

MINUTES

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)

**First Floor Conference Room
901 P Street, Room 102
Sacramento, California 95814**

Public Participation
Call-In Number: (877) 810-9415
Participant Code: 6535126

May 30, 2024, 1:30 P.M.

OPEN SESSION

Deputy Treasurer Khaim Morton, Chair, called the meeting to order at 1:32 P.M.

Staff Member Summer Nishio announced to the public joining in by phone the instructions for being heard.

Item #1

Roll Call

Members Present: Khaim Morton for Fiona Ma, State Treasurer
David Oppenheim for Malia M. Cohen, State Controller
Michele Perrault for Joe Stephenshaw, Director of Finance
Antonio Benjamin
Francisco Silva
Robert Cherry, M.D.
Robert Hertzka, M.D.
Katrina Kalvoda (via teleconference)

Members Absent: Keri Kropke, M.A., M.A., CCC-SLP

Staff Present: Carolyn Aboubechara, Executive Director
Summer Nishio, Staff Services Manager II
Brock Lewis, Staff Services Manager I
Eman Hariri, Associate Governmental Program Analyst
Tyler Bui, Associate Governmental Program Analyst
Careen Prince, Staff Services Analyst

Chair Morton reminded virtual attendees to mute their microphones until their respective turn to speak and requested all attendees to state their names for the record.

Item #2 **Approval of the Minutes from the April 25, 2024 Meeting (Action Item)**

Chair Morton asked the Authority members if there were any changes or edits to the minutes.

Chair Morton asked if there were any questions or public comment; there were none.

Authority Action

Motion to approve the minutes from the April 25, 2024 Authority meeting.

MOTION: Member Hertzka

SECOND: Member Benjamin

AYES:Members: Silva, Kalvoda, Hertzka, Cherry, Benjamin, Perrault, Oppenheim,
Morton

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION APPROVED.

Item #3

Executive Director's Report (Information Item)

Bond Financings Delegation of Powers Update

Executive Director Aboubechara reported that Lucile Salter Packard Children's Hospital provided notice of its intent to extend the initial bank purchase date for the Series 2014B Bonds from May 7, 2024 to July 7, 2024 and requested the Authority to execute a First Amendment to the Amended and Restated Indenture. After discussion with legal counsel and the Office of the Attorney General, Executive Director Aboubechara executed the First Amendment to the Amended and Restated Indenture on May 2, 2024.

Executive Director Aboubechara reported that Children's Hospital Los Angeles provided notice of its intent to extend the initial bank purchase date for the Series 2017B Bonds from June 6, 2024 to June 1, 2029 and requested the Authority to execute a First Amendment to the Amended and Restated Indenture and a Supplement to the Tax Certificate and Agreement. After discussion with legal counsel and the Office of the Attorney General, Executive Director Aboubechara executed the documents on May 15, 2024.

Contract Delegation of Powers Update

Executive Director Aboubechara reported the Authority had entered into two interagency agreements to reimburse the State Treasurer's Office for security expenses, annual rent, and support services from July 1, 2023 through June 30, 2024. The contract for rent and security in the amount of \$152,993 was executed on May 17, 2024. The contract for executive and support services in the amount of \$401,810 was executed on April 24, 2024.

Specialty Dental Clinic Grant Program (Dental Program) Update

Executive Director Aboubechara reported that the Governor's May budget revision proposed to eliminate funding for the Dental Program, and mentioned that Authority staff provided the legislature with an update on the program, especially regarding the number of applications received, and now awaiting a final decision on the funding.

Other Items

Executive Director Aboubechara reported that Staff Member Erica Rodriguez was promoted to Staff Services Manager I Specialist.

Executive Director Aboubechara reported San Joaquin County was previously awarded two Community Services Infrastructure Grants to open two residential treatment facilities, one for men and one for women, with 16 beds each for justice-involved individuals, and both began providing services on April 26th.

Chair Morton asked if there were any questions or public comment; there were none.

Item #4

**Lucile Salter Packard Children's Hospital at Stanford (Packard),
Palo Alto, Santa Clara County
Bond Financing Program
Resolution No. 461 (Action Item)**

Staff Member Prince reported that Packard requested to issue tax-exempt bonds in an amount not to exceed \$204,000,000. Bond proceeds would be used to refund all or a portion of Packard's CHFFA 2014 Series A and B bonds. Additionally, funds would be used to fund the cost of issuance.

Attendees: (in person) Greg Hogue, Vice President, Finance; Greg Turner, Assistant Controller, Lucile Salter Packard Children's Hospital at Stanford; Brendan LaFountain, Senior Associate, Orrick, Herrington & Sutcliffe LLP; John Landers, Senior Advisor; and Jacqueline Lu, Vice President, Morgan Stanley Bank, N.A.

Vice President Hogue explained that savings from the refunded bonds would help fund clinical programs and community outreach. Proceeds from the CHFFA Series 2014 A and B bonds were used to partially finance the construction and expansion of Packard's acute care hospital.

Chair Morton asked if there were any questions or public comment; there were none.

Authority Action

Motion to approve Resolution No. 461 in an amount not to exceed \$204,000,000 for Packard for the Bond Financing Program, subject to the terms and conditions in the resolution.

MOTION: Member Benjamin

SECOND: Member Cherry

AYES:Members: Silva, Kalvoda, Hertzka, Cherry, Benjamin, Perrault, Oppenheim,
Morton

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION APPROVED.

Item #5

**Tender Loving Care Home for Boys, Inc. (TLC), Rancho Cucamonga,
San Bernardino County
Healthcare Expansion Loan Program II (HELP II)
Resolution No. HII-355 (Action Item)**

Staff Member Lewis reported that TLC requested a HELP II loan in an amount not to exceed \$1,200,000. Loan proceeds would be used to purchase a residence in San Bernardino County to relocate a short-term residential treatment program from a leased facility to a company-owned asset.

Attendees: (via teleconference) Reginald Brown, Sr., Executive Director, Tender Loving Care Home for Boys, Inc; and Ivan Colon, Accountant, I.B.S. Services, Inc.

Executive Director Brown explained that one of the short-term residential treatment programs operated by TLC was occupying a leased building for 15 years. The stability provided by a company-owned asset would facilitate long-term growth for TLC and would provide security for the clients served.

Member Oppenheim commended TLC on the strategic move to ensure stability for at-risk clients.

Member Benjamin asked about the turnover rate and how many residents were supported by TLC. Executive Director Brown explained that 12 clients at a time could be served across two TLC locations. Short-term residential treatment programs typically only serve clients for up to six months; however, some children were with TLC for up to two years due to difficulties returning children to their biological parents and an inability to place children in foster homes.

Chair Morton asked if there were any additional questions or public comment; there were none.

Authority Action

Motion to approve Resolution No. HII-355 in an amount not to exceed \$1,200,000 for TLC for the HELP II Loan Financing Program, subject to the terms and conditions in the resolution.

MOTION: Member Oppenheim

SECOND: Member Silva

AYES:Members: Silva, Kalvoda, Hertzka, Cherry, Benjamin, Perrault, Oppenheim, Morton

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION APPROVED.

Item #6

**County of Fresno (County)
Investment in Mental Health Wellness Grant Program
for Children and Youth (CY) (Fourth Funding Round)
Second Amendment to Resolution No. CY 2022-06 (Action Item)**

Staff Member Hariri presented. The County of Fresno (County) requested Authority approval to amend its milestone condition deadline of being open and operational from August 31, 2024 to January 31, 2025, to amend its milestone condition deadline of submitting all disbursement documentation from November 30, 2024 to March 31, 2025, and to extend the readiness, feasibility, and sustainability requirement deadline from May 31, 2024 to October 31, 2024. Staff Member Hariri reported that high turnover of key County and service provider personnel resulted in further delays of the purchase of the eight mobile crisis support team (MCST) vehicles and the hiring of MCST program staff. The County anticipated the service provider would complete the hiring, onboarding, and certification training of MCST staff by October 31, 2024 and that the MCST vehicles would be purchased and fully equipped by January 31, 2025. The County and the service provider anticipated the program would begin providing services by January 31, 2025.

Attendees: (via teleconference) Emma Rasmussen, Deputy Director and David Keomanyvanh, Staff Analyst, Forensic Behavioral Health Services, Fresno County Department of Behavioral Health.

Analyst Keomanyvanh gave an overview of the project and explained that there was a miscommunication with the service provider regarding the purchase of MCST vehicles.

Member Cherry asked about the County's strategy for managing turnover rates to meet the requested deadline. Member Benjamin asked for clarification regarding the delay in purchasing vehicles and how the County would remedy the situation.

Deputy Director Rasmussen explained that despite the shortage of mental health clinicians, the County had filled higher level positions to support the hiring process and engaged in aggressive recruiting tactics using their contracted provider. Emma Rasmussen also noted an influx of recent graduates entering the field, and that the County had found success hiring staff using a variety of methods. Analyst Keomanyvanh explained that there had been a misunderstanding with the service provider who initially thought that the vehicles would be leased, but the County effectively communicated that the vehicles needed to be purchased outright.

Chair Morton asked if there were any additional questions or public comment; there were none.

Authority Action

Motion to approve a second amendment to Resolution No. CY 2022-06 to extend the readiness, feasibility, and sustainability requirement deadline, and to amend the milestone conditions deadlines, subject to the terms and conditions in the resolution.

MOTION: Member Hertzka

SECOND: Member Perrault

AYES:Members: Silva, Kalvoda, Hertzka, Cherry, Benjamin, Perrault, Oppenheim, Morton

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION APPROVED.

Item #7

**County of San Benito (County)
CY (Fifth Funding Round)**

First Amendment to Resolution No. CY 2023-04 (Action Item)

Staff Member Hariri presented. The County of San Benito (County) requested Authority approval to amend its milestone condition deadlines of being open and operational from June 30, 2024 to March 31, 2025 and of submitting all disbursement request documentation from September 30, 2024 to July 31, 2025. The County also requested to extend the grant period expiration date from February 28, 2025 to October 31, 2025. The County ran into delays in obtaining San Benito County Board of Supervisors (BOS) approval of the new County licensed clinician positions and the service provider contract. This extension would give the County sufficient time needed to obtain approval for the licensed clinician positions from the County BOS, finalize the service provider contract, purchase four MCST vehicles, hire and onboard staff, and begin providing MCST services.

Attendees: (via teleconference) Nancy Abellera, Case Management Services Manager; Rachel White, Assistant Director of Behavioral Health; and Rumi Saikia, Quality Improvement Supervisor II, County of San Benito Behavioral Health.

Member Cherry asked whether the BOS would need to approve the service contract.

Case Management Services Manager Abellera gave an overview of the project, confirming that the County Board of Supervisors would need to approve the service provider contract prior to execution. Case Management Services Manager Abellera noted that the BOS had already approved some clinical and case management positions, and that the County was also in the process of purchasing vehicles and was working to execute a contract for staff coverage during nights, weekends, and holidays to ensure compliance with grant requirements. Additionally, Case Management Services Manager Abellera stated that the BOS was aware that the service provider contract was coming to them for approval.

Chair Morton asked if there were any additional questions or public comment; there were none.

Authority Action

Motion to approve a first amendment to Resolution No. CY 2023-04 to amend the milestone condition deadlines and to extend the grant period expiration date, subject to the terms and conditions in the resolution.

MOTION: Member Perrault

SECOND: Member Oppenheim

AYES:Members: Silva, Kalvoda, Hertzka, Cherry, Benjamin, Perrault, Oppenheim,
Morton

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION APPROVED.

Item #8 HELP II (Program) Calendar Year 2023 Annual Report (Information Item)

Staff Member Bui gave an overview of the HELP II Annual Report for calendar year 2023.

Attendees: None.

Member Oppenheim noted the Central Valley as a medically underserved region and asked what could be done in the next year to achieve a more equitable distribution of loans. Member Benjamin asked for clarification regarding how demand affected the HELP II. Member Silva noted that the report included the number of loans per geographic region, not loan volume per region, and asked about the volume of the HELP II portfolio.

Executive Director Aboubechara clarified that the HELP II portfolio was about \$53,900,000. Executive Director Aboubechara explained that demand for HELP II determined who chose to apply, and loans were disbursed according to the applications received. Staff attends rural conferences to make HELP II more visible and would continue to look into other methods to market HELP II in the Central Valley.

Chair Morton requested to see an updated report with the loan volume according to geographic region and requested that Authority staff explore ways to assist potential borrowers that do not have the technical expertise to apply for a HELP II loan.

Chair Morton asked if there were any additional questions or public comment; there were none.

Item #9

**HELP II Programmatic Change
Resolution No. 2024-02 (Action Item)**

Staff Member Bui provided an overview of the proposed and recommended HELP II programmatic change to increase the interest rate for property acquisition, construction, renovation, and equipment loans (“New Money”) from 2% to 3% and to increase the interest rate for refinancing loans from 3% to 4%.

Attendees: Greg Matayoshi, Principal Consultant, TAP International, Inc.

Consultant Matayoshi presented an analysis of HELP II, its fund balance, and the possible effects of the proposed changes.

Chair Morton and Member Benjamin asked clarifying questions concerning the estimated fund balance as well as the monthly and annual income. Member Benjamin and Member Hertzka asked about the effects of an interest rate of 4%; would it suppress demand and if that would deter potential borrowers from applying for HELP II loans.

Executive Director Aboubechara explained that outstanding loans would not be affected by the proposed interest rate increase, only new loans approved going forward. Executive Director Aboubechara noted that there were two proposed interest rates being recommended, 3% for New Money loans and 4% for refinancing loans, which were still well below market rates and still fulfill HELP II's mission to provide low-cost loans to expand access to healthcare. The HELP II fund received nearly \$6 million annually and about \$490,000 in principal and interest payments monthly. Executive Director Aboubechara noted that due to the high demand of HELP II loans, the fund balance was dwindling and a change to the interest rate was needed to suppress demand and to slowly build the fund balance back up so that the Authority can fulfill loans as requested. Executive Director Aboubechara stated that increasing the interest rate from 2% to 3% shouldn't be a big enough difference to make a borrower un-creditworthy.

A discussion ensued regarding the possible effects of the proposed changes on borrowers and the HELP II fund balance. Alternatives to the proposed changes were also discussed, such as the possibility of changing the proposed interest rate from 3% to 3.5% and exploring the idea of dynamic pricing. Member Silva noted increasing the interest rate for new money loans to 4% was too aggressive for certain borrowers.

Chair Morton requested a periodic review of the HELP II interest rates and reiterated his request to examine the geographic distribution of HELP II loans.

Executive Director Aboubechara said Authority staff and Consultant Matayoshi would look into the geographic distribution of HELP II loans, increasing the interest rate to 3.5%, automatic triggers that altered HELP II parameters in the past, a periodic review of HELP II to change program parameters, and the idea of dynamic HELP II interest rates.

Chair Morton asked if there were any additional questions or public comment; there were none.

Authority Action

Motion to approve Resolution No. 2024-02 for a HELP II Programmatic Change to increase the interest rate for property acquisition, construction, renovation, and equipment loans from 2% to 3% and to increase the interest rate for refinancing loans from 3% to 4%. All other conditions of HELP II remain unchanged and in full effect.

MOTION: Member Hertzka

SECOND: Member Benjamin

AYES:Members: Silva, Kalvoda, Hertzka, Cherry, Benjamin, Perrault, Oppenheim,
Morton

NOES:NONE

ABSTAIN:NONE

RECUSE:NONE

MOTION APPROVED.

Item #10**Bond and Tax-Exempt Equipment Financing Programs
Calendar Year 2023 Annual Report (Information Item)**

Staff Member Lewis gave an overview of the Bond & Tax-Exempt Equipment Financing Programs Annual Report for calendar year 2023.

Attendees: None.

Chair Morton asked if there were any questions or public comment; there were none.

Items #11 and #12**Public Comment and Adjournment**

Chair Morton asked for public comment. Hearing none, the meeting adjourned at 3:00pm.