MINUTES
California Health Facilities Financing Authority
("CHFFA" or "Authority")
915 Capitol Mall, Room 587
Sacramento, California 95814
March 23, 2017 – 1:30 P.M.

Alternate Location for CHFFA Teleconference Participation
Asset Strategies
500 S. Figueroa Street
Los Angeles, California 90071-1705

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

OPEN SESSION

Deputy Treasurer, Steve Juarez, serving as Chairperson, called the meeting to order at 1:30 P.M.

ROLL CALL

Members Present: Steve Juarez for John Chiang, California State Treasurer
Alan LoFaso for Betty T. Yee, California State Controller
Eraina Ortega for Michael Cohen, Director of Finance
Judith Frank - Via Teleconference
Jack Buckhorn
Robert Cherry, M.D.
Oscar Sablan, M.D.
Jay Hansen
Sumi Sousa

Chairperson Juarez declared a quorum present.

Chairperson Juarez 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.

Approval of the Minutes from the February 23, 2017 Meeting
Chairperson Juarez asked if there were any questions or public comment. There were none.

Authority Action
Motion to approve the minutes from the February 23, 2017 meeting.

MOTION: Member Ortega SECOND: Member Sousa

AYES: ..... Sousa, Sablan, Cherry, Buckhorn, Frank, Ortega, LoFaso, Juarez
NOES: ..... NONE
ABSTAIN: ..... NONE
RECUSE: ..... NONE

MOTION ADOPTED.

Executive Director's Report

Diane Stanton, Executive Director, introduced CHFFA's new board member Dr. Robert Cherry, Chief Medical and Quality Officer and trauma surgeon from UCLA Health. Dr. Cherry is the Senate Rules Committee's appointee replacing Ann Madden Rice.

CHFFA Fund Balances and Comprehensive Debt List Summaries

Ms. Stanton reported the financials as of February 28, 2017 and the comprehensive debt list summary. Ms. Stanton reported there was an increase of $15 million in the Investment in Mental Health Wellness Fund balance of which $11 million (Mental Health Services Act "MHSA" funds) was appropriated to the Authority in the 2016-17 budget, specifically for the children and youth, and $4 million (MHSA funds) for a fourth year of personnel funding that nine counties were eligible for.

Tax-Exempt Bonds Delegation of Powers Monthly Update

No action taken pursuant to the Tax-Exempt Bond delegation of powers resolution.

HELP II Loan Program Delegation of Powers Monthly Update

Family Care Network, Inc. ("FCN"): CHFFA approved a HELP II loan in the amount of $1,300,000 for FCN to secure a 2nd lien position on real property in San Luis Obispo. JPMorgan Chase Bank, N.A. ("JP Morgan Chase") held the 1st lien position as security for a $3,300,000 loan. FNC sought to refinance the JPMorgan Chase loan with Wells Fargo Bank, N.A. ("Wells Fargo"). Wells Fargo requested the 1st lien position held by JPMorgan Chase. CHFFA's 2nd lien position would remain the same. FNC also sought to borrow approximately $900,000 from Wells Fargo to purchase real property. FNC requested CHFFA approve the $900,000 in additional debt and execute a subordination agreement to refinance the JPMorgan Chase loan with Wells Fargo.

CHFFA's in-house counsel reviewed the request for the execution of the subordination agreement and confirmed the proposed action fell within CHFFA's HELP II Loan Program's delegation resolution. The Executive Director approved the additional debt and executed the subordination agreement on February 21, 2017.

HELP II Loan Program Update

CHFFA staff plan to send letters to borrowers informing them about the new on-line option to submit their payments.

Legislative Update

Ms. Stanton announced there was a Senate Budget Subcommittee for Health meeting scheduled for March 30, 2017. CHFFA staff would provide an update on the Investment in Mental Health Wellness Grant Program's ("IMHWGP") projects and programs, which included an update regarding Senate Bill 82 and projects in progress or currently operational.

Discussion during the meeting will include reversion of funding for the Children and Youth IMHWGP from the $27 million appropriated in the 2016-17 budget to the $11 million proposed in the 2017-18 budget. The $27 million funding level came with goals of adding 200 beds and 125 vehicles. Since funding level would determine achievable goals, statutory changes would be necessary to adjust the goals based on the proposed funding reduction.

The meeting would also include a discussion on the reversion of funding from the Community Services Infrastructure Program, which is also referred to as the Jail Diversion Program. This program was created for individuals who cycle in and out of local jails, because of either a mental health or dependency issue. In the 2016-17 budget, $67.5 million was appropriated from the General Fund as a one-time appropriation. However, program funding was eliminated in the Governor's proposed 2017-18 budget. Statutory modifications would also be necessary for this program.

Plumas District Hospital Update

In August 2016, CHFFA approved an 18-month HELP II loan in the amount of $1.5 million for working capital for Plumas District Hospital ("PDH"). The loan allowed PDH to use its internal funds to participate in Intergovernmental Transfer ("IGT") programs. The Authority disbursed approximately $1.2 million of the $1.5 million to PDH for payroll and various operational expenses. PDH received its full IGT funds and intends to pay off the HELP II loan before its maturity date of December 1, 2017.

Site visits

There were no site visits to report.

Chairperson Juarez asked if there were any questions from board members.

Ms. Frank commented about applying lessons learned from the Investment in Mental Health Wellness Grant Program ("IMHWGP") going forward.

Ms. Stanton replied staff has been applying lessons learned in the development of the Children and Youth IMHWGP.

Chairperson Juarez and Ms. Stanton discussed the impact of the devolution of the Affordable Care Act with regard to CHFFA's borrowers, including whether there are any concerns staff had begun to identify and whether staff would be monitoring the ability for some of CHFFA's borrowers to make payments.

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

Ms. Frank recused herself from agenda item #4 due to her ownership of stock in Wells Fargo Bank.

Item #4 Kaiser Foundation Hospital ("Kaiser"), Oakland, California
Resolution No. 425

Brock Lewis, staff analyst, presented. Kaiser requested Authority approval to issue $4.4 billion for new money projects and to refinance taxable commercial paper. The bond issuance would be public and/or private placement in fixed and/or multi-modal variable rate revenue bonds to finance, and/or reimburse, the costs of construction, expansion, remodeling, renovation, furnishing, equipping, acquisition, and other capital spending for certain health facilities. The resolution authorized the issuance of bonds in multiple series for the new money projects over a period of five years. Kaiser identified five current projects, and during the five-year resolution period, Kaiser would, from time to-time, identify additional new projects. Authority staff would ensure the new projects meet statutory requirements, including CEQA and the Tax Equity and Fiscal Responsibility Act

hearing process. Authority staff would then present the projects to the Authority board. The Executive Director was authorized to approve the underwriters or the purchasers to be added as a party or parties to the bond transaction within five business days after receiving a request from Kaiser.

Attendees: Thomas Meier, Senior Vice President and Treasurer, Kaiser Foundation Hospitals; Tam Bui, Counsel, Kaiser Foundation Hospitals; Rondy Jennings, Underwriter, Goldman Sachs; and Brandon Dias, Bond Counsel, Orrick, Herrington & Sutcliffe LLP.

Mr. Meier commented on the history and shared Kaiser's financing capital plan with the board members.

Mr. Hansen joined the board meeting at 1:44 P.M.

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

Authority Action
Motion to approve Resolution No. 425 to finance and refinance projects at the Health Facilities of Kaiser Foundation Hospitals in the amount of $4,400,000,000.

MOTION: Member Sousa SECOND: Member Buckhorn

AYES: ..... Sousa, Buckhorn, Sablan, Cherry, Hansen, Ortega, LoFaso, Juarez
NOES: ..... NONE
ABSTAIN: ..... NONE
RECUSE: ..... Member Frank

MOTION ADOPTED.

Item #5 Withdrawn – HELP II loan transaction for Interim, Inc. closed on March 20, 2017.

Item #6 Investment in Mental Health Wellness Act of 2013
Amendment to Resolution No. MH 2015-06 (Alameda County)

Brock Lewis, staff analyst, presented. On December 3, 2015, the Authority approved a Final Allocation for Alameda County (the "County") in an amount not to exceed $1,729,558 to establish a 14-bed Crisis Residential Treatment ("CRT") program and an amount not to exceed $2,183,118 to establish a 12-bed Crisis Stabilization Unit ("CSU") program as part of the fourth funding round. Grant funds for both programs were approved for costs associated with construction or renovation, furnishings and equipment, information technology, and three months of program startup.

The County requested the Authority approve an amendment to Resolution No. MH 2015-06 to extend the resolution and grant period expiration date from June 30, 2017 to May 31, 2018 in order to complete its CRT and CSU programs. The County stated that construction is expected to begin within the following month after authority approval of the resolution amendment.

Attendees: Gary Spicer, Consultant for Alameda County Health Care Services Agency and Michael A. Huff, PhD, Alameda County Behavioral Health Care Services – via phone.

Chairperson Juarez asked about the typical length of stay at a mental health facility. Mr. Spicer replied that the length of stay at a CSU is less than 24 hours and up to 15 days, with an average stay of 7 – 8 days, at a CRT.

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

Authority Action

Motion to approve an amendment to Resolution No. MH 2015-06 (Alameda County) to extend the resolution and grant period expiration date to May 31, 2018.

MOTION: Member Ortega SECOND: Member Sablan

AYES: ..... Sousa, Buckhorn, Sablan, Cherry, Hansen, Frank, Ortega, LoFaso, Juarez
NOES: ..... NONE
ABSTAIN: ..... NONE
RECUSE: ..... NONE

MOTION ADOPTED.

Item #7 Investment in Mental Health Wellness Grant Program
Second Amendment to Resolution No. MH 2015-03 (Mendocino County)

Erin Lane**,** staff analyst, presented. On June 25, 2015, the Authority approved a grant for the County of Mendocino (the "County") in an amount not to exceed $500,000 to implement a 10-bed Crisis Residential Treatment ("CRT") Program as part of the third funding round. The County planned to purchase and renovate real property, purchase furnishings, equipment, information technology, and to finance three months of start-up costs.

The County has been unable to obtain timely approval from the Board of Supervisors to purchase real property, causing prospective properties to fall through. Therefore, the County decided to select a non-profit service provider as designated grantee to purchase real property.

The County requested the Authority approve a second amendment to Resolution Number MH 2015-03 to extend the resolution and grant period expiration date from June 30, 2017 to May 31, 2018 and revise the project description to allow the County's non-profit service provider, Redwood Community Services ("RCS"), to purchase and renovate real property with grant funds as designated grantee.

Attendees: Karen Lovato, Program Manager, Behavioral Health and Recovery Services, Mendocino County Health and Human Services Agency and Camille Schraeder, Executive Director, Redwood Community Services.

Mr. LoFaso asked if it would make sense for the service provider to gift the real property back to the County.

Ms. Schraeder answered yes, in some cases that does make sense but in this particular case it does not because it is part of a much larger project.

Mr. Buckhorn asked if this project would trigger prevailing wage.

Ms. Schraeder replied in the affirmative.

Chairperson Juarez asked about the difference between a service provider purchasing real property and the County purchasing real property.

Ms. Lovato explained that the biggest difference is the length of the approval process.

Chairperson Juarez asked if there were any additional questions or public comments. There were none.

Authority Action

Motion to approve a second amendment to Resolution No. MH 2015-03 (Mendocino County) to extend the resolution and grant period expiration date from June 30, 2017 to May 31, 2018 and revise the project description to allow Mendocino County's non-profit service provider, Redwood Community Services, to purchase and renovate real property with grant funds as designated grantee.

MOTION: Member Buckhorn SECOND: Member Sousa

AYES: ..... Sousa, Buckhorn, Sablan, Cherry, Hansen, Frank, Ortega, LoFaso, Juarez
NOES: ..... NONE
ABSTAIN: ..... NONE
RECUSE: ..... NONE

MOTION ADOPTED.

Item #8 Investment in Mental Health Wellness Grant Program
Reinstatement of Resolution Nos. MH 2014-02 and MH 2014-15

Tom Finn, staff analyst, presented. Staff requested Authority approval to reinstate the resolutions for Butte and San Diego Counties and extend the grant period and resolution expiration date.

Mr. Finn explained that the IMHWGP regulations require grant funds to be disbursed, projects to become operational, and expenses paid for with grant funds to be incurred during the grant period and before the expiration of the resolution.

Butte County's Crisis Residential Treatment project was operational and began providing services within two weeks of the expiration of the resolution after which final expenses were incurred during the three month start-up period. San Diego County's Crisis Residential Treatment project was operational within one day of the expiration of its resolution after which final expenses were incurred during the three month start-up period.

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

Authority Action

Motion to approve reinstatement of Resolutions No. MH 2014-02 for Butte County and MH 2014-15 for San Diego County and extend the grant period and resolution expiration date of each resolution to March 31, 2017.

MOTION: Member Ortega SECOND: Member LoFaso

AYES: ..... Sousa, Buckhorn, Sablan, Cherry, Hansen, Frank, Ortega, LoFaso, Juarez
NOES: ..... NONE
ABSTAIN: ..... NONE
RECUSE: ..... NONE

MOTION ADOPTED.

CLOSED SESSION

Closed session began at 2:14 P.M.

Item #9 Pending Litigation (Government Code Section 11126(e)(1))
Consult with legal counsel regarding pending litigation (*California Health Facilities Financing Authority vs. Health for All, Inc., et al*; Case No. 34-2010-00092737, Sacramento County Superior Court) as authorized by Government Code Section 11126(e)(1)

OPEN SESSION

Open session resumed at 2:36 P.M.

Items #10, #11, #12 Other Business/Public Comment/Adjournment
Chairperson Juarez asked for public comment. Hearing none and with no additional business, the meeting adjourned at 2:42 P.M.