

MINUTES

California Health Facilities Financing Authority
("CHFFA")
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

August 30, 2012 – 1:45 P.M.

Patricia Wynne, Chairperson called the meeting to order at 1:46PM.

Roll Call

Members Present: Patricia Wynne for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, Controller's Office
Judith Frank
Samuel Qiu via teleconference
Ronald Joseph
Jack Buckhorn
Dr. Oscar Sablan

Absent: Jennifer Rockwell for Ana J. Matosantos, Department of Finance
Ann Madden Rice

Chairperson Wynne declared a quorum present.

Approval of the Minutes from the July 25, 2012 Meeting

Mr. Buckhorn noted one correction relating to agenda item #9, specifically, the correct day for the final audit report availability should have been identified as the August 30, 2012 board meeting rather than the August 23, 2012 board meeting. Dr. Sablan also noted an incorrect spelling of the word "principal" contained in the portion of the minutes discussing the June 28, 2012 minutes for Strategies for Change. Specifically, "principal" was misspelled as "principle" in two locations.

Mr. Buckhorn moved approval of the minutes as amended and Mr. Joseph seconded the motion. The motion was adopted with a 6-aye roll call vote. Ms. Frank abstained.

Executive Director's Report

Ms. Liebert submitted the fund balances for the record as of June 30, 2012 and the comprehensive debt list summary of CHFFA's top 14 borrowers. Ms. Liebert also mentioned that funding for CHFFA's new grant program ("CHAMP") of \$6.5 million will appear as a sub-account on next month's fund balance report.

Tax-Exempt Bond Delegation of Powers Monthly Update

No actions were taken pursuant to the delegation resolution.

HELP II Loan Program Delegation of Powers Monthly Update

No actions were taken pursuant to the delegation resolution.

Bureau of State Audits Final Audit Report Regarding Tax-Exempt Bond Program

Ms. Liebert stated that the Bureau of State Audits final report on conduit bond issuers was released on August 23, 2012. A link to the final report along with follow-on news articles were electronically distributed previously to all board members.

California Health Access Model Program (“CHAMP”) Status Update

Ms. Liebert stated the grant program received legislative approval and was currently in the public comment period for proposed regulations.

Ms. Holton-Hodson asked how the public found out the regulations were open for public comment.

Ms. Webster-Hawkins replied about 1,200 people received information via email and listserv. Staff identified many entities and will continue to add to the lists.

Chairperson Wynne commented that the proposed regulations were also on CHFFA’s website.

Mr. Buckhorn asked if CHFFA had received any comments regarding the regulations to date and Ms. Liebert replied not yet. Chairperson Wynne asked what the time period was for comments and Ms. Liebert replied 45 days, until October 12.

Item #4 University of California, San Diego Medical Center (“UCSD”), Resolution No. CHP-3 2012-04

Ms. Webster-Hawkins introduced Janae Davis, Staff Analyst, who introduced Lori R. Donaldson, Chief Financial Officer, UCSD Health Systems. Grant proceeds would be used by UCSD to reimburse the eligible proportional pediatric costs for renovating Thornton Hospital, construction of a 245-bed new tower adjacent to Thornton hospital, and construction of the central utility plant. The Neonatal Intensive Care Unit (“NICU”) would replace the out-of-date Hillcrest NICU and, once construction has been completed, the Hillcrest NICU would be closed and all Medical Center NICU services would be transferred to the Jacobs Medical Center. The new tower is scheduled to open for patient care in May 2016.

Staff recommended that the Authority approve Resolution No. CHP-3 2012-04 for the UCSD Medical Center to receive a grant not to exceed \$39,20,000, subject to all requirements of the Children’s Hospital Program of 2008.

Ms. Donaldson gave the board members a description of facilities and services that would be provided.

Dr. Sablan asked whether the consolidation of services would present transportation issues to low income patients. Ms. Donaldson replied that public transportation access would be better with the addition of a light rail station.

Chairperson Wynne asked if there were any questions or public comment. Hearing none, Mr. Buckhorn moved approval of Resolution No. CHP-3 2012-04 and Dr. Sablan seconded the motion. The Resolution was adopted with a 7-aye roll call vote.

Item #5 & Item #6 University of California, San Francisco Medical Center (“UCSF”), Benioff Children’s Hospital, Resolution No. CHP 2012-02 and Resolution No. CHP 2012-05

Jim Rennie, Staff Analyst, introduced from UCSF Medical Center, Kim Scurr, Associate Director; Barrie Strickland, Chief Financial Officer; and Keith Farmer, Controller, UCSF Medical Center. Both of the grant proceeds would be used by UCSF Medical Center as reimbursement for eligible

proportional pediatric costs of constructing a six-story, 289-bed inpatient hospital and an attached six-story outpatient building. The inpatient building would include a children's hospital consisting of 183 pediatric beds and a pediatric emergency department. The building would include a 36-bed women's hospital, and a 70-bed cancer hospital.

Chairperson Wynne asked if there were any questions or public comment.

Dr. Sablan noted it was great that the new hospital included an emergency room dedicated to children.

Ms. Holton-Hodson noted only 49% of patients were on Medi-Cal and asked if the hospital anticipated an increase. Ms. Scurr replied affirmatively.

Mr. Buckhorn asked if there was an effect on the hospital due to the health insurance coverage policy San Francisco had adopted. Ms. Scurr replied the hospital provided care to children regardless of their ability to pay.

Mr. Qiu asked whether UCSF is feeling pressure because disproportionate share funding is soon coming to an end. Ms. Strickland replied that over the last 10-years UCSF has indeed experienced pressure because of declining reimbursements. Ms. Strickland noted the hospital has worked and will continue to work carefully on the relevant policy issues at both the state and federal levels and that, in the meantime, the hospital will continue its mission to provide high quality care for children.

Mr. Joseph moved approval of Resolution No. CHP 2012-02 and Dr. Sablan seconded the motion. The Resolution was adopted with a 7-aye roll call vote.

Ms. Holton-Hodson moved approval of Resolution No. CHP-3 2012-05 and Mr. Buckhorn seconded the motion. The Resolution was adopted with a 7-aye roll call vote.

Item #7 HOPE Services, Resolution No. 382

Marissa Sequeira, Staff Analyst, introduced John Christensen, Chief Executive Officer of HOPE Services, Gary Hicks, Financial Advisor, Hicks Financial LLC and Ray Abe, Chief Financial Officer. HOPE Services requested a refunding of their 2002 Bonds in an amount not to exceed \$3.5 million for a present value savings of approximately \$243,000 over the life of the loan.

Staff recommended the Authority approve Resolution No. 382 for HOPE Services in an amount not to exceed \$3.5 million for a term not to exceed 8.25 years.

Chairperson Wynne asked if there were any questions or public comment. Hearing none, Mr. Buckhorn moved approval of Resolution No. 382 and Ms. Frank seconded the motion. The Resolution was adopted with a 7-aye roll call vote.

Item #8 Asian American Drug Abuse Program, Inc., Resolution No. HII-270

The applicant requested their item be moved to the next CHFFA meeting, tentatively scheduled for September 27, 2012.

Item #9 Sanctuary Psychiatric Centers of Santa Barbara, Resolution No. HII-272

Marissa Sequeira, Staff Analyst introduced Donald Duncan, Project and Property Manager, Sanctuary Psychiatric Centers ("Sanctuary") of Santa Barbara (available for questions at QIU Accountancy Corporation) via teleconference. Sanctuary requested a HELP II Loan in an amount not to exceed \$950,000. The lower interest rate would save Sanctuary approximately \$171,000 over the life of the loan.

Staff recommended the Authority approve Resolution No. HII-272 for Sanctuary Psychiatric Centers of Santa Barbara in an amount not to exceed \$950,000 for a term not to exceed 15 years.

Ms. Holton-Hodson noted support revenues appear to be significantly trending downward as reflected in the audited financials set forth in the staff report. For example, county mental health fees declined from approximately \$222K in FY 2009 to approximately \$98K in FY 2011.

Mr. Duncan acknowledged Sanctuary's increasing independence from the County of Santa Barbara, but he also noted that roughly 60% of revenue derives from private fees and approximately 20% from rental income. Mr. Duncan reported that these revenue items are relatively fixed, but Sanctuary has room to increase them as they are nevertheless 30% lower than competing agencies in the country. Mr. Duncan also added that Sanctuary does not currently face any other losses in funding. Sanctuary desires to keep their fees as low as possible so they can continue to serve the disenfranchised.

Chairperson Wynne asked if there were any questions or public comment. Hearing none, Ms. Holton-Hodson moved approval of Resolution No. HII-272 and Mr. Buckhorn seconded the motion. The Resolution was adopted with a 7-aye roll call vote.

Item #10 **Buckelew Programs, Amendment to Resolution No. HII-244**

Paul Dulai, Staff Analyst, introduced Sally Westgate, Director of Finance, Buckelew Programs. Buckelew requested the Authority change its security on an existing HELP II loan, releasing its first lien position on real property located at 1109 Sir Francis Drake Blvd, Kentfield, CA and replacing it with a first lien position on real property located at 1333 7th St., Novato, CA. The fair market value of the 7th Street property appears to more than cover the remaining sums owed on the existing HELP II loan. Mr. Dulai further explained that Buckelew was in the process of obtaining private financing to fund renovations on its Kentfield property and the private lender required a first lien position.

Staff recommended the Authority amend Resolution No. HII-244 to release its security interest in the real property located at 1109 Sir Francis Drake Blvd., Kentfield, California and to replace that security interest with a first lien position on real property located at 1333 7th St., Novato, California. All other conditions of the HELP II loan would remain the same and in full effect.

Chairperson Wynne asked if there were any questions or public comment. Hearing none, Mr. Joseph moved approval of Amendment to Resolution No. HII-244 and Mr. Buckhorn seconded the motion. The Resolution was adopted with a 7-aye roll call vote.

Item #11 **Strategies for Change, Amendment to Resolution No. HII-191**

Representatives from Strategies for Change were not in attendance for this board meeting. Chairperson Wynne moved the agenda item to the next CHFFA meeting, tentatively scheduled for September 27, 2012.

Item #12 **Amendment to Contract No. CHFFA 08-10 (A), Resolution No. 2012-06**

Ms. Liebert introduced the resolution of the California Health Facilities Financing Authority that would authorize an amendment to Contract No. CHFFA 08-10 (A) with Public Financial Management, Inc. ("PFM") to increase the maximum contract amount from \$200,000 to \$260,000. Staff requested approval to increase the existing financial advisor contract with PFM by approximately 30%. The current total amount of the contract with PFM was insufficient to cover the transactions and projects through the end of the existing contract term of July 2013. The Executive Director does not have delegated authority to enter into and amend contracts which exceed \$250,000.

Chairperson Wynne asked if there were any questions or public comment.

