

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
TAX-EXEMPT EQUIPMENT FINANCING PROGRAM
EXECUTIVE SUMMARY**

Applicant:	Northern California P.E.T. Imaging Center (NCPIC) 3195 Folsom Boulevard, Suite 110 Sacramento, CA 95816 Sacramento County	Amount Requested:	\$2,500,000
		Requested Loan Term:	Up to 10 years
		Authority Meeting Date:	July 31, 2025
		Resolution Number:	E-28
Project Site:	3195 Folsom Boulevard, Suite 110, Sacramento, CA 95816		
Facility Type:	Nonprofit health facility (molecular imaging center - outpatient, nonacute care)		
Eligibility:	Government Code 15432(d)		
Background: NCPIC is a not-for-profit, community benefit organization that was founded in 1991 as the nation’s first freestanding non-university positron emission tomography (PET) center. NCPIC is an independent molecular imaging center providing diagnostic information to evaluate cancer, neurologic, and cardiac conditions, and specializing in cutting-edge technology, such as PET, computed tomography (CT), molecular breast imaging, and neuro imaging.			
Use of Proceeds: Note proceeds will be used to purchase a new PET/CT imaging scanner to replace an older scanner for use in its Sacramento facility.			
Type of Issue: Private placement of tax-exempt equipment notes			
Expected Credit Rating: Unrated – (Please see Guideline Discussion on page 2)			
Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest.</i>			
Financial Overview: NCPIC’s income statement appears to exhibit increasing operating results over the review period. NCPIC appears to display a solid balance sheet with a pro-forma FY 2024 operating debt service coverage ratio of 1.5x.			
Estimated Sources of Funds:		Estimated Uses of Funds:	
Note Proceeds	\$ 2,500,000	Purchase Equipment	\$ 2,450,347
Equity Contribution	<u>347</u>	Financing Costs	<u>50,000</u>
Total Estimated Sources	<u>\$ 2,500,347</u>	Total Estimated Uses	<u>\$ 2,500,347</u>
Due Diligence: Staff has confirmed the following documentation provided by NCPIC satisfies the California Health Facilities Financing Authority’s (Authority) requirements: Eligibility, Legal Review, and the certifications for Pass-Through Savings and Community Service Obligation.			
Staff Recommendation: Staff recommends the Authority approve Resolution No. E-28 in an amount not to exceed \$2,500,000 subject to the conditions in the resolution. TAP International, Inc., the Authority’s financial analyst, and KNN Public Finance, LLC, the Authority’s municipal advisor, concur with the Authority’s staff recommendation.			

Disclaimer: Any information related to the borrower, including any data or analysis related to the borrower’s financial condition or ability to repay the financing, described in this staff report is based on information provided by the borrower and was prepared solely for members of the Authority’s Board and to satisfy certain provisions of the California Health Facilities Financing Authority Act (Gov. Code, §15430 et seq.). Prospective investors should not rely on information in this staff report and must perform their own due diligence to obtain information essential to making an informed investment decision.

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

NCPIC is requesting to issue tax-exempt notes through the Authority’s Tax-Exempt Equipment Loan Program to purchase a new PET/CT imaging scanner to be used at its Sacramento location and to pay costs of issuance. The new PET/CT imaging scanner will replace an older outdated scanner and will provide higher quality images, increase efficiencies, and reduce the exposure of patients to gamma rays during scans. Loan proceeds will be provided by Flagstar Public Funding Corp. (Flagstar). The final interest rate will be established no more than 30 days prior to closing and will be determined by the Average Life Secured Overnight Financing Rate (also known as SOFR) Swap Rate plus a spread of between 45 – 70 basis points depending on the final term of the loan. Once set, the interest rate will be fixed for the term of the loan. KNN Public Finance, LLC, the Authority’s municipal advisor, and the Public Finance Division will review the final rate to ensure it is appropriate for NCPIC.

***Equipment* \$2,450,347**

Note proceeds will be used to purchase a United Imaging PET/CT Panorama Scanner. The new scanner will provide greater precision with advanced digital PET detectors and a new 160-slice CT scanner, which can detect neurological conditions and over 550 types of cancers as small as a grain of rice. Additionally, the new scanner increases safety by using 50% less radiopharmaceuticals (gamma rays) without compromising diagnostic accuracy. The new scanner will enhance overall comfort for patients as the design of the scanner accommodates more patient body types, and the improved efficiencies of the scanner are projected to reduce scanning times by half.

***Financing costs* 50,000**

- Estimated costs of issuance \$50,000

***Total Estimated Uses of Funds* ... \$2,500,347**

II. GUIDELINE DISCUSSION

The NCPIC Series 2025 Revenue Notes (the 2025 Notes) will be an unrated private bank placement with Flagstar Public Funding Corp. (Flagstar). In accordance with CHFFA's Issuance Guidelines for Unrated Debt (Debt Guidelines), the following requirements have been applied to the issuance of the 2025 Notes:

- Must be privately placed with and transferred only to a "Qualified Institutional Buyer" (QIB) as defined by SEC Rule 144A, promulgated under the Securities Act of 1933
- Minimum denomination of \$100,000

All of the foregoing requirements are designed to maximize the likelihood that the unrated 2025 Notes will be placed with sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The 2025 Notes is not rated because the purchaser does not require the 2025 Notes to be rated. The Debt Guidelines require the purchaser to be a QIB as defined in SEC Rule 144A and the purchaser will make an independent credit determination to purchase the 2025 Notes.

Staff has completed its due diligence, and KNN has reviewed the Term Sheet provided by Flagstar to NCPIC, the Master Financing Agreement, and the Equipment Schedule No. 1 associated with this financing package and found these documents and proposed guidelines for unrated debt to be acceptable.

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III. FINANCIAL STATEMENTS AND ANALYSIS

**Northern California P.E.T. Imaging Center
Statement of Activities
(Income Statement)**

	For the Years Ended December 31,		
	2024	2023	2022
Revenues			
Net imaging service revenue	\$ 9,700,035	\$ 6,134,611	\$ 6,024,265
Radiochemistry services revenue	-	-	872,290
Research revenue	431,185	483,209	472,672
Employee Retention Tax Credit income	-	99,160	-
Other revenue	222,619	60,360	32,688
Total revenues	<u>10,353,839</u>	<u>6,777,340</u>	<u>7,401,915</u>
Expenses			
Clinical supplies	4,897,546	2,516,812	2,332,984
Salaries and benefits	1,924,334	1,970,561	2,218,642
Professional fees	836,066	836,318	879,351
Repairs and maintenance	454,613	477,034	479,451
Depreciation and amortization	421,718	184,056	382,878
Building and equipment rent	242,552	292,305	380,282
Occupancy	234,986	217,667	237,399
Office supplies	59,291	59,024	-
Advertising and marketing	28,277	45,079	-
Mobile operations	-	68,520	135,433
Other	270,520	175,665	226,060
Total expenses	<u>9,369,903</u>	<u>6,843,041</u>	<u>7,272,480</u>
Income (loss) from operations	983,936	(65,701)	129,435
Other Income			
Rental income	226,850	226,850	629,553
Investment income	223,060	218,352	(278,470)
Gain on sale of equipment	-	275,000	-
Interest income	-	-	42,442
Other income	-	-	289,741
Total other income	<u>449,910</u>	<u>720,202</u>	<u>683,266</u>
Increase in net assets	1,433,846	654,501	812,701
Net assets, beginning of year	<u>6,283,896</u>	<u>5,629,395</u>	<u>4,816,694</u>
Net assets, end of year	<u>\$ 7,717,742</u>	<u>\$ 6,283,896</u>	<u>\$ 5,629,395</u>

Northern California P.E.T. Imaging Center
Statements of Financial Position
(Balance Sheet)

	As of December 31,			
	2024	2023	2022	
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,066,956	\$ 1,797,279	\$ 2,866,609	
Investments	3,098,132	1,831,917	1,636,870	
Imaging accounts receivable	1,557,063	1,181,429	871,006	
Less allowance for credit losses	(458,203)	(117,210)	(208,417)	
Imaging accounts receivable, net	1,098,860	1,064,219	662,589	
Rent and other receivables	304,921	267,743	440,805	
Prepaid expenses	65,744	57,370	82,386	
Deposit on equipment	225,319	-	-	
Total current assets	<u>5,859,932</u>	<u>5,018,528</u>	<u>5,689,259</u>	
Noncurrent assets:				
Property and equipment, net	6,474,942	3,122,336	455,669	
Right-of-use assets, operating leases	182,671	1,321,083	1,557,633	
Total noncurrent assets	<u>6,657,613</u>	<u>4,443,419</u>	<u>2,013,302</u>	
Total assets	<u>\$ 12,517,545</u>	<u>\$ 9,461,947</u>	<u>\$ 7,702,561</u>	
Liabilities and Net Assets				
Current liabilities:				
Accounts payable	\$ 573,387	\$ 504,351	\$ 265,269	
Accrued expenses	189,640	225,907	176,245	
Operating lease liabilities, current	53,537	268,727	262,925	
Note payable, current	244,917	207,128	-	
Total current liabilities	<u>1,061,481</u>	<u>1,206,113</u>	<u>704,439</u>	
Noncurrent liabilities				
Operating lease liabilities, net	135,734	1,119,328	1,368,727	
Note payable, net	3,602,588	852,610	-	
Total noncurrent liabilities	<u>3,738,322</u>	<u>1,971,938</u>	<u>1,368,727</u>	
Total liabilities	<u>4,799,803</u>	<u>3,178,051</u>	<u>2,073,166</u>	
Net assets	<u>7,717,742</u>	<u>6,283,896</u>	<u>5,629,395</u>	
Total liabilities and net assets	<u>\$ 12,517,545</u>	<u>\$ 9,461,947</u>	<u>\$ 7,702,561</u>	
	Proforma^(a)			
	FYE 12/31/2024	2024	2023	2022
Debt Service Coverage by Operating Income (x)	1.5	5.1	6.2	N/A
Debt Service Coverage by Net Assets (x)	2.0	6.7	43.9	N/A
Debt to Unrestricted Net Assets (x)	0.8	0.5	0.2	0.0
Margin (%)		9.5	(1.0)	1.7
Current Ratio (x)		5.5	4.2	8.1

^(a) Recalculates FY 2024 results to include the impact of the proposed financing.

Financial Discussion

NCPIC's income statement appears to exhibit increasing operating results over the review period.

Total revenues fluctuated over the review period, from over \$7.4 million in FY 2022, down to approximately \$6.8 million in FY 2023, and then increased sharply to about \$10.4 million in FY 2024. According to NCPIC's management, the fluctuations in total revenues were the result of several changes. First, the sale of the Radiochemistry and Optimal Tracers businesses in December of 2022 eliminated radiochemistry services revenue in FYs 2023 and 2024. The whole-body, radiochemistry scans were replaced with scans that management judged to be more effective in disease detection. Second, management incorporated more costly specialized scans to detect prostate and brain abnormalities. The charges for specialty scans were higher – billed anywhere from \$3,000 to \$5,000 per scan - compared to whole body scans, which were billed at \$115 per scan. Third, the new specialty scan services resulted in a change in scan volumes. In FY 2023, scan volumes for whole body, prostate, and brain scans were 1,436, 436, and 40, respectively. In FY 2024, scan volumes decreased to 1,331 for whole body scans, prostate scans decreased to 399, and brain scans increased to 808. Finally, an increase in patient visits and an increase in higher priced brain scans resulted in the increase of net imaging service revenue in FY 2024. In FY 2022, the patient visits resulted in approximately \$6 million of net imaging service revenues. Visits increased by 1.8% in FY 2023, which increased net imaging service revenues to just over \$6.1 million. FY 2024 saw a 58% increase in net imaging service revenue to over \$9.7 million due to a 38% increase in patient visits and a substantial increase in higher priced brain scans. Management intends to continue performing specialty scans; therefore, the increased revenue trend is expected to continue.

Total expenses fluctuated during the review period from approximately \$7.3 million in FY 2022, then decreased to just over \$6.8 million in FY 2023, then to over \$9.3 million in FY 2024. NCPIC's largest expense – clinical supplies - experienced growth from over \$2.3 million in FY 2022 to nearly \$4.9 million in FY 2024. The increase in clinical supplies and the higher costs of supplies associated with the higher volume of brain scans resulted from the change in volume of scans mentioned above. NCPIC's second largest expense, salaries and benefits, decreased year over year from over \$2.2 million in FY 2022, down to approximately \$2 million in FY 2023, then decreased further to just over \$1.9 in FY 2024. According to NCPIC's management, the decrease in salaries and benefits in FY 2023 was primarily due to natural attrition, the retirement of a longtime, permanent CEO and the hiring of an interim CEO, which resulted in a temporary overlap of executive salaries. The further reduction in FY 2024 was mainly due to consolidation and overall cost reduction in executive leadership.

NCPIC appears to display a solid balance sheet with a pro-forma FY 2024 operating debt service coverage ratio of 1.5x.

NCPIC maintained solid short-term liquidity as total current assets exceeded total current liabilities each year of the review period. NCPIC's current ratio, a measure of liquidity, was 8.1x, 4.2x, and 5.5x in FYs 2022, 2023, and 2024, respectively. Cash and cash equivalents decreased from approximately \$2.9 million in FY 2022 to nearly \$1.8 million in FY 2023, then decreased again to under \$1.1 million in FY 2024. According to NCPIC's management, the decrease was due to a reclassification related to investments in liquid marketable securities. An item to note is that there was a \$225,000 "Deposit on Equipment" line item in FY 2024 that was required by the vendor for the order of the new scanner that will be purchased through this financing.

NCPIC carried no debt in FY 2022 but obtained a loan through the Authority's Healthcare Expansion Loan Program II (HELP II) in October 2023 for the purchase of a PET/CT scanner for its Rocklin location. With the new HELP II loan, NCPIC's net debt service coverage ratio was 43.9x in FY 2023 and 6.7x in FY 2024. In October 2024, NCPIC obtained a loan from the Local Initiatives Support Corporation (LISC) to purchase the land and building of the Sacramento headquarters that NCPIC had been leasing. With the addition of the LISC loan and the new 2025 Notes, NCPIC's proforma FY 2024 net debt service coverage ratio decreases to 2x, which demonstrates a solid ability to repay its debt.

IV. DUE DILIGENCE

Due diligence has been completed with regard to the following items:

- **Section 15438.5(a) of the Act (Pass-Through Savings):** NCPIC completed and submitted the Pass-Through Savings Certification.
- **Section 15459.1 of the Act (Community Service Obligation):** NCPIC completed and submitted the Community Service Obligation Certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act (Pub. Resources Code, §21000 et seq.)):** The California Environmental Quality Act documentation is not applicable to this particular financing.
- **Legal Review:** NCPIC completed and submitted documentation responsive to the Authority’s Legal Status Questionnaire.
- **Iran Contracting Act Certificate (Pub. Contract Code, §2200 et seq.):** The Iran Contracting Act Certificate is not applicable to this particular financing.

V. OUTSTANDING DEBT

	Original Amount	Amount Outstanding as of December 31, 2024	Estimated Amount Outstanding after Proposed Financing
EXISTING LONG-TERM DEBT			
HELP II Loan (CHFFA 2023) Local Initiatives Support Corporation	\$ 1,091,039	\$ 846,126	\$ 846,126
PROPOSED NEW DEBT			
CHFFA Series 2025 Tax-Exempt Notes			
TOTAL DEBT		\$ 3,843,229	\$ 6,343,229

VI. UTILIZATION STATISTICS

**Patient Visits by Scan Type
Fiscal Year Ending December 31,**

Scan Type	2024	2023	2022
Amyloid Brain	808	40	67
Whole Body	1,331	1,436	1,632
Prostate	399	436	303
Breast	2	1	5
Neuroendocrine Tumor (NET Spot)	53	31	34
Total	2,593	1,944	2,041

VII. BACKGROUND AND LICENSURE

Background:

Founded in 1991, NCPIC is a nonprofit 501(c)(3) health facility, having a duly constituted governing board with administrative and professional responsibility and medical staff that provides outpatient, nonacute care. NCPIC is an independent molecular imaging center providing diagnostic information to evaluate cancer, neurologic, and cardiac conditions. NCPIC also plays a role in the emergence of new drugs used in the diagnosis of these diseases by providing clinical and preclinical radiotracers to researchers in academic and pharmaceutical settings. NCPIC provides specialized positron emission tomography and computed tomography imaging and diagnostic services to patients in the greater Sacramento area at its main office in Midtown Sacramento and its Rocklin office. NCPIC offers new molecular imaging technologies by expanding the use of PET to provide scans to evaluate recurrent prostate cancer, detect the presence of amyloid plaque in patients with suspected Alzheimer's disease, and to evaluate neuroendocrine tumors.

NCPIC's mission is the commitment to remain at the apex of technology in the industry and the ongoing dedication to research and innovation, not only utilizing the latest advances in molecular imaging, but forging those advances.

Licensure, Certification and Accreditation

Northern California P.E.T. Imaging Center is accredited by the American College of Radiology.

VIII. STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution Number E-28 in an amount not to exceed \$2,500,000 for Northern California P.E.T. Imaging Center, subject to the conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC, the Authority's municipal advisor, concur with the Authority's staff recommendations.

EXHIBIT 1

FINANCING TEAM

Borrower: Northern California PET Imaging Center

Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Issuer's Municipal Advisor: KNN Public Finance, LLC

Issuer's Financial Analyst: TAP International, Inc.

Special Tax Counsel: Stradling Yocca Carlson & Rauth LLP

Borrower's Counsel: McDougal Boehmer Foley Lyon Mitchell
& Erickson

Borrower's Financial Advisor: Fieldman, Rolapp & Associates, Inc.

Note Purchaser: Flagstar Public Funding Corp.

Note Purchaser's Counsel: Womble Bond Dickinson (US) LLP

Auditor: Gilbert CPAs

RESOLUTION NO. E-28

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF PROGRAM REVENUE NOTES RELATED TO THE FINANCING OF CERTAIN EQUIPMENT AT THE HEALTH FACILITIES OF NORTHERN CALIFORNIA P.E.T. IMAGING CENTER

WHEREAS, the California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the “Act”) to issue notes and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes) and to refinance indebtedness of a participating health institution in connection therewith; and

WHEREAS, Northern California P.E.T. Imaging Center (the “Corporation”), is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and owns and operates health care facilities in the State of California; and

WHEREAS, the Corporation has requested that the Authority issue a note not to exceed \$2,500,000 and make a loan of the proceeds thereof, on a tax-exempt basis, to the Corporation to (i) finance costs incurred with the implementation of a new PET CT Imaging Scanner that will replace an older PET CT Imaging Scanner and to install the scanner in the Corporation’s Sacramento health facility, to be owned and operated by the Corporation (the “Equipment”), and (ii) if the Corporation desires, pay costs of issuance of the 2025 Note (as defined below); and

WHEREAS, the 2025 Note will be purchased, or privately placed with Flagstar Public Funding Corp.(“Flagstar”), for the purpose of financing costs incurred with the implementation of the Equipment; and

WHEREAS, the Authority, Flagstar and the Corporation will enter into a Master Financing Agreement (the “Master Financing Agreement”) and an Equipment Schedule No. 1 (the “Schedule No. 1”) pursuant to which the Authority will issue the 2025 Note and Flagstar will purchase the 2025 Note to provide funds to the Corporation to finance costs incurred with the implementation of the Equipment; and

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the California Government Code, the Corporation has provided documentation to the Authority demonstrating, to the extent applicable, that the Equipment has complied with Division 13 (commencing with section 21000) of the Public Resources Code or is not a “project” under such division; and

WHEREAS, approval of the terms of issuance and sale of the 2025 Note, and various related matters is now sought;

NOW, THEREFORE, BE IT RESOLVED BY THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY, AS FOLLOWS:

SECTION 1. Pursuant to the Act, a note of the Authority designated as the “California Health Facilities Financing Authority Program Revenue Note (Northern California P.E.T. Imaging Center), Series 2025” (with such additional identifying information as the Corporation and the Authority agree is necessary) (the “2025 Note”), in an aggregate principal amount of not to exceed \$2,500,000, on a tax-exempt basis, is authorized to be issued. The proceeds of the 2025 Note shall be used for the purposes set forth in the third recital above.

SECTION 2. The Treasurer is hereby authorized to sell the 2025 Note at private sale to Flagstar, at any time and from time to time prior to the first anniversary of the date of this Resolution, in such aggregate principal amount (not to exceed the aggregate principal amount set forth in Section 1) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Corporation, may determine.

SECTION 3. The proposed forms of the following documents:

- (i) Master Financing Agreement; and
- (ii) Schedule No. 1,

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein as the officer executing same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof. Any of the Executive Director or Deputy Executive Director, or each of their designees, shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

SECTION 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Master Financing Agreement are true and correct.

SECTION 5. The dated dates, maturity dates (with respect to the 2025 Note, not exceeding 10 years from the date of issue), interest rates, manner of determining interest rates, interest payment dates, series or subseries designation, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the 2025 Note, shall be as provided in the Master Financing Agreement, the 2025 Note and Schedule No. 1, as finally executed.

SECTION 6. The 2025 Note, when so executed, shall be delivered to Flagstar or its designee and upon payment of the purchase price thereof as confirmed by the Corporation.

SECTION 7. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the 2025 Note, and otherwise to effectuate the purposes of this Resolution, the Master Financing Agreement and Schedule No. 1. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation, any escrow agreement, tax certificate and agreement and other certifications.

SECTION 8. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

SECTION 9. The provisions of the Authority's Resolution No. 2023-06 apply to the documents and actions approved in this Resolution.

SECTION 10. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____