



CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

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**BOND**

**&**

**TAX-EXEMPT EQUIPMENT**

**FINANCING PROGRAMS**

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**2023 ANNUAL REPORT**

**BOND & TAX-EXEMPT EQUIPMENT  
FINANCING PROGRAMS  
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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, including the Bond Financing Program, the Tax-Exempt Equipment Financing Program, and the Commercial Paper 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 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, to pay the costs of issuance, to acquire existing health facilities, to refinance existing debt, for land acquisition for future projects, and for working capital for start-up facilities.

### **Tax-Exempt Equipment Financing Program**

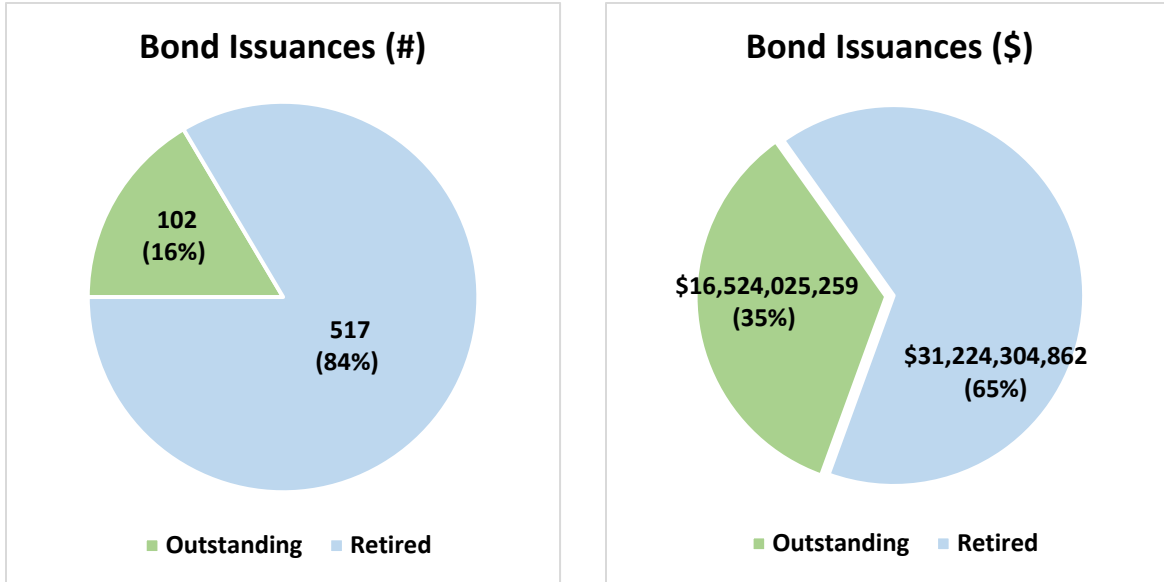
The Tax-Exempt Equipment Financing Program provides eligible health facilities access to tax-exempt, fixed rate financing for equipment purchases. Funds may be used to purchase or reimburse all types of qualifying equipment, including but not limited to, medical and diagnostic equipment, computer hardware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

### **Commercial Paper Program**

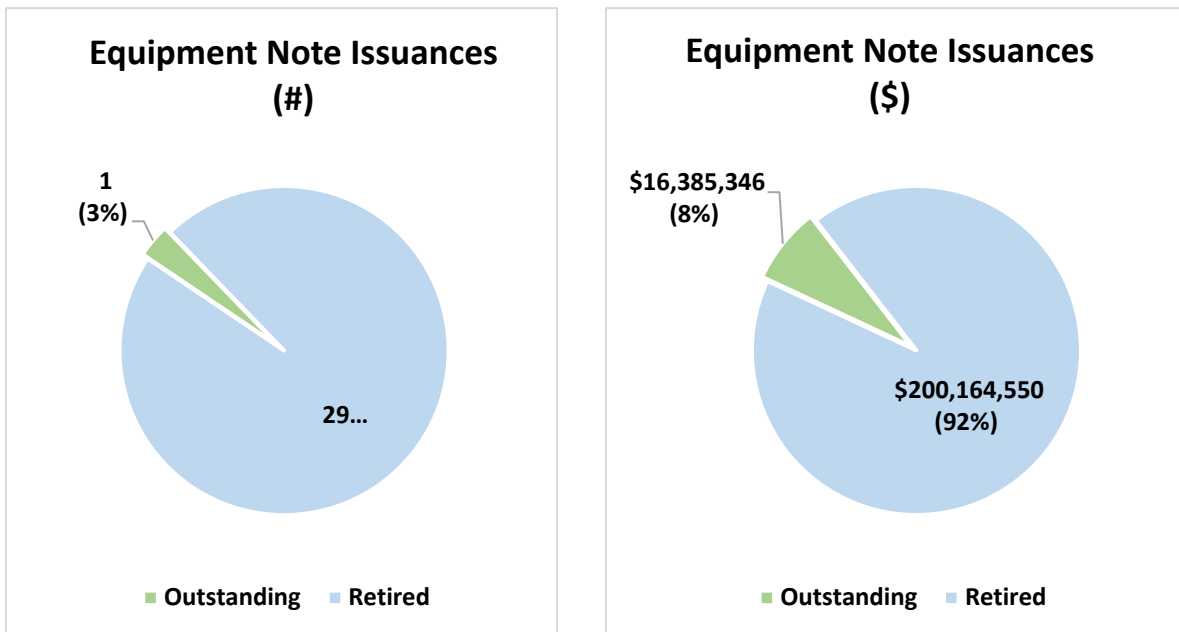
The Commercial Paper (CP) Program provides higher-rated and highly liquid health care entities or those that acquire a bank-provided liquidity facility with an alternative to traditional bond financing. Traditional bond financings require all bond proceeds to be deposited with a Trustee at closing and to be spent within three years, and borrowers issue bonds in an amount sufficient to fund one or more construction projects in their entirety. CP allows certain health care entities to issue multiple, short-term notes that can be timed to coincide with the exact timing of the funding need. The short-term CP notes are structured with maturities ranging from 1 to 270 days, and the interest rate on each CP note is fixed at the time of issuance, based on market conditions. The CP program typically consists of multiple issuances of CP notes, which, when taken as a whole, produces an overall variable rate borrowing cost. The CP Program parameters were approved by the Authority in July 2023.

## Portfolio

Since its first bond issuance in 1981, CHFFA has issued 619 bonds for an aggregate total of approximately \$47.7 billion. As of December 31, 2023, CHFFA had 102 outstanding bond issuances, totaling approximately \$16.5 billion.



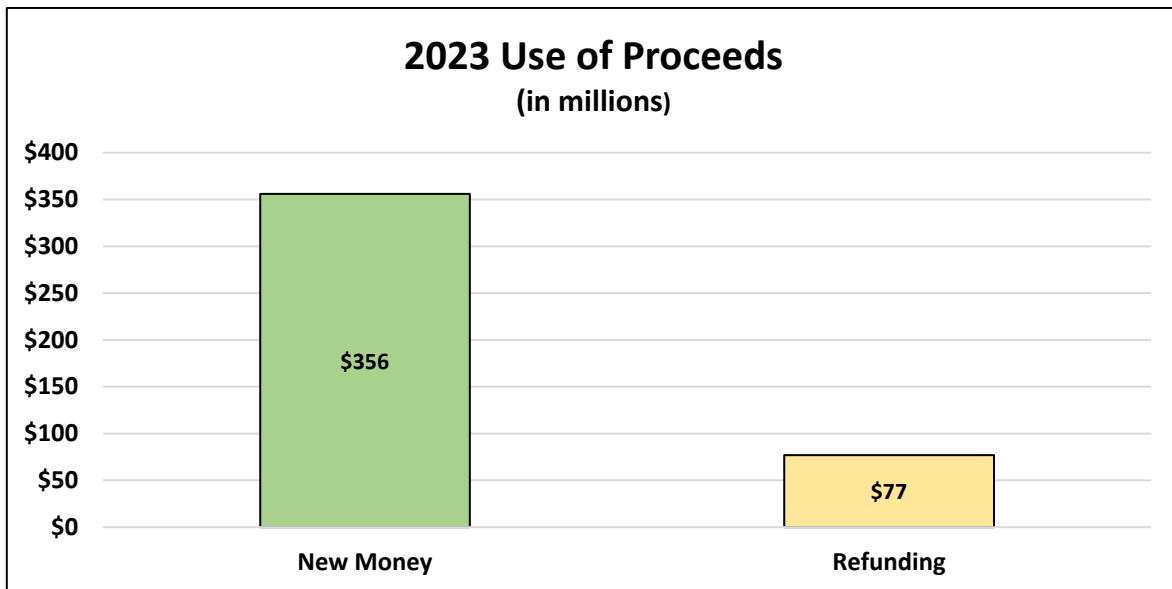
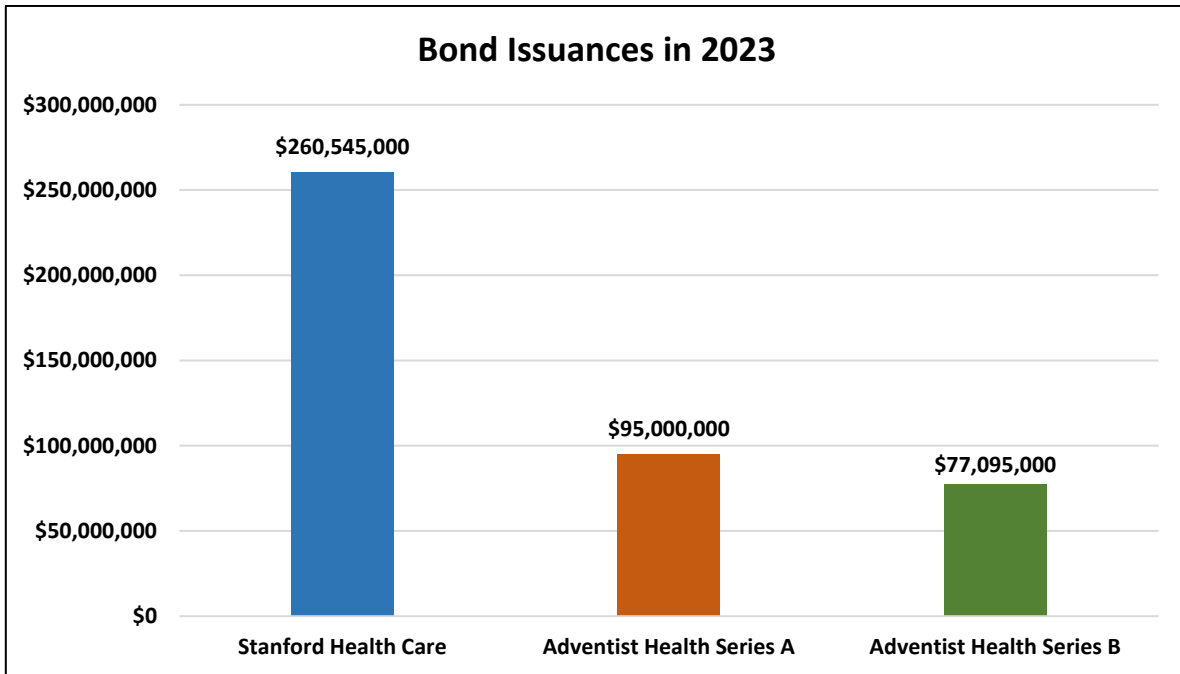
Since its first note issuance in 1994, CHFFA has issued 30 tax-exempt equipment notes for an overall total of approximately \$216.5 million. Usage of the Tax-Exempt Equipment Financing Program appears to be low because borrowers typically include equipment financing with larger bond issuances. Few borrowers request financing solely to purchase equipment. As of December 31, 2023, CHFFA had one outstanding tax-exempt equipment note in the approximate amount of \$16.4 million.



No commercial paper notes have been issued to date.

## Summary of Calendar Year 2023 Financings

In 2023, CHFFA closed three bond financings for a total par amount of \$432,640,000. Of the total par amount issued, approximately \$356 million was new money and \$77 million was used for refunding. Stanford Health Care also established the first Commercial Paper Program with the Authority but has not yet issued any commercial paper. The following provides a summary of CHFFA's bond issues that closed in 2023.



# *Stanford Health Care*

**Amount Issued: \$260,545,000**

## **Borrower Profile:**

Established in 1956, Stanford Health Care (SHC) is the principal teaching affiliate of the Stanford University School of Medicine that provides primary and specialty health services to adults, including cardiovascular health, cancer treatment, solid organ transplantation services, orthopedics, and neurosciences services. SHC operates the clinical settings through which the School of Medicine educates medical and graduate students, trains residents and clinical fellows, supports faculty and community clinicians and conducts medical and biological sciences research.

## **Project Description:**

Bond proceeds were used to finance and reimburse costs related to the re-design, remodel, and renovation of SHC's original hospital facility. The project originally began in October 2020 and is expected to total \$1.6 billion.

# *Adventist Health System/West Series 2023A and Series 2023B*

**Amounts Issued: \$95,000,000 and \$77,095,000**

## **Borrower Profile:**

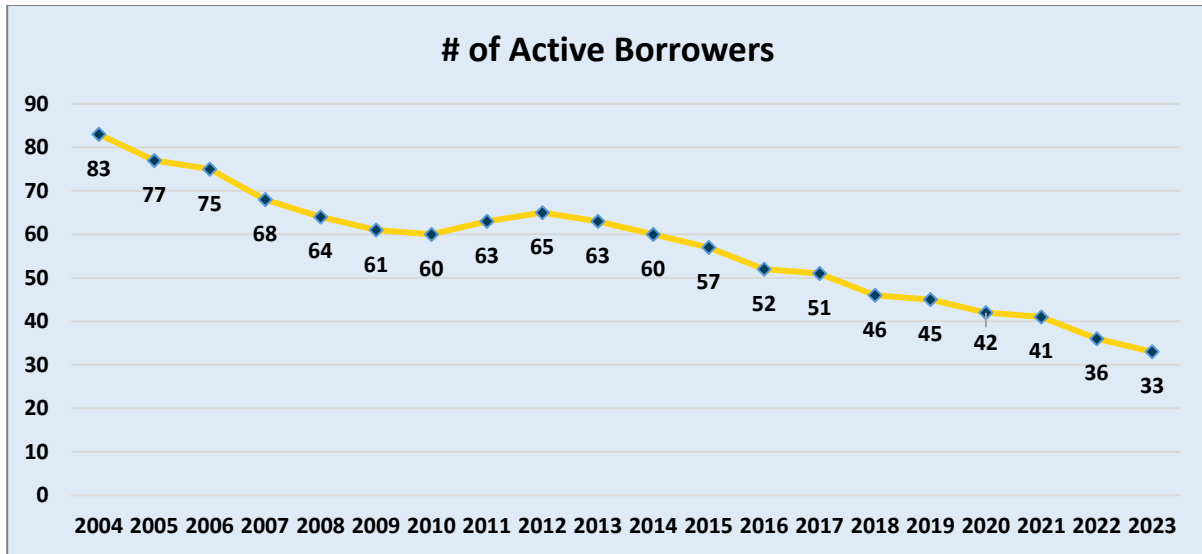
Adventist was established in 1980 by the merger of two smaller health systems known as Adventist Health Services, Inc. and Northwest Medical Foundation. Based in Roseville, Adventist is a 501(c)(3) nonprofit organization whose mission is to improve the quality of health care in the communities it serves by emphasizing wellness and disease prevention. Adventist includes 25 hospitals, approximately 370 clinics, 15 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:**

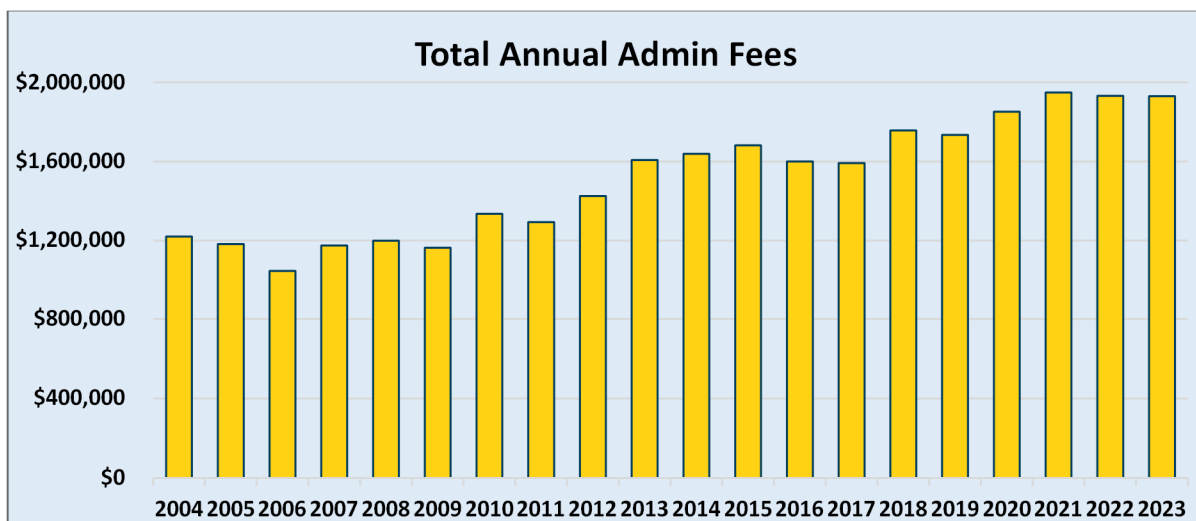
The Series 2023A bond proceeds were used to reimburse Adventist for the costs of acquiring Bakersfield Heart Hospital (BHH) and Beverly Hospital (Beverly) and to fund capital improvements and information technology implementation costs to integrate BHH and Beverly into Adventist's network. Bond proceeds were also slated to finance certain projects at the Adventist Health Bakersfield location. The Series 2023B bond proceeds were used to refund the CHFFA 2011 Series A bonds.

## Program Analysis

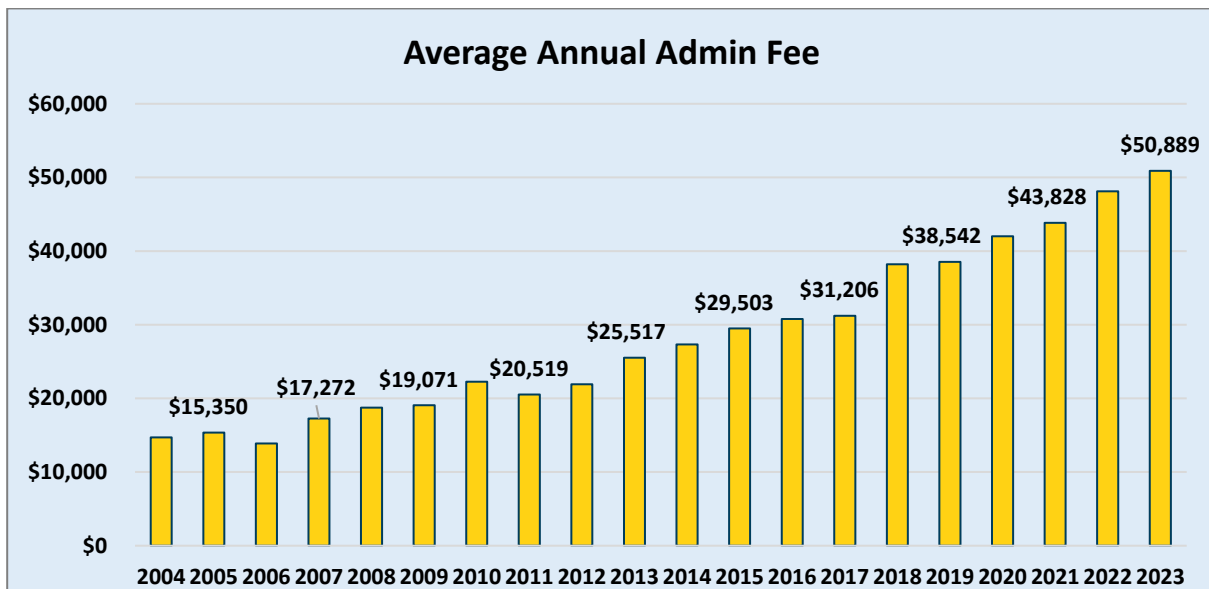
From 2004 through 2023, CHFFA has experienced a steady decline in the number of active borrowers, as shown in the chart below. One possible explanation for the downward trend may be that some borrowers have merged to become a single larger unit over the years. Another possible explanation could be that 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. In 2012, in order to remain competitive with other JPAs, CHFFA lowered the administrative fee structure to 0.0175% of the par amount outstanding, with a maximum fee of \$150,000 annually.

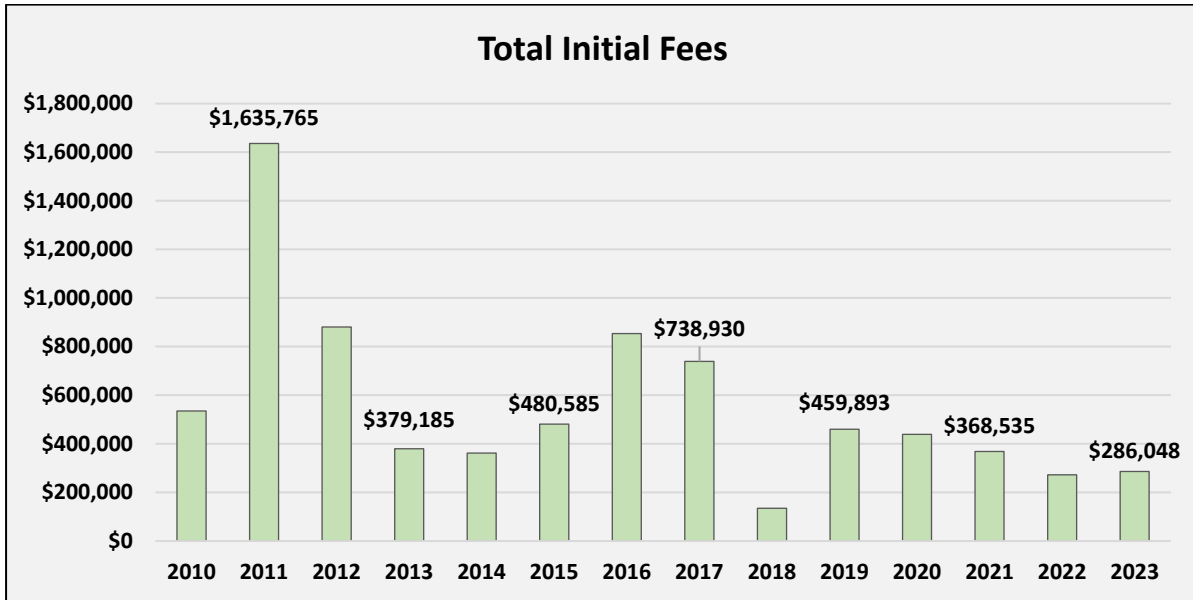


Although the number of active borrowers has trended downward, the chart above shows that the amount CHFFA collects in annual administrative fees has steadily grown as the total amount of bonds outstanding continues to increase each year. Likewise, the chart below indicates the average annual fee per borrower has continued to increase, as fewer borrowers issued larger par amounts of bonds and several smaller borrowers no longer have bonds outstanding. Beginning with 2020, these two charts also include the annual administrative fee for the No Place Like Home (NPLH) Program, a slightly different bond issuance, which quickly reached its maximum annual fee of \$200,000 in 2022. In 2016, the Legislature authorized CHFFA to issue up to \$2 billion in bonds to fund the NPLH to give to the California Department of Housing and Community Development to make awards to California counties to develop permanent supportive housing for persons who are experiencing homelessness, chronic homelessness or who are at risk of chronic homelessness, and who are in need of mental health services.

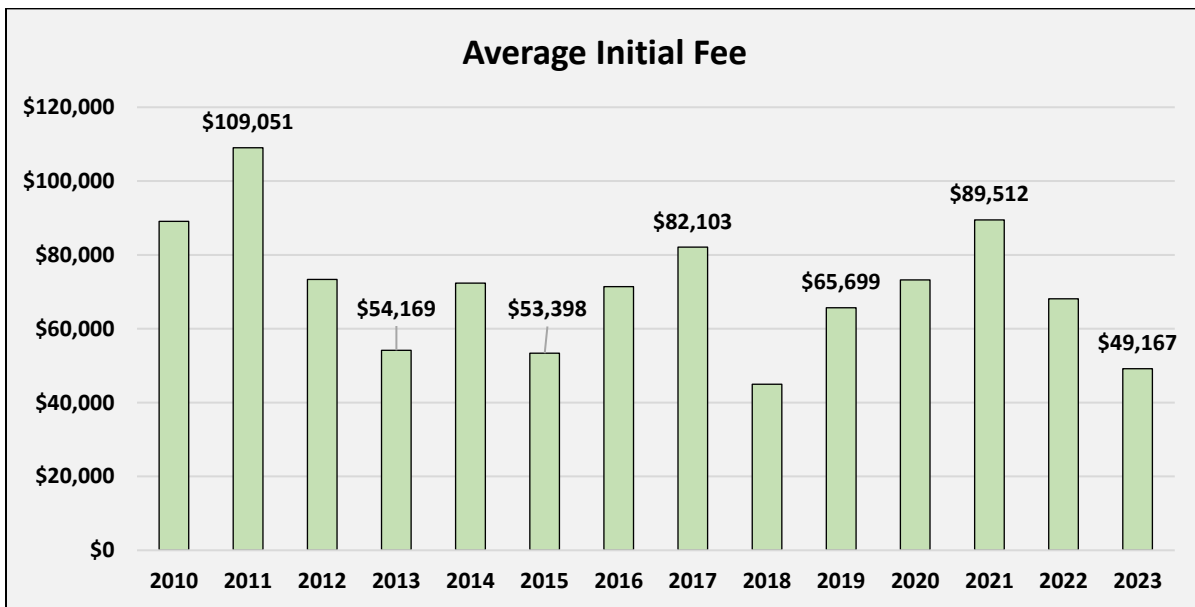




CHFFA also collects an initial fee for each bond issuance at the time of bond closing. Similar to the change in administrative fees, the initial fee structure was lowered in 2012, from 0.075% of the par amount issued with a maximum fee of \$300,000 to 0.05% with a maximum of \$100,000. Since changing the initial fee structure, CHFFA has averaged about \$471,000 per year in initial fees.

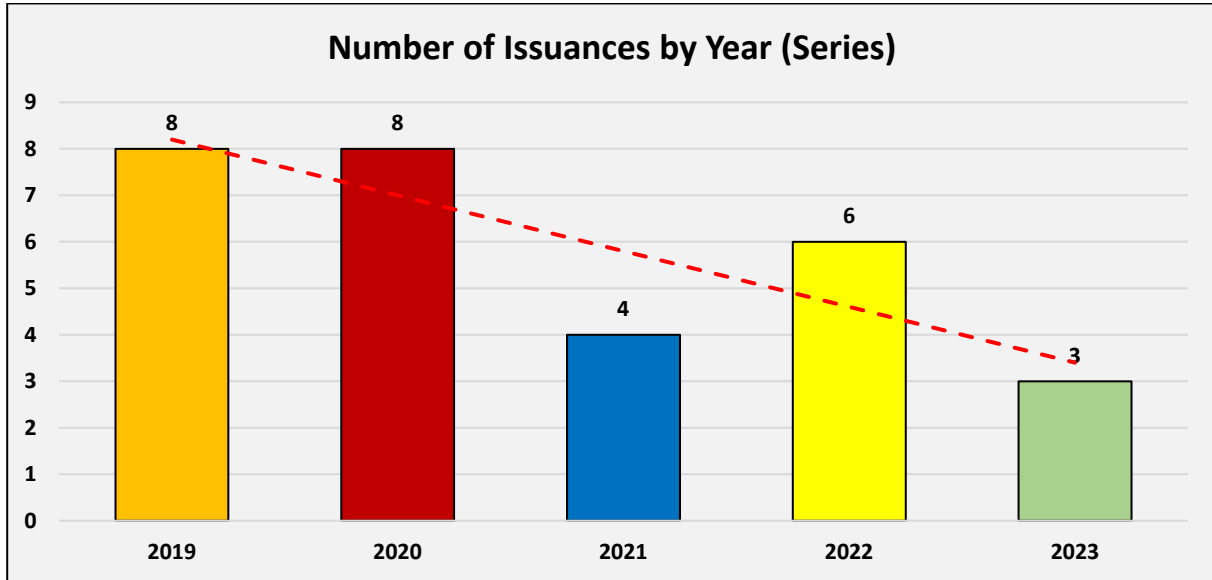


The total initial fees collected has fluctuated year over year as the total par amount issued and the total number of bonds issued have varied. The average initial fee also varied and reflects the pattern of total bond issuances during the same period. From 2018 through 2021, the average initial fee increased, then decreased substantially through 2023. In 2023, only three bonds were issued. CHFFA uses the initial fees and administrative fees to cover administrative costs and operate the Authority.

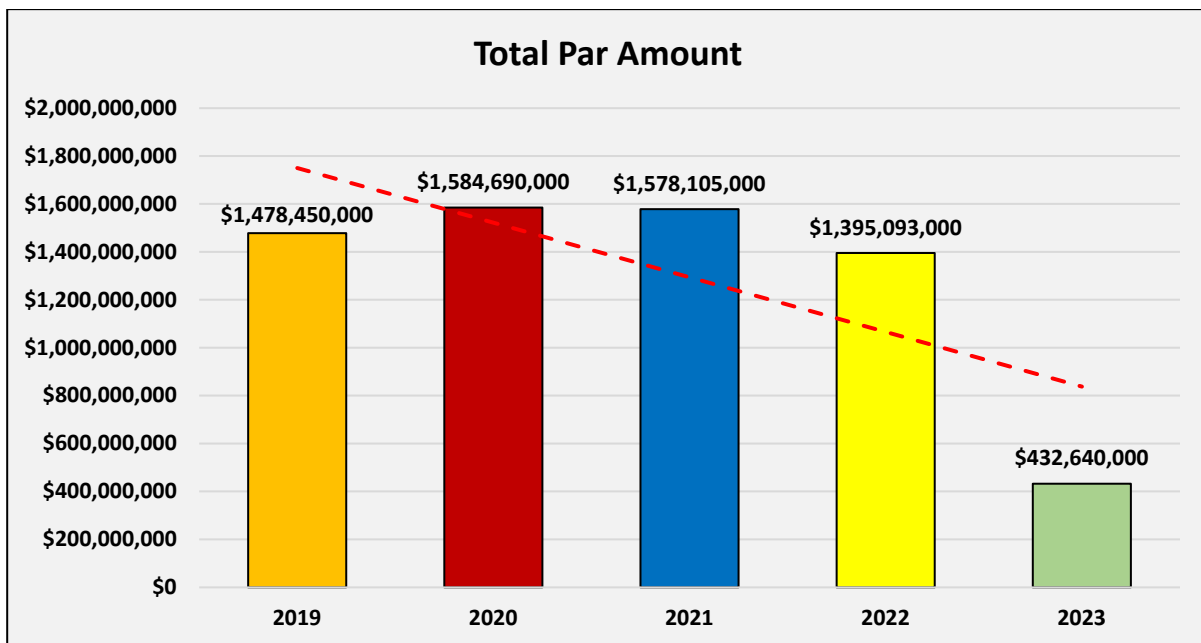


## Five-Year Trends

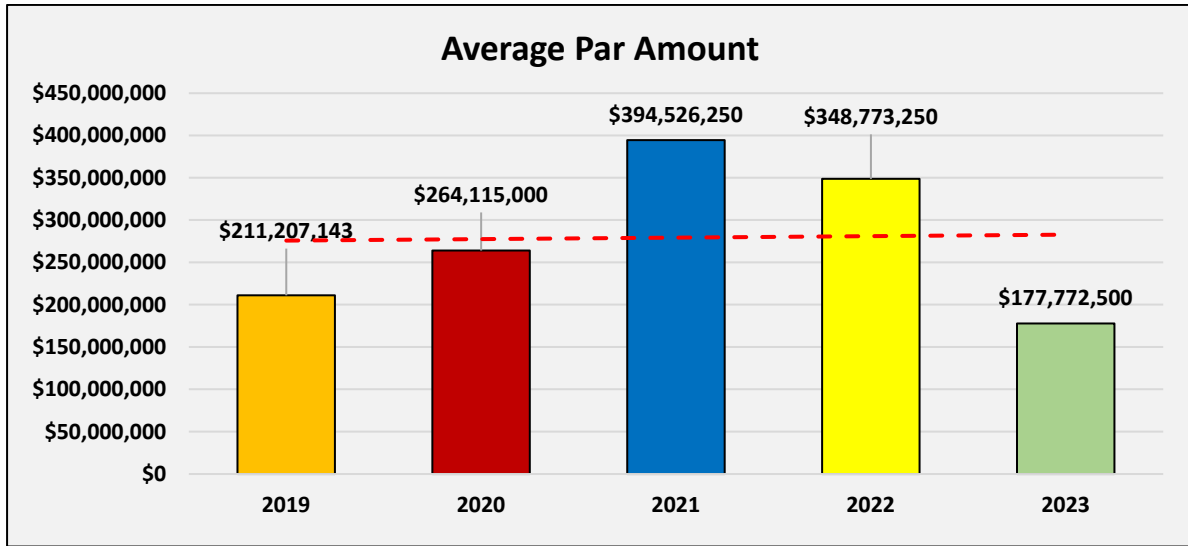
The number of bond issuances has varied greatly over the past five years. From a high of eight issuances in both 2019 and 2020, issuances fell to four in 2021, then increased to six in 2022, and then declined to three in 2023.



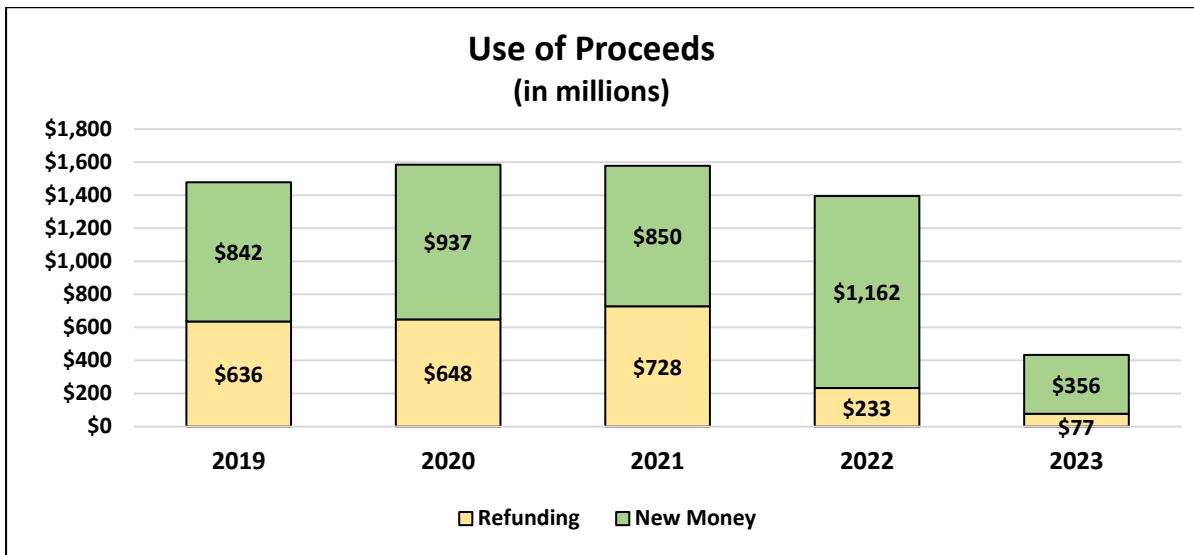
Reviewing the past five years, the total par amount of bonds issued has remained relatively steady from 2019 through 2022, but then sharply declined in 2023 as the number of bond issuances dropped. Of the five years, CHFFA issued its lowest bond total of approximately \$432.6 million in 2023.



In line with the total amount of bonds issued over the past five years, the average amount of bonds issued has significantly decreased in 2023, as shown in the chart below. This decrease in the average par amount issued for 2023 can be attributed to only three bonds issued at lower amounts for the year.



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.



The chart above shows large issuances of bonds for new money projects from 2019 through 2022. The amount of new money projects in 2021 primarily came from a large issuance by one borrower, and the amounts in 2019, 2020, and 2022 included large issuances for NPLH. Excluding the NPLH bonds, CHFFA issued about \$342 million, \$487 million, and \$112 million in new money projects for 2019, 2020, and 2022, respectively, which is more in line with the \$356 million issued in 2023. The amount issued in refunding bonds remained steady from 2019 through 2021, then experienced large decreases to about \$233 million in 2022 and decreased further to \$77 million in 2023. With two bonds approved in 2023 that closed in 2024, next year will show an increase in bond closings.

## 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, 2023, CHFFA’s top ten borrowers were responsible for 78% 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
Stanford Health Care (formerly Stanford Hospital and Clinics)	1984	2023
CommonSpirit Health (formerly Dignity Health)	1989	2020
Adventist Health System/West	1987	2023
Lucile Salter Packard Children’s Hospital	2003	2021
Scripps Health	1985	2019
City of Hope	2000	2019

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

