

# **CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**

## **Tax-Exempt Bond Program – Consideration of Initial Fees**

### **Information Item**

**January 26, 2012**

### **Executive Summary:**

As the board is aware, some time ago, staff formed a working group to evaluate the appropriateness of the Authority's tax-exempt bond application, initial and annual fees. The work of this group continues and will continue for some time given the ongoing evaluation and evolution of post-issuance compliance responsibilities.

Staff's analysis of the Authority's current fee schedule suggest the Authority may wish to consider lowering its initial and annual fees and eliminating, in its entirety, the application fee (\$500) collected upon submission of an application. Because of the Authority's continuing work on post-issuance responsibilities, staff limits the discussion in this report solely to the initial fees. Staff proposes considering the reduction of the Authority's three different fee categories in incremental steps, with the initial reduction occurring with just the initial fee. As the Authority's work progresses on post-issuance compliance issues, staff will address the board again to discuss possible reduction of its annual fee.

Currently, the Authority's initial fee is set at 0.075% (7.5 basis points) of the aggregate amount of the bond issue, up to a maximum of \$300,000. Staff is considering recommending the Authority reduce this fee to 0.065% (6.5 basis points) or lower, along with a new maximum cap to be discussed with more particularity in open session.

Though the aforementioned is the recommendation staff is currently considering, staff seeks the board's guidance with regard to the following key issues. Board guidance on these issues may alter staff's recommendation and may also serve as the basis for continuing this agenda item until the next board meeting to allow staff additional time for continued analysis.

Staff notes the following issues for the board's consideration:

- Should the Authority continue to subsidize the cost of bond issuances for the smaller dollar bond issuances or should the Authority begin assessing an initial fee commensurate with the actual costs of the transaction?
- Should the Authority attribute any portion of the initial fee to the satisfaction of the pass-through savings policy as articulated in the Authority's Resolution No.: 2008-06?
- Should the Authority consider passing various transaction related costs (such as State Treasurer Office costs, financial advisor/analyst costs and issuer counsel costs) on to Authority borrowers as part of their costs of issuance?