

MINUTES

**California Health Facilities Financing Authority
October 8, 2009 – 1:45 P.M.
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 2:08 P.M.

Roll Call

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

Members Absent: Judith Frank
Dr. Oscar Sablan

The Chair declared a quorum present.

Approval of CHFFA Minutes from the August 27, 2009 Meeting

The minutes from the August 27, 2009 Authority meeting were approved. Ruth Holton-Hodson moved approval, and Jack Buckhorn seconded the motion. Chair Wynne asked for a roll call for Board Member approval and the minutes were unanimously approved by the Board Members present.

Agenda items were heard out of order due to time constraints of other agenda items.

Item #4a

Catholic Healthcare West, Resolution No. 347-A

In the spirit of simplicity, Ms. Liebert summarized all of the pending agenda items (#4A, B, C and, #5) for CHW. According to Ms. Liebert, when CHW initially submitted their application, the requested amount was for roughly \$375,000,000.

Ms. Liebert further explained that when the original agenda was posted, it contained only two CHW items, specifically items #4c (for \$375,000,000) and #5 (for \$90,000,000 in exchange bonds). Subsequent to the posting of this agenda, the market began moving in a more favorable direction. As a result, CHW was able to identify additional bonds they felt made economic sense to refund. CHW approached CHFFA with the concept of adding these additional bond refundings to the agenda. Ms. Liebert informed the board that the Authority has the ability to add additional agenda items after the agenda has already posted and the time to give appropriate notice has expired if there is an immediate need to do so and the need is discovered after the agenda has already posted. Ms. Liebert informed the board of CHW correspondence (circulated during the time of the board meeting) which purported to explain the basis for an immediate need finding. Ms. Liebert advised the board, staff felt CHW's rationale was compelling, namely because if CHW was required to wait until the end of October for the Authority's next meeting, CHW might miss the precious market opportunity to refund the additional bonds and realize the additional savings associated with this refunding.

Ms. Liebert stated that if the board agreed this is an appropriate approach and votes to approve item #4a, the board would then move forward to Item #4b which includes the totality of the refunding needs. If the board affirmatively passes Item #4b, the board will not need to reach agenda item #4c, which is for the original request of the refunding amount. Ms. Liebert then advised the board would then move to agenda item #5, which is a separate bond exchange piece to be described with more particularity below.

Chair Wynne asked if there was anyone who would like to add to Ms. Liebert's description.

Jean Ham, Director, Debt Management, CHW, came forward and provided that this refunding opportunity came to their attention late last week after the agenda had already posted. CHW appreciates the Authority's considering the refund. CHW is looking at a number of bond series with the present value savings of approximately \$15 million and hopes that the market will stay favorable.

Chair Wynne asked for public comment. Hearing none, Chair Wynne asked for the pleasure of the Board.

Ruth Holton-Hodson moved approval of the Resolution and Ronald Joseph seconded the motion. The motion was adopted with a 7-0 vote.

Item #4b **Catholic Healthcare West, Resolution No. 347-B**

Marissa Sequeira, Analyst of Staff re-introduced Ms. Ham, Jong Choi, Senior Debt Analyst, Debt Management, CHW, Chad Kenan, Vice President, Citigroup, and Gerald J. McGovern, Partner, Sidley Austin LLP. Bond proceeds will be used to refund approximately \$261 million of existing CHFFA Variable Rate Health Facility Revenue Bonds 2008 Series A, B, and F and CSCDA Variable Rate Health Revenue Bonds 2008 Series F. CHW also intends to currently refund approximately \$289 million various existing fixed rate bonds into lower interest rate fixed rate bonds for an estimated net present value savings of \$14.6 million.

Ms. Liebert noted two policy issues reflected in the staff report: (1) CHW's master indenture calls for a 1.1 debt service coverage and (2) disinclusion of unrealized investment losses in the debt service coverage calculation Chair Wynne replied that we have shown flexibility in the last year of unrealized losses.

Ms. Choi commented on their company and their refunding strategy to reduce their reliance on bank letters of credit.

Chair Wynne asked if there were any public comment. Hearing none, Ronald Joseph moved approval of the Resolution and Sumi Sousa seconded the motion. The motion was adopted with a 7-0 vote.

Item #4c **Catholic Healthcare West, Resolution No. 347**

Chair Wynne indicated that no board action on this item is necessary as explained by Ms. Liebert.

Item #5 **Catholic Healthcare West, Resolution No. 348**

Ms. Liebert explained this item, if granted by the board, would permit CHW to switch the letter of credit provider on \$90,000,000 of CHW's bonds from Bank of America to Citibank. Ms. Sequeira provided that staff recommends the Authority approve a Resolution in an amount not to exceed \$90,000,000 for Catholic Healthcare West subject to a bond rating of at least an "A" category rating by a nationally recognized rating agency. CHW will utilize proceeds for the exchange process on the CHFFA Variable Rate Health Facility Revenue Bonds CHW Loan Program 2004 Series J.

Mr. McGovern, Partner, Sidley Austin LLP gave some background on the bond exchange process. He explained that last year when the bond insurers were melting down, there were significant challenges to the borrowers' desire to quickly be released from their bond insurance. The Internal Revenue Service responded to these challenges by allowing a substitution process to be put in place where a new bond is

exchanged for an old bond and more importantly, where there are certain tax advantages conferred in the situation where the borrower exchanges rather than refunds. Mr. McGovern indicated that Citibank has letter of credit capacity and CHW made a decision to substitute that for its existing Bank of America letter of credit.

Chair Wynne asked if there were any questions on this item from the board members or the public. Hearing none, Ms. Holton-Hodson moved approval of the Resolution and Mr. Joseph seconded the motion. The motion was adopted with a 7-aye vote.

Mr. Bistrin added that he was very pleased for the corporation and that CHFFA had the ability to provide savings of \$14.6 million.

Item #10 **Rating Agency Presentation by Moody's Investors Service**

Ms. Liebert introduced Mr. Brad Spielman, Vice President and Senior Analyst, Public Finance Group/Healthcare, Moody's Investor's Services. Mr. Spielman provided background on how rating agencies look at hospitals and assign their ratings. Mr. Spielman provided his presentation to the Board, answering various questions from its members.

Item #6 **Loma Linda University Medical Center (LLUMC), Resolution No. CHP 2009-10**

Chair Wynne introduced Mr. Jim Rennie, Analyst, CHFFA Staff. Mr. Rennie provided that the Authority previously approved two Proposition 61 grant award resolutions for the LLUMC, both of which were contingent upon a successful completion of a validation action filed by the Attorney General's Office and Resolution No. CHP 2008-05, which expired. Staff anticipates the validation action to be completed within the next 6-8 months, but a specific date is unknown. In consultation with the Authority's legal counsel and to accommodate completion of the validation action, staff recommended the Authority approve the resolution for Loma Linda Medical Center which readopts the prior two grant award resolutions but with amendments deleting their respective resolution expiration dates.

Chair Wynne asked if there were any comments from the board members or from the public. Hearing none, Ruth Holton-Hodson moved approval of the Resolution and Ronald Joseph seconded the motion. The motion was adopted with a 7-0 vote.

Item #7 **Buckelew Programs, Resolution No. 244**

Chair Wynne introduced Ms. Cheryl Ide, Analyst, CHFFA Staff. Ms. Ide, introduced Mr. Steve Ramsland, Executive Director, and Mr. David Burns, Director of Administrative Services, both of Buckelew Programs. Ms. Ide indicated that HELP II loan proceeds would be used to refinance an existing loan with a balance of approximately \$658,000. Ms. Ide indicated that refinancing this loan would reduce the interest rate from 6% to 3% resulting in an estimated interest savings of approximately \$181,000 over the life of the proposed HELP II loan. Staff recommended approval of a HELP II loan for Buckelew Programs in an amount not to exceed \$658,000 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority.

After questions from the Board, Chair Wynne asked if there were any comments from the public. Hearing none, Mr. Buckhorn moved approval of the Resolution and Mr. Bistrin seconded the motion. The motion was adopted with a 7-0 vote.

Item #8 **Central City Community Health Center, Resolution No. HII-213**

Chair Wynne introduced Mr. Ray Artinian, Program Manager, of Staff. Mr. Artinian requested the board re-adopt a now expired resolution (as of January 31, 2009) in favor of Central City Community Health Center (CCCHC). By readopting the original resolution and conferring a new expiration date, the

Authority may then release the remaining balance of CCCHC's HELP II loan funds in the amount of \$322,000. The readopted resolution will then have a new expiration date of December 31, 2009.

At its January 31, 2008 meeting, the Authority approved Resolution No. HII-213, authorizing a HELP II loan in the amount of \$722,000. Loan proceeds were approved to purchase and then renovate an existing facility leased by CCCHC. Though the Resolution authorized \$722,000, the Authority initially disbursed only \$400,000 to permit CCCHC's acquisition of the facility. The Authority retained the remaining funds earmarked for renovation as CCCHC had not yet submitted requisite documentation concerning the planned construction. Unfortunately, the resolution expired before CCCHC was able to deliver the necessary documents to the Authority

After a question from Mr. Bistrin and a reply from Mr. Artinian, Chair Wynne asked if there were any other comments from the board or from the public. Hearing none, Ms. Sousa moved approval of the Resolution and Mr. Joseph seconded the motion. The motion was adopted with a 7-0 vote.

Item #9

Interagency Agreement for 2009-10

Ms. Liebert discussed this Resolution which authorizes the execution of an Interagency Agreement with the State Treasurer's Office to provide administrative services, including accounting, budgeting, data processing, personnel, personnel and business services to the Authority for the Fiscal Year 2009-10.

The 2009-10 agreement is for \$298,845, a decrease of \$21,077 from the prior year (due to a budgetary adjustment).

Chair Wynne asked if there were any comments from the board members or from the public. Hearing none, Harry Bistrin moved approval of the Resolution and Ruth Holton-Hodson seconded the motion. The motion was adopted with a 7-0 vote.

CHFFA's Executive Director's Report

At the direction of Chair Wynne, Ms. Liebert provided an abbreviated Executive Director's Report. Ms. Liebert noted revisions to the format of the report and then reported the following as of August 31, 2009: Bonds issued \$23,339,737,017; Bonds outstanding \$8,587,751,100; HELP II \$12,859,807.94; Cedillo-Alarcón Clinic \$197,921; Anthem-WellPoint \$849,578, Children's Hospital Bond Act of 2004 \$351,518,516; Children's Hospital Bond Act of 2008 \$979,988,526; and CHFFA's fund balance of \$12,859,807.94.

With no other business or public comment, Chair Wynne adjourned the meeting at 3:20 PM.