2019 ANNUAL REPORT

California Health Facilities Financing Authority

Table of Contents

MESSAGE FROM THE *Executive Director*

Greetings,

On behalf of the California Health Facilities Financing Authority (CHFFA), I am pleased to provide you with the annual report on CHFFA's activities during calendar year 2019.

In 2019, CHFFA had the pleasure of assisting in the issuance of six bond transactions totaling approximately $1.5 billion, the proceeds of which helped to fund California health facilities and private hospitals. CHFFA also closed six loans totaling approximately $3.4 million to health facilities designated as small or rural, or as district hospitals in 2019 through the Healthcare Expansion Loan Program II (HELP II).

We also disbursed funds to health facilities and qualifying counties through various grant programs that we administer here at CHFFA. Through our three Children's Hospital Programs, we disbursed approximately $172.8 million to 12 children's hospitals. For our Investment in Mental Health Wellness Grant Program, we disbursed approximately $28.3 million to 13 counties as well as approved approximately $2.1 million in grant awards to four counties through our Investment in Mental Health Wellness Grant Program for Children and Youth. Our Community Services Infrastructure Grant Program awarded eight counties a total of approximately $18.2 million to expand access to jail diversion programs. Lastly, but certainly not least, the Lifeline Grant Program disbursed approximately $1.5 million to 10 eligible facilities to help offset the loss of federal funding.

Calendar year 2019 was a great success for the various programs offered at CHFFA, and we very much look forward to further serving the people of the State of California in 2020.

Highlighting a successful 2019:

...Issued **6** bonds totaling approximately **$1.5 billion** in proceeds…

…Closed **6** HELP II loans with total proceeds of approximately **$3.4 million**…

…Disbursed approximately **$172.8 million** in grant funds to **12** children's hospitals through our three Children's Hospital Programs…

…Disbursed approximately **$28.3 million** in grant funds to **13** counties for the Investment in Mental Health Wellness Grant Program…

…Awarded approximately **$18.2 million** in grant funds to **8** counties through the Community Services Infrastructure Grant Program…

…Disbursed approximately **$1.5 million** in grant funds to **10** health facilities through the Lifeline Grant Program…

CHFFA OVERVIEW

CHFFA was established in 1979 for the purpose of providing financial assistance to public and private, non-profit health care providers in California through loans funded by the issuance of tax-exempt bonds. The diverse nature of the facilities funded by CHFFA reflects the changing health care needs of California. From rural, community-based organizations to large, multi-hospital systems, CHFFA has financed a wide range of providers and programs throughout the state, through the issuance of bonds, loans, and grants.

As one of many financing authorities within the California State Treasurer's Office, CHFFA can be a valuable resource for assistance in financing both small and large health facilities that are private, non-profit, or public facilities. In order to meet the requirements for CHFFA financing, an institution must be a public health facility, a private non-profit corporation, or an association authorized by the State of California to operate a health facility and undertake the financing or refinancing of a project.

AUTHORITY BOARD MEMBERS

Fiona Ma, State Treasurer
Elected Treasurer in November 2018, Treasurer Ma has chaired the Board for just over a year. Ma previously served as Chair of the California State Board of Equalization from 2015 to 2019.

Betty T. Yee, State Controller
Elected Controller in November 2014, State Controller Yee has served on the Board for over five years. As the state's chief fiscal officer, Yee chairs the Franchise Tax Board.

Keely Martin Bosler, Director of Finance
Appointed as the Director of Finance in August 2018 by former Governor Jerry Brown, Bosler serves as the Governor's chief fiscal policy advisor.

Judith Frank
Governor Appointee

Jay Hansen
Governor Appointee

Dr. Robert Cherry
Senate Rules Committee Appointee

Dr. Oscar Sablan
Senate Rules Committee Appointee

Katrina Kalvoda
Assembly Speaker Appointee

Keri Kropke
Assembly Speaker Appointee

Bond & Tax-Exempt Equipment Financing Programs

CHFFA offers a **Bond Financing Program** and a **Tax-Exempt Equipment Financing Program**. Both programs are aimed at providing financial assistance for a variety of projects for California's public and non-profit health facilities.

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, land acquisition for future projects, acquisition of existing health facilities, for refinancing of existing debt, for working capital for start-up facilities, and to pay costs of issuance. As of December 31, 2019, CHFFA had **142** outstanding bond issuances totaling approximately **$17.7 billion**.

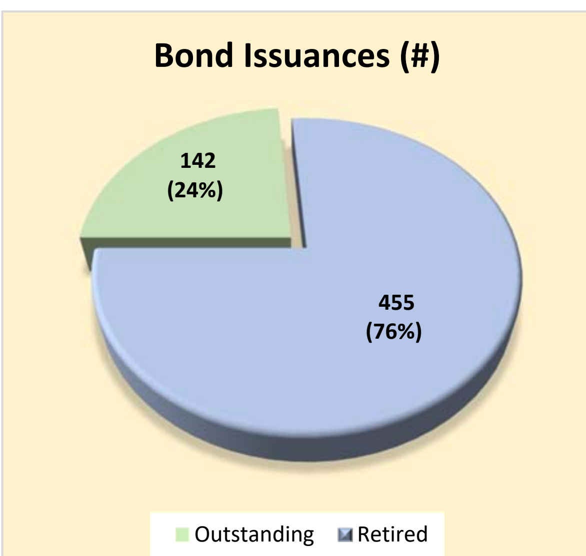
CHFFA HAS ISSUED

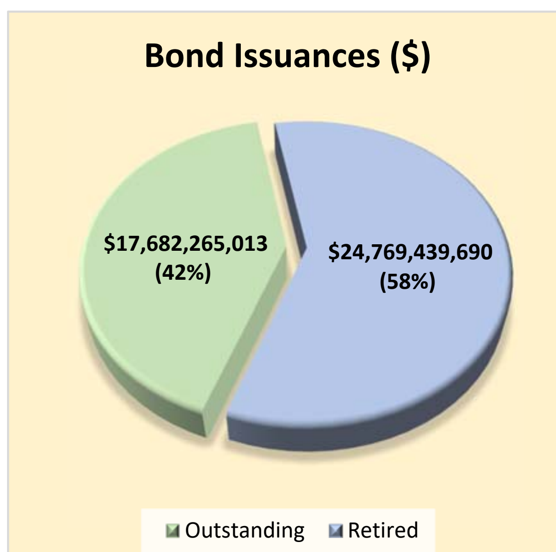
597 BONDS

For More Than

$42 BILLION

Since program inception (1979 – 2019)





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. As of December 31, 2019, CHFFA had **two** outstanding tax-exempt equipment notes in the approximate amount of **$22.6 million**.

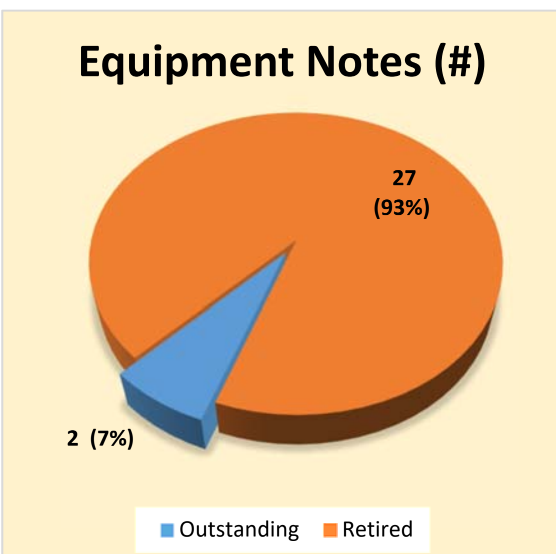
CHFFA HAS ISSUED

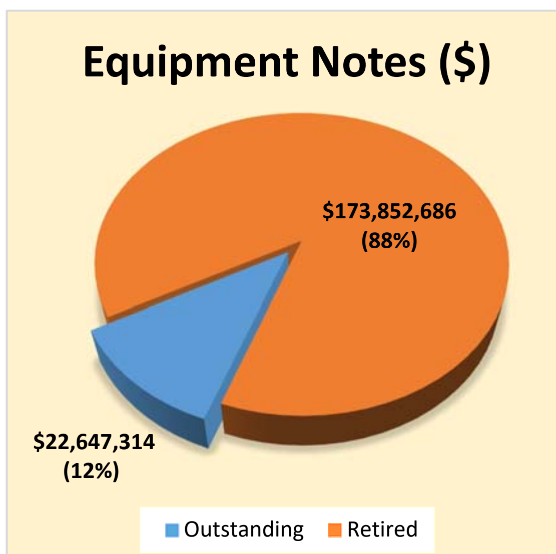
29 TAX-EXEMPT EQUIPMENT NOTES

For Approximately

$197 MILLION

Since program inception (1994 – 2019)





Bond Financings for 2019

In 2019, CHFFA authorized **six** bond financings for California health facilities and programs, which resulted in a total issuance of **$1,478,450,000.** At the end of 2019, CHFFA issued the first $500 million of No Place Like Home Program bonds, which will add up to a grand total of $2 billion. The following provides a summary of CHFFA's bond issues that closed in 2019.

City of Hope's CHFFA Series 2019 Bonds will help make this rendering of its New Hope Village patient community expansion become a reality.

No Place Like Home Program

$500,000,000

Bond proceeds were used to finance the development of permanent supportive housing for persons who are experiencing various forms of homelessness and who are in need of mental health services. This is the first issuance for a total $2 billion program.

Providence St. Joseph Health

$442,295,000

Bond proceeds were used to consolidate its debt by refinancing CHFFA Series 2009B Bonds, CHFFA Series 2013C Bonds, and a line of credit. The borrower refinanced this debt to take advantage of favorable market interest rates.

City of Hope

$334,905,000

Bond proceeds were used to finance the construction of a new 350,000 square foot outpatient clinic, an adjacent parking structure, and an expansion of an existing patient community facility. The outpatient clinic will accommodate imaging, laboratory, multiple clinics, infusion, and various support functions.

Scripps Health

$99,360,000

Bond proceeds were used to refund the outstanding CHFFA Series 2010A Bonds. Refunding the bonds was expected to provide the borrower with a net present value savings of approximately $28.1 million over the life of the bonds. In addition, these bonds were issued as a private placement.

Children's Hospital of Orange County

$88,390,000

Bond proceeds were used to refinance the outstanding CHFFA Series 2009A Bonds. Refinancing these bonds was expected to provide the borrower with a present net value savings of approximately $30 million over the life of the bonds.

Tarzana Treatment Centers

$13,500,000

Bond proceeds were used to fund the construction of multiple projects and renovations at multiple sites owned or leased by the borrower. The project consists of a 3,000 square foot expansion of an outpatient treatment facility. In addition, bond proceeds were used to refinance three bank loans.

HELP II LOAN PROGRAM

The HELP II Loan Program is designed to provide small and rural health facilities with financing for capital project needs through low cost loans. Loan terms are as follows:

New money project:
-2% fixed interest rate
-20-year term
-Up to $1,500,000

Refinancing prior debt:
-3% fixed interest rate
-15-year term
-Up to $1,000,000

To be eligible for a HELP II Loan, a non-profit 501(c)(3) health facility must meet one or more of the following criteria:

- Less than $30 million in annual gross revenues; OR
- Located in a rural or frontier Medical Service Study Area; OR
- Qualify as a District Hospital

2019 HELP II Loan Financings

Sierra View Homes

$750,000

Sierra View Homes (SVH) is a *Skilled Nursing Facility* that provides various services to the elderly in and around Fresno County. SVH received a loan for the *construction/expansion* of an existing dining center. The expansion will provide a more comfortable dining space for residents of SVH.

Humboldt Senior Resource Center

$675,000

Humboldt Senior Resource Center (HSRC) is an *Adult Day Health Center* that provides various health services to the elderly population in and around Humboldt County. HSRC received a loan to *refinance* a bank loan, which had a sizable balloon payment due at the end of its term.

Unicare Community Health Center

$529,054

Unicare Community Health Center (Unicare) is a *Community Clinic* that provides medical, behavioral, optometric, and dental services to the population in and around San Bernardino County. Unicare received a loan to *purchase equipment* and information technology for its various health facilities.

Key Community Housing

$498,000 & $481,000

Key Community Housing (Key) is a *Residential Facility* that provides services for persons with developmental disabilities in Los Angeles County. Key secured two loans to *refinance* mortgages of two separate residential homes.

TLC Child & Family Services

$480,000

TLC Child & Family Services (TLC) is a *Group Home* that offers adoption and foster care programs, residential treatment, mental health services, and education to serve children and young adults in and around Sonoma County. TLC received a loan to *purchase* a home to be used for transitional housing, as part of its foster care services program.

Children's Hospital Program of 2004, 2008 & 2018

Children's Hospital Program of 2004:

In November 2004, California voters passed Proposition 61, which enabled the State of California to issue $750 million in general obligation bonds to fund the Children's Hospital Program of 2004. The purpose of the program is to improve the health and welfare of California's critically ill children, by providing a stable and ready source of funds for capital improvement projects for children's hospitals.

Across California, there are 13 children's hospitals, consisting of eight private non-profit children's hospitals and five University of California children's hospitals.

In 2019, CHFFA made **11** disbursements totaling approximately **$54.5 million**.

Children's Hospital Program of 2008:

In November 2008, California voters passed Proposition 3, which enabled the State of California to issue an additional $980 million in general obligation bonds to fund the Children's Hospital Program of 2008. The program was an extension of the Children's Hospital Program of 2004.

In November 2019, approximately $243,000 became available for a second funding round; these funds are available on a first-come, first-served basis.

In 2019, CHFFA made **11** disbursements totaling approximately **$118.3 million**. Currently, four children's hospitals have open construction or equipment acquisition projects.

Children's Hospital Program of 2018:

In November 2018, California voters passed Proposition 4, which enabled the State of California to issue another $1.5 billion in general obligation bonds to fund the Children's Hospital Program of 2018. Proposition 4 allocated $1.35 billion to the 13 children's hospitals and $150 million to public or private, non-profit hospitals that provide pediatric services for children eligible for California Children's Services.

Although Valley Children's Hospital received a grant award of just over $9.8 million, no disbursements were made in 2019.

By the numbers, for 2019…

$172.8 Million Disbursed

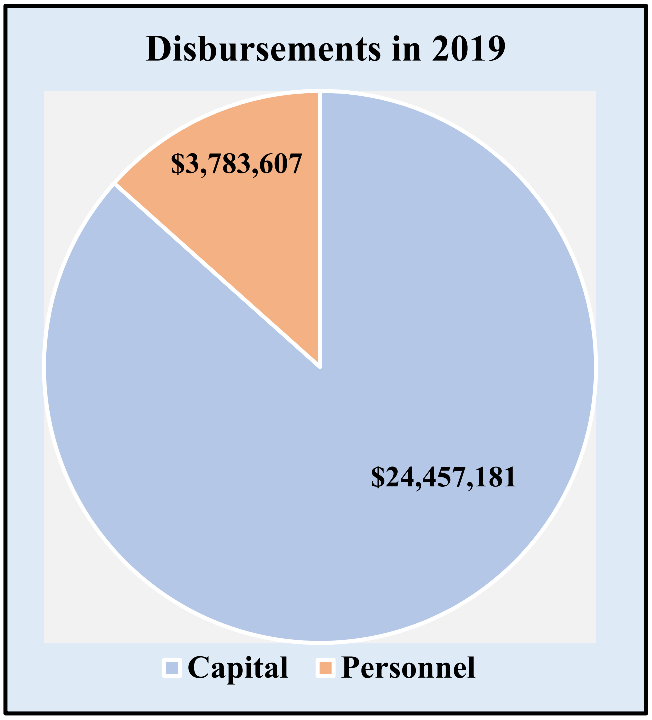
22 Disbursements

One New Hospital Awarded

Investment in Mental Health Wellness Grant Program

The Investment in Mental Health Wellness Grant Program was designed to assist in improving access to mental health crisis services available to California residents by funding a major statewide expansion of Mobile Crisis Support Teams (MCSTs), Crisis Stabilization Units, and Crisis Residential Treatment Programs through grants available to counties.

In 2019, the program disbursed approximately **$3.8 million** in personnel funding for MCSTs and approximately **$24.5 million** in capital funding to **13** counties across California. Some counties received multiple disbursements during the calendar year. The program is no longer accepting new applications.



Investment in Mental Health Wellness Grant Program for Children and Youth:
In 2016, the Investment in Mental Health Wellness Grant Program was expanded to specifically address a continuum of crisis services for children and youth, 21 years of age and under, by funding statewide expansion of the aforementioned services, while including Family Respite Care services. Although there were no disbursements made in calendar year 2019, **four** counties were awarded a total of **$730,323.90** in capital funding and **$1,320,660** in annual personnel funding to develop MCSTs.

Awarded Counties for Children & Youth in 2019

Marin County
Grant proceeds will be used to add one new MCST by purchasing one additional vehicle and hiring two new full-time mental health practitioners.
$347,484.00

Sacramento County
Grant proceeds will be used to add two new MCSTs by purchasing two new vehicles and hiring eight new full-time staff members.
$801,865.00

Monterey County
Grant proceeds will be used to add two new MCSTs by purchasing two new vehicles and hiring four new full-time staff members.
$485,275.90

Santa Cruz County
Grant proceeds will be used to add one new MCST by purchasing one new van and hiring two new full-time staff members.
$416,359.00

Community Services Infrastructure Grant Program

In 2016, CHFFA was authorized to allocate approximately $65.8 million through the Community Services Infrastructure Grant Program (CSI) to expand access to jail and prison diversion programs and other related services for those with mental health illnesses, substance use disorders, or trauma. In December 2019, when the CSI second funding round closed, CHFFA received 12 applications and was oversubscribed by almost double the available funding amount.

Although no disbursements were made in 2019, CHFFA awarded **eight** counties a total of approximately **$18.2 million** for the development of new, or the expansion of, existing jail diversion programs. The table below outlines the counties and amounts awarded in 2019.

Los Angeles County ***Bell Recuperative Care Center*** **$6,000,000**	**San Luis Obispo County** ***Diversion Facility Renovation Project*** **$855,832**
Plumas County ***Plumas County Day Reporting Center*** **$568,940**	**Santa Cruz County** ***Recovery Center Expansion and Revitalization*** **$999,861**
Riverside County ***Arlington Recovery Community*** **$4,000,000**	**Sonoma County** ***Diversion Transitional Housing*** **$2,266,191**
San Joaquin County ***Adult Mental Health Residential Treatment Services*** **$2,500,000**	**Yolo County** ***Community Corrections Diversionary Housing Project*** **$1,000,000**

Lifeline Grant Program

Established in 2017 with $20 million allocated from the HELP II fund balance, the Lifeline Grant Program is a program designed to provide grant funds to assist non-profit small or rural health facilities that may be adversely financially affected by reductions or eliminations of federal government assistance. A qualifying health facility may be awarded up to a maximum of $250,000, which can only be used for working capital purposes.

In 2019, CHFFA disbursed grant funds to **10** previously approved health facilities totaling approximately **$1.5 million.** Additionally, in 2019, CHFFA approved **four** health facilities a total of approximately **$134,000** in grant funds, to be disbursed after proof of loss of funding.

	Facilities	Funds
Awarded:	**4**	**$134,068**

	Facilities	Funds
Disbursed:	**10**	**$1,490,450**

Lifeline Grant Program Moving Forward…

All remaining funds must be awarded to health facilities by June 30, 2020. If unawarded funds remain unallocated by the aforementioned date, funds will be returned to the HELP II fund balance, where they will be disbursed as loans to qualifying health facilities under its respective guidelines.