Bienvivir Senior Health Services

Series 2010 Bonds: Transition from LIBOR to SOFR

May/June, 2023

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Bond Structure and Why the City is Involved:

- The City of El Paso Health Facilities Development Corporation (HFDC) is a Texas non-profit health facilities development corporation duly created by the City pursuant to the provisions of Chapter 221, Texas Health and Safety Code, as amended, as a constituted authority and instrumentality of the City of El Paso

- In order for Bienvivir Senior Health Services (Bienvivir) to borrower money on a tax-exempt basis, bonds were issued through the HFDC
  Series 2002: Financing of new 88,000 sf McKinnley PACE Center
  Series 2007: Refinancing of Series 2002 and $6.3 million capital expenditures
  Series 2010: Refinancing of Series 2007 and $2.5 million capital expenditures

- HFDC is not an obligor on the debt and no City funds or taxes are used to pay any debt issued by the HFDC for Bienvivir's benefit

- As Issuer of the Series 2010 Bonds, HFDC must consent to any changes to the loan documents

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Reason for Modification to the Bonds:

- The Bienvivir Series 2010 bonds are tax-exempt and pay interest at a variable rate based on a percentage of the London Interbank Offered Rate (LIBOR) with a tenor of 1-month
- In 2017, UK regulators[1] announced the discontinuation of LIBOR
- **1-month LIBOR will cease to be reported on June 30, 2023**
- In 2017, US regulators[2] identified the Secured Overnight Financing Rate (SOFR) as the recommended replacement to USD LIBOR
- In March, 2021, Bloomberg[3] published recommended spreads to be added to SOFR as a replacement to 1-month LIBOR.
- JPMorgan Chase Bank, N.A., as lender, has offered to replace 1-month LIBOR at SOFR plus a spread that is 0.01448% less than the recommended published spread

[1] UK Financial Conduct Authority
[2] Alternative Reference Rates Committee (ARRC)
[3] Under the International Swaps and Derivatives Association (ISDA) definitions and the LIBOR Act passed by Congress, Bloomberg is the "golden source" for calculating the Fallback Rate SOFR which includes the recommended spreads added to SOFR so that when combined with the spread, it approximates LIBOR

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Action Needed to Achieve HFDC consent:

- City Council first reappoints members to the HFDC Board
- For ease of administration, the City amended the HFDC articles of incorporation at its May 23 Council meeting such that the HFDC Board mirrors the City Council
- The HFDC Board/City Council now meets to approve the change to the Bienvivir loan documents
- **The HFDC President (and Secretary) will sign the First Supplement to the Indenture of Trust and Security Agreement and the Bond reflecting the changed terms**
- Bienvivir will pay all City legal fees associated with these modifications

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Summary of Changed Terms of the Indenture of Trust and Security Agreement

The changes being made to the existing loan documents are minimal and are summarized as follows:

1. Existing interest rate will change from 67% x (**1-Month LIBOR** + 2.00%) to 67% x ((**SOFR + 0.10%**) + 2.00%))

2. Definitions are added to account for the new index

3. Provisions are added to provide for a mechanism for determining a new index rate in the future if SOFR is ever discontinued

No changes are being made to the existing term, security structure, nor covenants

Summary

Request of City and City Council Members

- Bienvivir Senior Health Services, located at 2300 McKinley Ave 79930 has requested that the City reconstitute the governing board of the HFDC in order to approve modifications to the Bienvivir existing loan documents
    - City Council took action on May 23
- Bienvivir requests that the HFDC Board take action to approve the loan document modifications in order to substitute the SOFR index for the LIBOR index that is being phased out
- The changes to the loan documents are necessary because of the global phase out of the LIBOR index which is used in the existing loan documents
- No costs are being incurred by the City with respect to the requested modification
- No City funds or taxes are used to pay any debt issued by the HFDC for Bienvivir's benefit