

MINUTES

**California Health Facilities Financing Authority
("CHFFA" or the "Authority")
915 Capitol Mall, Room 587
Sacramento, California 95814**

Alternate Location for CHFFA Teleconference Participation

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

February 27, 2014 – 1:30 P.M.

Deputy Treasurer Bettina Redway, serving as Chairperson, called the meeting to order at 1:34 P.M.

Roll Call

Members Present: Bettina Redway for Bill Lockyer, State Treasurer
Ruth Holton-Hodson for John Chiang, State Controller
Eraina Ortega for Michael Cohen, Director, Department of Finance
Samuel Qiu via Teleconference
Judith Frank
Jack Buckhorn
Ann Madden Rice

Members Absent: Jay Hansen
Oscar Sablan, M.D.

Chairperson Redway declared a quorum present.

Approval of the Minutes from the January 30, 2014

Mr. Qiu stated there were guests in his office representing Ventura County.

Ms. Holton-Hodson moved approval of the January 30, 2014 meeting minutes and Ms. Ortega seconded the motion. The motion was adopted with a 7-aye roll call vote.

Executive Director's Report

CHFFA Fund Balances and Comprehensive Debt List Summaries

Barbara Liebert, Executive Director, submitted fund balances for the record, as of January 31, 2014, which included the California Health Access Model Program ("CHAMP") fund balance and the Comprehensive Debt Limit Summaries of CHFFA's top 14 borrowers.

Tax Exempt Bond Delegation of Powers Monthly Update

No action was taken pursuant to the delegation of powers resolution.

HELP II Loan Program Delegation of Powers Monthly Update

No action was taken pursuant to the delegation of powers resolution.

Investment in Mental Health Wellness Act of 2013

Ms. Liebert provided an update on the Investment in Mental Health Wellness Grant Program, noting CHFFA received 33 applications from 37 counties serving 42 counties. Several counties partnered together on the applications. One county’s proposal, Shasta, would affect five counties. There were 14 requests for crisis residential, 17 requests for crisis stabilization, and 25 requests for mobile crisis funding.

The counties that did not apply were the following:

<i>Del Norte County</i>	<i>Glenn County</i>	<i>Alpine County</i>
<i>Trinity County</i>	<i>Colusa County</i>	<i>San Benito County</i>
<i>Siskiyou County</i>	<i>Sierra County</i>	<i>Mono County</i>
<i>Modoc County</i>	<i>Sutter County</i>	<i>Inyo County</i>
<i>Lassen County</i>	<i>Yuba County</i>	<i>Tulare County</i>
<i>Tehama County</i>	<i>Placer County</i>	<i>Kings County</i>
<i>Plumas County</i>	<i>Amador County</i>	<i>Imperial County</i>

Chairperson Redway and Ms. Holton-Hodson commented that all of the counties above were rural. Ms. Holton-Hodson inquired whether there might be a rural county health association that might assist these counties with applying or that might offer insight into why they chose not to submit applications.

Ms. Liebert then introduced Robert Oakes, Executive Director of the California Mental Health Directors Association (“CMHDA”) to help address these questions. Ms. Liebert prefaced the introduction of Mr. Oakes by stating that his organization sent a survey to all counties to determine their needs and interest in the grant program.

Mr. Oakes described the challenges of the rural counties and elaborated further on other questions posed by the Authority.

Capital funding amounts available and requested by region for all programs were the following:

Central Region	Available: \$25M	Total request: about \$15M or 60%
Superior Region	Available: \$6.5M	Total request: about \$3.5M or 54%
Bay Area Region	Available: \$26M	Total request: about \$20M or 78%
Southern Region	Available: \$45M	Total request: \$32M or 72%
Los Angeles Region	Available: \$40M	Total request: a little over \$40M or roughly 100%
Total All Regions	Available: \$142.5M	Total request: about \$111.7M or 78%
Personnel Funding for Mobile Crisis Support Team	Available: \$6.8M	Total request: approx. \$14.5M or about 213%

Ms. Liebert provided an overview of the many issues currently under consideration by staff and indicated staff is aiming to make recommendations to the Authority by the end of March or mid-April.

Mr. Buckhorn asked for the percentage of the applications that were in the “no” category at this point in the process.

Ms. Liebert responded that approximately 16 of the 33 applications were “yeses,” but that staff was continuing to review the applications which might cause some adjustment to that number.

An Authority discussion ensued on the topics of construction costs and personnel funding. Ms. Liebert also noted that CHFFA staff has consulted their technical financial advisor for assistance on all issues.

Item #4 Social Model Recovery Systems, Inc. (“SMRS”), Covina, California
Resolution No. 395

Brock Lewis, staff analyst, reported SMRS requested the Authority use variable rate taxable bond proceeds to (1) refund the CHFFA/Social Model Recovery Systems Series 2001 and Series 2005 Bonds, (2) refinance loans assumed with the acquisition of another provider (Mid Valley Recovery Services, Inc.) and merger with another (Stepping Stones Home), to (3) renovate certain existing facilities, and (4) acquire new facilities. SMRS expected to achieve approximately \$68,000 in net present value savings from the proposed refunding over the life of the bonds.

Representing SMRS: Jim O’Connell, Chief Executive Officer, Social Model Recovery Systems, Inc. and Roy Nelson, Underwriter, Wulff Hansen & Company.

Ms. Holton-Hodson stated it appears potential clients would have greater choices with the implementation of the Affordable Care Act and currently over 75% of SMRS clients were publicly funded.

Mr. O’Connell replied potential clients were now becoming Medi-Cal covered with the transformation to the Affordable Care Act.

Ms. Frank asked if the bonds would be drawn down as SMRS finds facilities.

Mr. Nelson stated the borrower would use the bond proceeds as needed, while keeping the remainder of the monies in an account until needed.

Staff recommended the Authority approve Resolution No. 395 in an amount not to exceed \$5 million for Social Model Recovery Systems, Inc., subject to the conditions in the resolution, including a rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Fieldman, Rolapp & Associates, the Authority’s financial advisor, concurred with the Authority’s staff recommendation.

Chairperson Redway asked if there were any questions or public comment. Hearing none, Mrs. Rice moved approval of Resolution No. 395, Ms. Ortega seconded the motion. The motion was adopted with a 7-aye roll call vote.

Item #5 **Recommendations from Gilbert Associates, Inc.**
Relating to the CHFFA 2013 Audit

Ms. Liebert reported on Gilbert Associates, Inc.'s findings of the Bond Financing Program Audit of statements for the year ending June 30, 2013. The final audit report noted that CHFFA had a deficiency in its internal controls. During the audit of accounts receivable and revenues, material adjustments were needed to properly liquidate receivables collected prior to year-end and to fairly state the annual administrative fee revenue. After a review of the cash receipts for receivable collections, the receivables were overstated and adjusted by \$100,000, a one-time occurrence. After comparing the annual administrative fee accrual to the 2013 estimated fee schedule, staff was informed the accrual and related revenue were understated and an adjustment of \$91,328 was needed to correct the balances.

Gilbert Associates, Inc. recommended that CHFFA's management create policies and procedures to oversee, review activity and manage the year-end accruals to ensure the data and factors used were accurate and with expectancy. Both CHFFA and STO's accounting office have agreed to additional procedures to mutually oversee, review monthly activity, and manage year-end accruals so these oversights are unlikely to happen again.

Item #6 **Children's Hospital Program Annual Reports to the Legislature**

Ms. Liebert stated the 2013 Annual Report of Children's Hospital Program of 2008 (Proposition 3) and 2013 Annual Report Children's Hospital Program of 2004 (Proposition 61) were submitted to the Assembly, Senate, Legislative Counsel, and Department of Finance.

In summary, over \$1.2 billion had been expended through the two programs to thirteen children's hospitals since the first Act passed in 2004. Details were in the reports, which were provided to the Authority.

Other Business

Chairperson Redway asked for public comment. Hearing none and with no additional business, the meeting was adjourned at 2:17 P.M.