

MINUTES

**California Health Facilities Financing Authority
December 2, 2010
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 2:05 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 Ana J. Matosantos, Department of Finance
Judith Frank
Ronald Joseph
Sumi Sousa
Jack Buckhorn
Ann Madden Rice

Members Absent: Dr. Oscar Sablan

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

Chairperson Wynne introduced the newest board member, Ann Madden Rice. Chairperson Wynne indicated Mrs. Rice comes to the board from UC Davis Medical Center and that the board is very happy she has joined the team.

Mrs. Rice replied she hopes to bring a positive contribution and she is delighted to be here.

Ms. Liebert added to the introduction that Mrs. Rice was appointed by Senator Darrell Steinberg on November 19, 2010. Mrs. Rice is the CEO of UC Davis Medical Center, Sacramento where she oversees about 6,500 employees, an Acute Care Teaching Hospital licensed for 613 beds, with an annual budget of nearly \$1 billion dollars with medical clinics in 10 communities throughout California. Prior to UC Davis Medical Center, Mrs. Rice served as CFO and COO for the University of Iowa Hospitals and Clinics. She has a host of accomplishments and community involvement.

The Chairperson declared a quorum present.

Approval of the Minutes from the October 28, 2010 Meeting (Action Item)

Ms. Sousa noted a correction to the minutes, namely that "Staff absent" should read "Members absent." Ms. Sousa moved approval of the minutes as amended and Ms. Frank seconded the motion. The minutes were unanimously approved with an 8-Aye vote.

Due to a board member having a flight and timing problem, the Executive Director's Report was moved to the end of the agenda.

Resolution of the California Health Facilities Financing Authority Delegating Certain Powers and Authorizing Certain Actions

Item #4 **Related to Bond Financings, Resolution No. 2010-33**

Ms. Liebert presented Resolution No. 2010-33 and explained that the resolution was a renewal of the master delegation resolution approved in December 2009. After touching on the major highlights of proposed amendments to the resolution, Ms. Sousa requested that the item regarding litigation be adjusted to require that the Board would be notified of litigation against the Board immediately after staff has been notified. Ms. Liebert agreed to revise the resolution to reflect that requirement.

Ms. Holton-Hodson commented she would like it stated in the resolution that the advice of counsel is required. She further stated that whether that advice was from in-house counsel or the AG was less important than that legal advice is received.

Chairperson Wynne noted that counsel is interacting with and advising the CHFFA staff on an almost daily basis, and there is no reluctance on the part of staff to engage with counsel.

After Board discussion, Mr. Joseph proposed amending the resolution to state that the Executive Director shall consult in-house counsel and may consult the AG as needed.

Chairperson Wynne directed staff to amend the resolution to reflect that required consultation. She asked if there were any further questions regarding the delegation resolution and for public comment.

Staff recommended the Authority approve Resolution No. 2010-33 authorizing the delegation of certain functions to the Executive Director and Deputy Executive Director as amended.

Chairperson Wynne asked if there were any public comments on this item. Ms. Holton-Hodson moved approval of the resolution as amended and Ms. Sousa seconded the motion. The item was adopted with an 8-Aye vote.

Item #5a **Fellowship Homes, Resolution No. 358**

Ms. Liebert presented the staff report of Fellowship Homes (FH) and TLC Child & Family Services (TLC) as one combined item. She stated the transactions would not proceed as a pooled transaction as originally planned, but that both transactions will share the same bond counsel, same underwriter and the same professional advisors. Ms. Liebert also noted that the two transactions require separate votes.

Carolyn Aboubechara, Staff Analyst introduced Gary Hicks, Financial Advisor and Carolyn Amaral, Executive Director of Fellowship Homes. Ms. Aboubechara then summarized that bond proceeds would be used to refund CHFFA Insured Health Facility Refunding Revenue Bond Series 1996A to fund debt service reserve funds, and to pay the costs of issuance including the fees and premiums associated with Cal-Mortgage insurance.

As a result of this refunding, FH and TLC will collect \$438,000 in savings over the life of the bonds (FH savings is approximately \$284,000 and TLC savings is approximately \$154,000).

Chairperson Wynne queried as to the status of the borrowers' application with Cal-Mortgage. Mr. Hicks replied Fellowship Homes has received approval, but that TLC had not yet been approved. Mr. Hicks elaborated that refundings are not required to go before the Cal-Mortgage board and instead, are handled internally by Cal-Mortgage staff. Mr. Hicks imparted that he expected TLC to soon receive approval.

Staff recommended the Authority approve Resolution Number 358 in an amount not to exceed \$3,205,000 for Fellowship Homes, Inc. Series 2011 contingent upon approval of Cal-Mortgage insurance.

Ms. Holton-Hodson moved adoption of Resolution No. 358 and Mr. Buckhorn seconded the motion. The motion was adopted with an 8-Aye vote.

Item #5b **TLC Child & Family Services, Resolution No. 359**

Ms. Aboubechara, Staff Analyst, introduced Gary Hicks, Financial Advisor and Jim Galsterer, Chief Executive Officer of TLC Child & Family Services. Ms. Aboubechara then summarized that TLC requested bond proceeds in the amount not to exceed the amount of \$2,745,000. Bond proceeds will be used to currently refund CHFFA Series 2000A, 1997 City of Sebastopol Certificate of Participation and to fund debt service reserve funds and to pay the costs of issuance including the fees and premiums associated with Cal-Mortgage Insurance.

Staff recommended the Authority approve Resolution Numbers 359 as specified in the staff report.

At the request of Ms. Holton-Hodson, Mr. Galsterer gave a brief overview of changes to TLC's revenues as a result of the economic downturn.

Chairperson Wynne asked if there were any public comments.

Mr. Joseph moved adoption of Resolution No. 359 and Mr. Buckhorn seconded the motion. The motion was adopted with an 8-Aye vote.

Item #6 **Family Healthcare Network, Resolution No. HII-261**
WITHDRAWN

Item #7 **Central City Community Health Center, Inc., Amendment to Resolution No. HII-213A**

Marissa Sequeira, Staff Analyst, stated that John Pazirandeh, Chief Financial Officer for Central City Community Health Center is not in attendance, but will make himself available via telephone if needed. Ms. Sequeira then summarized that Central City Community Health Center, Inc. (Central City) requested renewal of a subordination previously granted by the Authority to allow Central City to pursue a line of credit with Promerica Bank and which would effectively place the Authority in second position behind Promerica Bank. Central City also requested the Authority subordinate its first lien position on the real property securing Central City's HELP II Loan in favor of the County of Los Angeles to confer a utility easement on the County.

Staff recommended the Authority approve Resolution No. HII-213A to permit the two modifications of its security interests in the HELP II loan. Specifically, staff recommended subordinating the Authority's first position on Central City's gross revenue pledge in favor of Promerica Bank up to the sum of \$500,000 for the remaining term of the loan. Staff also recommended subordinating the first lien position on the Project Property to permit the County to obtain a utility easement on the Project Property. Central City has agreed to add a condition to the Resolution, namely that approval of the subordination will be conditioned upon the approval of the appraisal by staff. The borrower estimates the appraisal value to be approximately \$1 million. The property was purchased for \$1 million and appraised at \$2 million a few years ago. Authority internal policy requires a 95% loan to value ratio.

Mrs. Rice inquired as to how soon the appraisal will be complete. Ms. Sequeira replied within the next 30-days.

Mrs. Rice initiated a Board discussion of what would happen in the event the appraisal is less than anticipated. Staff indicated that if the appraisal demonstrates a loan to value ratio in excess of 95%, the loan will not be funded. Mr. Buckhorn asked some clarifying questions about the purpose and history of the Promerica line of credit. The Board discussed how much security the Authority needs. Ms. Sequeira reported that staff's analysis of the interim 2010 financial statements of Central City show an increase of \$1.25 million in net assets with a debt service ratio of 10.0x.

Chairperson Wynne asked for public comment.

Ms. Holton-Hodson moved adoption of Resolution No. HII-213A as amended and contingent upon the staff approval of the results of the appraisal and Ms. Sousa seconded the motion. The motion was adopted with an 8-Aye vote.

Ms. Frank left the board meeting at 2:54 p.m.

Item #8 **The Last Frontier Health Care District, Amendment to Resolution No. HII-259**

Ms. Liebert presented the Last Frontier Healthcare District (the District). Staff requested Authority approval to amend Resolution No. HII-259 to reflect a possible change in the security structure previously approved at the Authority's October 28, 2010 meeting. At that meeting, the Authority approved two interception mechanisms to ensure debt repayment. One was an interception of Medi-Cal payments by Department of Health Care Services (DHCS), and one was a County of Modoc interception of payments from a parcel tax benefiting the District. Staff recommended the Authority give staff discretion to either engage in an agreement with DHCS to proceed with the interception if DHCS indicates its willingness to do so or to allow the transaction to proceed without the DHCS intercept and to instead require the District to simply provide payments directly to the Authority in the amount of \$10,000 per month for the duration of the loan. The three intercepts previously required by the board at its October 28th meeting (with the County) will remain in place, in addition to a fourth intercept if needed - in the unlikely event the District has not made all its payments.

Ms. Holton-Hodson moved adoption of Resolution No. HII-259 as amended to reflect the \$10,000 a month payment by the District and the fourth intercept by the County if needed and Ms. Sousa seconded the motion. The motion was adopted with a 7-Aye vote.

Ms. Sousa left the board meeting at 2:58 p.m.

Executive Director's Report (Information Item)

Ms. Liebert reported the following as of October 31, 2010: Bonds issued: \$24,912,562,017; Bonds outstanding: \$9,347,399,299; CHFFA fund balance: \$14,096,745; HELP II fund balance: \$13,599,644, Cedillo-Alarcón Clinic: \$44,797; Anthem-WellPoint: \$274,317; Children's Hospital Bond Act of 2004: \$138,446,381 and the Children's Hospital Bond Act of 2008: \$784,971,132.

Ms. Liebert also summarized Medi-Cal Bridge Loan activity this year. In two meetings in September 2010, the Board approved a total of 18 loans which authorized roughly \$4.4 million. Six of those borrowers requested and received disbursements. One of those borrowers, Rehabilitation Services of Northern California, cashed and used the funds totaling \$114,123.60. The five others returned the unused warrants when the State budget was enacted. Borrowers expressed gratitude to the Authority for the program being there for them during the budget uncertainty. Revenues totaled \$1,426.55.

Delegation of Powers Monthly Update

Providence Health & Services, Series 1996, Series 2008C Bonds, Series 2009B – Replace Bond Trustee. Providence changed their trustee of Bank of New York Mellon to the US Bank National Association to take effect December 31, 2010. The AG was consulted and advised that Ms. Liebert's approval of the new trustee was authorized by the master delegation resolution.

CHFFA Fee Update

CHFFA formed a working group to look closely at the CHFFA fees for bond transactions and HELP II transactions. As part of the analysis, the working group is considering what kind of post-closing activities are actually being undertaken for bond transactions on an annual basis, as well as what should be done on an annual basis. Recently, the working group solicited input from all of the other authorities across the nation to find out what they are doing. The working group will make recommendations to the Board at a future date for adoption of a policy to address processes. Afterwards, the working group will address the fee structure, with consideration to how much work is actually involved in the transactions, how fees compare to similar products, and the use of the revenues.

Other Business

Ms. Liebert introduced Paul Dulai, a new staff analyst. Ms. Liebert also reported that CHFFA's Operations Manager accepted another position within the State Treasurer's Office.

Chairperson Wynne introduced two Executive Fellows new to the State Treasurer's Office - Courtney Bell and Tanya Saied.

Ms. Liebert requested guidance on an item removed from today's agenda – regarding The Family Health Care Network (the Network), a previous HELP II borrower. Ms. Liebert explained that the Network has gross annual revenues exceeding the \$30 million limitation set forth in the Authority's HELP II framework and that the facility sought to be acquired by the Network exists in an urban area. To proceed with the loan, the board would have to entertain an exception to the HELP II program. Ms. Liebert provided a brief background on the Network and its previous loans. Board members expressed reluctance to consider an exception in this case.

In addition, Ms. Liebert provided a very brief update on two HELP II borrowers that have been in arrears on payments, and the efforts to bring them current.

Mr. Joseph announced that he enjoyed a very impressive site visit to Children's Hospital and Research Center Oakland, which he attended with staff members Rosalind Brewer and Nickolas Saldivar for the Children's Hospital Program.

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 3:05 p.m.