

MINUTES

**California Health Facilities Financing Authority
March 11, 2008 – 2:00 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne sitting for Chairperson Bill Lockyer called the meeting to order.

Present: Designee Patricia Wynne, Deputy State Treasurer
Designee Michael Carter for John Chiang, Controller's Office
Designee Anne Sheehan for Michael C. Genest, Department of Finance
Harry Bistrin
Judith Frank
Sumi Sousa

Staff: Barbara J. Liebert, Executive Director
Ronald Washington, Deputy Executive Director

The Chair declared a quorum present and then thanked everyone for attending the emergency meeting for CHFFA noting that the additional meeting was a unique meeting for CHFFA and that the Authority was pleased to be able to have a meeting to help respond to the severe market conditions. The Chair noted that six hospitals were coming before the board to request authority to refund their debt and then reminded the Board and the audience that the Authority's pricing advisor, John Bonow of Public Financial Management (PFM) was present to answer questions and to provide a quick recap of his presentation from the February 28, 2008 meeting.

The Chair then asked, in light of the pending six transactions, for everyone to be respectful of time, to keep comments succinct and relevant to financing issues. The Chair then noted that on the pass-through front, both the Authority and the Chair were recommending no additional pass-through requirement to be imposed on each of the hospitals on the day's agenda. The Chair noted that staff consulted with in-house counsel and the AG's office and that both confirmed the Board has authority not to impose any new pass-through requirement on these hospitals. The Chair reminded everyone that the concept of not imposing any new pass-through requirement was mentioned and discussed by the Chair at the last board meeting. The Chair invited the board and the public to make comments in the event there were any questions or concerns. The Chair noted that each hospital coming before the Board was seeking to refund some or all CHFFA debt, with the exception of Hoag Memorial Hospital, and that each hospital complied with the pass-through requirement existing at time they originally came through the Board and that lastly, staff had received and reviewed Hoag's charity care policies and community benefit plans and that staff was satisfied that any pass-through requirement the Authority might have imposed would have been met with the community benefit/charity care they currently provide.

The Chair then mentioned that staff analyzed the Authority's fee structure for this unique meeting. The Chair, recognizing that each borrower was experiencing financial hardship and that staff's expedited process likely meant reduced costs for the Authority, proposed reducing the Authority fees by 50%. The Chair indicated that both pass-through and fee reductions would be discussed with each transaction. The Chair then asked staff to report back to the Board as each transaction progressed following the March 11 meeting to advise the Board as to whether the 50% fee reduction was proper and that if excess fees were available, to potentially fund programs with these fees.

John Bonow then gave an overview of his presentation from the February 28, 2008 Authority meeting regarding market conditions. He said that the need for the March 11 meeting arose from the severe variable and auction rate interest crisis that could not have been anticipated by the various hospitals. Mr. Bonow explained that current auction and variable rates are not necessarily reflective of the individual

hospital's credit standing, but rather more so a reflection of the type of credit enhancement or type of bond (variable or auction rate) that the hospitals have. Mr. Bonow further explained that hospitals are seeking to refund to get into more marketable types of bond or to convert from one mode to another. He then explained the difference between conversions and refundings. He concluded by noting that the market tumult has generated a nearly trillion-dollar problem.

Mr. Carter announced on behalf of the Controller he would recuse himself on all matters involving Wells Fargo.

Item #2

**Delegation Authority to Certain Officers of the Authority
Resolution No. 2008-02**

Diane Potter, Esquire, Orrick, Herrington & Sutcliffe LLP outlined the proposed Resolution, No. 2008-02. The Resolution would specifically authorize the Executive Director, together with the Chair or the Deputy of the Chair of the Authority to, execute and deliver, such consents, amendments to existing bond documents and supplemental documents as the Authorized Officers executing such consents, with the advice of the Attorney General's Office or other counsel to the Authority, to speed, aid, and facilitate various matters to be specified within the resolution, including without limitation, the following matters; conversion of outstanding bonds of the Authority to different interest rate modes, addition of letters of credit, lines of credit, bond insurance or other credit enhancement or liquidity support to outstanding bonds of the Authority, establishment of inter-creditor relationships between existing bond insurers and the providers of additional credit enhancement or liquidity support, suspension or termination of bond insurance that is no longer cost effective, compliance with federal tax law in connection with any such actions. Staff recommended that the Authority approve the resolution.

The Chair asked staff to review, on a quarterly basis, whether the resolution should be continued for the remaining term as indicated in the resolution or whether the resolution should be extinguished. The Chair also asked the Executive Director to report to the Board, on a monthly basis, concerning requests and approvals of hospital conversions.

Sumi Sousa moved for adoption of the Resolution and Anne Sheehan seconded the motion. The motion was adopted with a 6-0 vote.

Item #3-A

**Catholic Healthcare West (CHW)
Resolution No. 326**

Barbara Liebert, Executive Director, asked the representatives of Catholic Healthcare West, Jerry McGovern, Partner, Sidley Austin, bond counsel, and Peter Riley, Director, Citigroup, Underwriter to introduce themselves for the record. Ms. Liebert stated that CHW requested an amount not to exceed \$2,220,930,000 and an Outstanding Principal of \$1,851,000,000. Staff recommended that the Authority approve a resolution in an amount not to exceed \$2,220,930,000 for Catholic Healthcare West subject to financing terms acceptable to the Authority, that the Authority not impose a pass-through requirement in connection with this refunding, and that the Authority consider an appropriate fee reduction for this borrower as the circumstances may warrant. The Chair clarified that the fee reduction will be a 50% fee reduction. CHW requested clarification of the reduction of fees and whether the reduction applied to both the initial and the annual fee. Ms. Liebert stated the reduction would apply to the initial fee and CHFFA would address the possibility of a reduction to the annual fee at the next Authority meeting.

Sumi Sousa moved for adoption of the Resolution and Michael Carter seconded the motion. The motion was adopted with a 6-0 vote.

Item #3-C

Scripps Health (SH)

Resolution No. 328

Barbara Liebert, Executive Director, asked the representatives of Scripps Health, Diane Potter, Orrick, Herrington & Sutcliffe LLP, bond counsel, and Peter Riley, Underwriter, Citigroup, to introduce themselves for the record. Ms. Liebert stated that SH requested an amount not to exceed \$314,163,000 and an Outstanding Principal of \$273,185,000. Ms. Liebert noted for the record that the staff report incorrectly identified the Outstanding Principal balance as \$267,042,000 and that the correct amount is \$273,185,000. Staff recommended the Authority approve a Resolution in an amount not to exceed \$314,163,000 for Scripps Health subject to financing terms acceptable to the Authority, that the Authority not impose a pass-through requirement in connection with this refinancing, and that the Authority consider a 50% fee reduction for this borrower as the circumstances may warrant.

Harry Bistrin moved for adoption of the Resolution and Anne Sheehan seconded the motion. The motion was adopted with a 6-0 vote.

Item #3-B

Hoag Memorial Hospital Presbyterian (Hoag)

Resolution No. 327

Michael Carter announced that he would recuse himself on behalf of the Controller due to a conflict of interest and then he commended the State Treasurer's Office for taking this initiative to help the hospital industry. Barbara Liebert, Executive Director, asked the representatives John Murphy, Stradling Yocca Carlson & Rauth, Special Counsel and Peter Riley, Citigroup, Underwriter, to Hoag and Diane Potter, Bond Counsel to the Authority for Hoag, to introduce themselves for the record. Ms. Liebert stated that Hoag requested an amount not to exceed \$747,540,000 and an Outstanding Principal of \$623,000,000. Staff recommended the Authority approve a Resolution in an amount not to exceed \$747,540,000 for Hoag Memorial Hospital Presbyterian subject to financing terms acceptable to the Authority, that the Authority not impose a pass-through requirement in connection with this refinancing, and that the Authority consider a 50% fee reduction for this borrower as the circumstances may warrant.

Ms. Wynne announced that Treasurer Lockyer was in attendance and that he wished to thank staff for all of their hard work on all transactions pending before the Board. Hoag then thanked the staff for their rapidity in responding to the crisis. CHW and Scripps then took the time to interject and echo Hoag's sentiments.

Board Member Judy Frank then asked whether the Term Sheet attached by Hoag, and all the hospitals, reflected what Hoag and the other hospitals hoped to achieve. Diane Potter responded that the terms are the outside parameters of what is hoped to be achieved and that ultimately, market conditions will dictate what actually happens.

Sumi Sousa moved for adoption of the Resolution and Anne Sheehan seconded the motion. The motion was adopted with a 5-0 vote.

Item #3-D

**Stanford Hospital and Clinics (SHC)
Resolution No. 329**

Michael Carter recused himself on behalf of the Controller due to a conflict of interest. Barbara Liebert, Executive Director, asked the representatives Kathleen Leak, Orrick, Herrington & Sutcliffe, Bond Counsel, Daniel J. Morissette, Chief Financial Officer, for Stanford Hospital and Clinics, and John Landers, Morgan Stanley, Underwriter for the Bonds to introduce themselves for the record. Ms. Liebert stated SHC requested an amount not to exceed \$665,275,000 and an Outstanding Principal of \$578,500,000. Staff recommended the Authority approve a Resolution in an amount not to exceed \$665,275,000 for Stanford Hospital & Clinics subject to financing terms acceptable to the Authority, that the Authority not impose a pass-through requirement in connection with this refinancing, and that the Authority consider an 50% fee reduction for this borrower as the circumstances may warrant.

Stanford representatives thanked the Authority for arranging for the meeting.

Anne Sheehan moved for adoption of the Resolution and Sumi Sousa seconded the motion. The motion was adopted with a 5-0 vote.

Item #3-E

**Sutter Health
Resolution No. 330**

Michael Carter recused himself on behalf of the Controller due to a conflict of interest. Barbara Liebert, Executive Director, asked the representatives Diane Potter, Orrick, Herrington & Sutcliffe, Bond Counsel for Sutter Health and John Landers, Morgan Stanley, Underwriter for the Bonds to introduce themselves for the record. Ms. Liebert stated Sutter requested an amount not to exceed \$625,500,000 and an Outstanding Principal of \$417,000,000. Staff recommended the Authority approve a Resolution in an amount not to exceed \$625,500,000 for Sutter Health subject to financing terms acceptable to the Authority, that the Authority not impose a pass-through requirement in connection with this refinancing, and that the Authority consider an appropriate 50% fee reduction for this borrower as the circumstances may warrant.

Anne Sheehan moved for adoption of the Resolution and Sumi Sousa seconded the motion. The motion was adopted with a 5-0 vote.

Sutter management then thanked the Authority for their help.

Item #3-F

**Lucile Salter Packard Children's Hospital (LPCH)
Resolution No. 331**

Michael Carter recused himself on behalf of the Controller due to a conflict of interest. Barbara Liebert, Executive Director, asked the representatives Kathleen Leak, Orrick, Herrington & Sutcliffe, Bond Counsel, and Christian Pesci, Shattuck Hammond Partners, Financial Advisor for Lucile Salter Packard Children's Hospital to introduce themselves for the record. Ms. Liebert stated LPCH requested an amount not to exceed \$69,000,000 and an Outstanding Principal of \$60,000,000. Staff recommended the Authority approve a Resolution in an amount not to exceed \$69,000,000 for Lucile Salter Packard Children's Hospital subject to financing terms acceptable to the Authority, that the Authority not impose a pass-through requirement in connection with this refinancing, and that the Authority consider a 50% fee reduction for this borrower as the circumstances may warrant.

Lucile Salter Packard then expressed their gratefulness for the Authority's work to get to this point. Board Member Harry Bistrin then complimented Lucile Salter Packard for their outstanding credit rating.

Anne Sheehan moved for adoption of the Resolution and Sumi Sousa seconded the motion. The motion was adopted with a 5-0 vote.

Ms. Liebert thanked everyone that was involved (each of the individual staff members of the Authority, staff counsel to the STO, the AG's office, Orrick, Herrington & Sutcliffe, PFM, Sidley Austin law firm) for the hard work that they contributed to making it possible to bring these facilities to the board.

The Chair stated that the Authority would discuss the Sjoberg Evashenk pass-through savings report at the next Authority meeting on March 27, 2008.

Board Member Ms. Frank asked that the Executive Director report at the March 27, 2008 meeting on what each of the hospitals approved by the Authority have done since the March 11, 2008 meeting.

Ms. Wynne then asked whether there was any public comment and there was none.

Having no further business or comments, Patricia Wynne called for a vote to adjourn the meeting. Sumi Sousa moved for adjournment of the meeting and Anne Sheehan seconded the motion. The motion was adopted with a 5-0 vote.