CHFFA BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Providence St. Joseph Health ("PSJH") 1801 Lind Ave SW Renton, WA 98057 (King County) (Corporate headquarters)	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$590,000,000 Up to 40 years August 29, 2019 437

Project Site: See Exhibit 1
Facility Types: Acute care, skilled nursing, psychiatric, substance abuse, rehabilitation, outpatient services, home health, and hospice.
Eligibility: Government Code section 15432(d) (1), (2), and (3)
Prior Borrower: Yes (date of last CHFFA issue, August 2016)

Background: PSJH is a not-for-profit health system headquartered in Renton, Washington. In 2016, Providence Health & Services combined with St. Joseph Health System to form PSJH. As of June 30, 2019, PSJH comprises 51 acute care hospitals, 1,085 clinics, 29 long-term care facilities, 16 supportive housing facilities and many other health and educational services. The health system employs more than 116,000 people across seven states – Alaska, California, Montana, New Mexico, Oregon, Texas and Washington.

Use of Proceeds: Bond proceeds will be used to consolidate prior debt by refunding or refinancing a line of credit and a bank loan, as well as redeeming certain CHFFA Bonds issued on behalf of Providence Health & Services and St. Joseph Health System. PSJH does not anticipate significant savings from the refunding or refinancing, but hopes to glean favorable interest rates and any savings is dependent upon market conditions at the time the bonds are sold..

Type of Issue: Negotiated public offering with fixed rate bonds, floating rate notes, and/or long-term mode bonds
Expected Credit Rating: Aa3/ AA-/ AA- (Moody's/ S&P/ Fitch)
Financing Team: *Please see Exhibit 2 to identify possible Conflicts of Interest*

Financial Overview: PSJH's income statement appears to exhibit solid operating results with a growing operating income over the period in review with continued revenue growth. PSJH's balance sheet displays strong ability to repay debt with a pro-forma debt service coverage ratio of 5.07x and solid net assets.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Par amount of bonds	$590,000,000	Refunding Prior Debt	$584,100,000
		Financing Costs	5,900,000
Total Estimated Sources	$590,000,000	Total Estimated Uses	$590,000,000

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Affiliation Due Diligence, Seismic, and CEQA documentation, and the certifications for Community Service Obligation, Savings Pass Through, and the Iran Contracting Act. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 437 in an amount not to exceed $590,000,000 for Providence St. Joseph Health subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC ("KNN"), the Authority's municipal advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

PSJH intends to consolidate its debt by refunding or refinancing certain prior debt, which includes a line of credit and a bank loan, as well as certain CHFFA Bonds issued on behalf of Providence Health & Services and St. Joseph Health System. The refunding or refinancing of the CHFFA Bonds will be done in connection with the mandatory tender of the CHFFA Series 2013C Bonds (variable rate bonds), issued on behalf of St. Joseph Health System, upon the end of its initial interest rate period and to take advantage of the optional redemption provisions of the CHFFA Series 2009B Bonds (fixed rate bonds), issued on behalf of Providence Health & Services. PSJH does not anticipate significant savings from the refunding, but hopes to glean favorable interest rates and any savings is dependent upon market conditions at the time the bonds are sold. PSJH will also issue approximately $600 million in taxable bonds to refund existing debt separately from the CHFFA 2019 Bonds (the "2019 Bonds") and for other corporate purposes.

Refunding Prior Debt*... *$584,100,000

PSJH seeks to use bond proceeds to refund or refinance all or a portion of the prior debt below.

<u>CHFFA Series 2009B (Providence Health & Services)</u>
The Series 2009B bond proceeds were used for the construction, expansion, remodeling, renovation, furnishing and equipping of Providence Holy Cross Medical Center.

<u>Line of Credit (St. Joseph Health System)</u>
In July 2019, PSJH redeemed the then-outstanding CHFFA Series 2009A and Series 2009B Bonds (the "Series 2009AB Bonds") with a line of credit. The Series 2009AB Bond proceeds were used to refund the California Statewide Communities Development Authority Series 2008ABC Insured Revenue Bonds. The Series 2009AB Bond proceeds were also used for the construction, expansion, remodeling, renovation, furnishing and equipping of Mission Hospital, St. Jude Medical Center, Santa Rosa Memorial Hospital, Queen of the Valley Medical Center, and St. Joseph Hospital of Eureka.

<u>CHFFA Series 2013C and Bank Loan (St. Joseph Health System)</u>
In October 2017, the CHFFA Series 2013B Bonds were purchased through mandatory tender with a Bank Loan. Together, the Series 2013B and Series 2013C (the "Series 2013BC Bonds") bond proceeds were used to refund the City of Newport Beach Series 2008CDEF, Series 2009ADE, and Series 2011 Revenue Bonds. The Series 2013BC Bond proceeds were also used for the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of St. Joseph Hospital of Orange, St. Jude Medical Center, St. Mary Medical Center, Santa Rosa Memorial Hospital and St. Joseph Hospital of Eureka.

Financing Costs*... *<u>5,900,000</u>

Estimated Underwriter's discount	$2,950,000
Estimated cost of issuance......................................	2,950,000

Total Estimated Uses of Funds.. **<u>$590,000,000</u>**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

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. Prior to the issuance of the 2019 Bonds, 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.

PSJH, a Washington nonprofit corporation, is the Obligated Group Agent and a member of the Obligated Group under the Master Trust Indenture (the "Master Indenture"). The Obligated Group consists of PSJH and 30 other affiliate members ("Members") (see Section VII for a list of Members). These Members operate hospitals and/or health facilities located in the states of Alaska, California, Montana, New Mexico, Oregon, Texas, and Washington. All Members are jointly and severally liable on obligations issued under the Master Indenture with respect to repayments of loan amounts relating to the Authority's bonds and other parity debt. The Master Indenture sets forth certain requirements for additions to, or withdrawals from, Obligated Group membership. PSJH is the borrower under the Loan Agreement relating to the 2019 Bonds and is bound by all covenants included therein. The Obligated Group is bound by all covenants included in the Master Indenture. Certain covenants included in the Loan Agreement and the Master Indenture are discussed below.

After reviewing the Obligated Group's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, PSJH, KNN Public Finance (the Authority's municipal advisor), and the underwriters of the proposed bonds have concluded that (i) the covenants listed below align with the interests of PSJH, the Obligated Group, the Authority, and the investors, (ii) such covenants are consistent with covenants that have applied to the Obligated Group's prior bond transactions and (iii) the Obligated Group's current financial situation does not suggest additional covenants should be required.

<u>The following covenants, included in the Loan Agreement or the Master Indenture, are applicable to this transaction:</u>

Unconditional Promise to Pay. *PSJH agrees to pay to the Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. Each Obligated Group Member guarantees all such payments through the issuance of a Master Indenture Obligation. All Revenues (as defined in the Indenture) and any other amounts (including proceeds of the sale of 2019 Bonds) held in any fund or account under the Indenture are pledged to secure the full payment of the 2019 Bonds.*

Negative Pledge Against Liens. *Each Obligated Group Member agrees not to create, incur or permit any Lien on any Property to secure Indebtedness other than Permitted Encumbrances (such terms as defined in the Master Indenture).*

Limited Permitted Encumbrances. *Each Obligated Group Member is subject to a set of allowable liens or encumbrances it may incur pursuant to the Master Indenture.*

Debt Service Coverage Ratio. *The Master Indenture contains an agreement to evidence, as of the end of each Fiscal Year, compliance with a Historical Debt Service Coverage Ratio (as defined in the Master Indenture) of at least 1:10 to 1.*

Additional Debt. *The ability to incur additional indebtedness is not limited by the provisions of the Master Indenture.*

Limitations on Mergers, Consolidations, Sales or Conveyances. *Under the Master Indenture, each Obligated Group Member agrees 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 Property to any Person (such terms as defined in the Master Indenture) outside of the Obligated Group unless various requirements set forth in the Master Indenture are satisfied.*

Limitations on Sale, Lease or Other Disposition of Property. *Except in connection with a merger, consolidation, sale or conveyance permitted by the Master Indenture, the ability of any Obligated Group Member to sell, lease or otherwise dispose of any Property (as defined in the Master Indenture) is not limited by the Master Indenture.*

Comply with SEC Rule 15c2-12. *PSJH will take such action as is necessary to assist the underwriters in complying with SEC Rule 15c2-12. PSJH will contractually agree to disclose designated financial and operating information to the Municipal Securities Rulemaking Board website (EMMA) during the life of the 2019 Bonds and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff has reviewed the contents of this financing package and find these documents and proposed covenants to be acceptable. KNN has reviewed the Master Indenture, Indenture, and Loan Agreement associated with this financing package and finds these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Providence St. Joseph Health
Statement of Activites
(Income Statement)

	As of Decemeber 31, (In millions of dollars) 2018	2017	2016
Operating revenues:			
Net patient service revenues less provision for bad debts	$ 18,328	$ 17,387	$ 13,465
Other revenues	1,768	1,844	1,147
Total operating revenues	20,096	19,231	14,612
Operating expenses:			
Salaries and benefits	10,643	10,391	8,199
Supplies	3,311	3,194	2,419
Interest, depreciation, and amortization	1,273	1,232	897
Purchased services, professional fees, and other	4,102	3,827	2,957
Total operating expenses	19,329	18,644	14,472
Restructuring Costs	162	-	-
Excess of revenue over expenses from operations	605	587	140
Net nonoperating (losses) gains:			
Loss on extinguishment of debt	(6)	-	(60)
Investment (loss) income, net	(330)	773	277
Other	(87)	(4)	(12)
Total net nonoperating (losses) gains	(423)	769	205
Excess of revenues over expenses	$ 182	$ 1,356	$ 345

For Fiscal Year End December 31,

Payor Source	% Patient Service Revenue		Patient Days			
	2018	2017	2018 Total	2018 %	2017 Total	2017 %
Commercial	49	50	169,056	13	172,457	13
Medicare	32	33	849,898	64	848,404	64
Medicaid	16	15	223,086	17	224,865	17
Self-pay and Other	3	2	75,930	6	72,762	6
Total	**100**	**100**	**1,317,970**	**100**	**1,318,488**	**100**

Providence St. Joseph Health
Statements of Financial Position
(Balance Sheet)

	As of December 31, (In millions of dollars)		
	2018	**2017**	**2016**
Assets			
Current assets:			
Cash and cash equivalents	$ 1,027	$ 787	$ 551
Accounts receivable, net	2,127	2,148	2,123
Supplies inventory	282	270	266
Other current assets	789	1,103	1,378
Current portion of assets whose use is limited	339	256	492
Total current assets	4,564	4,564	4,810
Assets whose use is limited	7,145	7,580	6,820
Property, plant, and equipment, net	10,287	10,496	10,561
Other assets	1,932	1,732	1,594
Total assets	$ 23,928	$ 24,372	$ 23,785
Liabilities and Net Assets			
Current Liabilities:			
Current portion of long-term debt	$ 296	$ 76	$ 194
Master trust debt classified as short-term	110	57	153
Accounts payable	984	624	506
Accrued compensation	1,109	1,033	1,026
Other current liabilities	1,188	1,623	1,289
Total current liabilities	3,687	3,413	3,168
Long-term liabilities, net of current portion	6,126	6,457	6,377
Pension benefit obligation	1,065	1,054	1,120
Other liabilities	484	509	535
Total liabilities	$ 11,362	$ 11,433	$ 11,200
Net assets:			
Net assets without donor restrictions	11,739	12,178	11,921
Net assets with donor restrictions	827	761	-
Temporarily restricted	-	-	535
Permanently restricted	-	-	129
Total net assets	12,566	12,939	12,585
Total liabilities and net assets	$ 23,928	$ 24,372	$ 23,785

	Proforma FYE December 31, 2018[a]	**2018**	**2017**	**2016**
Debt Service Coverage (x) - Operating	5.07	4.79	3.19	2.07
Debt Service Coverage (x) - Net Assets	3.90	3.76	4.49	2.43
Debt to Unrestricted Net Assets (x)	0.57	0.58	0.56	0.57
Margin (%)		3.01	3.05	0.96
Current Ratio (x)		1.24	1.34	1.52

[a] Recalculates FY 2018 audited results to include the impact of the proposed tax-exempt and taxable bond financings.

The audited, combined financial statements of the Obligated Group were analyzed in this section. The Obligated Group comprises approximately 87% of the total assets and 82% of the total operating revenues of the combined financials.

PSJH's income statement appears to exhibit solid operating results with growing positive operating revenue.

In FY 2016, Providence Health & Services combined with St. Joseph Health to form PSJH. In the following year, PSJH experienced an increase of 32% in operating revenues from approximately $14.6 billion in FY 2016 to approximately $19.2 billion in FY 2017. According to PSJH's management, PSJH experienced a significant increase in patients served following the combination, which led to the increase in operating revenues. Along with increasing operating revenues, PSJH's operating expenses increased at a slightly slower pace of 29%, from approximately $14.4 billion in FY 2016 to approximately $18.6 billion in FY 2017. According to PSJH's management, the combination of the two organizations led to an increase in number of patients served, which in turn, led to sizeable increases in salaries and benefits and supplies expenses. The increasing expenses significantly contributed to the overall increase in total operating expenses. In FY 2018, PSJH incurred a one-time expense of approximately $162 million in restructuring costs comprised of asset impairment, severance, and consulting expenses as part of a system-wide effort to streamline operations and improve productivity. However, the excess of revenue over expenses from operations were highest in FY 2018 at $605 million as compared to $140 million in FY 2016 and $587 million in FY 2017, reflecting the increasing margin between operating revenues and operating expenses.

The fluctuation displayed in the total net income from $345 million in FY 2016 to $1.4 billion in FY 2017 to $182 million in FY 2018, was mainly due to market conditions on PSJH's investments. However, investments remain an overall small part of PSJH's net assets, as it was 3% of net assets in FY 2018.

PSJH's balance sheet displays a strong ability to repay debt with a pro-forma debt service coverage ratio of 5.07x and solid net assets.

PSJH's operating debt service coverage ratio is a solid 4.79x in FY 2018, and with PSJH's proposed tax-exempt and taxable financings, the pro-forma debt service coverage ratio increases to 5.07x. This pro-forma ratio displays PSJH's strong ability to repay its debt. In addition, PSJH's debt to unrestricted net assets ratio has remained fairly stable at an average of 0.58x over the review period, and decreases slightly to a pro-forma of 0.57x with this refinancing. This ratio demonstrates the refunding nature of this new issuance and exhibits ample readiness to restructure the debt.

Over the period in review, both total assets and total liabilities fluctuated slightly with an overall change in total assets of 0.6% and an overall change in total liabilities of 1.5% from FY 2016 to FY 2018. According to PSJH's management, this fluctuation was primarily due to the combination of Providence Health & Services and St. Joseph Health that took place in FY 2016. Meanwhile, cash and cash equivalents nearly doubled over the review period from $551 million in FY 2016 to approximately $1 billion in FY 2018, and according to PSJH's management, was primarily driven by cash generated from operations post-affiliation.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Pass-Through Savings):** PSJH properly completed and submitted the Pass-Through Savings Certification.
- **Section 15459.1 of the Act (Community Service Obligation Requirement):** PSJH properly completed and submitted the Community Service Obligation certification and indicated that Medi-Cal and Medicare patients are accepted. Below is a link to PSJH's 2018 Annual Report regarding community service:

  http://www.psjhealth.org/community-benefit

- **Compliance with Seismic Regulations:** PSJH properly submitted a description of how it is complying with the Office of Statewide Health Planning and Development's seismic evaluation regulations.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** PSJH properly submitted relevant documentation addressing the California Environmental Quality Act.
- **Religious Affiliation Due Diligence:** PSJH properly completed and submitted relevant documentation to meet the religious affiliation due diligence requirement.
- **Legal Review:** PSJH properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriters properly completed and submitted the Iran Contracting Act certificates.

V. OUTSTANDING DEBT

As of December 31, 2018, the outstanding long-term debt totaled approximately $6.3 billion, of which approximately $2.2 billion (34.9%) was comprised of debt issued through the Authority.

With the refunding of the CHFFA bonds and the issuance of the taxable refunding bonds, PSJH's total outstanding long-term debt and the amount of debt issued through the Authority will remain at approximately $6.3 billion and approximately $2.2 billion (34.9%), respectively.

VI. UTILIZATION STATISTICS

Providence St. Joseph Health

	Fiscal Year Ending December 31, (in thousands)		
	2018	**2017**	**2016***
Inpatient Admissions	514	522	526
Acute Adjusted Admissions	1,025	1,002	989
Acute Patient Days	2,441	2,420	2,387
Long-term Patient Days	413	399	400
Outpatient Visits	26,915	25,648	24,352
Emergency Room Visits	2,108	2,119	2,124
Total Surgeries and Procedures	625	613	567
Acute Average Daily Census	6,688	6,631	6,522
Providence Health Plan Members	648	648	639

*The 2016 numbers were derived by combining the consolidated year-to-date results of Providence Health & Services and St. Joseph Health assuming operations of the two organizations were combined as of January 1, 2016.

VII. BACKGROUND AND LICENSURE

Background

PSJH is a not-for-profit health system headquartered in Renton, Washington. PSJH's mission is to provide quality care that is accessible to everyone in the communities they serve, especially the poor and vulnerable, and carry on the work started by the Sisters of Providence and Sisters of St. Joseph more than 160 years ago. PSJH services include, as of June 30, 2019, 51 acute care hospitals, 1,085 clinics, 29 long-term care facilities, 16 supportive housing facilities and many other health and educational services. The health system provides this full range of services and support to serve approximately 30,000 patients each day.

Licensure and Memberships

Each of PSJH's facilities is licensed by the California Department of Public Health as a general acute care hospital or skilled nursing facility or is a related facility and is certified to participate in the Medicare and Medi-Cal programs.

Obligated Group Members

The Obligated Group currently consists of PSJH and 30 members operating in Alaska, California, Montana, New Mexico, Oregon, Texas and Washington. Each member is jointly and severally obligated to pay the obligations issued under the Master Indenture.

Providence St. Joseph Health
Providence Health & Services
Providence Health & Services – Washington
Providence Health System – Southern California
Little Company of Mary Ancillary Services Corporation
Providence Saint John's Health Center
Providence St. Joseph Medical Center
Providence Health & Services – Montana
Providence Health & Services – Oregon
Providence Health & Services – Western Washington
Swedish Health Services
Swedish Edmonds
PacMed Clinics
Western HealthConnect
Kadlec Regional Medical Center
St. Joseph Health System
St. Joseph Hospital of Orange
St. Jude Hospital, Inc. (dba St. Jude Medical Center)
Mission Hospital Regional Medical Center
St. Mary Medical Center
Hoag Memorial Hospital Presbyterian
St. Joseph Health Northern California, LLC
Queen of the Valley Medical Center
Santa Rosa Memorial Hospital
St. Joseph Hospital of Eureka
Redwood Memorial Hospital of Fortuna
Covenant Health System
Covenant Medical Center
Methodist Children's Hospital (dba Covenant Children's Hospital)
Methodist Hospital Levelland (dba Covenant Hospital Levelland)
Methodist Hospital Plainview (dba Covenant Hospital Plainview)

EXHIBIT 1

PROJECT SITES

Hoag Memorial Hospital Presbyterian.......	1 Hoag Dr., Newport Beach, CA 92663; 500-540 Superior Ave., Newport Beach, CA 92663
Mission Hospital Regional Medical Center	27700 Medical Center Road, Mission Viejo, CA 92691
Providence Holy Cross Medical Center.....	15031 Rinaldi St., Mission Hills, CA 91345; 11600A Indian Hills Rd., Mission Hills, CA 91345
Queen of the Valley Medical Center..........	1000 Trancas St., Napa, CA 94558
Redwood Memorial Hospital.....................	3300 Renner Dr., Fortuna, CA 95540
St. Joseph Hospital.....................................	2700 Dolbeer St., Eureka, CA 95501; 2720 Dolbeer St., Eureka, CA 95501
St. Joseph Hospital of Orange....................	1100 West Stewart Dr., Orange, CA 92868; 1000 West La Veta Ave., Orange, CA 92868; 1140 West La Veta Ave., Orange, CA 92868
St. Joseph Health System...........................	3345 Michelson Dr., Irvine, CA 92612
St. Jude Medical Center	101 E. Valencia Mesa Dr. Fullerton, CA 92835; 2141-2151 North Harbor Blvd., Fullerton, CA 92835
St. Mary Medical Center............................	18300 Highway 18, Apple Valley, CA 92307 including property located west of Amargosa Rd., north of Smoketree Rd., east of Jargon Rd, and South of Mesa St. in Victorville, CA 92392
Santa Rosa Memorial Hospital...................	1165 Montgomery Dr., Santa Rosa, CA 95405; 151 Sotoyome St., Santa Rosa, CA 95405

EXHIBIT 2

FINANCING TEAM

Borrower:	Providence St. Joseph Health
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Municipal Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	TAP International, Inc.
Borrower's Counsel:	Chapman and Cutler LLP
Bond Counsel:	Norton Rose Fulbright US LLP
Senior Managing Underwriter:	Morgan Stanley & Co. LLC
Co-Managing Underwriters	Goldman Sachs & Co. LLC Citigroup Global Markets Inc.
Underwriter's Counsel:	Hawkins Delafield & Wood LLP
Master Trustee:	Bank of New York Mellon Trust Company
Trustee:	U.S. Bank National Association
Trustee's Counsel:	Dorsey & Whitney LLP
Auditor:	KPMG LLP
Rating Agencies:	Moody's Investors Service, Inc. Standard & Poor's Financial Services, LLC Fitch Ratings, Inc.

RESOLUTION NO. 437

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS RELATED TO THE REFINANCING OF PROJECTS AT THE HEALTH FACILITIES OF CERTAIN AFFILIATES OF PROVIDENCE ST. JOSEPH HEALTH

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 lend the 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, Providence St. Joseph Health is a nonprofit corporation duly organized and existing under the laws of the State of Washington (the "Borrower") that is (i) affiliated with St. Joseph Health System, Mission Hospital Regional Medical Center dba Mission Hospital, St. Joseph Health Northern California, LLC, Queen of the Valley Medical Center, St. Jude Hospital, Inc. dba St. Jude Medical Center, St. Joseph Hospital of Orange, St. Mary Medical Center, St. Joseph Hospital of Eureka, Redwood Memorial Hospital of Fortuna, Santa Rosa Memorial Hospital and Hoag Memorial Hospital Presbyterian, each of which owns and/or operates health care facilities in the State of California (collectively, the "SJHS Entities"), and (ii) Providence Health System – Southern California ("PHS-SC");

WHEREAS, the Authority has previously issued its revenue bonds listed in Exhibit B attached hereto (the "Prior Bonds"), in the total aggregate principal amount of $624,410,000, and loaned the proceeds thereof to (i) St. Joseph Health System, to finance and refinance the acquisition, construction, renovation and equipping of certain health facilities of the SJHS Entities located in California, and (ii) PHS-SC, to finance the acquisition, construction, renovation and equipping of certain health facilities of PHS-SC located in California, all as more particularly described under the caption "Prior Project" in Exhibit A attached hereto (the "Prior Project");

WHEREAS, certain of the Prior Bonds, in the aggregate principal amount of $310,390,000 (the "Prepaid Prior Bonds"), have been redeemed or purchased by the Borrower with taxable loan or line of credit moneys and are no longer outstanding, and certain of the Prior Bonds, in the aggregate principal amount of $260,000,000 (the "Outstanding Prior Bonds"), remain outstanding, all as described in Exhibit B attached hereto;

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $590,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all or a portion of the Outstanding Prior Bonds, (ii) refinance all or a portion of the Prepaid Prior Bonds, and (iii) pay costs of issuance of the Bonds (as defined below);

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Prior 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 (Providence St. Joseph Health)" (the "Bonds"), in a total aggregate principal amount not to exceed $590,000,000, are hereby authorized to be issued from time to time, in one or more series, bearing interest at variable or fixed rates, 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 fourth 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 August 29, 2020, at public or private 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 six 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 Borrower, 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 Borrower, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements and/or supported by one or more liquidity facilities.

SECTION 3. The following documents:

(i) the form of Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Borrower,

(ii) the form of Bond Indenture relating to the Bonds (the "Bond Indenture"), between the Authority and U.S. Bank National Association, as bond trustee (the "Trustee"), which may be used to issue bonds bearing interest with variable rates or fixed rates,

(iii) the form of Bond Purchase Agreement, including the exhibits thereto, relating to the Bonds (the "Purchase Agreement"), among Morgan Stanley & Co. LLC, as the representative of the underwriters named therein (the "Underwriters"), the Treasurer and the Authority, and approved by the Borrower, and

(iv) the form of 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 and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, 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 Agreement and by delivery thereof in the case of the Preliminary Official Statement. One or more Loan Agreements, Bond Indentures, Purchase Agreements and Official Statements may be entered into if Bonds bearing both variable rates and fixed rates of interest are to be issued or different series of Bonds are to be issued. 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, methods of determining interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in the Bond Indenture, as finally executed.

SECTION 6. The Underwriters are hereby authorized to distribute one or more Preliminary Official Statement for the Bonds of each series 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 Underwriters (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriters are hereby directed to deliver a final official statement (the "Official Statement") to all actual purchasers of such Bonds.

SECTION 7. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The 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 Underwriters 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 Underwriters, 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 Indentures, Loan Agreements, Purchase Agreements and Official Statements. 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 letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds.

SECTION 9. The provisions of the Authority's Resolution No. 2018-09 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

PRIOR PROJECT

The Prior Project consists of the financing and refinancing of the following health facilities:

SJHS Entities

(a) **Queen of the Valley Medical Center**, a 208-licensed-bed general acute care hospital facility located at 1000 Trancas Street, Napa, California 94558, owned and principally used by St. Joseph Health Northern California, LLC, in a maximum stated principal amount of $6,000,000;

(b) **St. Joseph Hospital**, a 153-licensed-bed general acute care hospital facility located at 2700 Dolbeer Street, Eureka, California 95501, including a related parking facility located at 2720 Dolbeer Street, Eureka, California 95501, each of which is owned and principally used by St. Joseph Health Northern California, LLC, in an integrated operation, in a maximum stated principal amount of $30,000,000

(c) **St. Joseph Hospital of Orange**, a 463-licensed-bed general acute care hospital facility (including a 37-licensed-bed acute psychiatric facility) located at 1100 West Stewart Drive, Orange, California 92868, including the following related facilities: a Cancer Center located at 1000 West La Veta Avenue, Orange, California 92868, and an ambulatory care center located at 1140 West La Veta Avenue, Orange, California 92868, each of which is owned and principally used by St. Joseph Hospital of Orange, in an integrated operation, in a maximum stated principal amount of $67,000,000;

(d) **St. Jude Medical Center**, a 320-licensed-bed general acute care hospital facility located at 101 East Valencia Mesa Drive, Fullerton, California 92835, and an ambulatory care center located at 2141-2151 North Harbor Boulevard, Fullerton, California 92835, each of which is owned and principally used by St. Jude Hospital, Inc., dba St. Jude Medical Center, in an integrated operation, in a maximum stated principal amount of $52,000,000;

(e) **Santa Rosa Memorial Hospital**, a 329-licensed-bed general acute care hospital facility located at 1165 Montgomery Drive, Santa Rosa, California 95405, and including skilled nursing facilities located at 151 Sotoyome Street, Santa Rosa, California 95405, each of which is owned and principally used by St. Joseph Health Northern California, LLC, in an integrated operation, in a maximum stated principal amount of $20,000,000;

(f) **St. Mary Medical Center**, a 212-licensed-bed general acute care hospital facility located at 18300 Highway 18, Apple Valley, California 92307, including related property located west of Amargosa Road, north of Smoketree Road, east of Jargon Road and south of Mesa Street in Victorville, California 92392, each of which is owned and principally used by St. Mary Medical Center, in an integrated operation, in a maximum stated principal amount of $19,000,000;

(g) **Mission Hospital Regional Medical Center**, a 345-licensed-bed general acute care hospital facility (with behavioral health and rehabilitation facilities) located at 27700 Medical Center Road, Mission Viejo, California 92691, owned and principally used by Mission Hospital Regional Medical Center, dba Mission Hospital, in a maximum stated principal amount of $70,000,000;

(h) **Redwood Memorial Hospital**, a 35-licensed-bed general acute care hospital facility located at 3300 Renner Drive, Fortuna, California 95540, owned and principally used by St. Joseph Health Northern California, LLC, in a maximum stated principal amount of $1,000,000;

(i) **St. Joseph Health System**, a corporate office for the Providence St. Joseph Health system, located at 3345 Michelson Drive, Irvine, California 92612, formerly located at 505 South Main Street, Orange, California 92868 and 480 South Batavia Street, Orange, California 92868, principally leased and used by St. Joseph Health System, in a maximum stated principal amount of $2,000,000;

(j) **Hoag Memorial Hospital Presbyterian**, a 434-licensed-bed general acute care hospital facility located at or about (including adjacent to or across the street from) One Hoag Drive, Newport Beach, California 92663, including related imaging equipment located at 500-540 Superior Avenue, Newport Beach, California 92663, each of which is owned and principally used by Hoag Memorial Hospital Presbyterian, in an integrated operation, in a maximum stated principal amount of $214,000,000; and

<u>PHS–SC</u>

(k) **Providence Holy Cross Medical Center**, a 377-licensed-bed general acute care hospital facility located at 15031 Rinaldi Street, Mission Hills, California 91345, and a skilled nursing facility located at 11600A Indian Hills Road, Mission Hills, California 91345, each of which is owned and principally used by Providence Health System—Southern California, in an integrated operation, in a maximum stated principal amount of $182,000,000.

<u>EXHIBIT B</u>

PRIOR BONDS

<u>Outstanding Prior Bonds</u>

CHFFA Revenue Bonds (Providence Health & Services) Series 2009B, originally issued on July 29, 2009 in the aggregate principal amount of $150,000,000, all of which currently is outstanding

CHFFA Revenue Bonds (St. Joseph Health System) Series 2013C, originally issued on July 24, 2013 in the aggregate principal amount of $110,000,000, all of which currently is outstanding

<u>Prepaid Prior Bonds</u>

CHFFA Revenue Bonds (St. Joseph Health System) Series 2009A and 2009B, originally issued on August 27, 2009 in the aggregate principal amount of $254,410,000 – ***NO LONGER OUTSTANDING; JULY 2019 REDEMPTION OF $200,390,000 THEN-OUTSTANDING BONDS***

CHFFA Revenue Bonds (St. Joseph Health System) Series 2013B, originally issued on July 24, 2013 in the aggregate principal amount of $110,000,000 – ***NO LONGER OUTSTANDING; OCTOBER 2017 MANDATORY TENDER PURCHASE IN FULL***