

MINUTES

**California Health Facilities Financing Authority
May 13, 2009 – 8:00 A.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson, called the meeting to order at 8:13 A.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Judith Frank – Teleconference Participation
Dr. Oscar Sablan – Teleconference Participation
Sumi Sousa

Members Absent: Michael C. Genest, Department of Finance
Harry Bistrin
Ronald Joseph
Jack Buckhorn

Staff Present: Barbara J. Liebert, Executive Director

The Chair declared a quorum present.

Revoking Prior Authority Approval of and Rescinding Resolution No. 338

Item #2

Resolution No. 2009-07

Ms. Barbara J. Liebert, Executive Director, presented Resolution No. 2009-07 of the California Health Facilities Financing Authority, revoking prior Authority approval of and rescinding Resolution No. 338, dated April 30, 2009, which authorized the issuance of bonds to finance and/or refinance health facilities for Adventist Health System/West (AHS/W), Roseville, California, in an amount not to exceed \$187,000,000.

Ms. Liebert explained that Resolution No. 2009-07 was being presented to the Board as the result of a misunderstanding at its April 30, 2009 meeting regarding the conflict of interest restrictions applicable to authority members. At the April 30, 2009 Authority meeting, the Board approved Resolution No. 338, which authorized the issuance of bonds and related documents for AHS/W. During the Board's deliberation of the AHS/W project, Mr. Buckhorn disclosed that his spouse is an AHS/W employee but did not serve in a management capacity. The Authority unanimously approved Resolution No. 338 including an affirmative vote by Mr. Buckhorn.

After the conclusion of the meeting, staff learned Mr. Buckhorn's participation in the deliberation and approval of AHS/W Resolution No. 338 was deemed legally defective due to his disclosed relationship.

In order to eliminate any uncertainty regarding the AHS/W financing, the Authority revoked the prior approval of AHS/W financing and rescinded Resolution No. 338.

Ms. Liebert reaffirmed for the record that Mr. Buckhorn was not in attendance at the May 13, 2009 meeting. Board members were instructed to disregard any discussion, deliberation, or action taken on the AHS/W application at the April 30, 2009 meeting and consider the current proposal based solely

on the information set forth in preparation for and during this May 13, 2009 meeting. To confirm their understanding of the nature of this action and without regard to any deliberation and action on the matter of AHS/W on April 30, 2009 the five board members indicated their understanding by a unanimous 5-aye vote.

Chair Wynne asked if there were any comments from the board or the public. Hearing none, Ms. Sousa moved approval and Ms. Holton-Hodson seconded. The motion carried with a 5-aye vote.

Adventist Health System/West (AHS/W), Roseville, California

Item #3

Resolution No. 339

Chair Wynne introduced Ms. Karma Manni, Analyst, of staff. Ms. Manni introduced Rodney Wejhte, Adventist Health Systems/West, Steve Hollis, Goldman, Sachs, Peter Reilly, J.P. Morgan, and Diane Potter, Orrick, Herrington & Sutcliffe. AHS/W is headquartered in Roseville, California and 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. AHS/W operates and provides health care services in the States of California, Hawaii, Oregon, and Washington. Staff recommended the Authority approve Resolution No. 339 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.

Bond proceeds will be used to finance the acquisition, construction and improvement to nine locations owned and operated by AHS/W and its affiliates. Additionally, bond proceeds will be used to currently 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.

Mr. Wejhte thanked the board members for enabling the company to issue through CHFFA. Mr. Wejhte stated, as previously described, the purpose of the financing is to complete six projects within California for retrofitting, campus improvement, and in some cases increased capacity.

Mr. Reilly related the transaction changed from a variable rate to a fixed rate structure that Goldman Sachs and JP Morgan have provided. Given the relative amortization of the bonds proposed to be issued in Series C, AHS/W had an opportunity in this market to issue serial bonds at an average interest rate of less than four percent.

Chair Wynne asked if there should be any need to changes anything in the underlying resolution in order to give AHS/W flexibility.

Ms. Potter replied that the resolution was done broadly so that up to \$187,000,000 can be variable or fixed rate. The staff report had initially described the refunding bonds as having JP Morgan's letter of credit, highlighting that the opportunity still existed in any direction and flexibility to allow it.

Ms. Frank asked about auction rate bonds to which Mr. Hollis replied that Adventist intended not to issue any auction rate bonds. Mr. Reilly added that Series B is a variable rate demand bond issue which will be enhanced with a letter of credit from US Bank.

Ms. Holton-Hodson moved approval of Resolution No. 339 and Ms. Sousa seconded the motion. The motion was adopted with a 5-aye vote.

With no other business or public comment, Chair Wynne called for adjournment at 8:25 A.M.