

**CHFFA BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Cedars-Sinai Health System (the System) 8700 Beverly Boulevard Los Angeles, CA 90048 (Los Angeles County)</p> <p>Project Site: See Exhibit 1</p> <p>Facility Type: General Acute Care Hospital</p> <p>Eligibility: Government Code Section 15432(d)(1)</p> <p>Prior Borrower: Yes (date of last CHFFA issue 2016)</p> <p>Obligated Group: The System, Cedars-Sinai Medical Center (CSMC), CFHS Holdings, Inc. (d/b/a/ Cedars-Sinai Marina Del Rey Hospital), Torrance Memorial Medical Center (TMMC) and Pasadena Hospital Association Ltd. (d/b/a Huntington Hospital)</p>	<p>Amount Requested: \$1,600,000,000</p> <p>Requested Loan Term: Up to 40 years</p> <p>Authority Meeting Date: October 28, 2021</p> <p>Resolution Number: 446</p>																				
<p>Background: The System, whose original CSMC campus was incorporated in 1961, is a California nonprofit academic healthcare organization. The System serves over one million people each year at over 40 locations. The System shows its commitment to providing patient care, biomedical research, medical education and community service with a team of more than 4,500 physicians and nurses and 1,500 active research projects. The System has grown in recent years through a number of affiliations. The 103-bed Cedars-Sinai Marina Del Rey Hospital became affiliated in 2015, the 610-bed TMMC became affiliated in 2018, and the 619-bed Huntington Hospital became affiliated in 2021.</p>																					
<p>Use of Proceeds: Bond proceeds will be used to finance the costs of the construction of the Cedars-Sinai Marina Del Rey replacement hospital and potentially to finance the improvement, renovation, and equipping of facilities at CSMC. Bond proceeds also will be used to refund various outstanding bonds of TMMC and Huntington Hospital.</p>																					
<p>Type of Issues: Negotiated public offering, fixed rate tax-exempt bonds (expected minimum denominations of \$5,000).</p> <p>Expected Credit Rating: Aa3/AA-/AA-; Moody's/S&P/Fitch</p> <p>Financing Team: <i>Please see Exhibit 2 to identify possible conflicts of interest</i></p>																					
<p>Financial Overview: The System's income statement appears to exhibit positive operating results during the review period. The System appears to have a solid financial position with a combined proforma operating debt service coverage ratio of 2.75x.</p>																					
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<p>Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Affiliation Due Diligence, and CEQA documentation, and the certifications for Community Service Obligation, 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 446 in an amount not to exceed \$1,600,000,000 for Cedars-Sinai Health System 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, concur with the Authority's staff recommendation.</p>																					

I. PURPOSE OF FINANCING:

The System plans to use approximately \$934 million of bond proceeds to fund the construction of the Cedars-Sinai Marina Del Rey replacement hospital. \$200 million of bond proceeds may be used to fund improvements at CSMC. In addition, the System plans to refund approximately \$635 million in various outstanding bonds of TMMC and Huntington Hospital to take advantage of low borrowing rates in the current market as well as to simplify the System’s capital structure by replacing variable rate debt and direct purchase obligations with public fixed-rate debt. The System estimates the refunding will generate present value savings of approximately \$22.4 million. The System also plans to issue \$300 million of taxable corporate bonds separately from the issuance with the Authority.

Project Costs..... \$1,134,000,000

Cedars-Sinai Marina Del Rey Replacement Hospital

The bond proceeds will be used to construct a nine-story, 258,500 square-foot seismically compliant replacement hospital facility that will provide 160 patient beds and feature new or enhanced services, such as cardiac catheterization and gastroenterology labs and suites for complex procedures. In addition, bond proceeds will be used to construct a two-story energy center building, a loading dock, a fire pump building, a medical gas enclosure and corresponding parking lots. The existing hospital will remain fully operational until the completion of the replacement hospital, which is expected to open in 2026.

CSMC Improvements

The bond proceeds also may be used to fund the improvement, renovation, and equipping of the facilities at CSMC.

Refunding..... \$635,000,000

City of Torrance Series 2010 B&C, 2016 A&B, and Corporate Series 2020A (TMMC)

The bond proceeds of the Series 2010B bonds were used to finance the construction of a new 7-story patient bed tower and connector buildings, the preparation of additional surface parking and remodeling of space in the East Wing and other capital projects, and the Series 2020A bonds were used to refund Series 2010A bonds that were used for the same purpose.

The bond proceeds of the Series 2010C and the Series 2016A bonds were used to refund prior bonds that were used for various construction and improvement capital projects.

The Series 2016B bonds were used to fund new capital projects, such as the constructing and equipping of certain TMMC health care facilities.

CSCDA Series 2014 A&B and 2018 (Huntington Hospital)

The bond proceeds of the Series 2014A bonds funded the acquisition, construction, improvement, renovation and equipping of various health facilities.

The Series 2014B bonds refunded a portion of the Series 2005 bonds, which financed the construction of a new hospital tower and other capital projects as well as prepaid 1996 Certificates of Participation (COP). The 1996 COPs financed various capital projects in addition to refunding the Series 1985 bonds that were used to construct a new medical building and parking facility.

The Series 2018 bonds funded the acquisition, construction, renovation, and equipping of various health facilities.

Financing Costs	<u>16,000,000</u>
Estimated cost of issuance	\$8,000,000
Estimated underwriter's discount	<u>8,000,000</u>
Total Estimated Uses of Funds	<u>\$1,785,000,000</u>

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

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

After reviewing the Obligated Group's (defined below) proposed credit profile, including its current financial profile, prior bond transactions, and considering what the market will support, the System, KNN Public Finance, LLC (KNN), the Authority's municipal advisor, and the underwriter have concluded that the covenants listed below should be applicable to this transaction, are consistent with covenants that have applied to the Obligated Group's prior bond transactions, and that the Obligated Group's current financial situation does not suggest additional covenants should be required.

Obligated Group: Upon the date of issuance of the Bonds, the Master Indenture will be amended and restated, and (1) the System, (2) Cedars-Sinai Medical Center (CSMC), which is the sole corporate member of CFHS Holdings, Inc. (d/b/a Cedars-Sinai Marina Del Rey Hospital), (3) Torrance Health Association, Inc. (d/b/a/ Torrance Memorial Health System), which is the sole corporate member of Torrance Memorial Medical Center, and (4) Pasadena Hospital Association, Ltd. (d/b/a Huntington Hospital) will be the members of the Obligated Group created pursuant to the 2021 Master Indenture. Pursuant to the provisions of the Master Indenture, obligations were previously issued under the Master Indenture (each, an "Obligation") to secure the obligations of CSMC under each of the loan agreements entered into with the Authority in connection with each issue of revenue bonds previously issued by the Authority for the benefit of CSMC. An Obligation will be issued under the 2021 Master Indenture to secure the System's obligations under the Loan Agreement entered into with the Authority in connection with the proposed bonds.

The covenants listed below are applicable to this transaction.

Unconditional Promise to Pay. *In the Loan Agreement, the System agrees to pay the Bond Trustee all amounts required for payment of the principal, interest, redemption price, and purchase price, when required, with respect to the proposed bonds and agrees to pay the additional payments and expenses specified in the Loan Agreement. In addition, an Obligation will be issued under the 2021 Master Indenture to secure the obligation of the System to make the payments under the Loan Agreement. All Revenues (which will include payments by the System under the Loan Agreement and payments by the Obligated Group on the Obligation) and amounts held in the funds and account established under the Bond Indenture (excluding the Rebate Fund and Bond Purchase Fund) will be pledged to secure the full payment of the proposed bonds.*

Pledge of Gross Receivables. *Under the 2021 Master Indenture, each Obligated Group Member pledges a security interest in its Gross Receivables and the proceeds thereof to secure its obligation to make required payments under the 2021 Master Indenture.*

Limitation on Liens. *Each Obligated Group Member has agreed not to create or suffer to be created or permit the existence of any Lien upon Property other than Permitted Liens as detailed in the 2021 Master Indenture.*

Debt Service Coverage Requirement. *The 2021 Master Indenture requires that the Combined Group/Credit Group maintain an Annual Debt Service Coverage Ratio of 1.10 to 1.0. A debt service coverage ratio measures the ability to make interest and principal payments as they become due. If the Annual Debt Service Coverage Ratio falls below 1.10 to 1.0, the Credit Group Representative promises to employ an Independent Consultant, subject to certain exceptions set forth in the 2021 Master Indenture. An event of default occurs if the Annual Debt Service Coverage Ratio falls below 1.10 to 1.0 for any two consecutive fiscal years and certain other financial tests are not met.*

Limitations on Mergers, Sales or Conveyances. *The Obligated Group has agreed not to consolidate or merge with any corporation, which is not a Member of the Obligated Group or sell or convey all or substantially all of its assets to an entity not a Member of the Obligated Group other than as authorized by the provisions set out in the 2021 Master Indenture.*

Limitations on Withdrawal from the Obligated Group and Entrance into the Obligated Group. *The 2021 Master Indenture sets forth certain requirements, including a financial transaction test, which must be met for withdrawal from, or entry into, the Obligated Group.*

Limitation on Disposition of Property. *The Obligated Group has agreed not to sell, lease or otherwise dispose of Property in any fiscal year other than as authorized by the provisions set out in the 2021 Master Indenture.*

Staff has completed its due diligence, and KNN has reviewed the Loan Agreement, Bond Indenture, 2021 Master Indenture, and prior offering documents associated with this financing package and found these documents and proposed covenants to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS:

The System and TMMC entered into a new affiliation agreement in February 2018. Thus, the System's 2018 financial statements only include five months of TMMC's financial information. Staff also reviewed TMMC's full fiscal year (FY) 2018 financial statements as part of this analysis, but they are not presented here.

The System and Huntington Hospital entered into a new affiliation agreement in July 2021. Upon the issuance of the Series 2021 bonds, Huntington Hospital will become an Obligated Group member of the System. Thus, two sets of consolidated financial statements are presented here for both the System and Huntington Hospital* for FY 2018 through 2020.

**Cedars Sinai Health System
Statement of Activities
(Income Statement)**

	For the Years Ended June 30, (In Thousands)		
	2020	2019	2018
Revenues, gains, and other support:			
Net patient service revenues	\$ 4,347,176	\$ 4,487,416	\$ 3,885,693
Premium revenues	283,811	263,941	168,236
Other operating revenues	278,751	134,295	113,499
Net assets released from restrictions	232,215	225,407	198,434
Total revenues, gains, and other support	<u>5,141,953</u>	<u>5,111,059</u>	<u>4,365,862</u>
Expenses:			
Salaries and related costs	2,523,297	2,367,078	2,073,133
Professional fees	369,876	349,357	286,387
Materials, supplies, and other	1,613,886	1,583,067	1,333,224
Medi-Cal Fee Program expense	127,658	129,849	191,273
Interest	37,974	45,165	40,643
Depreciation and amortization	231,307	239,881	212,064
Total expenses	<u>4,903,998</u>	<u>4,714,397</u>	<u>4,136,724</u>
Income from operations	<u>237,955</u>	<u>396,662</u>	<u>229,138</u>
Investment gain	111,599	144,973	110,620
(Loss) gain on equity method investments	(31,548)	5,264	8,001
Other components of net periodic benefit credit	12,149	7,082	-
Excess of revenues over expenses	<u>330,155</u>	<u>553,981</u>	<u>347,759</u>
Inherent contribution from affiliation	-	-	508,088
Excess of revenues over expenses attributable to non-controlling interests	<u>(947)</u>	<u>2,687</u>	<u>(2,938)</u>
Excess of revenues over expenses attributable to the Health System	<u>329,208</u>	<u>556,668</u>	<u>852,909</u>
Controlling interests activity:			
Excess of revenues over expenses attributable to the Health System	329,208	556,668	852,909
Net assets released from restrictions related to property and equipment	3,118	951	4,452
Change in pension liability	(174,977)	(90,917)	51,405
Curtailement gain	37,790	-	-
Increase (decrease) in net assets without donor restrictions attributable to the Health System	<u>195,139</u>	<u>466,702</u>	<u>908,766</u>
Non-controlling interests activity:			
(Sale) purchase of non-controlling interest	-	(132)	4,122
Excess of revenues over expenses attributable to non-controlling interests	947	(2,687)	2,938
Distribution to non-controlling interests	(2,985)	(2,849)	(2,289)
Increase (decrease) in net assets without donor restrictions	<u>193,101</u>	<u>461,034</u>	<u>913,537</u>
Increase (decrease) in net assets with donor restrictions	<u>68,895</u>	<u>25,655</u>	<u>153,801</u>
Increase (decrease) in net assets	<u>261,996</u>	<u>486,689</u>	<u>1,067,338</u>
Net assets, beginning of period	<u>5,672,079</u>	<u>5,185,390</u>	<u>4,118,052</u>
Net assets, end of period	<u>\$ 5,934,075</u>	<u>\$ 5,672,079</u>	<u>\$ 5,185,390</u>

* The consolidated Huntington Hospital financials include Huntington Trust, which will not be a part of the Obligated Group.

**Cedars Sinai Health System
Statements of Financial Position
(Balance Sheet)**

	As of June 30, (In Thousands)		
	2020	2019	2018
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,297,325	\$ 662,468	\$ 411,322
Short term investments	660,140	1,221,940	1,255,144
Board-designated assets	1,284,604	1,167,285	1,087,653
Current portion of assets limited to use:			
Funds held by trustee	1,864	1,775	397
Pledges receivable	36,273	37,755	33,015
Managed care reserve fund	89,208	92,117	78,867
Patient accounts receivable	579,465	664,573	626,508
Due from third-party payers	-	6,583	5,069
Inventory	60,817	53,401	46,754
Prepaid expenses and other assets	264,045	218,866	233,156
Total current assets	<u>4,273,741</u>	<u>4,126,763</u>	<u>3,777,885</u>
Assets limited to use:			
Investments	630,631	564,700	547,585
Pledges receivable, less current portion	197,854	190,535	192,781
Funds held by trustee	-	-	382
Property and equipment, net	3,409,600	3,238,479	3,036,489
Other assets	566,905	494,370	432,755
Operating lease right-of-use asset	404,546	-	-
Finance lease right-of-use asset	6,614	-	-
Total assets	<u>\$ 9,489,891</u>	<u>\$ 8,614,847</u>	<u>\$ 7,987,877</u>
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 507,597	\$ 505,357	\$ 467,218
Due to third-party payers	91,937	-	-
Accrued payroll and related liabilities	395,676	364,537	357,447
Risk pool liabilities	113,441	117,707	114,750
Current maturities of long-term debt	62,088	51,919	50,783
Current operating lease liabilities	79,477	-	-
Current finance lease liabilities	2,144	-	-
Total current liabilities	<u>1,252,360</u>	<u>1,039,520</u>	<u>990,198</u>
Long-term debt, less current maturities	1,402,397	1,455,014	1,507,146
Long-term operating lease liabilities	388,020	-	-
Long-term finance lease liabilities	4,331	-	-
Accrued workers' compensation and malpractice insurance claims, less current portion	176,654	167,271	150,962
Pension liability	243,405	183,411	59,170
Other liabilities	88,649	97,552	95,011
Total liabilities	<u>3,555,816</u>	<u>2,942,768</u>	<u>2,802,487</u>
Net assets:			
Without donor restrictions	5,032,928	4,839,827	4,378,793
With donor restriction	901,147	832,252	806,597
Total net assets	<u>5,934,075</u>	<u>5,672,079</u>	<u>5,185,390</u>
Total liabilities and net assets	<u>\$ 9,489,891</u>	<u>\$ 8,614,847</u>	<u>\$ 7,987,877</u>

Collins P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates
Statement of Activities
(Income Statement)

	For the Years Ended December 31,		
	(In Thousands)		
	2020	2019	2018
Revenues:			
Patient service revenues	\$ 612,352	\$ 659,859	\$ 658,228
Contributions	7,270	4,887	8,839
Other	99,330	40,931	41,632
Net assets released from restrictions	6,642	4,909	5,182
Total revenues	<u>725,594</u>	<u>710,586</u>	<u>713,881</u>
Expenses:			
Salaries and benefits	401,665	385,243	381,865
Supplies and purchased services	236,251	218,100	209,653
Provider fee expense	46,974	45,379	43,701
Depreciation and amortization	38,362	36,297	34,272
Interest	7,890	8,064	6,758
Other expenses	43,962	45,992	40,804
Total expenses	<u>775,104</u>	<u>739,075</u>	<u>717,053</u>
Income from operations	<u>(49,510)</u>	<u>(28,489)</u>	<u>(3,172)</u>
Investment income	60,193	71,774	(27,855)
Other	(2,018)	(1,557)	(2,448)
Excess of revenues over expenses	<u>8,665</u>	<u>41,728</u>	<u>(33,475)</u>
Assets released from restrictions for capital purposes	25,799	11,245	1,903
Change in pension liability	(15,115)	(6,346)	(3,261)
Other	204	2,380	(27)
Change in net assets	<u>19,553</u>	<u>49,007</u>	<u>(34,860)</u>
Net assets, beginning of period	<u>771,259</u>	<u>722,252</u>	<u>757,112</u>
Net assets, end of period	<u>\$ 790,812</u>	<u>\$ 771,259</u>	<u>\$ 722,252</u>

Collins P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates
Statements of Financial Position
(Balance Sheet)

	As of December 31,		
	(In Thousands)		
	2020	2019	2018
Assets			
Current assets:			
Cash and cash equivalents	\$ 116,980	\$ 46,391	\$ 21,258
Investments	490,310	426,350	382,117
Receivables	140,821	161,107	157,167
Inventories	21,026	14,184	15,237
Prepaid expenses and other	24,249	28,362	25,769
Total current assets	793,386	676,394	601,548
Investments restricted or designated for specific purposes:			
Held in trust under bond master indenture	1,699	66,129	114,680
Designated by Board for specific purposes	63,811	63,530	62,948
Donor restricted for capital expenditures or to provide a permanent source of income	49,221	57,211	58,627
Receivable from charitable remainder annuity trusts	11,850	11,163	10,069
Total investments restricted or designated for specific purposes	126,581	198,033	246,324
Property and equipment, net	649,533	587,749	508,728
Right-of-use assets	53,971	59,990	-
Goodwill	10,006	10,006	10,006
Other noncurrent assets	22,145	21,201	12,311
Total assets	\$ 1,655,622	\$ 1,553,373	\$ 1,378,917
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 58,085	\$ 51,640	\$ 39,907
Current maturities of long-term debt	8,557	7,780	4,734
Current portion of accrued self-insurance claims	7,675	6,898	8,720
Accrued payroll and employment benefits	40,342	36,781	35,364
Current maturities of lease liability	7,831	7,417	-
Accrued provider fee	54,277	45,379	31,675
Other accrued liabilities	53,298	14,117	17,832
Revolving credit line	-	18,000	-
Total current liabilities	230,065	188,012	138,232
Long-term debt, less current maturities	311,572	318,564	316,537
Accrued pension liability	89,771	75,292	66,022
Long-term lease liability	46,140	52,573	-
Accrued self-insurance claims, less current portion	19,480	20,036	18,474
Other	47,197	4,002	5,030
Total liabilities	744,225	658,479	544,295
Net assets:			
Without donor restrictions	790,812	771,259	722,252
With donor restriction	120,585	123,635	112,370
Total net assets	911,397	894,894	834,622
Total liabilities and net assets	\$ 1,655,622	\$ 1,553,373	\$ 1,378,917

FINANCIAL RATIOS

Historically, the System and Huntington Hospital have used June 30 and December 31 fiscal year ends, respectively, to represent their financials. In addition, as the Attorney General approved Huntington Hospital's affiliation with the System on December 11, 2020, Huntington Hospital's FY 2020 financials reflect approximately 20 days with the affiliation. To further reflect the affiliation of the System and Huntington Hospital, staff used the audited financials of both the System and Huntington Hospital for the purpose of calculating the combined proforma ratios. TAP concurred with this methodology.

<u>Cedars-Sinai Health System</u>			
	2020	2019	2018
Debt Service Coverage (x) - Operating	5.64	7.10	5.72
Debt Service Coverage (x) - Net Assets	5.14	7.78	13.85
Debt to Unrestricted Net Assets (x)	0.29	0.31	0.36
Margin (%)	4.63	7.76	5.25
Current Ratio (x)	3.41	3.97	3.82

<u>Collins P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates</u>			
	2020	2019	2018
Debt Service Coverage (x) - Operating	(0.21)	1.28	3.29
Debt Service Coverage (x) - Net Assets	4.25	7.50	0.54
Debt to Unrestricted Net Assets (x)	0.40	0.42	0.44
Margin (%)	(6.82)	(4.01)	(0.44)
Current Ratio (x)	3.45	3.60	4.35

<u>Combined Ratios for Cedars-Sinai Health System and Collins P. and Howard Huntington Memorial Hospital Trust, Pasadena Hospital Association, Ltd. and Affiliates</u>		
	Proforma	
	2020	2020
Debt Service Coverage (x) - Operating	2.75	4.78
Debt Service Coverage (x) - Net Assets	2.88	5.01
Debt to Unrestricted Net Assets (x)	0.45	0.31
Margin (%)	-	3.21
Current Ratio (x)	-	3.42

Financial Discussion

The System's income statement appears to exhibit positive operating results during the review period.

Over the review period, the System maintained strong positive margins, ending with a margin of nearly 5% in FY 2020, indicating strong operating performance. While operating expenses increased approximately 19% from approximately \$4.1 billion in FY 2018 to \$4.9 billion in FY 2020, the display of stability in the income statement appears to be attributable to the System's 18% growth in operating revenue from approximately \$4.4 billion in FY 2018 to \$5.1 billion in FY 2020. According to the System's management, the increases in operating revenues are due primarily to increases in patient volume and increases in contract rates. Likewise, the increases in operating expenses are mainly attributable to merit and inflation increases to salaries and benefits to support the increase in patient volume and a competitive market position. Moreover, positive operating results are maintained and exhibited in the combined FY 2020 margin of approximately 3%, despite Huntington Hospital's negative operating margins, which further suggests the System's strong financial position.

The System's management states that due to the COVID-19 pandemic, the System postponed non-essential or elective surgical procedures from March 2020 to May 2020 and from December 2020 to February 2021, which led to a reduction in overall patient volume and patient service revenue. In addition, the System contributed over \$148 million to support and protect its workforce, which included free hotel stays for clinical staff and other employees to quarantine, premium pay for front line workers, and thank you bonuses. From April 2020 through January 2021, the System received approximately \$326 million from various provision in the CARES Act Provider Relief Fund, which has helped offset some of the costs and reduction in patient service revenue.

The System appears to have a solid financial position with a combined proforma operating debt service coverage ratio of 2.75x.

Over the three year period in review, the System's operating debt service coverage ratio was a solid 5.64x in FY 2020, and with the addition of Huntington Hospital, the combined debt service coverage ratio for FY 2020 remains strong at 4.78x. Furthermore, the combined proforma debt service coverage ratio of 2.75x continues to show the System's strong ability to repay its debt. Likewise, the FY 2020 combined debt to unrestricted net assets ratio of 0.31x and the proforma of 0.45x suggest that the System has ample ability to take on new debt.

Moreover, total assets increased 19%, from approximately \$8 billion in FY 2018 to \$9.5 billion in FY 2020. Liabilities also increased from approximately \$2.8 billion in FY 2018 to \$3.6 billion in FY 2020, an increase of 27%. The increase in assets appears to be primarily due to the right-of-use lease assets, and the increase in liabilities appears to be due to the current portion and long-term right of operating lease liabilities and the pension liability. According to the System's management, an Accounting Standards Update (ASU) and subsequent amendments require leases with a term of greater than twelve months to be recognized on the assets and liabilities in the balance sheet. Thus, in FY 2020, when the System adopted the ASU, both the operating lease right-of-use assets and operating lease liabilities appeared in the balance sheet. In addition, according to the System's management, the increase in pension liability is attributable to several factors including, additional benefit accruals as a result of new participants and increases in years of service for existing participants and a decrease in the discount rate used to calculate the projected benefit obligation.

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

<https://www.cedars-sinai.org/content/dam/cedars-sinai/about-us/documents/2021-report-to-the-community.pdf>

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** The System properly submitted relevant documentation addressing California Environmental Quality Act.
- **Religious Affiliation Due Diligence:** The System properly completed and submitted relevant documentation to meet the religious affiliation due diligence requirement.
- **Legal Review:** The System properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriter, Barclays, properly completed and submitted the Iran Contracting Act Certificate to the Authority. Any future co-managers will be required to properly complete and submit the Iran Contracting Act Certificate to the Authority as well.

**V. OUTSTANDING DEBT
(In Thousands)**

Issued	Amount Outstanding As of June 30, 2020	Estimated Amount Outstanding after Proposed Financing
CSMC		
CHFFA Revenue Bonds, Series 2011*	\$ 38,745	\$ -
CHFFA Revenue Bonds, Series 2015	368,120	368,120
CHFFA Revenue Bonds, Series 2016A	250,915	250,915
CHFFA Revenue Bonds, Series 2016B	402,305	402,305
TMMC		
City of Torrance Revenue Bonds, Series 2010	63,020	-
City of Torrance Revenue Bonds, Series 2010	34,135	-
City of Torrance Revenue Bonds, Series 2016	28,695	-
City of Torrance Revenue Bonds, Series 2016	21,645	-
TMMC Revenue Bonds, Series 2020A	124,655	-
Huntington Hospital		
CSCDA Revenue Bonds, Series 2014A	50,000	-
CSCDA Revenue Bonds, Series 2014B	145,245	-
CSCDA Revenue Bonds, Series 2018	99,760	-
<i>-PROPOSED NEW DEBT</i>		
<i>CHFFA Tax Exempt Bonds (2021)</i>	-	1,600,000
<i>Corporate Taxable Bonds (2021)</i>	-	300,000
<i>-TOTAL DEBT</i>	<u>\$ 1,627,240</u>	<u>\$ 2,921,340</u>

*Paid off at final maturity 8/15/2021.

VI. UTILIZATION STATISTICS

Cedars-Sinai Health System¹

	Fiscal Year Ending June 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Inpatient Admissions	101,260	109,165	110,263
Outpatient Visits	1,274,113	1,449,330	1,343,694
Patient Days	503,413	513,073	515,567
Deliveries	11,659	11,987	12,252
Inpatient Emergency Room Visits	63,624	64,525	66,731
Outpatient Emergency Room Visits	203,883	222,099	215,149
Inpatient Surgeries	27,161	30,007	31,057
Outpatient Surgeries	28,081	31,706	53,787

¹ These figures include the historical utilization of Huntington Hospital

VII. BACKGROUND AND LICENSURE

Background

The System, a California nonprofit public benefit corporation, began in 1902 as a 12-bed hospital in Angelino Heights. In 1961, Cedars-Sinai Medical Center (CSMC) was created from the merger of Cedars of Lebanon and Mount Sinai hospitals. CSMC is situated on an approximately 25-acre site and includes a 2.1 million square foot main medical center complex supported by an additional 1.3 million square feet of space in adjacent research and ancillary facilities. In addition, the System owns an adjacent outpatient Surgery Center and the Mark Goodson Building, an offsite ambulatory care facility of approximately 269,000 square feet of space, including parking. As a teaching hospital, the System serves as a regional resource with a full complement of primary care, specialty and subspecialty services. As one of the largest nonprofit hospitals in the western United States, the System has combined expertise in technology, research and the provision of patient care to create a standard of excellence in healthcare. The campus is comprised of multiple patient care buildings in which inpatient and outpatient services are delivered, and which contain additional space for administrative services. Today, the System serves over one million people each year at over 40 locations with a team of more than 4,700 physicians and nurses and 1,500 active research projects.

Since 2015, Cedars-Sinai Marina Del Rey Hospital has operated as a distinct community hospital affiliate of the System. In addition to providing general acute medical services and 24/7 emergency care, the 103-bed Cedars-Sinai Marina Del Rey Hospital offers expertise in specialty areas, including spine, weight loss, orthopedics, minimally invasive surgery, women's health and internal medicine.

TMMC is a 610-bed medical center that predominantly serves the residents of the South Bay Peninsula and Harbor communities. Since 2018, when TMMC became affiliated with the System, TMMC has provided expertise in the areas of neuroscience, cancer and heart failure.

In 2021, Huntington Hospital became affiliated with the System. As a 619-bed hospital in Pasadena, Huntington Hospital provides primary and urgent care and emergency and trauma care. As a teaching hospital, Huntington Hospital also has graduate medical education programs in internal medicine and general surgery.

Licensure and Accreditation

The System, including Huntington Hospital, is licensed by the State of California Department of Public Health and accredited by The Joint Commission. The System has received several certifications, including: American Heart Association First Hour Designation, Emergency Department Approved for Pediatrics, Commission on Cancer Certificate of Approval, and American Diabetes Association Certificate of Recognition, and Comprehensive Stroke and Mechanical Circulatory Support Certification by The Joint Commission.

EXHIBIT 1

PROJECT SITES

- 4650 South Lincoln Boulevard, Marina del Rey, CA 90292
- 8700 and 8720 Beverly Boulevard, Los Angeles, CA 90048

REFUNDING PROJECT SITES

- 3330 Lomita Boulevard, Torrance, CA 90505
- 3275 & 3285 Skypark Drive, Torrance, CA 90505
- 100 West California Boulevard, Pasadena, CA 91105
- 734-744 Fairmount Avenue, Pasadena, CA 91105
- 620-624 South Pasadena Avenue, Pasadena, CA 91105

EXHIBIT 2
FINANCING TEAM

Borrower: Cedars-Sinai Health System

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: McDermott Will and Emery LLP

Borrower's Financial Advisor: Kaufman, Hall & Associates

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Underwriter: Barclays Capital, Inc.

Co-Managers: TBD

Underwriter's Counsel: Norton Rose Fulbright US LLP

Trustee & Master Trustee: The Bank of New York Mellon Trust Company, N.A.

**Trustee's & Master Trustee's
Counsels:** The Bank of New York Mellon Trust Company, N.A.
Emmet, Marvin & Martin, LLP

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

Auditor: Ernst & Young LLP

RESOLUTION NO. 446

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING
AUTHORITY AUTHORIZING THE ISSUANCE OF
REVENUE BONDS TO FINANCE AND/OR REFINANCE
PROJECTS AT THE HEALTH FACILITIES OF
CEDARS-SINAI HEALTH SYSTEM AND CERTAIN OF ITS AFFILIATES

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; and

WHEREAS, Cedars-Sinai Health System (the “System”) is affiliated with (1) Cedars-Sinai Medical Center (“CSMC”), (2) CFHS Holdings, Inc. (d/b/a Cedars-Sinai Marina del Rey Hospital), (3) Pasadena Hospital Association, Ltd. (d/b/a Huntington Hospital) (“Huntington Hospital”), and (4) Torrance Memorial Medical Center (“TMMC”), each of which owns and operates health facilities in the State of California and each of which is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California; and

WHEREAS, certain issuers have previously issued bonds, in the respective aggregate principal amounts and with the respective principal amounts currently outstanding, as more particularly described and defined in Exhibit B hereto, and loaned the proceeds thereof to Huntington Hospital and TMMC, as applicable, to finance and refinance certain health facilities of Huntington Hospital and TMMC as further described in Exhibit A hereto; and

WHEREAS, the System has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$1,600,000,000, and make one or more loans of the proceeds thereof to the System for any or all of the following purposes, to (i) refund all or any portion of the outstanding TMMC Prior Tax-Exempt Bonds and the TMMC 2020A Prior Bonds (each as defined in Exhibit B hereto), (ii) finance and refinance all or any portion of the acquisition of the Huntington Acquisition Project (as defined in Exhibit A hereto), through the refinancing of the Huntington Prior Bonds (as defined in Exhibit B hereto), (iii) reimburse certain costs of and/or finance the construction, expansion, remodeling, renovation, furnishing, equipping and/or acquisition of certain health facilities, as more particularly described under the caption “New Project” in Exhibit A hereto (the “New Project” and, collectively with the TMMC Prior Tax-Exempt Bonds Project, TMMC 2020A Prior Project, and Huntington Acquisition Project (each as defined in Exhibit A hereto), the “Project”), and (iii) if desired by the System, pay costs of issuance of the Bonds (as defined below); and

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the System has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the Public Resources Code or is not a “project” under such division; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought.

NOW, THEREFORE, BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

SECTION 1. Pursuant to the Act, revenue bonds of the Authority designated as the “California Health Facilities Financing Authority Revenue Bonds (Cedars-Sinai Health System), Series 2021” (the “Bonds”), in a total aggregate principal amount not to exceed \$1,600,000,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Bonds or series thereof as designated in any of the bond 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 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 the first anniversary of the date of this Resolution, at public or private sales, 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 as the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the System, 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 System, be secured by deeds of trust, a reserve fund, bond insurance, credit facilities and 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 (collectively, the “Loan Agreements”), each between the Authority and the System,

(ii) One or more Bond Indentures relating to the Bonds (collectively, the “Bond Indentures”), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”),

(iii) One or more Bond Purchase Agreements, including the exhibits thereto, relating to the Bonds (collectively, the “Bond Purchase Agreements”), each among Barclays Capital Inc., on behalf of itself and any other underwriters named in the Bond Purchase Agreements as finally executed (the “Underwriter”), the Treasurer and the Authority, and approved by the System, and

(iv) One or more preliminary official statements relating to the Bonds (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 System, 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 Bond Indentures and the Bond 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 date of issue), interest rates, interest modes, 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 a credit facility and/or a liquidity facility from time to time, shall be as provided in each Bond Indenture, as finally executed.

SECTION 6. The Underwriter is hereby authorized to distribute the Preliminary Official Statements for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the System), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver the final official statements (the "Official Statements") to all actual purchasers of such Bonds.

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

SECTION 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indentures, Loan Agreements, Bond 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 of any series.

SECTION 9. The provisions of the Authority's Resolution No. 2021-01 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
THE PROJECT

New Project

“New Project” is reimbursing certain costs of and/or financing the construction, expansion, remodeling, renovation, furnishing, equipping and/or acquisition of certain health facilities at (1) Cedars-Sinai Marina del Rey Hospital located generally at 4650 South Lincoln Boulevard, Marina Del Rey, California, and/or (2) Cedars-Sinai Medical Center located generally at 8700 and 8720 Beverly Boulevard, Los Angeles, California.

TMMC Prior Tax-Exempt Bonds Project

“TMMC 2010B Prior Project” financed and/or refinanced the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities of Torrance Memorial Medical Center located generally at 3330 Lomita Boulevard and 3275 and 3285 Skypark Drive, Torrance California.

“TMMC 2010C Prior Project” financed and/or refinanced the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities of Torrance Memorial Medical Center located generally at 3330 Lomita Boulevard and 3275 and 3285 Skypark Drive, Torrance California.

“TMMC 2016A Prior Project” financed and/or refinanced the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities of Torrance Memorial Medical Center located generally at 3330 Lomita Boulevard and 3275 and 3285 Skypark Drive, Torrance California.

“TMMC 2016B Prior Project” financed and/or refinanced the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities of Torrance Memorial Medical Center located generally at 3330 Lomita Boulevard and 3275 and 3285 Skypark Drive, Torrance California.

TMMC 2020A Prior Project

“TMMC 2020A Prior Project” financed and/or refinanced the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities of Torrance Memorial Medical Center located generally at 3330 Lomita Boulevard and 3275 and 3285 Skypark Drive, Torrance California.

Huntington Acquisition Project

“Huntington 2014A Acquisition Project” financed and/or refinanced the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities of Huntington Hospital located generally at 100 W. California Boulevard, 734-744 Fairmount Avenue, and 620-624 S. Pasadena Avenue, Pasadena, California.

“Huntington 2014B Acquisition Project” financed and/or refinanced the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities of Huntington Hospital located generally at 100 W. California Boulevard, Pasadena, California.

“Huntington 2018 Acquisition Project” financed and/or refinanced the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of health facilities of Huntington Hospital located generally at 100 W. California Boulevard, Pasadena, California.

EXHIBIT B

PRIOR BONDS

California Statewide Communities Development Authority Refunding Revenue Bonds (Huntington Memorial Hospital), Series 2014 (the “Huntington 2014A Prior Bonds”), originally issued in the aggregate principal amount of \$50,000,000, of which \$50,000,000 currently is outstanding.

California Statewide Communities Development Authority Revenue Bonds (Huntington Memorial Hospital), Series 2014B (the “Huntington 2014B Prior Bonds”), originally issued in the aggregate principal amount of \$153,140,000, of which \$138,685,000 currently is outstanding.

California Statewide Communities Development Authority Revenue Bonds (Huntington Memorial Hospital), Series 2018 (the “Huntington 2018 Prior Bonds” and, together with the Huntington 2014A Prior Bonds and the Huntington 2014B Prior Bonds, the “Huntington Prior Bonds”), originally issued in the aggregate principal amount of \$100,000,000, of which \$96,625,000 currently is outstanding.

City of Torrance Variable Rate Revenue Bonds (Torrance Memorial Medical Center) Series 2010B (the “TMMC 2010B Prior Bonds”), originally issued in the aggregate principal amount of \$64,860,000, of which \$62,005,000 currently is outstanding.

City of Torrance Variable Rate Revenue Bonds (Torrance Memorial Medical Center) Series 2010C (the “TMMC 2010C Prior Bonds”), originally issued in the aggregate principal amount of \$35,140,000, of which \$33,580,000 currently is outstanding.

City of Torrance Revenue Notes (Torrance Memorial Medical Center) Series 2016A (the “TMMC 2016A Prior Bonds”), originally issued in the aggregate principal amount of \$34,795,000, of which \$24,435,000 currently is outstanding.

City of Torrance Revenue Notes (Torrance Memorial Medical Center) Series 2016B (“TMMC 2016B Prior Bonds” and together with the TMMC 2010B Prior Bonds, the TMMC 2010C Prior Bonds and the TMMC 2016A Prior Bonds, the “TMMC Prior Tax-Exempt Bonds”), originally issued in the aggregate principal amount of \$30,000,000, of which \$15,800,000 currently is outstanding.

Torrance Memorial Medical Center Taxable Refunding Bonds, Series 2020A (the “TMMC 2020A Prior Bonds”), originally issued in the aggregate principal amount of \$124,655,000, of which \$122,290,000 currently is outstanding.