

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Tax-Exempt Bond Program – Fees Reduction

Resolution No.: 2012-03

March 29, 2012

Executive Summary

The attached chart shows the Authority's current fee schedule. Staff is recommending changes to the first column of the top chart, referenced as "Private Health Facility (or system) with annual gross revenues of \$2.5 million or greater." Specifically, staff is recommending:

1. Eliminating the current application fee of \$500,
2. Reducing 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. Reducing the initial fee cap from \$300,000 to \$100,000,
4. Reducing the annual administration fee from .02% (2 basis points) of the bonds outstanding to .0175% (1.75 basis points) of the bonds outstanding,
5. Eliminating the current resolution fee of \$500,
6. Keeping the rest and remainder of the program fee schedule unchanged, and
7. Revisiting the schedule in one year and annually thereafter to evaluate the impact of these changes and the realities of post-issuance compliance responsibilities.

Staff has worked closely with the Authority's financial advisor, Public Financial Management, to confirm the Authority's fund balance, existing operations and projected revenue streams can sustain these reductions in fee revenue. In addition to the charts previously provided by staff at the January 26, 2012 board meeting, staff may present additional charts demonstrating projections which support the conclusions reached by staff and PFM.

Because of the Authority's continuing work on post-issuance responsibilities, staff cautions the board to require staff to annually present an analysis of the continuing impact of these fee reductions with projections based on annual transaction histories.

As a reminder, staff's recommendations are predicated on the following assumptions:

- The Authority is successful in adding an additional full time employee who will be dedicated solely to post-issuance compliance responsibilities for all Authority programs (except for the Children's Hospital Programs).

- The Authority continues to pursue efforts to establish a grant program utilizing up to \$6.5 million of the Authority's existing fund balance as part of the Authority's effort to give expression to the legislative intent portion of its statute found at Government Code section 15438.5 regarding pass-through savings.
- The Authority will not, for the time being, pass the costs of various transaction related costs (State Treasurer Office costs, financial advisor/analyst costs, issuer counsel costs) on to Authority borrowers as part of their costs of issuance.
- The Authority's fund balance, for the time being, should continue to support smaller borrowers and their smaller issuances.

California Health Facilities Financing Authority

Program Fee Schedules

Bond Financing Program			
	Private Health Facility (or system) with annual gross revenues of \$2.5 million or greater	Private Health Facility with annual gross revenues of less than \$2.5 million	Public (City, County or District) Health Facility
Application Fee¹	\$500	\$500	\$500
Initial Fee: (Due at loan closing)	.075% of aggregate amount of issue, up to a maximum of \$300,000.	\$1,000	\$1,000
Annual Administration Fee²	.02% of bonds outstanding (max. fee of \$150,000)	The lesser of .02% of bonds outstanding or \$500 ³	The lesser of .02% of bonds outstanding or \$500
Resolution Extension Fee⁴	\$500	\$500	\$500

Tax-Exempt Equipment Financing Program	
Application Fee¹	\$500
Initial Fee: (Due at loan closing)	.05% of aggregate amount of issue
Annual Administration Fee²	\$400 annually, as long as there is an outstanding loan balance

HELP II Program	
Application Fee¹	\$50
Loan Fee: (Due at loan closing)	One-time fee payable at closing equal to one and one-quarter percent (1.25%) of the loan amount

¹ The application fee is non-refundable.

² First payment assessed in the year following the year in which the bonds were issued. Annual billings are based on the amount outstanding as of January 31 of each year.

³ .02% of the outstanding amount will be applied once annual gross revenues exceed \$2.5 million annually.

⁴ Fee for extending an approved resolution.