

AMENDED MINUTES
California Health Facilities Financing Authority
(“CHFFA” or “Authority”)
915 Capitol Mall, Room 587
Sacramento, California 95814
January 25, 2018 – 1:30 P.M.

Public Participation
Call-In Number: (877) 810-9415 and Participant Code: 6535126

OPEN SESSION

Deputy Treasurer, Vincent P. Brown, serving as Chairperson, called the meeting to order at 1:45 PM.

Chairperson Brown announced in an effort to promote transparency, a live, interactive, call-in number was available to the public to provide access to Authority meetings. Open meetings would be available live to all who wish to call-in to listen and participate.

Item #1 **Roll Call**

Members Present: Vincent P. Brown for John Chiang, Chairperson, State Treasurer
Alan LoFaso for Betty T. Yee, Vice Chairperson, State Controller
Jacqueline Wong-Hernandez for Michael Cohen, Director, Department of Finance
Judith N. Frank
Robert Cherry, M.D.

Members Absent: Jay Hansen
Oscar Sablan, M.D.
Jack Buckhorn
Sumi Sousa

Chairperson Brown declared a quorum present.

Item #2 **Approval of the Minutes from the December 7, Authority Meeting**

The December 7, 2017 minutes were being reviewed and would be presented at the February 22, 2018 Authority meeting.

Item #3 **Executive Director’s Report**

CHFFA Fund Balances and Comprehensive Debt List Summaries

Mr. Washington reported the CHFFA fund balances, and the outstanding debt information as of November 30, 2017 and December 31, 2017.

Mr. Washington introduced new staff members of CHFFA: _ Sondra Jacobs, Grants Manager and Nicole Weaver, analyst for the grant programs.

Mr. Washington reported the California Children’s Hospital Association was interested in the Children’s Hospital Bond Act of 2018, a General Obligation measure in the amount of \$1.5 billion. Mr. Washington stated he would keep the Authority informed as the initiative moves forward.

Mr. Washington stated Items 4, 5, 6, and 7 would be deferred to next month.

Tax-Exempt Bonds Delegation of Powers Monthly Update

No action was taken pursuant to the Tax-Exempt Bond Delegation of Powers Resolution.

HELP II Loan Program Delegation of Powers Monthly Update

No action was taken pursuant to the HELP II Loan Program Delegation of Powers Resolution.

County of Kings Investment in Mental Health Wellness Grant Update

Mr. Washington mentioned that Carolyn Aboubechara would be providing an update on the County of Kings. Ms. Aboubechara reported that the County of Kings came to the Authority board meeting in July of 2017 requesting an extension of its resolution and grant period expiration date. At that time, the Authority board requested a six month update as a condition of approval. Ms. Aboubechara stated that the County of Kings notified Authority staff that it was forfeiting the Investment in Mental Health Wellness Grant Program funds in the amount of ~~\$995,000~~ or approximately ~~\$995~~ a million ~~dollars~~ that would be returned back to the General Fund. Representatives from the County of Kings were available via phone and provided an update and the reasoning behind their decision to forfeit.

Item #4 Long Beach Memorial Medical Center, Earl and Loraine Miller Children’s Hospital Long Beach, California, Resolution No. CHP-3 2018-01

Long Beach Memorial Medical Center, Earl and Loraine Miller Children’s Hospital was removed from the agenda.

Item #5 The Children’s Hospital Program of 2008, Resolution No. 2018-01

The Children’s Hospital Program of 2008 was removed from the agenda.

Item #6 Investment in Mental Health Wellness Act of 2013, Reinstatement of and Amendment to Resolution No. MH 2014-06 (County of Los Angeles – First Funding Round)

County of Los Angeles was removed from the agenda.

Item #7 Investment in Mental Health Wellness Act of 2013 and Peer Respite Care Grant Program, Resolution No. 2018-02

Investment in Mental Health Wellness Act of 2013 and Peer Respite Care Grant Program was removed from the agenda.

Item #8 HELP II Loan Program Fund Balance Analysis

Rosalind Brewer, Program Manager, presented. In April 2015, the Authority approved program changes for a period of two years through April 30, 2017. In April 2017, the Authority extended the changes for an additional two years, through April 30, 2019. Ms. Brewer reported the changes included the loan term increased from 15 years to 20 years for financing of real property acquisition, construction, or renovation, the maximum loan amount was increased from \$1 million to \$1.5 million to finance larger projects, and the fixed interest rate was lowered from 3% to 2% for all loans except for refinancings, which remained at 3%. In addition, the Authority decided to maintain a balance of \$6 million to safeguard the Program against unanticipated demands. In April 2017, Senate Bill 97 authorized the Authority to approve a \$20 million Lifeline Grant Program, which monies came from the HELP II subfund account. As part of the HELP II Loan Program’s (“the Program”) fund analysis, staff asked Sperry Capital Inc., (“Sperry”) one of the Authority’s financial advisor, to analyze the potential transfer of \$2 million from the HELP II subfund account to a new Emergency HELP Loan Program subfund account.

Ms. Brewer mentioned three corrections regarding the Program's balances as of January 1, 2018. The cash fund balance was \$12.8 million, the loans pending approval and approved loans that have not been fully disbursed, totaled \$8.575 million. Ms. Brewer reported once the loans were approved and disbursed, the cash balance would be reduced to \$4.225 million.

The Authority members discussed the minimum fund balance of \$6 million to safeguard the Program against unanticipated demands, increasing the interest rate from 2% to 3%, and decreasing the loan maximum amount to \$1 million versus \$1.5 million, the current amount.

Mr. LoFaso asked James Gibbs from Sperry what he thought the benchmark should be for the fund balance.

Mr. Gibbs stated the benchmark for the fund balance should be zero.

Mr. LoFaso requested loan commitments to be tracked more carefully over and above just cash flow.

Dr. Cherry asked what the risk would be in keeping the interest rate at 2%.

Mr. Gibbs answered the loans in the portfolio would produce less interest in monthly payments than if it were at 3%.

The Chair directed staff to present a HELP II loan portfolio pipeline, the \$6 million threshold, and changing the loan maximum amount at a future Authority meeting so the Authority could have a better understanding of the portfolio.

Attendees: Martha J. Vujovich, Principal, Sperry Capital Inc. and James H. Gibbs, Principal, Sperry Capital Inc.

Item #9

Emergency HELP Loan Program

Ms. Brewer stated staff requested Authority approval of the Emergency HELP Loan Program (the "Program") to provide low cost loans with flexible terms for community and rural health clinics in counties that Governor Brown declared an emergency due to the Northern and Southern California wildfires for the counties of Butte, Lake, Los Angeles, Mendocino, Napa, Nevada, Orange, San Diego, Santa Barbara, Solano, Sonoma, Ventura, and Yuba.

Ms. Brewer also stated staff requested Authority approval to transfer \$2 million from the HELP II fund balance to the Emergency HELP Loan Program; to delegate certain powers to the Executive Director to approve loans up to \$250,000 per borrower (if certain conditions are met, including a debt service coverage ratio of at least 1.0x and gross revenue pledge or lien on real property or equipment); and adopt program guidelines.

Ms. Brewer reported the Program guidelines included eligibility, use of funds, loan terms, fees and required documentation. Ms. Brewer stated all monies for this Program would be available for encumbrance or expenditure until December 31, 2018. Ms. Brewer stated monies that remained in the Emergency HELP fund as of January 2, 2019, would revert to the HELP II fund.

Mr. LoFaso stated he would be more comfortable if Mr. Washington would prepare a report that would list of all outstanding loans, type, the amount, the recipient, debt service coverage ratio at time of application approval, security, if any, and purpose. Also, project lending capacity of the Program based on thresholds and key program parameters. Mr. LoFaso also requested monthly and year-end reports.

Ms. Wong-Hernandez asked how this Program would be marketed.

Ms. Brewer shared that the Program would be marketed through the CHFFA website and ListServe.

Ms. Frank would like language to include fires, floods, and mudslides. Ms. Frank also requested the use of funds include a flexible bridge loan, which she believed would be more beneficial.

The Chair directed staff to add language in the uses of funds to include bridge loan and language to reflect the Program can be used for borrowers affected by fires, floods and mudslides.

The Chair directed staff to report in February or March the status of loans approved.

Dr. Cherry requested a stress test for the HELP II Loan Program that compares 2% versus 3% interest rates and also stated he would like the interest rate to remain at 2% for any new loans.

Mr. LoFaso recommended a three month resolution.

Mr. LoFaso made a motion to move the item with all of the changes mentioned and also change the date on the Resolution from December 31, 2018 to May 31, 2018.

Chairperson Brown asked if there were any questions or public comment. There was one.

Michael Hemlick, California Primary Care Association, made a public comment. Mr. Hemlick thanked staff for their hard work and he spoke about the need for this Program.

Authority Action

Motion to approve the Emergency HELP Loan Program.

MOTION: Member LoFaso SECOND: Member Frank

AYES:Members: Cherry, Frank, Wong-Hernandez, LoFaso, Brown

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION ADOPTED.

Ms. Brewer stated staff requested Authority approval to submit emergency regulations for the Lifeline Grant Program (“Program”) to the Office of Administrative Law for approval, which included the supporting documentation.

Ms. Brewer reported the Program was a twenty million dollar (\$20,000,000) grant program from the HELP II loan program subfund account. Ms. Brewer also stated the intent of the Program was to assist small and rural health facilities, which included community-based clinics that would be adversely financially affected by a reduction or elimination of federal government assistance and would have little to no access to working capital.

Ms. Brewer reported that in October 2017, staff brought before the Authority an information item, which provided an overview of the Program. Ms. Brewer stated the Authority instructed staff to simplify the evaluation criteria, the application process, and requested feedback from stakeholders for a federal trigger definition.

Ms. Brewer stated the emergency regulations and supporting documentation included in the briefing packet outlined the eligibility requirements, evaluation criteria, application process, scoring process, and funding distribution.

Ms. Brewer stated, based on stakeholders’ feedback, that a federal trigger was defined as any federal executive, administrative or legislative action or inaction that impacts any reimbursement or eligibility for participation in any federal program or initiative.

Ms. Brewer highlighted the changes staff made to the Program, which included eligibility requirements and evaluation criteria. She also stated the maximum grant amount was \$250,000 per eligible health facility and the use of grant funds can only be used for “working capital”.

Ruth Holton-Hodson provided the Authority a brief description of the intent of the program and background on the development of the statute.

Attendee: Ruth Holton-Hodson, Health Policy Advisor to the State Treasurer

Chairperson Brown asked if there were any questions or public comment. There was one.

Mr. Hemlick, California Primary Care Association, made a public comment. Mr. Hemlick thanked the Authority and staff for the work they’ve done and he spoke about the need for this Program.

Authority Action

MOTION: Member Frank SECOND: Member Cherry

AYES:Members: Cherry, Frank, Wong-Hernandez, LoFaso, Brown

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION ADOPTED.

Item #11 **California Health Access Model Program (“CHAMP”)**

Yuanyuan Wei, staff analyst and Nicole Weaver, staff analyst, presented.

Ms. Wei reported staff recommended the Authority choose not to move forward with the second phase of the CHAMP to replicate the Community Based Care Management (the “CBCM”) model established in phase one because: 1) staff believed replication of the CBCM model has been achieved by the Department of Health Care Services through its Health Homes Program and its Whole Person Care; 2) the replication of the CBCM in phase two appeared to be redundant, and; 3) the lack of stakeholder response would prevent CHFFA’s ability to move forward with drafting regulations for phase two.

Ms. Wei outlined the similarities between the CBCM model, the Health Homes Program, and Whole Person Care.

The Authority members agreed not to move forward with replication and requested staff to prepare an analysis for changing the statute to allow the \$5 million to revert back to the CHFFA fund earlier than January 1, 2020.

Items #12, #13, #14 **Other Business, Public Comment, Adjournment**

Chairperson Brown asked for public comment. Hearing none and with no additional business, the meeting adjourned at 3:21 P.M.