

MINUTES

**California Health Facilities Financing Authority
July 31, 2008 – 1:45 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne sitting for Chairperson Bill Lockyer called the meeting to order at 1:45 p.m.

Present: Designee Patricia Wynne, Deputy State Treasurer
Designee Anne Sheehan for Michael C. Genest, Department of Finance
Designee Ruth Holton-Hodson for John Chiang, Controller's Office
Harry Bistrin
Judith Frank
Ronald Joseph
Sumi Sousa
Jack Buckhorn

Staff: Barbara J. Liebert, Executive Director

The Chair declared a quorum present.

Item #2 **Approval of the Minutes from June 26, 2008 Meeting**
(Action Item)

Ms. Liebert stated that the minutes for the June 26, 2008 meeting was still in the process of completion due to the length and complexity of that meeting.

Item #3 **Executive Director's Report**
Fund Balance and Pending Legislation Update
(Information Item)

Barbara Liebert prefaced her report by stating that the Fiscal Services Office was in the process of reconciling financial data so there would be limited information provided at this meeting. Ms. Liebert reported that as of June 30, 2008, bonds issued were \$21,123,897,017 with a total debt outstanding of \$7,742,891,195. Ms. Liebert indicated that recent Stanford Hospital closings were reflected in this balance and that Scripps Health and Lucile Salter Packard Children's Hospitals were in the process of pre-pricing and pricings.

Ms. Liebert provided the Fund balance as of May 31, 2008 as \$8,771,295.68.

Item #4 **Memorial Health Services**
Resolution No. 2008-19
(Action Item)

Ms. Liebert indicated that this agenda item was removed at the borrower's request

Item #5 **Mendocino Coast Clinics**
Resolution No. HII-224
(Action Item)

Ms. Karma Manni introduced Ms. Paula Cohen, Executive Director, Mendocino Coast Clinics. Ms. Liebert indicated that Mendocino Coast Clinic is seeking a HELP II loan for \$475,000 for a fifteen year term. Ms. Liebert indicated the HELP II loan will be used to refinance a current loan Mendocino Coast

Clinic has that has an 8 percent fixed rate, thus providing anticipated interest savings as reflected in the staff report. Ms. Liebert indicated that Mendocino Cost Clinic has a solid proforma debt service coverage ratio of 1.93x and staff is recommending approval subject to the terms and condition set forth in the staff report.

Mr. Bistrin moved for adoption of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with an 8-0 vote.

Item #6

**Escuela del Rio
Resolution No. HII-225
(Action Item)**

Ms. Thera Hearne introduced Ms. Deborah Argano, Executive Director, Escuela del Rio. Ms. Liebert indicated that Escuela del Rio is seeking a HELP II loan in the amount of \$400,000 for a fifteen year term. Escuela del Rio is seeking to construct a 2500 to 3000 square foot training facility for developmentally disabled adults on their existing property. Ms. Liebert indicated that Escuela del Rio has a solid debt service coverage ratio of 1.61x and staff is recommending approval subject to all of the terms and condition in the staff report.

Ms. Holton Hodson moved for adoption of the Resolution and Mr. Joseph seconded the motion. The motion was adopted with an 8-0 vote.

Item #7

**Imagine Supported Living Services
Resolution No. HII-226
(Action Item)**

Chair Wynne indicated that Item #7 has been removed from the Agenda.

Item #8

**Resolution Approving Authority Policy to Provide Short-Term
Loans to Rural Hospitals
Resolution No. 2008-08
(Action Item)**

Chair Wynne initiated discussion of this agenda item by indicating that Ms. Anne McCloud of the California Hospital Association would be coming forward to answer any questions the Board might have. Ms. Liebert began by providing a technical amendment to the proposed resolution. Ms Liebert indicated that on page two of the resolution, under Section 1, Subpart A, the resolution reflects that these loans are to be provided for the benefit of rural hospitals. Ms. Liebert stated that one of the Board members suggested CHFFA include statutory language that defines a rural hospital. Additionally, it was suggested that the resolution indicate these rural hospitals be licensed and in good standing. Ms. Liebert indicated that staff will update the resolution accordingly and further include that additional information in the loan documentation with the borrowers.

As an overview, Ms. Liebert provided that at the last Board meeting, rural hospitals and community clinics were present and the board considered the sum of money the Authority would make available from its fund balance. Ms. Liebert indicated that after it was reviewed, it was determined to allocate four (4) million dollars to this loan program, two (2) million dollars for the rural hospitals and two (2) million to the community clinics. Ms. Liebert then provided the rationale as to how Authority staff arrived at the loan amounts suggested in the resolutions to be heard at this meeting for the rural hospitals.

Ms. Liebert provided further that no rural hospital will receive any loan distribution in excess of the Value-of-Claim letters they receive from the Department of Health Care Services. Ms. Liebert reviewed other key conditions to be contained within the resolution governing this loan program with the rural hospitals.

Ms. Liebert continued by stating that the proposed resolution does not include interest charged to the borrower, rather, the Authority will be assessing an origination fee of 1.25 percent – the same fee utilized for the Authority’s HELP II loans. Ms. Liebert indicated that Authority staff did research the cost of this loan program and concluded that the origination fee of 1.25 percent will roughly address the cost to the Authority staff to administer these loans.

After discussion among Board members and comments from Ms. McCloud expressing appreciation to the Board on behalf of the California Hospital Association, Chair Wynne noted that the statutory authority for CHFFA allows the Authority to provide loans as long as it has guidelines. Chair Wynne indicated this resolution contains these underlying guidelines.

Chair Wynne asked if there was a motion on the resolution with the amendments as presented by Ms. Liebert. Ms. Holton Hodson moved for adoption of the Resolution and Ms. Frank seconded the motion. The motion was adopted with an 8-0 vote.

Item #9

**Resolution Approving Authority Policy to Provide Short-Term
Loans to Community Clinics
Resolution No. 2008-18
(Action Item)**

Prior to Ms. Liebert beginning her presentation, Chair Wynne recognized the representative from the community clinics and invited them before the Board. Ms. Liebert indicated the resolution for the community clinics is nearly identical to that of the rural hospitals. Ms. Liebert indicated there were two items she wanted to point out to the Board. On page 2 of the Resolution, Subpart A, similar to the rural hospital resolution, it provides that these loans are only for California community clinics. It also expresses a few different criteria that the California Primary Care Association assisted in developing to help Authority staff identify the neediest of the community clinics.

Ms. Liebert indicated another issue separating the community clinics from the rural hospitals is the matter of Medi-Cal Direct Deposit payments as processed by the Department of Health Care Services. Ms. Liebert asked Ms. Elia Gallardo, Director of Government Affairs, California Primary Care Association, to speak to that issue.

Ms. Gallardo indicated that they are setting up a conference call with the community clinic applicants and a representative from the Department of Health Care Services to ensure a mutual understanding of the process of canceling direct deposit authorization. Ms. Gallardo indicated that there is a complete understanding on the part of all participants that securitization of the Authority’s loans is an integral component of this loan program

After discussion among the Board members, Chair Wynne asked for public comment. Hearing none, Chair Wynne asked if there was a motion on this resolution. Mr. Joseph moved for adoption of the Resolution and Ms. Sousa seconded the motion. The motion was adopted with an 8-0 vote.

Prior to hearing Agenda Item 10, Mr. Buckhorn inquired if it was necessary to have a motion to formally authorize the re-allocation of surplus monies from the community clinic short-term loan program to the rural hospital short-term loan program to officially conform to a previous board directive on this issue.

Ms. Kristin Smith, STO Legal Counsel, indicated that the current resolution for the rural hospitals only allocates two million dollars and rather than developing an entirely new resolution for additional funding, the Board may indeed want to amend the resolution now. Ms. Sousa made a motion to amend Resolution #2008-08 from two (2) million dollars to three-point-three (3.3) million dollars. Chair Wynne stated that Resolution #2008-08 was back up for discussion, indicating an amendment had been proposed. Chair Wynne asked if there was any discussion or public comment on this item. Hearing none, Chair Wynne asked if there was a motion to accept the amendment. Ms. Sousa moved for adoption of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with an 8-0 vote.

Item #10 Seneca Healthcare District

**Resolution No. 2008-09
(Action Item)**

Mr. Yassar Dahbour introduced Ms. Jeri Nelson, Chief Financial Officer, Seneca Healthcare District. Ms. Liebert provided that Staff has calculated Seneca Healthcare District's six-week financial need at roughly \$220,000.00. Sixty percent of that is \$133,000.00. Ms. Liebert indicated that staff is recommending approval subject to the terms and conditions of the staff report and the resolution adopted as amended today. Ms. Liebert also indicated that it was worthy of mention that Seneca Healthcare District's debt service coverage performance is 1.91x, above the normal debt service ratio required for the HELP II program.

Mr. Bistrin inquired with Ms. Nelson as to why Seneca Healthcare District's provision for bad debts went from \$745,000.00 to \$1,468,000 million. Ms. Nelson provided that they are experiencing a higher level of bad debt where people are simply not paying their bills, but that they also did a tremendous amount of accounts receivable clean-up in the last year.

Chair Wynne asked if there were any other questions or public comment. Hearing none, Chair Wynne asked if there was a motion. Ms. Holton Hodson moved for adoption of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with an 8-0 vote.

Item #11

**Surprise Valley Health Care District
Resolution No. 2008-10
(Action Item)**

Mr. Jerome LaTorre introduced Ms. Wanda Grove, Administrator, Surprise Valley Health Care District. Ms. Liebert explained that Surprise Valley Health Care District's six-week calculation of their Medi-Cal reimbursement for fiscal year 2007 is roughly \$237,000.00. Sixty percent of that is \$142,000.00. Ms. Liebert indicated that although Surprise Valley Health Care District's debt service coverage ratio is lower than the Authority would like, Staff nevertheless feels comfortable with the transaction moving forward because of the Medi-Cal reimbursement securitization. Ms. Liebert stated that staff recommends approval of this loan subject to the terms and conditions in the staff report and resolution as amended.

After discussion amongst the Board regarding this application, Chair Wynne asked if there were any public comments on the item. Hearing none, Mr. Joseph moved for adoption of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with an 8-0 vote.

Item #12

**Mountain Communities Healthcare District dba Trinity Hospital
Resolution No. 2008-11
(Action Item)**

Ms. Thera Hearne introduced Mr. Thomas D. Pyper, Chief Financial Officer, Mountain Communities Healthcare District dba Trinity Hospital. Ms. Liebert provided that Trinity Hospital's original request

was for roughly \$690,000.00. Their six-week calculation is about \$502,000.00. Sixty percent of that amount is \$301,000.00. Ms. Liebert indicated that Trinity Hospital has a very good debt service coverage pro forma ratio of 18.13x. Ms. Liebert stated that staff is recommending approval of this loan subject to the terms and conditions of the staff report and resolution as amended.

Ms. Frank moved for adoption of the Resolution and Ms. Sousa seconded the motion. The motion was adopted with an 8-0 vote.

Item #13

**Palm Drive Health Care District
Resolution No. 2008-12
(Action Item)**

Ms. Hearne introduced Mr. David J. Heaslett, an attorney representing Palm Drive Health Care District, and Mr. James Russell, the Chief Executive Officer for Palm Drive Health Care District. Ms. Liebert provided that Palm Drive Health Care District originally sought between \$200,000.00 and \$300,000.00. The amount Staff is recommending for approval is \$187,000.00, which is sixty percent of their six-week estimate (\$312,000). Ms. Liebert indicated that Palm Drive Health Care District is in the midst of Chapter 9 bankruptcy proceedings and has a debt service coverage of -1.46. Ms. Liebert indicated that Palm Drive Health Care District obtained an order from the bankruptcy court giving it authority to take this loan and acknowledging the priority of the Medi-Cal reimbursement, ensuring the Authority another creditor would not be able to access their Medi-Cal reimbursement. Ms. Liebert also provided for Board consideration a letter of support from Assemblywoman Patty Berg. Ms. Liebert stated that while this is a tougher transaction, staff is nevertheless recommending approval of the loan subject to the terms and conditions of the staff report and resolution as amended.

After discussion by Board members, Chair Wynne asked if there were any questions or public comment. Ms. Donna Fox, California Nurses Association, provided that she was there to register their support for this application and to thank the Authority.

Mr. Joseph moved for adoption of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with an 8-0 vote.

Item #14

**Eastern Plumas Health Care
Resolution No. 2008-13
(Action Item)**

Mr. LaTorre introduced Ms. Jeri Nelson, Chief Executive Officer for Eastern Plumas Health Care. Ms. Liebert explained that Eastern Plumas Health Care originally requested \$750,000.00. Their six-week need is actually \$830,000.00 with sixty percent of that being nearly \$500,000.00. The staff report listed the not to exceed amount of this loan as \$498,000.00. The debt service coverage is -4.6x. Ms. Liebert indicated that staff is recommending approval of this transaction subject to the terms and conditions set forth in the staff report and resolution as amended.

After substantial discussion by Board members, Chair Wynne asked if there were any questions or public comment. Hearing none, Chair Wynne asked if there was a motion. Mr. Joseph moved for adoption of the Resolution and Ms. Sousa seconded the motion. The motion was adopted with an 8-0 vote.

Item #15

**Glenn Medical Center
Resolution No. 2008-14
(Action Item)**

Ms. Manni introduced Mr. Woody Laughnan, Administrator for Glenn Medical Center. Mr. Laughnan began this item by providing the Board with a short overview of the service Glenn Medical Center provides. Mr. Laughnan also provided that his facility was concerned with the impact of being taken off of direct deposit for his Medi-Cal reimbursements as part of the securitization of this loan.

Ms. Liebert then provided that Glenn Medical Center's projected need was originally between \$250,000.00 and \$450,000.00. Their six week need as calculated by staff is \$380,000.00. Sixty percent of that is \$228,000.00. Ms. Liebert indicated that Glenn Medical Center's debt service coverage is good at 2.23x. Ms. Liebert stated that staff is recommending approval of this loan subject to the terms and conditions of the staff report and resolution as amended and contingent upon addressing the issue of direct deposit to ensure CHFFA has adequate security.

After discussion amongst the Board regarding this application, Chair Wynne asked if there were any public comments on the item. Hearing none, Chair Wynne asked if there was a motion. Ms. Sousa moved for adoption of the Resolution and Ms. Holton-Hodson seconded the motion. The motion was adopted with an 8-0 vote.

Item #16

**Mayers Memorial Hospital District
Resolution No. 2008-17
(Action Item)**

Mr. Dahbour introduced Ms. Katharine Ann Campbell, Chief Executive Officer, and Mr. Tom Hayes, Chief Financial Officer, both of Mayers Memorial Hospital District. Ms. Liebert explained that staff estimated the hospital's six-week need at \$849,000.00, hence the sixty percent calculation of \$510,000.00. Despite their challenging debt service coverage ratio of .06x, Ms. Liebert stated that staff is nevertheless recommending approval of Mayers Memorial Hospital District's loan subject to the terms and conditions of the staff report and resolution as amended.

After discussion amongst the Board regarding this application, Chair Wynne asked if there were any public comments on the item. Hearing none, Chair Wynne asked if there was a motion. Ms. Holton-Hodson moved for adoption of the Resolution and Mr. Joseph seconded the motion. The motion was adopted with an 8-0 vote.

Item #17, 18 and 19

**Other Business
(Action Item)**

Chair Wynne asked if there were any members of the audience desiring to speak today or to otherwise bring other business before the board. Hearing none, Chair Wynne indicated she would entertain a motion to adjourn. Ms. Sousa moved to adjourn and Mr. Joseph seconded that motion. The motion was adopted with an 8-0 vote.