

MINUTES

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

("CHFFA") or ("Authority")

5th Floor Conference Room
915 Capitol Mall, Room 587
Sacramento, California 95814

November 10, 2016 – 11:00 A.M.

Public Participation

Call-In Number: (877) 810-9415 and Participant Code: 6535126

Alternate Locations for CHFFA Teleconference Participation

The Westin San Diego
Tangent Room
400 West Broadway
San Diego, California 92101

San Francisco Health Plan Service Center
Ocean Beach Conference Room
7 Spring Street
San Francisco, California 94104

Sablan Law
979 "O" Street, Suite B
Firebaugh, California 93622

Asset Strategies
500 S. Figueroa Street
Los Angeles California 90071

Deputy Treasurer, Vincent P. Brown, serving as Chairperson, called the meeting to order at 11:03A.M.

ROLL CALL

Members Present: Vincent P. Brown for John Chiang, State Treasurer
Alan LoFaso for Betty T. Yee, State Controller–Via Teleconference
Jacqueline Wong-Hernandez for Michael Cohen, Director of Finance
Judith Frank – Via Teleconference
Oscar Sablan, M.D. – Via Teleconference
Sumi Sousa – Via Teleconference
Jay Hansen

Member Absent: Jack Buckhorn

Chairperson Brown declared a quorum present.

Chairperson Brown announced in an effort to promote transparency, a live, interactive, call-in number was available to the public to provide access to Authority meetings. Open meetings would be available live to all who wish to call-in to listen and participate.

Approval of the October 19, 2016 Meeting Minutes

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

Authority Action

Motion to approve the minutes from the October 19, 2016 meeting.

MOTION: Member Hansen SECOND: Member Wong-Hernandez

AYES:.....Members Sousa, Sablan, Hansen, Frank, LoFaso, Wong-Hernandez, Brown

NOES:.....NONE

ABSTAIN:.....NONE

RECUSE:.....NONE

MOTION ADOPTED.

Item #3

**Dignity Health, San Francisco, California
Resolution No. 421**

Matthew Saha, staff analyst, presented. Dignity Health requested Authority approval to advance refund the refundable portion of the California Statewide Communities Development Authority Series 2007K, 2007L, 2008A, 2008B, 2008D, and 2008E Bonds in an amount not to exceed \$300,000,000. Net present value savings were expected to be approximately \$21.5 million.

Attendees: Jean Ham, Vice President, Assistant Treasurer, Dignity Health; Jong Choi, Director, Dignity Health; James S. Kim, Director, Barclays, Underwriter; and Gerald J. McGovern, Partner, Norton Rose Fulbright, Bond Counsel.

Mr. Hansen inquired about how Dignity Health provided community benefits through its savings.

Ms. Ham replied Dignity Health provides direct charity care, discounted fees, and no one is turned away for care. Additionally, Dignity Health provides a broader community benefit that includes support through subsidized housing, job training and better health care access. In all, net of any revenue Dignity Health may receive, Ms. Ham explained Dignity Health provides approximately \$2 billion each year in community benefits.

Mr. Hansen inquired about the possible repeal of the Affordable Care Act (ACA). Considering a significant amount of Dignity Health’s business was Medi-Cal/Medicare, he wanted to know how such a repeal would affect Dignity Health’s bottom line.

Mr. Choi replied Dignity Health benefited from the ACA because more people were insured, but it didn’t change the hospital’s overall plan. Dignity Health expects to be flexible to adapt to any unknown future changes.

Ms. Ham stated, in the short term, the change might affect Dignity Health adversely, but noted the future of health care is changing. Dignity Health expects to promote more standardization of care, and reducing of expenses to meet the revenue pressure coming in the future.

Mr. Hansen questioned whether Medicaid as a percentage of the payor mix would go down if payments were reduced.

Ms. Ham said the percentage of Medicaid and Medicare have been relatively stable. Dignity Health was pleased with the passing of Proposition 52, which would provide matching funds from the government.

Chairperson Brown noted that due to the election outcome there would be continued monitoring of the possible repeal of the ACA since program changes could affect the January 10th budget.

Ms. Frank inquired about the pension plan appearing to have some concerns, and questioned whether income is used to pay benefits and if salaries have increased.

Ms. Ham responded by explaining Dignity Health continues to fund annual obligations and at amounts higher than that for its pension. Because of low long-term rates, Dignity Health has to re-evaluate the liability due to a variety of factors, including mark-to-market rates, and as interest rates go up the liability will go down. Additionally, the mortality tables that were revised had a negative effect.

Mr. Saha stated CHFFA staff felt it was necessary to bring these issues to the attention to Authority members because they could be points of interest. Dignity Health responded to staff's concern and staff felt comfortable enough to recommend approval.

Mr. Choi reiterated that in Fiscal Year 2016, Dignity Health implemented new procedures to lessen the expense impact, which should be evident in Fiscal Year 2017.

Dr. Sablan and Ms. Ham discussed Dignity Health's physician practices.

Dr. Sablan inquired whether significant delays in provider fees had impacted Dignity Health.

Ms. Ham explained Dignity Health hoped that it improved in time since the hospital continues to work with the Center for Medicare and Medicaid Services on the issue. Dignity Health doesn't have issues with cash flow and has a line of credit for working capital purposes.

Chairperson Brown inquired why Dignity Health decided to privately place the transaction and have unrated debt.

Ms. Ham explained Dignity Health signed a non-binding letter of intent to explore a merger with Catholic Health Initiatives out of Denver. Because the exploration of a merger was taking place, there was a desire to not issue 30-year bonds and retain flexibility, while taking advantage of the present value savings. Barclays allowed them to take advantage of its proposed placement structure. Dignity Health expects to place a rating on the unrated bonds by February 17, 2017 at the latest.

Mr. McGovern stated the bonds were unrated, and CHFFA requires physical delivery of the bonds. CHFFA made an exception to allow the bonds to be held in book-entry form. There will be an investor letter delivered by Barclays when they purchase these bonds and the delivery of an investment letter to subsequent sales to any other entity other than an investment trust.

Those restrictions will not be required if the bonds are rated in one of the top four rating categories by any one of the rating agencies.

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

Authority Action

Motion to approve Resolution No. 421 in an amount not to exceed \$300,000,000 for the issuance of revenue bonds related to the refinancing of projects of Dignity Health.

MOTION: Member LoFaso SECOND: Member Wong-Hernandez

AYES:.....Members Sousa, Sablan, Hansen, Frank, LoFaso, Wong-Hernandez, Brown

NOES:.....NONE

ABSTAIN:.....NONE

RECUSE:NONE

MOTION ADOPTED.

**Item #4 Amendments to Resolution Nos. MH 2014-03, MH 2014-05, MH 2014-07,
 MH 2014-08, MH 2014-13, MH 2014-14, MH 2014-16, and MH 2014-27
 Investment in Mental Health Wellness Act of 2013**

Tyler Gee, staff analyst, presented. At the April 24, 2014 Authority meeting, the Authority approved nine final allocations for the Investment in Mental Health Wellness Grant Program (“IMHGP”) totaling approximately \$3.975 million in Mobile Crisis Support Team (“MCST”) personnel funding for the first funding round and one final allocation in the amount of approximately \$25,000 in MCST personnel funding for the second funding round at the December 4, 2014 Authority meeting.

In the 2016-17 FY Budget Act, signed by the Governor, the Legislature appropriated \$4 million for a fourth year of additional MCST personnel funding that is required to be disbursed by June 30, 2019. If the Legislature continued to appropriate funds for personnel costs for additional fiscal years, the removal of the resolution expiration dates and delegation to the Executive Director would allow Authority staff to disburse the additional personnel funds without requiring further action by the Authority at a meeting each year.

Staff recommended amendments to resolution numbers MH 2014-03, MH 2014-05, MH 2014-07, MH 2014-08, MH 2014-13, MH 2014-14, MH 2014-16, and MH 2014-27 to remove all resolution expiration dates and authorize the Executive Director to continue to disburse mobile crisis support team personnel funds as may be established in future Budget Acts. All other conditions in the resolutions shall remain the same and in full effect.

Mr. Hansen inquired how each of the awarded counties received its portion of the allocated personnel funding and whether the amounts were based on the past or populations of the counties. Mr. Gee replied that the amounts were based on the approved amounts of the counties' grant application requests in the first and second funding rounds. Mr. Hansen went on to comment how the disparity in the county populations and the awarded amounts to the counties did not seem fair; for example, Marin County received \$350,000, but Sacramento County received only \$211,000 even though it is a bigger county. Carolyn Aboubechara, manager, explained that in the first and second funding rounds the counties submitted applications based on their needs and CHFFA awarded the counties based on their requests. In those funding rounds, it was unclear as to the amount and fiscal years the Legislature would appropriate for the program. But recently, the Legislature has made known to CHFFA that funds have been allocated for four years.

Mr. Hansen continued that if he were a county and knew there were four years and not one year of funding, he would have applied for a higher amount. He expressed that he wondered about the fairness of the awards going forward and that he was a bit hesitant to lock this in perpetuity for the next several years without re-examination.

Ms. Stanton answered that the awards were dependent on what the counties could support at the time, and noted that the counties' needs may change and vary depending on populations and where those populations are centrally based as it relates to the size of the county. She further added that other Mental Health Service Act ("MHSA") funds were available to counties to provide staff support to help offset the expansion of mobile crisis services costs. While there is disparity amongst the counties that were eligible for funding, she understands that there were multiple counties that were awarded funds for mobile crisis teams for rounds three, four, and five for capital funding and had no benefit of receiving personnel funds. Ms. Stanton mentioned that while the information was not reflected in the staff report, staff could provide it to the Authority members.

Mr. Hansen sought clarification on the effect of approving the recommended amendments to remove the expiration dates.

Ms. Stanton replied that the amendments would make the resolutions evergreen, so that in the event the Legislature appropriates additional personnel funding, those funds would carry forward as outlined on table I in the staff report.

Mr. Hansen inquired about the process to notify Authority members if additional personnel funding was made available, so that the Authority could potentially re-examine these amendments and possibly give counties the opportunity to receive additional funds.

Ms. Stanton replied that the Executive Director's report during public meetings can be a vehicle to provide that information to Authority members.

Chairperson Brown replied that as the next budget cycle comes around, at the time of the May Revision, CHFFA should have an agenda item to reflect what has actually gone into the budget. He then added that having a discussion about this issue was a point well taken and that he was sure staff will bring it back to Authority members for a future conversation.

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

Authority Action

Motion to approve amendments to Resolution Numbers MH 2014-03, MH 2014-05, MH 2014-07, MH 2014-08, MH 2014-13, MH 2014-14, MH 2014-16, and MH 2014-27 authorizing the Executive Director to disburse mobile crisis support team personnel funds as such funds may be available under the State Budget Acts, and the removal of the resolution expiration dates to effectuate disbursement of mobile crisis support team personnel funds.

MOTION: Member Hansen SECOND: Member Wong-Hernandez

Member Hansen moved for approval of Resolution Numbers MH 2014-03, MH 2014-05, MH 2014-07, MH 2014-08, MH 2014-13, MH 2014-14, MH 2014-16, and MH 2014-27.

AYES:.....Members Sousa, Sablan, Hansen, Frank, LoFaso, Wong-Hernandez, Brown

NOES:.....NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION ADOPTED.

Item #5 **Fourth Amendment to Resolution No. MH 2014-18**
Investment in Mental Health Wellness Act of 2013

Yuanyuan Wei, staff analyst, presented. On January 29, 2015, the Authority approved Santa Barbara County to use savings from its first approved Crisis Stabilization Unit (“CSU”) to create a second CSU. However, due to substantial unforeseen pension liability and expenses related to continued operation of the county’s inpatient unit, there was not a feasible way for the county to fund the ongoing operating budget for the second CSU.

Santa Barbara County requested an amendment to the project description to remove the second CSU and forfeit any remaining funds of the grant award.

Staff recommended the Authority approve a fourth Amendment to Resolution Number MH 2014-18 to amend the project description, remove the resolution expiration date in the event the Legislature continues to appropriate funds for mobile crisis support team personnel costs in the future fiscal years, and authorize the Executive Director to continue to disburse those funds under the conditions established in the State Budget Act for each fiscal year. All other conditions in the Resolution shall remain the same and in full effect.

Attendee: Laura Zeitz, Program Manager, Santa Barbara County Behavioral Health, via teleconference.

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

Ms. Aboubechara replied that the groups were supportive of removing the regional maximums and that the county maximums was up to CHFFA. She added that CHFFA staff is still contemplating whether to keep the county maximums and what the maximums would look like.

Ms. Sousa expressed support for the idea of eliminating regional maximum grant awards because of the risk of diluting the quality of the applications to be received.

Chairperson Brown agreed with Ms. Sousa's comment.

Mr. Hansen suggested that the Authority consult with a doctor's group, such as the California Medical Association, during the development of regulations for the Children and Youth grant program.

Ms. Sousa expressed support for the idea of asking counties to provide letters of support in the grant application process. However, she also expressed that the Authority does not have the knowledge to assess the level of collaboration of stakeholders in different counties. Therefore, she suggested that letters should be part of the application process to show stakeholder consultation but not to assess whether the letters show sufficient collaboration.

Mr. Hansen expressed that applicants should be partnering with schools.

Ms. Sousa expressed that some school district representatives may not be willing to collaborate with counties.

Mr. Hansen agreed with Ms. Sousa's comment and clarified that partnering with schools should not be a requirement but additional points should be given to applicants who do partner.

Item #8, #9, #10 **Other Business/Public Comment/Adjournment**

Chairperson Brown asked for other business. For other business, Ms. Stanton stated the December 1st meeting was cancelled. Chairperson Brown asked for public comment. Hearing none, the meeting was adjourned at 12:07 P.M.