

MINUTES

**California Health Facilities Financing Authority
January 28, 2010 – 1:30 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 1:35 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Cynthia Bryant for Ana J. Matosantos, Department of Finance
Ronald Joseph
Jack Buckhorn
Judith Frank
Harry Bistrin – Via Teleconference
Sumi Sousa

Members Absent: Dr. Oscar Sablan

Staff Present: Barbara J. Liebert, Executive Director
Rosalind Brewer, Deputy Executive Director

The Chair declared a quorum present.

Approval of the Minutes from the December 3, 2009 and January 5, 2010

Ms. Liebert advised the board of an error on the minutes for the December 3, 2009, meeting found in agenda item ten, in the fourth paragraph and indicated the sentence should be revised to read: "Chairperson Wynne asked Ms. Bilaver what actions the board should take . . ." Ms. Liebert indicated the minutes would be amended to reflect this correction. Jack Buckhorn moved approval of both the December 3, 2009 (as amended) and the January 5, 2010 meeting minutes. Ronald Joseph seconded the motion. The minutes were approved with a 6-0 vote (Cynthia Bryant abstained).

Executive Director's Report

Ms. Liebert reported the following as of December 31, 2009: Bonds issued: \$24,194,717,017; Bonds outstanding: \$9,119,135,887; CHFFA fund balance: \$13,468,054; HELP II fund balance: \$12,373,489, Cedillo-Alarcón: \$207,354; Anthem-WellPoint: \$578,361; Children's Hospital Bond Act of 2004: \$233,688,675 and the Children's Hospital Bond Act of 2008: \$882,495,505.

Judith Frank queried whether the Cedillo-Alarcón and Anthem-WellPoint grants were entirely allocated and waiting to be disbursed. Ms. Liebert replied affirmatively and indicated staff was working to get these grants closed.

Ms. Liebert asked the record to reflect Board member Sumi Sousa's arrival at 1:40pm.

Ms. Liebert indicated no actions were taken pursuant to the delegation resolution.

Ms. Brewer informed the board of two site visits she performed along with other staff on January 14, 2010 concerning clinic grant and HELP II loan recipients. These visits were to Sierra View Homes (SVH) and the United Health Centers' Parlier Family Health Center.

Chair Wynne asked CHFFA staff to notify board members of all future site visits so board members may have the opportunity participate in site visits.

Item #4 **Valley Community Clinic, Resolution No. 351**

Yassar Dahbour, Staff Analyst, introduced Paula Wilson, the President and CEO of Valley Community Clinic (VCC) and Lalo Trujillo, Vice President of Piper Jaffray & Co. Yassar then provided an overview of VCC and the proposed transaction indicating proposed bond proceeds (\$2,200,000) would be used to refinance two high interest rate loans (U.S. Bank and Valley Economic Development Corporation) and that the refinancings would result in an estimated interest savings of \$168,000 over the life of the bonds. VCC added that refinancing funds would be used to refinance VCC's outstanding loan for the facility it purchased five or six years ago.

Mr. Dahbour recommended approval of the bond subject to the conditions set forth within the staff report and Ms. Liebert clarified that the condition of an "A" category bond rating included the entire category of A, including without limitation an A-.

After discussion amongst the board members, Ms. Wilson and Mr. Trujillo, which included VCC's plans to address the upcoming state budget and possible additional cuts, as well as the actual cost savings to VCC for what could be considered a relatively small bond transaction, Chair Wynne asked if there was any public comment. Hearing none, Ms. Sousa moved approval of the Resolution and Ms. Frank seconded the motion. The motion was adopted with an 8-0 vote.

Item #5 **Kings Rehabilitation Center, Resolution No. HII-235**

Karma Manni, Staff Analyst, introduced Carol Rogers (Executive Director) and Lubov Pavluk (Controller) of Kings Rehabilitation Center (KRC). Ms. Manni provided the board with an overview of the proposed transaction details, noting the borrower was seeking an amended resolution of a HELP II loan previously approved by the board February 26, 2009. Ms. Manni explained KRC sought to utilize the previously approved funds for a different project and to extend the duration of the resolution by one year in order to give KRC sufficient time to complete the proposed alternative project. Ms. Manni then recommended the Authority approve an amended resolution for a HELP II loan in an amount not to exceed \$750,000, for a term not to exceed 15 years, with a resolution expiration date of February 26, 2011 contingent upon financing terms acceptable to the Authority.

Ms. Liebert pointed out that some members of the board had questioned whether or not this type of action falls under the delegation resolution and could have been resolved without board approval. Ms. Liebert indicated that staff had consulted with counsel regarding this and was informed that this was not a transaction authorized under that resolution.

After a detailed explanation of the project by Ms. Rogers and various questions from the board members and responses by Ms. Rogers, Chair Wynne asked if there were any questions or public comments. Hearing none, Ms. Holton-Hodson moved approval of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with an 8-0 vote.

Item #6a **Cedars-Sinai Medical Center, Resolution No. 2010-01A**

Ms. Liebert provided a summary of this item. On June 25, 2009 the Authority approved a Resolution for Cedars-Sinai Medical Center (CSMC) authorizing the issuance of revenue bonds in an amount not to exceed \$600 million for the purpose of making various facility improvements and upgrades, including

the implementation of an electronic medical records system and the construction of a 390,000 square foot Advanced Health Sciences Pavilion. Subsequent to the successful pricing of the bonds (October 21, 2009), CSMC realized the indenture contained an error in that it specifically prohibited the use of bond proceeds to pay for capitalized interest on the bonds. CSMC intended to use bond proceeds to pay for capitalized interest, rather than internal funds, and is now faced with a February 15, 2010 deadline for the first scheduled interest payment on the Series 2009 bonds in the amount of approximately \$8,000,000. CSMC requested the Authority immediately permit an amendment to the indenture (in the form of a First Supplemental Indenture) to allow for the use of bond proceeds to pay for capitalized interest.

CSMC expressed delaying the amendment request until the Authority's next scheduled meeting at the end of February would force CSMC to use internal funds to pay the first scheduled interest payment given the due date of February 15, 2010 predated the Authority's next scheduled meeting of February 25, 2010.

Ms. Liebert indicated CSMC's issue came to the attention of the Authority subsequent to the timely posting of the original agenda for the Authority's January 28, 2010, meeting. Ms. Liebert noted Government Code section 11125.3(b) allows for additional items to be heard so long as notice is properly given as soon as practicable after the need presents itself (and within 48 hours of the scheduled meeting) and, so long as there exists a need to take immediate action. Staff provided the requisite notice to interested parties and news organizations as required by Section 11125.3(b) of the Government Code on January 25, 2010, at or around the time of 1:00 p.m., via an amended agenda reflecting additional items for CSMC. Ms. Liebert suggested there existed a need to take immediate action given CSMC would be forced to turn to internal funds to pay for the looming \$8,000,000 interest payment.

Diane Potter, Orrick, Herrington & Sutcliffe reiterated the importance of the timing of this item to CSMC and its impact on their cash flow management.

Chair Wynne further asked for public comment. Lydia Warren representing the California Nurses Association (CNA) expressed CNA's concern that permitting this type of an amendment might serve as precedent for other hospitals. Ms. Warren also queried whether permitting this use of bond proceeds might take away from the programs and services CSMC originally requested the bond funds to serve. Ms. Warren asked how permitting this amendment would serve the public interest.

Chair Wynne asked Ms. Warren to remain at the table to address her concerns in their discussion of Item 6b and then asked Julia Bilaver, Deputy Attorney General, to come to the table to address comments raised by the public. Ms. Bilaver reminded the board that the vote for Item 6a is solely to determine whether there exists a need to take immediate action.

Ms. Sousa left the board meeting at 2:03 pm.

Mr. Buckhorn moved approval of Item 6a and Mr. Joseph seconded the motion. The motion was adopted with a 7-0 vote.

Item #6b **Cedars-Sinai Medical Center, Resolution No. 2010-01B**

Chairperson Wynne asked Ms. Liebert to introduce this item. Ms. Liebert incorporated by reference the overview and background provided for Item 6a and then conveyed staff's strong recommendation that this item be approved for CSMC. Ms. Liebert noted that bond counsel would be issuing a formal opinion confirming the amendment is permitted under the indenture and allowed by law. Ms. Liebert also noted that if the amendment is not permitted, CSMC will take an immediate \$8 million hit to their internal operations, which will inevitably impact their cash flow and programs. Ms. Potter confirmed

her firm will issue an opinion to the Authority and trustee confirming the amendment is authorized and permitted under the indenture. Ms. Potter stated that what they are essentially doing is changing a phrase in the roughly 100-page Indenture about how the bond monies are governed and paid.

After discussion amongst the Board, Ms. Potter and Ms. Bilaver, regarding the technicalities of approving this item, Chairperson Wynne asked the board members if they had any questions or if there was any further public comment. Ms. Warren had no further comments.

Mr. Buckhorn moved to approve the amendment of the indenture with the provision that the Chair and the Authority's Executive Director review and approve the opinion of bond counsel prior to delivering the amendment. Mr. Joseph seconded the motion. After additional discussion regarding the time in which to receive and review bond counsel's opinion, the motion was adopted with a 6-0 vote (Ms. Bryant abstained).

Item #7 **HELP II Overview Report (Information Item)**

Rosalind Brewer, Deputy Executive Director, presented the original HELP and HELP II Loan Program Report indicating that going forward staff would like to present this routine report on a bi-annual, as opposed to quarterly basis.

Ms. Brewer highlighted several items in the report and then Ms. Liebert highlighted the delinquency rate for the HELP II loan program. A brief discussion followed amongst the board members concerning delinquent loans and the Authority's policy collecting delinquent payments.

Mr. Buckhorn asked staff to prepare a formal late payment collection policy for the board's consideration at an upcoming meeting

Mr. Bistrin suggested that staff make on-site visits to speak directly with management whenever a delinquency occurs to afford staff a better assessment of the situation.

Chair Wynne asked if there were any public comments. There were none.

Item #8 **Health Information Exchange Funding Needed for Clinics**

Ms. Liebert introduced Ms. Andie Martinez and Ms. Ellia Gallardo of the California Primary Care Association (CPCA). Ms. Liebert provided an overview concerning a recent proposal CPCA submitted to the Treasurer concerning funding of Health Information Exchange (HIE) systems. Ms. Martinez and Ms. Gallardo then provided additional information and responded to various questions posted by the board. Chair Wynne asked Ms. Martinez and Ms. Gallardo to continue to work with Authority staff to figure this out how the Authority might offer assistance.

At the conclusion of CPCA's presentation, Chair Wynne asked for public comment. Hearing none and with no additional business, Chair Wynne adjourned the meeting at 3:30 P.M.