

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Allocation of Cedillo-Alarcón Community Clinic Investment Act of 2000 Grant Interest Earnings

Amended Resolution Number 2004-03

October 27, 2005

Background: In early 2004, the HELP II Loan Program (HELP II) lending pace was brisk due in part to many community clinics' capital needs exceeding grants awarded through the Cedillo-Alarcón Community Clinic Investment Act of 2000 (Grant Program). However, as the Grant Program was nearing completion, staff was presented with two challenges: how to maintain the volume of HELP II lending and what to do with the interest earnings of the Grant Program.

Staff presented several HELP II enhancements to the Authority at its March 2004 meeting such as expanding the maximum loan limits, loan terms, eligibility requirements and refinancing opportunities. Staff believed that these measures would attract additional borrowers who would otherwise have difficulty accessing capital markets. The Authority agreed and passed Resolution Number 2004-03, with the exception of expanding the maximum loan limits.

At the same meeting, staff also proposed to transfer the interest earnings from the Grant Program to the HELP II since grants awarded exceeded the \$50 million earmarked for the program (total grant awards totaled more than \$51 million) and every eligible applicant under the program had received at least partial funding. Resolution 2004-03 also authorized the proposed interest transfer.

Current Status: The HELP II enhancements failed to attract a large demand for HELP II funds and over the past year. Further, there have been several pre-payments that have boosted the overall HELP II fund balance. In an effort to increase lending through the HELP II, staff recently advertised the program in the Association of California Healthcare District's *Connection*, a quarterly publication reaching California's district hospitals, and marketed the program at the annual California Primary Care Association's healthcare workshop. Staff will also be distributing HELP II loan brochures at a Symposium sponsored by the Community Clinic Association of Los Angeles County, scheduled for December 2005.

The interest transfer authorized by Resolution Number 2004-03 did not occur due to legal concerns relating to the conversion of grant funds to loan funds. Although there was no formal legal opinion, staff recommends the Authority rescind the provisions of Resolution Number 2004-03 since the HELP II fund balance is not in danger of becoming exhausted in the near future and since the Authority has been authorized to expand the

Grant Program with another \$35 million cash infusion as a result of the Anthem-Wellpoint settlement.

Staff Recommendation: Staff recommends the Authority rescind the provisions of Resolution Number 2004-03 that authorized staff to transfer the Cedillo-Alarcón Community Clinic Investment Act of 2000 interest earnings to the HELP II Loan Program. All other provisions of Resolution Number 2004-03 shall remain intact.

Section 2. The Executive Director or Deputy Director are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any documents, which they deem necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated therein.

Date of Adoption: _____