MINUTES

California Health Facilities Financing Authority
January 6, 2011
915 Capitol Mall, Room 587
Sacramento, California

Patricia Wynne, Chairperson called the meeting to order at 1:35 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Dave O'Toole for John Chiang, Controller's Office
Fred Klass for Ana J. Matosantos, Department of Finance
Judith Frank – Teleconference
Dr. Oscar Sablan - Teleconference
Ann Madden Rice
Ronald Joseph
Sumi Sousa
Jack Buckhorn

Staff Present: Barbara J. Liebert, Executive Director
Rosalind Brewer, Deputy Executive Director

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the December 2, 2010 Meeting (Action Item)
Mr. Buckhorn moved approval of the minutes and Ms. Sousa seconded the motion. The minutes were unanimously approved with a 7-Aye vote (taken by roll call). Dr. Sablan and Mr. Klass abstained.

Executive Director's Report (Information Item)
Ms. Liebert reported the following as of November 30, 2010: Bonds issued: $24,912,562,017; Bonds outstanding: $9,327,343,120; CHFFA fund balance: $14,001,167; HELP II fund balance: $14,022,443, Cedillo-Alarcón Clinic: $47,797; Anthem-WellPoint: $274,317; Children's Hospital Bond Act of 2004: $149,902,393 and the Children's Hospital Bond Act of 2008: $722,925,878.

Delegation of Powers Monthly Update – Providence Health & Services-Change of Trustee: Update on the Effective Date
Ms. Liebert reported that a prior action taken (replacement of trustee) pursuant to the delegation resolution for the benefit of Providence Health and Services at the December 2, 2010 meeting was amended in a minor way. Specifically, subsequent to the December 2nd meeting, the trustee requested the effective date for replacing the trustee be changed from December 31, 2010 to December 28, 2010. Documents allowing the change of effective date were reviewed and approved by the Attorney General's Office and the STO's General Counsel. Staff thereafter executed the relevant documentation.

Ms. Liebert further reported that copies of the 2010 Annual Reports for both Children's Hospital Programs -- 2004 and 2008 had recently been submitted to the Legislature. Chairperson Wynne thanked staff for sharing the reports with Board members and asked the Board members to review the reports and to pose any questions at the next meeting.

Item #4 Sutter Health, Resolution No. 360
Chairperson Wynne thanked Sutter Health for coming back to the Authority. Ms. Liebert stated Judith Frank, who participated via teleconference would not vote on this item due to a conflict of interest associated with her ownership of Wells Fargo Bank's stock. Wells Fargo Bank serves as the trustee on this transaction.

Yassar Dahbour, Staff Analyst, introduced Svend Ryge, Treasurer and Vice President of Finance, Sutter Health; Todd Smith, Vice President of Strategy and Business Development, Sutter Health East Bay Hospitals; Nadder Mirsepassi, Assistant Treasurer, Sutter Health; Kim Gardner, Communications Director; Diane Potter, Esq., Bond Counsel, Orrick, Herrington & Sutcliffe LLP and John Landers, Managing Director, Morgan Stanley.

Sutter Health requested $800,000,000 for a term up to 40-years to current refund in whole or in part the three prior CHFFA insured revenue bond issues, Series 1997C, 1998A and, 1999A, and CHFFA revenue bond issue, Series 2000A, and to finance the construction, furnishing, and equipping of a new hospital and a new patient care pavilion.

Staff recommended the Authority approve Resolution Number 360 in an amount not to exceed $800,000,000 (which Resolution is expressly conditioned on receipt of an investment grade rating by a nationally recognized rating agency). Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's advisor, concurred with the Authority's staff recommendation.

Mr. Ryge stated Sutter was very appreciative for the special meeting. He stated the financing was very important to Sutter and it was the first financing since the spring of 2008. He further described Sutter's strong financial condition, which might result in a rating upgrade. In addition, he stated the two projects presented to the Board will be very strong assets in the communities and are required for seismic compliance.

Mr. Smith gave a brief description on each of the projects, the Alta Bates Summit Medical Center and Eden Medical Center. He stated the genesis behind both of the projects was meeting the seismic regulations and standards. More importantly, the projects enable Sutter to provide access to care in the communities, improve services and ultimately provide a safer environment for both patients and staff.

Regarding the Alta Bates Summit Medical Center project, Chairperson Wynne asked if it was replacing the existing facility or if it was an addition. Mr. Smith replied that it was an addition and not a replacement for the Alta Bates Campus or the Herrick Campus in Berkeley.

Regarding the Eden Medical Center project (EMC), Dr. Sablan asked if EMC would be a level one or a level two trauma center, to which Mr. Smith replied that the facility would have a level two designation.

In addition, Dr. Sablan asked about the difference in cost between the two projects. Mr. Smith replied the projects were different in scale – one project was a complete rebuild and the other project was the building of a new tower. However, Mr. Smith was not aware of the true difference in structural costs.

Ms. Sousa asked about Sutter's compliance with the "1953" requirements and if Sutter would be able to meet the 2030 deadline. Both Mr. Smith and Mr. Ryge addressed the issue, by providing details of in-progress seismic projects at various Sutter facilities throughout Northern California that will be completed within five years. Mr. Ryge stated that the California Pacific Medical Center may be the only facility with a completion date after 2016 since work has not started yet.

Mr. Buckhorn asked if Sutter's LEED goals was a strategy for all of its facilities. Mr. Ryge and Mr. Smith both commented they could not address the corporate-wide goals at the time. However, Mr. Ryge stated the LEED goal was a local priority.

Mrs. Rice requested confirmation that the obligated group would be responsible for the new $800,000,000 issue and queried whether financials had been provided for the obligated group. Mr. Ryge replied yes to both comments.

Dr. Sablan inquired about some of Sutter's outstanding debt and why it appeared that some of the debt had not been reduced notwithstanding the passage of several years since the original issuance. Mr. Landers explained that there were a number of older transactions where construction had not yet begun so the interest had been capitalized for a period of time due to the bonds not yet being amortized.

Chairperson Wynne asked if there were any more questions from the Board members or public comments on this item.

Nato Green of the California Nurses Association spoke openly to the Board encouraging them not to approve this transaction or at least delay it for further discussion. He described several Sutter projects around the State that were controversial. He stated Sutter was involved in litigation in Marin County. He claimed taxpayers had to bail out Sutter because Sutter did not meet its own seismic deadlines. He also claimed there was litigation over a rebuild of the San Leadro closure. In addition, he claimed that Sutter was the most profitable and the highest cost health system but provided the least amount of charity care.

Chairperson Wynne thanked Mr. Green for his comments but stated that in the future it would be more helpful if comments could be delivered in writing to the Board earlier than the day of meeting.

Chairperson Wynne asked if there were any further comments or questions from the Board. Mr. Joseph moved approval of the Resolution and Ms. Sousa seconded the motion. The Resolution was adopted with 8-Aye vote (taken by roll call). Ms. Frank did not vote.

Item #5 Fellowship Homes, Inc., Amendment to Resolution No. 358

Carolyn Aboubechara, Staff Analyst, requested Authority's approval to increase the amount previously approved by the Board at its December 2, 2010 meeting (from $3,205,000 to $3,300,000, an overall increase of $95,000) for Fellowship Homes, Inc. (FH). At the December 2, 2010 meeting, the Authority approved Resolution Number 358, which authorized FH to go out to the tax-exempt market for $3,205,000. Bond proceeds were approved to currently refund CHFFA Insured Health Facility Refunding Revenue Bond Series 1996A, as well as to fund debt service reserve funds, and to pay the costs of issuance, including the fees and premiums associated with Cal-Mortgage insurance. FH requested the additional amount to allow for possible increases in project costs, including the costs of issuance.

Staff recommended the Authority amend Resolution Number 358 to permit the increase in the amount requested from $3,205,000 to $3,300,000.

Chairperson Wynne asked if there were any public comments on this item. Ms. Sousa moved approval of the Amendment to Resolution and Mr. O'Toole seconded the motion. The Amendment to Resolution was adopted with 9-Aye vote (taken by roll call) .

Item #6 TLC Child & Family Services, Amendment to Resolution No. 359

Carolyn Aboubechara, Staff Analyst, requested Authority's approval to increase the amount previously approved by the Board at its December 2, 2010 meeting (from $2,745,000 to $3,000,000, an overall increase of $255,000) for TLC Child & Family Services (TLC). At the December 2, 2010 meeting, the Authority approved Resolution Number 359, which authorized TLC to go out to the tax-exempt market for $2,745,000. Bond proceeds were approved to currently refund CHFFA 2000 Series A Bonds and a 1997 City of Sebastopol Certificate of Participation, as well as to fund debt service reserve funds, and to pay the costs of issuance, including the fees and premiums associated with Cal-Mortgage insurance. TLC requested the additional amount to allow for possible increases in project costs, including the costs of issuance.

Staff recommended the Authority amend Resolution Number 359 to permit the increase in the amount requested from $2,745,000 to $3,000,000.

Chairperson Wynne asked if there were any public comments on this item. Dr. Sablan moved approval of the Amendment to Resolution and Mr. Buckhorn seconded the motion. The Amendment to Resolution was adopted with 9-Aye vote (taken by roll call).

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 2:02 p.m.