

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)**

**STAFF SUMMARY RECOMMENDATION**

**RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING  
AUTHORITY DELEGATING CERTAIN POWERS AND AUTHORIZING  
CERTAIN ACTIONS RELATED TO LOAN FINANCINGS**

**Resolution Number 2023-07**

**December 7, 2023**

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**PURPOSE OF THE RESOLUTION:**

Pursuant to Government Code section 15436, the Authority Board is authorized to delegate to the Executive Director, one or more of its members, or any other official or employee of the Authority, any powers and duties that the Authority Board deems proper. Since 2011, the Authority has delegated specific powers and duties related to loan financings. The existing delegation resolution, Resolution No. 2022-06, expires on January 31, 2024. Authority staff seeks approval of a new resolution delegating the same authority and duties relating to loan financings, with a repeal date of January 31, 2026.

The delegated actions taken by the Authority under Resolution No. 2022-06 for Calendar Year 2023 are summarized in Exhibit A of this staff report.

**BACKGROUND:**

From time to time, Healthcare Expansion Loan Program II (HELP II) borrowers may desire to seek the consent of the Authority or amendments to various aspects of borrower loan documents to accomplish specific things as (1) changing the trustee on the deed of trust, (2) selling, encumbering or transferring assets, (3) mergers, acquisitions, dissolutions, consolidations or affiliations, (4) changing the legal name or place of business of the borrower, (5) subordinating or otherwise altering the Authority's security interests, (6) incurring additional debt, and (7) prepaying HELP II loans. Absent a delegation of those powers to staff to execute amendments or grant consent to borrowers, staff must seek formal Authority approval of these amendments or consents. In the interest of streamlining the borrowing processes and expediting the administrative processes, the Authority authorizes the Chair, any deputy to the Chair, the Executive Director, and the Deputy Executive Director to consent to various amendments without first obtaining the approval of the Authority.

The proposed new resolution delegates to the Chair, any deputy to the Chair, the Executive Director, and the Deputy Executive Director, upon the Executive Director's written authorization or when the position of Executive Director is vacant or when the Executive Director is unavailable, the power to perform these specific actions when the consent or approval by the Authority is required by the applicable loan documents and those actions are made in accordance with the terms and conditions of the loan documents. All of the below delegated actions were contained in the Authority's existing delegation resolution and are in the proposed resolution. The only change in the proposed resolution is in Section 5 (1) (B), "short-term debt" wording replaced "a line of credit" wording to include all types of short-term debt.

- (i) Sign and certify resolutions adopted by the Authority.
- (ii) Execute and deliver all loan documents previously or hereafter approved by the Authority.
- (iii) Execute, amend, supplement and deliver certain loan documents.
- (iv) Consent to changes in trustees.
- (v) Authorize and/or execute subordination agreements for changes to security interests (change in lien positions of gross revenue pledges and/or collateral).
- (vi) Substitute real property as collateral with other real property provided there is a current appraisal, the loan to value ratio is at least 95% and the Authority's lien position remains as approved by the Authority or as authorized under Section 5 of the delegation resolution.
- (vii) Approve or consent to a merger, acquisition, dissolution, consolidation, affiliation, change in legal name or place of business or the sale, encumbrance or transfer of assets by a borrower.
- (viii) Carry out any ministerial actions contemplated by any loan documents.
- (ix) Respond to any litigation or claim made against the Authority in connection with any loan, or any investigation of any loan by any state or federal regulatory or law enforcement authority when a response is required by law and is necessary to protect the interests of the Authority, or to effectuate the terms of the applicable resolution adopted by the Authority.

The proposed resolution will replace Resolution Number 2022-06, which had similar purposes.

**RECOMMENDATION:**

Staff recommends the Authority approve Resolution No. 2023-07, authorizing the delegation of certain actions related to HELP II to the Chair, any deputy to the Chair, the Executive Director, and the Deputy Executive Director, upon the Executive Director's written authorization or when the Executive Director is unavailable.

**ATTACHMENT:**

Exhibit A - HELP II Delegation of Powers Summary for Calendar Year 2023

**EXHIBIT A –**

**HELP II DELEGATION OF POWERS SUMMARY**

**ACTIONS TAKEN UNDER RESOLUTION NO. 2022-06  
CALENDAR YEAR 2023**

<b><u>Board Meeting</u></b>	<b><u>Health Facility</u></b>	<b><u>Delegation Action</u></b>
<p><b>No HELP II Delegations from January 2023 to December 2023 to report.</b></p>		

## RESOLUTION NO. 2023-07

### RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY DELEGATING CERTAIN POWERS AND AUTHORIZING CERTAIN ACTIONS RELATED TO LOAN FINANCINGS

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the provisions of the California Health Facilities Financing Authority Act (Gov. Code, §15430 et seq.) (the “Act”) to provide secured or unsecured loans to participating health institutions to refinance existing debt and finance the acquisition, construction, expansion, remodeling, renovation, improvement, furnishing, or equipping of a health facility;

WHEREAS, the Authority established the Healthcare Expansion Loan Program II (the “Program”) to provide loans to participating health institutions as authorized by the Act;

WHEREAS, pursuant to Government Code section 15436 of the Act, the Authority may delegate to its members, the Executive Director, or any other official or employee of the Authority any powers and duties the Authority may deem proper;

WHEREAS, from time to time a participating health institution of the Program may desire to seek the consent of the Authority relating to amendments to the various loan documents memorializing the loan between the Authority and the participating health institution (“Loan Documents”); changes in trustees; the sale, encumbrance, or transfer of assets; a merger, acquisition, dissolution, affiliation, or consolidation of a participating health institution; a change in the participating health institution’s legal name or place of business; or a subordination of security interests, including, but not limited to, gross revenue pledge and/or collateral;

WHEREAS, the Authority desires to authorize the Chair, any deputy to the Chair, the Executive Director, and the Deputy Executive Director, upon the Executive Director’s written authorization or when the position of Executive Director is vacant or when the Executive Director is unavailable to consent to: certain amendments to the Loan Documents; changes in trustees; the sale, encumbrance or transfer of assets; a merger, acquisition, dissolution, affiliation, or consolidation of a participating health institution; a change in the participating health institution’s legal name or place of business; a subordination of security interests, including, but not limited to, gross revenue pledge and/or collateral; and other related matters, including, without limitation, certifying resolutions, executing and delivering Loan Documents; responding to audits, investigations, claims, litigation, or the threat of litigation; and other ministerial duties; and

WHEREAS, approval of the Authority is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

**Section 1. Certification of Resolutions.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director’s written authorization or when the Executive Director is unavailable, the power to sign and certify resolutions adopted by the Authority.

**Section 2. Loan Documents.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director’s written authorization or when the Executive Director is unavailable, the power to execute and the power to deliver all documents previously or hereafter approved by the Authority in connection with the issuance, disbursements, and prepayment of loans, including, without limitation, loan and security agreements, consent of Community Service Obligation Certificates, disbursement memorandums, and loan closing documents.

**Section 3. Amendments and Supplements.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director’s written authorization or when the Executive Director is unavailable, the power to execute and the power to deliver any amendment to any Loan Documents, as may be necessitated by the sections in this Resolution, provided that amendment (1) does not provide for any additional material duties of/or costs to the Authority, other than costs that will be reimbursed no later than the effective date of the amendment, and (2) does not modify any provision for the indemnification of the Authority or any members, directors, officers, employees, or agents of the Authority.

**Section 4. Change of Trustee.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director’s written authorization or when the Executive Director is unavailable, the power to approve or consent to a change in trustees as necessary.

**Section 5. Subordination of Security Interests.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director’s written authorization or when the Executive Director is unavailable, the power to approve or authorize requests for subordination agreements that cause the Authority’s security interest in:

(1) a gross revenue pledge to be subordinated to:

(A) the Department of Health Care Access and Information, Cal-Mortgage Loan Insurance Division (“HCAI”), when the borrower has engaged in Authority-approved bond financing insured through HCAI, whether through new issuance or refinancing; and/or

(B) financial institutions when the borrower is requesting short-term debt (i) if the current outstanding loan to original appraised value is 75% or less, or (ii) if the current outstanding loan to original appraised value is greater than 75% and the borrower provides a current appraisal, acceptable to Authority staff, demonstrating sufficient security as set forth in the original loan requirements;

(2) a property lien position as collateral to be subordinated to:

(A) HCAI when the borrower has engaged in Authority-approved bond financing insured through HCAI, whether through new issuance or refinancing; and/or

(B) financial institutions when the borrower is requesting that the existing loan be subordinated to a lower lien position behind the financial institution’s lien position, provided that a current appraisal, acceptable to Authority staff, demonstrates that the combined loan to value ratio does not exceed 75%;

(3) gross revenue pledge and collateral be subordinated to:

(A) HCAI when the borrower has engaged in Authority-approved bond financing insured through HCAI, whether through new issuance or refinancing.

Prior to the authorization or approval of any subordination agreement, Authority staff are required to perform a financial analysis, as required of all new applications for financing, and engage in additional due diligence to determine the current fair market value utilizing various appraisal tools deemed acceptable to the Authority, including, but not limited to, an online third-party property appraiser and/or the applicable county assessor's assessed property value.

**Section 6. Collateral Substitution.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director's written authorization or when the Executive Director is unavailable, the power to substitute real property as collateral with other real property provided there is a current appraisal, the loan to value ratio is at least 95%, and the Authority's lien position remains as approved by the Authority or as authorized under Section 5.

**Section 7. Merger, Acquisition, Dissolution, Legal Name Change, etc.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director's written authorization or when the Executive Director is unavailable, the power to approve or consent to a merger, acquisition, dissolution, consolidation, or affiliation of a borrower; a change to borrower's legal name or place of business; or the sale or other transfer of the assets of a borrower when that approval or consent by the Authority is required by the applicable Loan Documents and is provided in compliance with the applicable Loan Documents.

**Section 8. Ministerial Actions.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director's written authorization or when the Executive Director is unavailable, the power to carry out any ministerial actions contemplated by any Loan Documents, including, but not limited to, prepayment.

**Section 9. Litigation, etc.** The Authority hereby delegates to the Executive Director and the Deputy Executive Director, upon the Executive Director's written authorization or when the Executive Director is unavailable, the power to respond on behalf of the Authority to any audit, investigation, litigation, claim, threat of litigation, or claim made to or against the Authority or any of its members, directors, officers, or employees in connection with any loan, or any investigation or audit or other review of any loan by any state or federal regulatory or law enforcement authorities when a response is required by law and is necessary to protect the interests of the Authority (hereinafter "Claims Made"), or to effectuate the terms of the applicable Authority resolution authorizing the loan. The Executive Director or the Deputy Executive Director, whenever the Executive Director is otherwise unavailable, are required to provide immediate notice within three working days to each of the members of the Authority regarding any Claims Made prior to taking any action as permitted by this section, to provide all members with the opportunity to give any direction, including direction to convene a public meeting to discuss the Claims Made.

**Section 10. Exercise of Delegations Discretionary.** Nothing in this Resolution requires the Executive Director or the Deputy Executive Director to exercise the powers delegated herein, and the Executive Director and the Deputy Executive Director may instead bring a proposed action before the Authority for consideration.

**Section 11. Supplemental Delegations.** The Authority may in any future resolution delegate additional powers to the Executive Director, the Deputy Executive Director, or other officers or employees of the Authority, or eliminate, modify, or restrict any delegation granted in this Resolution. Except as expressly provided in Section 3, the powers delegated in this Resolution are deemed to be in addition to and do not limit, any prior delegation of power or authorization. The authorization contained in this Resolution applies to any loan now or hereafter outstanding.

**Section 12. Delivery.** The power delegated under this Resolution to each of the Executive Director and the Deputy Executive Director to deliver executed documents extends to documents executed by either that officer or both officers. Notwithstanding anything to the contrary in this Resolution, any document executed by the Executive Director in accordance with this Resolution may be delivered by the Deputy Executive Director regardless of whether the Deputy Executive Director was authorized to execute the document.

**Section 13. Reporting.** Except as may be otherwise required within this Resolution, the Executive Director and the Deputy Executive Director, as applicable, are required to report to the Authority monthly or, at a minimum, at the next scheduled meeting, all actions taken pursuant to the delegations of powers under this Resolution, unless the action is a subject for closed session pursuant to the Bagley-Keene Open Meeting Act (Gov. Code, §11120 et seq.), in which case the action will be reported in closed session or in writing to individual Authority members.

**Section 14. Opinion of Counsel.** The Executive Director or the Deputy Executive Director, as applicable, are required to seek and rely upon a formal or informal opinion from the Authority's in-house legal counsel to confirm compliance with one or more of the provisions of this Resolution.

**Section 15.** The Chair of the Authority or any deputy to the Chair, acting singly, is hereby authorized to execute and deliver each and every document the Executive Director or the Deputy Executive Director has been delegated the power to execute and deliver pursuant to this Resolution. The Chair may act by and through a deputy in connection with the delegations and authorizations under this Resolution.

**Section 16.** This Resolution takes effect immediately upon adoption and is repealed on January 31, 2026, unless extended by action of the Authority prior to that date.

Date of Adoption: \_\_\_\_\_