CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Annual Tax-Exempt Bond Fee Reduction Analysis

Agenda Item #7 - Information Item

June 26, 2014

Executive Summary

At its March 29, 2012 meeting, 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 in one year and annually thereafter to evaluate the impact of these changes.

In 2012, the fee reduction analysis was prepared by the Authority's then financial advisor, Public Financial Management. Since then, the Authority has retained a new financial advisor pursuant to the Authority's Request for Proposals process. The highest scoring responsive proposal was submitted by Fieldman, Rolapp and Associates (Fieldman).

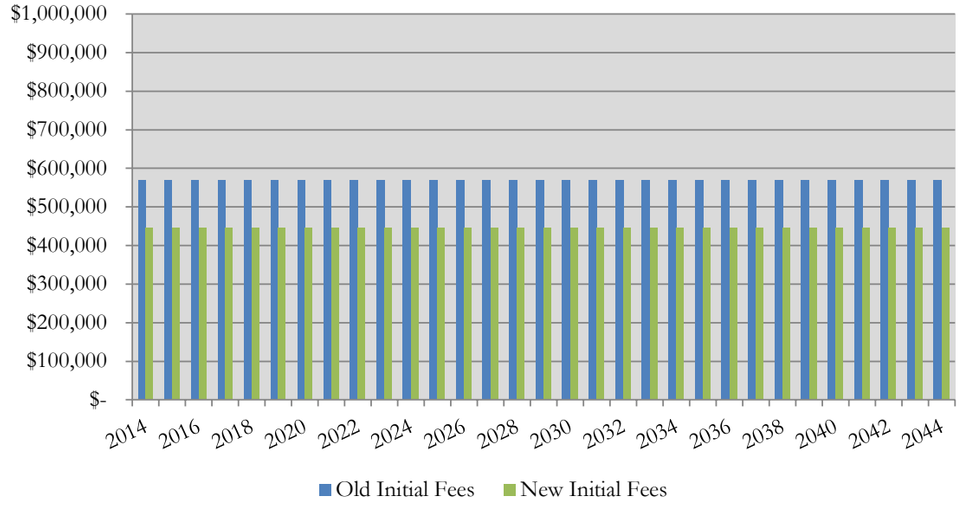
Fieldman prepared an updated fee reduction analysis and determined that at the new level of fees, the fund balance would be fully depleted by approximately 2040, if no other changes were made to the current level of fees.

With these changes in the Authority's fee schedule, the Authority collected approximately $480,439 less than it would have collected if the Authority had not adopted a reduced tax-exempt fee schedule. Nevertheless, the Authority's overall revenue levels remained commensurate with prior year income streams because of healthy issuance levels. Consequently, the Authority's fund balance appears not to have been meaningfully impacted since the fee reduction went into place. In fact, in revisiting the 2012 projections concerning the fund balance as prepared by Fieldman, present day projections remain very similar to the 2012 projections.

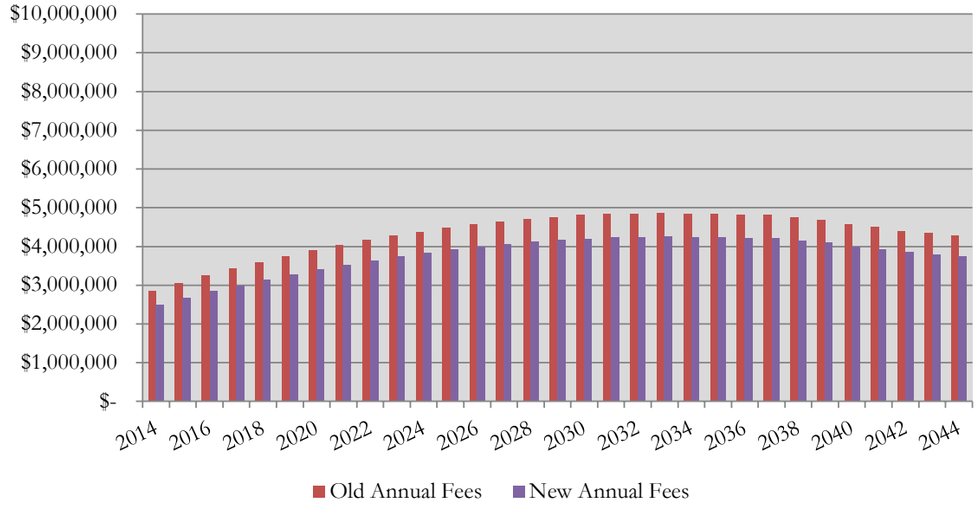
The two charts attached to this report have been prepared by Fieldman and provide an historical view of issuances as well as present projections regarding the Authority's fund balance if the reduced fees schedule remains in place, issuance levels remain at an average level and costs continue to grow at an annual rate of 5%. Fieldman will be present to explain these charts in more detail and to answer any questions that might arise.

California Health Facilities Financing Authority
Fee Comparison Analysis

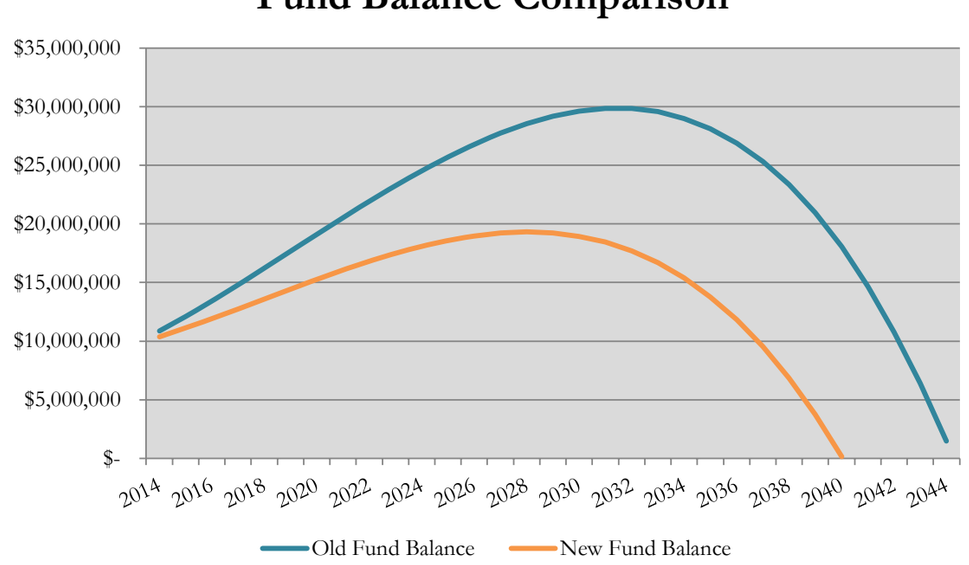
Initial Fee Comparison



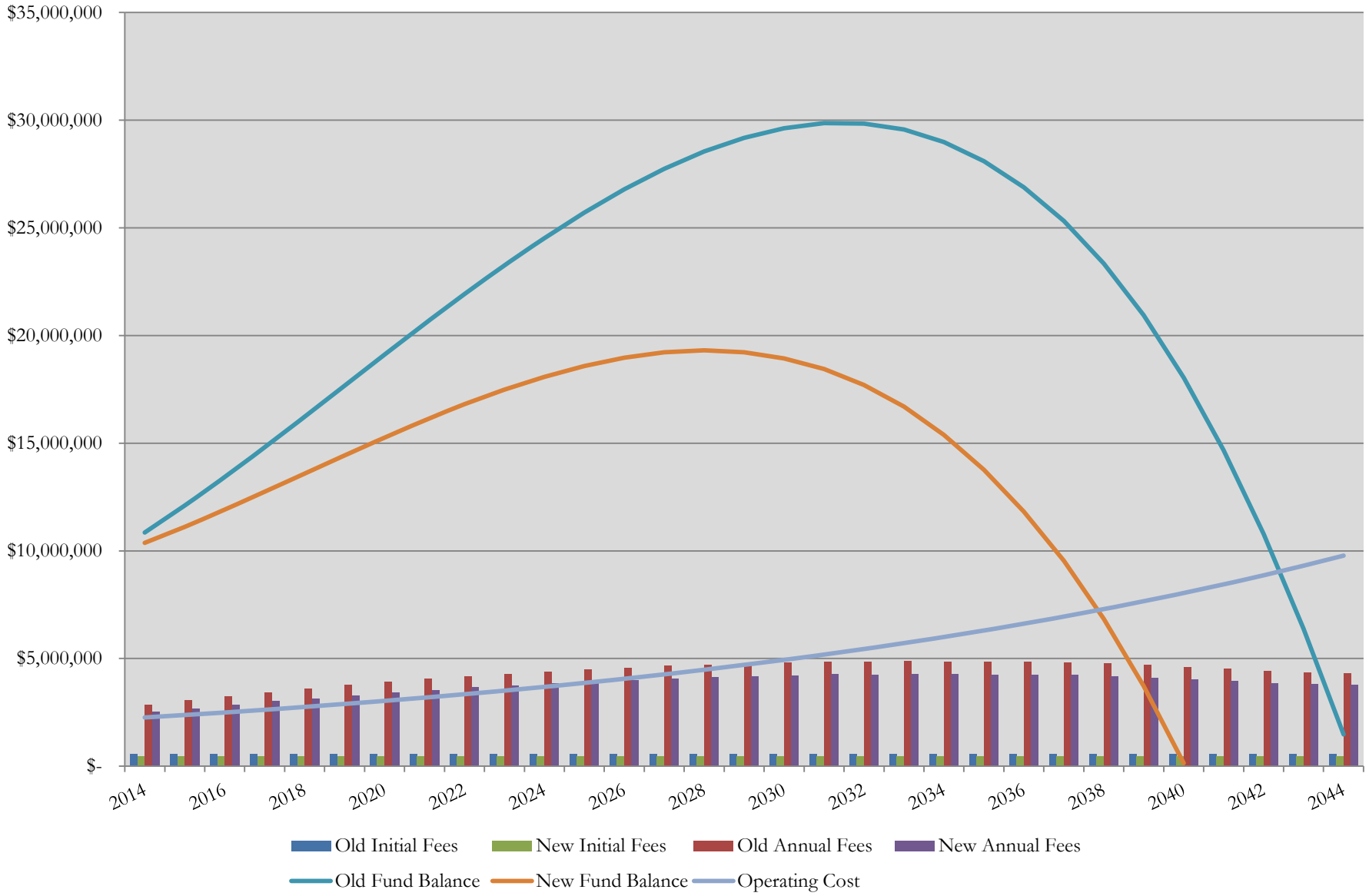
Annual Fee Comparison



Fund Balance Comparison



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.

Full Picture