

# CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

## Resolution No. 2008-05

### Resolution Approving Continuation of the Loans Surviving Redemption of the Bonds and Related Matters

May 29, 2008

**Background:** The Authority established the 1985 Series B Pooled Loan Program in October 1985 with a \$100 million bond issue. The Indenture, pursuant to which the 1985 Series B Bonds were issued, provided for loans to be made from time to time to eligible health facilities with eligible projects (as defined by the Authority's statute). The Pooled Loan Program (the "Program") included a recycling feature which provided for certain loan repayments to be held on deposit with the Bond Trustee and loaned to new applicants - with eligible health facilities and eligible projects (as defined by the Authority's statute). Each applicant filed an application and requested a specific term for its loan. Pursuant to the Indenture, August 23, 2010 was specified as the final principal payment for all loans. For the majority of the program's existence, the participants benefited from the program's tax-exempt status and low interest rate and received credits on earnings generated by amounts held on deposit in funds and accounts established under the Indenture. The Indenture included a provision providing for the mandatory redemption of all 1985 Series B Bonds when sufficient funds were on deposit with the Bond Trustee to fund the redemption. On April 1, 2008, sufficient funds were on deposit with the Bond Trustee and all outstanding 1985 Series B Bonds were redeemed. However, five Pooled Loan Program loans made to three different eligible health facilities remain outstanding, each with final principal payment dates of August 23, 2010<sup>1</sup>. Each eligible health facility provided a letter of credit to secure each of its loans as required by FGIC, the bond insurer for the 1985 Series B Bonds.

**Issue:** Should the Authority continue to require each participant to pay its monthly principal payment in accordance with its loan agreement with the Authority through the final principal payment date for each loan, August 23, 2010, and apply amounts received to fund the Authority's ongoing programmatic needs (HELP II or otherwise), or should the Authority consider canceling the loans, an option which is available pursuant to the Indenture<sup>2</sup>?

**Recommendation:** Staff recommends the Authority continue to require each participant to pay its monthly principal payment in accordance with its loan agreement and that the Authority adopt the attached Resolution which authorizes the continuation of these loans and certain other matters related to the continuation of the loans.

---

<sup>1</sup> AltaMed Health Services Corporation of Los Angeles, California, Cathedral Pioneer Church Homes Number Two of Sacramento, California and the Chinese Hospital Association of San Francisco, California.

<sup>2</sup> The Authority has the option of canceling the outstanding loans pursuant to the Indenture within Article IX.