

## MINUTES

California Health Facilities Financing Authority  
July 28, 2011  
915 Capitol Mall, Room 587  
Sacramento, California 95814

### Alternate Location for CHFFA Teleconference Participation

Qiu Accountancy Corporation  
3580 Wilshire Blvd., Suite 1126  
Los Angeles, CA 90010

Patricia Wynne, Chairperson called the meeting to order at 1:45 P.M.

#### Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer  
Rick Chivaro for John Chiang, Controller's Office  
Todd Jerue for Ana J. Matosantos, Department of Finance  
Ann Madden Rice  
Samuel Qiu - Teleconference

Members Absent: Judith Frank  
Ronald Joseph  
Jack Buckhorn  
Oscar Sablan

Chairperson Wynne declared a quorum present.

#### Item #2 Approval of the Minutes from the June 30, 2011 Meeting

Mrs. Madden Rice moved for the approval of the minutes and Mr. Jerue seconded the motion. The minutes were unanimously approved with a 5-Aye roll call vote.

#### Item #3 Executive Director's Report

Ms. Liebert submitted all fund balances for the record.

Ms. Liebert then indicated no delegated actions had been taken during the prior month.

Ms. Liebert provided an update on the two borrowers who had previously inquired about payment modifications for their HELP II loans. Ms. Liebert explained that Mark Paxson, State Treasurer's Office General Counsel, sent a letter with specific terms of repayment to each borrower (Yolo Family Service Agency and Samuel Dixon Family Health Ctr., Inc.) and that both borrowers have since agreed to the proposed terms for repayment and more importantly, are timely complying with the payment structure.

Ms. Liebert then advised the board staff would soon work on drafting a potential delegation resolution for the HELP II program in response to a suggestion made by Mr. Joseph in this regard. Chairperson Wynne suggested that staff come before the board, in the next months with a proposed resolution for their consideration.

Ms. Liebert reported staff recently sent a survey to all HELP II borrowers pursuant to a recommendation made by Mr. Reyes to make inquiries with all of the HELP II borrowers about their current operations and the outlook for the future due to the current economic market. The HELP II survey, developed by Carolyn Aboubechara, Ray Artinian and other managers, was mailed to current HELP II borrowers on July 15, 2011 with responses due back by August 1, 2011. Staff has received 25% participation thus far.

Ms. Aboubechara, Staff Analyst, elaborated further on some of the specific feedback received from the Authority's HELP II borrowers. The survey asked the HELP II borrowers about what type of decreases in revenues the borrowers may face and how they forecast future revenues. The majority of the responses stated the borrowers were facing reductions, some of which include Medi-Cal. In the survey, the borrowers were also asked if they would foresee any future reductions and how they would handle those reductions. Many borrowers stated they were cutting future expenses. The majority of the borrowers did not have a 3-5 year plan so they sent a one-year budget. In the survey, the borrowers were also asked if they would come back to the Authority to obtain additional loans. Borrowers were interested in coming back to the Authority. The majority of the borrowers complimented CHFFA for its good service, a good program, and professional staff. Also, there were inquiries about whether CHFFA would extend or refinance the existing loans by extending the term of the loans.

Chairperson Wynne replied that she was pleased staff sent the survey. She appreciated the preliminary feedback and would love to hear more once Ms. Aboubechara has accumulated all of the responses. She also encouraged staff to extend the deadline by two weeks to see if CHFFA might receive more participation.

Chairperson Wynne asked how many borrowers were in the HELP II Loan Program. Ms. Aboubechara replied that there were 110 borrowers in the HELP II Loan Program; and thus far, 28 borrowers have replied to the survey.

Mrs. Madden Rice replied that she was very appreciative of staff taking the initiative to do the survey.

**Item #4** **Adult Day Health Centers (Information Item)**

Chairperson Wynne introduced Ms. Lydia Missaelides, Executive Director of the California Association for Adult Day Services. Ms. Liebert commented that this agenda item is timely in the context of the above referenced survey and in part, derives from a suggestion made by Member Reyes to carefully review the authority's HELP II loan portfolio. With the passage of the 2011-12 budget, the State of California eliminated the Adult Day Health Center ("ADHC") program funding effective December 1, 2011, affecting roughly 300 centers in California (serving over 35,000 people). Staff reviewed the existing four ADHC HELP II borrowers impacted by budget cuts as of June 30, 2011.

Ms. Brewer then presented the board with a brief summary of the Authority's four ADHC loans. She related that staff asked the four centers (Humboldt Senior Resource Center, Incorporated, Acacia Adult Day Services, Alzheimer's Services of the East Bay, Incorporated and Innovative Health Care Services) what their future plans might be in the context of the State's elimination of their funding. Most centers stated they had a contingency plan and were waiting to see the results of the pending Federal lawsuit. Ms. Brewer further reported that all four borrowers are current on their payments and that the outstanding principal balance of the four loans is approximately \$1.1 million. Humboldt stated that one of its facilities may close due to the lack of funding. All of the other borrowers have indicated they will remain open for business and will continue to look for additional funding sources.

Ms. Missaelides added that it does not appear as though there will be alternative funding sources for ADHCs at this time. She stated there are approximately 55,000 eligible elderly and disabled persons that use ADHC services with multiple chronic health conditions. She said the ADHCs have been committed for decades to serve low income populations. She further related that the four centers (Humboldt Senior Resource Center, Incorporated, Acacia Adult Day Services, Alzheimer's Services of the East Bay, Incorporated and Innovative Health Care Services) will do everything possible to repay their loans, but that it will be difficult.

Chairperson Wynne encouraged Ms. Missaelides to keep in touch and to share any updates with CHFFA.

Chairperson Wynne asked the board members if they had any questions. There were none.

Moving forward Chairperson Wynne introduced Deborah Yang, Staff Counsel for CHFFA and CEFA.

**Item #5** **California Family Life Center, Resolution No. HII-265**

Michael Tang, Staff Analyst, introduced Sheila Stephenson, Group Home Director, California Family Life Center (“CFLC”). Mr. Tang stated the proposed HELP II loan proceeds would be used to purchase a 2,844 square foot house for use as a group home to provide residential based services for ‘at risk’ youth. The purchase would allow CFLC to replace one of its existing group homes that is currently being leased, located at 31510 Valley Center Road, Valley Center, CA 92802. Michael then recommended approval of Resolution No. HII-265 for California Family Life Center in an amount not to exceed \$346,700 for a term not to exceed 15 years, and contingent upon financing terms acceptable to the Authority. Macias Gini & OL’Connell, LLP, the Authority’s financial analyst, concurred with the Authority’s staff recommendations.

Mrs. Madden Rice inquired about the income sources and specifically, whether it was all government funding or private funding. Ms. Stephenson provided a thorough explanation noting the various sources of mostly government (both state and federal) funding.

Mrs. Madden Rice moved approval of Resolution No. HII-265 and Mr. Chivaro seconded the motion. The Resolution was adopted with a 5-Aye roll call vote.

**Item #6** **Children’s Hospital & Research Center at Oakland, Resolution No. CHP 2011-04**

Jim Rennie, Staff Analyst, introduced Bernardette Arellano, Manager of Government Relations and Colleen Reid, Controller, Children’s Hospital & Research Center at Oakland. The Children’s Hospital of Oakland (“CHO”) requested a grant in the amount of \$1,595,136 for equipment and acquisition of the project. The application met all of the six evaluation criteria. Jim then recommended the Authority approve Resolution No. 2011-04 for Children’s Hospital & Research Center at Oakland to provide a grant not to exceed \$1,525,136 (less costs of issuance), subject to all requirements of the Children’s Hospital Program.

Deborah Bayer, a registered nurse at Children’s Hospital of Oakland wished to address Agenda Item #6, the Children’s Hospital & Research Center at Oakland, California.

Ms. Bayer stated that she was not at the CHFFA meeting to speak against the approval of the grant. However, she wanted to acknowledge that it was public money paid by taxpayers for children’s health. She stated that the Children’s Hospital Program owed it to the public to be accountable for how they spend their money and to be transparent. Recently, in the last year, the hospital has chosen to spend money on two strikes in a labor dispute. Ms. Bayer estimated that it has cost the hospital at least \$6 million. According to Ms. Bayer, it would have been much cheaper for them to come to a settlement with the nurses, lab technicians and radiology technicians who all went out on strike in October 2010 and in May 2011. The hospital owed it to the public to be transparent, accountable and responsible.

Chairperson Wynne thanked Ms. Bayer for her comments.

Ms. Arellano, Manager of Government Relations, Children’s Hospital & Research Center at Oakland replied that CHO has bargained in good faith with the union for over a year. The conversations were on-going and continuously for the next several weeks. The issues under discussion in the negotiation process were complex and wide ranging. However, an organization such as CHO that serves about 70% Medi-Cal required tight fiscal responsibility in all of the operations to reach long term sustainability. CHO believed it is reflected in the bargaining position and is no different than the position of other public and private employers nationwide at this time. Ms. Arellano further stated that the issues relating to labor negotiations with CNA and the proposed financing are completely separate.

Chairperson Wynne asked if there were any questions from board members or public comments on this item. Mrs. Madden Rice moved approval of Resolution No. CHP 2011-04 and Mr. Chivaro seconded the motion. The Resolution was adopted with a 5-Aye roll call vote.

**Item #7                      Prototypes, Centers for Innovation in Health, Mental Health and Social Services**  
**Resolution No. 2011-06**

Carolyn Aboubechara, Staff Analyst, summarized this matter for the board. Prototypes, Centers for Innovation in Health, Mental Health and Social Services (“Prototypes”) requested the Authority to subordinate a portion of its security interest in Prototype’s gross revenues relating to its present and future accounts to International City Bank. As a requirement to being awarded a \$1 million Emergency Housing and Assistance Program grant, Prototype is required to secure a \$500,000 line of credit with a bank which has in turn requested this partial subordination.

Ms. Aboubechara related staff’s assessment that the first lien on the property is sufficient security. Ms. Aboubechara also related that Cal-Mortgage (who currently insures bonds for Prototypes) has already agreed to subordinate their gross revenue pledge as well.

Staff recommended the Authority approve Resolution No. 2011-06 to permit the modification of its security interests in the gross revenue pledge of the HELP II loan previously approved at the Authority’s June 24, 1998 meeting. Specifically, staff recommended subordinating the Authority’s security interest position on a portion of Prototype’s gross revenue pledge relating to its present and future accounts in favor of International City Bank for the remaining term of the Authority’s loan.

Chairperson Wynne inquired for the record, whether by subordinating the Authority’s claim on the gross revenue pledge, the Authority would be putting its security interest at risk. Ms. Aboubechara replied that there remained sufficient security in the first lien position on the property.

Chairperson Wynne asked if there were any public comments on this item. Mr. Jerue moved approval of Resolution No. CHP 2011-06 and Mr. Chivaro seconded the motion. The Resolution was adopted with a 5-Aye roll call vote.

**Item #8                      Humboldt Senior Resource Center, Incorporated, Resolution No. 2011-07**  
**Agenda Item #8 was removed from the Agenda.**

**Item #9                      Amended and Restated CHFFA Bylaws, Resolution No. 2011-08**

Carolyn Aboubechara, Staff Analyst, presented her summary of the amended and restated bylaws. She related that there have been recent requests to include the Authority’s bylaws in the bond closing process for bond transactions. However, the current authority bylaws have not been revised since 1982. Staff updated the bylaws to reflect current business operations and now seeks the board’s approval of the amended and restated Bylaws. Ms. Aboubechara then recommended the Authority approve Resolution No. 2011-08 to adopt the amended and restated bylaws.

Chairperson Wynne questioned whether there were any substantive changes.

Ms. Liebert commented that the old version of the bylaws contained a reference to public savings in section 1042 and that it recited the legislative intent portion of the Authority’s statute (Government Code section 15438.5) that talked about passing on savings back to communities by reducing hospital charges. Staff concluded that it was likely best to eliminate that language because the board adopted a policy in 2008 that further clarified the Authority’s pass-through savings policy.

Ms. Liebert and Ms. Aboubechara added that staff has incorporated the new mission into the bylaws.

Mrs. Madden Rice moved approval of Resolution No. CHP 2011-08 and Mr. Jerue seconded the motion. The Resolution was adopted with a 5-Aye roll call vote.

At 2:20 p.m. the open session was closed for a closed session matter and reopened at 3:07 p.m.

## **CLOSED SESSION**

### **Item #10 Litigation (Government Code Section 11126(e)(1))**

Consulted with legal counsel regarding pending litigation (California Health Facilities Financing Authority vs. Health for All, Inc.; et al, Case No.: 34-2010-00092737, County of Sacramento) as authorized by Government Code Section 11126(e)(2A).

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 3:08 pm.