AMENDED MINUTES

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

Alternate Location for CHFFA Teleconference Participation

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

July 25, 2012 – 9:30 A.M.

Patricia Wynne, Chairperson called the meeting to order at 9:30 A.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 Dr. Oscar Sablan via teleconference Ann Madden Rice Samuel Qiu
Absent:	Judith Frank Ronald Joseph Jack Buckhorn

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the March 29, 2012 and the June 28, 2012 Meeting
Chairperson Wynne noted that there were two sets of meeting minutes. Ms. Holton-Hodson requested a correction to the June 28, 2012 minutes in regards to the Strategies for Change Information Item. She requested the term "**forgive"** to change to "**agree to reduce ~~principle~~ principal"**. She also requested that it be noted that none of the board members present at the meeting supported a reduction of ~~principle~~ principal.

Ms. Madden Rice moved approval of both of the meeting minutes, March 29, 2012 and June 28, 2012 as amended and Ms. Holton-Hodson seconded the motion. The motion was adopted with a 5-aye roll call vote.

Executive Director's Report (Information Item)
Ms. Liebert submitted the fund balances for the record as of June 30, 2012 and the comprehensive debt list summary of CHFFA's top 13 borrowers and noted there was limited information provided on the fund balances reports as staff awaits the year-end final numbers from the Treasurer's Office, Administrative Office.

Tax-Exempt Bond Delegation of Powers Monthly Update

Ms. Liebert, Executive Director executed requisite documentation for Dignity Health ("DH") waiving a 35-day notice requirement of any changes related to the delivery of alternate credit facilities for the CHFFA Variable Rate Revenue Bonds Series 2005H, 2005I, and 2009H. DH is unsure of the effective date of proposed changes to its credit facilities.

HELP II Delegation of Powers Monthly Update

No actions were taken pursuant to the delegation resolution.

Item #4 Marshall Medical Center, Resolution No. 381

Michael Tang, Staff Analyst, introduced Laurie Eldridge, Chief Financial Officer, Marshall Medical Center, Ed Wohlleb, Underwriter, Bank of American Merrill Lynch, and Diane Potter, Bond Counsel, Orrick, Herrington & Sutcliffe. Marshall Medical Center requested to refund all or a portion of CHFFA's 1993 Series A and 1998 Series A Hospital Revenue Bonds in an amount not to exceed $22 million. Based on market conditions, Marshall Medical Center expected the refund to result in an estimated net present value savings of $2.6 million.

Staff recommended the Authority approve Resolution No. 381 in an amount not to exceed $22,000,000 subject to, (1) the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency and contingent upon approval of Cal-Mortgage insurance and; (2) approval of the TEFRA hearing. 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.

Ms. Holton-Hodson asked Marshall's investment banker to comment on current market rates for tax-exempt bonds. Mr. Wohlleb replied that rates for tax-exempt bonds hit a historical low according to several market indices.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Mr. Reyes moved approval of Resolution No. 381 and Ms. Holton-Hodson seconded the motion. The Resolution was adopted with a 5-aye roll call vote.

Item #5 Asian American Drug Abuse Program ("AADAP"), Inc., Resolution No. HII-270

Agenda Item #5 was moved to the August agenda. AADAP requested the agenda item be moved to the August agenda so AADAP can further consider CHFFA's request for additional conditions regarding its HELP II loan..

Item #6 University of California, San Diego Medical Center, Resolution No. CHP 3 2012-04

Agenda Item #6 was moved to the August agenda due to a quorum challenge.

Item #7 California Health Access Model Program of 2012, Resolution No. 2012-05

Ms. Liebert, Executive Director invited Barbara Webster-Hawkins, Program Manager and Mark Paxson, General Counsel to the table as she presented the California Health Access Model Program (CHAMP) proposed regulations. CHAMP is a new grant program authorized by A.B. 1467 and signed into law by the Governor on June 28, 2012. Ms. Liebert, Mr. Paxson and Ms. Webster-Hawkins described how the grant program would be structured and the required process for

establishing regulations. Once regulations are approved, staff intends to solicit Letters of Interest. Interested Parties who submit Letters of Interest and meet the requirements for applicant-and project-eligibility would be invited to submit grant applications.

Chairperson Wynne appreciated staff's work in so quickly getting proposed regulations before the board for consideration.

Ms. Webster-Hawkins referred to a draft Frequently Asked Questions document provided to board members with the proposed regulations, and said updated versions of it would be posted periodically on the CHFFA website.

Ms. Holton-Hodson complimented the easiest regulations ever read. As a former funder, she strongly recommended (concerning Sec. 7110, Sub 7) that grant funds not be disbursed solely on a reimbursement basis as there is no statutory requirement for a reimbursement basis and it may complicate the finances of a grantee.

Chairperson Wynne asked for staff's thoughts behind the proposed regulation establishing a reimbursement basis for disbursement.

Ms. Webster-Hawkins replied that because the demonstration is required to be well underway and have other funding sources, advances did not seem essential; however, the proposed regulations could be revised to allow advances.

Mr. Reyes responded that he likes the idea of reimbursements as protection for public funds and would not support advances for a full grant but would support an advance of a percentage of the entire grant with expenditures verified quarterly.

Ms. Madden Rice agreed that there needs to be protection, given that an 18 month grant is a very short window. She suggested advances, capped at a percent or payments on a rolling quarterly basis.

Further discussion resulted in direction to staff to modify the proposed regulations such that grantees could receive some funds in advance with quarterly progress payments or some variation thereof, but with adequate protections to verify that funds are used appropriately and to avoid having to recover funds at the end of the grant period.

Chairperson Wynne asked if there were any questions or public comment.

Ms. Holton-Hodson moved approval of Resolution No. 2012-05 and Mr. Reyes seconded the motion. The Resolution was adopted with a 6-aye roll call vote.

Item #8 CHFFA's 2009-2010 Financial and Performance Audits

Ms. Liebert introduced Ms. Lyn DellaPenna, Reznick Group. Even though CHFFA's statute does not require an audit, CHFFA engaged Reznick to conduct a financial and a performance audit for all of CHFFA's programs for three years. Reznick made specific findings about the Bond Financing Program, the HELP II Program and the Children's Hospital Program. The recommendations have been implemented or are in the process of being integrated.

Chairperson Wynne replied that she was very pleased an audit had been completed.

Chairperson Wynne postponed open session and closed session began at 10:03 A.M.

Item #9 Bureau of State Audits confidential final draft audit report regarding CHFFA's Bond Financing Program (Government Code Section 11126.2(a))

At 10:25 A.M., Chairperson Wynne reported the closed session was concluded and returned to open session. In open session, Chairperson Wynne reported the final audit report would be available at the ~~August 23, 2012~~ August 30, 2012 board meeting.

Item #10 Other Business

There was no other business presented. Chairperson Wynne asked for public comment. Hearing none, the meeting was adjourned at 10:26 A.M.