

**CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: El Camino Hospital (“ECH”) 2500 Grant Road Mountain View, CA 94040 Santa Clara County</p> <p>Project Site: 2500 Grant Road, Mountain View, California 94040. Facility Type: Acute care hospital; Government Code 15432(d)(1). Prior Borrower: Yes, 2015. Obligated Group: ECH is the sole member of the Obligated Group.</p>	<p>Amount Requested: \$325,000,000 Requested Loan Term: Up to 40 years Authority Meeting Date: October 19, 2016 Resolution Number: 420</p>																				
<p>Background: ECH is a California nonprofit public benefit corporation of which the El Camino Healthcare District (the “District”) is the sole member. ECH operates a single hospital comprised of two campuses. One is a full-service, acute-care community hospital located in Mountain View, California, which opened in 1961, and is licensed for up to 300 beds and provides a range of clinical and surgical services including: behavioral health, cancer, community health, diagnostic radiology, emergency, and pediatrics. The primary service area for the Mountain View campus includes the cities of Mountain View, Los Altos, Los Altos Hills, Sunnyvale, and Cupertino. The second campus, which was acquired in 2009, is an acute care hospital facility licensed for up to 143 beds, located in Los Gatos, California. <i>(See Exhibit 5 for additional background, and licensing information)</i></p>																					
<p>Use of Proceeds: Bond proceeds will be used to reimburse, finance and/or refinance the cost of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain health facilities located at or on the campus generally located at 2500 Grant Road, Mountain View, California 94040, pay capitalized interest on the bonds and pay costs in connection with the issuance of the bonds.</p>																					
<p>Type of Issue: Negotiated public offering with fixed rate bonds (Expected minimum denominations of \$5,000) Expected Credit Rating: A+/A1 S&P/Moody’s Financing Team: <i>See Exhibit 1 to identify possible conflicts of interest</i></p>																					
<p>Financial Overview: ECH’s income statement appears to exhibit consistently solid operating results over the review period. ECH appears to be in a strong financial position with an operating pro-forma debt service coverage ratio of 3.42x.</p>																					
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Estimated Sources of Funds:</u></th> <th colspan="2" style="text-align: left;"><u>Estimated Uses of Funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Bond proceeds</td> <td style="width: 20%; text-align: right;">\$ 325,000,000</td> <td style="width: 30%;">Project Fund</td> <td style="width: 20%; text-align: right;">\$ 294,000,000</td> </tr> <tr> <td></td> <td></td> <td>Capitalized Interest Fund</td> <td style="text-align: right;">27,000,000</td> </tr> <tr> <td></td> <td></td> <td>Cost of Issuance and other</td> <td style="text-align: right;">4,000,000</td> </tr> <tr> <td>Total Estimated Sources</td> <td style="text-align: right;"><u>\$ 325,000,000</u></td> <td>Total Estimated Uses</td> <td style="text-align: right;"><u>\$ 325,000,000</u></td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Bond proceeds	\$ 325,000,000	Project Fund	\$ 294,000,000			Capitalized Interest Fund	27,000,000			Cost of Issuance and other	4,000,000	Total Estimated Sources	<u>\$ 325,000,000</u>	Total Estimated Uses	<u>\$ 325,000,000</u>
<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>																			
Bond proceeds	\$ 325,000,000	Project Fund	\$ 294,000,000																		
		Capitalized Interest Fund	27,000,000																		
		Cost of Issuance and other	4,000,000																		
Total Estimated Sources	<u>\$ 325,000,000</u>	Total Estimated Uses	<u>\$ 325,000,000</u>																		
<p>Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, Community Service Obligation, Iran Contracting Act Certification, and CEQA documentation. All documentation satisfies the Authority’s requirements.</p>																					
<p>Staff Recommendation: Staff recommends the Authority approve Resolution Number 420 for El Camino Hospital in an amount not to exceed \$325,000,000 subject to the conditions in the resolution and, contingent upon submission of FY 2016 audit financial statement being materially consistent with unaudited financial statement presented in the executive summary. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and KNN Public Finance, the Authority’s financial advisor, concur with the Authority’s staff recommendation.</p>																					

I. PURPOSE OF FINANCING:

The proceeds of the bonds will be used to reimburse, finance and/or refinance the costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities of the Corporation, which includes upgrades and capital projects at ECH – Mountain View, located at or on the campus generally located at 2500 Grant Road in Mountain View, California 94040.

***Project Fund* \$294,000,000**

ECH plans to construct and renovate several facilities located at or on the campus generally located at 2500 Grant Road in Mountain View, California 94040.

The projects financed and refinanced using bond proceeds include the following:

- Constructing, furnishing and equipping a new Behavioral Health Services Building and a new Integrated Medical Office Building,
- Constructing and equipping a new parking structure associated with such Integrated Medical Office Building.
- Constructing and equipping the North Drive Garage expansion.
- Demolishing North Addition to the old main hospital building preparatory to construction of the Integrated Medical Office Building.
- Constructing, furnishing and equipping of the Central Utility Plant.
- Expanding, remodeling, renovating, furnishing and equipping the Women’s Hospital Building.

***Capitalized Interest Fund* 27,000,000**

***Estimated Cost of Issuance* 4,000,000**

***Total Estimated Uses of Funds* \$325,000,000**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

ECH is the sole member of an obligated group under a Master Trust Indenture, pursuant to which the proposed Bonds would be secured. ECH will be the borrower under the loan agreement with CHFFA and will act on behalf of the Obligated Group. All covenants below are applicable to each Member of the Obligated Group. There are also protective tests limiting Members from being added to or withdrawing from the Obligated Group if the change would result in a significant reduction of the financial strength of the Obligated Group.

This executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants and disclosures cannot be diluted or removed without subsequent review. If there have been modifications to the proposed covenants and disclosures following the preparation of this executive summary, staff will report it at the meeting.

After reviewing ECH's credit profile, including its current financial profile, prior bond transactions, its current primary security document (Master Trust Indenture dated as of March 1, 2007, as supplemented to date (the "Master Indenture")) for an obligation issued thereunder to support payment on the proposed issue of bonds (the "Obligation"), and considering what the market will support, ECH, KNN Public Finance, LLC. (the Authority's financial advisor), and the underwriter have concluded the covenants listed below balance the interests of ECH, the Authority, and the investors and are consistent with covenants that have applied to ECH's prior bond transactions and that the ECH's current financial situation does not suggest additional covenants should be required.

Loan Agreement:

Unconditional Promise to Pay. ECH's obligations under the Loan Agreement and under the Obligation are absolute and unconditional, until loan agreement terminated and all payments payable thereunder are made. ECH agrees to pay the Bond Trustee all amounts required for principal, interest or redemption premium, if applicable, on the Bonds and to pay other payments and expenses designated in the Loan Agreement, including indemnification and expenses, and under the Obligation. In addition, ECH covenants in the Loan Agreement to perform and observe all of its other agreements contained therein. [Loan Agreement Section 4.5]

Comply with SEC Rule 15c2-12. ECH will agree to comply with and carry out the provisions of a continuing disclosure agreement to assist the underwriter in complying with SEC Rule 15c2-12, under the continuing disclosure agreement ECH will contractually agree to disclose designated financial and operating information to the MSRB web site (EMMA) during the life of the Bonds on an annual/quarterly basis and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.[Loan Agreement Section 5.7]

Bond Indenture:

Pledge and Assignment of Revenues. All Revenues (which will include payments under the Loan Agreement and the Obligation) and any other amounts held in one of the designated funds or accounts under the Bond Indenture (other than the Rebate Fund) are pledged to secure the full payment of the bonds. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Bonds. [Bond Indenture. Sec. 5.01(A)]

The Authority will transfer in trust, and grant a security interest in and assign to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged as described in the preceding paragraph and all of the right, title and interest of the Authority in (1) the Loan Agreement (except for (i) the right to receive certain expenses payable to the Authority, (ii) any rights of the Authority to be indemnified and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of ECH to make deposits pursuant to the Tax Certificate) and (2) the Obligation.

Master Indenture:

Payment of Required Payments. Each Obligated Group Member (*currently ECH is the only Member of the Obligated Group*) jointly and severally covenants to promptly pay, or cause to be paid, all Required Payments at the place, on the dates and in the manner provided in the Master Indenture, or in any Related Supplement or Master Indenture Obligation (including the Obligation). Each Obligated Group Member further covenants to faithfully observe and perform all of the conditions, covenants and requirements of this Master Indenture, any Related Supplement and any Master Indenture Obligation. [Master Indenture Section 3.01]

Maintenance of Properties, Payment of Indebtedness. Each Obligated Group Member covenants to maintain its Property, Plant and Equipment in accordance with applicable laws, ordinances, regulations etc. to maintain and operate its Property, Plant and Equipment in reasonably good working condition and to pay and discharge all applicable taxes, assessments etc. which may be assessed or may become Liens upon Property, Plant and Equipment, to pay or otherwise satisfy Indebtedness and to use best efforts to maintain permits licenses and other governmental approvals necessary for the operation of its property. [Master Indenture Section 3.04]

Against Encumbrances. Each Obligated Group Member covenants that it will not create, assume or suffer to exist any Lien upon the Property of the Obligated Group, except for Permitted Liens. Each Obligated Group Member further covenants that if such a Lien (other than a Permitted Lien) is created or assumed by any Obligated Group Member, it will make or cause to be made effective a provision whereby all Master Indenture Obligations will be secured prior to any obligation secured by such Lien. [Master Indenture Section 3.05]

Debt Service Coverage Requirement. The Master Indenture contains a debt service coverage requirement based on 1.15:1.0 determined by dividing Income Available for Debt Service by Maximum Annual Debt Service; if such ratio is less than 1.15:1.0, the Credit Group Representative is required to hire an Independent Consultant, provided, however if the ratio is less than 1.0:1.0 for any Fiscal Year it is an Event of Default. [Master Indenture Section 3.06]

Limitations on Mergers, Sales or Conveyances. Each Obligated Group Member covenants not to merge or consolidate with any other entity that is not an Obligated Group Member or sell or convey all or substantially all of its assets to any Person that is not an Obligated Group Member unless authorized by various limiting measures in the Master Indenture. [Master Indenture Section 3.07]

Addition to, and Withdrawal from, Obligated Group. No Obligated Group Member can be added to or withdraw from the Obligated Group unless authorized by various limiting measures in the Master Indenture. [Master Indenture Sections 3.08 and 3.09]

Limitations on Disposition of Assets. The Master Indenture does not permit any Member of the Obligated Group to sell, lease or otherwise dispose of any Property unless authorized by various limiting measures. [Master Indenture Section 3.10]

Additional Debt Limitation. Each Obligated Group Member covenants not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Master Indenture. [Master Indenture 3.11]

Insurance Required. Each Obligated Group Member, respectively, covenants and agrees that it will keep the Property, Plant and Equipment and all of its operations adequately insured at all times and carry and maintain such insurance in amounts which are customarily carried, subject to customary deductibles, and against such risks as are customarily insured against by other health care institutions in connection with the ownership and operation of health facilities of similar character and size in the State. [Master Indenture 3.13]

Gross Revenue Fund. Each Obligated Group Member agrees, so long as the Obligation is outstanding, to deposit all revenues, income, fees, rates, receipts, rentals and money received by or on behalf of the Members into a Gross Revenue Fund over which the Master Trustee has a deposit account agreement for the benefit of bondholders. [Master Indenture Section 3.14]

Staff has reviewed the contents of this financing package and find these documents and proposed covenants to be acceptable. KNN Public Finance, LLC has reviewed the ECH Master Indenture as well as the ECH draft Loan Agreement, Indenture, Supplemental Master Indenture, Preliminary Official Statement, Appendix A and prior ECH 2015 offering document associated with this financing package and find these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

**El Camino Healthcare District
Consolidated Statements of Operations
(In Thousands)**

	As of June 30,		
	2016 (Unaudited)	2015	2014
Operating revenues:			
Net patient service revenue*	\$ 772,173	\$ 746,645	\$ 719,487
Other revenues	34,237	29,830	28,378
Total operating revenues	806,410	776,475	747,865
Operating expenses:			
Salaries, wages, and benefits	439,877	412,818	398,577
Professional fees and purchased services	106,838	100,152	91,240
Supplies	118,096	110,003	104,382
Depreciation and amortization	49,051	44,913	47,839
Rent and utilities	15,669	15,137	15,431
Other	25,824	18,138	21,333
Total operating expenses	755,355	701,161	678,802
Operating income	51,055	75,314	69,063
Nonoperating revenue (expense) items:			
General Obligation bond interest expense	-	(4,604)	(4,674)
Intergovernmental transfer expense	(802)	(6,759)	(2,391)
Realized investment income	(214)	18,774	18,706
Bond interest expense	(4,523)	-	-
Unrealized investment income	-	-	35,943
Property tax revenues	-	21,097	19,153
Designated to support community benefit programs and operating expenses	7,626	-	-
Designated to support capital expenditures	6,171	-	-
Levied for Debt Service	9,836	-	-
Restricted gifts, grants and bequests, and other	7,038	4,344	1,521
Unrealized loss on interest rate swaps	(3,214)	(1,009)	(142)
Community benefit expense	(6,049)	(8,023)	(7,150)
Other, net	(2,805)	1,621	(779)
Noncontrolling interest in subsidiary earnings	-	-	-
Total nonoperating revenues and expenses	13,064	25,441	60,187
Increase in net position	64,119	100,755	129,250
CUMULATIVE EFFECT OF RESTATEMENT	-	(9,125)	-
Total Net Position, beginning of year	1,194,885	1,103,255	974,005
Total Net Position, end of year	\$ 1,259,004	\$ 1,194,885	\$ 1,103,255

* Net of provision for bad debts of \$18,966, \$22,160, and \$18,690, in FY 2016, FY 2015, and FY 2014 respectively.

Net Patient Service Revenues for FYE June 30, 2016

Payor Source*

Medicare	27
Medi-Cal	3
Commercial and other	70
Total	100

*ECH does not itemize Affordable Care Act net patient service revenues separately from other payor sources.

Net Patient Service Revenues for FYE June 30, 2015

Payor Source*

Medicare	26
Medi-Cal	2
Commercial and other	72
Total	100

*ECH does not itemize Affordable Care Act net patient service revenues separately from other payor sources.

**El Camino Healthcare District
Consolidated Balance Sheet (In Thousands)**

ASSETS	As of June 30,		
	2016 (Unaudited)	2015 (Restated)	2014
Current assets:			
Cash and cash equivalents	\$ 63,422	\$ 59,149	\$ 53,112
Short-term investments	188,466	226,758	226,230
Current portion of board designated and trustee assets	15,472	9,298	11,735
Patient accounts receivable*	121,570	96,053	103,056
Prepaid expenses and other current assets	22,100	22,538	21,730
Notes receivable, current	80	3	30
Total current assets	<u>411,110</u>	<u>413,799</u>	<u>415,893</u>
Non-current cash and investments			
Board-designated funds	491,494	474,833	422,066
Restricted funds	50	55	53
Funds held by trustee	46,293	50,081	19,418
Total noncurrent assets	<u>537,837</u>	<u>524,969</u>	<u>441,537</u>
Capital assets, net	743,127	698,436	663,650
Pledges receivable, net	2,683	1,825	846
Prepaid pension asset	22,651	24,327	36,099
Investments in health care affiliates	30,469	30,718	26,119
Beneficial interest in charitable remainder unitrusts	3,596	1,015	-
Total assets	<u>1,751,473</u>	<u>1,695,089</u>	<u>1,584,144</u>
Deferred Outflows			
Loss on defeasance of bond payable	14,764	15,364	-
Deferred outflows of resources	5,100	7,200	-
Deferred outflows - actuarial	9,950	2,654	-
Total deferred outflows	<u>29,814</u>	<u>25,218</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 1,781,287</u>	<u>\$ 1,720,307</u>	<u>\$ 1,584,144</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Current portion of capital lease obligations	\$ -	\$ -	\$ -
Accounts payable and accrued expenses	28,973	30,926	30,441
Salaries, wages, and related liabilities	49,053	46,248	43,847
Other current liabilities	16,754	10,112	12,099
Estimated third-party payor settlements	11,314	20,253	21,944
Current portion of bonds payable	8,145	7,713	4,994
Total current liabilities	<u>114,239</u>	<u>115,252</u>	<u>113,325</u>
Capital lease obligations, net of current portion	-	-	-
Bonds payable, net of current portion	349,336	358,906	316,991
Other long-term obligations	13,955	10,633	10,247
Worker's compensation, net of current portion	20,009	22,419	24,037
Postretirement medical benefits, net of current portion	18,256	17,197	16,289
Total liabilities	<u>515,795</u>	<u>524,407</u>	<u>480,889</u>
Deferred inflow of resources	6,488	1,015	-
Net position			
Invested in capital assets, net of related debt	447,401	353,560	363,111
Restricted - expendable	11,599	7,460	4,993
Restricted - nonexpendable	2,708	2,235	1,785
Unrestricted	797,296	831,630	733,366
Total net position	<u>1,259,004</u>	<u>1,194,885</u>	<u>1,103,255</u>
Total liabilities and net position	<u>\$ 1,774,799</u>	<u>\$ 1,719,292</u>	<u>\$ 1,584,144</u>

*Net of allowances for doubtful accounts of \$25,927 and \$9,187 in FY 2016 and FY 2015, respectively.

Financial Ratios:

	Proforma ^(a)			
	FYE June 30, 2016			
Debt Service Coverage - Operating	3.42	7.34	9.92	10.03
Debt Service Coverage - Net Income	2.20	4.72	5.96	9.31
Debt to Unrestricted Net Assets	0.86	0.45	0.44	0.44
Margin (%)		6.33	9.70	9.23
Current Ratio		3.60	3.59	3.67

^(a) Recalculates FY 2016 unaudited results to include the impact of this proposed financing.

The audited financial statements of El Camino Healthcare District, which is the sole member of ECH, were analyzed in this section. ECH's net revenues were approximately 99% of the total net revenues of the District and Affiliates. The net position of ECH was approximately 103% of the total net position of the District and Affiliates.

Financial Discussion - Statement of Activities (Income Statement)

El Camino Healthcare District's (the "District") income statement appears to exhibit improving operating results with revenue growth during the review period.

The District experienced improving revenue each year from FY 2014 to FY 2016. Additionally, revenues exceeded expenses in each year of the review period, resulting in operating margins of approximately 9.2%, 9.7%, and 6.3% in FY 2014, 2015 and 2016, respectively. Including non-operating revenues, ECH's total net assets increased from approximately \$1.1 billion in FY 2014 to approximately \$1.25 billion in FY 2016, an increase of about 14.1%.

Particular Facts to Note:

- The District experienced operating gains in each of the three years reviewed. From FY 2014 to FY 2015, operating income increased from approximately \$69 million to roughly \$75 million, but decreased to approximately \$51 million in FY 2016. According to District management, this decrease in operating income is attributable to increased operating expenses, namely an increase in salaries, wages, and benefits as well as Professional fees and purchased services and supplies among others. Additionally, a decline in investment income from approximately \$18.7 million in FY 2015 to a loss of approximately \$217,000 in FY 2016 appears to have affected operating income.
- From FY 2015 to FY 2016, total operating expenses increased roughly 7.7%, while revenues increased approximately 3.9% during the same period. According to District management, much of this increased expense can be attributed to the implementation and training of the iCare healthcare patient records system.
- Salaries, wages, and benefits increased approximately 10.4% from FY 2014 to FY 2016, from roughly \$398 million to approximately \$440 million. According to District management, much of this increase is attributable to new hires, with 43 Full Time Equivalents ("FTE") added in FY 2016 as well as training and implementation expenses related to iCare.
- Net patient service revenue appeared to increase each year and may have been affected by the Affordable Care Act, ("ACA") which addresses a broad range of topics affecting the healthcare sector, including a significant expansion of healthcare coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare coverage and an expansion in Medicaid eligibility. The impact of ACA legislation will likely affect the District. The effect of the changes that will be required in future years are not determinable at this time.

Financial Discussion - Statement of Financial Position (Balance Sheet)

The District appears to be in a strong financial position with a solid ability to service its debt obligations and a proforma debt service coverage ratio of 3.42x during the review period

The District appears to exhibit a strong ability to repay its debt with a FY 2016 operating debt service coverage ratio of 7.34x. With the new bond issue, the District will have an operating pro-forma debt service coverage ratio of 3.42x. The District's balance sheet appears to display growth with total assets increasing from approximately \$1.58 billion in FY 2014 to approximately \$1.77 billion in FY 2016. The District's debt to unrestricted net assets ratio remained stable, moving from .44x in FY 2014 to .45x in FY 2016, indicating a healthy financial position. With this new money issuance, the District's proforma debt to unrestricted net assets will increase to roughly .86x.

Particular Facts to Note:

- Net capital assets appeared to increase each year from FY 2014 to FY 2016. Net capital assets grew from approximately \$663 million in FY 2014 to approximately \$743 million in FY 2016, an increase of roughly 12%. This increase in capital assets appears to be partially attributable to acquisitions related to future construction projects as well as capital investments made toward the implementation of ECH's iCare record system.
- Funds held by the trustee appears to have increased from approximately \$19 million in FY 2014 to approximately \$50 million in FY 2015. According to the District's management, this increase may be attributable to the terms of revenue and general obligation bond indenture agreements necessitating larger amounts to be held by the trustee.
- Board-designated funds grew approximately 16.4% from FY 2014 to FY 2016. In FY 2014, the District registered approximately \$422 million in board-designated funds, approximately \$474.8 million in FY 2015, and approximately \$491.5 million in FY 2016. According to the District's management, board-designated funds include assets set aside by the board for future capital improvements and other operational reserves.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** ECH properly completed and submitted the “Pass-Through Savings Certification” in addition to a narrative explaining how it intends to pass along savings.

ECH funds a variety of programs that improve the health of the underserved through school nurses, mental health counseling, education, and other services. ECH yearly allocates funds to programs that serve residents of the hospital community. Funding is available through grant and sponsorship opportunities. Addressing the unmet health needs of the underserved is the overarching purpose of ECH’s Community Benefit Program. Four key priorities for Community Benefit funds include: healthcare access, mental health, healthy eating and physical activity, and community health education/health literacy.

The District provides separate funds to support programs that serve residents who live, work, or go to school in the District.

Below is the link for ECH’s Community Benefit Website:

<https://www.elcaminohospital.org/about-us/community-benefit>

- **Section 15491.1 of the Act (Community Service Requirement):** ECH properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** ECH properly submitted a description of how it is complying with the Office of Statewide Health Planning Development’s seismic regulations requirement.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** ECH properly submitted relevant documentation addressing CEQA.
- **Religious Affiliation Due Diligence:** ECH properly completed and submitted relevant documentation to meet the religious due diligence requirement.
- **Legal Review:** ECH properly completed and submitted relevant documentation for the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** The underwriter properly submitted the certificate to the Authority.

EXHIBIT 1
FINANCING TEAM

Borrower: El Camino Hospital

Issuer's Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Issuer's Financial Advisor: KNN Public Finance, LLC

Issuer's Financial Analyst: Macias, Gini & O'Connell, LLP

Borrower's Counsel: Buchalter Nemer, PC

Borrower's Financial Advisor: Ponder & Company

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP

Underwriter: Citigroup Global Markets, Inc.

Underwriter's Counsel: Stradling, Yocca, Carlson, & Rauth, PC

Trustee: Wells Fargo Bank, National Association

Trustee Counsel: Wells Fargo & Company

Auditor: Moss Adams, LLP

Rating Agencies: Standard & Poor's Financial Services, LLC
Moody's Investors Service, Inc.

EXHIBIT 2

UTILIZATION STATISTICS

The following table shows utilization statistics of ECH for the fiscal years ended June 30, 2014, 2015 and 2016:

	As of June 30,		
	2014	2015	2016
Licensed beds	443	443	443
Discharges	18,567	19,081	18,618
Births	5,207	5,113	4,742
Patient days	86,883	89,787	88,700
Occupancy %	54%	94%	93%
Average daily census	238	246	242
Average length of stay (days)	4.7	4.7	4.8
Inpatient surgical procedures	4,571	4,488	4,508
Outpatient surgical procedures	6,385	6,474	6,099
Emergency room visits	57,839	61,286	60,433
Total outpatient visits	227,798	201,580	198,733

EXHIBIT 3
OUTSTANDING DEBT

El Camino Hospital

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding ^(a) As of June 30, 2015</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
-EXISTING LONG-TERM DEBT:			
SCCFA 2009A Bonds	\$50,000,000	\$50,000,000	\$50,000,000
CHFFA 2015A Bonds	175,000,000	175,000,000	175,000,000
- PROPOSED NEW DEBT:			
<i>CHFFA 2016 Series A</i>			325,000,000
- TOTAL DEBT		\$ 225,000,000	\$ 550,000,000

(a) Includes current portion of long-term debt.

EXHIBIT 4

BACKGROUND AND LICENSURE

Background

El Camino Healthcare District (the “District”) is organized as a political subdivision of the State of California, which was created in October 1956 for the purpose of operating an acute care hospital and providing management services. ECH, a California nonprofit public benefit corporation, of which the District is the sole member, operates a single hospital comprised of two campuses. The original campus, also named El Camino Hospital, opened in 1961 and is a full-service, acute-care community hospital, headquartered in Mountain View, California. The community hospital serves up to 300 beds, and provides a range of clinical and surgical services, including: behavioral health, cancer, community health, diagnostic radiology, dialysis, emergency, and pediatric among others. ECH’s primary service area includes Mountain View, Los Altos, Los Altos Hills, Sunnyvale, and Cupertino.

In 2009, ECH expanded its services by acquiring and reopening Los Gatos Hospital Facility, now known as El Camino Hospital – Los Gatos (ECH-LG), a 143-licensed bed acute care hospital facility in Los Gatos, California. ECH-LG serves ECH’s south secondary market, which includes Los Gatos, Saratoga, Campbell, and a portion of San Jose. Both campuses serve ECH’s east primary service area, which includes Alviso, a portion of San Jose, Santa Clara, and Sunnyvale. ECH-LG shares the same nonprofit status as ECH, and is managed by the same executive team and governed by the same board of directors as well.

Affiliated entities include: (i) El Camino Hospital Foundation – founded in 1982 and serves as the primary fundraising entity for ECH; (ii) CONCERN – established in 1983 as an Employee Assistance Program that provides benefits including individual and family counseling, childcare referrals, older adult services, and referrals to community services; and (iii) El Camino Surgery Center, LLC – an outpatient ambulatory surgery facility located on the ECH campus.

Joint Ventures

ECH is part of a joint venture with Dignity Health (formerly known as Catholic Healthcare West), in which each entity is an equal member of Pathways, a California nonprofit corporation. Pathways is comprised of: (i) Pathways Home Health and Hospice; (ii) Pathways Private Duty; and (iii) Pathways Hospice Foundation. Pathways Home Health and Hospice provides home care and hospice services to patients throughout the San Francisco Bay Area. Pathways Private Duty provides comprehensive skilled home health care and support services to patients on a short or long-term basis. Pathways Hospice Foundation raises funds and community awareness in support of hospice and home care programs of Pathways Home Health and Hospice.

ECH formed Silicon Valley Medical Development, LLC (“SVMD”) in July 2008 to establish initiatives between independent physicians and ECH to develop and maintain ambulatory ventures outside of ECH, as well as to establish and provide management services to any medical groups associated with ECH.

Licensure and Accreditation

ECH is licensed by the State of California Department of Public Health for up to 300 beds at its Mountain View campus and 143 beds at its Los Gatos campus, and is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations. The Mountain View campus and the Los Gatos campus operate under the same tax identification number and state healthcare license number. ECH is certified for Medicare and Medicaid reimbursement.

RESOLUTION

RESOLUTION NO. 420

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE PROJECTS AT THE HEALTH FACILITIES OF EL CAMINO HOSPITAL

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 revenue bonds 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), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority;

WHEREAS, El Camino Hospital is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), which owns and operates health care facilities in the State of California; and

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$325,000,000, and make one or more loans of the proceeds thereof to the Corporation to (i) reimburse, finance and/or refinance costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of certain health facilities of the Corporation, as more particularly described under the caption “Project” in Exhibit A hereto (the “Project”), (ii) finance interest payable on the Bonds for no more than 3 years from their issuance, (iii) pay costs of issuance of the Bonds (as defined below), and (iii) at the sole option of the Corporation, provide a bond reserve fund for the Bonds; and

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Corporation has provided documentation to the Authority demonstrating, to the extent applicable, that the Project 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 such revenue bonds 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, revenue bonds of the Authority designated as the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2016 (the “Bonds”), in a total aggregate principal amount not to exceed \$325,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in the indenture pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the third recital above.

Section 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at public sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) 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. The Bonds shall, at issuance, be rated at investment grade by an active nationally recognized rating agency. The Bonds or any series of them may, at the sole option of the Corporation, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements.

Section 3. The proposed forms of the following documents:

(i) a Loan Agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Corporation,

(ii) a Bond Indenture relating to the Bonds (the “Bond Indenture”), between the Authority and Wells Fargo Bank, National Association, as bond trustee (the “Bond Trustee”),

(iii) a Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the “Purchase Contract”), among Citigroup Global Markets Inc. (the “Underwriter”), the Treasurer and the Authority, and approved by the Corporation, and

(iv) a preliminary official statement relating to the Bonds (the “Preliminary Official Statement”),

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit facility and/or another security arrangement, at the sole option of the Corporation, for any series of Bonds) as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Bond Indenture and the Purchase Contract and by delivery thereof in the case of the Preliminary Official Statement. The Executive Director 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 Loan Agreement are true and correct.

Section 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of purchase, terms of redemption, provisions governing transfer and other terms of any Series of Bonds, including, if applicable, provisions for a credit facility from time to time, shall be as provided in the related Bond Indenture, as finally executed.

Section 6. The Underwriter is hereby authorized to distribute a Preliminary Official Statement for any one or more series of the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Corporation), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver the final official statement (the “Official Statement”) to all actual purchasers of such Bonds.

Section 7. The Bonds, when executed, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Underwriter thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 8. 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 Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indenture, Loan Agreement, Purchase Contract and Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a surety bond and/or a credit facility for the Bonds, if applicable.

Section 9. The provisions of the Authority’s Resolution No. 2014-05 apply to the documents and actions approved in this Resolution.

Section 10. 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 11. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____

EXHIBIT A

Project:

To reimburse, finance and/or refinance the costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities of the Corporation, which includes upgrades and capital projects at El Camino Hospital – Mountain View, located at or on the campus generally located at 2500 Grant Road in Mountain View, California 94040, including constructing, furnishing and equipping a new Behavioral Health Services Building and a new Integrated Medical Office Building, and constructing and equipping a new parking structure associated with such Integrated Medical Office Building, constructing and equipping the North Drive Garage expansion, demolition of the North Addition to the old main hospital building preparatory to construction of the Integrated Medical Office Building, additional construction, furnishing and equipping of the Central Utility Plant, and expanding, remodeling, renovating, furnishing and equipping the Women’s Hospital Building.