

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
BOND FINANCING PROGRAM  
EXECUTIVE SUMMARY**

<b>Applicant:</b> Stanford Health Care (SHC) 300 Pasteur Drive, MC 5554 Stanford, CA 94305 Santa Clara County	<b>Amount Requested:</b> \$300,000,000 <b>Requested Loan Term:</b> Up to 40 years <b>Authority Meeting Date:</b> August 31, 2023 <b>Resolution Number:</b> 450
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**Project Site:** 300 Pasteur Drive, Stanford, CA 94305  
**Facility Type:** General acute care hospital and outpatient care  
**Eligibility:** Government Code Section 15432(d)(1)  
**Prior Borrower:** Yes (date of last CHFFA approval – February 2021)  
**Obligated Group:** SHC is the sole member of the Obligated Group

**Background:** SHC is the principal teaching affiliate of the Stanford University School of Medicine that provides primary and specialty health services to adults, including cardiovascular health, cancer treatment, solid organ transplantation services, orthopedics and neurosciences services. SHC operates the clinical settings through which the School of Medicine educates medical and graduate students, trains residents and clinical fellows, supports faculty and community clinicians and conducts medical and biological sciences research.

**Use of Bond Proceeds:** Bond proceeds will be used to finance, including reimbursement of, costs related to the re-design, remodel, and renovation of SHC's original hospital facility (300P Renewal Program).

**Type of Issue:** Negotiated public offering of fixed rate bonds  
**Expected Credit Rating:** Aa3/AA-/AA; Moody's/S&P/Fitch  
**Financing Team:** *Please see Exhibit 1 to identify possible conflicts of interest*

**Financial Overview:** SHC's income statement appears to exhibit positive operating results with revenues growing in each year of the review period. SHC's balance sheet appears to demonstrate a strong ability to repay debt with a proforma FY 2022 net debt service coverage ratio of 5.9x.

<b><u>Estimated Sources of Funds:</u></b> Bond Proceeds                      \$        300,000,000 Borrower Funds                      2,512,900 <b>Total Estimated Sources</b> <u>\$        302,512,900</u>	<b><u>Estimated Uses of Funds:</u></b> Project Fund                          \$        300,000,000 Cost of Issuance                      2,512,900 <b>Total Estimated Uses</b> <u>\$        302,512,900</u>
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**Due Diligence:** Staff has confirmed the following documentation satisfies the California Health Facilities Financing Authority's (Authority) requirements: Eligibility, Legal Review, and the certifications for Pass-Through Savings, Iran Contracting Act, and Community Service Obligation.

**Staff Recommendation:** Staff recommends the Authority approve Resolution No. 450 for a par amount not to exceed \$300,000,000 for Stanford Health Care subject to the conditions in the resolution. 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.

**Disclaimer:** *Any information related to the borrower, including any data or analysis related to the borrower's financial condition or ability to repay the financing, described in this staff report is based on information provided by the borrower and was prepared solely for members of the Authority's Board and to satisfy certain provisions of the California Health Facilities Financing Authority Act (Gov. Code, §15430 et seq.). Prospective investors should not rely on information in this staff report and must perform their own due diligence to obtain information essential to making an informed investment decision.*

## STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

### I. PURPOSE OF FINANCING

In November 2019, SHC completed the construction of a new hospital facility. In October 2020, SHC launched a \$1.6 billion project to rebuild the original hospital facility, which was originally constructed in 1959, located at 300 Pasteur Drive and known as the 300P Renewal Program. According to SHC's Master Plan, the proposed project intends to maximize the use of SHC lands; to modernize various patient, operating and emergency rooms; to renovate the post-anesthesia care unit; and to enlarge bathrooms all while promoting urban conservation and meeting seismic safety requirements. SHC is requesting to issue \$300M in tax-exempt bonds to finance, including reimbursement of, costs related to the 300P Renewal Program.

**Project Fund ..... \$300,000,000**

Bond proceeds will be used to finance, including reimbursement of costs incurred related to the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of the 300P Renewal Program. The 300P Renewal program is a complete rebuild of the 1959-era original hospital facility located at 300 Pasteur Drive (300P). The project modernizes the 300P inpatient hospital facility, upgrades key infrastructure, builds new bed extensions, and fulfills the state seismic safety mandate to relocate inpatients to compliant structures. The renovation will transform 300P by enhancing the functionality with state-of-the-art amenities. At the completion of the 300P Renewal Program, maximum inpatient capacity will be 232 beds, 44 more beds than its current capacity.

**Financing Costs ..... 2,512,900**

Estimated cost of issuance ..... \$1,256,450

Estimated underwriter's discount ..... 1,256,450

**Total Estimated Uses of Funds ..... \$302,512,900**

## **II. PROPOSED COVENANTS, SECURITY PROVISIONS, AND DISCLOSURES**

This executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff. These covenants cannot be diluted or removed without subsequent review. If there has been modification to the proposed covenants following the preparation of this executive summary, staff will report it at the meeting.

After reviewing SHC's credit profile, including its current financial profile, SHC's prior bond transactions, and current market requirements, SHC, KNN Public Finance LLC (KNN), the Authority's municipal advisor, and the underwriters of the proposed bonds have concluded that the below listed covenants should be applicable to this transaction, are consistent with covenants that have applied to SHC's prior bond transactions, and that SHC's current financial situation does not suggest additional covenants should be required.

In June 2011, SHC entered into an amended and restated master indenture of trust (as supplemented from time to time pursuant to its terms, the "Master Indenture") with The Bank of New York Mellon Trust Company, N.A. (the "Master Trustee"). The Master Indenture amended and restated the original master indenture of trust, dated as of December 1, 1990 between SHC, then known as Stanford University Hospital, and First Interstate Bank, LTD., as master trustee, which created an obligated group (the "Obligated Group"). Currently, SHC is the sole member of the Obligated Group.

Pursuant to the provisions of the Master Indenture, SHC has issued obligations under the Master Indenture (each, an "Obligation") to secure the obligations of SHC 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 SHC. SHC will issue an Obligation under the Master Indenture to secure its obligations under each of the loan agreements to be entered into with the Authority in connection with the proposed bonds (each, a "Loan Agreement," and, hereinafter collectively referred to as the "Loan Agreements").

In connection with the issuances of the \$170,120,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care), 2020 Series A, dated April 1, 2020 and the \$157,715,000 California Health Facilities Financing Authority Revenue Bonds (Stanford Health Care), 2021 Series A, dated April 30, 2021, SHC proposed to amend and restate the Master Indenture by entering into the Second Amended and Restated Master Indenture of Trust with the Master Trustee (the "Second Amended and Restated Master Indenture"). The Second Amended and Restated Master Indenture will go in effect upon SHC's receipt of consent of the Holders of a majority in aggregate principal amount of Obligations Outstanding. SHC anticipates that upon the issuance of the proposed bonds that it will have obtained sufficient consent, and the Second Amended and Restated Master Indenture will go into effect.

All capitalized terms used and not otherwise defined herein will have the meanings assigned to such terms in the Second Amended and Restated Master Indenture.

**The covenants listed below are applicable to this transaction.**

**Unconditional Promise to Pay; Pledge of Revenues.** *SHC agrees to pay to U.S. Bank Trust Company, National Association, as trustee for the proposed bonds (the “Trustee”), all amounts required for payment of the principal, interest and purchase price, if applicable, with respect to the proposed bonds and agrees to pay the additional payments and expenses specified in each of the Loan Agreements. In addition, SHC will issue an Obligation under the Master Indenture to secure the obligation of SHC to make the payments under each of the Loan Agreements.*

*All Revenues, as such term is defined in the bond indenture pursuant to which each series of proposed bonds will be issued (each, an “Indenture,” and hereinafter collectively referred to as the “Indentures”) will be pledged to secure the full payment of the proposed bonds being issued pursuant to the applicable Indenture. Revenues include payments by SHC under the applicable Loan Agreement and payments by the Obligated Group on the applicable Obligation and amounts held in the funds and accounts established under the applicable Indenture (excluding the Rebate Fund to be established for each series of proposed bonds and the Bond Purchase Fund to be established for each series of proposed bonds being issued as variable rate bonds).*

**Pledge of Gross Receivables.** *Upon the effectiveness of the Second Amended and Restated Master Indenture, each Obligated Group Member will grant the Master Trustee security interests under the Uniform Commercial Code in all of its respective Gross Receivables to secure its obligations to make Required Payments.*

**Limitation on Liens; Permitted Encumbrances.** *Each Member of the Obligated Group has agreed not to create, assume or suffer to exist any Lien upon its Property except for Permitted Liens. Each Member of the Obligated Group has further agreed that if a Lien other than a Permitted Lien is created by someone other than a Member of the Obligated Group and is assumed by a Member of the Obligated Group, such Member of the Obligated Group will cause a provision to be made effective whereby all Obligations will be secured prior to any obligations secured by the Lien assumed by a Member of the Obligated Group.*

**Long-Term Debt Service Coverage Requirement.** *The Second Amended and Restated Master Indenture requires that the Obligated Group maintain a Debt Service Coverage Ratio of 1.10x.*

**Limitations on Merger, Consolidation, Sale or Conveyance.** *Each Member of the Obligated Group has agreed not to merge or consolidate with any entity 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 various provisions set forth in the Second Amended and Restated Master Indenture upon its effective date.*

**Limitations on Withdrawal from the Obligated Group and Entrance into the Obligated Group.** *The Second Amended and Restated Master Indenture sets forth certain requirements that must be met for withdrawal from, or entry into, the Obligated Group.*

**Compliance with Rule 15c2-12.** *SHC will take such action as is necessary to assist the underwriters of the proposed bonds to comply with Securities and Exchange Commission Rule 15c2-12 (“Rule 15c2-12”). SHC will contractually agree to disclose designated financial and operating information to the designated website (Electronic Municipal Market Access) during the life of the proposed bonds and to report designated “material events” as specified in Rule 15c2-12.*

**Staff has completed its due diligence, and KNN has reviewed the Loan Agreements, the Indentures, and prior SHC offering documents associated with this financing package and found these documents and proposed covenants to be acceptable.**

### III. FINANCIAL STATEMENTS AND ANALYSIS

**Stanford Health Care**  
**Consolidated Statement of Operations and Changes in Net Assets (Income Statement)**  
(in thousands of dollars)

	For the years ended August 31,		
	2022	2021	2020
<b>Operating revenues and other support:</b>			
Net patient service revenue	\$ 6,922,468	\$ 6,052,048	\$ 5,140,938
Premium revenue	75,310	118,741	116,971
Grants - COVID-19	203,265	406,265	124,551
FEMA	12,051	4,202	-
Other revenue	192,353	179,462	174,293
Net assets released from restrictions used for operations	7,020	11,490	10,823
Total operating revenues and other support	7,412,467	6,772,208	5,567,576
<b>Operating expenses:</b>			
Salaries and benefits	3,344,920	2,813,222	2,548,259
Professional services	75,439	49,496	38,463
Supplies	1,009,604	968,544	820,403
Purchased services	1,598,840	1,513,638	1,458,959
Depreciation and amortization	270,346	289,263	257,725
Interest	71,940	76,903	68,019
Other	522,697	448,357	460,483
Expense recoveries to (from) related parties	588	(50,559)	(105,779)
Total operating expenses	6,894,374	6,108,864	5,546,532
Income from operations	518,093	663,344	21,044
Interest and investment income	99,924	47,822	43,973
Earnings on equity method investments	36,188	41,596	19,592
Change in value of University managed pools and other	(375,746)	784,864	161,720
Swap interest and change in value of swap agreements	120,324	46,274	(53,722)
Other components of net periodic benefit costs	(3,243)	(1,960)	(2,070)
Loss on extinguishment of debt	-	(2,558)	-
Excess of revenues over expenses	395,540	1,579,382	190,537
<b>Other changes in net assets without donor restrictions:</b>			
Transfers to Stanford University	(112,361)	(100,386)	(98,367)
Transfers from Lucile Salter Packard Children's Hospital	-	99	-
Change in net unrealized loss on investments	(24,894)	(2,406)	(1,249)
Net assets released from restrictions used for:			
Purchase of property and equipment	2,209	1,016	3,248
Purchase of property and equipment - New Stanford Hospital	9,550	18,224	555,219
Change in pension and postretirement liability	1,694	9,396	1,042
Noncontrolling capital contribution (distribution)	7,864	(1,870)	(2,400)
Loss from discontinued operations	-	(4,202)	-
Increase in net assets without donor restrictions	279,602	1,499,253	648,030
<b>Changes in net assets with donor restrictions:</b>			
Transfers from Stanford University	3,128	1,353	162
Contributions and other	9,178	34,860	22,084
Investment Income	1,037	880	929
(Losses) gains on University managed pools	(799)	11,427	2,885
Net assets released from restrictions used for:			
Operations	(7,020)	(11,490)	(10,823)
Purchase of property and equipment	(2,209)	(1,016)	(3,248)
Purchase of property and equipment - New Stanford Hospital	(9,550)	(18,224)	(555,219)
(Decrease) increase in net assets with donor restrictions	(6,235)	17,790	(543,230)
Increase in net assets	273,367	1,517,043	104,800
Net assets, beginning of year	5,844,491	4,327,448	4,222,648
Net assets, end of year	\$ 6,117,858	\$ 5,844,491	\$ 4,327,448

**Stanford Health Care**  
**Consolidated Balance Sheets**  
(in thousands of dollars)

	<b>As of August 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 536,803	\$ 407,044	\$ 1,642,912
Assets limited as to use, held by trustee	-	-	92
Short-term investments	72,009	74,888	-
Patient accounts receivables, net	1,023,568	764,948	654,342
Other receivables	115,203	156,168	165,737
Inventories	107,750	113,421	125,082
Prepaid expenses and other	136,216	133,328	108,587
Total current assets	1,991,549	1,649,797	2,696,752
Investments	1,827,594	2,058,925	689,110
Investments at equity	166,689	134,228	116,975
Investments in University managed pools	2,504,088	2,528,927	1,610,737
Property and equipment, net	3,725,488	3,619,451	3,646,012
Right of use lease assets	247,572	292,588	341,580
Other assets	51,571	61,507	58,533
Total assets	\$ 10,514,551	\$ 10,345,423	\$ 9,159,699
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 623,232	\$ 609,021	\$ 908,249
Accrued salaries and related benefits	482,073	395,637	287,411
Due to related parties	69,014	64,063	52,128
Third-party payor settlements	63,324	55,659	55,112
Current portion of long-term debt	17,065	15,505	116,045
Debt subject to remarketing arrangements	168,200	168,200	168,200
Operating lease liabilities, current	73,742	79,055	76,066
Self-insurance reserves and other	97,400	75,300	58,186
Total current liabilities	1,594,050	1,462,440	1,721,397
Self-insurance reserves and other, net of current portion	219,455	218,960	224,858
Swap liabilities	145,906	285,654	353,292
Operating lease liabilities, non-current	187,592	233,244	287,053
Other long-term liabilities	137,195	165,559	180,333
Pension liability	2,423	-	8,655
Long-term debt, net of current portion	2,110,072	2,135,075	2,056,663
Total liabilities	4,396,693	4,500,932	4,832,251
Net assets:			
Without donor restrictions:			
Attributable to Stanford Health Care	5,934,103	5,663,080	4,169,459
Noncontrolling interests	38,657	30,078	24,446
Total without donor restrictions	5,972,760	5,693,158	4,193,905
With donor restrictions	145,098	151,333	133,543
Total net assets	6,117,858	5,844,491	4,327,448
Total liabilities and net assets	\$ 10,514,551	\$ 10,345,423	\$ 9,159,699

	<b>Proforma</b>			
	<b>FYE 8/31/2022 <sup>1</sup></b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Debt Service Coverage (x) - Operations	6.9	9.8	5.3	1.9
Debt Service Coverage (x) - Net	5.9	8.4	10.1	2.8
Debt-to-Unrestricted Net Assets (x)	0.5	0.4	0.4	0.6
Operating Margin (%)		7.0	9.8	0.4
Current Ratio (x)		1.2	1.1	1.6

<sup>(a)</sup> Recalculates FY 2022 results to include the impact of the proposed financing.

## **Financial Discussion**

**SHC's income statement appears to exhibit positive operating results with revenues growing in each year of the review period.**

SHC appears to exhibit positive operating margins each year of the review period, most recently posting a margin of 7% in fiscal year (FY) 2022. Total operating revenues and other support grew by over 33%, from approximately \$5.6 billion in FY 2020 to over \$7.4 billion in FY 2022. Per SHC management, the increase in revenues was a result of increased patient volume after significantly decreased patient visits due to COVID-19 in 2020. The increase in patient visits increased net patient service revenue from approximately \$5.1 billion in FY 2020 to nearly \$7 billion in FY 2022. Net patient service revenue made up almost 93.4% of SHC's total operating revenue and support in FY 2022.

Total operating expenses increased by 24% from approximately \$5.5 billion in FY 2020 to almost \$6.9 billion in FY 2022. SHC's largest expense, salaries and benefits, experienced growth from over \$2.5 billion in FY 2020 to more than \$3.3 billion in FY 2022. According to SHC's management, the growth was due additional staff to address the increase in patient volume, salary increases to maintain SHC's position in the competitive health care market, the impact of inflation, and the higher costs for temporary staffing due to COVID-19.

To offset costs associated with the COVID-19 pandemic, SHC received federal funding grants of approximately \$124.6 million, \$406.3 million, and \$203.3 million in FYs 2020, 2021, and 2022, respectively.

**SHC's balance sheet appears to demonstrate a strong ability to repay debt with a proforma FY 2022 net debt service coverage ratio of 5.9x.**

Throughout the review period, SHC maintained a strong net debt service coverage ratio of 2.8x in FY 2020, 10.1x in FY 2021, and 8.4x in FY 2022. With the issuance of new tax-exempt bonds, SHC's proforma FY 2022 net debt service coverage ratio remains strong at 5.9x. SHC continues to demonstrate a low utilization of debt financing in relation to its net assets with a debt-to-unrestricted net assets ratio of 0.6x in FY 2020 and 0.4x in both FY 2021 and FY 2022. SHC's proforma FY 2022 debt-to-unrestricted net assets ratio increases slightly to 0.5x with the additional tax-exempt bond debt.

Cash and cash equivalents decreased from over \$1.6 billion in FY 2020 to just over \$407 million in FY 2021, but then increased slightly to over \$536.8 million in FY 2022. SHC's cash and cash equivalents in FY 2020 included \$397 million in COVID-19 Accelerated and Advance Payments Program funding through Medicare, which was repaid in FY 2021. Additionally, SHC increased its allocation of cash and cash equivalents in FY 2020 during the COVID-19 pandemic but returned to its policy allocation target as reflected in the end of year balances for FYs 2021 and 2022. Additionally, SHC invested a portion of its cash and cash equivalents as investments grew from approximately \$689 million in FY 2020 to approximately \$1.8 billion in FY 2022.



#### IV. DUE DILIGENCE

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

- **Government Code section 15438.5(a) (Pass-Through Savings):** SHC properly completed and submitted the Pass-Through Savings Certification.
- **Government Code section 15459.1 (Community Service Obligation):** SHC properly completed and submitted the Community Service Obligation certification and indicated that Medi-Cal and Medicare patients are accepted. Below is a link to SHC's 2022 Annual Report regarding community service:

<https://stanfordhealthcare.org/about-us/community-partnerships.html>

- **Compliance with Government Code section 15455(b) (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.)):** SHC properly submitted relevant documentation addressing the California Environmental Quality Act.
- **Religious Affiliation:** SHC properly completed and submitted relevant documentation to meet the religious affiliation due diligence requirement.
- **Legal Review:** SHC properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act:** The underwriters properly completed and submitted the Iran Contracting Act certificates.

## V. OUTSTANDING DEBT

As of August 31, 2022, SHC's outstanding long-term debt totaled approximately \$2.2 billion, of which approximately \$1.1 billion (50%) was comprised of debt issued through the Authority.

Following this proposed financing of up to \$300 million in tax-exempt bonds issued through the Authority, SHC's total outstanding debt will increase to approximately \$2.5 billion, with approximately \$1.4 billion (56%) issued through the Authority.

## VI. UTILIZATION STATISTICS

	As of August 31,		
	2022	2021	2020
Discharges			
Acute	30,684	28,661	26,224
Behavioral Health	711	607	722
<b>Total</b>	<b>31,395</b>	<b>29,268</b>	<b>26,946</b>
Patient Days			
Acute	212,210	182,735	154,344
Behavioral Health	9,571	7,632	7,870
Subtotal	221,781	190,367	162,214
Short Stay Outpatient	15,573	14,086	13,664
<b>Total</b>	<b>237,354</b>	<b>204,453</b>	<b>175,878</b>
Average Daily Census			
Acute	581.4	500.6	421.7
Behavioral Health	26.2	20.9	21.5
<b>Total</b>	<b>607.6</b>	<b>521.5</b>	<b>443.2</b>
Average Length of Stay			
Acute	6.92	6.38	5.9
Behavioral Health	13.46	12.57	10.9
<b>Average</b>	<b>7.06</b>	<b>6.5</b>	<b>6.02</b>
Case Mix Index	2.71	2.77	2.51
Emergency Room Visits <sup>1</sup>	97,805	88,848	76,688
Short Stay Outpatient Procedures	50,298	47,816	41,914
Other Outpatient Visits <sup>2</sup>	1,383,054	1,504,343	893,386
Surgeries			
Inpatient	12,972	12,750	12,210
Outpatient	29,331	26,487	22,933
<b>Total</b>	<b>42,303</b>	<b>39,237</b>	<b>35,143</b>

<sup>1</sup>Includes emergency room visits of admitted inpatients

<sup>2</sup>Excludes outpatient emergency room visits

## **VII. BACKGROUND AND LICENSURE**

### **Background:**

SHC, formerly known as Stanford Hospital and Clinics, is a principal teaching affiliate of the SHC University School of Medicine (School of Medicine) and provides primary and specialty health services to adults, including cardiac care, cancer treatment, solid organ transplantation services, orthopedics, and neuroscience services. SHC, together with Lucile Salter Packard Children's Hospital at Stanford, operates the clinical settings through which the School of Medicine educates medical and graduate students, trains residents and clinical fellows, supports faculty and community clinicians, and conducts medical and biological sciences research.

The principal clinical facilities of SHC are the Stanford Hospital, a 604-licensed bed tertiary, quaternary, and specialty hospital (the Hospital), and the primary, specialty and sub-specialty clinics (the Clinics), in which medical faculty of the School of Medicine provide clinical services. The Hospital and the majority of the Clinics are located on the campus of Stanford University adjacent to the School of Medicine in Palo Alto, California. Other Clinics are located elsewhere on the campus, and in 60 plus neighboring communities across the Bay Area. From 2022 – 2023, over 18,000 SHC employees delivered outpatient care to nearly 1.4 million patients at either emergency rooms or through virtual visits.

### **Licenses and Contracts**

SHC is licensed by the California Department of Public Health as a general acute care facility and is certified to participate in the Medicare and Medi-Cal programs. SHC is fully accredited by The Joint Commission for laboratory services.

## **STAFF RECOMMENDATION**

Staff recommends the Authority approve Resolution No. 450 in an amount not to exceed \$300,000,000 for Stanford Health Care subject to the conditions in the resolution. 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.

## **EXHIBIT 1**

### **FINANCING TEAM**

**Borrower:** Stanford Health Care

**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.

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP

**Borrower's Counsel:** Ropes and Gray LLP

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

**Underwriters:** Morgan Stanley & Co. LLC  
RBC Capital Markets, LLC

**Underwriters' Counsel:** Norton Rose Fulbright US LLP

**Bond Trustee:** U.S. Bank Trust Company, National Association

**Bond Trustee's Counsel:** Dorsey & Whitney LLP

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

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

**Auditor:** PricewaterhouseCoopers LLP

## **RESOLUTION NO. 450**

### **RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE (INCLUDING BY REIMBURSING) A PROJECT AT THE HEALTH FACILITIES OF STANFORD HEALTH CARE**

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, Stanford Health Care is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Borrower”) which owns and operates health facilities in the State of California;

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 \$300,000,000 and make one or more loans of the proceeds thereof to the Borrower (i) to finance the costs of acquisition, construction, expansion, remodeling, renovation, furnishing, and equipping of certain existing health facilities of the Borrower (including by reimbursing expenditures made for such purposes), as more particularly described under the caption “Description of the Project” in Exhibit A hereto (collectively, the “Project”) and (ii) at the sole option of the Borrower, to 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 (Stanford Health Care)” (the “Bonds”) in a total aggregate principal amount not to exceed \$300,000,000 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 third 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 principal 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 Trust Company, National Association, as bond trustee (the “Bond Trustee”);

(iii) one or more bond purchase contracts, including the exhibits thereto, relating to the series of Bonds identified therein (each, a “Bond Purchase Contract” and, collectively, the “Purchase Contracts”), among Morgan Stanley & Co. LLC (“Morgan Stanley”), acting as senior manager on behalf of itself, RBC Capital Markets, LLC (“RBC”) and any additional underwriter or underwriters listed in the State Treasurer’s eligible list of underwriters and named in any such Bond Purchase Contract, 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 the Purchase Contracts 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, interest rate modes, 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.** Morgan Stanley, RBC, and any additional underwriters named in any Bond Purchase Contract (hereinafter collectively referred to as the “Underwriters”) are 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 Underwriters (in consultation with the Borrower), a preliminary official statement may not be required to be used with respect to any series of Bonds. The Underwriters are 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 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 the direction of the Underwriters 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 Underwriters, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

**Section 8.** Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Indentures, the Loan Agreements, the Purchase Contracts, 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) a tax certificate and agreement and other certifications; (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; and (c) any escrow agreement or escrow instructions required in connection with the refunding of the Prior Bonds.

**Section 9.** The provisions of the Authority’s Resolution No. 2022-05 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**

Proceeds of the Bonds will be applied by the Borrower to finance the acquisition, construction, expansion, remodeling, renovation, furnishing, and equipping of certain existing health facilities (including by reimbursing expenditures made for such purposes) known as the original Stanford Hospital, such project is collectively referred to by the Borrower as the “300P Renewal Program,” owned and operated by the Borrower and located on the Borrower’s campus in Stanford, California, at 300 Pasteur Drive.