

AMENDED MINUTES

**California Health Facilities Financing Authority
May 28, 2009 – 1:45 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 1:47 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Tom Sheehy for Michael C. Genest, Department of Finance
Harry Bistrin
Ronald Joseph
Jack Buckhorn
Dr. Oscar Sablan
Judith Frank
Sumi Sousa

Staff Present: Barbara J. Liebert, Executive Director
Greg Matayoshi, Macias Gini & O'Connell LLP

The Chair declared a quorum present.

Approval of the Minutes from the April 30, 2009 Meetings

The minutes from the California Health Facilities Financing Authority (CHFFA) meeting were approved. Mr. Buckhorn moved for approval of the April 30, 2009 meeting minutes; Dr. Sablan seconded the motion and the motion was adopted with an 8-aye vote.

Executive Director's Report

Ms. Liebert, Executive Director, reported as of April 30, 2009, bonds issued totaled \$21,867,767,017, bonds outstanding totaled \$7,647,144,341, and the Children's Hospital of Orange County Resolution remains outstanding. Ms. Liebert reported the HELP II Fund balance of \$12,911,308; Cedillo-Alarcon Clinic Grant Fund balance of \$182,226; Anthem-WellPoint Grant Fund balance of \$1,095,151, and the Children's Hospital Bond Act of 2004 Fund balance of \$351,297,517. Lastly, Ms. Liebert noted the CHFFA Fund balance of \$11,277,656.41.

Delegation of Powers Monthly Update

Ms. Liebert stated there was nothing to report this month regarding the delegation of powers resolution.

Validation Action Update

Mr. Liebert imparted that the Attorney General's (AG) Office successfully filed the Authority's validation action relating to the Loma Linda children's hospital grant on May 20, 2009.

Bureau of State Audits Report: Children's Hospital Program

Mr. Liebert informed the Board that the Bureau of State Audits (BSA) recently completed an audit of the Children's Hospital Program (CHP) and issued their report. Ms. Liebert related that Mr. Barry Scarff, CHP Program Manager, and Mr. Jim Rennie, CHP Analyst, of staff should be applauded for running a very good program. The BSA report provided staff with several constructive suggestions for improving the program.

Ms. Wynne informed the Board that this report is available on BSA's website. Chair Wynne congratulated Mr. Scarff and Mr. Rennie for their efforts.

Ms. Liebert then reported on the Authority's 18-year-old bond guidelines. Ms. Liebert indicated that a meeting amongst the various boards, authorities, and commissions in the State Treasurer's Office (STO) had been convened to allow staff to discuss these guidelines and how the STO might move forward with considering various revisions for the guidelines. Ms. Liebert indicated there would be additional meetings and that eventually, the Authority's financial advisor, Public Financial Management, will be invited to present the board with recommendations for formal consideration.

Mr. Liebert reported to the Board there were no indications at this time that CHFFA needs to resume the Medi-Cal Loan Bridge Program it offered in 2008 given the State's budget currently in place. Ms. Liebert intends to keep the board posted on this issue should circumstances change. Ms. Liebert also reminded the board of an interest expressed by United Health Care Group (UHCG) this time last year to potentially partner with CHFFA should a future bridge loan program be implemented. Ms. Liebert indicated she will keep lines of communication open with UHCG on this issue and keep the board posted.

Chair Wynne then stated that Item #12 would be moved forward in the agenda to accommodate the lengthy commute of the borrower.

Prior to Item #4 being presented to the Board, Ms. Frank left the room.

Ms. Liebert stated for the record that Ms. Frank had left the room in response to a potential conflict of interest she might have had with the Stanford Hospital and Clinics transaction due to her ownership of Wells Fargo stocks.

Item #4

**Stanford Hospital and Clinics, Stanford, California
Resolution No. 340**

Chair Wynne introduced Martha Maldonado, Program Manager. Ms. Maldonado introduced Tom Malm, Treasurer, Stanford Hospital and Clinics, John Landers, Managing Director, Morgan Stanley, and Diane Potter, Bond Counsel, Public Finance, Orrick, Herrington & Sutcliffe LLP.

Stanford Hospital came before the Board in March 2008 to refund variable rate debt due to dramatic changes in the variable rate market. Stanford Hospital successfully refunded approximately \$490 million of its original request and has a remaining amount of \$175 million to refund. The Authority resolution has since expired, therefore, the hospital has been unable to refund the remaining balance of their original request. Stanford Hospital requests the ability to refund the remaining \$175 million in bond proceeds to get out from under these variable rate bonds. The refunding will also release the bonds from the recently downgraded FSA insurance and the new bonds will be issued as fixed rate bonds.

Staff recommended the Authority approve a Resolution in an amount not to exceed \$175 million for Stanford Hospital & Clinics subject to financing terms acceptable to the Authority.

Mr. Bistrin moved approval of Resolution No. 340 and Ms. Holton-Hodson seconded the motion. The motion was adopted with a 7-aye vote.

Ms. Frank thereafter returned to the board meeting at 2:02 PM.

Item #12**Open Door Community Health Centers, Eureka, California
Resolution No. HII-241**

Chair Wynne introduced Yassar Dahbour, staff analyst. Mr. Dahbour introduced Mr. Hermann Spetzler, Chief Executive Officer and Mr. Jim Bella, Chief Financial Officer, both of Open Door Community Health Centers (ODCHC).

Mr. Dahbour stated ODCHC is seeking loan proceeds to consolidate and modernize other ODCHC existing dental sites (the Old Town Dental Center in Eureka and the Humboldt Open Door Clinic) into the Burre Dental Center facility located in Eureka. Staff recommended approval of the loan in an amount not to exceed \$491,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

Ms. Sousa joined the board meeting at 2:05 PM.

After questions and discussion by the Board, including the subject of prevailing wage, Ms. Holton-Hodson moved approval of Resolution No. HII-241 and Dr. Sablan seconded the motion. The motion was adopted with a 9-aye vote.

Item #5**Southern California Presbyterian Homes, Glendale, California
Westminster Gardens, Duarte, California
Redwood Senior Homes, Escondido, California
Resolution No. 337**

Ms. Liebert advised the board that this project had been withdrawn voluntarily by the borrower.

Item #6**Children's Hospital of Orange County, Orange, California
CHOCO Realty Corporation, Orange, California
Resolution No. 341**

Chair Wynne introduced Karma Manni, staff analyst. Ms. Manni introduced Mr. Dave Schinderle, Vice-President of Finance, Hospital Operations, Children's Hospital of Orange County (CHOC), Mr. John Landers, Managing Director, Morgan Stanley, and Ms. Diane Potter, Bond Counsel, Public Finance, Orrick, Herrington & Sutcliffe LLP.

Staff reported that CHOC seeks to issue bonds in an amount not to exceed \$170,000,000 to be used, with other funds, to finance the construction of a new seven-story patient tower on the hospital's campus. Additionally, staff reported that bond proceeds would be used to finance the purchase of new equipment, costs of issuance and a debt service reserve fund. Staff recommended approval of Resolution No. 341 in an amount not to exceed \$170,000,000 for CHOC, subject to a bond rating of at least an "A" category rating by a nationally recognized rating agency.

After questions and discussion by the Board, Mr. Ronald Joseph moved approval of Resolution No. 341 and Ms. Frank seconded the motion. The motion was adopted with a 9-aye vote.

Item #7**Children's Hospital of Orange County, Orange, California
Resolution No. CHP 2009-08**

Chair Wynne introduced Jim Rennie, staff analyst. Mr. Rennie re-introduced Mr. Schinderle, Vice-President of Finance, Hospital Operations, and Children's Hospital of Orange County.

Mr. Rennie stated that CHOC is seeking Proposition 61 grant funds to build a seven-story, 425,000 square foot new tower adjacent to its current hospital to be built in three phases. Mr. Rennie related that the grant would be utilized in the first phase of development with completion intended for the fall of 2012. Staff recommended approval of the grant not to exceed \$31,084,873, subject to all requirements of the Children's Hospital Program of 2004.

Ms. Holton-Hodson moved approval of Resolution No. CHP 2009-08; Ms. Sousa seconded the motion. The motion was adopted with a 9-aye vote.

Item #8**Children's Hospital of Orange County, Orange, California
Resolution No. CHP-3 2009-02**

Chair Wynne re-introduced Mr. Rennie, staff analyst. Mr. Rennie re-introduced Mr. Dave Schinderle, Vice-President of Finance, Hospital Operations, and Children's Hospital of Orange County (CHOC).

Mr. Rennie stated that CHOC is seeking Proposition 3 grant funds to build a seven-story, 425,000 square foot new tower adjacent to its current hospital to be built in three phases. Mr. Rennie related that the grant would be utilized in the first phase of development with completion intended for the fall of 2012. Staff recommended approval of the grant not to exceed \$98,000,000, subject to all requirements of the Children's Hospital Program of 2008.

Mr. Sheehy, addressing Chair Wynne, stated that when he was being briefed, he noticed that in the resolution it did not mention anything about the grant funds being subject to availability of state bond funds and wondered if STO counsel might offer comment on this issue. Mr. Sheehy stated that the State of California may not have state bond funds available for a very long time.

Ms. Kristin Smith, legal counsel replied that the Board is protected by the children's hospital statute as the statute makes all grants subject to the availability of state bond funds. Nevertheless, Ms. Smith indicated this language could easily be incorporated into the resolution to make the condition abundantly clear. Mr. Sheehy requested to reference the statute in the resolution.

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

Ms. Sousa moved the resolution as amended and Mr. Sheehy seconded the motion. The motion was adopted with a 9-Aye vote.

Chair Wynne noted that Item #7 should be subject to the same amended resolution and thereupon asked counsel if the board needed to rescind Item #7 and then take a re-vote in order to incorporate the amended resolution. Counsel indicated a rescission and re-vote was necessary. Chair Wynne then asked if there was any objection to rescind the vote of item number #7 at that time. Mr. Sheehy moved approval of the rescission and then for approval of Item #7, subject to the amended resolution. Ms. Sousa seconded the motion. Chair Wynne asked if there was any public comment. Hearing none, she asked if there were any objections to recording the nine Board members as voting aye. The motion was adopted with a 9-Aye vote.

Item #9**Children's Hospital Program of 2008
Resolution No. CHP-3 2009-03**

Chair Wynne introduced Mr. Barry Scarff, Program Manager. Prior to presenting this item, Mr. Scarff thanked staff members Amy Fong, Program Analyst, Mr. Rennie and other Authority staff for all of their assistance in making the Children's Hospital Program successful as indicated in the BSA audit report discussed earlier.

Mr. Scarff then provided an overview of the various forms recommended for Authority approval to get the Children's Hospital Program of 2008 up and running

Mr. Buckhorn moved a motion to table this project until further discussions can take place concerning prevailing wages. Mr. Sheehy moved to make a substitute motion to approve this item today; Ms. Frank seconded the motion.

Chair Wynne asked for Board discussion. After thoughtful and deliberate discussion by the Board, Chair Wynne directed staff to calendar this conversation for later discussion at a future Board meeting. Chair Wynne reminded the board of the pending motion and a vote was taken. Mr. Sheehy's motion passed with a 9-aye vote. (Mr. Sheehy left the Board meeting early but not before casting his aye vote for this item.)

Item #10**Sierra View Homes, Reedley, California
Resolution No. HII-239**

Chair Wynne introduced Karma Manni, staff analyst. Ms. Manni introduced Mr. Vito Genna, Executive Director, Sierra View Homes (SVH).

Ms. Manni explained that SVH, a licensed non-profit skilled nursing facility founded in 1968, intends to use loan proceeds to construct a 3,000 square foot activity and dining center to help relieve overcrowding at its current facility and provide additional capacity. Staff recommended the Authority approve a resolution for a HELP II loan for Sierra View Homes in an amount not to exceed \$725,000 for a term not to exceed 15 years, subject to receipt of Cal-Mortgage Consent Letter and standard financing terms acceptable to the Authority.

Ms. Holton-Hodson moved approval of Resolution No. HII-239. Dr. Sablan seconded the motion. The motion was adopted with an 8-aye vote.

Ms. Frank left the board meeting at 3:12 PM.

Item #11**Momentum for Mental Health, San Jose, California
Resolution No. HII-240**

Chair Wynne introduced Jerome LaTorre, staff analyst. Mr. LaTorre introduced Mr. Jack Smelser, Chief Financial Officer, Momentum for Mental Health (MFMH).

Mr. LaTorre related that MFMH, a licensed not-profit health agency, dedicated to the underserved population of Santa Clara County through the direct provision of comprehensive health programs and services for adults and transitional youth who have a severe mental illness, intends to use loan proceeds to purchase and install electronic health record (EHR) software, along with a computer server. Staff recommended approval of a HELP II Loan for Momentum for Mental Health in an amount not to exceed \$440,000 for a term not to exceed five years, and contingent upon financing terms acceptable to the Authority.

Ms. Sousa moved approval of Resolution No. HII-240; Mr. Joseph seconded the motion. The motion was adopted with a 7-aye vote.

With no other business or public comment, Chair Wynne adjourned the meeting at 3:18 P.M.