

MINUTES

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

(“CHFFA”) or (“Authority”)

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

January 26, 2017 – 2:00 P.M.

Public Participation

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

Deputy Treasurer, Vincent P. Brown, serving as Chairperson, called the meeting to order at 2:09 P.M.

ROLL CALL

Members Present: Vincent P. Brown for John Chiang, State Treasurer
Alan LoFaso for Betty T. Yee, California State Controller
Eraina Ortega for Michael Cohen, Director of Finance
Judith Frank
Oscar Sablan, M.D.
Jay Hansen
Sumi Sousa

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 November 10, 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 November 10, 2016 meeting.

MOTION: Member Sousa SECOND: Member Sablan

AYES:Members: Sousa, Sablan, Hansen, Frank, LoFaso, Ortega, Brown

NOES:NONE

ABSTAINNONE

RECUSE:NONE

Motion Adopted.

Executive Director's Report

CHFFA Fund Balances

Diane Stanton, Executive Director, reported the inclusion of four monthly financials- September, October, November and December 31, 2016. Also, the Providence St. Joseph merger completed its bond issuance and moved into the 2nd position on the CHFFA Top 15 Borrowers list.

Tax Exempt Bond Delegation of Powers Monthly Update

■ **Dignity Health (formerly known as Catholic Healthcare West) Series 2009A**

- Certificate and Request of the Authority Regarding Redemption and Defeasance of Bonds and Discharge of the Bond Indenture.

On December 12, 2016, Dignity Health requested CHFFA to execute a Certificate of Redemption for CHFFA Revenue Bonds, Catholic Healthcare West 2009 Series A. CHFFA's Issuer's Counsel, the Office of the Attorney General, reviewed the request for execution of the Certificate of Redemption and confirmed the proposed action fell within CHFFA's delegation resolution. The Executive Director executed the Certificate of Redemption on December 19, 2016.

■ **Northern California Retired Officers Community – Paradise Valley Estates Project 2015, Series 2005**

- Amended and Reinstated Regulatory Agreement
- Tri-Party Agreement
- Release of Recorded Instruments
- Request and Certificate of the Authority Regarding Redemption and Defeasance of Bonds and Discharge of Bond Indenture

On November 30, 2016, Northern California Retired Officers Community ("NCROC") refunded CHFFA Revenue Bonds Series 2005 with proceeds of new 2016 bonds ("2016 Bonds"). The 2016 Bonds were insured by Cal-Mortgage and secured by gross revenues and various assets pledged by NCROC on a parity basis with the outstanding CHFFA Revenue Bonds Series 2013 ("2013 CHFFA Bonds"). In connection with the refunding, NCROC requested CHFFA to replace Wells Fargo Bank, as the 2013 Bond Trustee, with U.S. Bank, and to execute four documents: (1) a Tri-Party Agreement, (2) an Amended and Restated Regulatory Agreement, (3) a Release of Recorded Instruments, and (4) a Request and Certificate of the Authority Regarding Redemption and Defeasance of Bonds and Discharge of Bond Indenture.

CHFFA's Issuer's Counsel, the Office of the Attorney General, confirmed the proposed action fell within CHFFA's delegation resolution.

- Summary of Delegation Actions Taken from 01/01/2016 to 12/31/2016

HELP II Loan Program Delegation of Powers Monthly Update

- No action taken pursuant to the HELP II Loan Program Delegation of Powers Resolution
- Summary of Delegation Actions Taken from 01/01/2016 to 12/31/2016

Senate Bill (SB) 1029

Ms. Stanton reported there were new reporting requirements with the start of 2017. SB 1029 requires a Debt Transparency Report must be filed, annually, with our sister Authority, California Debt and Investment Advisory Commission. The Debt Transparency Report requires CHFFA to track and report the borrowers' status of their projects and how the funds were spent. Currently, staff reports the status of issuances. Going forward, staff would work with the borrowers to ensure compliance.

No Place Like Home Program

Ms. Stanton provided an update on the No Place Like Home program. The Legislature created a \$2 billion revenue bond program secured by the Mental Health Services Act (Proposition 63). Tax receipts would be used to support the \$2 billion dollars in revenue bonds that would be issued by CHFFA with the help of the State Treasurer's Office's Public Finance Division. The administration of the program would be handled by Housing and Community Development ("HCD"). HCD has drafted guidelines for this program and Ms. Stanton would provide copies if Authority members request them. HCD has gone across the state meeting with stakeholders and convening workshops to make sure interested parties like the proposed guidelines and address any concerns before the program is finalized. Staff hopes to bring HCD to an Authority meeting in the Spring to report their progress in detail.

Mr. Hansen stated he would like a copy of the comments and guidelines for the No Place Like Home Program.

In addition, Ms. Stanton reported a reverse validation action litigation had been filed in mid November naming HCD, CHFFA, and the State Controller's Office. The Attorney General's Office would represent all three parties in this matter. Chairperson Brown directed staff to agendaize this item for a future closed session to discuss the matter in detail.

Children and Youth Investment in Mental Health Wellness Grant Program and Community Services Infrastructure Grant Program

On January 10, 2017 the Governor released his proposed budget. There were two proposed reductions that directly impact CHFFA. And because of the reduction, agenda item 9 which was the draft regulations for the Children and Youth Investment in Mental Health Wellness Grant Program was pulled from the agenda.

The first cut was the Community Services Infrastructure ("CSI") Grant Program, which is a grant program with a \$67.5 million allocation of one time General Fund moneys targeting individuals who cycle in and out of jail that have either drug and alcohol dependency issues, mental health issues or a combination of both.

The second cut was to the Children and Youth Investment in Mental Health Wellness Grant Program ("Children and Youth Program"). In the 2016/17 budget, the program was allocated \$27 million of which \$6 million was the remaining balance of unawarded funds from SB 82 Investment in Mental Health Wellness Grant Program, \$10 million was one time General Fund monies, and \$11 million was from Mental Health Services Act dollars. The Governor proposed pulling back all the General Fund monies, leaving \$11 million available for the program.

Chairperson Brown reported that for those who do not follow the budget, the Governor projected a deficit in the upcoming 17/18 fiscal year. The Department of Finance went through an exercise of pulling back a lot of funds, General Funds in particular, so that they could rebuild the “Rainy Day” reserve. These cuts to our programs are minor in comparison to some of the other actions the Governor proposed.

Ms. Stanton reported the biggest concern is that the statutes for the programs must be amended if the funds cannot be found or the funds are not reinstated. The Children and Youth Program has goals of adding 120 crisis residential treatment and crisis stabilization beds and 200 mobile crisis support team vehicles. Those goals will not be achieved with an allocation of \$11 million. Ms. Stanton will report back when she has more detail.

Children’s Hospital Program (“CHP”) – Annual Report

Two annual reports for the Children’s Hospital Program were presented to the Authority. The 2004 and 2008 Acts require that reports be filed with the Legislature annually.

CHFFA Audit Report

Ms. Stanton reported the annual audit report was filed with the State Controller’s Office.

Site Visits

- Loma Linda University Medical Center “Campus Transformation Project” – large construction project underway.
- Butte County Crisis Residential Treatment Program Mental Health Program – up and operational.
- Nevada County Crisis Stabilization Unit Program – up and operational.

Ms. Stanton stated that Item #4 and Item #5 were basically identical relating to delegation. The delegation resolutions were valid for two years. Agenda item #4 was specifically for Bonds and agenda item #5 was specifically for the HELP II Loan financings. Staff would present the items at the same time but the votes would be separate.

Item #4

Delegation Resolution for Bond Financings Resolution No. 2017-01

Yuanyuan Wei, staff analyst, presented. The CHFFA Bonds and HELP II Loan delegation resolutions would authorize the delegation of certain functions related to Bond financing and HELP II Loan financing to the Chair or any Deputy to the Chair and the Executive Director. The existing Bond and HELP II Loan delegation resolutions were approved on December 4, 2014 and would expire January 31, 2017. Staff reviewed the existing Bond and HELP II Loan delegation resolutions and proposed no substantive changes.

Staff recommended the Authority approve Delegation Resolution No. 2017-01 for Bond financing.

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

Authority Action

Motion to approve Resolution No. 2017-01 authorizing the delegation of certain functions related to bond financings to the Chair or any deputy to the Chair, and the Executive Director.

MOTION: Member Hansen SECOND: Member Sousa

AYES:.....Members: Sousa, Sablan, Hansen, Frank, LoFaso, Ortega, Brown

NOES:.....NONE

ABSTAIN.....NONE

RECUSE:.....NONE

MOTION ADOPTED.

Item #5 **Delegation Resolution for Loan Financings**
Resolution No. 2017-02

Yuanyuan Wei, staff analyst, presented. The CHFFA Bond and HELP II Loan delegation resolutions would authorize the delegation of certain functions related to bond financing and HELP II Loan financing to the Chair or any Deputy to the Chair, and the Executive Director. The existing bond delegation and HELP II Loan delegation resolutions were approved on December 4, 2014 and would expire on January 31, 2017. Staff reviewed the existing Bond and HELP II Loan delegation resolutions and proposed no substantive changes.

Staff recommended the Authority approve Delegation Resolution 2017-02 for HELP II Loan financing.

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

Authority Action

Motion to approve Resolution No. 2017-02 authorizing the delegation of certain functions related to HELP II Loan financings to the Chair or any deputy to the Chair, and the Executive Director.

MOTION: Member Sousa SECOND: Member Hansen

AYES:.....Members: Sousa, Sablan, Hansen, Frank, LoFaso, Ortega, Brown

NOES:.....NONE

ABSTAIN:.....NONE

RECUSE:.....NONE

MOTION ADOPTED.

Item #6 **Scripps Health, San Diego, California**
Resolution No. 423

Amy Voong, staff analyst, presented. Scripps Health requested the Authority’s approval to issue fixed rate notes in an amount not to exceed \$168,500,000 to refund CHFFA Variable Rate Revenue Bonds Series 2008B, C, D, E, and F. Bond proceeds were used to refund prior debt obligations and the original use of funds were for acquisition, construction, improvement, and equipping of certain healthcare facilities. The new 2017 Notes would be purchased solely by MUFU Union Bank, N.A. Refunding the current variable rate bonds to privately placed fixed rate notes would decrease the risk of an open market and increase financial security.

Attendees: Richard McKeown, Corporate Vice President, Treasurer, Scripps Health; Michael Bardin, Senior Director, Public and Government Affairs, Scripps Health; Jeffrey B. Sahrbeck, Managing Director, Ponder & Co.; John R. Myers, Note Counsel, Orrick, Herrington & Sutcliffe, LLC, and Trish Eichar, Note Counsel, Orrick, Herrington & Sutcliffe, LLP.

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

Chairperson Brown asked about issuing notes to refund variable rate bonds. Ms. Eichar explained it was due to the purchaser's request so the notes would be booked as a loan.

Ms. Frank asked about the current average interest rate of the variable rate bonds, in which Mr. McKeown replied, interest rates were at .65% including the supporting letters-of-credit fees and marketing fees. Mr. McKeown explained the reason for the refunding transaction was in anticipation for increasing interest rates in the future. Mr. Sahrbeck reiterated that the interest rates varied weekly and the transaction would decrease Scripps' risk should interest rates continue to rise.

Mr. Hansen asked about the forecasted savings over the life of the notes, in which Mr. Sahrbeck responded with an approximate of \$10 million to \$11 million.

Mr. Hansen, Mr. LoFaso, Ms. Sousa, and Dr. Sablan discussed a needed revision of the current staff report structure to better reflect the breakdown of Medi-Cal data. Mr. Hansen requested the Authority to discuss the revision in a future meeting, with the addition of patient mix data and community benefits information. Mr. Hansen thanked Scripps Health for helping generate the conversation regarding this potential change. Mr. Bardin welcomed the conversation and possible ways to better display Medi-Cal data.

Authority Action

Motion to approve Resolution No. 423 to issue fixed rate notes for Scripps Health in an amount not to exceed \$168,500,000 to refund CHFFA Variable Rate Revenue Bonds Series 2008B, C, D, E, and F.

MOTION: Member Sousa SECOND: Member Ortega

AYES:Members: Sousa, Sablan, Hansen, Frank, LoFaso, Ortega, Brown

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION ADOPTED.

Item #7

**City of Hope, Los Angeles, California
Resolution No. 424**

Jameson Mitchell, staff analyst, presented. City of Hope requested the Authority's approval to issue variable rate notes in an amount not to exceed \$65,500,000 to refund CHFFA variable rate revenue bonds Series 2012B and 2012C to effectively utilize the credit capacity of its banking partners given attractive pricing and terms in the current market environment. Through this financing, City of Hope intended to free up liquid assets and reduce opportunity cost of holding cash in order to back up self-liquidity as well as preserve flexibility and minimize risk.

Attendees: Cor Van Den Berg, Interim Chief Financial Officer and Treasurer, City of Hope; Boriana Farias, Vice President, Treasury & Financial Strategy, City of Hope; John R. Meyers, Note Counsel, Orrick, Herrington & Sutcliffe, LLP, and Lina Thoreson, Note Counsel, Orrick, Herrington & Sutcliffe, LLP.

Mr. Mitchell presented a correction for the record. Page one of the staff report incorrectly stated that the term of the notes would be “up to 30 years”. The term of the notes actually would be “up to 40 years” as stated in the resolution.

Chairperson Brown noted for the record that this transaction was a note transaction rather than a bond transaction and that City of Hope was using the same bank as Scripps.

Mr. Myers, responding to Chairperson Brown, indicated that City of Hope was using notes rather than bonds in order to have this transaction placed in the purchaser’s records as a loan.

Mr. Hansen asked staff the location of the community benefit section in the staff report. Ms. Stanton directed Mr. Hansen to page 11 of the staff report. Mr. Mitchell deferred to the City of Hope regarding the details of community benefits.

Chairperson Brown asked about any cost savings.

Ms. Farias discussed the cost savings for the note transaction and indicated that City of Hope was able to secure favorable pricing for a ten year term in order to minimize the put risk of the notes. Ms. Farias also indicated that this transaction would increase liquidity and minimize opportunity cost of holding demand bonds. By replacing the bonds with direct purchase notes, the rate would be lowered and City of Hope would be able to invest savings in higher yielding assets. Cost savings were in the range of about \$4 million per year.

Mr. Van den Berg indicated that City of Hope has five core areas of community benefits: cancer prevention, early detection, cultural partnerships to reduce barriers to access, healthy living, research and smoke cessation. Mr. Van den Berg discussed a prostate cancer prevention program implemented in City of Hope’s regional African American community as well as a future community benefit event regarding the importance of nutrition in food that would unite community leaders, local government, and food industry leaders. He estimated the value of 2016’s community benefit programs was well over \$100 million.

Ms. Sousa discussed revenue, cost, and volume regarding City of Hope’s patient base relative to other hospitals. She also discussed Medi-Cal implications regarding volume and cost as City of Hope specializes in cancer treatment.

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

Ms. Stanton added, Santa Cruz County had originally applied for SB82 funds to secure a permanent property since the facility at the time was about to be lost. The new property would allow the County to continue providing services and not displace clients.

Authority Action

Staff recommended the Authority approve the Amendment to Resolution No. PR 2016-02 to revise the project description to allow Santa Cruz County’s designated non-profit organization to purchase and renovate real property.

MOTION: Member LoFaso SECOND: Member Sousa

AYES:.....Members: Sousa, Sablan, Hansen, Frank, LoFaso, Ortega, Brown

NOES:.....NONE

ABSTAIN:.....NONE

RECUSE:.....NONE

MOTION ADOPTED.

Item #9 REMOVED FROM AGENDA Resolution No. 2017-03

Resolution No. 2017-03 of the California Health Facilities Financing Authority Approving the Adoption of Regulations and Authorizing Emergency Rulemaking Proceedings for the Investment in Mental Health Wellness Grant Program for Children and Youth.

The item was removed from the agenda due to the Governor’s Proposed Budget in which \$16 million was cut from the original \$27 million allocated to this grant program. A review of program goals and objective at the lower funding level will be necessary before regulations can be presented to the Authority.

**Item #10 Investment in Mental Health Wellness Act of 2013-Los Angeles County
Quarterly Report**

Matthew Saha, staff analyst presented and explained the Authority requires Los Angeles County to provide a quarterly report detailing milestones achieved, progress, and obstacles or challenges related to the completion of the County’s project.

Attendees (by phone): Mary Marx, District Chief, Department of Mental Health, Los Angeles County and Luis Quintanilla, Program Analyst, Department of Mental Health, Los Angeles County.

Ms. Marx presented Los Angeles County’s quarterly report.

Chairperson Brown noted that Los Angeles County is expecting a reduction in bed count and reminded Authority members that Los Angeles County would present on that topic to the Authority in the future. Mary Marx confirmed this and added that Los Angeles County continues to solicit opportunities for providers to participate in the program.

Items #11, #12, and #13 Other Business/Public Comment/Adjournment

Chairperson Brown asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 3:15 P.M.