CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Annual Tax-Exempt Bond Fee Reduction Analysis

Agenda Item 6 - Information Item

June 25, 2015

Executive Summary

In 2012, the Authority approved various fee reductions for its tax-exempt bond program. Specifically, the Authority:

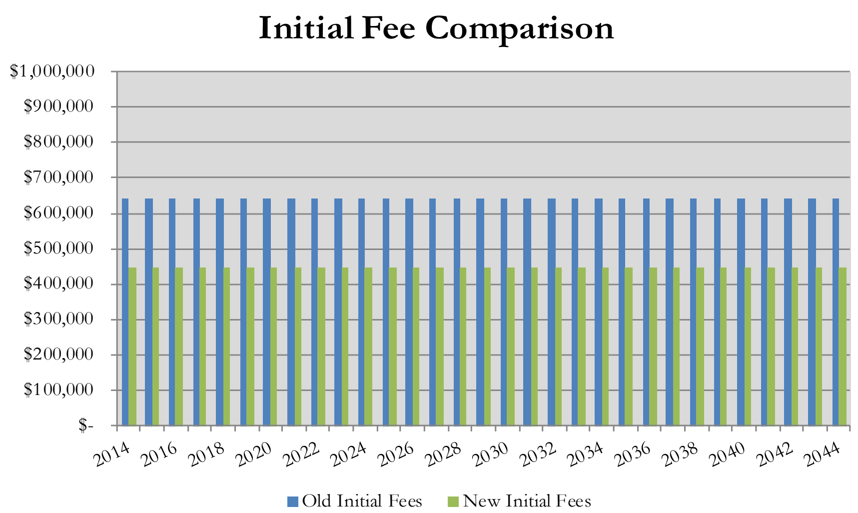
1. eliminated the application fee of $500,
2. reduced the initial fee from .075% (7.5 basis points) of the aggregate amount of the issue to .05% (5 basis points) of the aggregate amount of the issue,
3. reduced the initial fee cap from $300,000 to $100,000,
4. reduced the annual administration fee from .02% (2 basis points) of the bonds outstanding to .0175% (1.75 basis points) of the bonds outstanding, and
5. eliminated the resolution renewal fee of $500.

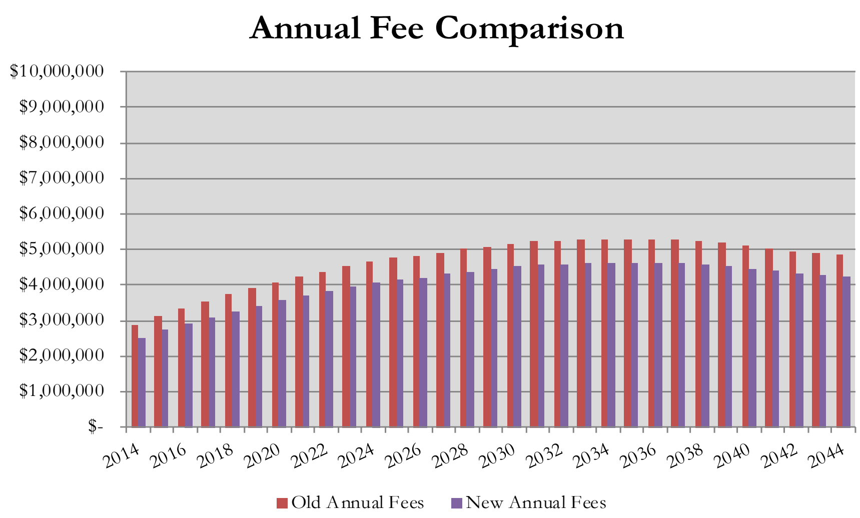
At the time of approval, staff agreed to revisit the fee schedule annually to evaluate the impact of these changes.

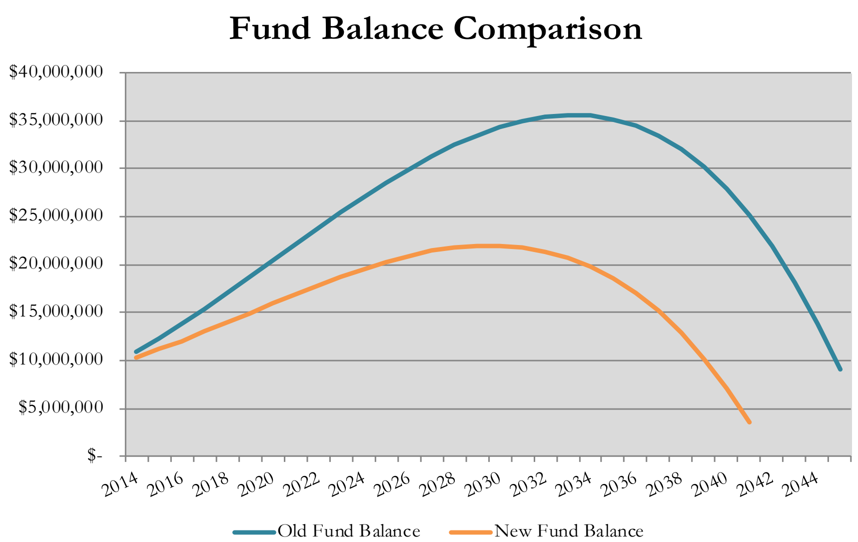
In 2014, the Authority's financial advisor, Fieldman, Rolapp and Associates (Fieldman) prepared a review of the impact of the reduction. Fieldman prepared an update to prior fee reduction analyses and determined that at the new level of fees, the fund balance would be fully depleted by approximately 2040 if no other changes were made to the level of fees. Moreover these changes in the Authority's fee schedule resulted in the collection of approximately $480,439 less in 2014 than it would have collected if the Authority had not adopted a reduced tax-exempt fee schedule. Based on current estimates, the Authority is expected to receive approximately $587,134 less in 2015 than it would have received if the Authority had not adopted a reduced tax-exempt fee schedule.

In the 2015 update, Fieldman estimated that based on the level of 2014 issuance and updated amortization schedules, the Authority's fund balance would be depleted by 2042. Consequently, the Authority's fund balance does not appear to have been meaningfully impacted since the fee reduction. The issuance pattern and fund balance projections remain generally consistent with the earlier projections.

The two charts attached to this report have been prepared by Fieldman and provide a historical view of issuances. The charts also project the Authority's fund balance given the following assumptions: 1) the reduced fees schedule remains in place; 2) bond issuances remain at an average level; and 3) costs continue to grow at an annual rate of 5%. Fieldman will be present at the Authority meeting to explain these charts in more detail and to answer any questions that might arise.







Assumptions

Data Source: EMMA. All Deals dating back to 2001 through 2013.

Assumes operating costs grow at 5% annually.

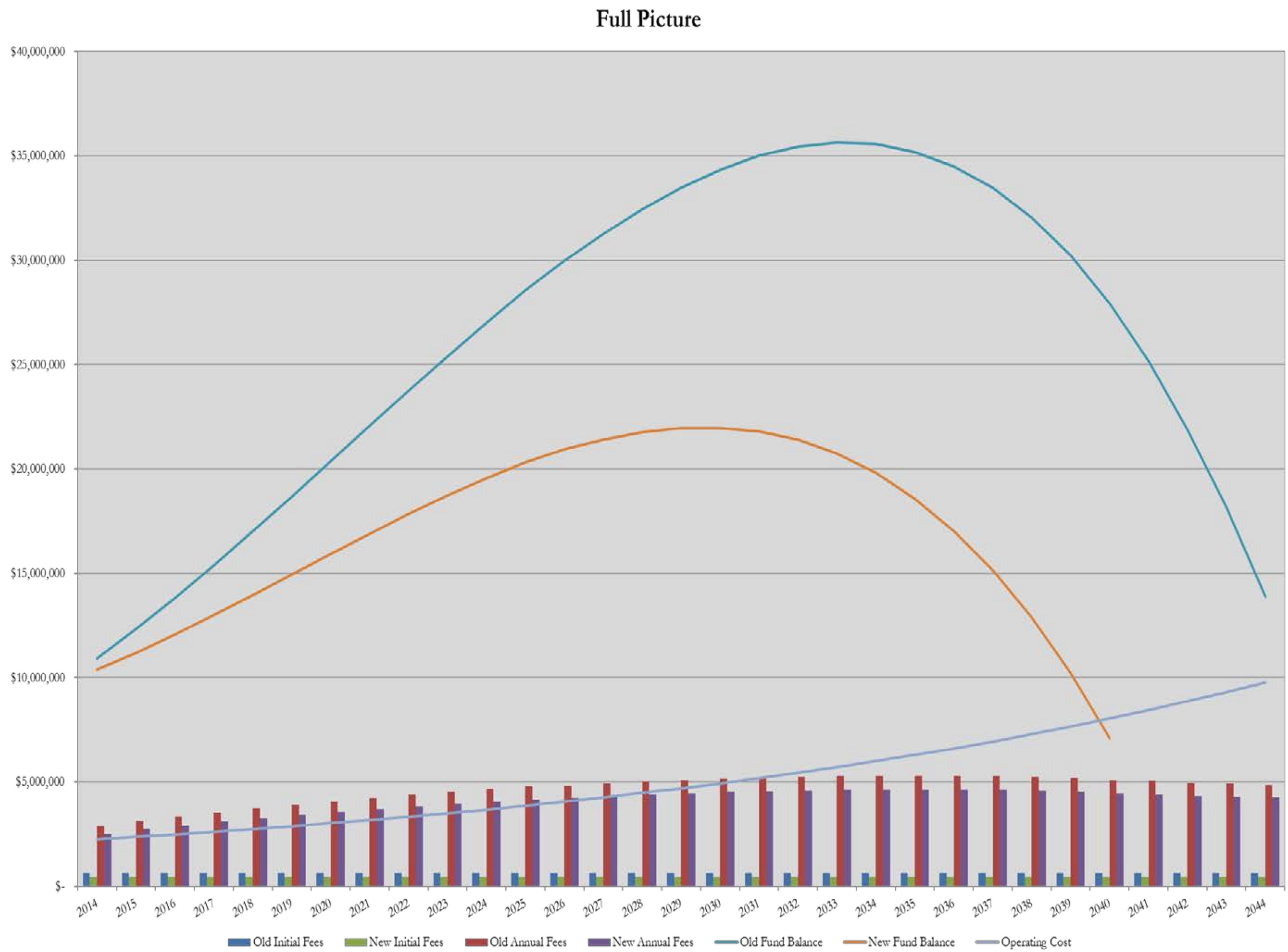
Assumes an average of 9 issues per year, 7 at the median issue par amount of $70.5 million and two above $200 million.

Assumes an annual par issuance of $1.275 billion.

Assumes level principal amortization of $42.5 million for new issuances going forward.

Excludes all Commercial Paper issuances.

Excludes refundings.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Old Initial Fees
New Initial Fees
Old Annual Fees
New Annual Fees
Old Fund Balance
New Fund Balance
Operating Cost