MINUTES

California Health Facilities Financing Authority
("CHFFA")
February 23, 2012
915 Capitol Mall, Room 587
Sacramento, California 95814

Alternate Locations for CHFFA Teleconference Participation

QIU Accountancy Corporation
3580 Wilshire Blvd., Suite 1126
Los Angeles, CA 90010

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

Patricia Wynne, Chairperson called the meeting to order at 1:48 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
	Judith Frank - Teleconference
	Samuel Qiu – Teleconference
	Ann Madden Rice
	Ronald Joseph
Members Absent:	Jack Buckhorn
	Dr. Oscar Sablan (Teleconference line remained open)

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the January 26, 2012 Meeting
Mr. Joseph moved approval of the meeting minutes and Ms. Holton-Hodson seconded the motion. Hearing no questions or comments, the meeting minutes were unanimously approved with a 6-Aye roll call vote. Ann Madden Rice was not present for the minutes.

Executive Director's Report (Information Item)
Ms. Liebert submitted the Executive Director's Report and CHFFA's top 13 borrowers for the record. Ms. Liebert reported there were no delegation of power actions taken. Ms. Liebert reported CHFFA was selected for a routine audit by the Bureau of State Audits for the Children's Hospital Program as permitted in the statute.

The record reflected Ann Madden Rice arrived at 1:50 p.m.

Carolyn Aboubechara, Staff Analyst, reported on the results of the HELP II Program annual survey. A discussion ensued amongst the board members regarding possible health facility closures, operating challenges, trends in program retrenchments, and the effect of the Medi-Cal and other revenue reductions due to the nation's weakened economy. After the discussion, Ms. Liebert suggested staff would carefully review the financials of borrowers who indicated they may have upcoming closures or other financial challenges. Chairperson Wynne also suggested that staff follow up with CPCA to ask if there were any trends with its members.

Item #4 Rady Children's Hospital (RCH) – San Diego, Resolution No. CHP-3 2012-01

Barbara Webster-Hawkins, Program Manager, introduced Barbara Ryan, Vice President, Government Affairs for Rady Children's Hospital – San Diego (RCH – San Diego). RCH – San Diego requested a grant in the amount of $19,628,877 to reimburse hospital internal funds expended for the construction of its Acute Care Pavilion, a new four-story pediatric tower which opened in October 2010. Staff recommended the Authority approve the grant in an amount not to exceed $19,628,887 less cost of issuance and administrative costs to RCH - San Diego, subject to all of the Children's Hospital Program requirements of 2008.

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

Ms. Holton-Hodson moved approval of Resolution No. CHP-3 2012-01 and Mr. Joseph seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Prior to Item #5, Ms. Liebert announced that board member, Judith Frank, would recuse herself from the item due to her ownership in Wells Fargo Bank stock, which presents a potential for conflict of interest. Ms. Frank confirmed that she recused herself.

Item #5 Lucile Salter Packard Children's Hospital at Stanford (Packard), Resolution No. 376

Michael Tang, Staff Analyst, introduced Keith Grundy, Financial Advisor, Managing Director, Hammond Hanlon Camp LLC. Packard requested the use of bond funds to refund CHFFA 2003C revenue bonds in the amount of approximately $60 million. The 2003C Bonds were used in a multi-phase project that included expansion, renovation and relocation of an existing facility in Palo Alto and the purchase of clinical information systems. Packard expected the refunding to result in an estimated present value savings of approximately $5 million over the life of the bonds.

Staff recommended the Authority approve Resolution No. 376 in an amount not to exceed $60 million 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 commented that $5 million was a large saving and asked Mr. Grundy to explain what happened in the market conditions that would result in such savings.

Mr. Grundy replied principally fixed interest rates were so low that the bonds would be callable in a little over a year. Packard experienced little negative arbitrage, which accounted for the high savings, and the interest rates were reduced from about 5% to a little over 3% over the average life of the bonds of ten years.

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

Ms. Holton-Hodson moved approval of Resolution No. 376 and Ms. Rockwell seconded the motion. The Resolution was adopted with a 6-Aye roll call vote and one recusal.

Ms. Frank recused herself from Agenda item #6 due to owning stock in Wells Fargo, which is a potential conflict of interest.

Item #6 Lucile Salter Packard Children's Hospital at Stanford (Packard), Resolution No. 2012-02

Carolyn Aboubechara, Staff Analyst, introduced Keith Grundy, Financial Advisor, Managing Director, Hammond Hanlon Camp LLC. Packard requested the Authority authorize amendments to the bond indenture for the Series 2008 variable rate bonds for the addition of two interest rate reset modes, the Windows Interest Rate Mode and the Index Floating Rate Interest Rate Mode, as well as the modification of the existing Commercial Paper Rate Mode to provide for the establishment of subseries as well as the extension of the maturity date on the bonds.

Staff recommended the Authority approve Resolution No. 2012-02 authorizing any and all actions necessary to amend the bond indenture as requested by Packard to permit the addition of two Interest Rate Reset Modes, the Windows and Index Modes, and authorized provisions modifying the existing Commercial Paper Rate Mode to provide for the establishment of subseries. Public Financial Management, CHFFA's Financial Advisor, concurred with the recommendations of Authority staff.

Mr. Grundy added Packard made a decision to enter into a long term index mode for the existing bonds, which allowed Packard to take advantage of the low interest rates and locked in an interest rate for five years. At the end of five years, the additional modes would provide Packard more flexibility depending on the market conditions.

Ms. Holton-Hodson asked for clarification on the Windows mode.

Mr. Grundy stated the Windows mode is a variable rate demand bond that the interest rate sets according to the SIFMA index, often referred to as variable rate bonds. Unlike a typical variable rate bond which has a weekly put, the owners have the right to put the bonds back on a seven day notice. The buyers of the Windows mode bonds have to give a seven month notice to put the bonds back.

Ms. Holton-Hodson asked additional questions regarding the owners who buy the bonds and the seven month notification.

Mr. Grundy explained the mechanics of the windows mode.

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

Ms. Holton-Hodson moved approval of Resolution No. 2012-02 and Mr. Joseph seconded the motion. The Resolution was adopted with a 6-Aye roll call vote and one recusal.

Item #7 Kings Rehabilitation Center, Inc. (KRC), Amendment to Resolution No. HII-235

Ms. Liebert noted an amended resolution had been circulated for the board which corrected two typographical errors.

Marissa Sequeira, Staff Analyst, introduced Lubov Pavluk, Finance Director and Steve Mendoza, Executive Director for Kings Rehabilitation Center. KRC requested a 45-day extension for Resolution No. HII-235, in order to close the existing loan, which was originally approved in January 2009. The existing resolution was set to expire on February 24, 2012. KRC had to resolve issues with the City of Hanford on the proposed irrigation system, zoning approvals and CEQA documentation.

Staff recommended the Authority approve Amendment to Resolution No. HII-235 to extend the expiration date 45-days to allow staff to close the HELP II loan by April 9, 2012. All other provisions of the HELP II loan remained the same and in full force and effect.

Mr. Joseph inquired if all of the contracts and permits were in place.

Mr. Mendoza and Ms. Sequeira replied that all contracts had been received. The CEQA documentation was the last remaining document needed in order to close the loan.

Ms. Frank inquired about the total cost of the project.

Ms. Pavluk stated the total project cost was $1.9 million.

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

Ms. Holton-Hodson moved approval of Amendment to Resolution No. HII-235 and Ms. Rockwell seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Item #8 Tax Exempt Bond Program Fees Reduction, Resolution No. 2012-03

Ms. Liebert provided the board members with a summary of various bond transaction fees over the past calendar year in order to ascertain if the Authority's fees should be reduced or increased.

Chairperson Wynne announced that Samuel Qiu left the board meeting at 2:30 p.m.

Ms. Hollenbeck from PFM provided additional information on the projection of future revenues based on various assumptions on the fees.

Chairperson Wynne asked Ms. Liebert if this discussion could be continued next board meeting.

Ms. Liebert confirmed that staff would bring an action item for the board's consideration on the Authority's fees schedule at the next board meeting.

Item #9 HELP II Loan Program and Maximum Loan Amount

Agenda item #9 was moved to the next board meeting.

Item #10 **Cost of Issuance**

Ms. Liebert stated that Agenda item #10 was designed to inform the board members of the costs involved in a bond transaction. The cost of issuance (COI) has been discussed for a number of years and board members have commented on the seemingly high cost for smaller borrowers.

COI's are expenses paid by or on behalf of the borrower in connection with the sale and issuance of bonds.

Staff provided handouts to board members of a report that displayed the cost of issuance per transaction and the total cost of issuance for all of the tax-exempt bond transactions for calendar year 2011.

There were several questions from board members regarding the fees on the various transactions over the past year.

Ms. Hollenbeck from PFM fielded various questions from board members.

Item #11 **Other Business**

There was no other business presented. Chairperson Wynne asked for public comment. Hearing none, the meeting was adjourned at 2:44 P.M.