



CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

BOND

&

TAX-EXEMPT EQUIPMENT

FINANCING PROGRAMS

2022 ANNUAL REPORT

**BOND & TAX-EXEMPT EQUIPMENT
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Overview

The California Health Facilities Financing Authority (CHFFA) offers various financing programs that provide financial assistance for California's public and nonprofit health facilities, two of which are the Bond Financing Program and the Tax-Exempt Equipment Financing Program. The different financing programs allow borrowers the ability to determine which type of financing best fits the needs of the health care institution, depending on the specific use of proceeds.

Bond Financing Program

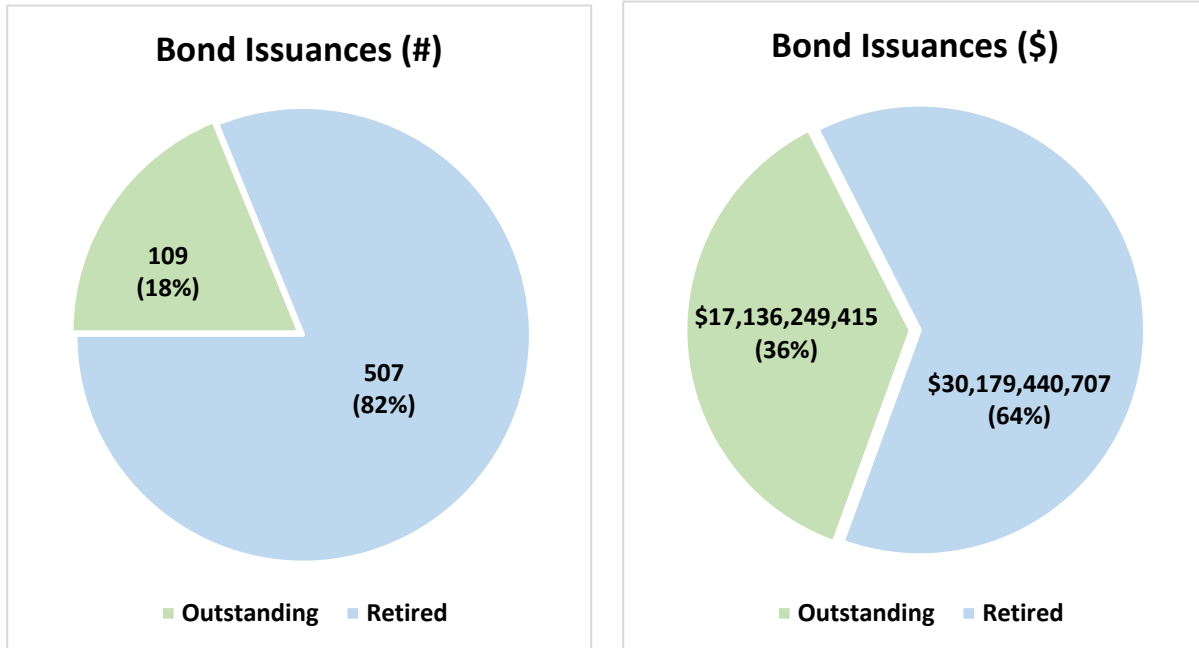
The Bond Financing Program provides eligible health facilities with access to low interest rate capital markets through the issuance of tax-exempt and taxable revenue bonds. Bond proceeds may be used to fund construction/renovation projects, for land acquisition for future projects, to acquire existing health facilities, to refinance existing debt, for working capital for start-up facilities and to pay costs of issuance.

Tax-Exempt Equipment Financing Program

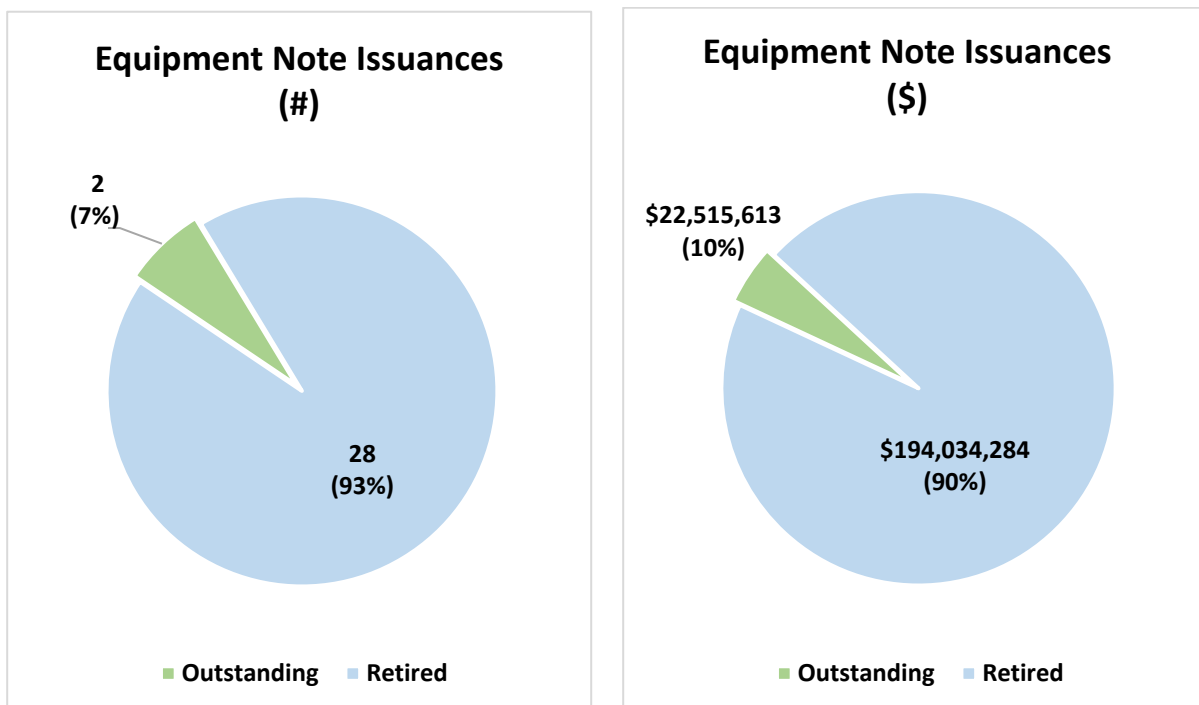
The Tax-Exempt Equipment Financing Program provides eligible health facilities with access to tax-exempt, fixed rate financing for equipment purchases. Funds may be used to purchase or reimburse all types of qualifying equipment, including but not limited to, medical and diagnostic equipment, computer hardware and software, telecommunication equipment and minor equipment installation costs.

Portfolio

Since its first bond issuance in 1981, CHFFA has issued 616 bonds for an aggregate total of approximately \$47.3 billion. As of December 31, 2022, CHFFA had 109 outstanding bond issuances totaling approximately \$17.1 billion.

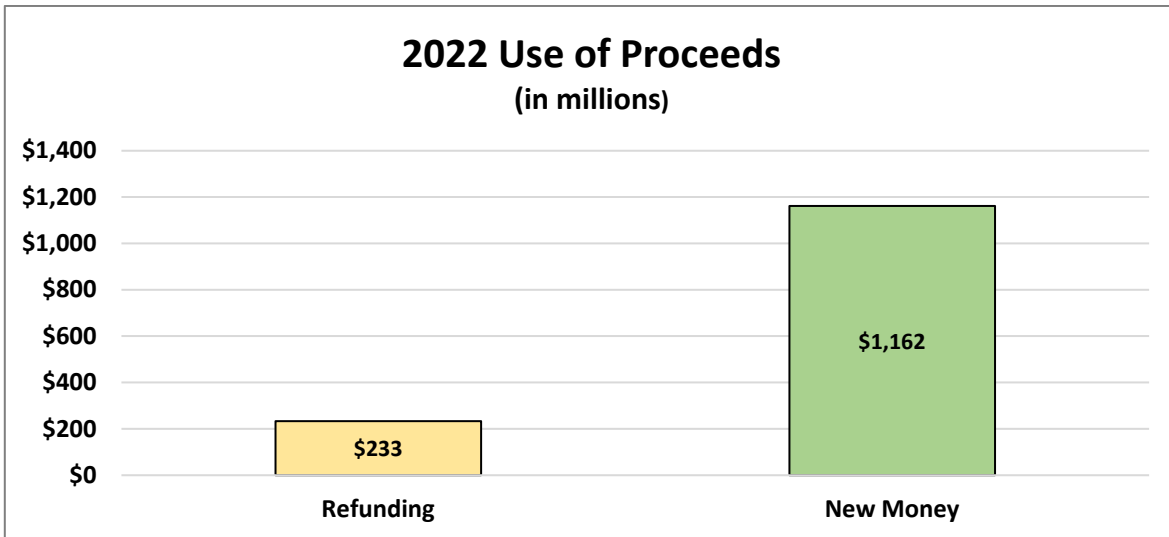
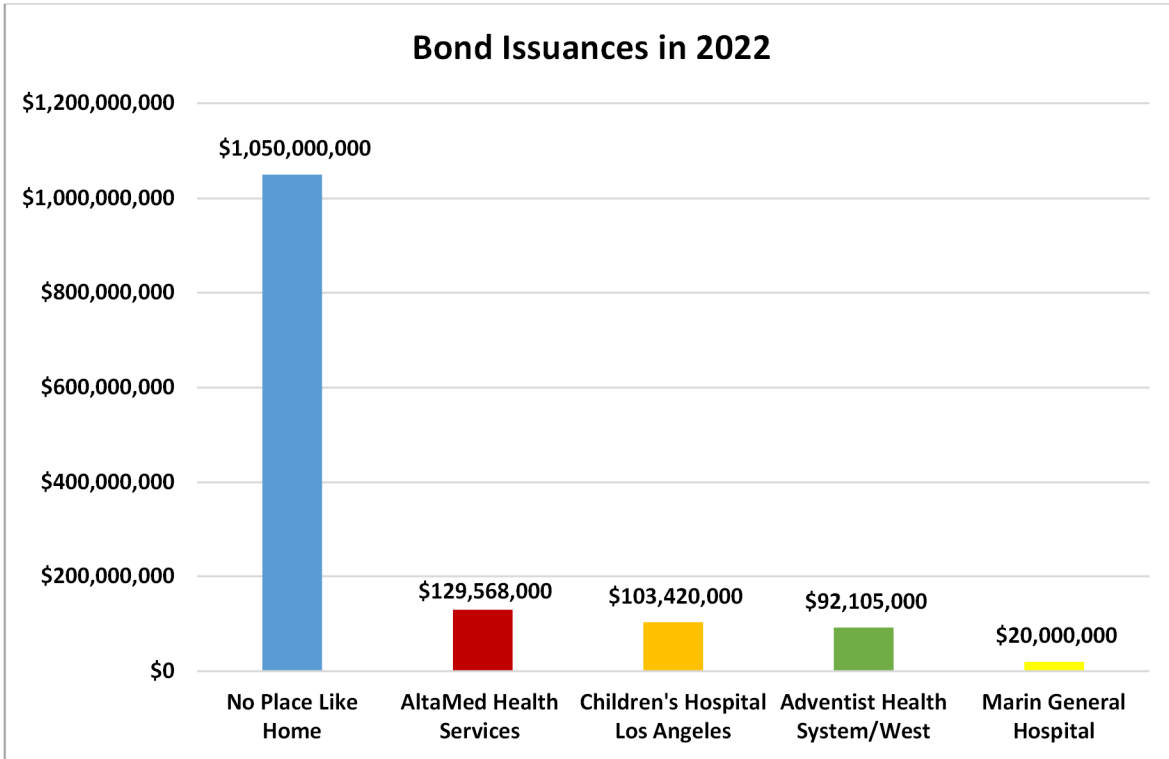


Since its first note issuance in 1994, CHFFA has issued 30 tax-exempt equipment notes for an overall total of approximately \$216.5 million. As of December 31, 2022, CHFFA had two outstanding tax-exempt equipment notes in the approximate amount of \$22.5 million.



Summary of Calendar Year 2022 Financings

In 2022, CHFFA authorized four bond financings and one equipment note financing for four California health facilities and the No Place Like Home Program, which resulted in six bond and note issuances (Children’s Hospital Los Angeles issued two tranches of bonds, Series 2022A-1 and 2022A-2) with a total par amount of \$1,395,093,000. The following provides a summary of CHFFA’s bond and note issues that closed in 2022.



AltaMed Health Services Series 2022

Amount Issued: \$129,568,000

Borrower Profile:

AltaMed Health Services (AltaMed) is a nonprofit community health center founded in 1969 and is now the largest unaffiliated nonprofit Federally Qualified Health Center in California. AltaMed provides medical and dental services to more than 239,000 predominately low-income Latino, multiethnic, and underserved communities throughout Los Angeles and Orange counties.

Project Description:

AltaMed used the tax-exempt bond proceeds to refinance its CHFFA 2015 Series A & B bonds, the California Statewide Communities Development Authority 2007 bonds, and a 2018 bank loan. The refinancing also allowed AltaMed to restructure and consolidate some of its outstanding debt that was maturing as well as to replace variable-rate debt with fixed-rate debt.

Children's Hospital Los Angeles 2022 Series A-1 and A-2

Amount Issued: \$103,420,000

Borrower Profile:

Founded in 1901, Children's Hospital Los Angeles (CHLA) is a California nonprofit public benefit corporation that provides pediatric and adolescent healthcare services. CHLA is the first and largest pediatric hospital in Southern California delivering patient care, education, and research efforts in a setting designed to address the unique needs of children.

Project Description:

CHLA used the tax-exempt bond proceeds to refund its CHFFA Series 2012A bonds, which resulted in a net present value savings of nearly \$7.8 million over the life of the bonds. The bonds were privately placed with JPMorgan Chase Bank N.A. and Bank of America, N.A.

Adventist Health System/West 2022 Series A

Amount Issued: \$92,105,000

Borrower Profile:

Adventist Health System/West (Adventist) was established in 1980 by the merger of two smaller health systems known as Adventist Health Services, Inc., and Northwest Medical Foundation. Based in Roseville, Adventist is a 501(c)(3) nonprofit organization and includes 23 hospitals, approximately 370 clinics, 14 home care agencies, eight hospice agencies, one fully owned continuing care retirement community, and three joint venture retirement centers. Adventist serves communities in California, Hawaii, Oregon, and Washington.

Project Description:

Adventist used the tax-exempt bond proceeds for costs of construction for capital improvements across 12 of its hospital sites; expanded and/or added various pharmacies, operating rooms, and exam rooms; remodeled a fluoroscopy room into a C-Arm procedure room and an existing operating room into a new catheterization lab; renovated and replaced endoscopy and fluoroscopy; purchased X-ray machines, CT and MRI scanners, nuclear medicine equipment, neuro equipment, and operating room video equipment; and to acquire certain health facilities.

Marin General Hospital dba MarinHealth Medical Center Series 2022 Revenue Note

Amount Issued: \$20,000,000

Borrower Profile:

MarinHealth Medical Center (MarinHealth) is a 501(c)(3) nonprofit organization and has a 327-bed independent hospital that first opened its doors as Marin General Hospital in 1952. In the fall of 2020 MarinHealth opened Oak Pavilion, a 260,000-square-foot replacement hospital, to meet the needs of a growing population and to meet California's earthquake safety standards.

Project Description:

MarinHealth used the tax-exempt note proceeds to finance and/or refinance costs incurred with the implementation of a state-of-the-art Epic Electronic Health Record (EHR) system to replace its existing Paragon/Allscripts EHR system. The Epic EHR system enhanced MarinHealth's ability to provide care to the residents of Marin County and was integrated with its existing ambulatory EHR. The tax-exempt note was privately placed with Banc of America Public Capital Corp.

No Place Like Home Program Series 2022 (Social Bonds – Federally Taxable)

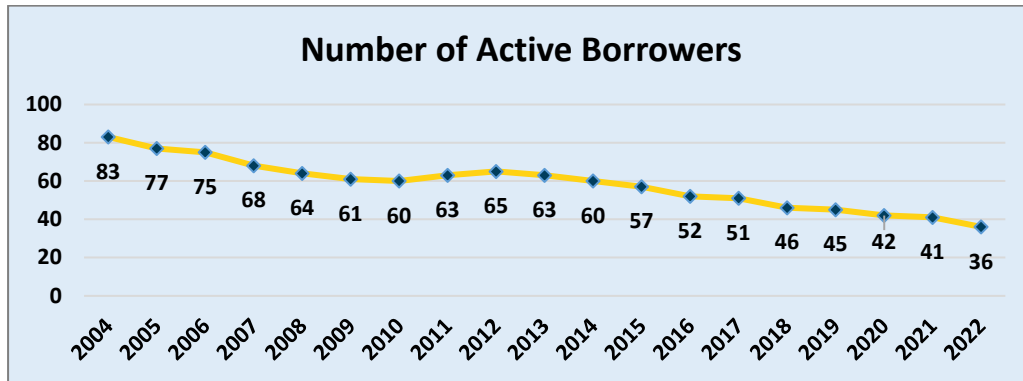
Amount Issued: \$1,050,000,000

Project Description:

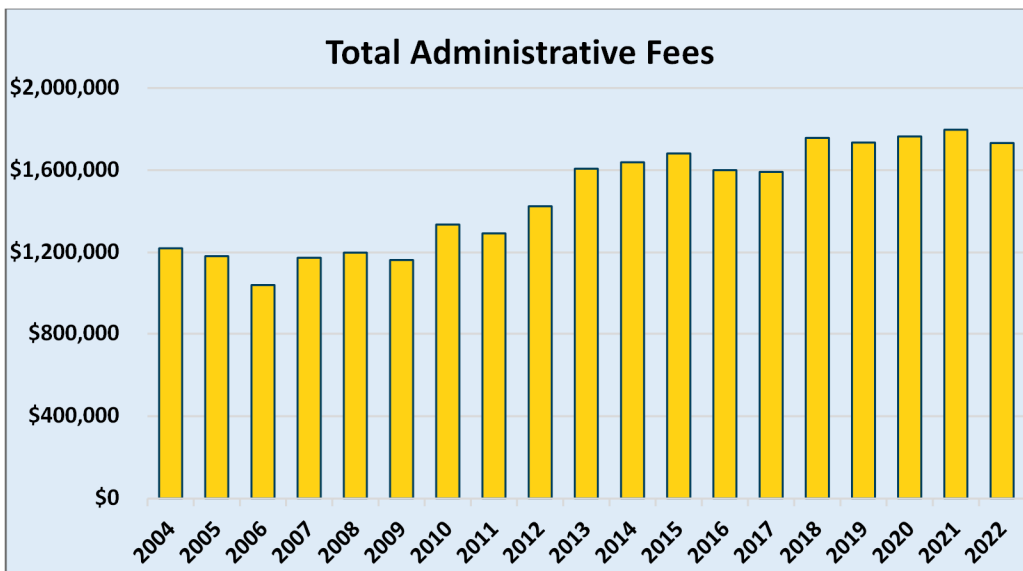
The No Place Like Home (NPLH) Program was created in 2016 through Assembly Bills 1618 and 1628, which were then approved by the California electorate under Proposition 2 in 2018. The NPLH Program was designed to help accelerate the supply of permanent supportive housing and build on existing programs to combat homelessness among persons who require mental health services. CHFFA issued \$1,050,000,000 in bond proceeds in calendar year 2022 to help address these concerns. Due to the nature of the use of the bond proceeds, the bonds were designated as “Social Bonds.” Social Bonds are bonds whose proceeds are applied toward new and existing projects with positive social outcomes.

Program Analysis

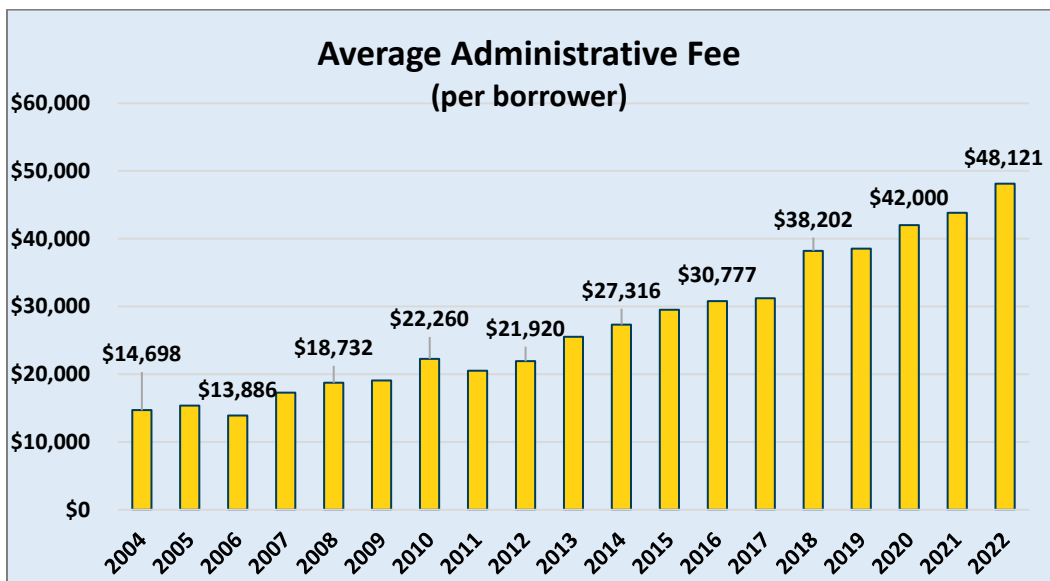
From 2004 through 2022, CHFFA has experienced a steady decline in the number of active borrowers as shown in the chart below. One possible explanation for the downward trend may be that some borrowers have merged to become a single larger unit over the years. Another possible explanation could be that smaller health facilities with smaller bond financing needs, that issued through CHFFA in the past, may be issuing through other Joint Power Authorities (JPAs).



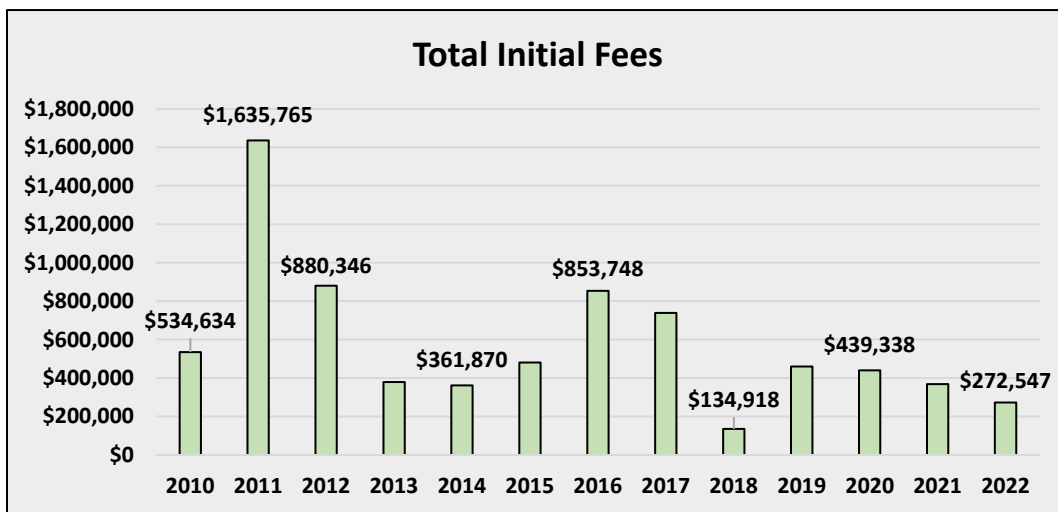
CHFFA collects an annual administrative fee from each borrower that has bonds outstanding with CHFFA. In 2012, in order to remain competitive with other JPAs, the administrative fee structure was changed from 0.02% to 0.0175% of the par amount outstanding, with a maximum fee of \$150,000 annually.



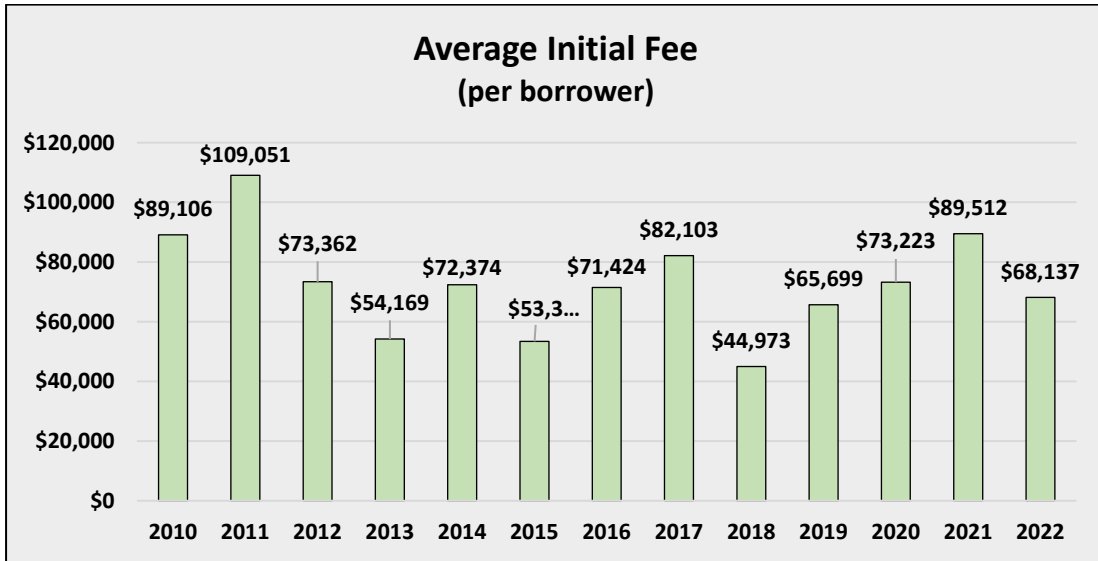
Although the number of active borrowers has trended downward, the chart above shows that the amount CHFFA collects in annual administrative fees has steadily grown as the total amount of bonds outstanding continues to increase each year. Likewise, the chart below indicates the average annual fee per borrower has continued to increase, as fewer borrowers issue larger par amounts of bonds.



CHFFA also collects an initial fee for each bond issuance at the time of bond closing. Similar to the change in administrative fees, the initial fee structure was changed in 2012, from 0.075% of the par amount issued with a maximum fee of \$300,000 to 0.05% with a maximum of \$100,000. Since changing the initial fee structure, CHFFA has averaged about \$488,000 per year in initial fees.

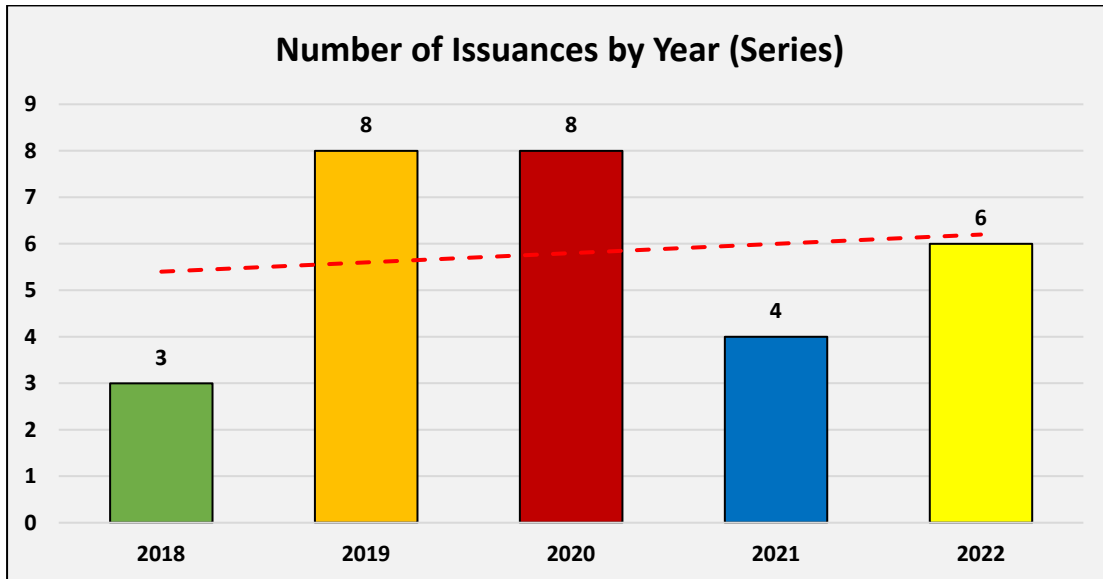


The total initial fees collected has fluctuated year over year as the total par amount issued and the total number of bonds issued have varied. Although the par amount of bonds issued between calendar years 2019 – 2022 was relatively similar for each year, the total initial fees decreased by approximately 41% over the same period. In 2022, five bonds were issued. More than \$1 billion was issued for the NPLH Program, but the initial fee was capped at \$100,000. The remaining four borrowers issued a combined total amount of \$345,093,000, which was significantly less than the NPLH Program bonds. The par amounts of the four remaining bonds averaged \$86,273,250, and as a result, the initial fees of each of issuance was well below the \$100,000 maximum.

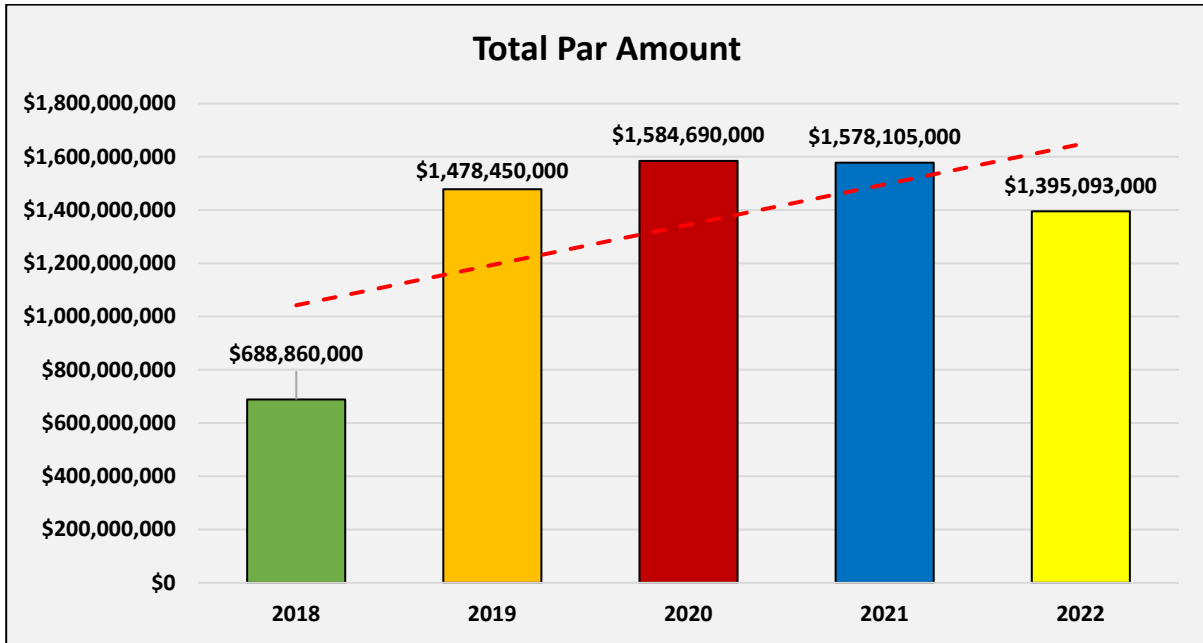


Five-Year Trends

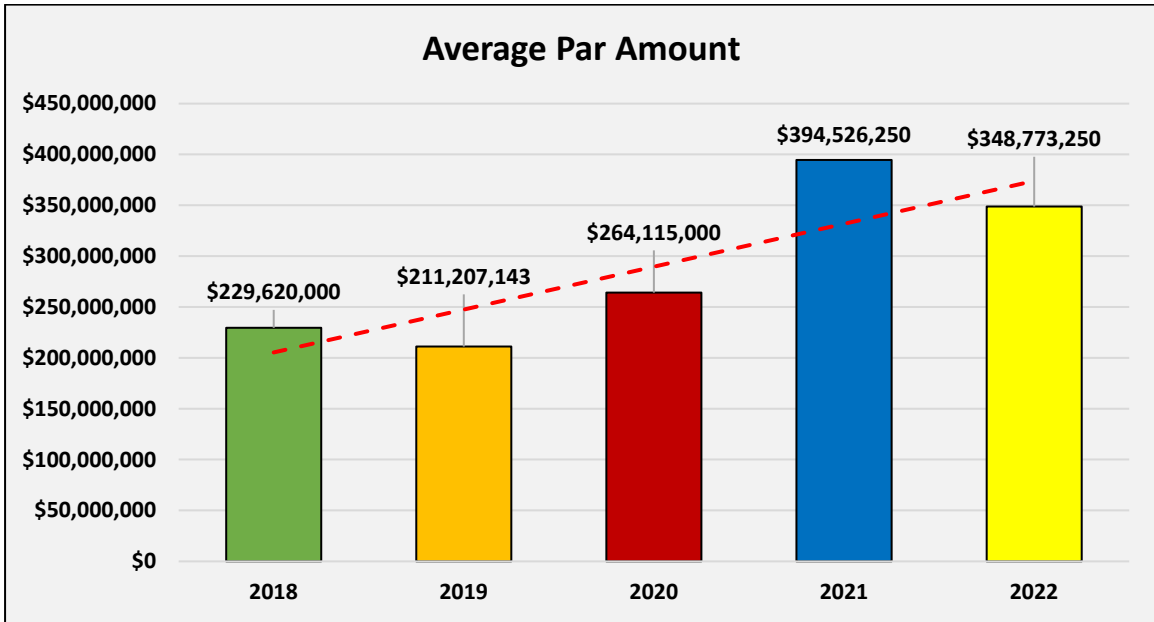
The number of bond issuances has remained relatively flat over the past five years. From a low of three issuances in 2018, to a high of eight in both 2019 and 2020, and then most recently with six in 2022.



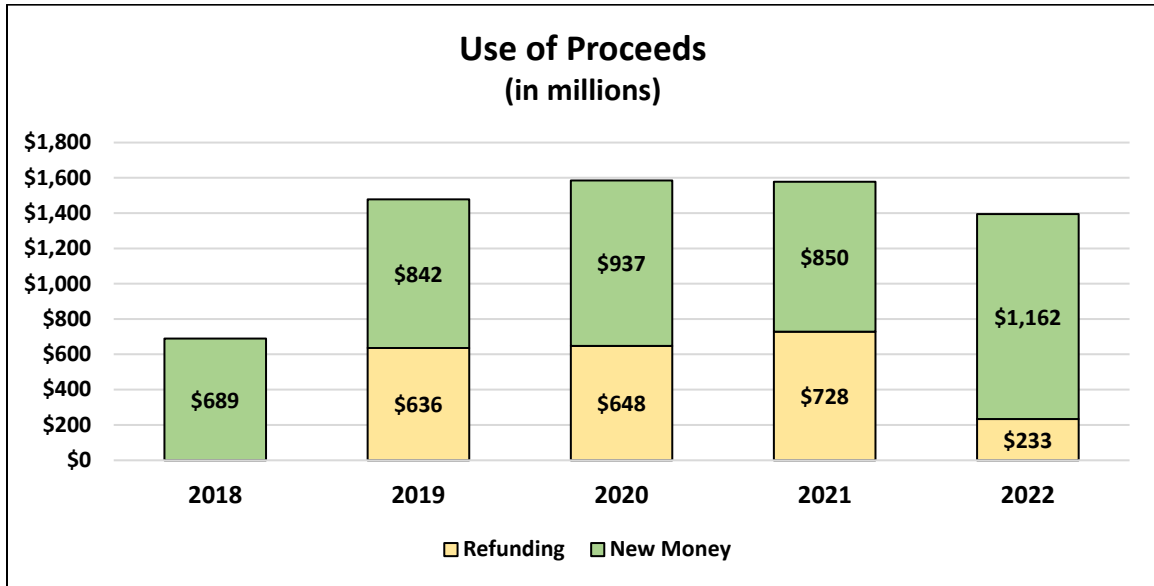
Reviewing the past five years, the total par amount of bonds issued increased significantly at first, but then remained relatively steady over the past four years as shown in the following chart. Of the five years, CHFFA issued its lowest bond total of \$689 million in 2018, which then increased to nearly \$1.5 billion in 2019 and \$1.6 billion in both 2020 and 2021, before decreasing slightly to approximately \$1.4 billion in 2022.



Although the total amount of bonds issued has been steady over the past four years, the average amount of bonds issued has significantly increased in the past two years as shown in the chart below. This increase in the average par amount issued for both 2021 and 2022 can be attributed to each year having a single issuance of more than \$1 billion, which heavily skewed the averages for those years.



The amount of new money issued is largely dependent on the capital plans, economic outlook, and needs of the individual borrowers. The chart below displays how the bond proceeds were split between new money projects and refunding projects.



In 2018, CHFFA issued approximately \$689 million in new money projects. The next two years saw an increase in new money projects to \$842 million in 2019 and a further increase to \$937 million in 2020, with both years being bolstered by bonds issued for the NPLH program. The amount of new money projects in 2021 primarily came from a large issuance by one borrower, and 2022 included a large NPLH issuance. Excluding the NPLH bonds, CHFFA issued about \$342 million, \$487 million, and \$112 million in new money projects for 2019, 2020, and 2022, respectively. The amount issued in refunding bonds remained steady from 2019 through 2021, but then experienced a large decrease to about \$233 million in 2022.

Top Ten Borrowers

Below is a chart of CHFFA's top ten borrowers, in descending order of total amount of bonds outstanding. A further breakdown of dollar amount and total share of debt can be seen in the following pie chart. Although frequency of issuance varies, each of the top ten borrowers have had at least one new issuance in the past six calendar years. CHFFA has been working with several of its top ten borrowers for nearly four decades and is proud to continually serve as their go-to issuer for conduit bond financings. As of December 31, 2022, CHFFA's top ten borrowers were responsible for approximately 77% of the outstanding CHFFA issued debt.

| <u>Borrower's Name</u> | <u>First CHFFA Issuance</u> | <u>Most Recent CHFFA Issuance</u> |
|--|------------------------------------|--|
| Kaiser Foundation Hospitals | 1983 | 2017 |
| Cedars-Sinai Medical Center | 1987 | 2021 |
| Sutter Health | 1983 | 2018 |
| Providence St. Joseph Health | 1983 | 2019 |
| CommonSpirit Health (formerly Dignity Health) | 1989 | 2020 |
| Stanford Health Care (formerly Stanford Hospital and Clinics) | 1984 | 2021 |
| Lucile Salter Packard Children's Hospital | 2003 | 2021 |
| Scripps Health | 1985 | 2019 |
| Adventist Health System/West | 1987 | 2022 |
| City of Hope | 2000 | 2019 |

Outstanding CHFFA Issued Debt of Top Ten Borrowers (in millions)

