

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

<b>Applicant:</b>	Citrus Valley Medical Center, Inc and Foothill Hospital - Morris L. Johnston Memorial (d.b.a. Foothill Presbyterian Hospital) (jointly and severally "Applicant") 210 W. San Bernardino Road Covina, CA 91723 Los Angeles County	<b>Amount Requested:</b>	5,000,000
		<b>Date Requested:</b>	March 25, 2010
		<b>Requested Loan Term:</b>	5.5 years
		<b>Resolution Number:</b>	E-25
<b>Projects Sites:</b>	210 W. San Bernardino Road, Covina, California 1115 S. Sunset Avenue, W. Covina, California 250 S. Grand Avenue, Glendora, California		
<b>Facility Types:</b>	Acute Care Facilities		
<b>Prior Borrower:</b>	Yes (date of last issue February 2003)		
<b>Background:</b>	Applicant operates multiple acute care facilities with a total of 623 licensed beds and provides inpatient, outpatient, and emergency care services for the communities surrounding its three medical center campuses located in Covina, West Covina and Glendora California. The mission of the Applicant is to help people keep well in body, mind and spirit by providing quality health care in a compassionate environment. The service area is the East San Gabriel Valley which serves a wide diversity of ethnicities and income levels.		
<b>Use of Proceeds:</b>	Note proceeds will be used to acquire equipment essential to providing patient care at its numerous facilities to replace several pieces of equipment which are beyond their useful life. (Minor construction will be necessary to install the newly purchased equipment. Please note that the construction will not be financed by CHFFA notes).		
<b>Type of Issue:</b>	Private Placement Equipment Purchase Financing		
<b>Security:</b>	Security interest in financed-equipment assigned to GE Government Finance, Inc. & Siemens Public, Inc.		
<b>Expected Credit Rating:</b>	Unrated		
<b>Lenders/Note Purchasers:</b>	GE Government Finance, Inc. & Siemens Public, Inc. (50%/50% Split)		
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP		
<b>Other Financing Teams:</b>	See Exhibit I (Page 10)		
<b>Financial Overview:</b>	Over the last three fiscal years Applicant appears to have an increase in total revenues. Over the review period, the Applicants' balance sheet appears to reflect solid liquidity with a sizeable increase in total net assets. (Please note that all audits, debt and utilization numbers were derived from Citrus Valley Health Partners, Inc. (CVHP, the guarantor and the parent corporation for Applicant) as well as Applicant.)		
<b>Net Patient Service Revenue</b> (FYE December 31, 2008):			
<u>Payor Source</u>			<u>Percent</u>
Commercial Insurance			42.1%
Medicare			30.4%
Medi-Cal			22.4%
Private Pay			3.6%
Capitation			<u>1.5%</u>
Total			<u>100.0%</u>
<b>Estimated Sources of Funds:</b>			<b>Estimated Uses of Funds:</b>
Par amount of CHFFA notes	\$5,000,000	Equipment	\$5,000,000
		*Cost of Issuance	75,000
Borrower Contribution	<u>1,675,000</u>	*Installation Costs	<u>1,600,000</u>
Total Sources	<u>\$6,675,000</u>	Total Uses	<u>\$6,675,000</u>
*Cost of Issuance and installation costs are not financed from Note proceeds. Costs to be financed via Corporate Equity Contributions.			
<b>Legal Review:</b>	Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. The information disclosed does not appear to question the financial viability or legal integrity of this applicant. The "Applicant" and CVHP are both included in the Legal Review.		
<b>Staff Recommendation:</b>	Staff recommends the Authority approve Resolution Number E-25 in an amount not to exceed \$5,000,000 for Applicant. Macias Gini & O'Connell, LLP, the Authority's financial analyst, has reviewed all relevant financial documentation submitted by Applicant and CVHP and has advised of its concurrence with the Authority's staff recommendations.		

**STAFF SUMMARY AND RECOMMENDATION**  
**Citrus Valley Medical Center, Inc. and Foothill Hospital - Morris L. Johnston Memorial**  
**(d.b.a. Foothill Presbyterian Hospital)**

March 25, 2010

Resolution Number: E-25

- I. PURPOSE OF FINANCING:** The purpose of this financing is to acquire equipment essential to providing patient care to replace several pieces of equipment for Inter-Community Campus “ICC”, Citrus Valley Medical Center “CVMC” and Foothill Presbyterian Hospital “FPH.”

<b><i>Purchase equipment</i></b> .....	<b><i>\$5,000,000</i></b>
<i>CT Scanner (ICC)</i> .....	<i>\$950,000</i>
<i>Radiology Equipment (ICC)</i> .....	<i>350,000</i>
<i>Radiology Equipment (QVC)</i> .....	<i>350,000</i>
<i>Radiology Equipment (FPH)</i> .....	<i>350,000</i>
<i>2 Mammography units (QVC)</i> .....	<i>300,000</i>
<i>EP Equipment (ICC)</i> .....	<i>400,000</i>
<i>2 Ultrasound units (QVC)</i> .....	<i>500,000</i>
<i>C-Arm (QVC)</i> .....	<i>200,000</i>
<i>Laboratory Equipment</i>	
<i>Chemistry Analyzers – 3 (QVC)</i> .....	<i>800,000</i>
<i>Urinalysis system – 3 (QVC)</i> .....	<i>300,000</i>
<i>2 Microscopes (FPH)</i> .....	<i><u>500,000</u></i>
 <b><i>*Cost of Issuance</i></b> .....	 <b><i>75,000</i></b>
 <b><i>*Installation Costs</i></b> .....	 <b><i><u>1,600,000</u></i></b>
 <b><i>Total Costs</i></b> .....	 <b><i><u>6,675,000</u></i></b>

\*The Cost of Issuance and installation costs are not financed from Note proceeds. Costs to be financed via Corporate Equity Contributions.

**Financing Structure and Terms:**

- Tax-exempt equipment purchase financing
- Estimated fixed interest rate of 4.5%
- Estimated monthly payments of approximately \$93,215
- Privately placed with GE Government Finance, Inc. & Siemens Public, Inc. (50%/50% split)
- 5.5-year term fully amortized loan

### III. FINANCIAL STATEMENTS AND ANALYSIS:

**Citrus Valley Medical Center, Inc. and  
Foothill Hospital - Morris L. Johnston Memorial  
(d.b.a. Foothill Presbyterian Hospital)  
Statement of Activities**

	For the Year Ended December 31,		
	2008	2007	2006
<b>Revenues, gain and other support:</b>			
Net patient service revenues	\$358,327,000	\$343,670,000	\$326,599,000
Capitation revenues	5,519,000	4,644,000	4,398,000
Other income, net	5,463,000	4,306,000	8,271,000
Net assets released from restrictions	155,000	112,000	113,000
Total revenues, gains and other support	369,464,000	352,732,000	339,381,000
<b>Expenses:</b>			
Salaries and benefits	219,902,000	201,919,000	181,990,000
Supplies	51,883,000	50,148,000	47,929,000
Other	38,946,000	41,050,000	47,004,000
Purchased services	34,467,000	32,114,000	31,987,000
Depreciation and amortization	14,228,000	13,014,000	12,486,000
Provision for doubtful accounts	9,642,000	10,009,000	10,192,000
Interest	4,231,000	4,012,000	4,075,000
Total Expenses	373,299,000	352,266,000	335,663,000
Operating (loss) income	(3,835,000)	466,000	3,718,000
Nonoperating (loss) income:			
Investment (loss) income	(13,919,000)	4,985,000	7,083,000
Gain on sale of assets	40,000	2,519,000	(184,000)
Total nonoperating (loss) income	(13,879,000)	7,504,000	6,899,000
(Deficiency) excess of revenues over expenses	(17,714,000)	7,970,000	10,617,000
Net assets release from restrictions used for			
purchase of property and equipment	1,457,000	3,419,000	6,829,000
Other	-	(1,059,000)	-
(Decrease) increase in unrestricted net assets	(16,257,000)	10,330,000	17,446,000

continued

**Citrus Valley Medical Center, Inc. and  
Foothill Hospital - Morris L. Johnston Memorial  
(d.b.a. Foothill Presbyterian Hospital)  
Statement of Activities**

	<u>For the Year Ended December 31,</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Unrestricted net assets</b>			
(Deficiency) excess of revenues over expenses	(17,714,000)	7,970,000	10,617,000
Net assets used purchase of property & equipment	1,457,000	3,419,000	6,829,000
Other	-	(1,059,000)	-
(Decrease) increase in unrestricted net assets	<u>(16,257,000)</u>	<u>10,330,000</u>	<u>17,446,000</u>
<b>Temporarily restricted net assets</b>			
Contributions	1,173,000	2,406,000	1,521,000
Change in value of charitable remainder trusts	204,000	(41,000)	(168,000)
Investment (loss) income	(53,000)	200,000	421,000
Change in unrealized loss on investments	(561,000)	(178,000)	33,000
Net assets released from restrictions	<u>(1,612,000)</u>	<u>(3,531,000)</u>	<u>(6,942,000)</u>
Decrease in temporarily restricted net assets	(849,000)	(1,144,000)	(5,135,000)
<b>Permanently restricted net assets</b>			
Contributions	1,000	1,000	1,000
Others	<u>(21,000)</u>	<u>28,000</u>	<u>26,000</u>
(Decrease)increase perm. restricted net assets	<u>(20,000)</u>	<u>29,000</u>	<u>27,000</u>
(Decrease)increase in net assets	(17,126,000)	9,215,000	12,338,000
Net assets at the beginning of the year	<u>159,533,000</u>	<u>150,318,000</u>	<u>137,980,000</u>
Net assets at end of year	<u><u>\$142,407,000</u></u>	<u><u>\$159,533,000</u></u>	<u><u>\$150,318,000</u></u>

**Citrus Valley Medical Center, Inc. and  
Foothill Hospital - Morris L. Johnston Memorial  
(d.b.a. Foothill Presbyterian Hospital)  
Financial Position**

	As of December 31,		
	2008	2007	2006
<b>ASSETS:</b>			
Current Assets			
Patient accounts receivable	\$ 58,499,000	\$ 58,744,000	\$ 51,323,000
Cash and cash equivalents	14,315,000	2,371,000	2,906,000
Amounts due under SB1100	5,381,000	6,387,000	7,437,000
Supply inventories	5,175,000	4,963,000	4,367,000
Prepaid expenses and other	3,532,000	4,348,000	6,890,000
Assets limited by Trustee	2,080,000	1,714,000	1,428,000
Investments	831,000	1,542,000	1,789,000
Total current assets	89,813,000	80,069,000	76,140,000
Assets limited as to use:			
By Board	48,138,000	76,768,000	71,011,000
By Trustee, less current portion	17,945,000	17,098,000	17,135,000
Total assets limited as to use	66,083,000	93,866,000	88,146,000
Charitable remainder trust assets	1,430,000	2,353,000	2,448,000
Property and equipment, net	115,089,000	116,002,000	108,935,000
Other assets			
Investments restricted by donor to provide a permanent source of income	5,703,000	5,723,000	5,694,000
Debt issuance costs, net	2,342,000	2,436,000	2,531,000
Other assets	2,034,000	2,314,000	2,892,000
Investments restricted by donor to acquire property and equipment	1,270,000	1,048,000	3,122,000
Total other assets	11,349,000	11,521,000	14,239,000
Total Assets	\$ 283,764,000	\$303,811,000	\$289,908,000

continued

**Citrus Valley Medical Center, Inc. and  
Foothill Hospital - Morris L. Johnston Memorial  
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Financial Position**

	As of December 31,		
	2008	2007	2006
<b>LIABILITIES AND NET ASSETS:</b>			
Current liabilities:			
Accounts payable & accrued expenses	\$ 29,006,000	\$ 25,596,000	\$ 22,440,000
Accrued payroll & related expenses	15,836,000	17,613,000	15,581,000
Other current liabilities	3,264,000	4,405,000	3,603,000
Due to third-party payors	3,074,000	3,555,000	2,058,000
Current maturities of long-term debt	2,510,000	2,653,000	3,221,000
Total current liabilities	53,690,000	53,822,000	46,903,000
Long-term debt, net of current maturities	76,994,000	79,476,000	82,192,000
Self-insurance reserves, less current provision	10,045,000	9,942,000	9,355,000
Charitable remainder trust obligations	628,000	1,038,000	1,140,000
Net assets:			
Unrestricted	131,980,000	148,237,000	137,907,000
Permanently restricted	5,703,000	5,723,000	5,694,000
Temporarily restricted	4,724,000	5,573,000	6,717,000
Total net assets	142,407,000	159,533,000	150,318,000
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$283,764,000</b>	<b>\$303,811,000</b>	<b>\$289,908,000</b>

**Please note, Financial Ratios' are omitted. This is a private placement transaction. Authority guidelines do not impose financial covenants for our Equipment Program for unrated debt. GE Government Finance Inc. and Siemens Public Inc. are the note purchasers and have performed their own substantial financial analysis. Representatives from the lenders will be in attendance of the board meeting to field any questions.**

## **Financial Discussion:**

**Over the last three fiscal years, the applicant has appeared to have an increase in total revenues.**

According to the Applicant, activity levels remained relatively stable throughout the three fiscal years, with the exception of the third quarter of 2008. Total revenues increased at a steady 5% per year over the review period. However, total expenses increased each year; 7% in FY 2006, 4.9% in FY 2007 and 5.9% in FY 2008, most of which came from “Salaries & Benefits.” The borrower explained that due to the recession, PPO/HMO volumes dropped, which decreased revenue and resulted in a \$3.8 million operating loss. In addition, the Applicant lost almost \$14 million in non-operating income due to financial market declines.

**Over the review period the Applicant’s Financial Position appears to reflect solid liquidity with an increase in total net assets.**

Even with the losses the applicant took in 2008, their liquidity appears to have remained solid.

### **Particular Facts to Note:**

- Although FY 2009 audits are not completed, Applicant indicates there was a substantial increase in total assets in FY 2009 as operations and financial markets rebounded.

## **IV. BACKGROUND:**

Serving a community of 930,000 people, the CVHP has 3,000 staff members, more than 1,000 physicians and four acute health care facilities:

- Citrus Valley Medical Center’s (CVMC) Queen of the Valley Campus (QVC) offers family-centered maternity services and Level IIIB Newborn Intensive Care Unit with 325 licensed beds. This campus also offers the Geleris Family Cancer Center and a full range of rehabilitation services, including speech, occupational and physical therapy for children and adults.
- CVMC’s Inter-Community Campus (ICC) has 193 licensed beds and offers a complete range of inpatient and outpatient services, specializing in cancer treatment, wound care and cardiac care, with the only open heart surgery program in the East San Gabriel Valley.
- Foothill Presbyterian Hospital (FPH) has 105 licensed beds and offers general acute care specialty services, including the Citrus Valley Centers for Rehabilitation Services, the Foothill Center for the Partially Sighted and an Outpatient Diabetes Education Program.
- Citrus Valley Hospice has an extensive home care program as well as a 10-bed inpatient facility recognized as the first freestanding hospice of its kind in California.

### **Licensure, Certification and Accreditation**

CVMC and FPH are licensed by the State Department of Health Services to operate as Acute Care Facilities with approved outpatient services. CVHP participates in Medicare, Medi-Cal and managed care programs.

### **V. UTILIZATION STATISTICS:**

The following table shows utilization statistics of CVHP for the fiscal years ended December 31, 2009, 2008 and 2007:

	<b>Fiscal Year Ended December 31,</b>		
	<b>2009</b>	<b>2008</b>	<b>2007</b>
Licensed Beds	623	623	652
Admissions	30,884	30,159	30,118
Skilled Nursing Beds (Licensed)	25	48	48
Total Outpatient Surgeries	6,818	6,867	6,850
Total Emergency Room Visits	108,212	96,248	92,229
Total Outpatient Visits	129,720	134,081	138,610

### **VI. OUTSTANDING DEBT:**

<b><u>Bond/Note Issue Name</u></b>	<b><u>Original Issue Amount</u></b>	<b><u>Amount Outstanding* As of December 31, 2008</u></b>	<b><u>Estimated Amount Outstanding after Proposed Financing</u></b>
<b>Existing Long-Term Debt:</b>			
CSCDA, Series A 1998 Fixed Rate	\$75,000,000	\$55,130,000	\$55,130,000
CSCDA, Series A 1998 Variable Rate	25,000,000	25,000,000	25,000,000
<b>Proposed:</b>			
CHFFA Revenue Notes, 2010		N/A	<b>5,000,000</b>
<b>TOTAL DEBT</b>		<b><u>\$80,130,000</u></b>	<b><u>\$85,130,000</u></b>

\* Includes current portion and discount on certificates of participation.



## **VII. DUE DILIGENCE:**

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** Applicant properly completed and submitted the “Pass-Through Savings Certification,” in addition to a narrative explaining how it intends to pass through savings.
- **Section 15491.1 of the Act (Community Service Requirement):** Applicant properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** Applicant properly completed and submitted a description of its seismic requirements.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** Applicant properly submitted documentation to the Authority demonstrating the proposed project has either complied with Division 13 (commencing with Section 21000) of the Public Resources Code, or is otherwise not a project under that division.
- **Religious Due Diligence.**
- **Legal**

## **VIII. STAFF RECOMMENDATION:**

Staff recommends the Authority approve Resolution Number E-25 in an amount not to exceed \$5,000,000 for Applicant.

## **EXHIBIT I**

### **Other Parties Affiliated with this Transaction:**

Davis Wright Tremaine LLP (Borrowers Counsel)

State Attorney General (Authority Counsel)

Kutak Rock LLP (Lenders Counsel - GE)

Gilmore & Bell (Lenders Counsel – Siemens)

Marshall & Ilsley Trust Company (Escrow Agent)