

## MINUTES

**California Health Facilities Financing Authority  
January 29, 2009 – 1:45 P.M.  
915 Capitol Mall, Room 587  
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 1:48 P.M.

### **Roll Call**

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer  
Ruth Holton-Hodson for John Chiang, Controller's Office  
Jeannie Oropeza for Michael C. Genest, Department of Finance  
Harry Bistrin  
Judith Frank  
Ronald Joseph  
Sumi Sousa  
Dr. Oscar Sablan  
Jack Buckhorn

Staff Present: Barbara J. Liebert, Executive Director  
Ronald Washington, Deputy Executive Director  
Greg Matayoshi, Macias Gini & O'Connell LLP

The Chair declared a quorum present.

### **Approval of the Minutes from the December 4, 2008 Meeting (Action Item)**

The minutes from the California Health Facilities Financing Authority's (CHFFA) December 4, 2008 meeting were approved as corrected. Ms. Holton-Hodson moved for approval of the minutes, Mr. Joseph seconded the motion. The motion was adopted with a 6 aye-2 abstain (Dr. Sablan, Ms. Oropeza).

### **Executive Director's Report (Information Item)**

Ms. Liebert, Executive Director, reported that as of December 31, 2008, bonds issued totaled \$21,867,767,017, bonds outstanding totaled \$7,661,785,331, and the Children's Hospital of Orange County (CHOC) resolution remains outstanding. Ms. Liebert then provided the HELP II Fund balance of \$15,331,041.

(Ms. Sousa joined the board meeting 1:53 pm.)

Ms. Liebert then indicated the Cedillo-Alarcón Clinic Grant Fund balance of \$167,829, the Anthem-WellPoint Grant Fund balance of \$2,025,686, and the Children's Hospital Bond Act of 2004 Fund balance of \$351,400,102.

Ms. Wynne asked various clarifying questions regarding the Children's Hospital Fund balance which were appropriately fielded by Ms. Liebert and Children's Hospital program manager, Barry Scarff.

Lastly, Ms. Liebert indicated that as of December 31, 2008, the CHFFA Fund Balance was \$11,334,636.65.

Ms. Liebert was asked by the Board how hospitals were finding the market relative to the sale of their bonds. Ms. Liebert responded that the Children's Hospital of Orange County's recalcitrance to go to the market in December is indicative of current market conditions and what hospitals are thinking. Beyond that, Ms. Liebert deferred to Ms. Diane Potter of Orrick, Herrington and Sutcliffe. Ms. Potter then provided an overview of market conditions.

Ms. Liebert moved on to update the Board on the HELP II outreach program. Ms. Wynne encouraged board members to share any ideas or thoughts they have with staff.

Ms. Liebert continued her Executive Director's report with an update on the "past and future lives of SB 1221 and SB 1293" Indicating CHFFA's intention to introduce these same bills in the new legislative session.

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**Item #4**

**Resolution No. 2009-01**

Ms. Liebert indicated this item will be presented at the February board meeting.

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**Item #6**

**Catholic Healthcare West  
Resolution No. 2009-03**

Ms. Liebert advised the board of the need to present this agenda item out of order and Deputy Executive Director Ronald Washington proceeded to provide background on CHW's request for various amendments to their loan agreements relating to previously issued bonds. Specifically, CHW's loan agreements contain a provision, originally required by the municipal bond insurers, requiring funding of a Bond Reserve Fund if debt service coverage falls below a certain level. Proposed amendments would allow the debt service calculations to be done without reference to unrealized investment gains or losses or mark-to-market gains or losses and would also require the calculation to be done on an annual basis.

Mr. Washington introduced Mr. Jerry McGovern, of Sidley Austin who acts as bond counsel to the Authority in connection with the Catholic Healthcare West financings. Mr. McGovern provided an overview of the debt service calculation process, explaining to the Board that there are two proposed changes in the form of loan agreement and amendment before them for consideration. One would remove the requirement to calculate the coverage every six-months and to instead perform the calculations on an annual basis where it could be based on audited financial statements. The other proposed change would alter the definition of income available for debt service to remove these non-cash investment losses from the calculation, thus only looking at operating income and comparing the same to debt service. Mr. McGovern indicated CHW meets the ratio without any difficulty. Mr. McGovern further reported that both of the insurers have been approached and have consented to the amendments. He lastly related that the bond issuer is granted the authority to consent to amendments to the documents without bondholder consent.

Chair Wynne asked if there were any public comments. Hearing none, Mr. Joseph moved for adoption of the item and Ms. Sousa second the motion. The motion was adopted with an 8-0 vote with one abstention (Ms. Oropeza).

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**Item #5**

**Resolution No. 2009-02**

Mr. Washington introduced the resolution. Chair Wynne asked Ms. Kristin Smith, Legal Counsel, State Treasurer's Office to join board members at the table. Mr. Washington then explained that AB 1479, recently adopted and effective January 2009, allows for CHFFA and similar authorities to put in place a resolution that delegates to the Executive Director and the Deputy Executive Director certain provisions as identified in the staff report and the resolution. This will allow the Executive or Deputy Director, in certain specific cases, to make decisions or to look at, in concert with the Attorney General's Office, without having to bring the matter formally before the board for consideration. In those cases where it does not require going back before the Board, it will allow the Executive Director and the Deputy Executive Director to make decisions or to authorize or consent to these changes.

Ms. Smith stated that staff will work with the AG's office to make sure all conditions are met before staff or the Executive Director gives consent.

Ms. Liebert added that this resolution, if passed, would enable the Authority to be more nimble and flexible in response to borrower needs.

Ms. Frank suggested that staff provide a monthly update to the board as part of the Executive Directors report to advise the board of any actions taken pursuant to the resolution.

Ms. Sousa requested staff to provide immediate notice to all board members in the event any board members are specifically named in any litigation. Ms. Liebert agreed to provide such notice in the event any issues of litigation arise. Ms. Smith also explained to the board that the Attorney General's Office is always involved in the event any issues of litigation arise.

Chair Wynne stated that there had been an amendment proposed to change the quarterly reporting for this resolution to a monthly reporting. Ms. Frank moved for approval of the resolution as amended from a quarterly reporting basis to a monthly reporting basis. Dr. Sablan seconded the motion. The motion was adopted with a 9-0 vote.

**Item #7**

**Six Rivers Planned Parenthood  
Resolution No. HII-231**

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Chair Wynne introduced Karma Manni, Analyst, of staff

Karma Manni presented the item and introduced Monique Belanger. Six-Rivers Planned Parenthood is seeking \$264,200 from the HELP II loan program. They are seeking to re-finance an existing loan of approximately, 260,000 that has a current rate of 6.5%. If granted by the Authority, it would be a 7-year, fixed rate loan with a gross revenue pledge.

Staff recommended approval of a HELP II loan for Six Rivers Planned Parenthood in an amount not to exceed \$264,200 for a term not to exceed 7 years, and contingent upon financing terms acceptable to the Authority.

Mr. Bistrin moved for adoption of the Resolution and Ms. Holton-Hudson seconded the motion. The motion was adopted with a 9-0 vote.

**Item #8**

**Family Health Care Network  
Resolution No. HII-232**

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Chair Wynne introduced Jerome La Torre, Analyst, of staff

Ms. Liebert provided that Family HealthCare Network (FHCN) has requested a HELP II loan. Loan Proceeds will be used to purchase Electronic Health Records (EHR) software and two production servers.

Staff recommended approval of a HELP II loan for Family Healthcare Network in an amount not to exceed \$750,000 for a term not to exceed 5 years, and contingent upon financing terms acceptable to the Authority.

Dr. Sablan moved for adoption of the Resolution and Mr. Buckhorn seconded the motion. The motion was adopted with a 9-0 vote.

**Item #9****Eastern Plumas Health Care District  
Resolution No. HII-233**

Chair Wynne introduced Karma Manni, Analyst, of staff. Ms. Manni introduced Jerri Nelson, Chief Financial Officer for the Eastern Plumas Health Care District.

Eastern Plumas Health Care District has requested a loan not to exceed the amount of \$380,000 to purchase Electronic Medical Records (EMR) equipment to enable them to move toward a paperless system and to help reduce data entry errors.

Staff recommended Authority approval of a resolution for a HELP II loan for Eastern Plumas Health Care District in an amount not to exceed \$380,000 for a term not to exceed 5 years, and contingent upon financing terms acceptable to the Authority.

(Ms. Frank left at 2:56 p.m.)

Mr. Joseph moved for adoption of the Resolution and Ms. Holton-Hodson seconded the motion. The motion was adopted with an 8-0 vote.

**Item #10****JWCH Institute, Inc.  
Resolution No. HII-234**

Chair Wynne introduced Jerome La Torre, Staff Services Analyst, of staff. Mr. La Torre introduced Itohan Oyamendan, COO, and Jeanne Lam, CFO, of JWCH Institute, Inc.

Ms. Liebert indicated that JWCH Institute, Inc. is requesting approval of a HELP II loan in an amount not to exceed \$750,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority. Loan proceeds will be used to purchase real estate located in the city of Lynwood.

Staff recommended approval of a HELP II loan for JWCH in an amount not to exceed \$750,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

Ms. Sousa moved for adoption of the Resolution and Mr. Joseph seconded the motion. The motion was adopted with an 8-0 vote.

Ms. Liebert left the meeting at 3:10 P.M.

**Item #11****Children's Hospital Program of 2004  
Resolution No. CHP 2009-01**

Chair Wynne introduced Barry Scarff, Program Manager of the Children's Hospital Program (CHP). Mr. Scarff introduced Diana Dooley, Chief Executive Officer and President of the Children's Hospital Association (CHA). Mr. Scarff introduced Jim Rennie, Associate Treasury Program Officer, CHP.

Mr. Scarff stated there are a number of clarifying amendments to the existing regulations to the CHP Bond Act of 2004 (Proposition 61). Mr. Scarff continued to explain that these same amendments are incorporated into the proposed regulations for the CHP Bond Act of 2008 (Proposition 3). Mr. Scarff said he hoped to present these regulations to the OAL in the next week or so in order start the 45-day review period. Mr. Scarff recommended approval the proposed CHP regulations amendments for submission to the Office of Administrative Law.

Chair Wynne asked Mr. Scarff if there were any significant changes to be highlighted. Mr. Scarff replied that none of the proposed amendments change the spirit or the letter of the statute.

Chair Wynne asked Ms. Dooley if she had any comments in terms of what the CHA thinks of these technical changes. Ms. Dooley replied that the CHA are in support of staff's recommendation and that

CHFFA staff worked very closely with its CHA members. CHA members did submit comments directly to them through its offices and they are very appreciative and supportive of staff's recommendation.

Mr. Buckhorn indicated that he previously raised the issue of prevailing wage during the regulation development process. The Attorney General's Office gave their opinion that because we did not have enforcement authority over prevailing wage that it is not appropriate to be included in the regulations. Mr. Washington added that Ms. Smith, Mr. Buckhorn and he had the thought that because prevailing wages are required by law of each of the hospitals, amending the grant agreement to reflect the requirement to pay prevailing wage might be a better solution than amending the regulations on this point. Chair Wynne suggested that rather than amending the grant agreement to address one particular law, that it would likely be better to insert language requiring hospitals to be in compliance with all California laws to avoid the inescapable inference that if you are in compliance with one particular law, hospitals do not have to be in compliance with other applicable state laws. Ms. Smith replied that staff would prepare proposed language for insertion into the grant agreement in accordance with Chair Wynne's suggestion for board evaluation.

The board then directed staff to develop an application and grant agreement to go with Prop. 3.

Chair Wynne asked if there were any public comments on these regulations or any further comments from board members. There were none.

Mr. Joseph moved for adoption of the Resolution and Ms. Holton-Hodson seconded the motion. The motion was adopted with an 8-0 vote.

**Item #12**

**Children's Hospital Program of 2008  
Resolution No. CHP 2009-02**

Mr. Scarff explained that the proposed regulations provided to the Board, thereby creating the Children's Hospital Program of 2008, are based on Proposition 3 language, as well as from comments solicited from interested parties. As the statutory language of Proposition 3 and Proposition 61 (the Children's Hospital Bond Act of 2004) are materially identical, these proposed regulations will be materially identical to the existing 2004 regulations.

Staff recommended approval of the proposed Children's Hospital Program of 2008 regulations for submission to the Office of Administrative Law.

Mr. Bistrin moved for adoption of the Resolution and Ms. Holton-Hodson seconded the motion. The motion was adopted with an 8-0 vote.

After the vote approving this resolution, Ms. Dooley expressed her appreciation for the board's work given the importance of these two programs to California's children's hospitals.

With no other business or public comment, the meeting was adjourned at 3:23 P.M.