

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“CHFFA”)**

**Amendment to Resolution No. 391**

**Health Facilities of Certain Affiliated Corporations of**

**St. Joseph Health System (“SJHS”)**

**July 8, 2013**

**Executive Summary**

**PURPOSE OF THE REQUEST:**

SJHS asks the Authority to amend Resolution No. 391 previously authorized on May 30, 2013 to allow the bond documents previously approved by the board to be amended to permit the inclusion of a variable rate component for SJHS’ plan of finance. This amendment allows SJHS the flexibility to issue a portion of the previously authorized Series 2013 bonds as variable rate bonds.

In addition, SJHS asks the Authority to ratify the Supplement to the Preliminary Official Statement (the “Supplement”) that was recently distributed for marketing the variable rate bonds.

**ISSUE:**

On May 30, the Authority authorized the issuance of fixed rate bonds in an amount not to exceed \$850 million for the benefit of SJHS. Since then, the bond market has experienced significant volatility. Following a Federal Open Market Committee Statement, a large sell off in both the equity and treasury markets occurred. Due to this unstable and volatile market, SJHS postponed the pricing of its fixed rate bonds. At the time the Authority approved the SJHS bond transaction, authorization to issue variable rate bonds was neither requested nor included in the plan of finance. SJHS has since re-evaluated its bond needs and concluded it wise to include variable rate bonds as part of its financing plan. SJHS seeks approval via an amendment to Resolution No. 391, to allow the issuance of variable rate bonds.

Also, the amended resolution would ratify a Supplement to the Preliminary Official Statement (POS) recently published with the knowledge of Authority staff and issuer’s counsel. Prior to reaching the conclusion that variable rate bonds should be included within their overall plan of finance, SJHS released a POS for its planned fixed rate of finance. When SJHS realized it should include a variable rate component, SJHS immediately contacted Authority staff to determine what steps should be undertaken to permit that. Staff advised SJHS of the need to seek Authority approval for the plan of finance adjustment, but indicated SJHS could issue a Supplement to the POS prior to the actual Authority meeting. To proceed with its pricing plans and to avoid any delays in the marketing of its upcoming bonds, SJHS published a

Supplement to the POS in anticipation of Authority approval of the variable rate bonds. SJHS asks the Authority to ratify the Supplement to the POS that was distributed on June 28, 2013.

**STAFF RECOMMENDATION:**

Staff recommends the Authority approve (1) the requested Amendment to Resolution No. 391 for St. Joseph Health System and its Affiliates authorizing the issuance of variable rate bonds, (2) the various amendments required of document forms previously approved by the Authority to allow for the variable rate issuance, and (3) the ratification of the distribution of a Supplement to the Preliminary Official Statement. All other terms, conditions and covenants previously approved by the Authority at its May 30, 2013 meeting remain the same and in full effect. Fieldman, Rolapp & Associates, Inc., the Authority's financial advisor, concurs with this staff recommendation.

AMENDMENT TO RESOLUTION NO. 391

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING  
AUTHORITY AMENDING RESOLUTION NO. 391, ADOPTED ON MAY 30, 2013,  
RELATING TO THE ISSUANCE OF REVENUE BONDS TO FINANCE AND  
REFINANCE PROJECTS AT THE HEALTH FACILITIES OF  
CERTAIN AFFILIATED CORPORATIONS OF ST. JOSEPH HEALTH SYSTEM

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, St. Joseph Health System is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Borrower”), and is affiliated with St. Joseph Hospital of Eureka, St. Joseph Hospital of Orange, St. Jude Hospital, Inc., St. Mary Medical Center, Santa Rosa Memorial Hospital and Hoag Memorial Hospital Presbyterian, each a California nonprofit public benefit corporation which owns and operates health care facilities in the State of California; and

WHEREAS, the City of Newport Beach, California has previously issued its Revenue Bonds listed in Exhibit B hereto (the “Prior Bonds”), in the total aggregate principal amount of \$563,300,000, of which \$552,675,000 currently is outstanding, and loaned the proceeds thereof to Hoag Memorial Hospital Presbyterian to finance and refinance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities, as more particularly described under the caption “Prior Project” in Exhibit A hereto (the “Prior Project”); 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 \$850,000,000 (the “Bonds”), and make one or more loans of the proceeds thereof to the Borrower to (i) refund all of the outstanding Prior Bonds, (ii) reimburse the costs of, and finance, the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities, as more particularly described under the caption “New Project” in Exhibit A hereto (the “New Project” and, together with the Prior Project, the “Project”), and (iii) pay costs of issuance of the Bonds;

WHEREAS, on May 30, 2013, the Authority adopted its Resolution No. 391 (the “Original Resolution”), providing final approval of the terms of the issuance and sale of the Bonds, including approval of substantially final forms of documents relating to the Bonds (the “Original Documents”) that provided for the Bonds to bear fixed rates of interest;

WHEREAS, the Borrower has caused the amendment of the Original Documents in order for certain of the 2013 Bonds to bear variable rates of interest;

WHEREAS, in connection with the amendment of the Original Documents, on June 28, 2013 the Borrower distributed a Supplement to Preliminary Official Statement Dated June 11, 2013 (the "Supplement");

WHEREAS, the Borrower has requested that the Authority amend the Original Resolution to approve the amendment of the Original Documents, and to ratify the distribution of the Supplement;

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

SECTION 1. The following documents:

(i) the Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Borrower,

(ii) the Bond Indenture relating to the Bonds (the "Bond Indenture"), between the Authority and Wells Fargo Bank, National Association, as bond trustee (the "Trustee"), and

(iii) the Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the "Purchase Contract"), among Morgan Stanley & Co. LLC (the "Underwriter"), the Treasurer and the Authority, and approved by the Borrower,

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds) as the officer executing the same may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 2. The Authority hereby ratifies the distribution of the Supplement on June 28, 2013.

SECTION 3. This Resolution shall take effect from and after the date of adoption.

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

## EXHIBIT A

### **Prior Project:**

Financing and refinancing the costs of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of Hoag Hospital Newport Beach, a 484-licensed-bed acute care hospital facility located at or about One Hoag Drive, Newport Beach, California (including adjacent to or across the street from One Hoag Drive), and including imaging equipment located at 500-540 Superior Avenue, Newport Beach, California, which are owned and operated by Hoag Memorial Hospital Presbyterian.

### **New Project:**

Financing and refinancing the costs of acquisition, construction, expansion, remodeling, renovation, furnishing and equipping of the following health facilities: (i) St. Joseph Hospital, a 463-licensed-bed tertiary acute care hospital facility including a 37-licensed-bed acute psychiatric facility, located at 1100 West Stewart Drive, Orange, California, which is owned and operated by St. Joseph Hospital of Orange; (ii) St. Jude Medical Center, a 329-licensed-bed tertiary acute care hospital facility located at 101 East Valencia Mesa Drive, Fullerton, California, which is owned and operated by St. Jude Hospital, Inc, with projects including construction and equipping of a 216,000 square foot replacement hospital tower and central plant.; (iii) St. Mary Medical Center, a 212-licensed-bed acute care hospital facility located at 18300 Highway 18, Apple Valley, California, which is owned and operated by St. Mary Medical Center, with projects including construction and equipping of a new acute care hospital and an ambulatory care center located at Amargosa Road and Smoketree Road in Victorville, California; (iv) Santa Rosa Memorial Hospital, a 338-licensed-bed tertiary acute care hospital facility, including a 31-licensed-bed short stay skilled nursing facility, located at 1165 Montgomery Drive, Santa Rosa, California, which is owned and operated by Santa Rosa Memorial Hospital; and (v) St. Joseph Hospital, a 153-licensed-bed acute care hospital facility, including a 15-licensed-bed rehabilitation center, located at 2700 Dolbeer Street, Eureka, California, which is owned and operated by St. Joseph Hospital of Eureka, with projects including construction and equipping of a 100,000 square foot acute care medical tower.

**EXHIBIT B**

**PRIOR BONDS**

City of Newport Beach Refunding Revenue Bonds (Hoag Memorial Hospital Presbyterian)  
Series 2008C

City of Newport Beach Refunding Revenue Bonds (Hoag Memorial Hospital Presbyterian)  
Series 2008D, 2008E and 2008F

City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2009A

City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2009D  
and 2009E

City of Newport Beach Revenue Bonds (Hoag Memorial Hospital Presbyterian) Series 2011A