

MINUTES

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

February 28, 2013 – 2:00 P.M.

Patricia Wynne, Chairperson called the meeting to order at 2:16 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, State Controller
Jennifer Rockwell for Ana J. Matosantos, Director of Finance
Jack Buckhorn
Jay Hansen
Samuel Qiu
Dr. Oscar Sablan

Absent: Ann Madden Rice

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the January 14 and January 31, 2013 Meetings

Jack Buckhorn moved approval of the January 14 and January 31, 2013 meeting minutes and Dr. Oscar Sablan seconded the motion. The minutes were unanimously adopted with a 7-Aye vote.

Executive Director's Report (Information Item)

CHFFA Fund Balances and Comprehensive Debt List Summaries

Barbara Liebert, Executive Director, submitted the fund balances for the record as of January 31, 2013 with two updates. For January 31, 2013, the fund balances for the Children's Hospital Bond Act of 2004 was \$77,209,504 and the Children's Hospital Bond Act of 2008 was \$374,258,606. Also, included on the December 31, 2012 fund balances report was the CHAMP fund balance, as well as the comprehensive debt list summary of CHFFA's top 15 borrowers by amount of debt outstanding.

Jay Hansen asked if there were any news regarding Loma Linda. Ms. Liebert replied no; however, staff recently heard from the California Children's Hospital Association that Loma Linda is making progress. Ms. Liebert also indicated that staff is scheduled to speak with Loma Linda to get an update from them within the next several weeks.

Tax Exempt Bond Delegation of Powers Monthly Update

A delegation action was taken pursuant to the delegation resolution. Sidley Austin LLP requested the Authority execute the First Supplemental Bond Indenture and the First Supplemental Loan Agreement to amend Memorial Health Services (“MHS”) Series 1994 bond documents. The purpose of the amendments was to conform to updated provisions contained in the Amended and Restated Master Trust Indenture. The updates would provide MHS with modern system financing instruments more responsive to current market considerations and conditions.

The Attorney General’s Office confirmed the documents could be executed by the Executive Director pursuant to the Authority’s delegation resolution. The Executive Director executed the documents on December 7, 2012 and December 10, 2012, respectively. The executed documents were released to MHS on January 29, 2013, upon receipt of the required bond counsel opinion.

HELP II Loan Program Delegation of Powers Monthly Update

No action taken.

Site Visit

Sutter Health – Ms. Liebert visited Sutter Health in an effort to persuade Sutter Health to come back to the Authority for its next bond transaction. Ms. Liebert provided the Authority with a brief overview of the meeting.

Foothill Health Center (“FHC”) – Paul Dulai, Staff Analyst and Ray Artinian, Program Manager completed a site visit to FHC. In the process of funding FHC’s loan, CHFFA received an email from a former FHC employee stating FHC was unable to repay its debt. As a result, Mr. Dulai and Mr. Artinian visited the facility, met with staff, and reviewed the financial statements and concluded funding should continue. FHC continues to renovate and remodel the new facility, the current center continues to actively serve patients, and FHC’s financial statements remain acceptable.

Chairperson Wynne thanked staff for conducting the site visits and encouraged the Authority members to participate in upcoming events with Ms. Liebert and staff.

Item #4 Northern California Retired Officers Community dba Paradise Valley Estates (“PVE”), Resolution No. 387

Paul Dulai, Staff Analyst, introduced Jim Mertz, Executive Director from PVE, Joe Pollock, Underwriter from Bank of America Merrill Lynch, and Patricia Eichar, Bond Counsel from Orrick, Herrington & Sutcliffe. PVE requested authorization for up to \$37 million in tax-exempt bonds to refund all of its California Health Facilities Financing Authority Series 2002 Bonds. PVE expected this refunding to result in an estimated net present value savings of \$3.4 million over the life of the bonds. Proceeds from the 2002 Bonds were used to finance and refinance the acquisition, construction and equipping of a continuing care retirement community located in Fairfield, California. The transaction would be supported by Cal-Mortgage insurance in addition to a debt service reserve fund.

Staff recommended the Authority approve Resolution No. 387 in an amount not to exceed \$37,000,000 subject to the conditions set forth in the resolution, including approval by Cal-Mortgage of the requested credit enhancement. 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 recommendations.

Chairperson Wynne asked if there were any questions or public comment. Hearing none, Ruth Holton-Hodson moved approval of Resolution No. 387 and Mr. Buckhorn seconded the motion. The Resolution was unanimously adopted with a 7-Aye vote.

Item #5 Sacramento Recovery House, Inc. ("SRH"), Resolution No. HII-277

Michael Tang, Staff Analyst reported to the Authority there were minor adjustments to the staff report and a new version would be provided to the Authority reflecting the changes on the equipment purchase from a 15-year term to a 5-year term. The Resolution would include two additional items under section one to include (1) 5-year term for equipment, and (2) UCC-1 lien on the equipment purchased. Due to the changes, the ratios and projected payments slightly changed, but it was not a material impact to SRH financing. In addition, page six of the staff report was replaced to reflect the correct income statement for Gateways Foundation income statement.

Chairperson Wynne asked for the reasoning behind the change of term for the equipment portion of the transaction. Ms. Liebert clarified that the equipment piece was a small amount and was originally included in the total project's 15-year term. However, staff decided to change the methodology to separate the equipment portion from the repair and renovation portion of the project to keep it consistent with prior transactions.

Mr. Tang introduced Susan Blacksher, Executive Director and Steve Lim, Authority Member of the Sacramento Recovery House. SRH requested a HELP II loan in the amount of \$628,000 to refinance three outstanding private bank loans and finance the repair, renovation and acquisition of new furniture and equipment for certain facilities owned and operated by SRH. The proceeds of approximately \$80,000 that would be used for repairs and renovations would be disbursed after the Authority confirms prevailing wages will be paid for the project.

Chairperson Wynne asked SRH if they wanted to add any further descriptions of the facility. She further asked the Authority members if they had questions.

Ms. Blacksher replied SRH primarily services indigent people and was delighted to have the opportunity to reduce its operation costs.

Mr. Hansen commented on prevailing wage. He requested staff to provide a report to discuss the prevailing wage requirement. Chairperson Wynne directed staff to include the prevailing wage process in the Executive Director's report the next month.

Ms. Blacksher and Mr. Lim commented that there should be better clarity on the prevailing wage requirement.

Ms. Liebert replied there is a notice on the HELP II portion of the website that advises borrowers prevailing wage may apply to their project and to consult with an attorney, and agreed to provide an update on the prevailing wage requirement for the next month's meeting.

Staff recommended approval of Resolution No. HII-277 for Sacramento Recovery House, Inc., in an amount not to exceed \$628,000 for a term not to exceed 15 years and contingent upon financing terms acceptable to the Authority. Macias Gini & O'Connell, LLP, the Authority's financial analyst, concurred with the Authority's staff recommendations.

Chairperson Wynne asked if the resolution was amended and Ms. Liebert replied yes. The resolution would reflect the 5-year term for the equipment piece. She further asked if there were any public comments. Hearing none, Mr. Hansen moved approval of Resolution No. HII-277 and Samuel Qiu seconded the motion. The Resolution was unanimously adopted with a 7-Aye vote.

Item #6 **California Health Access Model Program ("CHAMP"):**
Regulations Approved and Announcement of How to Apply

Barbara Webster-Hawkins, Program Manager, advised the Authority of staff's recent dissemination of notice regarding the Authority's Letter of Interest request for the initial phase of the new grant program, the California Health Access Model Program. The Office of Administrative Law approved the Authority's proposed regulations which were made effective February 7, 2013. The first phase of the program was initiated by sending notice of an opportunity to submit a Letter of Interest. Notice was sent to 902 e-mail addresses on February 14, 2013 and the notice set a deadline of April 15, 2013. An online information session (webinar) was set for 1 p.m. on March 7, 2013. The CHAMP page on the Authority's website includes links to the statute, regulations, information on how to apply, frequently asked questions, and online registration for the information session. The Letter of Interest is one of two steps by which one or more demonstration grantees will be chosen. Staff will bring to the Authority in March the process and tools that will be used in the review of the Letters of Interest. The purpose of the Letter of Interest step is to determine if the applicant and project are eligible based on criteria in the regulations. Only those whose Letter of Interest establish eligibility will be invited to submit a full grant application, which is the second step. The Authority will have until June 14 to post which entities are eligible to apply. Applicants will then have 60 days to submit a grant application, so the deadline would likely be in August.

Mr. Hansen asked if a public school district K-12 might be eligible. Ms. Webster-Hawkins commented that the school district is not an excluded entity.

Mr. Qiu asked how many demonstration project grants would be made from the \$1.5 million allotted.

Ms. Webster-Hawkins replied that the intent is to provide substantial support to one or more demonstration projects, so it is likely only one or two grants that will be recommended.

Chairperson Wynne stated that Dr. Sablan had been reappointed to serve on the Authority. The next Authority meeting would be March 28, 2013 at 2:00 P.M. Staff was in the process of changing the meeting time for morning; however, there was a conflict with the Department of Finance. Chairperson Wynne further asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 2:55 P.M.