

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

<p>Applicant: Adventist Health System/West (Adventist) ONE Adventist Health Way Roseville, CA 95661 Placer County</p>	<p>Amount Requested: \$800,000,000 Requested Loan Term: Up to 40 years Authority Meeting Date: April 25, 2024 Resolution No.: 460</p>
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Project Site: *See Exhibit 1*

Facility Type: Acute Care Hospital/sub-acute and outpatient care

Eligibility: Government Code Section 15432(d)(1)

Prior Borrower: Yes (date of last Authority approval – December 2023)

Obligated Group: Identified in the Background and Licensure section

Background: Adventist was established in 1980 by the merger of two smaller health systems known as Adventist Health Services, Inc., and Northwest Medical Foundation. Based in Roseville, Adventist is a 501(c)(3) nonprofit organization whose mission is to improve the quality of health care in the communities it serves by emphasizing wellness and disease prevention. Adventist includes 25 hospitals, approximately 370 clinics, 15 home care agencies, eight hospice agencies, one fully owned continuing care retirement community, and three joint venture retirement centers. Adventist serves communities in California, Hawaii, Oregon, and Washington.

Use of Proceeds: Bond proceeds will be used to reimburse a portion of a bridge loan used to purchase Sierra Vista Regional Medical Center (Sierra Vista) and Twin Cities Community Hospital (Twin Cities). Bond proceeds will also be used for the reimbursement of various other capital projects and to refund a portion of the CHFFA 2013 Series A bonds.

Type of Issue:	Negotiated public offering, tax-exempt fixed rate
Expected Credit Rating:	BBB+/A-; S&P/Fitch
Financing Team:	<i>See Exhibit 2 to identify possible Conflicts of Interest</i>

Financial Overview: Adventist’s income statement appears to show increasing revenue during the review period from fiscal year (FY) 2021 to FY 2023. Adventist’s balance sheet appears to have an adequate financial position with a pro-forma FY 2023 net debt service coverage ratio of 1.3x.

<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>	
Bond proceeds	\$ 800,000,000	Project fund	\$ 688,140,000
Borrower funds	6,000,000	Refunding	111,860,000
		Financing costs	6,000,000
Total Estimated Sources	<u>\$ 806,000,000</u>	Total Estimated Uses	<u>\$ 806,000,000</u>

Due Diligence: Staff has confirmed the following documentation provided by Adventist satisfies the California Health Facilities Financing Authority’s (Authority) 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. 460 in an amount not to exceed \$800,000,000 for Adventist Health System/West, subject to the 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.

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 an effort to expand its services, Adventist has recently acquired a number of hospitals. Adventist purchased Bakersfield Heart Hospital in June 2023 and Beverly Community Hospital in August 2023. Adventist financed a portion of the reimbursement of both hospital purchases with bond proceeds from the issuance of the CHFFA Series 2023A bonds in December 2023. In March 2024, Adventist acquired Sierra Vista and Twin Cities, both located in San Luis Obispo County, with bridge loan financing through RBC Capital Markets (RBC). The acquisition of the two hospitals allows Adventist to expand and diversify its geographic footprint to the central coast as well as to increase the availability of care for the communities in the region. Adventist is requesting the Authority issue tax-exempt bonds in an amount not to exceed \$800 million to refinance a portion of the bridge loan with RBC used for the purchase of Sierra Vista and Twin Cities (RBC BridgeLoan) to secure long-term financing and lower the interest cost for the purchase transaction. Bond proceeds will also be used for various other capital projects and to refund a portion of the CHFFA 2013 Series A bonds. Adventist anticipates the refunding will generate nearly \$6.4 million in net present value savings over the life of the bonds.

Concurrently with the tax-exempt bond financing, Adventist intends to issue taxable bonds through the California Public Finance Authority (CalPFA) as well as corporate taxable bonds. The taxable bonds issued through CalPFA will be used to refinance the remaining portion of the RBC Bridge Loan, as well as to refund Adventist's Series 2019 taxable corporate bonds due on September 1, 2024. The taxable corporate bonds issued by Adventist will be used to pay off a revolving line of credit.

Project Fund \$688,140,000

Sierra Vista Regional Medical Center

Adventist will use bond proceeds to refinance a portion of the RBC Bridge Loan used for the purchase of Sierra Vista, which will now be known as Adventist Health Sierra Vista (AH Sierra Vista). AH Sierra Vista, the largest hospital in San Luis Obispo County, is a 162-bed facility that has served the community since 1959. AH Sierra Vista specializes in neurosurgery, orthopedics, obstetrics, perinatology, neonatology, pediatrics, cancer care, and various medical, surgical, and outpatient services. AH Sierra Vista houses the largest Level III Neonatal Intensive Care Unit (ICU) in the region, is the only dedicated pediatric unit in the county, and serves as the designated trauma center for the region.

Twin Cities Community Hospital

Adventist will use bond proceeds to refinance a portion of the RBC Bridge Loan used for the purchase of Twin Cities, which will now be known as Adventist Health Twin Cities (AH Twin Cities). AH Twin Cities is a 122-bed facility and has served Northern San Luis Obispo County since 1977. AH Twin Cities specializes in emergency care, obstetrics, orthopedics, digestive disorders, wound care, and various medical, surgical, and outpatient services.

Other Capital Projects

Adventist Health intends to utilize bond proceeds for the reimbursement of capital projects across the entirety of Adventist Health's system such as the purchase of several automated dispensing systems within its pharmacy infrastructure, upgrading nurse call systems, refurbishing cardiac catheterization lab facilities, procuring assorted imaging equipment, initiating the implementation of a new electronic medical records system, and acquiring additional necessary equipment.

Refunding **111,860,000**

CHFFA 2013 Series A

Adventist will use bond proceeds to refinance the portion of the CHFFA 2013 Series A bonds that were used to refund the CHFFA 2003 Series A bonds, which were used for various capital projects at certain Adventist hospitals.

Financing Costs¹ **6,000,000**

Total Estimated Uses of Funds **\$806,000,000**

¹ Bond proceeds will not be used to pay financing costs as Adventist will pay from its own funding sources.

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, Adventist, KNN, and the underwriter have all concluded the covenants listed below should be applicable to this transaction, are consistent with covenants that have applied to the Obligated Group's prior bond transactions, and the Obligated Group's current financial situation does not suggest additional covenants should be required.

Obligated Group: Adventist acts as the representative of an Obligated Group that, upon issuance of the CHFFA Series 2024A Bonds, will consist of Adventist and 17 affiliate members (Members), each of which operates hospitals and/or health facilities. All Members are jointly and severally liable on notes issued under the Master Indenture of Trust (Master Indenture) with respect to repayments of loan amounts relating to the Authority's bonds and other parity debt. Adventist is the borrower under the loan agreement and is bound by all covenants below. There is also a transaction test to be satisfied in connection with Members being added to or withdrawing from the Obligated Group.

The following covenants are applicable for this transaction:

Unconditional Promise to Pay. *Adventist agrees to pay the Bond Trustee all amounts required for principal, interest, redemption premium, if any, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all those payments under a Master Indenture Note. All Revenues² received by or on behalf of the Authority and any other amounts held in designated funds or accounts under any Bond Indenture are pledged to secure the full payment of the Bonds issued under the Bond Indenture.*

Pledge of Gross Revenues. *Each Member of the Obligated Group pledges to deposit all Gross Revenues (as defined in Master Indenture) received into a Gross Revenue Fund over which the Master Trustee has a restricted account agreement for the benefit of each bond trustee and parity lender.*

Negative Pledge Against Prior Liens. *Each Obligated Group Member agrees not to create, assume, or permit any Lien upon the Operating Assets and Current Assets other than Permitted Liens.*

Limited Permitted Liens. *Each Obligated Group Member is subject to a restrictive set of allowable liens or encumbrances it may incur pursuant to the Master Indenture.*

² Capitalized terms are defined in the Bond Indenture.

No Debt Service Reserve. *The Bonds shall not be secured by a debt service reserve fund.*

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.10 times Maximum Annual Debt Service. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet long-term debt service payments. If the ratio drops below 1.10, the Obligated Group is required to retain a consultant to make recommendations to improve performance; as long as the Obligated Group complies with this requirement and follows the consultant to the extent permitted by law, it is not an Event of Default. However, there is an Event of Default if debt service coverage ratio is below 1.0 times for two consecutive years.*

Additional Debt Limitation. *Each Obligated Group Member agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Master Indenture.*

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

Limitations on Disposition of Operating Assets. *Each Obligated Group Member agrees not to sell, lease, or dispose of any operating assets unless authorized by various limiting measures set out in the Master Indenture.*

Comply with SEC Rule 15c2-12. *Adventist will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. Adventist will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the 2022 bonds and to report designated “material events” such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

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

III. FINANCIAL STATEMENTS AND ANALYSIS

Adventist Health
Consolidated Statement of Operations and Changes in Net Assets
Statement of Activities
(In millions of dollars)

	Year Ended December 31,		
	2023	2022	2021
Revenues and Support			
Patient service revenue	\$ 5,263	\$ 4,688	\$ 4,660
Premium revenue	246	216	189
Other revenue	450	468	348
Net assets released from restrictions for operations	26	33	18
Total revenues and support	<u>5,985</u>	<u>5,405</u>	<u>5,215</u>
Expenses			
Employee compensation	2,816	2,565	2,308
Professional fees	828	802	782
Supplies	878	786	785
Purchased services and other	1,281	1,235	1,231
Interest	94	68	65
Depreciation and amortization	196	190	193
Total expenses	<u>6,093</u>	<u>5,646</u>	<u>5,364</u>
Loss from operations	(108)	(241)	(149)
Nonoperating income			
Net realized and unrealized gains (losses) on investments	156	(319)	163
Gain on acquisitions and divestures	80	-	-
Other nonoperating (loss) gain	(12)	3	(5)
Total nonoperating income (loss)	<u>224</u>	<u>(316)</u>	<u>158</u>
Excess (deficit) of revenues over expenses	116	(557)	9
Less excess of revenues over expenses from noncontrolling interests	(5)	-	(1)
Excess (deficit) of revenues over expenses from controlling interests	111	(557)	8
Net assets without donor restrictions			
Controlling			
Excess (deficit) of revenues over expenses from controlling interests	111	(557)	8
Net change in unrealized gains and losses on other-than-trading securities	2	(11)	(10)
Net assets released from restrictions for capital additions	11	9	5
Other	-	-	1
Increase (decrease) in net assets without donor restrictions - controlling	<u>124</u>	<u>(559)</u>	<u>4</u>
Noncontrolling			
Excess of revenues over expenses from noncontrolling interests	5	-	1
Increase in net assets with donor restrictions	5	-	1
Net assets with donor restrictions			
Restricted gifts and grants	52	53	32
Net assets released from restrictions	(38)	(42)	(23)
Increase in net assets with donor restrictions	<u>14</u>	<u>11</u>	<u>9</u>
Increase (decrease) in net assets	143	(548)	14
Net assets, beginning of year	<u>2,581</u>	<u>3,129</u>	<u>3,115</u>
Net assets, end of year	<u>\$ 2,724</u>	<u>\$ 2,581</u>	<u>\$ 3,129</u>

Adventist Health
Statement of Financial Position
(In millions of dollars)

	As of December 31,		
	2023	2022	2021
Assets			
Cash and cash equivalents	\$ 91	\$ 379	\$ 304
Short-term investments	131	51	157
Patient accounts receivable	828	693	689
Receivables from third-party payors	610	486	379
Other current assets	293	261	227
Total current assets	<u>1,953</u>	<u>1,870</u>	<u>1,756</u>
Noncurrent investments	2,110	1,924	2,291
Other assets	500	445	432
Property and equipment, net	2,267	2,123	2,185
Total assets	<u>\$ 6,830</u>	<u>\$ 6,362</u>	<u>\$ 6,664</u>
Liabilities and Net Assets			
Accounts payable	\$ 391	\$ 441	\$ 370
Accrued compensation and related payables	361	327	325
Liabilities to third-party payors	82	97	209
Other current liabilities	179	186	242
Short-term financing	150	-	30
Current maturities of long-term debt	268	38	36
Total current liabilities	<u>1,431</u>	<u>1,089</u>	<u>1,212</u>
Long-term debt, net of current maturities	2,313	2,362	2,000
Other noncurrent liabilities	362	330	323
Total liabilities	<u>4,106</u>	<u>3,781</u>	<u>3,535</u>
Net assets without donor restrictions			
Controlling	2,609	2,485	3,044
Noncontrolling	20	15	15
Net assets with donor restrictions	95	81	70
Total net assets	<u>2,724</u>	<u>2,581</u>	<u>3,129</u>
Total Liabilities and net assets	<u>\$ 6,830</u>	<u>\$ 6,362</u>	<u>\$ 6,664</u>

	Proforma(a)	2023	2022	2021
	FYE 12/31/2023			
Debt Service Coverage - Operating (x)	0.9	1.4	0.2	1.3
Debt Service Coverage - Net (x) ^(b)	1.3	1.8	1.3	2.2
Debt to Unrestricted Net Assets (x)	1.4	1.0	1.0	0.7
Margin (%)		(1.8)	(4.5)	(2.9)
Current Ratio (x)		1.4	1.7	1.4

^(a) Recalculates FY 2023 audited results to include the impact of this proposed financing.

^(b) Calculation includes adjustment for unrealized gain or loss amount as permitted in the Master Indenture.

The audited, consolidated financial statements of Adventist Health System/West were analyzed in this section. The 17 members of the Obligated Group are jointly and severally obligated for the payments of Adventist's debts. The Obligated Group comprises approximately 77% of the total revenues and approximately 86% of the total unrestricted net assets of the consolidated financials.

Financial Discussion

Adventist's income statement appears to show increasing revenue during the review period from FY 2021 to FY 2023.

Adventist's total revenues and support increased by 14.8% from approximately \$5.2 billion in FY 2021 to nearly \$6 billion in FY 2023. The majority of revenues were generated from patient service revenues, which remained steady at approximately \$4.7 billion in both FY 2021 and 2022 and increased by over 12.3% to nearly \$5.3 billion in FY 2023. According to Adventist's management, the increases were driven primarily by increased emergency department visits, outpatient procedures, and outpatient patient surgeries, which each grew 5.2%, 9%, and 10.1%, respectively, from FY 2022 to FY 2023.

As operating expenses exceeded revenues during each year of the review period, Adventist's operating margins were negative each year at -2.9%, -4.5%, and -1.8% for FY 2021, FY 2022, and FY 2023, respectively. Total operating expenses increased by 13.6% from approximately \$5.4 billion in FY 2021 to approximately \$5.6 billion in FY 2022, then to approximately \$6.1 billion in FY 2023. Adventist's management explains the increase in total operating expenses was primarily due to increases in employee compensation and contract labor as it seeks to improve employee turnover and employee recruitment. Adventist's management anticipates improving margins going forward and will address financial performance by focusing on several strategic areas, including growth, revenue optimization, labor and benefits, length of stay, administrative cost structure, purchased services, supplies, and professional fees.

Adventist's balance sheet appears to have an adequate financial position with a pro-forma FY 2023 net debt service coverage ratio of 1.3x.

Throughout the review period, Adventist maintained an adequate net debt service coverage ratio of 2.2x in FY 2021, 1.3x in FY 2022, and 1.8x in FY 2023. With the proposed new money and refunding bond financing, including the taxable issuances, the pro-forma FY 2023 net debt service coverage ratio reduces slightly to 1.3x, indicating Adventist's continued ability to repay its debts.

Total current assets increased from approximately \$1.8 billion in FY 2021 to nearly \$1.9 billion in FY 2022, and to approximately \$2 billion in FY 2023 mostly due to increases in patient accounts receivable and receivables from third-party payors in connection with increased patient volumes. Adventist's total assets remained steady during the review period at approximately \$6.7 billion in FY 2021 to approximately \$6.4 billion in FY 2022, and over \$6.8 billion in FY 2023.

IV. DUE DILIGENCE

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

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

<https://www.adventisthealth.org/pages/about-us/community-health-needs-assessments.aspx>

- **Compliance with Government Code section 15455(b) (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.)):** Adventist properly submitted relevant documentation addressing the California Environmental Quality Act.
- **Legal Review:** Adventist properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriter properly completed and submitted the Iran Contracting Act Certificate.

V. OUTSTANDING DEBT

As of December 31, 2023, the Obligated Group's outstanding long-term debt totaled approximately \$2.6 billion, of which approximately \$740 million (28%) was comprised of debt issued through the Authority.

Following this proposed financing, including the new money portion of the tax-exempt and taxable issuances of up to approximately \$1.3 billion, the Obligated Group's total outstanding debt will increase to approximately \$3.9 billion, with approximately \$1.5 billion (38%) issued through the Authority.

VI. UTILIZATION STATISTICS

	Adventist Health		
	Fiscal Year Ending December 31,		
	2023	2022	2021
Discharges	126,694	124,498	127,678
Patient Days	666,032	657,112	688,119
Observation stays	23,687	21,576	19,480
Outpatient procedures	4,529,758	4,154,780	3,977,724
Emergency department visits	815,027	775,083	682,364
Inpatient surgeries	22,627	21,577	22,541
Outpatient surgeries	60,714	55,122	51,327
Capitated lives	221,654	259,635	224,912
Average length of stay (in days)	5.3	5.3	5.4

VII. BACKGROUND AND LICENSURE

Background

Adventist has a history with a commitment to delivering quality health care, stemming back to 1866 with dedicated health care providers, who promoted proper nutrition, exercise, and proper sanitation. Adventist, headquartered in Roseville, is a nonprofit corporation created in 1980, when two smaller health systems, Adventist Health Services, Inc., and Northwest Medical Foundation, merged with the purpose to coordinate the management of health care facilities in the Western United States. Adventist currently serves communities in California, Hawaii, Oregon, and Washington with facilities ranging in size from 25 to 515 licensed acute care beds plus other bed categories, such as skilled nursing, ambulatory, residential, and retirement housing. Adventist includes approximately 38,000 associates, including physicians, allied health professionals, and support services. Adventist owns or operates 28 hospitals, approximately 442 clinics (physician clinics, hospital-based clinics, and rural health clinics), 15 home care agencies, eight hospice agencies, one fully owned continuing care retirement community, and three joint-venture retirement centers.

Obligated Group

The Obligated Group consists of Adventist and 17 affiliate nonprofit hospital corporations, 14 of which own and operate facilities in California, two in Oregon, and one in Hawaii. The Obligated Group is the central financing and credit vehicle for Adventist. Two new members will be added prior to bond issuance - AH Sierra Vista, in San Luis Obispo, CA and AH Twin Cities in Templeton, CA. The members of the Obligated Group are jointly and severally liable for substantially all of Adventist's debt under the terms of the Master Indenture.

<u>Obligated Group Hospital Name</u>	<u>Location</u>
Adventist Health Bakersfield	Bakersfield, CA
Adventist Health Clear Lake	Clearlake, CA
Adventist Health Delano	Delano, CA
Adventist Health Hanford	Hanford, CA
Adventist Health Feather River	Paradise, CA
Adventist Health Glendale	Glendale, CA
Adventist Health Howard Memorial	Willits, CA
Adventist Health Lodi Memorial	Lodi, CA
Adventist Health Reedley	Reedley, CA
Adventist Health Simi Valley	Simi Valley, CA
Adventist Health Sonora	Sonora, CA
Adventist Health Tehachapi Valley	Tehachapi, CA
Adventist Health Ukiah Valley	Ukiah, CA
Adventist Health White Memorial	Los Angeles, CA
Adventist Health Castle	Kailua, HI
Adventist Health Portland	Portland, OR
Adventist Health Tillamook	Tillamook, OR

Adventist also anticipates that AH Sierra Vista and AH Twin Cities will become members of the Obligated Group before the issuance of the bonds.

Licensure and Memberships

Each of Adventist's California hospital facilities is accredited by The Joint Commission, and each hospital and skilled nursing facility is appropriately licensed by applicable California state licensing agencies and is fully certified for Medicare and Medicaid reimbursement.

VIII. STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. 460 in an amount not to exceed \$800,000,000 for Adventist Health System/West, 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 recommendations.

EXHIBIT 1
PROJECT SITES

- ONE Adventist Health Way, Roseville, CA 95661
- 2615 Chester Avenue, Bakersfield, CA93301
- 15630 18th Avenue, Clearlake, CA 95422
- 15230 Lakeshore Drive, Clearlake, CA 95422
- 1401 Garces Highway, Delano, CA 93215
- 1505 and 1509 Wilson Terrace, Glendale, CA 91206
- 381 Merrill Avenue, Glendale, CA 91206
- 115 Mall Drive, Hanford, CA 93230
- 1141 Rose Avenue, Selma, CA 93662
- 1 Marcela Drive, Willits, CA 95490
- 975 S. Fairmont Avenue, Lodi, CA 95240
- 700 River Drive, Fort Bragg, CA 95437
- 372 W. Cypress Avenue, Reedley, CA 93654
- 726 4th Street, Marysville, CA 95901
- 1010 Murray Avenue, San Luis Obispo, CA 93405
- 2750 and 2975 Sycamore Drive, Simi Valley, CA 93065
- 1000 Greenley Road, Sonora, CA 95370
- 10 Woodland Road, St. Helena, CA 94574
- 525 Oregon Street, Vallejo, CA 94590
- 1100 Magellan Drive, Tehachapi, CA 93561
- 1100 Las Tablas Road, Templeton, CA 93465
- 869 N. Cherry Street, Tulare, CA 93275
- 245 and 275 Hospital Drive, Ukiah, CA 95482
- 1720 E. Cesar E Chavez Avenue, Los Angeles, CA 90033

EXHIBIT 2

FINANCING TEAM

- Borrower:** Adventist Health System/West
- 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:** Katten Muchin Rosenman LLP
- Bond Counsel:** Orrick, Herrington & Sutcliffe LLP
- Senior Managing Underwriter:** RBC Capital Markets, LLC
- Co-managing Underwriters:** TBD
- Underwriters' Counsel:** Norton Rose Fulbright US LLP
- Bond Trustee:** US Bank Global Corporate Trust
- Bond Trustee's Counsel:** Thompson Hine LLP
- Master Trustee:** The Bank of New York Mellon Trust Company, N.A.
- Master Trustee's Counsel:** The Law Office of Samuel D. Waldman
- Rating Agencies:** Standard & Poor's Financial Services, LLC
Fitch Ratings, Inc.
- Auditor:** Ernst & Young LLP

RESOLUTION NO. 460

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

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

WHEREAS, Adventist Health System/West (the “Borrower”) is affiliated with, among others, the entities described on Exhibit A hereto (collectively with the Borrower, the “Benefitting Entities”), each of which is a nonprofit religious corporation duly organized and existing under the laws of the State of California and each of which owns and operates health care facilities in the State of California; and

WHEREAS, the Authority previously issued its Revenue Bonds, (Adventist Health System/West) Series 2013A, originally issued in the aggregate principal amount of \$290,365,000 (the “Series 2013A Bonds”), and loaned the proceeds thereof to the Borrower to finance and refinance the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of certain health facilities of the Borrower and certain of the Benefitting Entities, including the health facilities described under the caption “Prior Project” in Exhibit B hereto; and

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 \$800,000,000, and make one or more loans of the proceeds thereof to the Borrower, for any or all of the following purposes: (i) to refund the portion of the outstanding Series 2013A Bonds that financed and refinanced the Prior Project, (ii) to finance (including by reimbursing for certain costs of) and refinance (via repayment of a direct bridge loan to the Borrower) the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of certain health facilities of the Borrower and certain of the Benefitting Entities, as more particularly described under the caption “New Project” in Exhibit B hereto (the “New Project” and, collectively with the Prior Project, the “Project”), and (iii) at the option of the Borrower, to pay certain costs of issuance related to the Bonds (as defined below); and

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 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 the 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 (Adventist Health System/West), Series 2024” (the “Bonds”), in a total aggregate principal amount not to exceed \$800,000,000, are hereby authorized to be issued from time to time, in one or more series, as federally tax-exempt bonds and/or taxable bonds, with such other name or names of the Bonds or series thereof as designated in any of the bond indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the fourth recital above.

SECTION 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at public or private 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 Borrower, 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 Borrower, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements and/or supported by one or more liquidity facilities.

SECTION 3. The proposed forms of the following documents:

- (i) one or more Loan Agreements relating to the Bonds (collectively, the “Loan Agreement”), each between the Authority and the Borrower,
- (ii) one or more Bond Indentures relating to the Bonds (collectively, the “Bond Indenture”), each between the Authority and U.S. Bank Trust Company, National Association, as bond trustee (the “Bond Trustee”),
- (iii) one or more Bond Purchase Agreements, including the exhibits thereto, relating to the Bonds (collectively, the “Purchase Agreement”), each among RBC Capital Markets, LLC, on behalf of itself and any other underwriters named in the Bond Purchase Agreement, as finally executed (the “Underwriter”), the Treasurer and the Authority, and approved by the Borrower,
- (iv) one or more preliminary official statements relating to the Bonds (the “Preliminary Official Statement”),

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 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 Agreement, the Bond Indenture and the Purchase Agreement and by delivery thereof in the case of the Preliminary Official Statement. 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 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreement are true and correct.

SECTION 5. The dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, interest rate modes, manner of determining interest rates, interest payment dates, series designation, whether issued as federally tax-exempt and/or taxable bonds, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in each Bond Indenture, as finally executed.

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

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

SECTION 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indenture, Loan Agreement, Purchase Agreement and Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the Bonds of any series.

SECTION 9. The provisions of the Authority's Resolution No. 2023-06 apply to the documents and actions approved in this Resolution.

SECTION 10. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

SECTION 11. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____

EXHIBIT A

THE BENEFITTING ENTITIES

- Corporation
- San Joaquin Community Hospital d/b/a Adventist Health Bakersfield (“AH Bakersfield”)
- Adventist Health Clearlake Hospital, Inc. d/b/a Adventist Health Clear Lake (“AH Clear Lake”)
- Adventist Health Delano (“AH Delano”)
- Glendale Adventist Medical Center d/b/a Adventist Health Glendale (“AH Glendale”)
- Hanford Community Hospital d/b/a Adventist Health Hanford (“AH Hanford”)
- Howard Memorial Hospital d/b/a/ Adventist Health Howard Memorial (“AH Howard Memorial”)
- Lodi Memorial Hospital Association, Inc. d/b/a/ Adventist Health Lodi Memorial (“AH Lodi Memorial”)
- Adventist Health Mendocino Coast (“AH Mendocino Coast”)
- Reedley Community Hospital d/b/a/ Adventist Health Reedley (“AH Reedley”)
- Rideout Memorial Hospital d/b/a Adventist Health and Rideout (“AH Rideout”)
- Sierra Vista Hospital, Inc. (“AH Sierra Vista”)
- Simi Valley Hospital & Health Care Services d/b/a Adventist Health Simi Valley (“AH Simi Valley”)
- Adventist Health Sonora d/b/a Sonora Community Hospital (“AH Sonora”)
- St. Helena Hospital d/b/a Adventist Health St. Helena (“AH St. Helena”)
- Adventist Health Medical Center Tehachapi d/b/a Adventist Health Tehachapi Valley (“AH Tehachapi Valley”)
- Adventist Health Tulare (“AH Tulare”)
- Twin Cities Community Hospital, Inc. (“AH Twin Cities”)
- Ukiah Adventist Hospital d/b/a Adventist Health Ukiah Valley (“AH Ukiah Valley”)
- White Memorial Medical Center d/b/a Adventist Health White Memorial (“AH White Memorial”)

EXHIBIT B
THE PROJECT

Prior Project

The “Prior Project” consists of the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of the health facilities owned and operated by the following Benefitting Entities at the locations as described below:

- Corporation, and located generally at ONE Adventist Health Way, Roseville, California 95661;
- AH Bakersfield, and located generally at 2615 Chester Avenue, Bakersfield, California 93301;
- AH Clear Lake, and located generally at 15630 18th Avenue, Clearlake, California 95422;
- AH Clear Lake, and located generally at 15230 Lakeshore Drive, Clearlake, California 95422;
- AH Glendale, and located generally at 1509 Wilson Terrace, Glendale, California 91206;
- AH Glendale, and located generally at 381 Merrill Avenue, Glendale, California 91206;
- AH Hanford, and located generally at 115 Mall Drive, Hanford, California 93230;
- AH Hanford, and located generally at 1141 Rose Avenue, Selma, California 93662;
- AH Simi Valley, and located generally at 2975 Sycamore Drive, Simi Valley, California 93065;
- AH Simi Valley, and located generally at 2750 Sycamore Drive, Simi Valley, California 93065;
- AH Sonora, and located generally at 1000 Greenley Road, Sonora, California 95370;
- AH St. Helena, and located generally at 10 Woodland Road, St. Helena, California 94574;
- AH St. Helena, and located generally at 525 Oregon Street, Vallejo, California 94590;
- AH Ukiah, and located generally at 245 and 275 Hospital Drive, Ukiah, California 95482; and
- AH White Memorial, and located generally at 1720 E. Cesar E Chavez Avenue, Los Angeles, California 90033.

New Project

The “New Project” consists of the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of the health facilities owned and operated by the following Benefitting Entities at the locations as described below:

- Corporation, and located generally at ONE Adventist Health Way, Roseville, California 95661;
- AH Bakersfield, and located generally at 2615 Chester Avenue, Bakersfield, California 93301;
- AH Clear Lake, and located generally at 15630 18th Avenue, Clearlake, California 95422;
- AH Delano, and located generally at 1401 Garces Highway, Delano, California 93215;
- AH Glendale, and located generally at 1505 Wilson Terrace, Glendale, California 91206;
- AH Hanford, and located generally at 115 Mall Drive, Hanford, California 93230;
- AH Hanford, and located generally at 1141 Rose Avenue, Selma, California 93662;
- AH Howard Memorial, and located generally at 1 Marcela Drive, Willits, California 95490;
- AH Lodi Memorial, and located generally at 975 S. Fairmont Avenue, Lodi California 95240;
- AH Mendocino Coast, and located generally at 700 River Drive, Fort Bragg, California 95437;
- AH Reedley, and located generally at 372 W. Cypress Avenue, Reedley, California 93654;
- AH Rideout and located generally at 726 4th Street, Marysville, California 95901;
- AH Sierra Vista, and located generally at 1010 Murray Avenue, San Luis Obispo, California 93405;
- AH Simi Valley, and located generally at 2975 Sycamore Drive, Simi Valley, California 93065;
- AH Sonora, and located generally at 1000 Greenley Road, Sonora, California 95370;
- AH St. Helena, and located generally at 10 Woodland Road, St. Helena, California 94574;
- AH St. Helena, and located generally at 525 Oregon Street, Vallejo, California 94590;
- AH Tehachapi Valley, and located generally at 1100 Magellan Drive, Tehachapi California 93561;
- AH Tulare, and located generally at 869, N. Cherry Street, Tulare, California 93275;
- AH Twin Cities, and located generally at 1100 Las Tablas Road, Templeton, California 93465;
- AH Ukiah, and located generally at 275 Hospital Drive, Ukiah, California 95482; and
- AH White Memorial, and located generally at 1720 E. Cesar E Chavez Avenue, Los Angeles, California 90033.