CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
EXECUTIVE SUMMARY

Applicant:	Catholic Healthcare West, (Obligated Group) ("CHW") San Francisco, California San Francisco County	**Amount Requested:**	$1,350,000,000
		Loan Terms:	30 years
		Date Requested:	March 25, 2004
		Resolution Number:	F-303

Primary Project Sites: Various
Facility Types: General acute/sub-acute and outpatient care, acute psychiatric, chemical dependency rehabilitation, outpatient surgery, and skilled nursing services.

Policy Exception: CHW is requesting the bonds be issued in $5,000 denominations, which is an exception to the Authority's guidelines for BBB rated debt (see discussion on page 1).

Uses of Bond Proceeds: CHW proposes to refinance outstanding existing CA bonds in the amount of approximately $1.039 billion, of which $978 million is Authority debt. This refinancing will take advantage of historically low interest rates, provide aggregate pro forma level debt service payments, and provide an estimated net present value savings of $45 million. In addition, CHW wishes to issue $150 million in new money for various capital projects and equipment purchases. Following this transaction, CHW will have a total of $1.7 billion of Authority debt outstanding, an increase of approximately $370 million. CHW will have approximately $640 million of Authority bonds not enhanced by credit compared to $294 million currently.

Type of Issue:	Negotiated public offering
Credit Enhancement:	Possibly MBIA and/or AMBAC
Expected Credit Rating (fixed):	*With insurance:* AAA (Standard and Poor's)
	Without Insurance: BBB/Baa1/BBB+ (S&P//Moody's/Fitch)
Expected Credit Rating (Var.):	Long-term - Bank One, A+/Aa2/AA- (S&P/Moody's/Fitch)
	Short-term – A-1/P-1/F-1+ (S&P/Moody's/Fitch)
Senior Underwriter:	Citigroup Global Markets Inc.
Bond Counsel:	Sidley Austin Brown & Wood

Financial Overview: CHW's income statement exhibits steady improvement over our review period. CHW has moved from operating deficits in 2001 and 2002 to operating surpluses during 2003 and the interim period. Due to improving operations, Standard and Poor's revised its outlook to positive from stable in October 2003. The balance sheet exhibits significant financial resources and acceptable proforma debt service coverage.

Estimated Sources of Revenue: (6/30/03) (in millions)

	Amount	*Percent*
Medicare	$1,696	34%
Contracted Rate Payor	1,796	36%
Medicaid	899	18%
Capitated	299	6%
Commercial insurance, self pay and other	299	6%
Total Revenues	$4,989	100%

Sources of Funds (in millions):		**Uses of Funds (in millions):**	
Credit enhanced variable bonds	$630	Refinance existing Authority bonds	$978
Uninsured fixed rate bonds	550	Refinance existing non-Authority bonds	61
Variable rate bonds, w/LOC	150	Accrued interest/redemption fees	67
Original Issue Premium (OIP)	20	New bonds Capital projects/equipment	150
		Debt service reserve fund	38
		Financing costs	56
Total Sources	$1,350	Total Uses	$1,350

Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation: Staff recommends the Authority approve Resolutions in a total amount not to exceed $1,350,000,000 for Catholic Healthcare West, subject to a bond rating of at least an "BBB" rating by a nationally recognized rating agency.

STAFF SUMMARY AND RECOMMENDATION
CATHOLIC HEALTHCAREWEST (OBLIGATED GROUP)

March 25, 2004
Resolution Number: F-303

POLICY EXCEPTION: CHW has requested that non-enhanced bonds be issued in $5,000 denominations, which is an exception to $100,000 denomination requirement for BBB rated debt, as described in CHFFA's Bond Issuance Guidelines.

Staff is recommending waiving this requirement for CHW based on (i) name recognition, (ii) ease of marketing smaller denominations at reduced costs, (iii) financial strength (net assets of $2 billion), and (iv) recent operating gains. In addition, Standard & Poor's and Moody's recently changed CHW's outlook to "positive" from "stable" indicating a possible upgrade.

I. PURPOSE OF FINANCING:

CHW has an opportunity to restructure a significant portion of its existing long-term debt to take advantage of today's historically low interest rates, as well as smooth out its overall annual debt service payments. This will improve CHW's cash flow by reducing its debt service payments over the next 11 years by approximately $335 million and allow the system to focus on other capital improvement projects such as seismic retrofit. CHW's proposal includes a maximum issue size of $1.745 billion, with $1.35 billion in California, $245 million in Arizona and $150 million in Nevada. This proposal will result in approximately $370 million in additional Authority debt to CHW.

Refinance existing Authority bonds and non-Authority CA bonds $1,039,000,000

Existing Authority Bonds	***$978,000,000***
Existing non-Authority Bonds	***61,000,000***

Summary of Refunded and Proposed Authority Bonds

		Enhancement		**Type**	
	Total Amount of Bonds	**Credit Enhanced**	**Not Credit Enhanced**	**Fixed**	**Variable**
To Be Refunded	978,000,000	773,469,000	204,531,000	591,486,000	386,514,000
Proposed Financing	1,350,000,000	760,000,000[(1)*]	570,000,000[(1)]	563,000,000[(1)]	767,000,000[(1)]

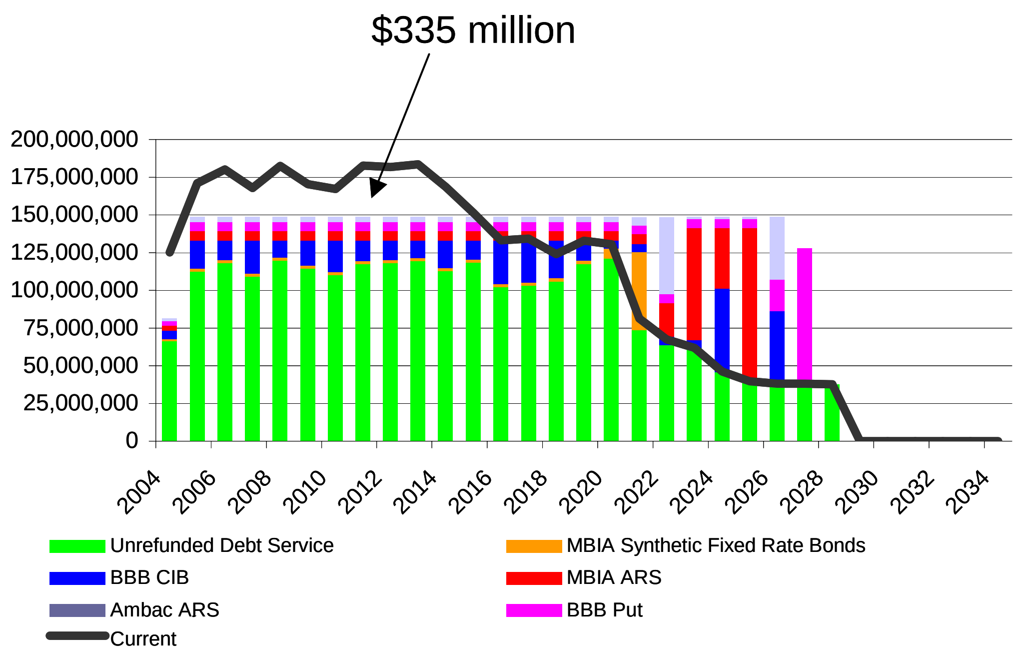
* Includes $150M of new money bonds with letter of credit provided by Bank One.

[(1)] Proposed Financing does not included $20M in Original Issue Premium.

CHW currently has a relatively front-loaded debt payment structure, which places demands on the system's cash flow in order to meet debt payment requirements. The proposed refinancing will produce a more level overall annual debt service, as well as reduce annual debt service over the next several years.

As shown on the graph below, the proposed refinancing will provide CHW with level debt service payments of approximately $150M per year, compared to existing debt service payments of approximately $180M. This results in a cash flow savings of approximately $335M over the next 11 years.

The graph below depicts the debt service for the **refinancing only –** the amortization of the new money is expected to extend to 2033.



CHW is targeting certain bonds, with a maximum potential of $1.039 billion in California to be refinanced and a total California issue size of $1.35 billion. This proposal would result in a net present value savings of $45 million or 4.3 % of the bonds being refinanced.

CHW may elect to refinance only a portion of these bonds, depending on the market conditions at the time of pricing the new bonds and tax implications of refinancing certain bonds, which are currently under review by CHW and Bond Counsel. If CHW elects a smaller issue size, it is expected that the proportionate enhanced to unenhanced bonds would remain constant.

Accrued interest and redemption fees on existing bonds ***67,000,000***
Accrued interest on existing bonds to the date of bond pay-off, plus redemption fees ranging from .50% to 2.0%.

Capital Improvements and Equipment variable rate revolving pool	***150,000,000***

Various remodeling projects, equipment such as MRI, CATSCAN, nurse call equipment, ophthalmology, labor and delivery, and IT, plus various other equipment items to be purchased over the next 30 years. This financing structure will be supported by a direct-pay letter of credit from Bank One.

Debt Service Reserve		***38,000,000***
Financing costs are as follows		***56,000,000***
Bond insurance premium................................	$45,000,000	
Estimated issuance costs	11,000,000	
Total Uses of Funds		***$1,350,000,000***

Financing Structure:

- Insured and uninsured bonds with a final maturity of 2032.
- LOC-backed revolving loan program with a final maturity in 2033.
- Fixed rate and variable rate bonds.
- Minimum denominations of $5,000 (exception to the standard guidelines).
- Expected rating is BBB/Baa1/BBB+ (S&P/Moody's/Fitch), without bond insurance.
- Expected rating is AAA (S&P), with bond insurance.
- Expected ratings are A+/Aa2/AA- (long-term) and A-1/P-1/F-1+ (short-term) by S&P/Moody's/Fitch) with Bank One Letter of Credit.
- Joint and several obligation of the Catholic Healthcare West, Obligated Group (see Page 11 for a listing of Obligated Group members).
- Obligated group structure.

II. FINANCIAL STATEMENTS AND ANALYSIS:

The following pages provide the financial statements for Catholic Healthcare West. This transaction's *Obligated Group,* responsible for repaying the proposed bonds, accounts for about 99% of system revenue and approximately 97% of total net assets.

CATHOLIC HEALTHCARE WEST
Consolidated Statements of Operations (000's)

	For the six months ended 12/31/2003 (Unaudited)	For the year ended June 30 2003 (Audited)	2002 (Audited)	2001* (Audited)	
Unrestricted Revenues and other support:					
Net revenue	$ 2,480,115	$ 4,630,009	$ 4,085,199	$ 4,325,850	
Premium revenue	274,841	346,816	407,464	465,769	
Contributions	7,827	12,297	8,859	15,081	
Total revenue	2,762,783	4,989,122	4,501,522	4,806,700	
Operating Expenses:					
Salaries and benefits	1,401,299	2,537,579	2,245,387	2,335,442	
Supplies	412,822	742,881	683,711	739,952	
Provision for bad debts	209,108	306,201	242,186	236,612	
Purchased services and other	492,579	982,049	981,007	1,131,533	
Depreciation	120,628	249,009	252,888	315,620	
Interest, net	49,511	105,784	115,185	138,953	
Special charges	1,500	1,865	16,187	27,990	
Total expenses	2,687,447	4,925,368	4,536,551	4,926,102	
Operating income (loss)	**75,336**	**63,754**	**(35,029)**	**(119,402)**	**
Investment gains and (losses)	51,904	(13,086)	(15,562)	32,342	
Unrealized gains and (losses)	92,362	92,206	(28,784)	(72,737)	
Net assets released from restrictions	1,203	6,066	9,548	14,038	
Income (expense) due to minimum pension liability	-	(152,342)	508	-	
Gain (loss) from discontinued operations	(74)	(9,908)	(3,486)	-	
Income due to Daughters of Charity separation	-	-	110,539	-	
Other	1,081	3,617	(2,730)	(10,364)	
Increase (decrease) in unrestricted net assets	**221,812**	**(9,693)**	**35,004**	**(156,123)**	**
Increase (decrease) in temporarily restricted net assets	19,586	2,089	(8,260)	(5,058)	
Increase (decrease) in permanently restricted net assets	(2,793)	551	2,198	3,126	
Increase (decrease) in net assets	**238,605**	**(7,053)**	**28,942**	**(158,055)**	
Net assets, beginning of year	1,903,636	1,910,689	2,305,622	2,463,677	
Net assets transferred to Daughters of Charity	-	-	(423,875)	-	
Net assets, end of year	$ 2,142,241	$ 1,903,636	$ 1,910,689	$ 2,305,622	

* Amounts shown for 2001 are audited and do not reflect restatement (see ** below) to exclude activities that were subsequently transferred to DCHS (see page 9) and activities of St. Francis Medical Center of Santa Barbara that were subsequently discontinued.

** Restated operating loss is $142 million and decrease in unrestricted net assets is $115 million

CATHOLIC HEALTHCARE WEST
Consolidated Balance Sheet (000's)

	As of December 31	As of June 30		
	2003	2003	2002	2001*
Assets	**(Unaudited)**	**(Audited)**	**(Audited)**	**(Audited)**
Current Assets:				
Cash and cash equivalents	$ 24,160	$ 113,797	$ 113,678	$ 210,155
Short-term investments	97,559	66,221	62,422	-
Assets limited as to use	120,803	113,718	168,799	117,532
Receivables/dues from gov't. agencies	854,391	771,997	721,509	807,116
Other current assets	206,942	193,055	194,161	203,915
Total Current Assets	1,303,855	1,258,788	1,260,569	1,338,718
Net assets limited as to use	2,059,529	1,924,896	1,707,411	1,635,085
Property and equipment, net	1,959,839	2,010,142	2,055,173	2,601,747
Other long-term assets	256,381	239,390	259,591	268,332
Total Assets	$ 5,579,604	$ 5,433,216	$ 5,282,744	$ 5,843,882
Liabilities & Net Assets				
Liabilities:				
Current portion of long-term debt	$ 80,211	$ 80,028	$ 126,853	$ 119,177
Acounts payable/dues to gov't. agencies	180,973	226,429	249,759	300,903
Accrued liabilities	456,728	471,658	403,163	462,686
Total current liabilities	717,912	778,115	779,775	882,766
Long-term debt, net of current portion	2,048,773	2,116,184	2,140,248	2,416,705
Other non-current liabilities	670,678	635,281	452,032	238,789
Total Liabilities	3,437,363	3,529,580	3,372,055	3,538,260
Net Assets				
Unrestricted net assets	1,905,848	1,684,036	1,693,729	2,067,518
Temporarily restricted net assets	168,606	149,020	146,931	165,671
Permanently restricted net assets	67,787	70,580	70,029	72,433
Total Net Assets	2,142,241	1,903,636	1,910,689	2,305,622
Total Liabilities & Net Assets	$ 5,579,604	$ 5,433,216	$ 5,282,744	$ 5,843,882

	Proforma (a) 6/30/2003			
Debt Service Coverage (x)	**2.30**	**1.48**	**1.72**	**1.26**
Debt/Unrestricted Net Assets (x)	**1.63**	**1.29**	**1.33**	**1.17**
Margin (%)		**0.00%**	**1.00%**	**-3.00%**
Current Ratio (x)		**1.62**	**1.62**	**1.51**

(a) Recalculates 2003 audited results to include the impact of this proposed financing.

* Amounts shown for 2001 are audited and do not reflect restatement to exclude activities that were subsequently transferred to DCHS (see page 9) and activities of St. Francis Medical Center of Santa Barbara that were subsequently discontinued.

Financial Discussion:

CHW's income statement exhibits steady improvement over our review period. CHW has moved from operating deficits in 2001 and 2002 to operating surpluses during 2003 and the interim period. Due to improving operations, Standard and Poor's revised its outlook to positive from stable in October 2003.

CHW's has successfully implemented a strategic business plan (see below) during 2001 that has resulted in operating surpluses versus previous operating deficits.

In 2003, CHW posted operating income of $63.8 million. This improvement was primarily a result of revenue growth due to higher patient volumes and from payment increases. Revenues increased 11% due to a 4% increase in adjusted patient days and a 7% increase in revenue per adjusted patient day. CHW also recorded an additional minimum pension liability of $152 million caused by declines in the values of pension plan assets and a decrease in the discount rate used to calculate pension liabilities. A review of the 2003 audited statement of cash flows indicates that CHW had an impressive $207 million and $401 million in operating cash flow for 2002 and 2003, respectively. The large difference between operating surpluses and operating cash flows are mostly attributable to the non-cash line items for depreciation and changes in net unrealized gains and losses on investments.

Higher operational expenses were incurred in 2003, with increases in salaries and benefits, which increased 8.5% on a volume adjusted basis, as a result of wage pressures and higher registry costs from staffing shortages in nursing and other technical areas. Supply expenses increased 4.4%, on a volume adjusted basis, mainly due to the cost of new technology, offset by lower expenses related to continued success of renegotiating contracts, consolidation of vendor selection and standardization of products.

In 2002, CHW posted a $35 million operating loss, which was a significant improvement over 2001's $119 million operating loss. The improvement was primarily due to management's ability to implement a revenue growth and cost containment plan. During 2002, net patient revenues declined 6.3% or $305 million when seven hospitals and eight other subordinate entities were transferred to the Daughters of Charity Health System (DCHS). Management was able to reduce operational expenses by 8%, thus reducing CHW's operating loss.

In 2001, CHW posted a $120 million operating loss. To improve future operations, CHW's management implemented a strategic business plan during 2001, which included the following strategies:

- To simplify and streamline both the management structure and the legal organization of the CHW System. Numerous corporations were merged, resulting in most CHW System hospitals now being owned and operated directly by CHW. Further management reorganization was effected in May 2002, resulting in the elimination of the regional layer of management and the change in the function of the corporate office from a holding company to active management.

  Increased focus on hospital performance. The monthly reporting tool for reviewing, tracking and evaluating performance has been enhanced and standardized. Each hospital undergoes rigorous review on a monthly basis involving both hospital and corporate management. This enables identification and correction of problems early on and promotion of best practices quickly.

Revenue management has been enhanced. The majority of CHW's hospital managed care arrangements are paid on a fee-for-service basis. The process for renegotiating contracts has become more rigorous. CHW has been able to negotiate annual rate increases that have tended to be 10% or greater during fiscal 2002 and 2003, as well as improve contract terms.

Development of a more cooperative relationship with both the CNA and the SEIU. Joint labor-management committees are actively working together on issues such as nurse recruitment, workplace safety and employee training.

Improvements in care management - Despite industry trends of increasing lengths of stay due to increased patient acuity, demographics and reduced managed care pressures, CHW's acute Medicare length of stay stabilized at 5.4 days during fiscal 2002 and 2003.

Supplies expenses comprise approximately 15% of the CHW System's expense structure. Working in cooperation with a group purchasing organization, CHW has centered attention on standardizing the vendor selection process and leveraging purchasing power.

CHW entered into a multi-year information management outsourcing arrangement with Perot Systems that has provided CHW with personnel and non-personnel cost-savings of approximately $15 million per year in fiscal 2002 and 2003. Savings are expected to continue in future years.

CHW management has established a Capital Allocation Committee that must approve all projects for the CHW System over $500,000 after a review of business plans and project prioritization.

During the interim period (first six months) of fiscal year 2004, CHW's operating results improved when compared to the first six months results for fiscal year 2003. CHW posted an operating surplus of $49 million (excludes the one-time gain of $26.5 million from the sale of ten medical office buildings), compared to $28 million for the first six months of fiscal year 2003. The improved operating results are primarily related to an 11.6% increase in revenues, which is mostly due to higher patient volume and higher corresponding payments. The revenue per patient day increased, primarily the result of continued efforts in managed care contract improvements and enhancements in revenue services strategies. CHW continues to renegotiate and renew certain managed care contracts on more favorable terms and enhance revenue-generating strategies.

Operating expenses were also higher during the interim period, led by increasing salaries and benefits, supplies, and uncollectible accounts.

CHW management estimates that the operating income for the full fiscal year 2004 will be $70 million, before the impact of unusual transactions such as gains on sales of medical office buildings estimated and loss on early extinguishment of debt.

The balance sheet exhibits significant financial resources and acceptable proforma debt service coverage.

CHW had a solid balance sheet with significant financial resources. CHW has over $1.7 billion in unrestricted net assets at 6/30/03. CHW is somewhat leveraged with long-term debt to unrestricted net assets of 1.29x, which will increase to 1.63x with the proposed new money portion of the entire financing including Nevada and Arizona bonds. CHW's debt service coverage is an adequate 1.48x and with the proposed financings (including Nevada and Arizona debt restructuring) will improve to 2.30x. This indicates that CHW should be able to manage the proposed debt service payments. In addition, this financing will actually result in an annual savings in debt service payments of approximately $30 million per year over the next 11 years.

III. UTILIZATION STATISTICS

CHW – System

	Year Ended June 30,		
	2003	2002	2001
Inpatient Data (acute)			
Beds in Service (available)	6,741	6,817	6,701
Occupancy percentage	67.5%	62.4%	65.1%
Admissions	352,880	341,793	339,063
Average length of stay (days)	4.7	4.7	4.6
Skilled Nursing Beds			
Beds in Service (licensed)	1,415	1,389	1,416
Occupancy percentage	64.8%	60.2%	66.7%
Patient Data			
Emergency visits	982,262	1,045,256	1,002,716
Outpatient visits	3,540,504	3,535,510	3,451,367
Revenue from Operations			
Inpatient	73%	74%	74%
Outpatient	27%	26%	26%

IV. BACKGROUND:

Catholic Healthcare West ("CHW") is a California nonprofit public benefit corporation headquartered in San Francisco, California. CHW, together with its subsidiary corporations, comprise the Catholic Healthcare West System ("CHW System"), which is one of the largest not-for-profit acute healthcare delivery systems in the United States as measured by annual revenue. The CHW System operates 41 hospitals throughout major California markets and in the growing Phoenix, Arizona and Las Vegas, Nevada metropolitan markets. The CHW System's facilities include approximately 8,000 licensed acute care beds and approximately 1,400 licensed skilled nursing beds. The CHW System maintains prominent market shares in many of its service areas. With a significant presence in Sacramento, San Francisco, Southern California, San Joaquin Valley, Central Coast, Central California, Northern California, and Santa Cruz, the CHW System's California operations are well dispersed throughout the state.

The healthcare activities of the hospitals in the CHW System date back to 1856. The CHW System was founded in 1986, when two religious congregations brought together the 10 facilities they sponsored at the time. Since then, the CHW System has grown significantly in size, primarily through mergers and affiliations. Today, the CHW System includes many facilities that are community sponsored as well as those that are religiously sponsored.

<u>Obligated Group</u>:

The CHW System undertakes most of its borrowing activities under a Master Indenture. Under the Master Indenture, a group composed of CHW and certain other corporations in the CHW System (each a "Member" of the "Obligated Group") have agreed to be jointly and severally obligated for debt incurred under the Master Indenture. Other entities affiliated with CHW are not Members of the Obligated Group (the "Non-Member Entities"). Only the corporations that are Members of the Obligated Group are jointly and severally obligated under the Master Indenture. None of the Non-Member Entities has assumed any financial obligation related to payment of or security for the Bonds. The Non-Member Entities in the CHW System represented approximately 1% of the consolidated revenue and 3% of consolidated unrestricted net assets of the CHW System for the fiscal years ended June 30, 2002 and 2003.

During 2001, a plan was developed and implemented to simplify and streamline both the management structure and the legal organization of the CHW System. Numerous corporations were merged, resulting in most CHW System hospitals now being owned and operated directly by CHW.

During the time of the reorganization discussed above, seven hospitals sponsored by one of CHW's Catholic sponsors separated from CHW as part of an asset purchase agreement transaction. On December 31, 2001, Seton Medical Center, Seton Medical Center Coastside, Saint Louise Regional Hospital, O'Connor Hospital, Robert F. Kennedy Medical Center, St. Francis Medical Center and St. Vincent Medical Center located in the San Francisco, San Jose and Los Angeles, California areas, and eight other subsidiary entities were transferred to Daughters of Charity Health System ("DCHS"), a newly formed corporation unrelated to CHW. Concurrently, Daughters of Charity of St. Vincent de Paul Province of the West relinquished its rights as a sponsor of CHW and its seats on the CHW Board of Directors. In consideration for the asset transfer, DCHS paid CHW $403.0 million. CHW retained debt and other liabilities of $284.9 million related to the transferred hospitals and transferred $7.6 million of equipment to DCHS.

CHW has “membership” rights and powers exercised either directly or indirectly with respect to each of the other Obligated Group Members. Generally, these membership powers include the right of CHW to approve budgets, capital expenditures, liens and encumbrances, changes in corporate charter documents, certain asset acquisitions and sales, mergers and dissolution, among other things. Generally, CHW also has the right to approve the appointment of the CEO of each other Obligated Group Member, and generally the CEO is an employee of CHW.

In total, there are ten Obligated Group Members — CHW, which directly owns and operates twenty-eight acute care hospitals, plus nine subsidiary corporations. Of the nine subsidiary corporations that are Obligated Group Members, seven operate hospitals. These seven subsidiary Obligated Group Members operate eleven licensed acute care hospitals. In total, in the Obligated Group, there are thirty-nine licensed acute care hospitals that are covered by thirty-six licenses, because in three situations, a single license covers two inpatient locations. The remaining Obligated Group Members are the CHW Medical Foundation, which operates an integrated multi-site medical clinic in the Sacramento and Woodland, California areas that employs approximately 180 physicians, and Mercy Senior Housing, Inc. which provides low-cost senior housing in a 118-unit facility in Sacramento, California.

[Intentionally Left Blank]

LIST OF OBLIGATED GROUP MEMBERS AND HEALTHCARE FACILITIES

Obligated Group Member/Facilities	Type of Facility	Location	Licensed Beds
Catholic Healthcare West	N/A	San Francisco, CA	
California Hospital Medical Center – Los Angeles	Acute Care	Los Angeles, CA	314
Chandler Regional Hospital	Acute Care	Chandler, AZ	180
Dominican Hospital	Acute Care	Santa Cruz, CA	379
Glendale Memorial Hospital and Health Center	Acute Care	Glendale, CA	334
Marian Medical Center (two locations)	Acute Care	Santa Maria, CA	262
Mercy Hospital (two locations)	Acute Care	Bakersfield, CA	261
Mercy Medical Center, Mt. Shasta	Acute Care	Mt. Shasta, CA	80
Mercy Medical Center Redding	Acute Care	Sacramento, CA	273
Mercy Westside Hospital	Acute Care	Taft, CA	84
Methodist Hospital of Sacramento	Acute Care	Sacramento, CA	333
Northridge Hospital Medical Center–Roscoe Blvd. Campus	Acute Care	Northridge, CA	426
Northridge Hospital Medical Center–Sherman Way Campus	Acute Care	Van Nuys, CA	209
San Gabriel Valley Medical Center	Acute Care	San Gabriel, CA	273
St. Bernardine Medical Center	Acute Care	San Bernardino, CA	463
St. Dominic's Hospital	Acute Care	Manteca, CA	77
St. Elizabeth's Community Hospital	Acute Care	Red Bluff, CA	76
St. John's Pleasant Valley Hospital	Acute Care	Camarillo, CA	180
St. John's Regional Medical Center	Acute Care	Oxnard, CA	266
St. Joseph's Behavioral Health Center	Acute Psychiatric	Stockton, CA	35
St. Joseph's Hospital and Medical Center	Acute Care	Phoenix, AZ	470
St. Joseph's Medical Center of Stockton	Acute Care	Stockton, CA	294
St. Mary Medical Center	Acute Care	Long Beach, CA	539
St. Mary's Medical Center	Acute Care	San Francisco, CA	430
St. Rose Dominican Hospital Rose De Lima Campus	Acute Care	Henderson, NV	138
St. Rose Dominican Hospital Siena Campus	Acute Care	Henderson, NV	214
Woodland Memorial Hospital	Acute Care	Woodland, CA	115
Bakersfield Memorial Hospital (two locations)	Acute Care	Bakersfield, CA	367
Community Hospital of San Bernardino	Acute Care	San Bernardino, CA	418
Mater Misericordiae Hospital			
Mercy Medical Center Merced–Community Campus	Acute Care	Merced, CA	174
Mercy Medical Center Merced–Dominican Campus	Acute Care	Merced, CA	113
Mercy Healthcare Sacramento			
Mercy General Hospital	Acute Care	Sacramento, CA	399
Mercy Hospital of Folsom	Acute Care	Folsom, CA	85
Mercy San Juan Medical Center	Acute Care	Carmichael, CA	254
Mercy Senior Housing, Inc. (1)	N/A	Sacramento, CA	N/A
CHW Medical Foundation (2)	N/A	Various	
Saint Francis Memorial Hospital	Acute Care	San Francisco, CA	356
Sequoia Health Services	Acute Care	Redwood City, CA	421
Sierra Nevada Memorial-Miners Hospital	Acute Care	Grass Valley, CA	121

NOTE: A portion of the beds listed for certain acute care facilities consists of skilled nursing beds. The numbers above reflect the total number of beds that the healthcare facilities are permitted to operate under state law, but may not reflect the number of beds actually operated by each healthcare facility at the present time.

(1) Operates a residential care facility.

(2) Operates medical clinics pursuant to professional service agreements with physician groups.

(3) Bolded entities are Obligated Group Members

Not included in the Obligated Group are two licensed acute care facilities: Mark Twain St. Joseph's Healthcare Corporation, which owns and operates a 48-bed hospital and is a subsidiary of CHW but governed jointly with a public healthcare district, and Oak Valley Hospital, with 150 licensed beds, which is managed by CHW.

Licenses and Contracts

Each of the hospitals operated by an Obligated Group Member is appropriately licensed for the level of care it delivers and is certified to participate in the Medicare program and its state's Medicaid program, and each is accredited by the Joint Commission on Accreditation of Healthcare Organizations. Each skilled nursing facility unit operated by an Obligated Group Member is certified to participate in the Medicare and the Medicaid programs. The residential care facility for the elderly operated by Mercy Senior Housing, Inc. is certified by the California Department of Social Services.

Governance

Subject to the rights reserved to Sponsors and Corporate Members, CHW is currently governed by a fourteen-member Board of Directors. The Board of Directors has established "Hospital Community Boards" for the general acute care facilities that are directly owned and operated by CHW. The Hospital Community Boards are delegated certain local oversight responsibilities for quality of care and medical staff matters, and serve as advisory bodies to the CHW Board of Directors with respect to strategic business planning for local facilities, local operational issues and facility level implementation of community benefit programs. The CHW Board of Directors as well as the Board's Finance Committee must approve all material debt, borrowings, loans, guarantees, encumbrances or liens for the CHW System. The governance of the separately incorporated Obligated Group Members that are direct or indirect subsidiaries of CHW is described herein under THE OBLIGATED GROUP.

Service Area and Competition

Service Area	**CHW Share**	**CHW Rank**	**Major Competitor Share**
Northern CA	53.9%	1	Tenet (25.9%)
Sacramento	27.2%	1	Kaiser (21.2%)
Merced	70.6%	1	Tenet (5.4%)
Oakdale	34.1%	1	Sutter (26.6%)
Santa Cruz	51.7%	1	Watsonville (25.8%)
Peninsula	8.8%	4	Stanford and Lucille Packard (17.7%)
Bakersfield	43.5%	1	Kern Med Ctr. (20.6%)
Central LA	8.6%	2	LAC/USC (9.9%)
Glendale	11.8%	1	Adventist (11.3%)
Santa Maria	84%	1	Cottage (5.7%)
San Fernando Valley	13.6%	1	Providence (11.8%)
San Gabriel	9.5%	3	Tenet (16.2%)
Long Beach	12.2%	2	Long Beach Memorial (22.5%)
Oxnard	48.8%	1	Community (19.3%)

V. SECTION 15438.5 OF THE ACT (Savings Pass Through).

It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

CHW has provided a description of its savings pass through in **Attachment A**.

VI. SECTION 15459.1 (b) OF THE ACT (Community Service Requirement).

As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) To advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, (b) To make available to the authority and to any interested person a list of physicians with staff privileges at the borrower's facility, and (c) To post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard “Certification and Agreement Regarding Community Service Obligation”.

A copy of CHW’s certification is included as **Attachment B**.

VII. COMPLIANCE WITH SB 1953 SEISMIC RETROFIT REQUIREMENTS

SB 1953 (Chapter 740, 1994) requires that all acute care hospitals in California meet specific seismic safety standards by 2008 and 2030.

CHW has provided a description of its seismic requirements. See **Attachment C.**

VIII. PREVIOUS AUTHORITY DEBT: As of June 30, 2003, the outstanding debt issued through the Authority for CHW’s Obligated Group totaled $1.375 billion and its current outstanding balance is approximately $1.32 billion. Following this proposed financing, the outstanding debt issued through the Authority for CHW’s Obligated Group will total approximately $1.7 billion, an increase of approximately $370 million.

CHW Long-term debt (in thousands)

Long-Term Debt	Original Issue Amount	Amount Outstanding as of 6/30/03*	Estimated Amount Outstanding After Proposed Financing
Existing Authority Bonds	N/A	$1,375,000	$ 335,950
Other non-Authority Bonds	N/A	734,640	551,550
Other notes/capital leases	N/A	86,572	86,000
New money bonds non-Authority			300,000
Proposed Authority Debt			
CHW 2004	**N/A**		***$1,350,000***
Total Debt		$2,196,212	$2,623,500

* Includes current portion of long-term debt.

IX. LEGAL REVIEW: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

X. STAFF RECOMMENDATION

Staff recommends the Authority approve Resolutions in a total amount not to exceed $1,350,000,000 for Catholic Healthcare West, subject to a bond rating of at least an "BBB" rating by a nationally recognized rating agency.

Table 2. Detail of Bonds to be Refunded

	(1) Description of Issue	(2) Outstanding Bonds	(3) Proposed Refunding Amount	(4) Long Coupon	(5) Type of Issue	(6) Credit Enhancer	(7) Final Maturity
1	CHFFA 1988 Series A	$ 20,200,000	$ 20,200,000	BMA	Variable	MBIA	2009
2	CHFFA 1988 Series B	41,700,000	34,100,000	BMA	Variable	MBIA	2016
3	CHFFA 1988 Series C	37,800,000	8,300,000	BMA	Variable	MBIA	2017
4	CHFFA 1992 Series A	22,730,000	8,140,000	6.00%	Fixed	MBIA	2013
5	CHFFA 1994 Series A	102,180,000	88,030,000	5.00%	Fixed	MBIA	2015
6	CHFFA 1994 Series B	134,280,000	124,914,000	5.00%	Fixed	Ambac	2021
7	CHFFA 1995 Series A	47,670,000	47,670,000	7.00%	Fixed	Ambac	2015
8	CHFFA 1995 Series B	9,000,000	9,000,000	BMA	Variable	MBIA	2005
9	CHFFA 1995 Series C	36,000,000	36,000,000	BMA	Variable	MBIA	2011
10	CHFFA 1995 Series D	34,000,000	34,000,000	BMA	Variable	MBIA	2018
11	CHFFA 1995 Series E (St. Francis MC)	11,500,000	11,500,000	BMA	Variable	MBIA	2005
12	CHFFA 1995 Series F (St. Francis MC)	34,300,000	34,300,000	BMA	Variable	MBIA	2010
13	CHFFA 1995 Series G (St. Francis MC)	41,500,000	41,500,000	BMA	Variable	MBIA	2022
14	CHFFA 1995 Series H (St. Francis MC)	15,350,000	15,350,000	6.35%	Fixed	Ambac	2023
15	CHFFA 1996 Series A	120,120,000	52,257,000	6.25%	Fixed	MBIA	2025
16	CHFFA 1996 Series B	13,000,000	12,226,000	BMA	Variable	MBIA	2006
17	CHFFA 1996 Series C	32,800,000	32,785,000	BMA	Variable	MBIA	2012
18	CHFFA 1996 Series D	36,900,000	32,874,000	BMA	Variable	Ambac	2021
19	CHFFA 1996 Series E	27,935,000	7,739,000	5.25%	Fixed	Ambac	2023
20	CHFFA 1996 Series F	23,500,000	22,273,000	BMA	Variable	Ambac	2014
21	CHFFA 1996 Series G	33,600,000	8,695,000	BMA	Variable	MBIA	2023
22	CHFFA 1997 Series A	76,790,000	42,738,000	5.50%	Fixed	MBIA	2022
23	CHFFA 1997 Series B	24,600,000	24,241,000	BMA	Variable	MBIA	2012
24	CHFFA 1997 Series C	35,700,000	24,520,000	BMA	Variable	MBIA	2022
25	CHFFA 1998 Series A	284,560,000	204,531,000	5.25%	Fixed	None	2028
26	CSCDA COP 1993 Series A	36,030,000	36,030,000	5.62%	Fixed	MBIA	2023
27	St. Joseph's MC 1993 Series A	25,670,000	25,670,000	5.62%	Fixed	MBIA	2023
		$ 1,359,415,000	$ 1,039,583,000				