

MINUTES

California Health Facilities Financing Authority ("CHFFA")

August 25, 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 1:58 P.M.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Dave O'Toole for John Chiang, Controller's Office
Jennifer Rockwell for Ana J. Matosantos, Department of Finance
Jack Buckhorn
Ronald Joseph
Ann Madden Rice
Samuel Qiu – Teleconference
Judith Frank – Teleconference

Members Absent: Oscar Sablan

Chairperson Wynne declared a quorum present.

Item #2 **Approval of the Minutes from the July 28, 2011 Meeting**

Mr. O'Toole moved for the approval of the minutes and Mrs. Madden Rice seconded the motion. The minutes were unanimously approved with a 5-Aye roll call vote. Mr. Joseph, Ms. Frank, and Mr. Buckhorn abstained.

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

Ms. Liebert submitted all fund balances for the record as of June 30, 2011 and indicated the end of the fiscal year fund balances would be presented at the September 2011 board meeting.

Item #4 **Casa Colina, Inc., Resolution No. 366**

Michael Tang, Staff Analyst, introduced Felice L. Loverso, Ph.D., President & Chief Executive Officer and John S. Cherry, Chief Financial Officer, both of Casa Colina, Inc. Also appearing on behalf of Casa Colina, Inc. - Kathleen A. Leak, Bond Counsel, Orrick, Herrington & Sutcliffe and on behalf of the Authority in her capacity as issuer's counsel, Leslie M. Lava, Esq.

Mr. Tang stated bond proceeds would be used to finance and refinance the construction, renovation, expansion and equipping of the acute care hospital facility owned and operated by The Corporation and Casa Colina Hospital for Rehabilitative Medicine (“Hospital”) which is located in Pomona, California. Also, a portion of the costs would be used for an electronic medical records system utilized by the Hospital and other Members of the Obligated Group.

Staff recommended the Authority approve Resolution Number 366 for Casa Colina, Inc. (“Corporation”) and the Hospital in an amount not to exceed \$50,000,000 as a non-rated private placement bond with a Qualified Institutional Buyer (QIB) secured on a parity with rated bonds issued by the Authority for the benefit of the Obligated Group in 2001, by a gross revenue pledge under the Obligated Group’s Master Indenture, and deeds of trust on certain properties of the Obligated Group for so long as the bonds are held by the initial QIB purchaser or another QIB which is an assignee of the initial QIB purchaser and subject to an ongoing requirement that the Corporation use its best efforts to obtain a bond rating by a nationally recognized rating agency in the event that there are no other outstanding bonds or other obligations secured by Obligations issued under the Master Indenture which are rated by a nationally recognized rating agency. 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 recommendation.

Mrs. Madden Rice queried regarding the footnote contained in the staff report noting the upcoming cessation of funding for adult day health care services. Mr. Cherry responded funding was unknown for the facility in Sacramento, but that Casa Colina intended to continue operating the adult day health care services for a minimum of an additional two years because of its importance to the community.

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

Mr. Buckhorn moved approval of Resolution Number 366 and Mr. Joseph seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

In anticipation of Agenda Item #5, Mr. O’Toole commented the State Controller’s Office had a conflict of interest with the next agenda item and recused himself from the conference room. Ms. Liebert clarified for the record that the State Controller’s Office representative recused himself due to a conflict of interest with the purchaser, JP Morgan Chase Bank.

Item #5

FamiliesFirst, Inc., Resolution No. 367

Marissa Sequeira, Staff Analyst, introduced Lyn Farr, Chief Operating Officer, FamiliesFirst, Inc., Roy Nelson, Investment Banker, Wulff, Hansen & Co., John Bonow, Managing Director, Public Financial Management, Inc. available via speaker phone and Julia Bilaver, Deputy Attorney General from the California Department of Justice.

FamiliesFirst, Inc. requested bond proceeds in an amount not to exceed \$15,500,000 to be privately placed with a Qualified Institutional Buyer, pursuant Authority guidelines for unrated debt, with the exception of the debt service reserve account.

Staff recommended the Authority approve Resolution Number 367 for FamiliesFirst, Inc. in an amount not to exceed \$15,500,000 as a private placement non-rated bond. 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 recommendation.

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

Mr. Joseph moved approval of Resolution Number 367 and Ms. Rockwell seconded the motion. The Resolution was adopted with a 7-Aye roll call vote.

Item #6 Fellowship Homes, Inc., Reinstatement Resolution No. 358

Carolyn Aboubechara, Staff Analyst, introduced Gary Hicks, President of G.L. Hicks Financial, LLC as financial advisor for Fellowship Homes. She made a quick note that agenda items numbers 6 and 7 for Fellowship Homes and TLC Child and Family Services are composite issuances and will go to the market together. Mr. Hicks would represent both agenda items.

Fellowship Homes, Inc. requested the Authority's approval to reinstate Resolution Number 358 to extend the expiration date of the resolution by six months. The original resolution was previously approved at the January 6, 2011 board meeting for \$3.3 million and has since expired on June 6, 2011. Fellowship Homes has not been able to issue bonds due to the current financial conditions of the market mainly because interest rates have increased and they have not decreased to a point sufficient enough to meet Cal-Mortgage's interest savings requirement of 4%. Fellowship Homes requested the reinstatement for the opportunity to go into the market at a point where interest rates are sufficient enough to allow refunding.

Staff recommended the reinstatement of Resolution Number 358 for Fellowship Homes, Inc. 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 recommendation.

Mr. Buckhorn inquired about the likelihood of the interest rates getting to the point where Fellowship Homes can actually go to market. Mr. Hicks replied in the last four to five weeks, there have been improvements in rates. Fellowship Home savings is now over 7% net present value savings. There is a minimum requirement of 4% and TLC Child & Family Services savings is just over 4.5%. He stated that they hoped to go into the market after Labor Day.

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

Mrs. Madden Rice moved approval of Resolution Number 358 and Mr. Buckhorn seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

Item #7 **TLC Child & Family Services, Reinstatement Resolution No. 359**

TLC Child & Family Services (“TLC”) requested the Authority’s approval to reinstate Resolution Number 359 to extend the expiration date of the resolution by six months. The original resolution was previously approved for \$3 million at the January 6, 2011 board meeting and has since expired on June 6, 2011. TLC has not issued the bonds because of the current financial market conditions mainly because the interest rates have increased to a point where they have not decreased to a point sufficient enough to meet Cal-Mortgage’s interest savings requirement of 4%. TLC requested the reinstatement of the resolution for the opportunity to issue debt as interest rates decline to a point sufficient enough to allow the refunding to achieve the interest savings.

Staff recommended the reinstatement of Resolution Number 359 for TLC Child & Family Services. 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 recommendation.

Mr. O’Toole moved approval of Resolution Number 359 and Ms. Rockwell seconded the motion. The Resolution was adopted with an 8-Aye roll call vote.

Ms. Liebert moved agenda #8 to next month’s meeting.

Item #9 **HELP II Loan Program Gross Revenue Cap Review**

Ms. Liebert stated Chairperson Wynne recommended staff review the gross revenue cap maximum (\$30 million) that CHFFA currently imposes on the HELP II Loan Program (the “Program”). She related that the board has seen some exceptions in recent months and that Ms. Aboubechara, Mr. Artinian, and some managers worked hard on this agenda item for board members’ consideration and came back with the recommendation that the cap should remain at \$30 million.

Ms. Aboubechara reported that staff checked on how many exceptions to the gross revenue cap were granted and discovered CHFFA had granted only three exceptions in the last four years (approximately 7% or less over the cap) allowing borrowers with revenues exceeding the gross revenue cap to obtain loans under the Program. Of the three exceptions, Vista Community Clinic accounted for two of the occurrences. Staff considered these requested exceptions to represent a relatively small number of exceptions. Ms. Aboubechara then noted that the Program was designed to help small health facilities obtain adequate financing for its capital needs. She related that staff reviewed U.S. Small Business Administration revenue thresholds and found that the gross revenue cap for related health organizations ranged between \$7 million and \$25.5 million. Based on these observations, staff did not recommend the Authority increase the gross revenue cap from its current level of not more than \$30 million.

Ms. Andie Martinez Patterson of the California Primary Care Association (“CPCA”) was then invited to speak on the clinics’ point of view. Ms. Martinez Patterson shared information CPCA obtained from its members concerning CHFFA including that CPCA members prefer to have access to higher loan amounts, with zero interest, as well to have longer repayment terms. According to Ms. Martinez Patterson, the current interest rate is not compelling enough for the members to take the time to go through the HELP II loan process. CPCA would like to see if

Ms. Liebert did not give the Executive Director's report but gave a sense of what is to come.

Ms. Brewer commented on her site visit to Petaluma Health Center (the "Center") in Petaluma, California noting the Center recently opened a new state-of-the-art-facility providing services in the Rohnert Park, Petaluma, and Cotati areas in the health care practice areas of family care, pediatrics and full dental care services. Ms. Brewer noted the Center has a full kitchen to demonstrate to patients how to cook and a dance floor for ballroom dance classes. Ms. Brewer further noted the Center consolidated three clinics into one facility and that they incorporated the concept of "team rooms" for doctors to readily discuss patients' medical treatments with other doctors.

Chairperson Wynne asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 3:21 pm.