

OFFICIAL MINUTES
California Health Facilities Financing Authority

915 Capitol Mall, Room 587
Sacramento, California
Thursday, July 25, 2002
1:45 PM

The Meeting was called to order by Anne Stausboll sitting for Chairman Philip Angelides. Members present were Annette Porini (sitting for Tim Gage), Cindi Aronberg (sitting for Kathleen Connell), Harry Bistrin, George Monardo and Dr. Theodore Hariton. Also present were staff members Terry Partington, Deputy Executive Director, Tom Noguera, Counsel to the Authority, and Bob Kittredge, Financial Advisor, PricewaterhouseCoopers LLP.

The minutes of the June 27, 2002, meeting were approved as submitted.

The Executive Director's Report was presented by the Deputy Executive Director, covering the month of June 2002. As of June 30, 2002, bonds outstanding totaled \$6,446,190,090 and the fund balance was \$7,707,313.38. The Deputy Executive Director also reported that there were 10 borrowers with over \$100 million in CHFFA debt with a combined balance outstanding of \$5,096,823,795, which represents 79% of all CHFFA debt outstanding, and 9 equipment financings with a total balance outstanding of \$55,612,980. No equipment financings closed during the month. The Deputy Executive Director also reported a HELP II loan fund balance of \$14,380,420 and a clinic grant fund balance of \$14,397,078, respectively, as of June 30, 2002.

Resolution No. HII-104 – Santa Barbara Neighborhood Clinics (SBNC) requested the Authority to approve a HELP II resolution in an amount not to exceed \$400,000. SBNC will use the proceeds to refinance an existing short-term line of credit loan. Staff recommended the Authority approve a resolution for Santa Barbara Neighborhood Clinics in an amount not to exceed \$400,000, for a term of 15 years, subject to SBNC providing satisfactory evidence to the Authority that at least \$1.3 million of the required \$1.5 million in capital campaign funds have been pledged and/or received, covenant waivers from Cal-Mortgage for the 1988 bonds are received, a satisfactory property appraisal is completed and standard HELP II loan provisions. Mr. Monardo requested that staff counsel review all of the waiver material from Cal-Mortgage relating to the corporate existence, debt service coverage and debt limitation language for the 1988 Isla Vista Health project bonds and the verification of capital campaign funding necessary prior to the funding of this loan. After substantial discussion by the Authority, a motion was made and seconded and the resolution was unanimously approved.

Resolution No. HII-120 – Alta Family Health Clinic, Inc. (AFHC) requested the Authority to approve a HELP II resolution in an amount not to exceed \$237,500. AFHC will use the proceeds to complete the final phase of renovations being made at the clinic's newly leased facility, which will accommodate increased services to an expanding client base. Staff recommended the Authority approve a HELP II Resolution for Alta Family Health Clinic, Inc. in an amount not to exceed \$237,500, for a term not to exceed 10 years, subject to a final appraised value of the subject property satisfactory to the Authority, receipt of an acceptable 10-year written lease agreement on the property and standard HELP II loan provisions. Substantial discussion was held relating to relationships of the Alta District Hospital officers and board to the Alta Family Health Clinic and its officers and board, particularly regarding the

hospital bankruptcy and forgiveness of the \$556,961 debt. Staff and counsel provided information on discussion/correspondence with auditors, hospital counsel and the clinic Chief Financial Officer supporting the unlikely reversal of the loan forgiveness and the financial ability of the clinic to repay the debt in a worst-case scenario. Mr. Monardo requested that staff counsel assist with the minutes regarding this borrower. The chair requested that the property appraisal include verification of fair market value for the property lease. Ms. Aronberg also requested verification that the combined loan to as "improved appraised" value ratio be no greater than 80%, rather than the standard 95% limitation. After discussion by the Authority, a motion, which included these amendments, was made and seconded and the resolution was unanimously approved.

Resolution No. HII-123 – Fellowship Homes dba Casa de Modesto (FH) requested the Authority to approve a HELP II Resolution in an amount not to exceed \$400,000. FH will use the loan proceeds to construct a new kitchen. Staff recommended the Authority approve a resolution for Fellowship Homes in an amount not to exceed \$400,000, for a term of 15 years, subject to the standard HELP II loan provisions and Cal-Mortgage consent for the Authority's 2nd lien position. After discussion by the Authority, a motion, which included a request from Ms. Aronberg to have the loan to value ratio no greater than 80%, was made and seconded and the resolution was unanimously approved.

Resolution No. HII-124 – Neighborhood Healthcare (Neighborhood) requested the Authority to approve a HELP II Resolution in an amount not to exceed \$400,000. Neighborhood will use the loan proceeds to refinance a 10.5% interest rate loan of an organization it is merging with. Neighborhood will save approximately \$30,000 per year in interest payments. Staff recommended the Authority approve a resolution for Neighborhood in an amount not to exceed \$400,000, for a term of 15 years, subject to a 1st deed of trust acceptable to the Authority, evidence that the merger has become effective, and the standard HELP II loan provisions. Mr. Monardo requested and received from the borrower the original loan dates on all of the existing loans shown in the staff summary. Mr. Monardo also requested that staff include this information on all future staff summaries. After discussion by the Authority, a motion was made and seconded and the resolution was unanimously approved.

Information Item – Bob Kittredge, Financial Advisor, PriceWaterhouseCoopers LLP provided Interim Financial Statement Information for eight of the California Health Facilities Financing Authority top 10 borrowers as well as Good Samaritan Hospital and Downey Regional Medical Center Hospital. Mr. Kittredge provided a brief overview for the three corporations that had negative changes to Unrestricted and/or Total Net Assets from the last audit. Mr. Kittredge stated that as previously discussed, quarterly financial reporting has no requirements as to format and depth of data, so it is difficult to provide comparative numbers among borrowers or to audited statements for the same borrower. Mr. Monardo requested that the material covered in presentations such as this be included with the agenda packet rather than as a handout at the Authority meeting so members have a chance to review the information. Staff stated that we will provide these mini financial updates each quarter, with the next report on the annual audited statements early in 2003.

Staff presented the quarterly report of the HELP II Loan Program.

Having no other business, the meeting was adjourned.