

AMENDED MINUTES

**California Health Facilities Financing Authority
October 28, 2010
915 Capitol Mall, Room 587
Sacramento, California**

Patricia Wynne, Chairperson called the meeting to order at 2:05 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, State Controller
Cynthia Bryant for Ana J. Matosantos, Department of Finance
Judith Frank
Dr. Oscar Sablan
Ronald Joseph
Sumi Sousa

Member Absent: Jack Buckhorn

Staff Present: Barbara J. Liebert, Executive Director
Rosalind Brewer, Deputy Executive Director

The Chair declared a quorum present.

Approval of the Minutes from the July 29, 2010, September 23, 2010, and September 30, 2010 Meetings

Chair Wynne stated there are three sets of minutes for approval. Ms. Bryant moved approval of all three meeting minutes and Dr. Sablan seconded the motion. The minutes were unanimously approved with a 7-Aye vote.

Executive Director's Report (Information Item)

Ms. Liebert reported the following as of September 30, 2010: Debt issued: \$24,912,562,017; Debt outstanding: \$9,395,939,294; CHFFA fund balance: \$14,119,504; HELP II fund balance: \$12,591,296, Cedillo-Alarcón Clinic: \$41,529; Anthem-WellPoint: \$273,953; Children's Hospital Bond Act of 2004: \$138,470,482 and the Children's Hospital Bond Act of 2008: \$784,976,924. Also included in Ms. Liebert's report were adjustments and the Medi-Cal disbursements of \$114,000.

Ms. Holton-Hodson asked Ms. Liebert to elaborate regarding the Medi-Cal bridge loan disbursements which Ms. Liebert then detailed for her and the other members of the board.

Delegation of Powers Monthly Update

Ms. Liebert provided a summary of a delegation action taken the prior month involving Providence Health & Services, Series 2008C Bonds – Defeasance of a Portion of the Bonds. Ms. Liebert indicated that part of the bonds were secured by real property leased out to the Children's Hospital of Los Angeles and to avoid the appearance of private use, they defeased the necessary amount of the Series 2008C bonds. The Attorney General's office reviewed Providence's request and concurred the proposed action fell within CHFFA's delegation resolution. Ms. Liebert signed forms in October permitting Providence Health & Services to do the defeasance.

Acacia Adult Day Services Update

Ms. Liebert provided the Board with an update concerning Acacia Adult Day Services ("Acacia"). Ms. Liebert reminded the Board that staff, during the course of its review of Acacia's Medi-Cal bridge loan application, discovered Acacia had defaulted on one of its non-financial based covenants found in the loan

agreement of their existing HELP II loan. The Board had required a quasi-acceleration of their loan and Ms. Liebert reported Acacia's compliance with the board's directive through the transfer of the proceeds of a Certificate of Deposit to the Authority. Application of these proceeds (roughly \$43,000) effectively accelerated the loan by one year. Though Acacia was then permitted to receive Medi-Cal Bridge Loan Program funds, Acacia elected not to receive the funds given the imminent passage of the 2010/2011 California state budget.

Strategies for Change Update

Ms. Liebert report that though Strategies for Change was in arrears for their HELP II loan, they have brought their payments up to date and are in good standing.

Medi-Cal Bridge Loan of 2010 Update

Ms. Liebert summarized for the Board members the Medi-Cal Bridge Loan Program for 2010.

CHFFA Fee Update

Ms. Liebert stated that staff is in the process of developing a full presentation on CHFFA's fees, including their reasonableness in comparison to other issuers, the need for an increase or decrease, etc. Ms. Liebert provided that a working group has been formed to focus on this issue.

Chair Wynne suggested Ms. Liebert provide an update regarding board member Harry Bistrin. Ms. Liebert shared with the Board that longstanding member Harry Bistrin has resigned from his position on the Board. Chair Wynne added that Mr. Bistrin was an original member since 1979 and expressed that he will definitely be missed. Other members echoed the same sentiment, declaring that they each felt they had learned so much from him during their tenure on the board. The Board then directed staff to prepare a Board resolution memorializing Harry Bistrin's stellar service to the Authority.

Item #4 Casa Milagro, LLC; A Home for Life, LLC; and Inclusive Communities East Bay, LLC, Resolution No. 357

Yassar Dahbour, Staff Analyst, introduced Julia Mullen, Deputy Director, Department of Developmental Services, Kristine McCann, Executive Director, Bay Area Housing Corporation, Alan J. Zuckerman, Esq., Musick, Peeler & Garrett, Counsel to various Regional Centers, John Woodward, Director, Bank of America Merrill Lynch, and Ed Wohlleb, Vice President, Bank of America Merrill Lynch. Yassar proceeded to summarize that proceeds from the bonds would be used to refinance the loans from CalHFA to each of the LLCs, to fund a debt service reserve, and to pay the costs of issuance including the fees and premiums of the Cal-Mortgage insurance.

Staff recommended the Authority approve Resolution No. 357 in an amount not to exceed \$90,000,000 for Casa Milagro, LLC; Inclusive Communities East Bay, LLC; and A Home for Life, LLC subject to a bond rating of at least investment grade by a nationally recognized rating agency. Mr. Dahbour indicated that Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor, concurred with the Authority's staff recommendations.

After discussion between the Board members, borrower and the members of the financing team, Chair Wynne asked for public comments. Hearing none, Ms. Holton-Hodson moved adoption of Resolution No. 357 and Mr. Joseph seconded the motion. The motion was unanimously adopted with a 7-Aye vote.

Item #5 Victor Treatment Centers, Inc., (VTC), Resolution No. HII-258

Marissa Sequeira, Staff Analyst introduced Gala Goodwin, Director of the Santa Rosa Program, VTC. Ms. Sequeira summarized the transaction for the Board noting loan proceeds would be used to purchase an existing single family property to be used as a group home for six minors.

Staff then recommended approval of Resolution No. HII-258 in an amount not to exceed \$517,000, for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority. Ms. Sequeira

indicated that Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Public Financial Management, the Authority's financial advisor, concurred with the Authority's staff recommendations.

After discussion between the Board members and Ms. Goodwin, Chair Wynne asked if there were any additional questions from the Board members on this item or if there was any public comment. Afterwards, Ms. Frank moved adoption of Resolution No. HII-258 and Ms. Bryant seconded the motion. The motion was adopted with a 7-Aye vote.

Item #6 Children's Hospital Los Angeles (CHLA), Resolution No. 2010-04

Jim Rennie, Staff Analyst, Children's Hospital Program, explained that CHLA requires a project extension to allow completion of their new hospital which technically required approval of a new resolution. Specifically, Mr. Rennie noted that the purpose of this item was to provide an extension of CHLA's project period end date from June 30, 2010, to December 31, 2011, to accommodate delays in the completion of CHLA's project.

Staff recommended the Authority approve a new resolution serving to extend the project period end date contained in the First Resolution to December 31, 2011.

Chair Wynne asked if there were any questions or comments from the Board members or public comments. Hearing none, Ms. Sousa moved adoption of Resolution No. 2010-04 and Dr. Sablan seconded the motion. The motion was adopted with a 7-Aye vote.

Item #7 Progress House, Inc. (PH), Resolution No. HII-209 (HII-260)

Ms. Sequeira, Staff Analyst introduced Judy Strauss, Interim Executive Director, Progress House, Inc. Staff requested the Authority modify one of the security provisions of the existing HELP II loan originally approved by the Board for the benefit of PH on December 6, 2007. Ms. Sequeira indicated that, if approved by the Authority, staff would execute documentation to permit subordination of the gross revenue pledge, which will place the Authority in second position. The subordination will not change any other term of the loan, nor will it in any way alter the first lien position the Authority has on PH's real property.

After discussion amongst the Board and Ms. Strauss, Ms. Sousa moved to approve the resolution subject to an amendment which called for the subordination to terminate within one year or at such time as when the line of credit terminates, whichever occurs sooner, to allow the Authority to return to the first position on the gross revenue pledge. Mark Paxson, State Treasurer's Office General Counsel, provided that the resolution should state when the line of credit terminates.

Chair Wynne asked if there were any additional questions or comments from the Board members or public comments. Hearing none, Ms. Sousa moved adoption of Resolution No. HII-209 as amended and Ms. Holton-Hodson seconded the motion. The motion was adopted with a 6-Aye vote with Ms. Bryant abstaining.

Ms. Liebert clarified for the record that the correct resolution number should be HII-260 as opposed to Resolution No. HII-209 as reflected in the agenda.

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

Item #9 Northeastern Rural Health Clinics ("Northeastern"), Resolution No. 2010-31

Ms. Liebert summarized this transaction for the board noting that Northeastern defaulted on one of the non-financial based covenants contained within its existing HELP II loan agreement by failing to provide notice and seek consent from the Authority before closing the facility Northeastern had improved with HELP II funds.

After conferring with legal counsel to identify legal remedies associated with the default, staff recommended the below approach to resolve the existing default, taking into account Northeastern's intention to re-open the facility they closed.

1. Beginning November 1, 2010, Northeastern will be required to accelerate their debt service by increasing their monthly payments by 50% (from \$1,373 per month to \$2,060 per month) until April 1, 2011, effectively serving to accelerate their loan maturity date.
2. If at any time prior to April 1, 2011 the Westwood facility reopens, monthly payments will return to \$1,373.
3. Between now and April 1, 2011, Northeastern will be required to submit a written progress report every 90 days to the Authority which shall particularize their recruitment efforts and discuss their progress toward the successful resumption of services at their Westwood Family Practice office.
4. If Northeastern has failed to resume the provision of services at their Westwood facility by April 1, 2011, the Authority will revisit all remedies under the loan agreement, which may include immediate acceleration of the outstanding principal balance of the loan.
5. Northeastern's gross revenue pledge to the Authority will remain intact.

After discussion between the Board and Janet Lasick, Executive Director, Northeastern Rural Health Clinics, Chair Wynne asked if there was any public comment. Hearing none, Ms. Holton-Hodson moved adoption of Resolution No. 2010-31 and Ms. Bryant seconded the motion. The motion was adopted with a 7-Aye vote.

**The Last Frontier Healthcare District, or in the Alternative, County of Modoc for
Item #10 the Benefit of the Modoc Medical Center, Resolution No. HII-259**

Ms. Liebert summarized this transaction for the Board noting the board's July 13, 2010 approval of a resolution in favor of the county of Modoc for the benefit of Modoc Medical Center. The Board authorized a \$750,000 HELP II loan to help fund accounts payable and payroll with the goal of helping the hospital stay in operation. Ms. Liebert noted that recently, local voters approved formation of a district hospital. Effectively, the county operated Modoc Medical Center was soon to be independently operated by the district and more formally known as the Last Frontier Health Care District.

Ms. Liebert proceeded to explain that given the voter's approval of the district entity and the district's operation of the hospital independent of the county, the loan previously approved (but not yet disbursed) in favor of the county needed to be re-authorized in favor of the new health care district. Ms. Liebert also explained that the duration of the loan needed to be shortened from five years to two years in order to comply with state statutes governing district debt obligations. Lastly, Ms. Liebert indicated that in addition to an intercept with the Department of Health Care Services, the Authority would benefit from another intercept with the county for tax collections generated from parcel tax assessments. Specifically, Ms. Liebert recommended two separate intercept processes to secure repayment by the district: one with the Department of Health Care Services for \$10,000 per month and one with the County of Modoc for intercepting three lump sum payments of \$175,000 each beginning in April 2011, then December 2011, and finally April 2012 – each time period representing when the County collects and allocates tax assessment receipts to the District.

Staff recommended the Authority approve Resolution No. HII-259 to amend the borrower's name from the County of Modoc on behalf of the Modoc Medical Center to The Last Frontier Healthcare District, to modify the HELP II loan terms from five-years to two years and with the security provisions as set forth with more particularity in the staff report incorporated herein by reference.

Chair Wynne asked if there was any public comment. Hearing none, Mr. Joseph moved adoption of Resolution No. HII-259 and Ms. Holton-Hodson seconded the motion. The motion was adopted with a 7-Aye vote.

**Interagency Agreement for 2010-11 with the State Treasurer's Office,
Item #11 Resolution No. 2010-32**

Ms. Liebert provided that Resolution No. 2010-32 authorizes the execution of an Interagency Agreement with the State Treasurer's Office to provide administrative services, including accounting, budgeting, data processing, personnel and business services to the Authority for the Fiscal Year 2010-11. Staff recommended approval of the proposed Interagency Agreement.

Chair Wynne asked if there was any public comment. Hearing none, Ms. Sousa moved adoption of Resolution No. 2010-32 and Ms. Holton-Hodson seconded the motion. The motion was adopted with a 7-Aye vote.

Chair Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 3:05 p.m.