

MINUTES

California Health Facilities Financing Authority
("CHFFA")
915 Capitol Mall, Room 587
Sacramento, California 95814

Alternate Location for CHFFA Teleconference Participation

Sablan Medical Clinic
927 "O" Street
Firebaugh, CA 93622

Thursday, June 28, 2012 – 1:45 P.M.
(or upon adjournment of the CEFA meeting)

Patricia Wynne, Chairperson called the meeting to order at 2:42 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Pedro Reyes for Ana J. Matosantos, Department of Finance
Judith Frank
Ann Madden Rice
Ronald Joseph
Jack Buckhorn
Dr. Oscar Sablan via teleconference

Absent: Samuel Qiu

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the April 26, 2012 Meeting

The minutes were approved by unanimous roll call vote.

AB 272 Update:

Ms. Liebert introduced Adriana Zerio, Legislative Consultant for the Treasurer's Office. Ms. Zerio reported that AB 272, the new \$6.5 million CHFFA grant program, became a trailer bill (AB 1467) and was recently approved by the Governor. Ms. Liebert indicated staff planned to draft regulations forthwith.

Item #4 Children's Hospital Los Angeles, Resolution No. 380

Carolyn Aboubechara, Staff Analyst, introduced Keith Grundy, Financial Advisor, Hammond Hanlon Camp LLC and Lina Thoreson, Bond Counsel, Orrick Herrington & Sutcliffe.

Bond proceeds would be used to refund in whole or in part CHLA's CSCDA Certificates of Participation Series 1999, CSCDA Variable Rate Revenue Bonds Series 2009, and CHFFA Variable Rate Revenue Bonds Series 2010B as well as potentially fund a debt service reserve fund.

With the refunding of CHLA's 1999 Series, CHLA estimated interest savings in the amount of approximately \$8 million over the life of the bonds. With the refunding of its 2009 and 2010B Series, CHLA expected to take advantage of the current market's low long-term fixed rate interest rates and to eliminate the risk of bank-supported bonds.

Staff recommended the Authority approve Resolution No. 380 in an amount not to exceed \$215,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concurred with the Authority's staff recommendation.

Mr. Reyes inquired about the debt service coverage requirements and the event of default mentioned in the staff report. Ms. Thoreson replied that there exists an event of default under the master trust indenture when a borrower falls below a one debt service coverage ratio.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Mr. Reyes moved approval of Resolution No. 380 and Mr. Joseph seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

Chairperson Wynne announced Agenda Items #5 and Agenda Item #6 would be heard together; however, a motion for approval for each one would be separate.

For the record, Ms. Webster-Hawkins, Program Manager of the Children's Hospital Program, announced she serves as a volunteer of the Community Advisory Board for UC Davis. Mrs. Rice also announced her possible conflict of interest due to her employment by UC Davis Medical Center and her intention to recuse herself from voting on both Items 5 and 6.

Item #5 University of California, Davis Medical Center, Resolution No. CHP 2012-01

Jim Rennie, Staff Analyst, introduced Mike Boyd, Executive Director, Facilities, Planning, Design and Construction of UC Davis Medical Center (UCD).

UCD requested a grant from the Authority's Proposition 61 Children's Hospital grant program. Grant proceeds would be used to construct and equip a 24-bed Pediatric Intensive Care Unit/Pediatric Cardiac Intensive Care Unit. The grant concluded UCD's entitlement to funds from the Proposition 61 program (\$30,000,000 less issuance and administrative costs).

Staff recommended Authority approval of Resolution No. CHP 2012-01 for the University of California Davis Medical Center to receive a grant in the amount not to exceed \$6,252,492 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2004.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Mr. Reyes moved approval of Resolution No. CHP 2012-01 and Mr. Joseph seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Mrs. Rice recused herself from Resolution No. CHP 2012-01, Agenda Item #5 because she is employed by the University of California, Davis Medical Center.

Item #6 University of California, Davis Medical Center, Resolution No. CHP-3 2012-03

Jim Rennie, Staff Analyst, introduced Mike Boyd, Executive Director, Facilities, Planning, Design and Construction of UC Davis Medical Center (UCD). UCD requested grant funding from the Authority's Proposition 3 Children's Hospital grant program. Grant proceeds would be used to construct and equip a 24-bed Pediatric Intensive Care Unit/Pediatric Cardiac Intensive Care Unit. This request constituted UCD's first grant out of the total \$39,200,000 eligible amount (less issuance and administrative costs).

Staff recommended Authority approval of Resolution No. CHP-3 2012-03 for the University of California Davis Medical Center to receive a grant not to exceed \$8,383,723 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.

Chairperson Wynne asked if there were any questions or public comment. There were none.

Mr. Reyes moved approval of Resolution No. CHP-3 2012-03 and Mr. Joseph seconded the motion.

The Resolution was adopted with a 7-Aye roll call vote.

Mrs. Rice recused herself from Resolution No. CHP-3 2012-03, Agenda Item #6 because she is employed by the University of California, Davis Medical Center.

Item #7 Desert Haven Enterprises, Inc., Resolution No. HII-269

Marissa Sequeira, Staff Analyst, introduced Roberta Terry, Director of Finance and Brian Doe Jr., Financial Consultant of Desert Haven Enterprises, Inc. (DHE). DHE requested Authority approval of a loan in the amount not to exceed \$665,000. Loan proceeds would be used to refinance an existing loan with a 6.1% variable interest rate. The cost savings would be approximately \$200,000 over the life of the loan, due to the lower interest rate.

Staff recommended approval of Resolution No. HII-269 for Desert Haven Enterprises, Inc. in an amount not to exceed \$665,000. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, Inc., the Authority's financial advisor, concurred with the Authority's staff recommendation.

Chairperson Wynne asked the borrower if they had any further comments. Ms. Terry reiterated DHE was refinancing its current mortgage for \$665,000 on the vocational training center for developmentally disabled adults and the new loan would help DHE provide additional services.

Chairperson Wynne asked if there were any questions or public comment.

Mr. Joseph inquired of the likelihood of a continued revenue stream from the Department of Developmental Services and the Department of Rehabilitation. Mr. Doe replied DHE would receive a 3% increase rather than a decrease from the Los Angeles County Regional Centers.

Mr. Reyes moved approval of Resolution No. HII-269 and Mrs. Rice seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

Chairperson Wynne explained the HELP II program and its purpose. As borrowers repay loans, CHFFA is able to help fund other borrowers who are in need.. Chairperson Wynne continued to explain that most borrowers were in the same situation as Strategies and if CHFFA were to forgive loans, the HELP II program would cease to exist.

Mr. Baygell replied that Strategies might have to move out of the building. Mr. Baygell further explained that if this occurred, CHFFA would not be repaid due to the decreased value of the property. Ms. Liebert clarified that Strategies would be obligated to pay the note even if they lost the collateral.

The board continued discussion with staff and the borrower. Chairperson Wynne directed CHFFA staff to work with Strategies for Change to see if any modification might be possible and, if so, to return to the Board with a recommendation on how the Authority might consider modifying the loan.

Ms. Frank left the board meeting at 3:20 P.M.

Closed session began at 3:36 P.M.

Item #12 **Bureau of State Audits (“BSA”) confidential final draft audit report regarding the Children’s Hospital Program (Government Code Section 11126.2(a))**

Closed Session ended at 4:00 P.M. Open Session reconvened and Chairperson Wynne reported there was no action taken.

Executive Director’s Report (Information Item)

Ms. Liebert submitted the updated fund balances for the record as of March 31, April 30, and May 31, 2012.

Tax-Exempt Bond Delegation of Powers Monthly Update:

Ms. Liebert reported three Delegation of Powers actions taken. The Authority acknowledged the following events: 1) Adventist Health System/West received acknowledgement and acceptance of the resignation of J.P. Morgan Securities Inc. as the Remarketing Agent for the Series 2009B Bonds, 2) Adventist Health System/West received acknowledgement of a notice regarding the resignation of Merrill Lynch Pierce Fenner & Smith Inc. as the Remarketing Agent for the Series 1998B Bonds; and 3) Sutter Health Revolving Loan Pool received acknowledgement and acceptance of the resignation of Wells as the Remarketing Agent for the Series 1991A & 1991B Bonds.

HELP II Delegation of Powers Monthly Update

No actions were taken pursuant to the delegation resolution.

Stanford Hospital & Clinic 2012 Private Placement Update

Ms. Liebert reported the private placement (Series D) between Stanford and US Bank had been finalized. On April 26, 2012, the Authority approved Resolution Number 379 in an amount not to exceed \$575,000,000 (CHFFA Revenue Bonds 2012 Series A, Series B, Series C, and Series D for Stanford). At the time of approval, the terms and conditions of the private placement (Series D) had not been finalized.

Mrs. Rice left the board meeting at 3:55 P.M.

Ms. Liebert gave a brief update on AB 272, the new grant program. Chairperson Wynne requested staff to provide a monthly update to the Board. Ms. Liebert also stated that CHFFA had a new quarterly newsletter, which was then distributed to the Board for review.

Item #10 **HELP II Bi-Annual Report and Survey Analysis Update**

Ms. Brewer presented the HELP II Bi-annual report and an update of the Authority's annual HELP II survey analysis. Ms. Brewer reported that, pursuant to Board direction, staff researched the facility closures previously disclosed in the board's 2011 survey and assessed that the closures were not related to the security of any outstanding HELP II loans and did not appear to pose any potential adverse effect to any of the Authority's outstanding HELP II loans.

Item #13 **Other Business**

There was no other business presented. Chairperson Wynne asked for public comment. Hearing none, the meeting was adjourned at 4:11 P.M.