CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant: Scripps Health (Scripps)
10140 Campus Point Drive
San Diego, CA 92121
San Diego County

Amount Requested: $1,200,000,000
Requested Loan Term: Up to 40 years
Authority Meeting Date: December 7, 2023
Resolution Number: 454

Project Site: *See Exhibit 1*
Facility Type: General acute, sub-acute and outpatient care
Eligibility: Government Code Section 15432(d)(1)
Prior Borrower: Yes (date of last Authority approval – September 2019)
Obligated Group: Scripps is the sole member of the Obligated Group

Background: Established in 1924 and headquartered in San Diego, Scripps is a nonprofit, public benefit corporation that provides quality, safe, and cost-effective healthcare services throughout San Diego County. Scripps provides healthcare services to approximately 800,000 patients annually through the dedication of 3,000 affiliated physicians and more than 16,000 employees among its five acute-care hospital campuses, home health care services, and an ambulatory care network of physician offices and more than 28 outpatient centers and clinics.

Use of Proceeds: Bond proceeds will be used to finance the costs of acquisition, construction, renovation, equipping, and improvement of certain health care facilities to meet the 2030 seismic safety standards and to construct new administrative offices. Bond proceeds will also be used to refund existing debt.

Type of Issue: Negotiated public offering, variable and fixed rate tax-exempt bonds
Expected Credit Rating: A-1+/AA and F1+/AA (short-term/long-term); S&P and Fitch
Financing Team: *See Exhibit 2 to identify possible Conflicts of Interest*

Financial Overview: Scripps' income statement appears to show increasing revenue during the review period from fiscal year (FY) 2020 to FY 2022. Scripps' balance sheet appears to have a solid financial position with a pro-forma FY 2022 net debt service coverage ratio of 1.5x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$1,200,000,000	Project costs	$750,000,000
Borrower funds	1,750,474	Refunding	439,750,474
		Financing costs	12,000,000
Total Estimated Sources	$1,201,750,474	Total Estimated Uses	$1,201,750,474

Due Diligence: Staff has confirmed the following documentation satisfies the California Health Facilities Financing Authority's (Authority or CHFFA) requirements: Eligibility, Legal Review, the California Environmental Quality Act, and the certifications for Pass-Through Savings, Iran Contracting Act, and Community Service Obligation.

Staff Recommendation: Staff recommends the Authority approve Resolution No. 454 in an amount not to exceed $1,200,000,000 for Scripps Health, subject to the terms and conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC (KNN), the Authority's municipal advisor, concur with the Authority's staff recommendation.

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

Scripps is requesting approval to issue tax-exempt bonds in an amount not to exceed $1.2 billion. Approximately $750 million of the bond proceeds will be used to finance, including reimbursement of costs incurred related to the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of certain health care facilities to meet the 2030 state-mandated seismic safety standards. A portion of the new money bond proceeds will be used to construct new administrative offices to replace a administrative building that was recently sold. Approximately $440 million of the bond proceeds will be used to refund existing California Statewide Communities Development Authority (CSCDA) and CHFFA bonds. The refunding will allow Scripps to restructure its debt portfolio in order to level overall debt service payments to create a more predictable payment schedule and to reduce its exposure to banks and derivative/structured products.

Project Costs $750,000,000

Scripps Memorial Hospital – Encinitas
Bond proceeds will be used to construct a new replacement hospital to meet the 2030 seismic standards. The new hospital will be approximately 224,000 square feet, with 64 beds, and provide various services such as surgical services and recovery, sterile processing, medical and surgical beds, observation beds, radiology, laboratory, inpatient, pharmacy, and dining. The existing non-compliant building will be demolished.

Scripps Memorial Hospital – La Jolla
Bond proceeds will be used to build a new tower (Tower II) with a capacity of 175 beds. The additional capacity will allow Scripps to vacate the non-compliant Browning building. Services at Tower II will include labor and delivery, neonatal intensive care, medical surgical, radiology, kitchen, laboratory, surgical services, and intensive care.

Scripps Corporate Headquarters
Bond proceeds will be used for the construction of new administrative offices that will total approximately 131,000 square feet. The new offices will have a smaller footprint, which will allow Scripps to operate more efficiently to reduce annual operating expenses.

Refunding 439,750,474

CSCDA 2007A
Proceeds from the CSCDA Series 2007A bonds were used to finance the purchase of equipment and other capital improvements at certain Scripps' health care facilities.

CHFFA 2010B and 2010C

Proceeds from the CHFFA Series 2010B and 2010C bonds were used to finance, in part, the construction of parking structures at various campuses, seismic upgrade projects, design costs for Scripps Memorial La Jolla and Scripps Encinitas, infrastructure upgrades at Scripps Mercy – San Diego, Scripps Encinitas, and Scripps Memorial La Jolla, bed expansion at Scripps Encinitas, and investment in electronic health records.

CHFFA 2012A, 2012B, and 2012C

Proceeds from the CHFFA Series 2012A, 2012B, and 2012C bonds were used to finance, in part, the construction of the Radiation Oncology Center at Scripps Green, the expansion of the emergency department at Scripps Mercy – San Diego, the construction of the new Critical Care Building at Scripps Encinitas, infrastructure upgrades at Scripps Green and Scripps Encinitas, and investment in ambulatory and hospital electronic health records.

Financing Costs		**12,000,000**
Estimated cost of issuance	$6,000,000	
Estimated underwriter's discount	6,000,000	
Total Estimated Uses of Funds		**$1,201,750,474**

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II. PROPOSED COVENANTS, SECURITY PROVISIONS, AND DISCLOSURES

This executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. 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 Board meeting.

After reviewing the Obligated Group's (defined below) credit profile, including its current financial profile, prior bond transactions, and considering what the market will support, Scripps and its Financial Advisor, Kaufman, Hall & Associates, Inc., KNN, and the underwriters have all concluded the below listed covenants should be applicable to this transaction, are consistent with covenants that have applied to Scripps' prior bond transactions, and that Scripps' current financial situation does not suggest additional covenants should be required.

<u>Obligated Group:</u> Scripps will be the sole member of the Obligated Group and the borrower under the Loan Agreement with the Authority. Scripps is a California nonprofit public benefit corporation, currently solely obligated under a Master Indenture with respect to payments on the CHFFA Series 2024 bonds (2024 Bonds) and other parity debt. All covenants below are applicable to the Obligated Group.

<u>The following covenants are applicable to this transaction</u>:

Unconditional Promise to Pay. *Scripps agrees to pay the Bond Trustee all amounts required for principal, interest and redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all such payments under a Master Indenture Obligation. All Revenues[1] (which will include payments by Scripps under the Loan Agreement and payments by the Obligated Group) and any other amounts held in a designated fund or account under the Bond Indenture are pledged to secure the full payment of the 2024 Bonds.*

Pledge of Gross Revenues. *The Obligated Group pledges to the Master Trustee for the benefit of Holders of Obligations (which are all parity lenders and parity bond trustees) a security interest in, general lien upon, and the right of setoff against all of its right, title and interest in its revenues, income and money received (the "Gross Revenues"), subject to the specific terms of the Master Indenture.*

Negative Pledge Against Prior Liens. *The Obligated Group agrees not to create, assume or permit any Lien upon the Gross Revenues or its Property other than Permitted Encumbrances.*

Limited Permitted Encumbrances. *The Obligated Group is subject to a restrictive set of allowable encumbrances it may incur pursuant to the Master Indenture.*

Rates, Fees and Charges. *The Master Indenture requires rates, fees and charges to be fixed such that, in each fiscal year, Income Available for Debt Service is at least 1.10 times Annual Debt Service for each Fiscal Year. This requirement measures Scripps' ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments.*

[1] Capitalized terms are defined in the Indenture.

Additional Debt Limitation. *The Obligated Group is prohibited from incurring additional Indebtedness unless authorized by the financial performance or projection measures set out in the Master Indenture.*

Disposition of Cash and Property Limitations. *The Obligated Group agrees not to sell, lease or dispose of any property, plant or equipment or liquid assets unless authorized by various limiting measures set out in the Master Indenture.*

Staff has completed its due diligence, and KNN has reviewed the bond documents associated with this proposed financing and found these documents and proposed covenants to be acceptable.

<u>The following covenants are NOT initially applicable to this transaction; however, purchasers of the 2024 Bonds will be deemed to have irrevocably consented to and approved an amendment and restatement of the Master Indenture (the "*A&R MTI*"), which will "spring" at a later date upon consent of a requisite number of holders, among other conditions, and thereafter, will be applicable to all replacement Obligations, including that relating to the 2024 Bonds</u>:

Credit Group. *A "Credit Group" will be created which will consist of (1) all Obligated Group Members and (2) all Designated Affiliates. Scripps will be designated the "Credit Group Representative" of the Credit Group. Obligated Group Members will be jointly and severally liable with respect to payment of all Obligations issued under the A&R MTI. Designated Affiliates will not be obligated to make any payments on any Obligations; however, they may be required to transfer funds to the Obligated Group Members in amounts necessary to make payments due on Obligations.*

Pledge of Gross Receivables. *The Obligated Group pledges to the Master Trustee for the benefit of Holders of Obligations (which are all parity lenders and parity bond trustees) a security interest in, general lien upon, and the right of setoff against all of its right, title and interest in and to all money and investments deposited or required to be deposited with the Master Trustee under the A&R MTI (the "Gross Receivables"), subject to the specific terms of the A&R MTI, perfected solely by the filing and maintenance of UCC financing statements, which lien, in certain circumstances, may not be of first priority.*

Negative Pledge Against Prior Liens. *The Obligated Group agrees not to create, assume or permit any Lien upon the Gross Receivables or its Property other than Permitted Liens.*

Limited Permitted Liens. *The Obligated Group is subject to a restrictive set of allowable liens it may incur pursuant to the A&R MTI.*

Rates, Fees and Charges. *The A&R MTI requires rates, fees and charges to be fixed such that, in each fiscal year, Income Available for Debt Service is at least 1.10 times Annual Debt Service for each Fiscal Year. This requirement measures Scripps' ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments. If the Debt Service Coverage Ratio is less than 1.10 times and certain other conditions are present, a Consultant must be retained as set forth in the A&R MTI. An Event of Default will exist under the A&R MTI if the Debt Service Coverage Ratio for any two consecutive Fiscal Years is less than 1.00 times.*

III. FINANCIAL STATEMENTS AND ANALYSIS

SCRIPPS HEALTH AND AFFILLIATES
(Obligated Group)
Statements of Operations
(In Thousands)

	Year ended September 30,		
	2022	**2021**	**2020**
Revenues, gains, and other support without donor restrictions:			
Patient service revenue	$ 3,297,673	$ 2,935,047	$ 2,706,453
Provider fee	129,378	152,003	184,672
Total patient service revenue	3,427,051	3,087,050	2,891,125
Capitation premium	138,927	168,415	195,723
CARES Act	21,350	50,435	74,814
Gain on sale of property	91,832	-	-
Other	110,587	123,253	121,749
Net assets released from restrictions used for operations	35,321	65,029	33,710
Total operating revenues	3,825,068	3,494,182	3,317,121
Operating expenses:			
Wages and benefits	1,681,992	1,550,768	1,421,037
Supplies	694,735	649,582	592,793
Services	1,056,354	945,068	863,857
Provider fee	102,629	103,494	129,592
Depreciation and amortization	204,210	187,970	168,704
Interest	29,590	22,891	17,292
Total operating expenses	3,769,510	3,459,773	3,193,275
Operating Income	55,558	34,409	123,846
Nonoperating gains (losses):			
Investment income (loss)	(574,440)	521,695	202,090
Contributions	5,328	8,936	2,237
Interest rate swaps	16,204	3,285	(6,375)
Loss on early extinguishment of debt	-	-	(739)
Excess (deficiency) of revenues over expenses attributable to controlling interests	$ (497,350)	$ 568,325	$ 321,059

SCRIPPS HEALTH AND AFFILIATES
(Obligated Group)
Statements of Financial Position
(In Thousands)

	September 30		
	2022	**2021**	**2020**
Assets			
Current assets:			
Cash and cash equivalents	$ 400,216	$ 390,445	$ 598,159
Patient accounts receivable	439,744	548,979	472,847
Assets limited as to use	10	10	10
Other current assets	297,589	318,226	226,532
Total current assets	1,137,559	1,257,660	1,297,548
Assets limited as to use	303,966	343,950	278,210
Investments	2,819,488	3,319,316	2,587,338
Property and equipment, net	2,337,025	2,162,147	1,996,590
Operating right-of-use assets	255,612	253,635	251,373
Other assets	251,496	255,468	250,257
Total assets	$ 7,105,146	$ 7,592,176	$ 6,661,316
Liabilities and net assets			
Current liabilities:			
Current portion of debt	$ 48,963	$ 239,232	$ 157,156
Line of Credit	83,992	83,992	-
Accounts payable	308,396	204,166	220,510
Accrued liabilities	323,129	529,735	562,351
Current portion of operating lease liabilities	29,797	29,382	25,724
Total current liabilities	794,277	1,086,507	965,741
Long-term debt, less current portion	1,276,274	875,370	750,096
Other liabilities	90,347	152,694	128,560
Operating lease liabilities	226,504	235,543	234,890
Total liabilities	2,387,402	2,350,114	2,079,287
Net assets:			
Controlling interests	4,446,394	4,930,333	4,312,933
Non-controlling interests	-	-	(63)
Without donor restriction	4,446,394	4,930,333	4,312,870
With donor restriction	271,350	311,729	269,159
Total net assets	4,717,744	5,242,062	4,582,029
Total liabilities and net assets	$ 7,105,146	$ 7,592,176	$ 6,661,316

Financial Ratios:

	Proforma[a] FYE 9/30/2022	**2022**	**2021**	**2020**
Debt Service Coverage (x) - Operating	0.9	1.1	1.4	2.2
Debt Service Coverage (x) - Net [b]	1.5	1.8	2.1	2.8
Debt to Unrestricted Net Assets (x)	0.5	0.3	0.2	0.2
Margin (%)		1.5	1.0	3.7
Current Ratio (x)		1.4	1.2	1.3

[a] Recalculates FY 2022 audited results to include the impact of this proposed financing.

[b] Calculation includes adjustment for unrealized gain or loss amount.

The audited, financial statements of the Obligated Group were analyzed in this section. The Obligated Group is jointly and severally obligated for the payments of Scripps' debts. The Obligated Group comprises approximately 93% of the total operating revenues and approximately 98% of the total assets of the consolidated financials.

Financial Discussion

Scripps' income statement appears to show increasing revenue during the review period from FY 2020 to FY 2022.

From FY 2020 to FY 2022, Scripps' total operating revenues increased by 15.3%, primarily due to an increase in patient service revenue from nearly $2.9 billion in FY 2020 to more than $3.4 billion in FY 2022. According to Scripps' management, patient service revenue grew due to increased patient volume. According to Scripps management, the increase in patient volume was a combination of recovery from the COVID-19 pandemic as well as a natural increase in utilization, particularly outpatient volumes. Total operating expenses increased slightly during each year of the review period primarily due to steady increases in wages and benefits, from approximately $1.4 billion in FY 2020 to nearly $1.6 billion in FY 2021 and then to approximately $1.7 billion in FY 2022. According to Scripps' management, the increases in wages and benefits were due to additional staff to address the increase in patient volume, salary increases to maintain Scripps' position in the competitive health care market, the impact of inflation, and the higher costs for temporary staffing due to the COVID-19 pandemic. Scripps maintained positive operating margins of 3.7%, 1.0%, and 1.5% in FYs 2020, 2021, and 2022, respectively, as total operating revenues exceeded total operating expenses each year. Scripps experienced a large investment loss of approximately $574.4 million in FY 2022, which resulted in a revenue deficiency of nearly $497.4 million in FY 2022. Management explains that the investment loss was attributed to the broad-based decline in the investment markets.

Scripps experienced impacts to both revenue and expenses due to the COVID-19 pandemic. The suspension of elective and non-emergency surgical volumes and stay-at-home orders reduced Scripps' volumes and revenues. To offset the financial impact of the COVID-19 pandemic, Scripps received funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Scripps has received over $21.3 million in FY 2022 and $50.4 million in FY 2021 in CARES Act funding. These payments are not subject to repayment.

Scripps' balance sheet appears to have a solid financial position with a pro-forma FY 2022 net debt service coverage ratio of 1.5x.

Throughout the review period, Scripps maintained a solid net debt service coverage ratio of 2.8x in FY 2020, 2.1x in FY 2021, and 1.8x in FY 2022. With the proposed financing, including new money bonds and refunding bonds, Scripps' pro-forma FY 2022 net debt service coverage ratio is 1.5x. Scripps also has maintained a low debt-to-unrestricted net assets ratio of 0.2x in FY 2020 and FY 2021 and 0.3x in FY 2022, which shows their overall low usage of debt. With the proposed financing, Scripps' pro-forma FY 2022 debt-to-unrestricted net assets ratio increases to a still solid 0.5x.

IV. DUE DILIGENCE

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

- **Government Code section 15438.5(a) (Pass-Through Savings):** Scripps properly completed and submitted the Pass-Through Savings Certification.

- **Government Code section 15459.1 (Community Service Obligation):** Scripps properly completed and submitted the Community Service Obligation certification and indicated that Medi-Cal and Medicare patients are accepted. Below is a link to Scripps' most recent Annual Report regarding community service:

  https://www.scripps.org/sparkle-assets/documents/scripps-health-2023-community-benefit-report.pdf

- **Compliance with Government Code section 15455(b) (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.)):** Scripps properly submitted relevant documentation addressing the California Environmental Quality Act.

- **Legal Review:** Scripps properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.

- **Iran Contracting Act Certificate:** The underwriters properly completed and submitted the Iran Contracting Act Certificate.

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V. OUTSTANDING DEBT

As of September 30, 2022, the Obligated Group's outstanding long-term debt totaled approximately $1.3 billion, of which approximately $686 million (52.5%) was comprised of debt issued through the Authority.

Following this proposed financing of up to $1.2 billion in tax-exempt bonds issued through the Authority, the Obligated Group's total outstanding debt will increase to approximately $2.1 billion, with approximately $1.5 billion (71.4%) issued through the Authority.

VI. UTILIZATION STATISTICS

	Fiscal Year Ended September 30,		
	2022	**2021**	**2020**
Inpatient Activity			
Licensed Beds	1,441	1,441	1,453
Available Beds	1,307	1,299	1,236
Discharges	69,817	67,258	66,328
Patient Days	347,303	324,912	295,191
Average Daily Census	952	890	807
Average Length of Stay	4.97%	4.83%	4.45%
Occupancy Rate (Licensed Beds)	66%	62%	56%
Occupancy Rate (Available Beds)	73%	69%	65%
Inpatient Surgery Cases	19,589	19,543	20,017
Outpatient Activity			
Hospital Outpatient Total	499,273	462,711	437,077
Hospital Outpatient Surgery Cases	23,924	22,389	20,929
Emergency Services	183,269	161,462	160,809
Scripps Clinic Visits	1,616,239	1,471,834	1,374,435
Scripps Coastal Medical Center Visits	472,577	431,567	430,015
Clinic Ambulatory Surgery Center Cases	14,603	14,691	13,243
Urgent Care Visits	117,206	91,328	81,303

VII. BACKGROUND AND LICENSURE

Background

Founded in 1924 by philanthropist Ellen Browning Scripps, Scripps Health is a $4.1 billion not-for-profit integrated health system based in San Diego, California. Scripps treats more than 800,000 patients annually through the dedication of 3,000 affiliated physicians and more than 15,000 employees among its five acute-care hospital campuses, home health care services, and an ambulatory care network of physician offices and 28 outpatient centers and clinics. Scripps also offers payer products and population health services through Scripps Accountable Care Organization, a Medicare shared savings program, Scripps Health Plan, and customized narrow network plans in collaboration with third-party payers such as Covered California.

Today, the health system extends from Chula Vista to Oceanside and is dedicated to improving community health while advancing medicine. Recognized as a leader in disease and injury prevention, diagnosis and treatment, Scripps is also at the forefront of clinical research and wireless health care. Scripps' primary care lines include cardiovascular care, diabetes care and prevention, cancer care, orthopedics, neurosciences, women's and newborn services, behavioral health, primary care, and emergency and trauma medicine. With three graduate medical education programs, Scripps is a longstanding member of the Association of American Medical Colleges.

Scripps' mission is to provide superior health services in a caring environment and to make a positive, measurable difference in the health of individuals in the community it serves. Scripps is devoted to delivering quality, safe, cost-effective, socially responsible health care services, and it advances clinical research, community health education, education of physicians and health care professionals and sponsors graduate medical education. Scripps collaborates with others to deliver the continuum of care that improves the health of the surrounding community.

Obligated Group

The Obligated Group was created under a Master Indenture, of which Scripps Health is currently the sole member.

Licensure and Memberships

Each of the hospital facilities is appropriately licensed by the California Department of Public Health for the level of care it delivers, is certified to participate in the Medicare and the Medi-Cal programs, and each facility is accredited by The Joint Commission which requires rigorous safety and performance standards.

STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. 454 in an amount not to exceed $1,200,000,000 for Scripps Health, subject to the terms and 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 recommendations.

EXHIBIT 1

PROJECT SITES

- Scripps Corporate Headquarters
  - 4555 Executive Drive, San Diego, CA 92121
- Scripps Memorial Hospital – Encinitas
  - 300 and 354 Santa Fe Drive, Encinitas, CA 92024
- Scripps Memorial Hospital – La Jolla
  - 9888, 9902, and 9904 Genesee Avenue, La Jolla, CA 92037
  - The unimproved lot bounded by the San Diego Freeway, Genesee Avenue and Voigt Drive, San Diego, CA
- Scripps Mercy Hospital – San Diego
  - 4020, 4040, and 4077 Fifth Avenue, San Diego, CA 92103
  - 540 Lewis Street, San Diego, CA 92103
  - Parking Structure, 4149 Fourth Avenue, San Diego, CA 92103
  - Employee Parking Lot on 6th Avenue, San Diego, CA 92103
- Scripps Mercy Hospital – Chula Vista
  - 435 H Street, Chula Vista, CA 91910
- Scripps Green Hospital
  - 10666 and 10710 North Torrey Pines Road, La Jolla, CA 92037
  - Parking Structure, 3506 Cray Court, San Diego, CA 92037
  - Lot 8, Bounded by North Torrey Pines Road and John Jay Hopkins Drive, La Jolla, CA
- Scripps Health Annex
  - 10010 Campus Point Drive, San Diego, CA 92121
- Scripps Health Annex 2
  - 10140 Campus Point Drive, San Diego, CA 92121
- Scripps Health Campus Point
  - 4275 Campus Point Court, San Diego, CA 92121

- Scripps Radiation Oncology Center
    - 10670 John Jay Hopkins Drive, San Diego, CA 92037
- Scripps Health
    - 12395 El Camino Real, San Diego CA 92130
    - 9834, 9894, and 9900 Genesee Avenue, San Diego, CA 92037
    - 550 Washington Street, San Diego, CA 92103
    - 310, 320, and 332 Santa Fe Drive, Encinitas, CA 92024
    - Land adjacent to the southeast corner of Craven Road and Discovery Street, Map 0806, San Marcos, CA
    - Land south of Salk Avenue between College Boulevard and El Camino Real, Map 15253, Carlsbad, CA

EXHIBIT 2

FINANCING TEAM

Borrower:	Scripps Health
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Municipal Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	TAP International, Inc.
Borrower's Counsel:	Norton Rose Fulbright US LLP
Borrower's Financial Advisor:	Kaufman, Hall & Associates, Inc.
Bond Counsel:	Hawkins Delafield & Wood LLP
Senior Managing Underwriter:	Morgan Stanley & Co. LLC
Co-Managing Underwriters:	J.P. Morgan Securities LLC BofA Securities, Inc. Barclays Capital Inc.
Underwriters' Counsel:	Orrick, Herrington & Sutcliffe LLP
Bond and Master Trustee:	U.S. Bank Trust Company, National Association
Bond and Master Trustee's Counsel:	Dorsey & Whitney LLP
Rating Agencies:	Standard & Poor's Financial Services, LLC Fitch Ratings, Inc.
Auditor:	Ernst & Young LLP

RESOLUTION NO. 454

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS AND REFUNDING BONDS TO FINANCE OR REFINANCE PROJECTS AT THE HEALTH FACILITIES OF SCRIPPS HEALTH OR CERTAIN AFFILIATED ENTITIES

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, Scripps Health (the "Corporation") is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, which owns and operates health facilities in the State of California; and

WHEREAS, the California Statewide Communities Development Authority previously issued its Variable Rate Revenue Refunding Bonds (SWEEP Loan Program) Series 2007A (the "2007A Bonds") in the aggregate principal amount of $107,060,000, of which $49,495,000 is currently outstanding, and loaned the proceeds thereof to the Corporation to finance and refinance indebtedness incurred thereby in connection with the purchase of equipment and other capital improvements at health facilities owned and/or operated by the Corporation or an affiliate as more particularly described under the caption "Prior Project" in EXHIBIT A hereto (the "2007A Prior Project"); and

WHEREAS, the Authority previously issued its (i) Variable Rate Revenue Bonds (Scripps Health), Series 2010B (the "2010B Bonds"), in the aggregate principal amount of $60,000,000, of which $54,955,000 is currently outstanding, and (ii) Variable Rate Revenue Bonds (Scripps Health), Series 2010C (the "2010C Bonds" and, together with the 2010B Bonds, the "2010 Bonds"), in the aggregate principal amount of $40,000,000, of which $36,640,000 is currently outstanding, and loaned the proceeds thereof to the Corporation to finance or reimburse indebtedness incurred thereby in connection with the acquisition, construction, renovation, equipping and improvement of health facilities owned and/or operated by the Corporation or an affiliate as more particularly described under the caption "Prior Project" in EXHIBIT A hereto (the "2010 Prior Project"); and

WHEREAS, the Authority previously issued its (i) Revenue Bonds (Scripps Health), Series 2012A (the "2012A Bonds"), in the aggregate principal amount of $175,000,000, of which $171,130,000 is currently outstanding, (ii) Variable Rate Revenue Bonds (Scripps Health), Series 2012B (the "2012B Bonds"), in the aggregate principal amount of $60,000,000, of which $60,000,000 is currently outstanding, and (iii) Variable

Rate Revenue Bonds (Scripps Health), Series 2012C (the "2012C Bonds" and, together with the 2012A Bonds and the 2012B Bonds, the "2012 Bonds"), in the aggregate principal amount of $40,000,000, of which $40,000,000 is currently outstanding, and loaned the proceeds thereof to the Corporation to finance or reimburse indebtedness incurred thereby in connection with the acquisition, construction, renovation, equipping and improvement of health facilities owned and/or operated by the Corporation or an affiliate as more particularly described under the caption "Prior Project" in EXHIBIT A hereto (the "2012 Prior Project"); and

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue and/or refunding bonds in an aggregate principal amount not to exceed $1,200,000,000, and make one or more loans of the proceeds thereof to the Corporation to (i) refund all or any portion of the outstanding 2007A Bonds, the 2010 Bonds and the 2012 Bonds (collectively, the "Prior Bonds"), (ii) finance, refinance or reimburse costs of the acquisition, construction, renovation, equipping and improvement of health facilities owned and operated by the Corporation or its affiliates, as more particularly described under the caption "New Project" in EXHIBIT A hereto and/or capitalized interest on the Bonds (as defined below) relating to the New Project (the New Project, together with the 2007A Project, the 2010 Project and the 2012 Project, the "Project"), (iii) provide financing for working capital, (iv) pay costs of issuance of the Bonds, and (v) at the sole option of the Corporation, provide a bond reserve fund for the Bonds;

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Corporation 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 (Scripps Health), Series 2024*" with such additional letter or numerical series or sub-series designations as may be set forth in the final forms of the documents listed in Section 3 below (the "Bonds"), in a total aggregate principal amount not to exceed $1,200,000,000, 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 sixth recital above.

SECTION 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at public or private sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long 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 Corporation, 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 Corporation, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and/or liquidity facility satisfying the terms of the indenture pursuant to which such Bonds will be issued.

SECTION 3. Proposed forms of the following documents:

(a) one or more Loan Agreements relating to the related Bonds (the "Loan Agreements"), between the Authority and the Corporation,

(b) one or more Bond Indentures relating to the related Bonds (the "Bond Indentures"), between the Authority and U.S. Bank Trust Company National Association, as bond trustee (the "Trustee"),

(c) one or more Bond Purchase Contracts, including the exhibits thereto, relating to the related Bonds (the "Purchase Contracts"), among the Treasurer, the Authority and Morgan Stanley & Co. LLC, as representative of the underwriters named in the respective Purchase Contracts, as finally executed and/or any underwriter named in the respective Purchase Contracts, as finally executed (collectively, the "Underwriters"), and approved by the Corporation, and

(d) 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 Corporation, 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 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 date of issue), interest rates or methods of determining interest rates, interest rate modes, 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 reserve fund, bond insurance, credit facility and/or a liquidity facility as applicable from time to time, shall be as provided in the respective Bond Indentures, as finally executed.

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

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

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

SECTION 9. The provisions of the Authority's Resolution No. 2022-05, or a superseding delegation resolution subsequently adopted by the Authority, 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

New Project:

New money bond proceeds expected to be approximately $750 million will be used to finance, including reimbursement of costs incurred related to, the acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of the following projects in the Scripps Health system:

- Construction and renovation to modernize the facility to meet the 2030 seismic requirements at Scripps Memorial Hospital – Encinitas (300 and 354 Santa Fe Drive, Encinitas, California) ("Scripps Encinitas").
- Renovation of Scripps Memorial Hospital – La Jolla (9888 Genesee Avenue, La Jolla, California) ("Scripps La Jolla") to meet the 2030 seismic requirements.
- Construction of Tower II to meet the 2030 seismic requirements at Scripps La Jolla.
- Construction of new administrative offices for Scripps Corporate Headquarters (4555 Executive Drive, San Diego, California) ("Scripps Corporate").

2007A Prior Project:

Financed or reimbursed the cost of equipment and other capital improvements at Scripps Encinitas, Scripps La Jolla, Scripps Mercy Hospital – San Diego (4077 Fifth Avenue, San Diego, California) ("Scripps Mercy"), Scripps Mercy Hospital – Chula Vista (435 "H" Street, Chula Vista, California) ("Scripps Chula Vista"), Scripps Green Hospital (10666 North Torrey Pines Road, San Diego, California) ("Scripps Green") and Scripps Health Administrative Services (4275 Campus Point Court, San Diego, California) ("SHAH").

2010 Prior Project:

Financed, in part, construction of parking structures at various campuses, seismic upgrade projects, design costs for Scripps La Jolla and Scripps Encinitas, expansion of the emergency department at Scripps Mercy and Scripps Encinitas, infrastructure upgrades at Scripps Mercy, Scripps Encinitas, and Scripps La Jolla, bed expansion at Scripps Encinitas, and investment in electronic health records.

2012 Prior Project:

Financed, in part, construction of the Prebys Cardiovascular Institute at Scripps La Jolla, construction of the Radiation Oncology Center at Scripps Green, expansion of the emergency department at Scripps Mercy, construction of the new Critical Care Building at Scripps Encinitas, infrastructure upgrades at Scripps Green and Scripps Encinitas, and investment in ambulatory and hospital electronic health records.