MINUTES

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
(Authority or CHFFA)

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

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

June 26, 2025, 1:30 P.M.

OPEN SESSION

Deputy Treasurer Khaim Morton, Chair, called the meeting to order at 1:34 P.M.

The Secretary 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 Cohen, State Controller Michele Perrault for Joe Stephenshaw, Director, Department of Finance Francisco Silva Robert Cherry, M.D. Robert Hertzka, M.D.
Members Absent:	Antonio Benjamin Katrina Kalvoda Keri Kropke, M.A., M.A., CCC-SLP
Staff Present:	Carolyn Aboubechara, Executive Director Brock Lewis, Staff Services Manager II Adam Freudenberg, Associate Governmental Program Analyst Tyler Bui, Associate Governmental Program Analyst Rana Mayers, Associate Governmental Program Analyst Careen Prince, Staff Services Analyst Angel Nguyen, Staff Services Analyst

Chair Morton declared a quorum present in-person. Chair Morton reminded virtual attendees to mute their microphones until their respective turn to speak and requested all attendees to state their names and organization for the record. Chair Morton asked that participants speak into their microphone.

Item #2 Approval of the Minutes from the May 29, 2025 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 May 29, 2025 Authority meeting.

MOTION: Member Perrault SECOND: Member Hertzka

AYES: .....Members Silva, Hertzka, Cherry, Perrault, Oppenheim, Morton
NOES: .....NONE
ABSTAIN: .....NONE
RECUSE: .....NONE

MOTION APPROVED

Item #3 Executive Director's Report (Information Item)

Distressed Hospital Loan Program (DHLP) Update

Executive Director Aboubechara pointed to an updated DHLP handout that listed the status of each DHLP loan. Executive Director Aboubechara explained that a total of 13 loan modification applications had been received and approved by Authority staff, the Department of Finance, and the Department of Health Care Access and Information. Executive Director Aboubechara explained that on June 24, 2025, Treasurer Ma held a roundtable discussion with nearly all of the leadership of the DHLP borrowers. During the forum, leadership discussed how important the DHLP loan was, what worked and what did not work in their turnaround initiatives, and the future challenges they expected to face. Executive Director Aboubechara noted the discussion was helpful for the hospitals to learn from each other and for staff to hear their challenges and concerns.

Community Services Infrastructure Grant Program (CSI) Update

Executive Director Aboubechara pointed to a handout for Santa Clara County's CSI project, which met the deadline to be open and operational three days early. The service provider Community Solutions began providing services and anticipates serving 24 clients annually.

Member Oppenheim asked how many square feet the unit was and how many patients could be served at once. Executive Director Aboubechara indicated the information would be provided by staff via email.

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

Item #4 Castle Family Health Centers, Inc. (Castle Family), Atwater, Merced County Healthcare Expansion Loan Program II (HELP II) Resolution No. HII-364 (Action Item)

Member Silva recused himself from participating in Item #4 as he is the president of the California Primary Care Association, of which Castle Family is a member. Member Silva left the room.

Staff Member Prince reported that Castle Family requested a HELP II loan in the amount of $1,191,000. Loan proceeds would be used to expand an existing medical office building, which Castle Family purchased with a HELP II loan in 2023.

Attendees (via teleconference): Peter Mojarras, Chief Executive Officer; Dawnita Castle, Chief Financial Officer; and Ed Lujano, Strategic Consultant, Castle Family Health Centers, Inc.

Chief Executive Officer Mojarras gave an overview of the project, which included the expansion of the existing facility by 7,000 square feet for primary care services and the addition of approximately 15 to 18 new primary care exam rooms, one behavioral health group room, and possibly pharmaceutical services.

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

Authority Action

Motion to approve Resolution No. HII-364 in an amount not to exceed $1,191,100 for Castle Family Health Centers, Inc. under HELP II, subject to the terms and conditions in the resolution.

MOTION: Member Oppenheim SECOND: Member Cherry

AYES: .....Members Hertzka, Cherry, Perrault, Oppenheim, Morton
NOES: .....NONE
ABSTAIN: .....NONE
RECUSE: .....Member Silva

MOTION APPROVED

Item #5 St. Joseph's Medical Center of Stockton (SJMC), Stockton, San Joaquin County
Children's Hospital Program of 2018 (First Funding Round)
First Amendment and Restatement to Resolution No. CHP-4E 2020-04 (Action Item)

Staff Member Freudenberg reported that SJMC requested Authority approval to extend the grant period end date and extend the resolution expiration date for its Children's Hospital Program of 2018 project. SJMC would not be able to complete the project and submit all disbursement documentation by the July 31, 2025 grant period end date due to unforeseen non-code compliant conditions discovered during the processes of demolition and abatement of existing hazardous materials, such as leaking ductwork and inadequate fire protection systems. The discovery of the noncompliant conditions required considerable time to fully understand the extent of each condition and associated code requirements, create design changes to address each, and acquire formal internal and external California Department of Health Care Access and Information (HCAI) approvals as needed, resulting in 30 construction document changes, nine alternate method of compliance processes and 31 non-material alterations. Construction could not proceed while changes were in the process of approval, which caused critical delays to the construction schedule.

Despite delays, SJMC made significant progress towards completion of the approved project. All equipment for SJMC's Neonatal Intensive Care Unit had been placed in service, and the design, HCAI review, and permitting phase of the Pediatric Unit (PEDS) renovation had been completed. Construction for the PEDS was underway with a target completion date of April 2026.

SJMC submitted an updated project timeline and requested an extension of the grant period to March 1, 2027 and an extension of the resolution expiration date to March 1, 2028. The extension would allow sufficient time for SJMC to complete construction, obtain a Certificate of Substantial Compliance from HCAI, receive licensing from the California Department of Public Health by June 2026, and submit all disbursement documentation. The requested time extension also considered additional construction and/or administrative delays.

Attendees (in-person): Julie Eckardt-Cantrall, Chief Philanthropy Officer; Robyn Flores, Director of Philanthropy, Grants; Dalia Hernandez, Grants Coordinator; and Robert O'Hare, Market Director, Planning, Design and Construction – National Real Estate Services, St. Joseph's Medical Center of Stockton.

Market Director O'Hare elaborated on the delays due to the nonconforming outdated buildings and stated the construction was about 55% complete.

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

Authority Action

Motion to approve a first amendment and restatement to Resolution No. CHP-4E 2020-04 to extend the grant period end date and resolution expiration date from July 31, 2025 to March 1, 2027 and March 1, 2028, respectively. All other conditions in the Resolution shall remain the same and in full effect.

MOTION: Member Hertzka SECOND: Member Perrault

AYES: .....Members Silva, Hertzka, Cherry, Perrault, Oppenheim, Morton
NOES: .....NONE
ABSTAIN: .....NONE
RECUSE: .....NONE

MOTION APPROVED

Item #6 **County of Sacramento (County)**
Investment in Mental Health Wellness Grant Program for Children and Youth (Second Funding Round)
Second Amendment and Restatement to Resolution No. CY 2021-05 (Action Item)

Staff Member Nguyen reported that the County requested Authority approval to amend the milestone conditions for its Investment in Mental Health Wellness Grant Program for Children and Youth project. The County would not be able to meet the milestone condition deadlines of being open and operational by December 31, 2025 and of submitting all disbursement documentation by January 31, 2026 due to delays in completing the building plans for the 2,500 square-foot expansion of the family respite care program facility. Due to a shortage of engineers and the rising costs of materials, there was a delay in obtaining the necessary designs and reports and the submission of documentation needed by the planning department. The County confirmed that the architectural design and civil engineering plans had been finalized, and the construction contract had been executed. The County anticipated starting construction in June 2025 and expected the facility to be open and operational by April 2026.

The County submitted an updated timeline and requested to amend its milestone condition deadlines of being open and operational from December 31, 2025 to April 1, 2026 and of submitting all disbursement documentation from January 31, 2026 to May 1, 2026. The extension would give the County sufficient time to complete construction and begin providing services.

Attendees (via teleconference): Jessica Simanello, Human Services Program Planner, County of Sacramento Department of Health Services, Division of Behavioral Health Services; Todd Palumbo, Chief Operating Officer; Deborah Hicks, Director of Residential Services; and Sarah Bailey, Chief Financial Officer, Heartland Child and Family Services.

Program Planner Simanello gave a brief overview of the project and stressed the importance of the project, citing the high mortality rate of the target population.

Chief Operating Officer Palumbo indicated that despite delays caused by increased costs after the COVID-19 pandemic, construction on the project had started and further explained that weekly progress reports and meetings with the contractor were being used to confirm that the requested timeline could be met.

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

Authority Action

Motion to approve a second amendment and restatement to Resolution No. CY 2021-05 to amend the milestone conditions of being open and operational from December 31, 2025 to April 1, 2026 and of submitting all disbursement documentation from January 31, 2026 to May 1, 2026. All other conditions in the Resolution shall remain the same and in full effect.

MOTION: Member Cherry SECOND: Member Silva

AYES: .....Members Silva, Hertzka, Cherry, Perrault, Oppenheim, Morton
NOES: .....NONE
ABSTAIN: .....NONE
RECUSE: .....NONE

MOTION APPROVED

Item #7 Bond, Tax-Exempt Equipment, & Commercial Paper Financing Programs Calendar Year 2024 Annual Report (Information Item)

Staff Member Bui gave an overview of the Bond, Tax-Exempt Equipment, and Commercial Paper Financing Programs Annual Report for calendar year 2024.

Attendees (via teleconference): David Leifer, Senior Managing Director and Bobby Cheung, Managing Director, KNN Public Finance, LLC.

Member Cherry noted the decline of the number of borrowers over the years and recognized that factors of this trend could be the mergers of smaller hospitals with larger health systems or borrowers looking at alternative sources for funding, despite CHFFA's competitive rates and fees. Member Cherry asked if staff knew of reasons why borrowers might be seeking financing elsewhere. Executive Director Aboubechara stressed the value of CHFFA's customer service and explained the benefits and advantage of CHFFA's ability to hold mandatory TEFRA hearings statewide rather than in local governments of each project site for large borrowers. Executive Director Aboubechara also noted that there were at least five other big issuers throughout the state, mainly in southern California. Some borrowers might choose to issue through a local issuer. Member Cherry requested to include the number of mergers in next year's report.

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

Item #8 HELP II Calendar Year 2024 Annual Report (Information Item)

Staff Member Mayers gave an overview of the HELP II Annual Report for calendar year 2024.

Attendees: None.

Member Oppenheim applauded the reported 0% default rate of HELP II and commended Authority staff and the efficacy of the program.

Member Silva expressed appreciation to staff for including the geographic use of funds chart that was requested for inclusion into the report last year. Member Silva also asked staff to research if the maximum annual gross revenues requirement should be adjusted.

Member Perrault found the chart detailing the types of health facilities financed interesting as potential trends can reveal the growing needs for the communities. Executive Director Aboubechara added that the addition of a chart from the previous five or ten years will be added to our next HELP II Annual Report to potentially show trends by facility types. Member Oppenheim commented that Executive Director Aboubechara's suggestion would be helpful even if no trends were found.

Member Silva suggested that CHFFA review the HELP II guidelines and consider possibly growing the fund so that health facilities in urban areas could benefit from the low interest rates that a HELP II loan provides. Member Silva noted the HELP II $40 million gross revenue maximum guideline benefits small and rural communities but many non-small and non-rural urban communities that might exceed the maximum threshold may need low-rate financing to build healthcare facilities in their communities as well.

Executive Director Aboubechara noted Member Silva's request would likely require a statutory change as statute states CHFFA can finance small and rural health facilities but would look into it. Executive Director Aboubechara also explained the reason why CHFFA increased the interest rates last year was because of the low fund balance; staff typically looks at expanding the HELP II program when there is a large fund balance and not a low one as CHFFA did at the meeting last year. Executive Director Aboubechara also explained that the HELP II program had been successful for smaller health facilities because financing tends to be more complicated for larger facilities since they typically have more debt and a complicated legal/security structure as CHFFA staff experienced while administering the Distressed Hospital Loan Program. Larger facilities typically have more debt, and the addition of a loan requires the involvement of legal counsel and the creation of a Master Indenture. The HELP II program has been successful because it does not require legal counsel to create specialized legal documents compared to the level of sophistication required to lend to larger facilities.

Member Cherry suggested the Social Vulnerability Index could provide additional understanding of the communities the HELP II program is serving.

Staff Member Lewis added that CHFFA had not turned away any applications because of the gross revenue requirement but also recognized that facilities may not inquire about the HELP II program because of the gross revenue requirement and that there might be missed opportunities for funding.

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

Items #9 and #10 Public Comment and Adjournment

Chair Morton asked for public comment. Hearing none, the meeting adjourned at 2:18pm.