended written procedures for post bond issuance tax compliance.

Chairperson Wynne asked if there were any questions from the public, there were none.

Ms. Holton-Hodson moved approval of Resolution Number 2011-16 and Mr. Joseph seconded the motion. The Resolution was adopted with a 6-Aye roll call vote.

Item #10 Other Business

No other business was presented. Chairperson Wynne asked for public comment. Hearing none, the meeting was adjourned at 3:24 P.M.