CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

BOND

&

TAX-EXEMPT EQUIPMENT FINANCING PROGRAMS

2020 ANNUAL REPORT

BOND & TAX-EXEMPT EQUIPMENT FINANCING PROGRAMS

2020 ANNUAL REPORT

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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

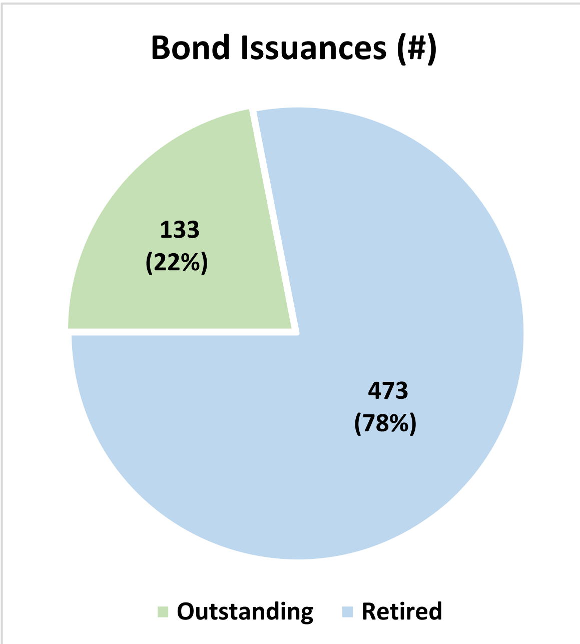
The Bond Financing Program provides eligible health facilities with access to low interest rate capital markets through the issuance of tax-exempt and taxable revenue bonds. Bond proceeds may be used to fund construction/renovation projects, for land acquisition for future projects, to acquire existing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

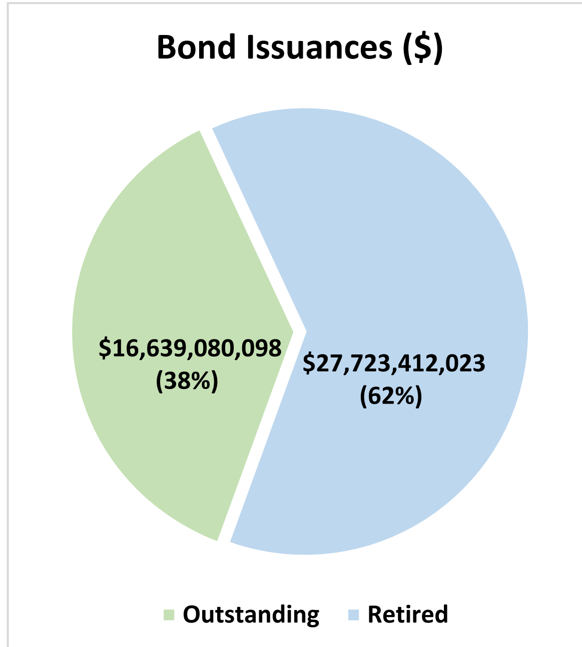
Tax-Exempt Equipment Financing Program

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.

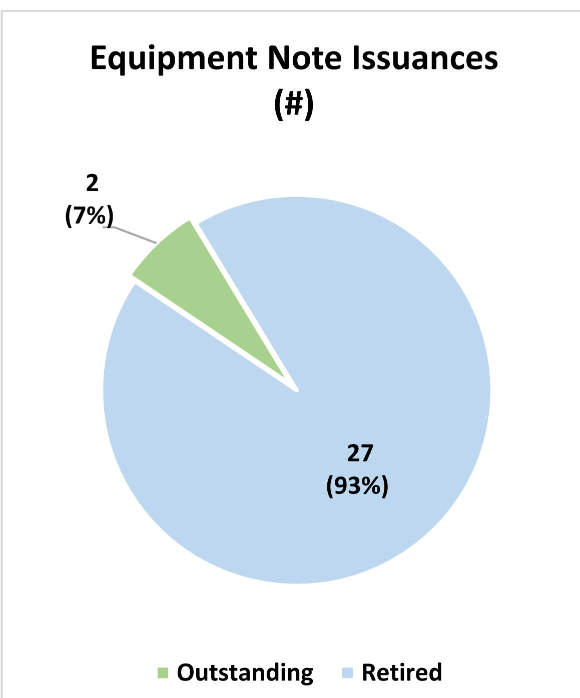
Portfolio

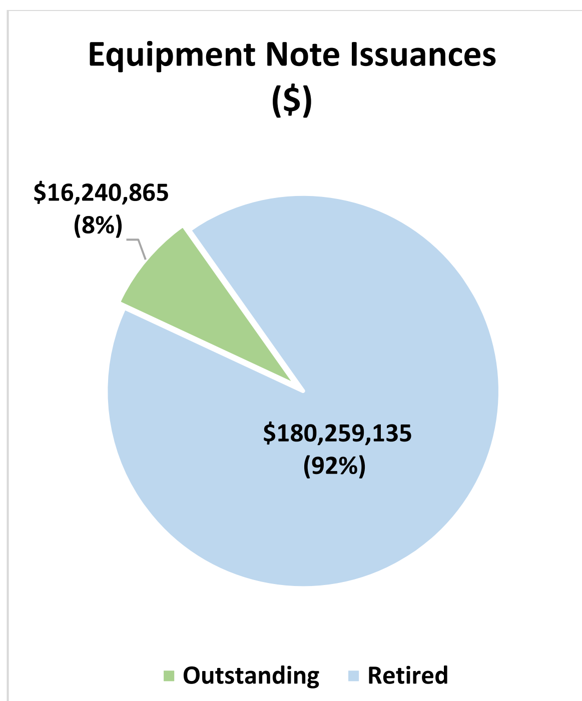
Since its first bond issuance in 1981, CHFFA has issued 606 bonds for an aggregate total of approximately $44.4 billion. As of December 31, 2020, CHFFA has 133 outstanding bond issuances totaling approximately $16.6 billion.





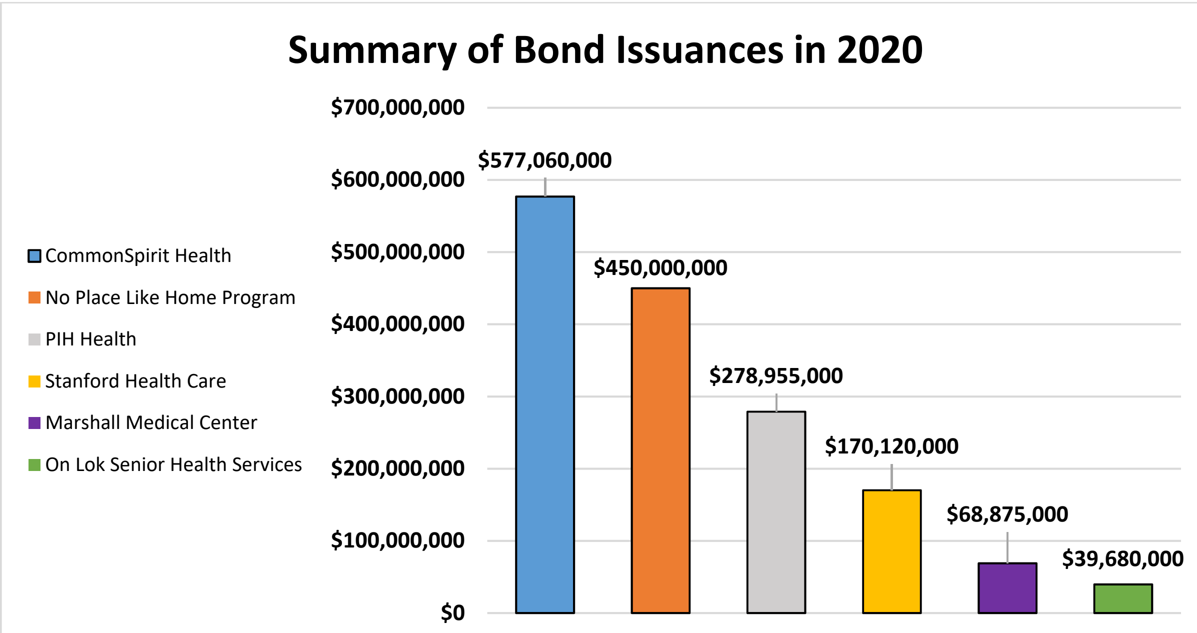
Since 1994, CHFFA has issued 29 tax-exempt equipment notes for an overall total of approximately $196.5 million. As of December 31, 2020, CHFFA had two outstanding tax-exempt equipment notes in the approximate amount of $16.2 million.

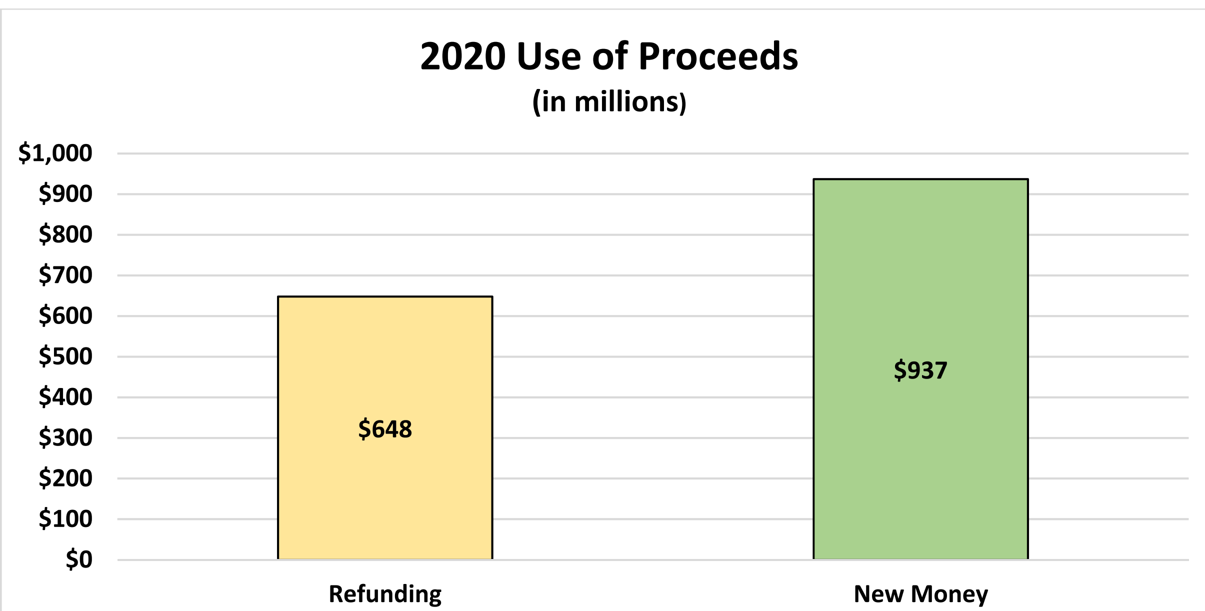




Summary of Calendar Year 2020 Financings

In 2020, CHFFA authorized six bond financings and zero equipment note financings for five California health facilities and the No Place Like Home Program, which resulted in a total issuance of $1,584,690,000. The following provides a summary of CHFFA's bond issues that closed in 2020.





Stanford Health Care— 2020 Series A

Amount Issued: $170,120,000

Issue Date: April 1, 2020

Borrower Profile:

Established in 1958, Stanford Health Care (SHC) operates a licensed acute care hospital and a cancer center in Palo Alto, an outpatient center in Redwood City, and clinics located on the Stanford University campus and in neighboring communities. SHC is a principal teaching affiliate of the Stanford University School of Medicine and provides primary and specialty health services to adults, including cardiac care, cancer treatment, solid organ transplantation services, orthopedics, and neuroscience services.

Project Description:

SHC issued tax-exempt bonds to reimburse the costs of various expenditures incurred from the new Stanford Hospital project, which officially opened its doors in November 2019. In addition, SHC refinanced prior CHFFA debt, which was originally issued to help finance the construction and equipping of the new Stanford Hospital. Formation of the new hospital began in 2012 and cost approximately $2.1 billion to complete over the life of the project. The finished hospital is an 824,000-square-foot facility that accommodates 368 all-private patient rooms, 28 flexible surgical and interventional operating rooms, a 40,000-square-foot imaging department, and a 39,000-square-foot emergency department, as well as conference, cafeteria, and support spaces.

Aerial photo of the new Stanford Hospital—photo courtesy of Stanford Health Care

Marshall Medical Center— 2020 Series A (Tax-Exempt) & 2020 Series B (Taxable)

Amount Issued: $68,875,000

Issue Date: April 27, 2020

Borrower Profile:

Established in 1959, Marshall Medical Center (Marshall) is a nonprofit community hospital licensed to operate 125 beds located in Placerville with additional outpatient facilities in Cameron Park, Placerville, El Dorado Hills, and Georgetown, as well as to operate primary and specialty care clinics throughout El Dorado County. Marshall provides a broad range of primary and secondary level acute medical and surgical services at its facility as well as a full range of outpatient services and 24-hour emergency care services. Other services include home health services, pediatric services, and mental health services.

Project Description:

Marshall issued taxable and tax-exempt bonds to refinance existing debt and fund various projects for multiple facilities, including the remodeling of its Medical Center kitchen, dining area, and pharmacy as well as the replacement of a cardiac catheterization laboratory and the purchase of generators. These projects helped Marshall modernize, meet new regulations, and expand capacity for various services.

Taxable bond proceeds were issued to reimburse various capital expenditures at several locations, including Marshall's main hospital that provides all of its inpatient services. The expenditures included a number of renovation and remodeling projects, such as the renovation of a radiology room and the remodeling of a constrictive pericarditis imaging center, as well as the purchase of equipment, such as new ortho-surgical equipment and the replacement of several heating, ventilation, and air conditioning systems.

PIH Health— 2020 Series A (Tax-Exempt) & 2020 Series B (Taxable)

Amount Issued: $278,955,000

Issue Date: October 8, 2020

Borrower Profile:

PIH Health (PIH) is a nonprofit regional healthcare network with three hospitals, various outpatient medical offices, a multispecialty medical group, home healthcare services and hospice care, as well as heart, cancer, and emergency services. The PIH staff of over 5,100 serve more than two million residents in Los Angeles and Orange Counties. PIH is also the sole corporate member of Good Samaritan Hospital, which is a not-for-profit community-focused medical center that admits approximately 12,500 patients (excluding newborns) and handles more than 74,000 outpatient visits a year.

Project Description:

PIH issued tax-exempt and taxable bonds to fund the construction, expansion, remodeling, renovation, and equipping of multiple facilities that provide a wide variety of services, including primary acute medical services, home health care services, hospice care and surgical services, as well as a full range of outpatient and emergency care services. Additionally, bond proceeds were used for a variety of other projects, including to convert a light industrial building into a hospital-based wellness center, replace equipment, expand emergency departments, meet seismic requirements, and more.

PIH also refinanced approximately $228 million in outstanding debt, which consolidated Good Samaritan's debt with PIH's debt, removed 2021 maturities from the capital structure, and took advantage of the low interest rates in the fixed-rate market.

CommonSpirit Health— 2020 Series A

Amount Issued: $577,060,000

Issue Date: October 28, 2020

Borrower Profile:

CommonSpirit Health (CommonSpirit) is a nonprofit corporation whose affiliates own and operate health care facilities in 21 states. CommonSpirit, formerly known as Catholic Health Initiatives (CHI), was created with an agreement to combine CHI and Dignity Health, a California nonprofit corporation, into a single nonprofit health system effective February 1, 2019. Comprised of 146 hospitals, of which 31 are in California (including unconsolidated joint venture facilities), CommonSpirit's facilities include academic health centers, major teaching hospitals, critical access facilities, community health service organizations, accredited nursing colleges, home health agencies, living communities, a medical foundation and other affiliated medical groups, and other facilities and services that span the inpatient and outpatient continuum of care.

Project Description:

Bond proceeds were used to refund all or a portion of the former Dignity Health Obligated Group's 2004 Series K, 2005 Series H&I, 2009 Series H, and 2011 Series A bonds. Additionally, bond proceeds were used to reimburse prior expenditures related to the acquisition, construction, expansion, remodeling, renovation, and equipping of various health facilities. The scope of projects spanned over 18 different locations across California. The projects included expansion of emergency services capacity, upgrading diagnostic and imaging equipment and services, expansions of new patient towers/hospital, and seismic retrofitting construction and renovation on multiple hospital campuses among other purposes.

Photo of CommonSpirit's Mercy Medical Center in Redding—photo courtesy of CommonSpirit Health

On Lok Senior Health Services— Series 2020

Amount Issued: $39,680,000

Issue Date: November 19, 2020

Borrower Profile:

On Lok Senior Health Services (On Lok) is a family of community-based, nonprofit organizations whose mission is to relentlessly pursue quality of life and quality of care for older adults and their families. The program that On Lok pioneered became known as Program of All-inclusive Care for the Elderly (PACE). Based on the vision and hard work of the co-founders, PACE expanded into a nationally-replicated program. On Lok's PACE program serves over 1,600 seniors in the counties of Alameda, San Francisco, and Santa Clara.

Project Description:

On Lok issued tax-exempt bonds for capital improvements and to refund prior debt. Bond proceeds also were used to renovate, improve, and equip its various facilities. Projects included the complete exterior and partial interior renovation of a building that contains both senior housing and a dementia care center, renovation of a facility for use as an Alternative Care Setting/Adult Day Health Care, renovation of a building that supports administrative staffing for the PACE program, several other renovation improvements, and the replacement of various pieces of equipment. The refunding eliminated bank renewal and interest rate risks and potentially increasing costs associated with variable rate bank debt.

No Place Like Home— Series 2020 (Social Bonds – Federally Taxable)

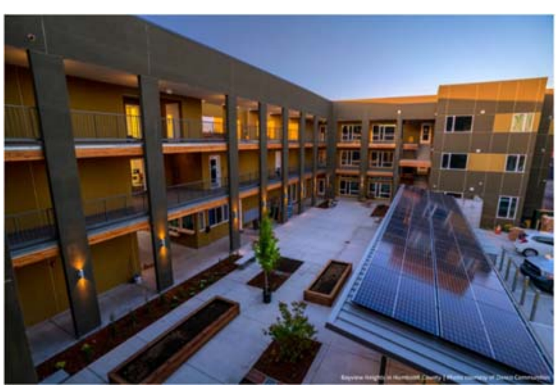
Amount Issued: $450,000,000

Issue Date: November 4, 2020

Project Description:

To help address the problem of homelessness among the state's mentally ill population, the Legislature authorized the creation of the No Place Like Home (NPLH) Program in 2016 through Assembly Bills 1618 and 1628, which were then approved by the California electorate under Proposition 2 in 2018. The NPLH Program is designed to help accelerate the supply of permanent supportive housing and build on existing programs to combat homelessness among persons who are in need of mental health services. CHFFA issued $450,000,000 in bond proceeds in calendar year 2020 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.

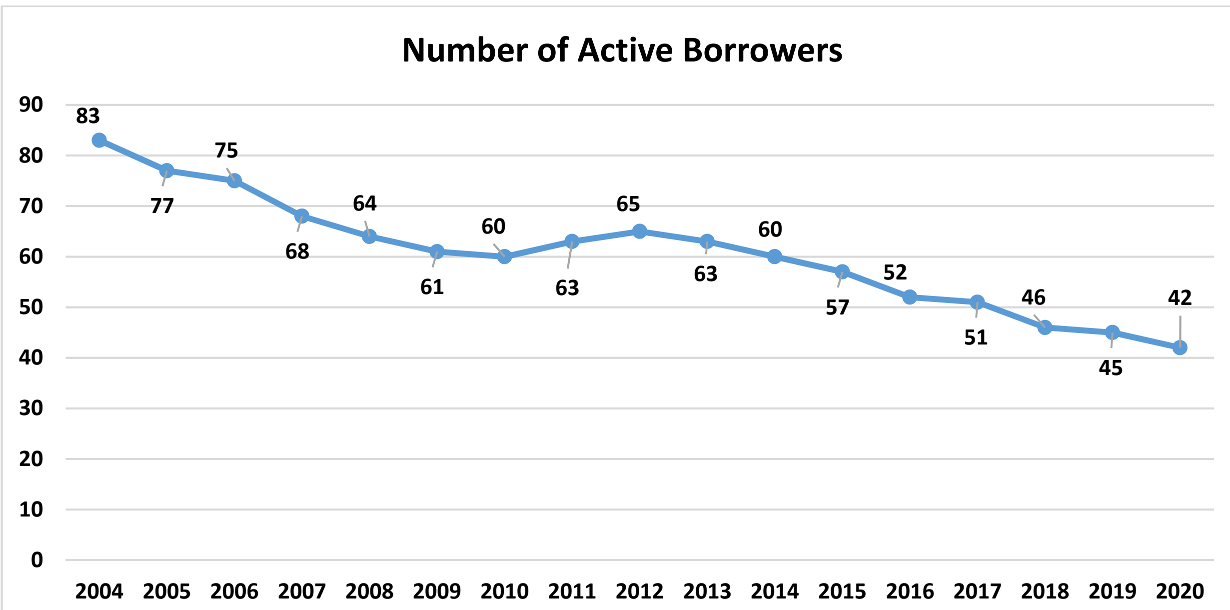
Rose Avenue Apartments in Los Angeles County | Photo courtesy of Los Angeles County Development Authority

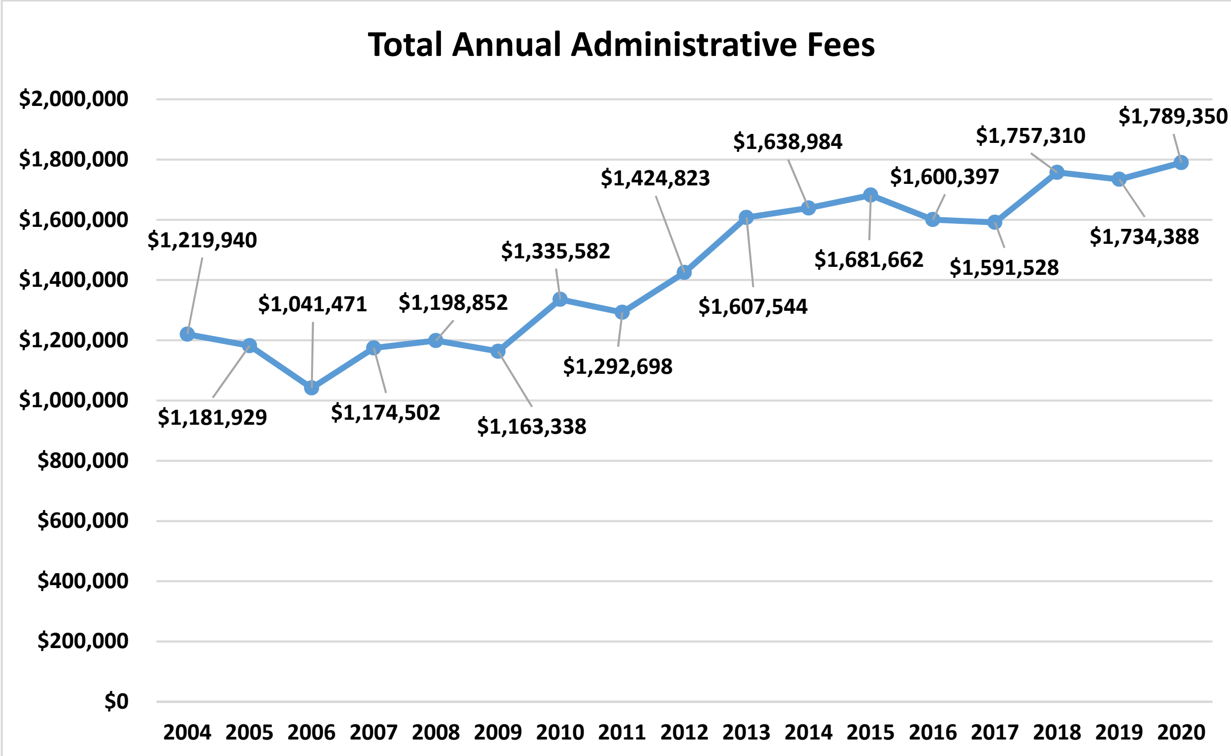



Windsor Point in San Diego County | Photo courtesy of County of San Diego Health and Human Services Agency

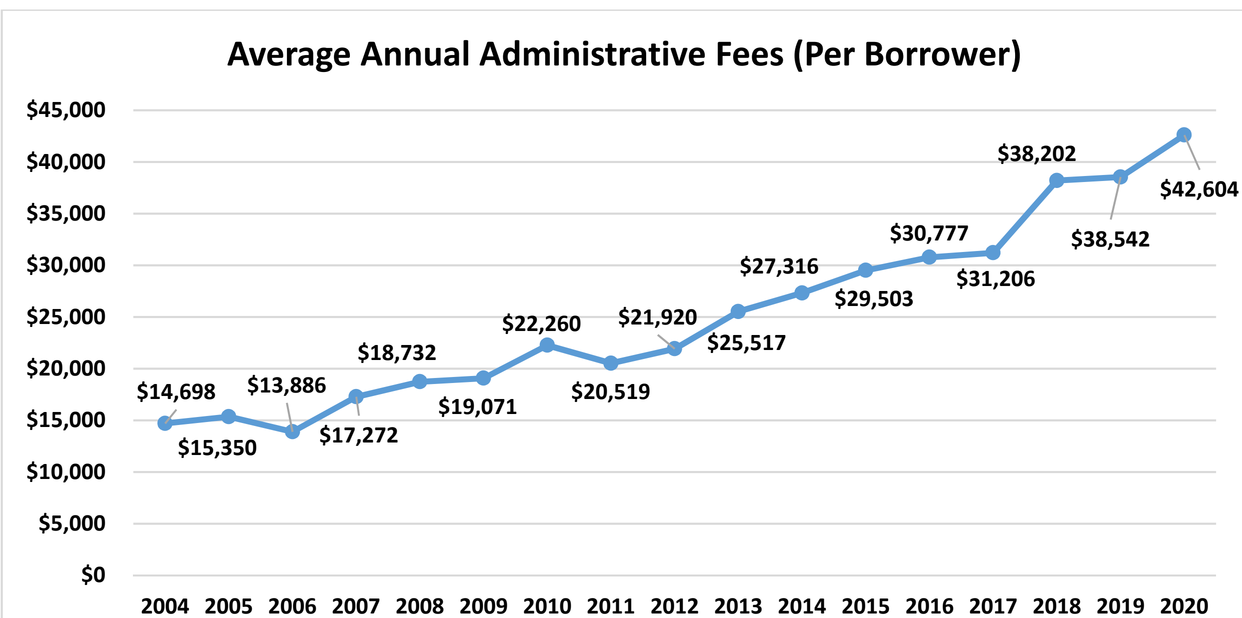
Program Analysis

From 2004 through 2020, CHFFA has experienced a steady decline in the number of active borrowers. One possible explanation for the downward trend may be that some borrowers have merged and combined organizations, becoming a single larger unit. Another possible explanation may also be due to a decreasing spread between tax-exempt and taxable interest rates, which negates the benefit of tax-exempt financing and leads to borrowers issuing their own corporate taxable bonds instead of tax-exempt bonds through CHFFA. Lastly, another possible explanation to the decline in active borrowers appears to be that fewer small borrowers are issuing through CHFFA, and instead are issuing through other Joint Powers Authorities (JPA). While smaller borrowers generally issue bonds less frequently, in 2020, the JPA California Municipal Finance Authority issued bonds for nine borrowers at less than $100 million, with the largest issuance of nearly $62 million. In contrast, CHFFA issued bonds for two borrowers at less than $100 million, Marshall Medical Center for nearly $69 million and On Lok Senior Health Services for almost $40 million.





Although the number of active borrowers is trending downward, the amount CHFFA collects in annual administrative fees has steadily grown as the outstanding amount of bond proceeds continues to increase year over year. Likewise, the average annual fee per borrower has continued to increase, as fewer borrowers issued larger par amounts of bonds.



The two charts below display the various fees charged for the Bond Financing Program and the Tax-Exempt Equipment Financing Program.

Bond Financing Program Fee Schedule

	Private Health Facility with annual gross revenues of $2.5 million or greater	**Private Health Facility with annual gross revenues of less than $2.5 million**	**Public Health Facility (City, County or District)**
Application Fee	$0	$0	$0
Initial Fee	0.05% of aggregate amount of issue, up to a maximum of $100,000	$1,000	$1,000
Annual Administrative Fee	0.0175% of bonds outstanding (max. fee of $150,000)	The lesser of 0.0175% of bonds outstanding or $500	The lesser of 0.0175% of bonds outstanding or $500

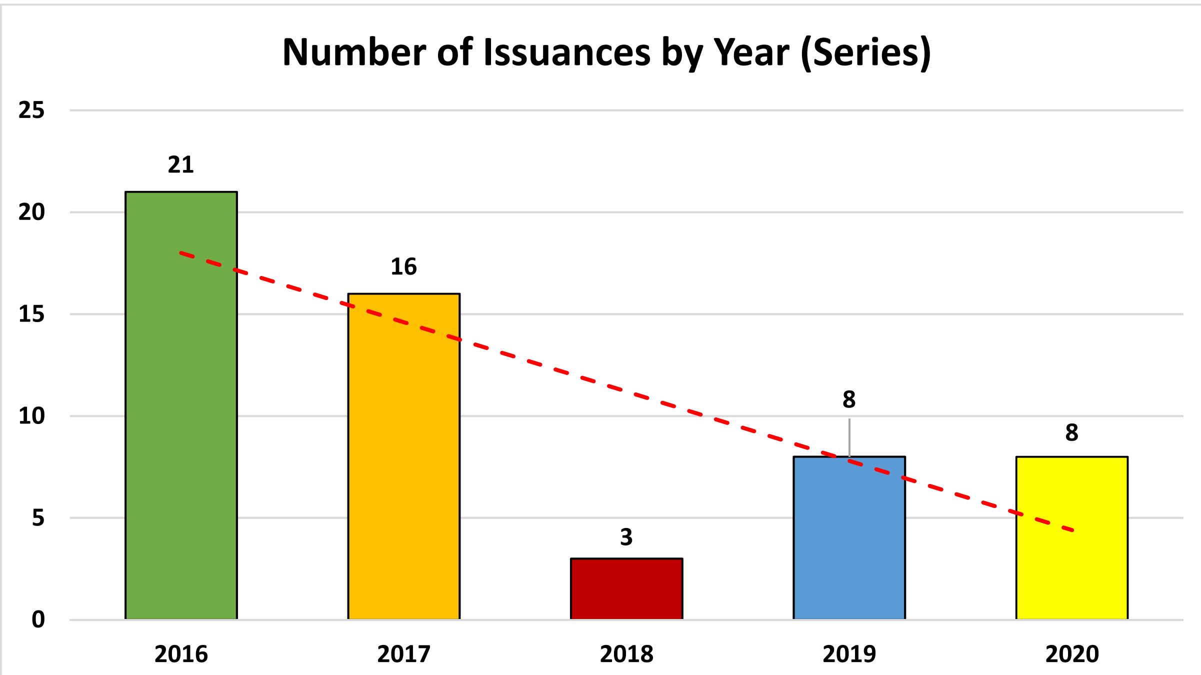
Tax-Exempt Equipment Financing Program Fee Schedule

Application Fee	$500
Initial Fee	0.05% of aggregate amount of issue
Annual Administrative Fee	$400 annually, as long as there is an outstanding loan balance

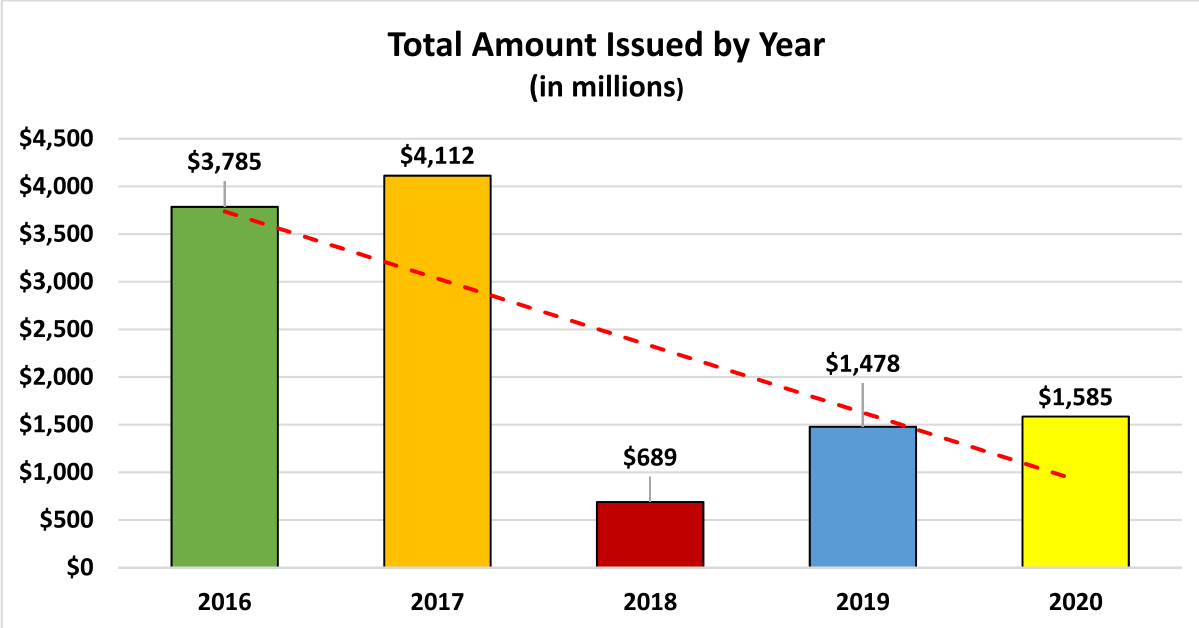
Five-Year Trends

Calendar year 2020 experienced the COVID-19 global pandemic; however, CHFFA's business did not appear to be significantly impacted as the number of bond issuances and the total amount of bonds issued matched or slightly exceeded the amounts from the previous year.

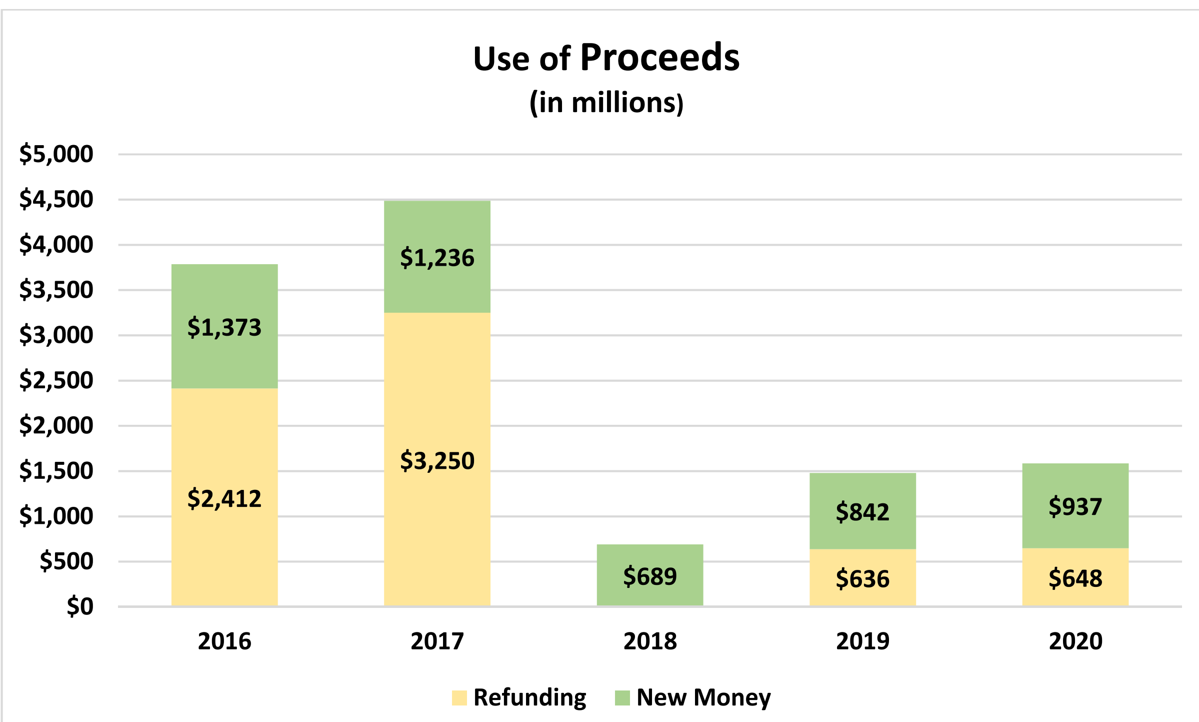
In December 2017, the Tax Cuts and Jobs Act (TCJA) was signed into law, which included a provision that eliminated the use of tax-exempt financing to advance refund private activity bonds. Speculation of how this elimination would affect borrowers had a considerable impact on the number and dollar amounts of bonds issued through CHFFA in calendar years 2016 and 2017, as well as on how the bond proceeds were used beginning in 2018, and is illustrated in these charts.



Although the number of annual bond issuances experienced a significant drop from 16 in 2017 to three in 2018, CHFFA has rebounded to issue eight bond series each in 2019 and 2020. The dollar amount of bond issuances, as shown in the following chart, shows a similar pattern with CHFFA issuing bonds for nearly $4.1 billion in 2017, then dropping to $689 million in 2018 before rebounding to nearly $1.5 billion in 2019 and approximately $1.6 billion in 2020.



The chart below further displays how the TCJA affected a borrower's ability to advance refund. Prior to the TCJA, CHFFA issued refunding bonds in the amounts of approximately $2.4 billion and $3.3 billion, in calendar years 2016 and 2017, respectively. However, a significant portion of the refunding bonds issued in 2017 were for a single borrower, Kaiser Permanente, for $1.8 billion. In calendar years 2018, 2019, and 2020, refunding bonds issued through CHFFA dropped to $0, $636 million, and $648 million, respectively, and the differences over the last five years between respective refunding bond proceeds shown for the purposes of these charts is largely attributable to the enacting of the TCJA.

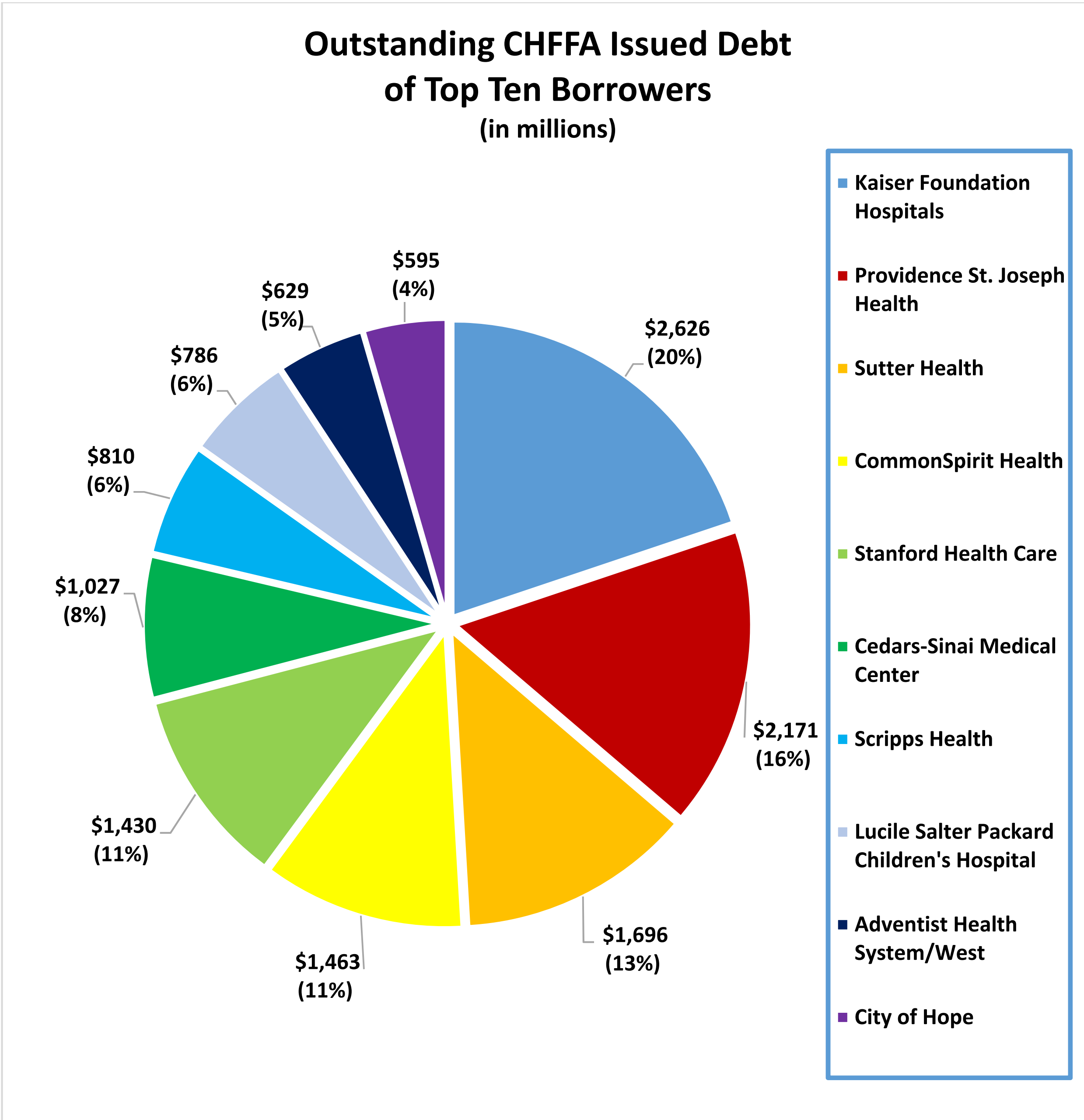


In 2016, CHFFA issued nearly $1.4 billion in new money projects, which then dropped in half to $689 million in 2018 and has risen to $842 million 2019 and $937 million in 2020. The amount of new money issued is largely dependent on the capital plans, economic outlook and needs of the individual borrowers.

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 five 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 instrumentality for conduit bond financings. As of December 31, 2020, CHFFA's top ten borrowers were responsible for approximately 91% of outstanding CHFFA issued debt.

Borrower's Name	First CHFFA Issuance	Most Recent CHFFA Issuance
Kaiser Foundation Hospitals	1983	2017
Providence St. Joseph Health	1983	2019
Sutter Health	1983	2018
CommonSpirit Health (formerly Dignity Health)	1989	2020
Stanford Health Care	1984	2020
Cedars-Sinai Medical Center	1987	2016
Scripps Health	1985	2019
Lucile Salter Packard Children's Hospital	2003	2017
Adventist Health System/West	1987	2016
City of Hope	2000	2019


Outstanding CHFFA Issued Debt of Top Ten Borrowers
(in millions)
$2,626 (20%)
$2,171 (16%)
$1,696 (13%)
$1,463 (11%)
$1,430 (11%)
$1,027 (8%)
$810 (6%)
$786 (6%)
$629 (5%)
$595 (4%)
Kaiser Foundation Hospitals
Providence St. Joseph Health
Sutter Health
CommonSpirit Health
Stanford Health Care
Cedars-Sinai Medical Center
Scripps Health
Lucile Salter Packard Children's Hospital
Adventist Health System/West
City of Hope