Peninsula
HEALTH CARE DISTRICT
Building a Healthier Community

FINANCE COMMITTEE MEETING
Minutes
July 12, 2022

1. **Call to Order:** Meeting was called to order by **Chair Zell** at 2:00 pm.

2. **Roll Call:** Present via Zoom: Chair Zell, Member Seto, Member Sun, CEO Fama, CFO Yee. Absent: Director Galligan, Member Chew, Member Hearle.

3. **Approval of Minutes** from May 10, 2022
There was one change made by Member Sun on Page 3, item 6. There was a typo in the third sentence. It should read - "Last year's audit was not smooth due to communication issues and a decline in service from an auditor that performed PHCD's audit for the past four years."

   With the above edit, it was moved by Chair Zell and seconded by Member Seto to approve the minutes. Roll call vote: Chair Zell – Aye; Member Seto – Aye; CEO Fama – Aye; CFO Yee – Aye; Member Sun - Abstain. The motion passed 4/0/1.

4. **Business Arising from Minutes**

   CFO Yee followed up on whether TIPS or Inflation Risk Bonds would be a viable option given the increasing inflation rate. We received a response from Robert Meckstroth, portfolio manager at CNB, that TIPS are not something they are likely to buy. The current 5-year TIPS bond yield is -0.19%. So, if buying now, it means accepting a zero return, which he believes he can outperform with traditional bonds.

   Chair Zell suggested having Mr. Mechstroth present to the Finance Committee sometime in the Fall of 2023.

   Member Sun commented that the TIPS market is unfavorable due to a lot of uncertainty in inflation, therefore the negative return. It might have been beneficial if we owned the security a year ago. Purchasing TIPS is all about timing. Currently, the Feds are raising interest to combat inflation, so we would be worse off by owning TIPS now. Since interest rates are rising, we would get a higher return on bonds.

   Member Seto commented that the District can ladder funds through TIPS and would like to revisit this option in the future.

5. **allcove update** – Presented by Eddie Flores, Director of Youth Behavioral Health & Jackie Almes, Youth Outreach Specialist.

   Mr. Flores and Ms. Almes provided some details on the floor plan and furniture for the Center. Unfortunately, there were some delays in finding the right architect and approving the floor plan.

Currently, the timeline is pushed out with the expected opening date of March 2023. The next steps will be the RFP public bidding for a general contractor and a bidders' information conference on August 11 for interested providers and parties.

Chair Zell asked for the cost and total hours for the RFP project consultant. **Mr. Flores** replied that it is $20K and up to 125 hours.

Member Seto asked for the gender makeup of the current YAG members. **Ms. Almes** replied that there are currently ten female members and is working hard to recruit males to provide some diversity. **Chair Zell** commented that members with different backgrounds and life experiences might also be good.

6. **<u>FY 21-22 Audit Proposal by JWT & Associates, LLP</u>** – **CFO Yee** provided an update on her search for a new audit firm. The Committee's decision to change the audit firm was based on the 40% fee increase proposed by the District's current auditor/firm for the past five years. It is good practice to rotate audit firms every 5-6 years.

   CFO Yee had reached out to four different firms with experience in government audits and received three proposals - JWT & Associates ($28K), a small firm; Wipfli ($37K), a mid-size firm; and Moss Adams ($55K), a large firm. After extensive research, meetings, and reference checks, she believes JWT & Associates, LLP will be able to meet the District's audit expectations.

   JWT & Associates, LLP is based out of Fresno, CA, with nearly 40 years of experience. They specialize in auditing healthcare entities and have completed close to 100 individual audits of healthcare districts in the past five years. Their client base comprises approximately 50% non-profits, 45% districts and other governmental hospitals, and 5% for-profits. The audit will be completed by November 30, 2022, to comply with debt service requirements.

   Chair Zell asked how JWT & Associates was chosen as one of the contenders. **CFO Yee** replied that all firms interviewed were recommended or had extensive experience working with Districts/Government entities like PHCD. JWT & Associates was specifically recommended by the CFO at Petaluma Health Care District. **Chair Zell** asked how many references were received. **CFO Yee** reached out to five different Health Care Districts and received one additional reference from Gary Hicks.

   Member Sun asked how long the commitment is with the auditor. **CFO Yee** replied it is only for one audit year, and if it is not working out, the District can always change.

   It was moved by Chair Zell and seconded by Member Seto to change the District audit firm to JWT & Associates, LLP for the FY 21-22 audit. Roll call vote: Chair Zell – Aye; Member Seto – Aye; CEO Fama – Aye; CFO Yee – Aye; Member Sun - Aye. The motion passed 5/0/0.

   The Committee discussed how the Finance Committee could be involved in the PWC development. **CEO Fama** suggested a joint meeting with the Strategic Direction Oversight Committee to review the Strategic Plan and the PWC concept plan. **Chair Zell** would like the Finance Committee to analyze the cost-benefit and financial aspects of PWC.

7. **<u>Analysis on Debt Paydown & PHCD Ratios</u>** – Presented by Gary Hicks, Financial Consultant (Report Appended to Minutes)

   Mr. Hicks assessed the value of prepaying the 2014 COP outstanding debt and re-evaluated the financial ratios used in the Strategic Financial Policy.

- Debt Paydown – not recommended at this time due to rising interest rates. If interest rates continue to increase, the interest spread will narrow, and the District's investments will potentially exceed the interest rate on the 2014 COPs. In addition, the prepayment penalty will decline and potentially move to a negative position if interest rates continue to rise. Therefore, it is best to re-evaluate in the future.
- PHCD Ratios – recommend removal of two of the seven financial ratios in the Strategic Financial Policy. In addition, change the benchmark to Fitch Ratings Not-for-Profit Life Plan Communities Median Ratios, Special Report. Mr. Hicks believes the ratios and rating structure changes are more relevant to the District and its current operations. The Committee had a robust discussion and will recommend the changes at the July Board meeting.

Chair Zell asked Mr. Hicks if there were any concerns. **Mr. Hicks** replied that the District is no longer reserving for the need to take over Sutter. However, currently, there is no risk. In addition, Mr. Hicks noticed that the liquidity has been declining over the years and suggests maintaining strong liquidity for emergencies. **Chair Zell** commented that the District intentionally decided not to reserve money for the potential failure. It was wise to reserve during construction until it stabilized, but the Mills-Peninsula campus is one of the stronger ones, and there are no concerns of failure. **Member Sun** commented that she agrees that liquidity is critical and not to over-extend given additional programs that the District will be rolling out. **Member Seto** asked if there is a good indicator that provides a good balance of reserves and programs. **Mr. Hicks** replied that the days-cash-on-hand is a good indicator but does not believe the District has too much liquidity. It would be different if the District only made grants, but since the District runs programs, liquidity is necessary.

It was moved by Chair Zell and seconded by Member Sun to adopt the new PHCD Ratios as suggested by Mr. Hicks. Roll call vote: Chair Zell – Aye; Member Seto – Aye; CEO Fama – Aye; CFO Yee – Aye; Member Sun - Aye. The motion passed 5/0/0.

8. Future agenda

- Q4 Consolidated Financials

Adjournment: Chair Zell Adjourned the meeting at 3:45 pm.

Written by Vickie Yee, CFO
Approved by:

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Dennis Zell, Chair

G.L. Hicks Financial, LLC

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Orem, UT 84097
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July 7, 2022

Ms. Cheryl Fama, Chief Executive Officer
Ms. Vickie Yee, Chief Financial Officer
Peninsula Health Care District
1819 Trousdale Drive
Burlingame, CA 94010

Re: Assessment of Early Redemption of Outstanding 2014 COPs

Dear Cheryl and Vickie:

I appreciate the opportunity to again provide financial advisory services to Peninsula Health Care District (the "District") relating to the assessment of the value of prepaying the District's 2014 Certificates of Participation (the "2014 COPs"). In this regard, you have expressed an interest to use District reserves to prepay a portion of or all the outstanding 2014 COPs. Since the District's 2017 Certificates of Participation are not callable until February 1, 2027, there is no option currently available to redeem this debt. You have also asked that I evaluate and recommend any changes to the financial ratios used as benchmarks in evaluating the District's future financial performance.

In conducting my assessment, I have reviewed the following materials relating to the District:

1. The District's website - Peninsula Wellness Community
2. The District's Strategic Plan: 2019-2022 (approved on September 26, 2019)
3. The District's Strategic Financial Policy (approved on February 27, 2020)
4. The District's Strategic Financial Policy Procedures (approved on February 27, 2020)
5. The District's audited financial statements for the FYE June 30, 2018, 2019, 2020 and 2021
6. The District's Series 2014 Certificates of Participation, including the Lease Agreement, Trust Agreement, Exhibit A Definitions, Exhibit B Form of Certificates, and Certificate Purchase Agreement, dated January 23, 2014 and February 1, 2014
7. The District's Series 2017 Certificates of Participation, including the Sublease Agreement, Trust Agreement, Exhibit A Definitions, Exhibit B Form of Certificates, and the Forward Delivery Certificate Purchase and Rate Lock Agreement, dated May 9, 2016 and August 1, 2017
8. Rate Swap Transaction between Western Alliance Bank and Bank of Montreal, dated January 23, 2014
9. Fitch Ratings 2021 Not-for-Profit Life Plan Communities Median Ratios, Special Report dated September 13, 2021
10. S&P Global Ratings U.S. Not-for-Profit Senior Living Sector: Median Ratios, dated November 29, 2021

The attached Summary of Audited Financial Statements of the District (see Exhibit A) provides an overview of the District's historical operating performance, financial position, and overall credit strength assuming no change in the District's outstanding debt as well as assuming an early repayment and related redemption of $10 million, $20 million and all ($34 million) of its outstanding 2014 COPs.

OPERATING PERFORMANCE OF PENINSULA HEALTH CARE DISTRICT

The District's operating performance over the past three fiscal years has been characterized by increasing revenues, strong operating margins (with its excess margin averaging 11.02% over the past three fiscal years) and adequate debt service coverage ratios with the exception of 2020 (averaging 1.91x over the past three fiscal years). Growth in revenues has been driven primarily by the opening and fill-up of the District's new assisted living and memory care community ("The Trousdale") and by the continued growth in its tax revenues (averaging 7.2% annually over the past three fiscal years), with corresponding modest growth in dental and leasing revenues. The District's strong operating performance as demonstrated by its excess margin, as referenced above, has historically been driven by its tax revenues, lease income and investment earnings, which revenues have supported the District from 2019 through 2021 with the start-up of The Trousdale and through the difficult pandemic years.

FINANCIAL POSITION OF PENINSULA HEALTH CARE DISTRICT

The District's balance sheet over the past three fiscal years has been characterized by low leverage and strong liquidity as depicted by its debt to capital and days cash on hand ("DCOH") ratios, respectively. While the District's DCOH has declined from 1,155 to 729 over the past three years, its absolute unrestricted cash has actually increased slightly from $35.5 million to $36.1 million. Leverage has continued to decline over the past three years with the scheduled paydown of its debt (see the below positive movement in the District's debt to capitalization and cash to debt ratios). The below summaries of the District's changes in its revenue base, balance sheet indicators and selected financial ratios over the prior three years help to paint a strong financial picture, as described above.

(dollars in thousands)	Fiscal Years Ended June 30				Fitch
	2019	2020	2021	Average	Ratios*
Total Revenues:					
Tax Revenues	$7,413	$7,820	$8,462	$7,898/40%	-
Investment Earnings	$1,067	$662	$81	$603/3%	-
Trousdale Revenue	$2,913	$8,494	$9,072	$6,826/34%	-
Leasing Income	$2,613	$2,440	$2,945	$2,666/13%	-
Total Revenues	$15,872	$20,978	$22,557	$19,802/100%	$31,926
Change in Net Position Gain (Loss):					
Governmental Activities	$5,413	$1,472	$4,227	$3,704	-
Proprietary Activities	$(1,782)	$(2,221)	$(648)	$(1,550)	-
Combined	$3,631	$(749)	$3,579	$2,154	-
Assets and Liabilities:					
Unrestricted Cash & Investments	$35,537	$30,932	$36,129	-	-
Total Long-term Debt	$47,435	$46,455	$44,840	-	-
Total Capitalization	$127,441	$125,711	$127,676	-	-
Important Financial Ratios:					
Coverage Ratio (Cash Flow)	1.95x	1.23x	2.57x	1.91x	1.70x
Excess Margin (Profitability)	23.32%	(3.71%)	15.64%	11.02%	1.60%
Debt to Capitalization (Leverage)	37%	37%	35%	36%	62%
Days Cash on Hand (Liquidity)	1,155	572	729	819	536
Cash to Debt (Leveraged Liquidity)	75%	67%	81%	74%	64%

* Includes a total of 109 standalone long-term care facilities rated by Fitch Ratings in 2020.

ANALYSIS AND RECOMMENDATIONS

PEPAY THE DISTRICT'S OUTSTANDING 2014 CERTIFICTES OF PARTICIPATION:
The District's consideration to use District reserves to prepay a portion of or all its outstanding 2014 COPs can take on evaluations from several perspectives. See "Exhibit B Debt Service Schedules" and "Exhibit C Savings Analysis" for the 2014 COPs based on the assumptions of no early prepayment, a $10,000,000 early prepayment and a $20,000,000 early prepayment. The comparison and analysis of debt service payments and related cash flow savings are referred to below. Each perspective evaluated is summarized below:

From a cash flow perspective, based on current market conditions, the District would generate a net positive cash flow of approximately $750,000 with a $10,000,000 prepayment and approximately $1,450,000 with a $20,000,000 prepayment of the 2014 COPs. However, on a present value basis (utilizing the District's most recent return on its investments of 2.476% as the discount rate), these cash flows would produce negative present value figures for both a $10,000,000 prepayment (negative $1,942,814) and for a $20,000,000 prepayment (negative $3,860,341). Furthermore, both early prepayment options would place the District in less than favorable positions with respect to its liquidity position (510 DCOH after a $10,000,000 prepayment and 291 DCOH after a $20,000,000 prepayment). Also, should swap rates continue to increase in the future as they have over the past six months, the net positive cash flow generated for the District would increase in the future well above the amounts indicated above. As of May 25, 2022, a 1.06% increase in the then current swap rate would have reduced the termination/prepayment fee to zero. When a similar analysis was completed in 2019, the same increase needed in the swap rate to achieve a breakeven upon termination of the hedge agreement was 2.07% or an improvement of 1.01% since September of 2019.

From an investment return versus a cost of capital perspective, assuming that current reinvestment rates on fixed income securities continue to increase over the foreseeable future, as is expected, the District's investment return may soon match or exceed the interest rate paid on the 2014 COPs. Currently, the 3.91% interest rate on the 2014 COPs exceeds the most recent average weighted investment rate of return on the District's investments (2.48%) by 1.43%. As indicated above, if fixed interest rates continue to rise as expected in the future, this spread will narrow with investment returns potentially exceeding the interest rate on the 2014 COPs. Also, as long-term interest rates rise the termination fee associated with the Western Alliance Bank/Bank of Montreal hedge agreement will decline and potentially move into a negative position thus requiring Western Alliance Bank to actually pay the District if the hedge agreement is terminated.

From a debt service perspective, the District's debt service coverage ratio will marginally improve with a partial prepayment and redemption of the 2014 COPs until the 2014 COPs are fully redeemed at which time the debt service on the 2014 COPs will be eliminated. Section 10.1 of the Lease Agreement requires that any partial prepayment of principal is to be applied against the lease principal payments in inverse order of payment date. As such, any partial prepayment is first applied to the $15,575,000 balloon payment due on January 15, 2034, and after that balloon payment is fully repaid, to the sinking fund lease principal payments in inverse order of each lease principal payment date beginning with the lease principal payment due on January 15, 2034. Therefore, a prepayment of the 2014 COPs will either reduce the balloon payment due upon maturity of the 2014 COPs or will reduce the maturity of the 2014 COPs, should the amount of the prepayment exceed $17,470,000 (equals the balloon payment of $15,575,000 referenced above plus the final sinking fund payment of $1,895,000).

From an opportunity risk perspective, assuming that current interest rates continue to rise over the next several months and/or years, as they have over the past six months, the termination fee due to Western Alliance to prepay the 2014 COPs will decline and even potentially move to a negative position, during which time Western Alliance may be required to pay the District to prepay the 2014 COPs.

The financial impact on the District's leverage (debt to capital ratio), liquidity (days cash on hand) and coverage (debt service coverage ratio) due to an early prepayment of the 2014 COPs are as follows:

		Prepay & Redemption Amount		
	Current	**$10.0M**	**$20.0M**	**$34.0M**
Debt to Capital Ratio	35%	30%	23%	12%
Days Cash on Hand	729	510	291	(16)
Debt Service Coverage Ratio	1.91x	2.22x	2.58x	9.73x

The District's Debt to Capital Ratio currently is strong at 35% reflecting that the District is not highly leveraged (or said another way, the District has not relied heavily on the issuance of debt to secure capital in the past) and in fact is in a fairly low leveraged position. Although a partial prepayment of the 2014 COPs improves its leverage position, it is already at a low leveraged position when compared with Fitch's median Debt to Capital Ratio of 62%. Similar findings result when you evaluate the impact of an early prepayment on the District's Debt Service Coverage Ratio in that it is relatively strong at 1.91x (the average over the past three years) and that it will improve with an early refunding of the 2014 COPs, by moving an already strong coverage ratio into an even stronger position. However, the detrimental impact of an early refunding resides in its impact on the District's liquidity by reducing its Days Cash on Hand below 536, the Fitch median ratio level for 2020.

As a general rule, I have a fundamental aversion to paying off low coupon debt that does not contain any restrictive financial covenants or restrictions to the borrower's operations, in particular during a time of rising interest rates. I have always been of the belief that cash is king and should be reserved for improving or expanding operations, where good business sense is present, or should be set aside for a rainy day because there is a good chance in the not-to-distant future the rain will fall, maybe even a downpour may present itself and the District should prepare itself to weather such an event. I once heard someone say they didn't understand the logic of jumping out of a perfectly good airplane (skydiving) unless you are an extreme risk taker and a thrill seeker and I would suggest that I don't see the logic in eliminating perfectly good capital unless there are very compelling reasons to do so. At this point in time I don't see a compelling reason to redeem the District's outstanding debt obligations.

The most compelling reason I can think of for not repaying a portion of the District's 2014 COPs early at this time, aside from the financial reasons indicated above, is that the economics of such a refunding will likely improve dramatically over the next 6 to 24 months, given the most recent trends in fixed interest rates, which trend are likely to continue into the foreseeable future.

Should the District determine there are compelling reasons to repay a portion or all of the 2014 COPs in the future, I would suggest that the District make a concerted effort now to build its cash reserves above its current levels so that post redemption the District's liquidity will still be at an acceptable level and to request that Western Alliance mark-to-market their hedge agreement on a scheduled basis to monitor where the termination/prepayment fee is moving. With updated information on the District's cash reserves and the calculated termination/prepayment fee, the District will be in a better position to evaluate the merits of an early prepayment and redemption of its 2014 COPs in the future.

However, I would not recommend any early prepayment of the 2014 COPs at this time due to the reasoning provided above.

Evaluate the Financial Ratios Used in Evaluating the District's Future Financial Performance:
I would recommend removal of two of the current seven financial ratios used by the District in evaluating its financial performance. I would remove the EBIDA Margin as it is a profitability ratio similar to the Excess Margin and I more typically see the Excess Margin used instead of the EBIDA Margin by rating agencies, credit enhancers and purchasers of debt. I would also remove the Debt Burden ratio as I do not see it used often by credit analysts in their evaluation of healthcare credits and other ratios used are more reflective of an entity's financial performance and financial structure. As such, I would use the following five benchmark ratios in the District's Strategic Financial Policy Procedures (see Exhibit D):

- Debt Service Coverage Ratio
- Excess Margin
- Debt to Capitalization
- Days Cash on Hand
- Cash to Debt

I would also recommend the District utilize the financial ratios contained in the Fitch Ratings Not-for-Profit Life Plan Communities Median Ratios, Special Report. I believe these ratios are more relevant to the District and its current operations. This industry grouping incorporates other standalone long-term care and senior living facilities, including assisted living and memory care facilities and excludes much larger healthcare systems that do not mirror the District. Frankly, the District is like no other organization that I have been associated with and there is no rating agency grouping of rated entities that will match up well with the District, primarily due to its large tax base, investment income and unique leasing operations, which historically have comprised over 50% of the District's total revenues. Furthermore, it's recent opening of The Trousdale and the pandemic make any benchmarking to other institutions a difficult task at the present time. However, I do believe the financial ratios recommended above will provide the District with the most relevant financial metrics for comparison purposes.

Strategic Financial Policy approved by the Board of Directors on 2/27/2020:

- Revise Policy 1 as follows. The District will meet or exceed benchmark financial ratios achieved by ~~highly~~ investment grade rated Not-For-Profit health care organizations that are similar in size and type as the District.
- Revise Policy 2 to state "Board Reserves" (as represented in Note 5 of the District's audited financial statements for the FYE June 30, 2021) instead of "Board Designated Fund." I believe the District should consider increasing the Board Reserve to at least $15 million to provide for its liquidity covenant of $7,500,000 required by the 2014 COPs and 2017 COPs and to provide operating reserves sufficient to meet unanticipated future downturns in operations and other emergencies. You might also want to also increase the Board Reserve, by resolution of the Board of Directors, to set aside additional reserves for the funding of needed programs that require cash for either the startup of new programs or to fund nonprofitable operations of District programs into the future or for other strategic initiatives (the purchase of land and buildings, preserve Peninsula Hospital or certain core services of Peninsula Hospital, if needed, among others). This designation by the Board can be revised by action of the Board at future Board meetings.
- Revise Purpose 1 in light of Policy 2, in that the District would not be able to preserve Peninsula Hospital at lease end without a significantly larger reserve in its board designated fund without

securing voter approved general obligation bonds secured by property taxes and likely not even then as the proceeds of general obligation bonds cannot be used to purchase equipment that is personal property or to pay for operating expenses.

Strategic Financial Policy Procedures approved by the Board of Directors on 2/27/2020:

- Revise Procedure 1 as recommended above in Policy 1.
- Revise Procedure 1.1 from "Ratios for Not-For-Profit Health Care (including Health Care Systems, the Senior Living Sector, and other sectors)" to "Fitch Ratings Not-for-Profit Life Plan Communities Median Ratios (Standalone Medians)" that includes 109 credits for 2020.
- Revise Procedure 1.2 from seven to five financial ratios, as indicated on the attached Exhibit D. Remove reference to Not-for-Profit Health Care Systems as the District does not fit this category.
- Revise Procedure 1.3 as indicated on the attached Exhibit D.
- Revise or eliminate Procedure 2 as the District has not shown any reserves in a Board Designated Fund during either 2020 or 2021. See additional comments on Policy 2 above.

I would be pleased to answer any questions that you or any of the District's Board members may have concerning this assessment of Peninsula Health Care District and I look forward to presenting my findings at your Finance Committee meeting on July 12, 2022.

Sincerely,

Gary Hicks

Gary Hicks
President

Exhibit A

PENINSULA HEALTH CARE DISTRICT
SUMMARY OF AUDITED FINANCIAL STATEMENTS
000's OMITTED

	Fiscal Year Ending June 30									3-Year	Debt Redemption			Fitch LTC Median
	2013	2014	2015	2016	2017	2018	2019	2020	2021	Average	$10.0M	$20.0M	$34.0M	Ratios[3]
Governmental Activities/Fund:														
Tax Revenue	$ 4,839	$ 5,110	$ 5,443	$ 5,899	$ 6,375	$ 6,868	$ 7,413	$ 7,820	$ 8,462	$ 7,898				
Investment Earnings	87	761	-	783	471	114	1,067	662	81	603				
Other Revenues	14	11	378	21	22	33	6	3	4	4				
Total Revenues	$ 4,940	$ 5,882	$ 5,821	$ 6,703	$ 6,868	$ 7,015	$ 8,486	$ 8,485	$ 8,547	$ 8,506				
Expenditures - Community Grants	1,992	2,155	5,055	1,907	2,050	1,939	1,925	5,494	2,805	3,408				
Expenditures - General Government [1]	916	706	990	773	1,002	903	1,148	1,519	1,515	1,394				
Operating Income (Loss)	$ 2,032	$ 3,021	$ (224)	$ 4,023	$ 3,816	$ 4,173	$ 5,413	$ 1,472	$ 4,227	$ 3,704				
Transfers In (Out)	$ 1,491	$ (18,434)	$ 789	$ (13,951)	$ (3,778)	$ (2,119)	$ (4,325)	$ (1)	$ -	$ (1,442)				
Change in Net Position	**$ 3,523**	**$ (15,413)**	**$ 565**	**$ (9,928)**	**$ 38**	**$ 2,054**	**$ 1,088**	**$ 1,471**	**$ 4,227**	**$ 2,262**				
Proprietary Activities/Fund:														
Trousdale Revenue	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,913	$ 8,494	$ 9,072	$ 6,826				
Dental Revenue	-	-	-	-	-	1,397	1,721	1,451	1,969	1,714				
Fitness Center Revenue	-	-	-	-	-	-	139	108	24	90				
Leasing Income	2,397	2,255	2,411	2,442	2,451	2,619	2,613	2,440	2,945	2,666				
Total Operating Income	$ 2,397	$ 2,255	$ 2,411	$ 2,442	$ 2,451	$ 4,016	$ 7,386	$ 12,493	$ 14,010	$ 11,296				
Total Operating Expenses	637	426	755	938	897	3,537	8,865	13,923	14,981	12,590				
Operating Income (Loss)	$ 1,760	$ 1,829	$ 1,656	$ 1,504	$ 1,554	$ 479	$ (1,479)	$ (1,430)	$ (971)	$ (1,293)				
Non-Operating Revenues (Expense)	-	10	-	828	(338)	486	(303)	(791)	323	(257)				
Transfers In (Out)	(1,491)	18,434	(789)	13,951	3,778	2,119	4,325	1	-	1,442				
Change in Net Position	**$ 269**	**$ 20,273**	**$ 867**	**$ 16,283**	**$ 4,994**	**$ 3,084**	**$ 2,543**	**$ (2,220)**	**$ (648)**	**$ (108)**				
Total Change in Net Position	**$ 3,792**	**$ 4,860**	**$ 1,432**	**$ 6,355**	**$ 5,032**	**$ 5,138**	**$ 3,631**	**$ (749)**	**$ 3,579**	**$ 2,154**				
Add Depreciation & Amortization Expense	218	114	110	71	82	350	1,666	2,915	2,942	2,508				
Add Interest Expense	-	-	-	-	-	-	956	1,772	1,735	1,488				
Available for Debt Service (EBIDA)	**$ 4,010**	**$ 4,974**	**$ 1,542**	**$ 6,426**	**$ 5,114**	**$ 5,488**	**$ 6,253**	**$ 3,938**	**$ 8,256**	**$ 6,149**	***$ 6,149***	***$ 6,149***	***$ 6,149***	
Maximum Annual Debt Service (MADS)				$ 2,580	$ 2,580	$ 3,212	$ 3,212	$ 3,212	$ 3,212	$ 3,212	2,774	$2,383	$632	
MADS Coverage Ratio (EBIDA/MADS)	***N/A***	***N/A***	***N/A***	***2.49x***	***1.98x***	***1.71x***	***1.95x***	***1.23x***	***2.57x***	***1.91x***	***2.22x***	***2.58x***	***9.73x***	**1.70x**
Excess Margin [2]	***51.68%***	***59.65%***	***17.40%***	***63.72%***	***56.03%***	***44.61%***	***23.32%***	***-3.71%***	***15.64%***	***11.02%***				**1.60%**
Long-term Debt (Long-term + Short-term portion)	$ -	$ 4,530	$ 40,000	$ 40,000	$ 39,475	$ 48,475	$ 47,435	$ 46,455	$ 44,840		$ 34,840	$ 24,840	$ 10,840	
Net Assets, net of restricted (Governmental)	44,339	24,739	24,851	12,278	14,329	16,383	17,470	18,940	23,168		23,168	23,168	23,168	
Net Assets, net of restricted (Proprietary)	15,261	17,527	30,852	48,699	54,396	57,683	62,536	60,316	59,668		59,668	59,668	59,668	
Total Capitalization	$ 59,600	$ 46,796	$ 95,703	$ 100,977	$ 108,200	$ 122,541	$ 127,441	$ 125,711	$ 127,676		$ 117,676	$ 107,676	$ 93,676	
Debt to Capitalization	***0%***	***10%***	***42%***	***40%***	***36%***	***40%***	***37%***	***37%***	***35%***		***30%***	***23%***	***12%***	**62%**
Unrestricted Cash and Investments (Governmental)	$ 44,559	$ 24,930	$ 22,749	$ 11,953	$ 11,429	$ 12,930	$ 14,030	$ 15,411	$ 12,626		$ 12,626	$ 12,626	$ 626	
Unrestricted Cash and Investments (Proprietary)	466	23,450	15,135	31,787	33,367	25,916	21,507	15,521	23,503		12,639	1,775	(1,438)	
Total Unrestricted Cash & Investments	$ 45,025	$ 48,380	$ 37,884	$ 43,740	$ 44,796	$ 38,846	$ 35,537	$ 30,932	$ 36,129		$ 25,265	$ 14,401	$ (812)	
Total Daily Cash Requirements	$ 9	$ 9	$ 18	$ 10	$ 11	$ 17	$ 31	$ 54	$ 50		50	50	50	
Days Cash on Hand [4]	***4,940***	***5,565***	***2,067***	***4,513***	***4,228***	***2,352***	***1,155***	***572***	***729***		***510***	***291***	***(16)***	**536**
Cash to Debt	***N/A***	***1068%***	***95%***	***109%***	***113%***	***80%***	***75%***	***67%***	***81%***		***73%***	***58%***	***-7%***	**64%**

	Existing Debt		Debt Redemption		
Maximum Annual Debt Service (MADS):	**Par Amt. @ 6/30/21**	**MADS[5]**	**$10.0M**	**$20.0M**	**$34.0M**
2014 COPs ($40.0M Par @ 3.91% matures in 2034)	$35,220,000	$2,580	$2,142	$1,751	$0
2017 COPs ($10.0M Par @ 3.47% matures in 2037)	$9,410,000	632	632	632	632
Total Maximum Annual Debt Service		$3,212	$2,774	$2,383	$632

(1) Includes administration, communications, legal, financial & other.
(2) Excess Margin = Combined Change in Net Position / (Total Revenues + Total Income (Loss)).
(3) Fitch Ratings Nonprofit Life Plan Communities, standalone median ratios for 2020 (109 sample size).
(4) Days Cash on Hand = Unrestricted Cash & Investments / ((Total Expenses - Deprec. & Amort.) / 365).
(5) MADS - Maximum Annual Debt Service.

PENINSULA HEALTH CARE DISTRICT
WESTERN ALLIANCE 2014 TAX-EXEMPT COPs
DEBT SERVICE SCHEDULE @ 3.91% - $20.0 Prepay

Exhibit B

Draw & Payment Dates	COP Payments Interest	COP Payments Principal	Total Debt Service	Principal Balance	Debt Service No Prepayment	Debt Service Savings
8/1/2022				$ 14,040,000.00	-	-
2/1/2023	$ 274,482.00	$ 1,225,000.00	$ 1,499,482.00	12,815,000.00	$ 1,890,482.00	$ 391,000.00
8/1/2023	250,533.25		250,533.25	12,815,000.00	641,533.25	391,000.00
2/1/2024	250,533.25	1,275,000.00	1,525,533.25	11,540,000.00	1,916,533.25	391,000.00
8/1/2024	225,607.00		225,607.00	11,540,000.00	616,607.00	391,000.00
2/1/2025	225,607.00	1,325,000.00	1,550,607.00	10,215,000.00	1,941,607.00	391,000.00
8/1/2025	199,703.25		199,703.25	10,215,000.00	590,703.25	391,000.00
2/1/2026	199,703.25	1,380,000.00	1,579,703.25	8,835,000.00	1,970,703.25	391,000.00
8/1/2026	172,724.25		172,724.25	8,835,000.00	563,724.25	391,000.00
2/1/2027	172,724.25	1,435,000.00	1,607,724.25	7,400,000.00	1,998,724.25	391,000.00
8/1/2027	144,670.00		144,670.00	7,400,000.00	535,670.00	391,000.00
2/1/2028	144,670.00	1,495,000.00	1,639,670.00	5,905,000.00	2,030,670.00	391,000.00
8/1/2028	115,442.75		115,442.75	5,905,000.00	506,442.75	391,000.00
2/1/2029	115,442.75	1,555,000.00	1,670,442.75	4,350,000.00	2,061,442.75	391,000.00
8/1/2029	85,042.50		85,042.50	4,350,000.00	476,042.50	391,000.00
2/1/2030	85,042.50	1,620,000.00	1,705,042.50	2,730,000.00	2,096,042.50	391,000.00
8/1/2030	53,371.50		53,371.50	2,730,000.00	444,371.50	391,000.00
2/1/2031	53,371.50	1,685,000.00	1,738,371.50	1,045,000.00	2,129,371.50	391,000.00
8/1/2031	20,429.75		20,429.75	1,045,000.00	411,429.75	391,000.00
2/1/2032	20,429.75	1,045,000.00	1,065,429.75	-	2,161,429.75	1,096,000.00
8/1/2032	-		-	-	377,217.25	377,217.25
2/1/2033	-		-	-	2,202,217.25	2,202,217.25
8/1/2033	-		-	-	341,538.50	341,538.50
2/1/2034	-	-	-	-	2,236,538.50	2,236,538.50
Totals	$ 2,809,530.50	$ 14,040,000.00	$ 16,849,530.50		$ 30,141,042.00	$ 13,291,511.50

PENINSULA HEALTH CARE DISTRICT

Exhibit C

Savings Analysis of $20,000,000 Prepayment
2014 $40,000,000 COPs

Date	Semi-Annual Debt Service Savings [1]	Reduced Investment Earnings [2]	Net Semi-Annual Cash Flow	Cumulative (Cost) Savings	Prepayment Amount [3] & Net Cash Flow
8/1/2022					$ 20,000,000.00
8/1/2022					1,728,000.00
8/1/2022			$ (21,728,000.00)	$ (21,728,000.00)	$ (21,728,000.00)
2/1/2023	$ 391,000.00	$ (268,992.64)	$ 122,007.36	(21,605,992.64)	$ (21,605,992.64)
8/1/2023	391,000.00	(267,482.19)	123,517.81	(21,482,474.83)	(21,482,474.83)
2/1/2024	391,000.00	(265,953.04)	125,046.96	(21,357,427.87)	(21,357,427.87)
8/1/2024	391,000.00	(264,404.96)	126,595.04	(21,230,832.82)	(21,230,832.82)
2/1/2025	391,000.00	(262,837.71)	128,162.29	(21,102,670.53)	(21,102,670.53)
8/1/2025	391,000.00	(261,251.06)	129,748.94	(20,972,921.60)	(20,972,921.60)
2/1/2026	391,000.00	(259,644.77)	131,355.23	(20,841,566.37)	(20,841,566.37)
8/1/2026	391,000.00	(258,018.59)	132,981.41	(20,708,584.96)	(20,708,584.96)
2/1/2027	391,000.00	(256,372.28)	134,627.72	(20,573,957.24)	(20,573,957.24)
8/1/2027	391,000.00	(254,705.59)	136,294.41	(20,437,662.83)	(20,437,662.83)
2/1/2028	391,000.00	(253,018.27)	137,981.73	(20,299,681.10)	(20,299,681.10)
8/1/2028	391,000.00	(251,310.05)	139,689.95	(20,159,991.15)	(20,159,991.15)
2/1/2029	391,000.00	(249,580.69)	141,419.31	(20,018,571.84)	(20,018,571.84)
8/1/2029	391,000.00	(247,829.92)	143,170.08	(19,875,401.76)	(19,875,401.76)
2/1/2030	391,000.00	(246,057.47)	144,942.53	(19,730,459.23)	(19,730,459.23)
8/1/2030	391,000.00	(244,263.09)	146,736.91	(19,583,722.32)	(19,583,722.32)
2/1/2031	391,000.00	(242,446.48)	148,553.52	(19,435,168.80)	(19,435,168.80)
8/1/2031	391,000.00	(240,607.39)	150,392.61	(19,284,776.19)	(19,284,776.19)
2/1/2032	1,096,000.00	(238,745.53)	857,254.47	(18,427,521.72)	(18,427,521.72)
8/1/2032	377,217.25	(228,132.72)	149,084.53	(18,278,437.19)	(18,278,437.19)
2/1/2033	2,202,217.25	(226,287.05)	1,975,930.20	(16,302,506.99)	(16,302,506.99)
8/1/2033	341,538.50	(201,825.04)	139,713.46	(16,162,793.52)	(16,162,793.52)
2/1/2034	17,811,538.50	(200,095.38)	17,611,443.12	1,448,649.59	1,448,649.59
Total	**$ 28,866,511.50**	**$ (5,689,861.91)**			

The Net Present Value of the cash flow (represents the present value of the discounted prepayment, prepayment fee & net semi-annual savings to today's dollars at a 2.476% discount rate) is $ (3,860,341.35)

Note: Analysis from 2/1/2023 to 2/1/2034 represents 11 years.
Through 8/1/2029 the breakeven point is reached on the cost of the prepayment.
Prepayment requires minimum of 45 days advance written notice to WAB.
2014 COPs mature on 2/1/2034 when a balloon payment is due.

(1) Reduced debt service payments on the 2014 COPs at 3.91% due to $20,000,000 redemption.

(2) Most recent quarter ending March 30, 2022, investment yield for City National Bank is 2.476%.
Assumes reinvestment of monthly cash flow savings and related investment earnings.

(3) Represents $20,000,000 principal payment and $1,728,000 in prepayment/termination fees.

PENINSULA HEALTH CARE DISTRICT

Procedures 1.2. and 1.3. Financial Ratios

Exhibit D

Procedure 1.2.

Ratio	Inputs and Calculations
Debt Service Coverage Ratio	EBIDA / Future Peak Principal Payments and Interest Expense (Maximum Annual Debt Service)
Excess Margin	Total Change in Net Position/ (Total Revenues + Total Non-operating Income)
Debt to Capitalization	(Long-term Debt + Short-term Portion of Long-term Debt) / (Long-term Debt + Short-term Portion of Long-term Debt + Total Net Position - Restricted Net Position)
Days Cash on Hand	Unrestricted Cash & Investments + Board Designated Funds) / ((Total Expenses - Deperciation & Amotization Expense) / 365)
Cash to Debt	(Unrestricted Cash & Investments + Board Designated Funds) / (Long-term Debt + Short-term Portion of Long-term Debt)

EBIDA = Total Change in Net Position (Earnings) + Interest Expense + Depreciation & Amortization Expense

Procedure 1.3.

Financial Policy Ratios	NFP Senior Living/Life Plan Communities - 2020 (Standalone Medians)	Peninsula Health Care District Ratios - FYE June 30, 2021
Debt Service Coverage Ratio	1.70x	2.57x
Excess Margin	1.60%	15.64%
Debt to Capitalization	62%	35%
Days Cash on Hand	536	729
Cash to Debt	64%	81%