

## MINUTES

**California Health Facilities Financing Authority  
April 30, 2009 – 1:45 P.M.  
915 Capitol Mall, Room 587  
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 1:45 P.M.

### **Roll Call**

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer  
Ruth Holton-Hodson for John Chiang, Controller's Office  
Miriam Ingenito for Michael C. Genest, Department of Finance  
Harry Bistrin  
Ronald Joseph  
Jack Buckhorn  
Dr. Oscar Sablan – Teleconference Participation

Members Absent: Judith Frank  
Sumi Sousa

Staff Present: Barbara J. Liebert, Executive Director  
Ronald Washington, Deputy Executive Director

The Chair declared a quorum present.

### **Approval of the Minutes from the March 26, 2009 and the April 8, 2009 Meetings**

The minutes from the California Health Facilities Financing Authority (CHFFA) March 26, 2009, and April 8, 2009 meetings were approved.

Mr. Buckhorn moved approval of the March 26, 2009 minutes; Ruth Holton-Hodson seconded the motion. The motion was adopted with a 6-aye vote, with 1-abstain by Miriam Ingenito.

Ms. Holton-Hodson moved approval of the April 8, 2009 minutes; Mr. Buckhorn seconded the motion. The motion was adopted with a 7-aye vote.

Prior to moving onto the next item on the agenda, Chair Wynne mentioned that Southern California Presbyterian Homes have been removed from the agenda at the request of the Borrower and will hopefully be back next month.

### **Executive Director's Report**

Ms. Liebert, Executive Director, reported as of March 31, 2009, bonds issued total \$21,867,767,017 bonds outstanding total \$7,649,624,481, and the Children's Hospital of Orange County Resolution remains outstanding.

Also, reported was the HELP II Fund balance of \$14,065,326; Cedillo-Alarcon Clinic Grant Fund balance of \$178,391; Anthem-WellPoint Grant Fund balance of \$1,383,671, and the Children's Hospital Bond Act of 2004 Fund balance of \$351,319,023.

Lastly, as of March 31, 2009, the CHFFA Fund Balance totals \$11,251,544.80.

## **Delegation of Powers Monthly Update**

Ms. Liebert introduced Mr. Gerald McGovern, Partner of Sidley Austin LLP, Bond Counsel and Mr. Peter Reilly, Underwriter to Catholic Healthcare West. Mr. McGovern and Mr. Reilly discussed a number of transactions undertaken by CHFFA as a result of the Delegation of Powers resolution.

### **Item #4**

### **HELP II Quarterly Report**

Mr. Washington reported his participation in several health facility conferences this past month. He provided information related specifically to his attendance at the National Association of Health and Educational Facilities Finance Authorities and later, the California Rural Health Association meeting.

Mr. Washington then presented the Quarterly Report for the Original HELP and HELP II Loan Programs. He provided the current balance for the HELP II Loan Program as \$11,256,126, noting that \$2.5 million dollars in loans had been disbursed in just the last three months. Mr. Washington also noted that since 1995, the HELP II Loan Program has closed 194 loans and is now quickly approaching the 200 mark.

### **Item #5**

### **Bond Market Economic Update**

Ms. Liebert stated that agenda item #5 will be moved to the bottom of the agenda to permit the other substantive matters with representatives present to have their matters more expeditiously reviewed.

### **Item #6**

### **Southern California Presbyterian Homes (SCPH), Glendale, California Resolution No. 337**

Southern California Presbyterian Homes (SCPH) was withdrawn by the borrower.

### **Item #7**

### **Adventist Health System/West (AHS/W), Roseville, California Resolution No. 338**

Chair Wynne introduced Ms. Karma Manni, Analyst, of staff. Ms. Manni introduced Mr. Doug Rebok, Senior Vice President and Chief Financial Officer, AHS/W, Mr. Rodney Wehtje, Vice President and Treasurer, AHS/W, Mr. Steven Hollis, Vice President, Goldman Sachs & Co., and Ms. Diane Potter, Of Counsel, Public Finance, Orrick, Herrington & Sutcliffe. Ms. Manni related that AHS/W, headquartered in Roseville, California is a nonprofit organization whose mission is to improve the quality of health care in the communities they serve by emphasizing wellness and disease prevention. Ms. Manni further explained that AHS/W operates and provides health care services in the States of California, Hawaii, Oregon, and Washington. Ms. Manni noted bond proceeds will be used to finance the acquisition, construction and improvement to nine locations owned and operated by AHS/W and its affiliates. Lastly, Ms. Manni indicated bond proceeds will be used to refund all outstanding CHFFA Series 1991 A and B Bonds as well as all outstanding City of Glendale Series 1991 A, insured hospital revenue bonds.

Staff recommended the Authority approve a Resolution in an amount not to exceed \$187,000,000 for AHS/W subject to a bond rating of at least an "A" category rating by a nationally recognized rating agency.

Mr. Rebok on behalf of AHS/W thanked the board members for the opportunity to be here today. Ms. Liebert added that it is great to have Adventist back with the Authority.

Mr. Buckhorn thanked AHS/W for returning to CHFFA. He further disclosed that his wife is an employee of AHS/W as a nurse.

Mr. Bistrin stated that he lives in a small rural area of Ukia and AHS/W does great outreach in his community and is very well respected. He commended AHS/W on their financial statement.

Chair Wynne asked if there were any other questions from the board or any public comments. Hearing none, Mr. Bistrin moved approval of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with a 7-0 vote.

**Item #8** **Shasta Community Health Center (SCHC), Redding, California**  
**Resolution No. HII-237**

Chair Wynne introduced Mr. Yassar Dahbour, Analyst, of staff. Mr. Dahbour Staff introduced Mr. Dean Germano, Chief Executive Officer, and Mr. Harold Carlson, Chief Planning & Development Officer, both of Shasta Community Health Center.

SCHC was formed in 1988 as a state licensed Community Clinic in Shasta County, California. SCHC became a Federally Qualified Health Center under Section 330 of the Public Health Service Act in 1997 and has since added rural satellite clinics in the cities of Anderson, Happy Valley and Shasta Lake. In 1997, SCHC opened its Dental Program in concert with the Shasta College Dental Hygiene Training Program and added a second dental site, SCHC Anderson Medical Clinic. This loan will be used to fund the remodel of a dental facility. SCHC is the largest primary care facility for the low-income population of Shasta County. Over 70% of those served by SCHC in 2007 had incomes below 200% of Federal Poverty Level.

Staff recommended approval of a HELP II loan for Shasta Community Health Center in an amount not to exceed \$750,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

Mr. Carlson described the project and Mr. Germano described the financial circumstances.

Chair Wynne asked if there were any comments from the board or the public. Hearing none, Ms. Holton-Hodson moved approval of the Resolution and Dr. Oscar Sablan seconded the motion. The motion was adopted with a 7-0 vote.

**Item #9** **Children’s Hospital Central California (CHCC), Madera, California**  
**Resolution No. CHP 2009-07**

Chair Wynne introduced Mr. Jim Rennie, Analyst, of staff. Mr. Rennie introduced Ms. Michele Waldron, Chief Financial Officer and Mr. Jesse Hudgins, Vice President of Facilities, both of CHCC. Mr. Rennie related that CHCC is seeking grant funds for the following projects:

• Construction/remodeling	\$59,252,360
Less bonds/donations	(16,117,211)
• Equipment purchases	15,821,598
Less internal funds	<u>(9,152)</u>
<b>Total</b>	<b>\$58,947,595</b>

The new construction is known as the West Expansion Addition. The project is a three-floor patient care wing attached to the current hospital. The current facility is approximately 621,000 square feet. The expansion will add an additional 60,000 square feet, eight more pediatric intensive care unit (PICU) beds, two more operating rooms with shelled space for two more, more imaging and emergency department capacity. CHCC will shell about 25% of the building for future growth.

The remodeling project is known as the West Renovation project. Some of the renovation will include expansion of existing services once certain departments relocate to the new building. This includes an expansion of the Sterile Processing Department and the addition of two radiology rooms.

Staff recommended the Authority approve a resolution to provide a grant not to exceed \$58,947,595 million (less costs of issuance), subject to all requirements of the Children’s Hospital Program.

Chair Wynne asked if there were any comments from the board or from the public. Hearing none, Dr. Sablan moved approval of the Resolution and Ronald Joseph seconded the motion. The motion was adopted with a 7-0 vote.

**Item #10**

**Children's Hospital Los Angeles, Los Angeles (CHLA), California  
Resolution No. CHP-3 2009-01**

Chair Wynne again introduced Mr. Jim Rennie, Analyst, of staff. Mr. Rennie introduced Ms. Gail Margolis, Vice President for Government, Business and Community Relations, Children's Hospital Los Angeles (CHLA). Mr. Rennie related that CHLA is seeking its portion of grant funds pursuant to the Proposition 3 program to construct a 460,000 square foot and 317-bed replacement in different units throughout the hospital. The current facility is licensed for 286 beds. The new building will have 160 acute care beds, 58 Neonatal Intensive Care Unit beds, an expanded 24 Pediatric Intensive Care Unit beds, an expanded 24-bed Cardiothoracic Intensive Care Unit along with a new 21-bed cardiac acute care unit. Oncology will have 16 beds in the acute care unit along with acute care unit along with a 14-bed Bone Marrow transplant unit.

Staff recommended the Authority approve a Resolution to provide a grant not to exceed \$98,000,000 million (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.

Chair Wynne asked the board if there were questions. Chair Wynne asked if there were any public comments. Hearing none, Ms. Ruth Holton-Hodson moved approval of the Resolution and Ronald Joseph seconded the motion. The motion was adopted with a 7-0 vote.

**Item #5**

**Bond Market Economic Update**

Ms. Liebert introduced Ms. Sarah Hollenbeck, Senior Managing Consultant of Public Financial Management, Inc. Ms. Hollenbeck provided an overview of the debt coverage ratios of our major healthcare borrowers and a preliminary discussion concerning the Authority's bond issuance guidelines to determine whether these 18 year old guidelines merit any alteration.

Ms. Liebert introduced the presentation by reminding the Board that last year, Providence Hospital came to the Board seeking an exception to the guidelines of the Authority's Debt Service Coverage Rate because their master indenture imposed a 1.1 debt service coverage requirement for their issues whereas the Authority's guideline imposed a 1.25 debt service coverage ratio. Similarly, Catholic Healthcare West recently sought the same departure from Authority guidelines, and currently, another borrower (Southern California Presbyterian Homes) seeks similar flexibility. These transactions have prompted some questions about the Authority's guidelines as to whether they remain current. Ms. Liebert stated that Ms. Hollenbeck was here to provide the Board with an historical context of why the guidelines were written as they were and whether or not the Authority should seek to now modernize them.

Ms. Liebert added that at the conclusion of Ms. Hollenbeck's presentation, Authority staff will ask for direction from the Board as to its interest in receiving recommendations for potential changes to its guidelines even if it is only temporary to address the current market situation. Afterwards, possibly at the next meeting and if the Board is inclined, staff will invite Ms. Hollenbeck back to outline what those recommendations are. Ms. Hollenbeck indicated at the beginning of her presentation that she was there to generate some thoughts or begin the dialogue about this process and not to propose recommendations.

After Ms. Hollenbeck's presentation, Chair Wynne asked the board for any initial feedback. After discussion by the Board, Chair Wynne asked Ms. Potter for her opinion of the guidelines. Ms. Potter began by explaining that prospective borrowers are not looking at commercial health insurers the same way as they were a year ago because of the lack of appeal at pre-paying an insurance premium on 30-year bonds when they cannot guarantee if it will be good in the future. Ms. Potter indicated that although she was not involved in finalizing the 1988 guidelines, she was on the task force that originally put together

the Authority's 1991 guidelines. Ms. Potter discussed the philosophies of the other conduit issuers she works with regard to the level of financial review they do, as well as the type of buyers in today's bond market and the levels of protection necessary for them.

Ms. Holton-Hodson commented that the Authority should have its stakeholders participate by providing their feedback on the Authority's guidelines.

Chair Wynne concluded this item by stating that the Board will continue this conversation in future meetings.

With no other business or public comment, Chair Wynne adjourned the meeting at 2:54 P.M.