

**CHFFA BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: PIH Health, Inc. (PIH) 12401 Washington Blvd. Whittier, CA 90602 (Los Angeles County)</p> <p>Project Site: See Exhibit 1</p> <p>Facility Type: Acute Care Hospital</p> <p>Eligibility: Government Code Section 15432(d) (1)</p> <p>Prior Borrower: No</p> <p>PIH Obligated Group: Upon issuance of the 2020 Bonds, the PIH Obligated Group will be comprised of PIH Health, Inc., PIH Health Hospital-Whittier, PIH Health Hospital-Downey, Good Samaritan Hospital, and PIH Health Management Corp.</p>	<p>Amount Requested: \$376,000,000</p> <p>Requested Loan Term: Up to 40 years</p> <p>Authority Meeting Date: August 27, 2020</p> <p>Resolution Number: 441</p>																				
<p>Background: PIH is a nonprofit regional healthcare network with three hospitals, various outpatient medical offices, a multispecialty medical group, home healthcare services and hospice care, as well as heart, cancer and emergency services. The PIH staff of over 5,100 serve more than two million residents in Los Angeles and Orange Counties. On December 23, 2019, PIH became the sole corporate member of Good Samaritan Hospital (Good Samaritan). Upon the issuance of the 2020 bonds, Good Samaritan will become a member of the PIH Obligated Group. Good Samaritan is a not-for-profit community focused medical center that admits approximately 12,500 patients (excluding newborns) and handles more than 74,000 outpatient visits a year.</p>																					
<p>Use of Proceeds: Bond proceeds will be used to refinance existing debt and fund the construction, expansion, remodeling, renovation, and equipping of multiple facilities. Additionally, funds will be used to fund costs of issuance.</p>																					
<p>Type of Issues: Negotiated public offering (up to three series) with fixed rate tax-exempt bonds and taxable bonds, together the 2020 Bonds, and forward delivery tax-exempt bonds, the 2021 Bonds (expected minimum denominations of \$5,000).</p> <p>Expected Credit Rating: A/A-; S&P</p> <p>Financing Team: <i>Please see Exhibit 2 to identify possible Conflicts of Interest</i></p>																					
<p>Financial Overview: PIH Obligated Group's income statement appears to exhibit solid operating results over the review period with continued revenue growth. PIH Obligated Group's balance sheet displays strong ability to repay debt with positive net assets and a pro-forma debt service coverage ratio, which includes Good Samaritan, of 2.42x.</p>																					
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<p>Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Affiliation Due Diligence, Seismic Regulations, and CEQA documentation, and the certifications for Pass-Through Savings and the Iran Contracting Act. All documentation satisfies the Authority's requirements.</p>																					
<p>Staff Recommendation: Staff recommends the Authority approve Resolution Number 441 in an amount not to exceed \$376,000,000 for PIH Health, Inc. 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, the Authority's municipal advisor, concurs with the Authority's staff recommendation.</p>																					

I. PURPOSE OF FINANCING:

PIH seeks to issue tax-exempt and taxable bonds to fund the construction, expansion, remodeling, renovation, and equipping of multiple facilities that provide a wide variety of services including primary acute medical services, home health care services, hospice care and surgical services as well as a full range of outpatient services and emergency care services. These projects would help PIH meet seismic standards for 2030 in addition to expanding usable space for various services, and updating and replacing a variety of equipment.

PIH also plans to refinance approximately \$228 million in outstanding debt, which will both consolidate Good Samaritan’s debt with PIH’s debt and remove the upcoming 2021 maturities from the capital structure while taking advantage of the very low borrowing rates in the fixed rate market. PIH anticipates a present value savings of approximately \$8 million from refinancing the Series 2011 bonds. The original bonds were used to fund various improvements to several hospital sites and equipment purchases that also provide various services, including primary level acute medical services, to the community.

Refinancing \$228,196,945

Series 2009A, 2011 and 2012C City of Whittier Health Facility Revenue Bonds

The bond proceeds of the Series 2011 bonds and a portion of the Series 2009A bonds were used to finance certain facilities for the benefit of various PIH hospitals, particularly the construction of a four-story tower project with an additional below-ground level and the retrofitting of the central utility plant in order to ensure compliance with seismic requirements. Additionally, the Series 2012C and the balance of the proceeds of the Series 2009A bonds were used to refund various outstanding bonds that were used to fund the tower project referenced above.

2016 Term Loan

The loan proceeds of the 2016 Term Loan were used to pay the remainder of PIH-Downey fixed-rate note, obtain the rights to the purchase option to Downey Regional Medical Center Properties, Inc. and for other general corporate purposes.

Good Samaritan Term Loan

The loan proceeds of the Good Samaritan Term Loan were used to pay off Good Samaritan’s outstanding 1991 CHFFA bonds and for other general corporate purposes. These 1991 CHFFA bonds were used to finance equipment, including a gamma knife, management information system expenditures and renovations and remodeling at Good Samaritan Hospital.

Project Fund 144,024,975

PIH Health Hospital-Whittier Campus

Bond proceeds will be used at the PIH Whittier Hospital Campus to convert a light industrial building into a hospital-based wellness center, replace aging diagnostic imaging equipment, replace linear accelerator oncology equipment, and renovate the transitional care unit.

PIH Health Hospital-Downey Campus

Bond proceeds will be used at the PIH Downey Hospital Campus to replace diagnostic imaging equipment, replace catheterization lab equipment, and expand the emergency department.

Good Samaritan

Bond proceeds will be used at Good Samaritan to expand and renovate the emergency department to meet seismic requirements, relocate central sterile processing, relocate the kitchen and the morgue, and replace aged diagnostic imaging equipment.

Financing Costs		<u>3,778,080</u>
Estimated cost of issuance	\$1,889,040	
Estimated underwriter's discount	<u>1,889,040</u>	
Total Estimated Uses of Funds		<u>\$376,000,000</u>

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

This executive summary and recommendations included below represent the minimum required covenants and security provisions. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff. Prior to the issuance of the 2020 and 2021 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.

PIH, a California nonprofit public benefit corporation, is the Credit Group Representative for the obligated group (Obligated Group) being created pursuant to an Amended and Restated Master Indenture of Trust (Master Indenture), to be entered into among PIH, PIH-Health Hospital-Whittier, PIH Health Hospital-Downey, Good Samaritan Hospital and PIH Health Management Corp. (each, an Obligated Group Member) and The Bank of New York Mellon Trust Company, as Master Trustee. PIH is the sole corporate member of each of the four other Obligated Group Members. The Obligated Group operates hospitals and related health facilities located in California. All Obligated Group Members are jointly and severally liable on obligations issued under the Master Indenture. The Obligated Group will issue an obligation (each, an Obligation) under the Master Indenture to secure the obligation to repay the loan to be made by the Authority to PIH pursuant to the loan agreement between the Authority and PIH in connection with the 2020 bonds (the 2020 Loan Agreement) and to secure the obligation to repay the loan to be made by the Authority to PIH pursuant to the loan agreement between the Authority and PIH in connection with the 2021 Bonds (the 2021 Loan Agreement). The Master Indenture sets forth covenants with which PIH and each other Obligated Group Member are required to comply. Certain covenants included in the Master Indenture are discussed below.

After reviewing PIH's proposed credit profile, prior PIH bond transactions, and current market requirements, KNN Public Finance, LLC (the Authority's municipal advisor) and the underwriter have concluded that the covenants listed below align with the interests of PIH, the Authority, and the investors and that PIH's current financial situation does not suggest additional covenants should be required.

The covenants listed below are applicable to this transaction.

All capitalized terms used and not defined herein shall have the meanings assigned in the Master Indenture.

Unconditional Promise to Pay. *PIH agrees to pay to U.S. Bank National Association, as trustee for the 2020 bonds (the 2020 Trustee), all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the 2020 Loan Agreement. PIH agrees to pay to U.S. Bank National Association, as trustee for the 2021 bonds (the 2021 Trustee), all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the 2021 Loan Agreement. In addition, all such payments will be secured by all Obligated Group Members through the issuance of the Obligations under the Master Indenture.*

All Revenues, as defined in the indenture to be entered into between the Authority and the 2020 Trustee in connection with the 2020 bonds (the 2020 Indenture), will be pledged to secure full payment of the 2020 bonds. Revenues as defined in the 2020 Indenture include payments by PIH under the 2020 Loan Agreement and payments by the Obligated Group on the applicable Obligation and amounts held in the funds and accounts established under the 2020 Indenture (excluding the Rebate Fund and any fund established to pay the purchase price if any series of 2020 bonds is issued as variable rate bonds).

All Revenues, as defined in the indenture to be entered into between the Authority and the 2021 Trustee in connection with the 2021 bonds (the 2021 Indenture), will be pledged to secure full payment of the 2021 bonds. Revenues as defined in the 2021 Indenture include payments by PIH under the 2021 Loan Agreement and payments by the Obligated Group on the applicable Obligation and amounts held in the funds and accounts established under the 2021 Indenture (excluding the Rebate Fund).

Pledge of Gross Receivables. *Each Obligated Group Member grants to the Mater Trustee a security interest in all of its right, title, and interest in, to, and under the Gross Receivables and the proceeds thereof.*

Limitation on Liens. *Each Obligated Group Member agrees not to create, assume or permit any lien upon the Property other than Permitted Liens.*

Debt Service Coverage Requirement. *The Master Indenture requires that each Obligated Member agree to manage its business such that the annual Debt Service Coverage Ratio will be not less than 1.1 to 1 as of the end of each Fiscal Year.*

Limitation on Additional Indebtedness. *Each Obligated Group Member agrees not to incur Additional Indebtedness unless authorized by various limiting provisions set out in the Master Indenture.*

Limitations on Mergers, Sales or Conveyances. *Each Obligated Group Member agrees not to merge or consolidate with any other Person that is not an Obligated Group Member or sell or convey all or substantially all of its assets to any Person that is not an Obligated Group Member unless authorized by various limiting provisions set out in the Master Indenture.*

Limitation on Disposition of Assets. *Each Obligated Group Member agrees not to sell, lease or dispose of any Property unless authorized by various limiting provisions set out in the Master Indenture.*

Limitation on Withdrawal from the Obligated Group and Entrance into the Obligated Group. *The Master Indenture sets forth certain requirements for additions to, or withdrawals from, membership in the Obligated Group.*

Comply with SEC Rule 15c2-12. *Under the continuing disclosure agreement entered into in connection with the 2020 Bonds and entered into in connection with the 2021 Bonds and in order to assist the underwriter in complying with Securities and Exchange Commission ("SEC") Rule 15c2-12 ("Rule 15c2-12"), PIH will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the 2020 bonds and during the life of the 2021 bonds and to report designated "material events" as specified in Rule 15c2-12.*

Staff has reviewed the contents of this financing package and find these documents and proposed covenants to be acceptable. KNN Public Finance, LLC has reviewed the Master Indenture, 2020 Indenture, 2020 Loan Agreement, 2021 Indenture and 2021 Loan Agreement associated with this financing package and find these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

PIH and Good Samaritan entered into a new affiliation agreement in December 2019. Upon the issuance of the 2020 bonds, Good Samaritan will become an Obligated Group Member of PIH. Thus, two sets of financial statements are presented for both PIH and Good Samaritan for fiscal years (FY) 2017 through 2019. Please note that the Legacy Obligated Group's audited financial statements analyzed in this section include PIH Health, Inc., PIH Health Hospital-Whittier, PIH Health Hospital-Downey, and PIH Health Management Corp.

Legacy PIH Health, Inc. and Subsidiaries Obligated Group
Statement of Activities
(Income Statement)

	For the Years Ended September 30,		
	(In Thousands)		
	2019	2018	2017
Revenues:			
Net patient service revenues	\$ 735,606	\$ 692,664	\$ 667,113
Capitation revenue	29,111	26,054	24,886
Other operating revenue	24,452	22,864	26,849
Net assets released from restrictions used for operations	574	1,324	1,489
Total revenues	789,743	742,906	720,337
Expenses:			
Salaries and wages	287,545	267,868	254,750
Purchased services	75,211	67,402	67,730
Medical supplies and drugs	107,788	99,465	92,411
Employee benefits	99,375	96,833	93,399
Professional fees	48,230	46,884	46,024
Depreciation and amortization	35,649	35,983	35,309
Other expenses	32,561	29,454	30,733
Interest	13,591	11,806	11,028
Insurance	9,905	7,026	7,162
Rent expense	2,344	2,135	6,239
Management services expense	-	-	2,055
Hospital Fee Program	39,973	38,886	40,052
Total expenses	752,172	703,742	686,892
Excess of revenues over expenses	37,571	39,164	33,445

(Continued)

For the Years Ended September 30,

(In Thousands)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Other gains:			
Net investment income	14,505	11,121	9,534
Net realized gains on investments	9,431	7,578	3,394
Change in fair value of interest rate swap and net interest expense	(17,560)	8,080	10,962
Gain (loss) on disposal of property and equipment, net	1,743	144	(107)
Other gains, net	172	41	2,471
Pension-related changes, net periodic pension cost	(1,527)	(2,671)	(6,147)
Total other gains, net	<u>6,764</u>	<u>24,293</u>	<u>20,107</u>
Excess of revenues over expenses and other gains	44,335	63,457	53,552
Unrealized gains on reinvestments, net	919	4,847	29,168
Pension-related changes other than net periodic pension cost, net	(23,745)	22,945	11,354
Net assets released from restrictions used for long-lived assets	746	262	3,051
Change in net assets without donor restrictions	<u>22,255</u>	<u>91,511</u>	<u>97,125</u>
Change in intercompany receivables-without donor restrictions	(19,051)	(24,046)	7,084
Net assets released from restrictions	<u>-</u>	<u>(55)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>-</u>	<u>(55)</u>	<u>-</u>
Equity transfer	(30,000)	-	(30,000)
Change in net assets	(26,796)	67,410	74,209
Net assets, beginning of year	<u>614,216</u>	<u>546,806</u>	<u>472,597</u>
Net assets, end of year	<u>\$ 587,420</u>	<u>\$ 614,216</u>	<u>\$ 546,806</u>

For Fiscal Year End September 30,

<u>Payor Source</u>	<u>% Patient Service Revenue</u>		<u>Patient Days</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>		<u>2018</u>	
			<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Medicare	37%	34%	70,245	59%	65,102	59%
Medi-Cal	16%	17%	22,553	19%	19,823	18%
HMO/PPO	44%	46%	21,206	18%	21,310	19%
Other third-party and self payors	3%	4%	4,763	4%	4,048	4%
Total	100%	100%	118,767	100%	110,283	100%

Legacy PIH Health, Inc. and Subsidiaries Obligated Group
Statements of Financial Position
(Balance Sheet)

	As of September 30,		
	(In Thousands)		
	2019	2018	2017
Assets			
Current assets:			
Cash and cash equivalents	\$ 918	\$ 1,299	\$ 9,494
Patient accounts receivable, net	104,256	89,078	85,478
Inventory	7,489	7,036	7,190
Other receivables	4,337	6,003	8,140
Prepaid expenses and other assets	7,191	6,553	9,852
Other current assets, Hospital Fee Program	42,116	44,401	72,983
Total current assets	166,307	154,370	193,137
Investments in mutual funds and other investments	22,085	21,269	20,078
Investments, assets limited as to use	440,218	452,587	437,734
Property and equipment, net	592,165	605,060	603,431
Investments in affiliates	1,556	1,556	1,555
Other assets	950	1,080	1,613
Total other assets	1,056,974	1,081,552	1,064,411
Total assets	\$ 1,223,281	\$ 1,235,922	\$ 1,257,548
Liabilities			
Current liabilities:			
Accounts payable and accrued expenses	\$ 70,948	\$ 74,654	\$ 77,288
Estimated third-party payor settlements	1,117	204	-
Accrued interest	2,834	2,241	2,175
Current portion of long-term debt	11,024	10,616	10,080
Current portion of obligations under capital leases	7	201	685
Current portion of prepetition liabilities	-	1,191	2,591
Short-term loan borrowing	32,500	28,000	48,000
Other current liability, Hospital Fee Program	22,981	30,943	43,018
Retention--self-insurance programs, current portion	3,226	6,640	7,981
Total current liabilities	144,637	154,690	191,818
Deferred compensation	17,141	16,441	15,511
Interest rate swaps	40,828	25,961	38,751
Long-term debt, net of current portion	349,611	360,771	370,821
Obligations under capital leases, net of current portion	-	8	192
Pension liability	67,513	49,218	77,435
Retention--self-insurance programs, net of current portion	14,687	14,617	15,023
Other liabilities, noncurrent	1,444	-	1,191
Total noncurrent liabilities	491,224	467,016	518,924
Total liabilities	635,861	621,706	710,742
Net assets			
Without Donor Restrictions	661,760	669,505	577,989
Intercompany receivables--without donor restrictions	(74,340)	(55,289)	(31,238)
With Donor Restrictions	-	-	55
Total net assets	587,420	614,216	546,806
Total liabilities and net assets	\$ 1,223,281	\$ 1,235,922	\$ 1,257,548

Good Samaritan Hospital and Affiliates
Statement of Activities
(Income Statement)

	For the Years Ended August 31,		
	(In Thousands)		
	2019	2018	2017
Revenues:			
Net patient service revenue less provision for bad debt	\$ 350,586	\$ 366,068	\$ 262,071
Rent revenue	3,930	3,731	3,033
Contributions	2,579	23,024	2,228
Other revenue	3,628	2,319	2,297
Investment income	3,306	2,847	21,244
Net assets released from purpose restrictions used for operations	4,198	1,278	4,613
Net assets released from time restriction	-	-	1,165
Total revenues	368,227	399,267	296,651
Expenses:			
Salaries and benefits	170,456	156,060	153,704
Supplies	75,260	65,487	58,017
Services and other	65,948	55,683	53,269
Depreciation	16,540	14,042	12,785
Professional fees	9,208	9,014	8,920
Purchased labor	24,958	17,663	12,703
Interest	2,106	1,973	66
Insurance, taxes and licenses	3,486	4,873	5,250
Hospital fee program	20,714	31,106	10,904
Total expenses	388,676	355,901	315,618
Excess (deficiency) of revenues over expenses	(20,449)	43,366	(18,967)
Other loss-research institutes-net	(393)	(433)	(364)
Excess (deficiency) of revenues over expenses and other gains	(20,842)	42,933	(19,331)
Change in unrealized gains on investments, net	5,106	(1,769)	(17,561)
Pension-related changes other than net periodic pension cost	(8)	(14)	8,508
Net assets released from restrictions used for purchase of property and equipment	1,739	3,174	13,543
Change in net assets without donor restrictions	(14,005)	44,324	(14,841)
Contributions	3,238	2,342	2,748
Investment income	507	446	517
Change in unrealized gains on investments-net	602	(433)	(28)
Change in value of split-interest agreements	(133)	(121)	(1,789)
Net assets released from restrictions	(6,057)	(4,662)	(18,327)
Change in net assets with donor restrictions	(1,843)	(2,428)	(16,879)
Permanently restricted net assets contributions	-	-	1
Change in net assets	(15,848)	41,896	(31,720)
Net assets, beginning of year	300,948	259,052	290,772
Net assets, end of year	\$ 285,100	\$ 300,948	\$ 259,052

For Fiscal Year End August 31,

<u>Payer Source</u>	<u>% Patient Service Revenue</u>		<u>Patient Days</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>		<u>2018</u>	
			<u>Total</u>	<u>%</u>	<u>Total</u>	<u>%</u>
Medicare	24%	22%	30,956	41%	27,378	40%
Medi-Cal	20%	32%	30,439	41%	29,233	42%
HMO/PPO	52%	43%	11,442	15%	10,817	16%
Other third-party and self payors	4%	3%	1,990	3%	1,686	2%
Total	100%	100%	74,827	100%	69,114	100%

Good Samaritan Hospital and Affiliates
Statements of Financial Position
(Balance Sheet)

	As of August 31,		
	(In Thousands)		
	2019	2018	2017
Assets			
Current assets:			
Cash and cash equivalents	\$ 30,970	\$ 21,467	\$ 12,442
Patient accounts receivable, net	57,919	53,599	44,168
Pledges receivable and receivables under trust agreements, net	7	122	118
Other receivables	6,601	7,274	5,645
Other current assets and receivables-hospital fee program	23,136	43,513	22,625
Sel-insurance receivables	572	681	969
Inventories	1,937	1,690	1,419
Prepaid expenses	3,900	3,753	3,442
Total current assets	125,042	132,099	90,828
Investments	87,721	97,689	84,765
Assets whose use is limited	9,257	9,141	31,446
Property and equipment, net	232,976	232,875	223,445
Other assets:			
Pledges receivable and receivables under trust agreements-net of current portion	-	17	142
Self-insurance receivables-net of current portion	2,432	3,231	5,508
Other assets	950	800	809
Total other assets	333,336	343,753	346,115
Total assets	\$ 458,378	\$ 475,852	\$ 436,943
Liabilities			
Current liabilities:			
Accounts payable	\$ 28,269	\$ 24,343	\$ 26,180
Accrued payroll and related liabilities	19,796	16,900	16,050
Accrued liabilities	21,613	21,372	18,154
Current portion of long-term debt	50,668	627	-
Reserves for self-insured programs	4,122	5,302	5,980
Amounts payable under third-party reimbursement contracts	2,438	2,861	2,612
Other liabilities-hospital fee program	4,990	11,929	16,913
Total current liabilities	131,896	83,334	85,889
Long-term debt, net of current portion	2,398	52,893	49,776
Reserves for self-insured programs, net of current portion	9,776	11,293	14,422
Pension liabilities	15,913	14,426	15,721
Other long-term liabilities	11,557	10,903	10,285
Annuity liabilities	1,739	2,057	1,799
Total noncurrent liabilities	41,383	91,572	92,003
Total liabilities	173,279	174,906	177,892
Net assets			
Without donor restrictions	215,479	229,484	185,162
With donor restrictions	69,620	71,462	73,890
Total net assets	69,620	71,462	73,890
Total liabilities and net assets	\$ 242,899	\$ 246,368	\$ 251,782

FINANCIAL RATIOS

Legacy PIH Health, Inc. and Subsidiaries Obligated Group

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service Coverage (x) - Operating	3.56	3.85	3.67
Debt Service Coverage (x) - Net Assets	2.93	6.17	6.60
Debt to Unrestricted Net Assets (x)	0.54	0.56	0.66
Margin (%)	4.76	5.27	4.64
Current Ratio (x)	1.15	1.00	1.01

Good Samaritan Hospital and Affiliates

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Debt Service Coverage (x) - Operating	(0.66)	22.84	(92.67)
Debt Service Coverage (x) - Net Assets	1.70	23.21	(30.15)
Debt to Unrestricted Net Assets (x)	0.25	0.23	0.27
Margin (%)	(5.55)	10.86	(6.39)
Current Ratio (x)	0.95	1.59	1.06

Combined Ratios for Legacy PIH Health, Inc. and Subsidiaries Obligated Group and Good Samaritan Hospital and Affiliates

	<u>Proforma</u>	
	<u>2019</u>	<u>2019</u>
Debt Service Coverage (x) - Operating	2.42	3.13
Debt Service Coverage (x) - Net Assets	2.16	2.81
Debt to Unrestricted Net Assets (x)	0.62	0.47
Margin (%)	-	1.48
Current Ratio (x)	-	1.05

Financial Discussion - Statement of Activities (Income Statement)

PIH's income statement appears to exhibit solid operating results over the review period with continued revenue growth.

Over the period in review, PIH maintained strong positive margins ending with a margin of 4.76% in FY 2019. This display of stability in the income statement appears to be attributable to PIH's growth in operating revenue from approximately \$720 million in FY 2017 to approximately \$790 million in FY 2019, an increase of 10%. Although PIH's operating expenses also increased by 10% from approximately \$686 million in FY 2017 to approximately \$752 million in FY 2019, PIH's position was maintained as, according to PIH's management, admissions increased causing both revenue and expenses to increase at an equal rate as expected from patient growth. Moreover, although Good Samaritan was most recently operating at a negative operating margin, PIH continues to sustain a positive margin of 1.48% with the addition of Good Samaritan, which suggests solid operating revenues over expenses.

Looking at PIH beyond its strong operations, its total net income without donor restrictions decreased from approximately \$92 million in FY 2018 to \$22 million in FY 2019. This decrease appears mainly due to a combination of large decreases in the change in fair value of interest rate swap and net interest expense and in the pension-related changes other than net periodic pension cost. According to PIH's management, both line items reflect an actuarial loss, which are driven by market conditions. Likewise, Good Samaritan's income statement also displayed a change in the total net income without donor restrictions from approximately \$44 million in FY 2018 to negative \$14 million in FY 2019. According to Good Samaritan's management, the decrease was mainly due to a delay in the approval of the sixth round of funding from the hospital fee program; however, the program was eventually approved in 2020, and funds are being received in accordance with scheduled payments.

PIH's management states that, due to the COVID-19 pandemic, PIH has experienced a decrease in patient revenue since March 2020. In May 2020, PIH began to actively reopen its services, which increased the patient census and gross patient revenues. In addition, PIH received funding under the CARES Act and received accelerated payments for Medicare, both of which, according to PIH's management, have helped it absorb the initial losses.

Financial Discussion - Statement of Financial Position (Balance Sheet)

PIH's balance sheet displays strong ability to repay debt with positive net assets and a pro-forma debt service coverage ratio of 2.42x, when including Good Samaritan.

Over the three year period in review, PIH's total assets decreased by 3% while total liabilities decreased by 11%. According to PIH's management, the decrease in total assets was primarily due to a reduction in hospital fee receivables whereas total liabilities decreased due to a variety of reductions including hospital fee liabilities, long-term debt, and pension liabilities.

PIH's operating debt service coverage ratio was a solid 3.56x in FY 2019, and with the addition of Good Samaritan, the debt service coverage ratio for FY 2019 remains strong at 3.13x. Furthermore, the combined pro-forma FY 2019 debt service coverage ratio of 2.42x continues to show PIH's strong ability to repay its debt. Likewise, the combined FY 2019 debt to unrestricted net assets ratio of 0.47x and a pro forma FY 2019 of 0.62x suggest that PIH has ample ability to take on new debt.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Pass-Through Savings):** PIH properly completed and submitted the Pass-Through Savings Certification.
- **Section 15459.1 of the Act (Community Service Obligation Requirement):** PIH will properly complete and submit this certification by the time of the Bonds' closing as required and will indicate that Medicare and Medi-Cal patients are accepted. Below is a link to PIH's most recent Annual Report regarding community service:

<https://www.pihhealth.org/app/files/public/5654/CBAR-2019.pdf>

- **Compliance with Seismic Regulations:** PIH 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):** PIH properly submitted relevant documentation addressing California Environmental Quality Act.
- **Religious Affiliation Due Diligence:** PIH properly completed and submitted relevant documentation to meet the religious affiliation due diligence requirement.
- **Legal Review:** PIH properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriter, Barclays Capital Inc., properly completed and submitted the Iran Contracting Act Certificate to the Authority.

V. OUTSTANDING DEBT

Issued	Original Amount	Amount Outstanding As of September 30, 2019*	Estimated Amount Outstanding after Proposed Financing
Health Facility Revenue Bonds, Series 2018	\$ 48,500	\$ 45,945	\$ 45,945
Health Facility Revenue Bonds, Series 2014	66,300	66,300	66,300
Health Facility Revenue Notes, Series 2014	35,700	35,700	35,700
Health Facility Revenue Bonds, Series 2012	148,000	90,085	57,504
Health Facility Revenue Bonds, Series 2011	41,305	34,635	-
Health Facility Revenue Bonds, Series 2009	222,000	68,025	-
Unamortized bond premium, Series 2014	4,612	4,195	4,195
Unamortized bond premium, Series 2011	(477)	(283)	(283)
Commercial mortgage	6,886	6,230	6,230
Term loan	20,000	19,250	-
Security agreement with supplier		229	229
Loan (Good Samaritan)	50,000	50,000	-
KeyBank Loan (Good Samaritan)	3,987	3,159	3,159
<i>-PROPOSED NEW DEBT</i>			
<i>CHFFA Tax-exempt Bond (2020)</i>		-	179,465
<i>CHFFA Taxable Bond (2020)</i>		-	160,160
<i>CHFFA Tax-exempt Forward Delivery Bond (2021)</i>		-	36,375
<i>-TOTAL DEBT</i>		\$ 423,470	\$ 594,979

*Includes current portion of long-term debt.

VI. UTILIZATION STATISTICS

PIH Health, Inc. and Subsidiaries

	Fiscal Year Ending September 30,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Inpatient Surgeries	8,564	8,358	8,224
Outpatient Surgeries	14,945	15,039	15,486
Acute Discharges	28,108	25,595	24,375
Acute Patient Days	107,171	101,119	96,833
Home Health Visits	79,023	72,970	69,200
Hospice Days of Care	23,692	21,154	19,263
Skilled Nursing Facility Discharges	704	564	583
Skilled Nursing Facility Patient Days	9,200	6,551	6,237
Emergency Department Visits	136,680	137,979	135,819
Observation Visits	6,676	7,780	9,623

Good Samaritan Hospital and Affiliates

	Fiscal Year Ending August 31,		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
Inpatient Surgeries	2,413	2,149	2,119
Outpatient Surgeries	4,266	3,889	3,798
Acute Discharges	12,658	12,866	11,944
Acute Patient Days	65,606	63,480	56,205
Emergency Department Visits	44,054	40,154	38,333
Observation Visits	4,815	4,306	3,991

VII. BACKGROUND AND LICENSURE

PIH'S BACKGROUND AND LICENSURE

Background

PIH was founded in 1959 as the 188-bed Presbyterian Intercommunity Hospital to address the community need for improved healthcare in the wake of the post-World War II population boom. As demand grew, just two years since PIH's founding, it added facilities for intensive care, long-term care and acute inpatient care. By the 1980s, several more facilities offering many more services, including outpatient services, preventative care and rehabilitation services, had been added. With all of these expansions and the formation of an integrated healthcare delivery network, PIH was able to serve the residents of Whittier, Santa Fe Springs, Pico Rivera, Montebello, La Mirada, Hacienda Heights, the City of Industry, La Habra, and the greater San Gabriel Valley, in general.

Today, PIH serves over two million residents in the Los Angeles and Orange Counties and throughout the San Gabriel Valley. These services include primary care, preventative care, emergency services, urgent care, home health services, hospice care and cancer treatment.

Licensure and Accreditation

PIH is licensed to operate as a general acute care hospital, a home health agency and to operate hospice services by the California Department of Health Services.

GOOD SAMARITAN'S BACKGROUND AND LICENSURE

Background

Good Samaritan began as a nine-bed facility in Los Angeles in 1885. A year later, in 1886, Mrs. Mark Severance donated funds to purchase new property for larger quarters, and the hospital was renamed Good Samaritan in her honor. By 1898, Good Samaritan also became a training school for nurses, a commitment that is still honored today by the hospital's on-site training programs and continued emphasis on nurse-patient education. This steady growth in services and facilities enabled Good Samaritan the ability to serve over 400 patients by the 1950s. Since then, many more services such as outpatient surgery services, neuromuscular services, perinatal services, intensive care services and orthopedic services have been added, enabling Good Samaritan to admit approximately 12,500 patients a year.

Today, Good Samaritan handles more than 74,000 outpatient visits, 2,500 deliveries and 6,000 surgeries each year. Good Samaritan also completed its 193,000 square foot medical facility in 2018, which features amenities such as radiation oncology, pharmacy, women's imaging, eight outpatient surgery suites, and ancillary services.

Licensure and Accreditation

Good Samaritan is licensed to operate as a general acute care hospital by the California Department of Health Services

EXHIBIT 1
PROJECT SITES

- 12401 Washington Boulevard, Whittier, CA 90602
- 11500 Brookshire Avenue, Downey, CA 90241
- 1225 Wilshire Boulevard, Los Angeles, CA 90017

EXHIBIT 2
FINANCING TEAM

Borrower: PIH Health, Inc.

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: Bewley, Lassleben & Miller LLP

Borrower's Financial Advisor: Kaufman, Hall & Associates LLC

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Underwriter: Barclays Capital Inc.

Underwriter's Counsel: Chapman and Cutler LLP

Master Trustee: Bank of New York Mellon Trust Company

Master Trustee's Counsel: Law Office of Samuel D. Waldman

Trustee: U.S. Bank National Association

Trustee's Counsel: Dorsey & Whitney LLP

Rating Agency: Standard & Poor's Financial Services, LLC

Auditor: RSM US LLP

RESOLUTION NO. 441

**RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING
AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO FINANCE AND REFINANCE
PROJECTS AT THE HEALTH FACILITIES OF
PIH HEALTH, INC.
AND CERTAIN AFFILIATED CORPORATIONS OF PIH HEALTH, INC.**

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to issue revenue bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority;

WHEREAS, PIH Health, Inc., is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower") and is affiliated with PIH Health Hospital-Whittier ("PIH-W"), PIH Health Hospital-Downey ("PIH-D"), Good Samaritan Hospital ("PIH-GS") and PIH Health Management Corp. ("PIH-HM"), which own and operate health care facilities in the State of California;

WHEREAS, in order (i) to finance certain costs incurred or to be incurred in connection with the construction, renovation, improvement and equipping of certain health care facilities owned and operated by the Borrower, PIH-W, PIH-D, PIH-GS and/or PIH-HM (collectively, the "PIH Health Institutions"), (ii) to refund certain revenue bonds issued for the benefit of the Borrower and one or more of the other PIH Health Institutions; and (iii) to refinance certain existing indebtedness incurred by the Borrower and/or one or more of the other PIH Health Institutions, the Borrower has requested the assistance of the Authority;

WHEREAS, the revenue bonds proposed to be refunded are (i) the City of Whittier Health Facility Revenue Bonds (Presbyterian Intercommunity Hospital), Series 2009 A (the "Series 2009 A Bonds") issued in the aggregate principal amount of \$74,000,000, of which \$65,000,000 is currently outstanding, (ii) the City of Whittier Health Facility Revenue Bonds (Presbyterian Intercommunity Hospital), Series 2011 (the "Series 2011 Bonds") issued in the aggregate principal amount of \$41,305,000, of which \$33,170,000 is currently outstanding, and (iii) the City of Whittier Health Facility Revenue Bonds (Presbyterian Intercommunity Hospital), Series 2012 C (the "Series 2012 C Bonds," and, together with the Series 2009 A Bonds and the Series 2011 Bonds, hereinafter collectively referred to as the "Prior Bonds"), issued in the aggregate principal amount of \$50,000,000, of which \$43,920,000 is currently outstanding;

WHEREAS, the existing indebtedness proposed to be refinanced (the "Existing Indebtedness") is comprised of (i) a term loan in the original amount of \$50,000,000, all of which is currently outstanding, made pursuant to a Term Loan Agreement between PIH-GS and Wells Fargo Bank, National Association and (ii) a term loan in the original amount of \$20,000,000, of which \$19,000,000 is currently outstanding, made pursuant to a Term Loan Agreement between PIH-W and U.S. Bank National Association;

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 \$376,000,000 and make one or more loans of the proceeds thereof to the Borrower (i) to refund all or any portion of the outstanding Prior Bonds and to refinance all or any portion of the Existing Indebtedness, incurred in connection with the construction, renovation, improvement and equipping of certain health care facilities (the "Prior Project"), as more particularly described in Exhibit A hereto under the caption "Prior Project," (ii) to finance or reimburse costs incurred in connection with the construction, renovation, improvement and equipping of certain health care facilities (the "New Project," and, together with the Prior Project, the "Project"), as more particularly described in Exhibit A hereto under the caption "New Project," and (iv) pay costs of issuance of such revenue bonds;

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the California Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the California 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 (PIH Health)" (the "Bonds") in a total aggregate principal amount not to exceed \$376,000,000 are hereby authorized to be issued from time to time, in one or more series, as federally tax-exempt bonds or as federally taxable bonds, with such other name or names of the Bonds or series thereof as designated in any of the indentures 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 sixth recital above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates, at any time prior to the first anniversary of the date of the adoption of this Resolution, at public or private sale, in such aggregate amounts (not to exceed the aggregate principal amount set forth in Section 1 hereof) and in such series, at such price or prices (so long as the discount on the Bonds sold shall not exceed six percent (6%) 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 investment grade by a nationally recognized rating agency. The Bonds or any series thereof may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, bond insurance, one or more credit facilities or other security arrangements and/or supported by one or more liquidity facilities.

Section 3. The proposed forms of the following documents:

(i) one or more loan agreements relating to the Bonds (each, a "Loan Agreement," and, collectively, the "Loan Agreements"), between the Authority and the Borrower;

(ii) one or more indentures relating to the Bonds (each, an "Indenture," and, collectively, the "Indentures"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee");

(iii) one or more bond purchase agreement, including the exhibits thereto (each, a "Bond Purchase Agreement"), relating to the series of Bonds identified therein, among Barclays Capital Inc., as underwriter (the "Underwriter"), the Treasurer and the Authority, and approved by the Borrower; and

(iv) one or more preliminary official statements relating to the Bonds (each, a "Preliminary Official Statement," and, collectively, the "Preliminary Official Statements")

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 Agreements, the Indentures and each of the bond purchase agreements referred to above (collectively, the "Purchase Agreements") and by delivery thereof in the case of the Preliminary Official Statements. 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 Agreements are true and correct.

Section 5. The dated dates, maturity dates (not exceeding 40 years from the respective dates of issue), interest rates or manner 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 credit facilities and/or liquidity facilities, as applicable, from time to time, shall be as provided in the applicable Indenture, as finally executed.

Section 6. The Underwriter is hereby authorized to distribute a Preliminary Official Statement for each issue of Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Borrower), a preliminary official statement may not be required to be used with respect to any specific issue of Bonds. The Underwriter is hereby directed to deliver the applicable final official statement (each an "Official Statement," and, collectively, the "Official Statements") to all actual purchasers of an issue of 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 the direction of the Underwriter 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 the direction of the Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Indentures, the Loan Agreements, the Purchase Agreements, and the Official Statements. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) one or more tax certificates and agreements 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 any series of 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

Description of the Project

Part I – Prior Project

Construction, renovation, improvement and equipping of certain health care facilities owned and operated by PIH Health, Inc. or one of its affiliates, PIH Health Hospital-Whittier ("PIH-W"), PIH Health Hospital-Downey ("PIH-D"), Good Samaritan Hospital ("PIH-GS") and PIH Health Management Corp. ("PIH-HM") and located at 12401 Washington Boulevard, Whittier, California 90602, 11500 Brookshire Avenue, Downey, California 90241 and 1225 Wilshire Boulevard, Los Angeles, California 90017. Major Prior Projects included construction of a four-story tower project with an additional below ground level and retrofitting of the central utility plant at PIH-W.

Part II – New Project

Construction, renovation, improvement and equipping of certain health care facilities owned and operated by PIH Health, Inc. or one of its affiliates, PIH-W, PIH-D, PIH-GS and PIH-HM and located at 12401 Washington Boulevard, Whittier, California 90602, 11500 Brookshire Avenue, Downey, California 90241 and 1225 Wilshire Boulevard, Los Angeles, California 90017. Major New Projects at PIH-W include renovation of the transitional care unit, replacement of linear accelerator oncology equipment and replacement of diagnostic imaging equipment. Major New Projects at PIH-D include expansion of the emergency department, replacement of diagnostic imaging equipment, and replacement of catheterization lab equipment. Major New Projects at PIH-GS include expansion and renovation of the emergency department, relocation of central sterile processing, relocation of the kitchen, relocation of the morgue and replacement of diagnostic imaging equipment.