

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
COMMERCIAL PAPER 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>	\$200,000,000
		<b>Requested Loan Term:</b>	40 years
		<b>Authority Meeting Date:</b>	August 31, 2023
		<b>Resolution Number:</b>	451
<b>Project Sites:</b>	300 Pasteur Drive, Stanford, CA 94305 and 500 Broadway, Redwood City, CA 94063		
<b>Facility Type:</b>	General acute care hospital and outpatient care		
<b>Eligibility:</b>	Government Code 15432(d)(1)		
<b>Obligated Group:</b>	SHC is the sole member of the Obligated Group		
<b>Background:</b>	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.		
<b>Use of Note Proceeds:</b>	Tax-exempt commercial paper notes will be issued to reimburse and fund various planned capital expenditures, including the design, construction, furnishing and equipping of clinical and administrative facilities in Redwood City and the re-design, remodel, and renovation of certain facilities located at 300 Pasteur Drive (300P Renewal Program).		
<b>Type of Issue:</b>	Tax-exempt commercial paper issue Negotiated public offering, variable interest rates		
<b>Expected Credit Rating:</b>	P-1/A-1+/F1+; Moody's/S&P/Fitch		
<b>Financing Team:</b>	<i>Please see Exhibit 1 to identify possible conflicts of interest</i>		
<b>Financial Overview:</b>	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 solid liquidity with a current ratio of 1.2x in FY 2022.		
<b>Estimated Sources of Funds:</b>	<b>Estimated Uses of Funds:</b>		
Note Proceeds	<u>\$200,000,000</u>	Capital Projects	<u>\$200,000,000</u>
Total Estimated Sources	<u>\$200,000,000</u>	Total Estimated Uses	<u>\$200,000,000</u>
<b>Due Diligence:</b>	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, and Community Service Obligation.		
<b>Staff Recommendation:</b>	Staff recommends the Authority approve Resolution No. 451 in an amount not to exceed \$200,000,000 for Stanford Health Care to issue tax-exempt commercial paper, subject to the notes meeting the minimum Commercial Paper Program requirements specified in Resolution No. 2023-05. 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

SHC is requesting to establish a tax-exempt commercial paper program to authorize the issuance, from time to time, of tax-exempt commercial paper notes in an aggregate principal amount not to exceed, at any one time, \$200,000,000. Note proceeds will be used to reimburse or fund various planned capital expenditures, including the design, construction, furnishing and equipping of clinical and administrative facilities in Redwood City and the renovation of certain facilities located at 300 Pasteur Drive. According to SHC's Master Plan, the proposed construction is intended to maximize the use of SHC land; 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.

**Capital Projects ..... \$200,000,000**

Note proceeds will be used to finance the costs of 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, a 44 bed increase from its current capacity.

Note proceeds also will be used to finance the costs of construction, expansion, remodeling, renovation, furnishing and equipping certain health care and health care related administrative facilities in Redwood City that are owned or will be owned by SHC. SHC plans to build a medical office building in Redwood City, known as RWC Block E. The project consists of a 265,000 square foot medical office building, located adjacent to its existing multi-specialty outpatient center, and will also include clinical spaces, open spaces, and parking.

**Total Estimated Uses of Funds ..... \$200,000,000**

## **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 dealer of the proposed notes 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 notes (each, a “Loan Agreement,” and, hereinafter collectively referred to as the “Loan Agreements”).

In connection with the issuance 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 notes 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 notes (the “Trustee”), all amounts required for payment of the principal and interest, , with respect to the proposed notes (which amounts will be transferred to U.S. Bank Trust Company, National Association, as issuing and paying agent for the notes, and used by the issuing and paying agent, together with proceeds from the issuance of notes issued to refund other notes, to pay debt service of the notes), 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 indenture pursuant to which the proposed notes will be issued (the “Indenture,”) will be pledged to secure the full payment of the proposed notes being issued pursuant to the Indenture. Revenues include payments by SHC under the Loan Agreement and payments by the Obligated Group on the applicable Obligation and amounts held in the funds and accounts established under the Indenture (excluding the Rebate Fund under the Indenture).*

**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 require 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, set forth certain requirements that must be met for withdrawal from, or entry into, the Obligated Group.*

**Compliance with Rule 15c2-12.** *The proposed notes are exempt from Securities and Exchange Commission 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	<u>7,412,467</u>	<u>6,772,208</u>	<u>5,567,576</u>
<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	<u>6,894,374</u>	<u>6,108,864</u>	<u>5,546,532</u>
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	<u>395,540</u>	<u>1,579,382</u>	<u>190,537</u>
<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	<u>279,602</u>	<u>1,499,253</u>	<u>648,030</u>
<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	<u>(6,235)</u>	<u>17,790</u>	<u>(543,230)</u>
Increase in net assets	<u>273,367</u>	<u>1,517,043</u>	<u>104,800</u>
Net assets, beginning of year	5,844,491	4,327,448	4,222,648
Net assets, end of year	<u>\$ 6,117,858</u>	<u>\$ 5,844,491</u>	<u>\$ 4,327,448</u>

**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	<u>1,991,549</u>	<u>1,649,797</u>	<u>2,696,752</u>
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	<u>\$ 10,514,551</u>	<u>\$ 10,345,423</u>	<u>\$ 9,159,699</u>
<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	<u>1,594,050</u>	<u>1,462,440</u>	<u>1,721,397</u>
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	<u>4,396,693</u>	<u>4,500,932</u>	<u>4,832,251</u>
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	<u>5,972,760</u>	<u>5,693,158</u>	<u>4,193,905</u>
With donor restrictions	145,098	151,333	133,543
Total net assets	<u>6,117,858</u>	<u>5,844,491</u>	<u>4,327,448</u>
Total liabilities and net assets	<u>\$ 10,514,551</u>	<u>\$ 10,345,423</u>	<u>\$ 9,159,699</u>

	<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>(1)</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 to 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 solid liquidity with a current ratio of 1.2x in FY 2022.**

SHC maintained solid short-term liquidity as total current assets exceeded total current liabilities each year of the review period. SHC's current ratio, a measure of liquidity, was 1.6x, 1.1x, and 1.2x in FYs 2020, 2021, and 2022, respectively. 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.

Patient accounts receivables grew from approximately \$654.3 million in FY 2020 to over \$1 billion in FY 2022. According to SHC management, the primary driver for the increase in accounts receivables (A/R) is attributed to the increase in SHC's revenue per day. The average revenue per day at the end of FY 2022 was roughly \$17.1 million versus \$12.6 million at the end of FY 2020. The increase in revenue per day accounts for roughly 70% of the growth in A/R.



#### 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) of the Act (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 Certificate:** The Iran Contracting Act Certificate (Pub. Contract Code, §2200 et seq.) is not applicable as commercial paper financing does not involve an underwriter.

## 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 \$200 million in Commercial Paper Notes issued through the Authority, SHC's total outstanding long and short-term 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 over 1.2 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. 451 in an amount not to exceed \$200,000,000 for Stanford Health Care to issue tax-exempt commercial paper, subject to the notes meeting the minimum Commercial Paper Program requirements specified in Resolution No. 2023-05. 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.

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

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

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

**Dealer:** RBC Capital Markets, LLC

**Issuing and Paying Agent:** U.S. Bank Trust Company, National Association

**Issuing and Paying Agent's Counsel:** Dorsey & Whitney LLP

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

**Auditor:** PricewaterhouseCoopers LLP

## **RESOLUTION NO. 451**

### **RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF COMMERCIAL PAPER REVENUE NOTES TO FINANCE OR TO REFINANCE (INCLUDING BY REIMBURSING) PROJECTS AT THE HEALTH FACILITIES OF STANFORD HEALTH CARE**

August 31, 2023

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 (including notes) 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 applied to the Authority for the issuance of one or more series of its tax-exempt commercial paper revenue notes from time to time in an aggregate principal amount outstanding at any time not to exceed \$200,000,000 (collectively, the “Commercial Paper Notes”), and for the Authority to make one or more loans of the proceeds thereof to the Borrower to finance, which includes reimbursement, and/or refinance certain costs of the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of certain health facilities of the Borrower, as more particularly described under the caption “The Projects” in Exhibit A hereto (collectively, the “Projects”);

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

WHEREAS, approval of the terms of issuance and sale of the Commercial Paper Notes and various related matters is now sought;

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

**Section 1.** The Borrower’s application for financial assistance filed with the Authority is hereby approved.

**Section 2.** Pursuant to the Act, the Commercial Paper Notes of the Authority, to be designated generally as the “California Health Facilities Financing Authority Tax-Exempt Commercial Paper Revenue Notes (Stanford Health Care)” or such other name or names as may be designated in the applicable Indenture hereinafter mentioned, in an aggregate principal amount not to exceed two hundred million dollars (\$200,000,000) outstanding at any one time, are authorized to be issued. The Commercial Paper Notes may, at the discretion of the Borrower, be issued from time to time in accordance with the hereinafter defined Indenture, Issuing and Paying Agent Agreement, Loan Agreement, Dealer Agreement, Tax Agreement and Offering Memorandum (the “Commercial Paper Note Documents”).

**Section 3.** The Treasurer of the State of California (the “State Treasurer”), acting through the duly authorized representatives of the Borrower and pursuant to the Commercial Paper Note Documents, is hereby authorized and directed to sell such Commercial Paper Notes from time to time at private sale in such aggregate principal amounts (not to exceed \$200,000,000 in aggregate principal amount outstanding at any one time), at such price or prices (so long as the discount on the Commercial Paper Notes sold shall not exceed six percent (6%) of the par value thereof), at such times, bearing interest at such rates, with such maturity dates and upon such other terms and conditions as the Borrower may determine; provided, however, that no Commercial Paper Note shall have a maturity date more than 270 days following the date of issuance thereof. Such sales shall only occur after (1) the State Treasurer has duly approved the issuance of the Commercial Paper Notes following a properly noticed public hearing with respect to the Commercial Paper Notes in accordance with Section 147(f) of the Internal Revenue Code of 1986, as amended, and (2) the Commercial Paper Notes meet the minimum commercial paper program requirements, as currently specified in Resolution No. 2023-05 of the Authority, adopted July 27, 2023 (the “CP Program Requirements”).

**Section 4.** The proposed forms of the following documents:

- (i) the loan agreement relating to the Commercial Paper Notes (the “Loan Agreement”), between the Authority and the Borrower;
- (ii) the indenture relating to the Commercial Paper Notes (the “Indenture”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”);
- (iii) the issuing and paying agent agreement relating to the Commercial Paper Notes (the “Issuing and Paying Agent Agreement”), among the Authority, the Borrower and U.S. Bank Trust Company, National Association, as issuing and paying agent (the “Issuing and Paying Agent”);
- (iv) the dealer agreement, including the exhibits thereto, relating to the Commercial Paper Notes (the “Dealer Agreement”), among RBC Capital Markets, LLC, as the dealer (the “Dealer”), the State Treasurer, the Authority and the Borrower; and
- (v) the commercial paper offering memorandum, relating to the Commercial Paper Notes (the “Offering Memorandum”);

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein as the officer executing the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreement, the Indenture, the Issuing and Paying Agent Agreement and the Dealer Agreement, and by delivery thereof in the case of the Offering Memorandum. The Executive Director or Deputy 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 5.** The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreement are true and correct.

**Section 6.** The dated dates, the final maturity date (not exceeding 40 years from the first date of issue), the manner of determining maturity dates and interest rates, payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of redemption, if any, provisions governing transfer, and other terms of the Commercial Paper Notes, including provisions for credit facilities and/or liquidity facilities, as applicable, from time to time, shall be as provided in the applicable Indenture or Issuing and Paying Agent Agreement, each as finally executed.

**Section 7.** The Dealer is hereby authorized to distribute the Offering Memorandum to persons who may be interested in the purchase of the Commercial Paper Notes offered from time to time. The Dealer is hereby directed to deliver a copy of the Offering Memorandum to all actual purchasers of the Commercial Paper Notes.

**Section 8.** The Commercial Paper Notes, when so executed, shall be delivered to the Issuing and Paying Agent for authentication. The Issuing and Paying Agent is hereby requested and directed to countersign for authentication the Commercial Paper Notes by executing the same and to deliver the Commercial Paper Notes, when duly executed and authenticated, from time to time to the Dealer, in accordance with the Commercial Paper Note Documents.

**Section 9.** The Chairperson (or any Deputy) or the Executive Director or Deputy Executive Director or any other person or persons designated as an Authorized Representative, as that term is defined in the Indenture, of the Authority by a certificate of the Authority signed by its Chairperson (or any Deputy) or Executive Director or Deputy Executive Director and filed with the Trustee from time to time, are hereby designated as Authorized Representatives, as that term is used in the Indenture, and any such Authorized Representative, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, and execute and deliver any and all certificates, agreements and other documents, including but not limited to "Note Orders," as such term is defined in the Indenture, and other documents and actions contemplated on the part of the Authority under the Indenture and the Issuing and Paying Agent Agreement, that are necessary for the ongoing administration of the Commercial Paper Note program.

**Section 10.** 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 from time to

time of the Commercial Paper Notes and otherwise to effectuate the purposes of this Resolution and the Loan Agreement, the Indenture, the Issuing and Paying Agent Agreement, the Dealer Agreement, and the Offering Memorandum. The Authority hereby approves any and all documents to be delivered or acts to be done in furtherance of the foregoing purposes, including without limitation: (a) a Tax Certificate and Agreement, between the Authority and the Corporation (as supplemented and amended from time to time, the "Tax Agreement") and other certifications and IRS Forms 8038; (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 Commercial Paper Note; and (c) any and all ministerial acts, including periodic updates to the section within the Offering Memorandum entitled "The Authority," any insurance, guaranty or credit or liquidity agreements, as may be required from time to time relating to the Commercial Paper Notes and such other consents, approvals, agreements, notices, orders, designations, requests, certificates, instruments and other actions which such officers, with the advice of the Attorney General, deem necessary or advisable in order to consummate the issuance, sale and delivery of the Commercial Paper Notes from time to time and otherwise to effectuate the purposes of this Resolution and the Indenture, the Loan Agreement, the Issuing and Paying Agent Agreement, the Dealer Agreement and the Offering Memorandum. The State Treasurer is hereby requested and authorized to take any and all actions within their authority as agent for sale of the Commercial Paper Notes that they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Commercial Paper Notes, and to otherwise effectuate the purposes of this Resolution.

**Section 11.** The provisions of the Authority's Resolution No. 2022-05 apply to the documents and actions approved in this Resolution.

**Section 12.** 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 13.** This resolution shall take effect from and after the date of adoption.

Date of Adoption: \_\_\_\_\_



## EXHIBIT A

### THE PROJECTS

The term “*Projects*” means, collectively, the construction, expansion, remodeling, renovation, furnishing, equipping, and acquisition of the following health facilities of the Borrower, but only to the extent that the cost thereof has been financed (including reimbursement) or refinanced from proceeds of the Commercial Paper Notes:

- (a) certain existing health facilities owned and operated by the Borrower and located on the Borrower’s campus located generally at 300 Pasteur Drive in Stanford, California, and
- (b) certain health facilities and related administrative facilities which are or will be owned and operated by the Borrower and located generally at 500 Broadway in Redwood City, California.