CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Lucile Salter Packard Children's Hospital at Stanford ("LPCH") 725 Welch Road Palo Alto, CA 94304 Santa Clara County	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$200,000,000 Up to 40 years April 14, 2014 396

Project Site: Same as above
Facility Type: Acute care hospital
Prior Borrower: Yes (date of last CHFFA issue, 2012).
Obligated Group: LPCH is the sole member.

Background: LPCH is a 311-bed not-for-profit tax-exempt hospital located in Palo Alto, California. It operates a licensed acute care pediatric and obstetric hospital on the Leland Stanford Junior University campus in Palo Alto and operates several inpatient care units on its license in nearby community hospitals. LPCH also operates outpatient physician clinics in its facilities and other community settings. In FY 2013, LPCH had 12,671 discharges, 83,344 patient days and 161,017 clinic visits.

Use of Proceeds: Bond proceeds will be used for financing the construction and expansion of LPCH's health facility.

Type of Issue: Negotiated public offering with fixed rate bonds (expected minimum denominations of $5,000) and/ or variable rate bonds (expected minimum denominations of $100,000 and multiples of $5,000 in excess thereof or denominations of $5,000 if issued as "index floating rate bonds") and/or as a private placement.

Expected Credit Rating: Aa3/AA /AA; Moody's/S&P/Fitch

Financing Team: *Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: LPCH's income statement appears to exhibit positive operating results during the review period. LPCH appears to have a solid financial position with a proforma operating debt service coverage ratio of 6.31x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$ 200,000,000	Project fund	$ 198,000,000
		Costs of issuance	2,000,000
Total Estimated Sources	$ 200,000,000	**Total Estimated Uses**	$ 200,000,000

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, and CEQA documentation. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 396 in an amount not to exceed $200,000,000 subject to the conditions in the resolution, including a bond rating of at least investment grade by a nationally recognized rating agency. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and Fieldman, Rolapp & Associates, Inc. the Authority's financial advisor, concur with the Authority's staff recommendation.

(CA/BMS)

I. PURPOSE OF FINANCING:

Currently, LPCH has an acute shortage of patient beds and is expanding its hospital by constructing two five-story patient towers connected at the base by two additional floors in order to meet capacity needs and further its mission of providing family-centered care for its patients. LPCH will also be renovating a part of the existing facility. LPCH plans to convert many of the existing semi-private rooms to private rooms. After the expansion and renovation are both completed, LPCH will have a total of 369 beds.

LPCH estimates the total cost of the project including construction, equipment and real estate acquisition to be $1.2 billion. The project began in 2011 and has received funding for this project through the Children's Hospital Grant Program and CHFFA's Tax-Exempt Bond Program. The board approved a Proposition 3 grant in the amount of $98 million at the December 1, 2011 meeting and provided tax exempt bond authority for up to $200 million at the January 26, 2012 meeting. The anticipated opening of this project is early 2017.

Project Fund **..** ***$198,000,000***

LPCH plans to construct two five-story towers. The expansion will total 521,000 square feet. The north tower will have 77 acute care beds. The south tower will have 72 intensive care beds. Beneath the first floors of both towers will be a shared ground floor and a shared basement. The ground floor will have six operating rooms, 32 recovery rooms and an imaging center consisting of two nuclear medicine rooms, one magnetic resonance imaging scanner (MRI), one computed tomography (CT) scanner, one interventional room and three cardiac catheterization (cath) labs. Below the ground floor, the basement will include a new kitchen, a central sterile department, and clinical engineering. The expansion will also relocate the hospital's main entrance. The current hospital has 275,000 square feet. Diagrams, attached in Exhibit 5, provide more details on the project.

Financing Costs **...** ***2,000,000***

- *Estimated cost of issuance................................ 1,000,000*
- *Estimated Underwriters' discount.................... 1,000,000*

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

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

LPCH is the sole member of the Obligated Group created pursuant to the Master Indenture. Pursuant to the provisions of the Master Indenture, LPCH has issued obligations under the Master Indenture (each, an "Obligation") to secure the obligations of LPCH under (i) the loan agreement entered into with the Authority in connection with the California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2008 Series A, 2008 Series B and 2008 Series C (the "2008 Series Bonds"), (ii) the loan agreement entered into with the Authority in connection with the California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2012 Series A (the "2012 Series A Bonds"), and (iii) the loan agreement entered into with the Authority in connection with the California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford), 2012 Series B (the "2012 Series B Bonds," and, together with the 2012 Series A Bonds, the "2012 Series Bonds"). LPCH will issue an Obligation under the Master Indenture to secure its obligations under the loan agreement entered into with the Authority in connection with the proposed bonds. If more than one series of bonds is issued and more than one loan agreement is entered into with the Authority, LPCH will issue a separate Obligation to secure its obligations under each loan agreement. All the covenants listed below are applicable to LPCH as sole member of the Obligated Group.

After reviewing LPCH's credit profile, including its current financial profile, the transactions for the 2008 Series Bonds and the 2012 Series Bonds (hereinafter collectively referred to as the "Existing Bonds"), and current market requirements, LPCH, LPCH's financial advisor, the Authority's financial advisor (Fieldman, Rolapp & Associates, Inc. ("Fieldman Rolapp")), and the underwriter of the proposed bonds have concluded that the covenants listed below should be applicable to this transaction. LPCH, LPCH's financial advisor and Fieldman Rolapp note that the current financial situation of LPCH does not suggest that additional covenants should be required by the Authority.

The covenants listed below are applicable to this transaction.

Unconditional Promise to Pay; Pledge of Revenues. *LPCH agrees to pay the trustee all amounts required for payment of the principal, interest and redemption premium, if applicable, with respect to the proposed bonds and agrees to pay the additional payments and expenses specified in the loan agreement. In addition, LPCH will issue an Obligation under the Master Indenture to secure the obligation of LPCH to make the payments under the loan agreement. All Revenues (which will include payments by LPCH under the loan agreement and payments by the Obligated Group on the Obligation) and amounts held in the funds and account established under the bond indenture (excluding the Rebate Fund)) will be pledged to secure the full payment of the proposed bonds.*

In the event more than one series of bonds is issued and more than one loan agreement is entered into, the unconditional promise to pay and the pledge of revenues described in this paragraph will apply to each series of bonds, the loan agreement entered into in connection with such series of bonds and the bond indenture pursuant to the which such series of bonds is issued.

Pledge of Gross Revenues. *The Obligated Group has pledged to deposit all of its Gross Revenues into an account or accounts designated as the Gross Revenue Accounts. If there is a failure to make a Required Payment, the Master Trustee may exercise control over the Gross Revenue Accounts for the benefit of the holders of each obligation issued under the Master Indenture, including the trustee for the Existing Bonds and the trustee for the proposed bonds.*

Limitation on Liens; Permitted Encumbrances. *The Obligated Group has agreed not to create, assume or suffer to exist any Lien upon its Property unless all Obligations of the Obligated Group are secured prior to or equally and ratably with any obligation secured by such Lien or unless otherwise permitted under the Master Indenture.*

Long-Term Debt Service Coverage Requirement. *The Master Indenture requires the Obligated Group maintain a Historical Debt Service Coverage Ratio of 1.25.*

Limitations on Additional Indebtedness and Restrictions on Guaranties. *The Obligated Group has agreed not to incur Additional Indebtedness or enter into any Guaranty unless authorized by various provisions set out in the Master Indenture.*

Limitations on Disposition of Property. *The Obligated Group has agreed not to sell, lease or otherwise dispose of Property in any fiscal year other than as authorized by various provisions set out in the Master Indenture.*

Limitations on Consolidation, Merger, Acquisition, Sale or Conveyance. *The Obligated Group has agreed not to consolidate or merge with any corporation which is not a Member of the Obligated Group or acquire substantially all of the assets of an entity not a Member of the Obligated Group or sell or convey all or substantially all of its assets to an entity not a Member of the Obligated Group other than as authorized by the various provisions set out in the Master Indenture.*

Limitations on Withdrawal from the Obligated Group and Entrance into the Obligated Group. *The Master Indenture sets forth certain requirements, including certain financial tests, which must be met for withdrawal from, or entry into, the Obligated Group.*

Compliance with Rule 15c2-12. *LPCH will take such action as is necessary to assist the underwriter of the proposed bonds to comply with Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12). LPCH will contractually agree to disclose designated financial and operating information to the designated website (EMMA) during the life of the proposed bonds and to report designated "material events" as specified in Rule 15c2-12.*

Staff and Fieldman Rolapp have reviewed the entirety of this financing package and find it to be acceptable.

Lucile Salter Packard Children's Hospital at Stanford
Income Statement of Operations (In Thousands)
(Unrestricted)

	As of August 31, 2013	2012	2011
Operating Revenues:			
Net patient service revenue*	$ 1,090,999	$ 930,846	$ 870,708
Provision for doubtful accounts, net	(7,705)	(9,150)	(9,711)
Net patient service revenue after provision for doubtful accounts	1,083,294	921,696	860,997
Other revenue	51,610	38,832	34,867
Net assets released form restrictions used for operations	20,578	19,130	18,768
Total operating revenues	1,155,482	979,658	914,632
Operating Expenses:			
Salaries and benefits	425,104	389,541	364,677
Professional services	24,809	21,804	16,458
Supplies	77,604	66,166	64,454
Purchased services	343,276	294,983	263,902
Other	100,194	100,953	75,080
Depreciation and amortization	37,873	37,381	37,913
Total operating expenses	1,008,860	910,828	822,484
Income from operations	146,622	68,830	92,148
Interest income	2,142	2,154	1,140
Income and gains from Stanford University managed pools	60,827	17,599	78,786
Other	-	(3,658)	(2,000)
Excess of revenues over expenses	209,591	84,925	170,074
Net assets released from restriction used for purchases of property and equipment	213	2,843	1,533
Transfer of net investment loss on certain endowments	204	61	(277)
Adjustment for minimum pension liability	2,034	964	1,924
Transfers to Stanford University and other	(30,741)	(7,880)	(29,282)
Increase in unrestricted net assets	181,301	80,913	143,972
Unrestricted net assets, beginning of year	982,921	902,008	758,036
Unrestricted net assets, end of year	$ 1,164,222	$ 982,921	$ 902,008

***Net Patient Service Revenue**

Payors Source	**Percent**
HMO/PPO	72.9
Medi-Cal	21.5
Other	5.6
Total	100.0

Lucile Salter Packard Children's Hospital at Stanford
Balance Sheet (In Thousands)

	As of August 31, 2013	2012	2011
Assets			
Current assets:			
Cash and cash equivalents	$ 188,409	$ 85,641	$ 90,314
Short term investments in Stanford University managed pools	-	1,070	93,450
Patient accounts receivable, net	210,696	160,889	138,755
Contributions receivable	12,471	24,675	19,532
Other receivables from California Health Facilities Financing Authority	-	97,437	-
Other receivables	33,377	42,551	2,536
Prepaid expenses, inventory and other	13,036	10,093	14,304
Total current assets	457,989	422,356	358,891
Investments	67,407	66,907	65,262
Investments in Stanford University managed pools	618,790	551,558	453,883
Board designated funds in Stanford University managed pools	213,102	210,149	206,599
Assets limited as to use, held by trustee	199,500	198,717	-
Property and equipment, net	643,211	520,898	459,725
Beneficial interest in trusts, net	14,858	13,604	13,972
Contributions receivable, net of current portion	10,992	25,210	10,200
Other assets	40,414	22,345	15,824
Total assets	$ 2,266,263	$ 2,031,744	$ 1,584,356
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued liabilities	$ 70,225	$ 88,074	$ 62,190
Accrued salaries and related benefits	53,853	47,182	42,998
Due to related parties	40,376	27,533	38,168
Third-party payor settlements	1,535	1,701	1,525
Current portion of long-term debt and capital leases	2,200	2,030	107,093
Self-insurance reserves and other liabilities	6,394	5,107	4,433
Total current liabilities	174,583	171,627	256,407
Self-insurance reserves and other liabilities, net of current portion	29,561	30,728	28,257
Long-term debt and capital leases, net current portion	358,709	361,736	57,075
Total liabilities	562,853	564,091	341,739
Net assets:			
Unrestricted	1,164,222	982,921	902,008
Temporarily restricted	338,447	284,973	141,751
Permanently restricted	200,741	199,759	198,858
Total net assets	1,703,410	1,467,653	1,242,617
Total liabilities and net assets	$ 2,266,263	$ 2,031,744	$ 1,584,356

Financial Ratios:	**Proforma [a] FYE August 31, 2013**	2013	2012	2011
Debt Service Coverage - Operating (x) [b]	6.31	6.31	3.61	11.72
Debt Service Coverage - Net (x) [b]	6.61	6.61	3.77	12.19
Debt to Net Assets (x)	0.33	0.21	0.25	0.13
Margin (%)		12.69	7.03	10.07
Current Ratio (x)		2.62	2.46	1.40

[a] Recalculate FY 2013 audited results to include the impact of this proposed financing.

[b] Debt service coverage ratios were calculated using Maximum Annual Debt Service on Long-Term Indebtedness.

III. FINANCIAL STATEMENTS AND ANALYSIS:

Financial Discussion – Statement of Activities (Income Statement)

LPCH's income statement appears to exhibit positive operating results during the review period from FY 2011 to FY 2013.

LPCH exhibits a solid operating margin over the review period with margins at 10.07% in FY 2011, 7.03% in FY 2012 and 12.69% in FY 2013. Total revenue increased by 26.3% from approximately $914.6 million in FY 2011 to approximately $1.2 billion in FY 2013. The increase in revenue can be largely attributed to an increase in net patient services revenue, which grew by 25.3% from approximately $870.7 million in FY 2011 to approximately $1.1 billion in FY 2013. According to LPCH, the increase in net patient revenue in FY 2013 was mainly due to increases in the commercial managed care payer mix and resulting higher stop loss reimbursement from commercial managed care payers, increases in net patient revenue for physician services and increases in revenue from the Provider Fee program. Additionally, adjusted patient days increased over the review period from 99,514 to 102,875.

Particular Facts to Note:

- Total operating expenses increased by approximately 22.7% from approximately $822.5 million in FY 2011 to approximately $1 billion in FY 2013 due to wage rate increases, increased usage of temporary labor, increased payments to the Stanford School of Medicine for services provided by the physician faculty and higher supply costs.

- Total salaries and benefits have increased by 16.6% over the review period from approximately $364.7 million in FY 2011 to $425.1 million in FY 2013, which LPCH management explains is generally resulting from wage rate increases each year. In addition, in FY13, Packard Children's Health Alliance (which is consolidated with LPCH) added close to 200 employees after the purchase of various physician practices.

- Investment income is mainly from realized and unrealized gains on the investments in Stanford University ("University") managed pools.[1] Over the review period, LPCH recognized a total of approximately $162.6 million of investment income, of which approximately $157.2 million was from the University managed pools.

- As a safety net provider to Medi-Cal beneficiaries, LPCH is vulnerable to changing State budget priorities. However, as of July 1, 2013, the Medi-Cal program has moved to a Diagnosis Related Group[2]-based payment system which recognizes and pays for variable acuity and higher levels of care. As a result of the new system, LPCH is now experiencing improved reimbursement for the complex and acute care services it provides to this population.

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[1] Investments of LPCH are managed by the Stanford Management Company, the investment management division of Stanford University.

[2] Effective July 1st 2013 the state of California changed their payment for inpatient services provided to Medi-Cal patients from per-diems to All-Patient Refined Diagnosis Related Group based.

- LPCH management believes that health care reform's roll-out of the Exchange[3] products will have minimal impact on LPCH. LPCH is a participating provider in a number of Exchange products. But more importantly, in the Children's Hospital sector, there is little remaining expansion of the Medicaid population. Historically, most children in California have already been covered through Medi-Cal, California Children's Services (CCS), and Health Kids programs.

<u>Financial Discussion – Statement of Financial Position (Balance Sheet)</u>

LPCH appears to have a solid financial position with a proforma operating debt service coverage ratio of 6.31x.

Over the review period, LPCH's balance sheet grew with total net assets increasing from approximately $1.2 billion in FY 2011 to $1.7 billion in FY 2013, an increase of approximately 37.1%. LPCH attributes the increase primarily to strong income from operations and investment returns and significant fundraising efforts. Investments in the University's managed pools have increased approximately 10.3% from $753.9 million in FY 2011 to $831.9 million in FY 2013.

The debt to net assets ratio has remained low with a three-year average of 0.20x and becomes 0.33x with this financing. The operating debt service coverage ratio appears to be a solid 6.31x, and with the proposed financing, the proforma operating debt service coverage ratio continues to be solid at 6.31x.

<u>Particular Facts to Note:</u>

- The proforma operating debt service coverage ratio continues to remain 6.31x due to the fact that the Series 2012 Bonds were structured to allow a future $200 million financing to amortize in the earlier years and not raise the Maximum Allowable Debt Service ("MADS").

- According to LPCH's management, cash and cash equivalent has increased significantly from approximately $90 million in FY 2011 to $188 million in FY 2013 due to strong operating results and the receipt of $97.4 million of grant funding from the Authority's Children's Hospital Grant, Proposition 3 Program. These funds reimbursed LPCH for previous expenditures on the Phase II project that had been spent out of operating cash.

- The current portion of long-term debt for FY 2011 is approximately $107 million, significantly higher than the FYs 2012 and 2013 which were approximately $2.0 million and $2.2 million, respectively. LPCH indicates the difference is mainly due to the 2008 CHFFA Series A, B and C bonds totaling approximately $93.4 million being classified as current liabilities. This anomaly is primarily due to the holders of these bonds having the option to tender the bonds. In order to ensure the availability of

[3] Exchange: functions as a marketplace for individual and small group health insurance products offered by private insurers.

funds to purchase any bonds being tendered, LPCH entered into a liquidity arrangement with the University. The arrangement allowed for immediate availability of LPCH funds invested in the University's managed pools for purpose of funding tenders. As a result, both the debt and the related available cash were classified as current. The liquidity arrangement with the University was cancelled on March 21, 2012.

- Other receivables significantly increased from approximately $2.5 million in FY 2011 to approximately $42.6 million in FY 2012 and then to $33.4 million in FY 2013, mainly due to the timing of the receipt of the funds from the Provider Fee Program.[4]

[4] Hospital Fee Program was established in 2009 and imposed a provider fee on certain California general acute care hospitals that, combined with federal matching funds, are used to provide supplemental payments to certain hospitals.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** LPCH properly completed and submitted the "Pass-Through Savings Certification" in addition to a narrative explaining how it intends to pass along savings**.**

  LPCH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The amounts determined to qualify as charity care are not reported as net patient service revenue. LPCH also provides services to patients under Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. Such amounts are considered community benefits. LPCH's 2013 community benefits investment for services and activities to improve the health status of infants, children, adolescents and pregnant women was approximately $124.4 million.

- **Section 15491.1 of the Act (Community Service Requirement):** LPCH properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.

- **Compliance with Seismic Regulations:** LPCH properly submitted a description of how it is complying with OSHPD seismic evaluation regulations.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** LPCH properly submitted relevant documentation addressing CEQA.

- **Religious Affiliation Due Diligence:** LPCH properly completed and submitted relevant documentation to meet the religious due diligence requirement.

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

- **Iran Contracting Act Certificate: LPCH and the underwriter properly submitted the certificate to the Authority.**

EXHIBIT 1

FINANCING TEAM

Trustee:	Wells Fargo Bank, N.A.
Trustee's Counsel:	Wells Fargo Bank, N.A.
Rating Agencies:	Standard & Poor's Fitch Ratings Moody's
Issuer's Financial Advisor:	Fieldman, Rolapp & Associates, Inc.
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Issuer's Counsel:	Office of the Attorney General
Bond Counsel:	Orrick, Herrington & Sutcliffe, LLP
Underwriter:	Morgan Stanley & Co., LLC
Underwriter's Counsel:	Sidley Austin, LLP
Borrower's Counsel:	Ropes & Gray, LLP
Borrower's Financial Advisor:	Hammond Hanlon Camp, LLC
Auditor:	Pricewaterhouse Coopers, LLP
Potential Direct Loan Bank Purchasers:	Bank of America, N.A JPMorgan Chase Bank, N.A. The Northern Trust Company SunTrust Bank Wells Fargo Municipal Capital Strategies, LLC U.S. Bank, N.A.

EXHIBIT 2

UTILIZATION STATISTICS

This table below presents selected statistical indicators of patient activity for LPCH for each of the three fiscal years ended August 31, 2013, 2012 and 2011.

	As of August 31,		
	2013	**2012**	**2011**
Licensed/ Staffed Beds[1]	311	311	311
Discharges	12,671	12,491	12,541
Patient Days	83,344	79,663	80,923
Average Length of Stay	6.6	6.4	6.5
Discharges - OB	4,528	4,467	4,637
Patient Days - OB	14,179	14,436	14,602
Average Length of Stay - OB	3.1	3.2	3.1
Discharges - Pediatric	8,143	8,024	7,904
Patient Days - Pediatric	69,165	65,227	66,321
Average Length of Stay - Pediatric	8.5	8.1	8.4
Adjusted Patient Days	102,875	98,608	99,514
Average Daily Census	228.3	217.7	221.7
Percent Occupancy	73.4%	70.0%	71.3%
Pediatric CMI	2.01	2.09	2.01
Inpatient Surgical Procedures	3,278	3,354	3,424
Outpatient Surgical Procedures	4,338	4,043	4,214
Clinic Visits[2]	161,017	155,932	134,479

(1)Includes 9-bed NICU at Washington Hospital (Fremont), which is no longer part of LPCH's bed complement as of March 14, 2014.
(2) Includes hospital-based clinic visits.

Source: Lucile Packard Children's Hospital records.

EXHIBIT 3

OUTSTANDING DEBT

Date Issued	Original Amount	Amount Outstanding As of August 31, 2013	Estimated Amount Outstanding after Proposed Financing
- EXISTING LONG-TERM DEBT:			
Authority Debt:			
Lucile Salter Packard Children's Hospital, 2008 Series A	$30,340,000	$30,340,000	$30,340,000
Lucile Salter Packard Children's Hospital, 2008 Series B	30,340,000	30,340,000	30,340,000
Lucile Salter Packard Children's Hospital, 2008 Series C	32,770,000	32,770,000	32,770,000
Lucile Salter Packard Children's Hospital, 2012 Series A	200,000,000	200,000,000	200,000,000
Lucile Salter Packard Children's Hospital, 2012 Series B	51,045,000	49,015,000	49,015,000
- PROPOSED NEW DEBT:			
CHFFA Series 2014			**200,000,000**
- TOTAL DEBT		**$342,465,000**	**$542,466,000**

EXHIBIT 4

BACKGROUND, GOVERNANCE AND LICENSURE

Background

Lucile Salter Packard Children's Hospital at Stanford (LPCH) is a 311-bed, not-for-profit tax-exempt hospital located in Palo Alto, California. It operates a licensed acute care pediatric and obstetric hospital on the Leland Stanford Junior University campus in Palo Alto and operates several inpatient care units on its license in nearby community hospitals. LPCH also operates outpatient physician clinics in its facilities and other community settings.

LPCH traces its roots to the Stanford Home for Convalescent Children, which was officially established in 1919. By 1970, the convalescent home moved to larger quarters and changed its name to Children's Hospital at Stanford. In 1986, David and Lucile Packard donated $40 million for the construction of a new children's hospital, and in 1988, groundbreaking began. The facility opened in 1991.

LPCH is the pediatric and obstetrics division of Stanford University Medical Center, but is a free-standing hospital with a separate license and provider number. Lucile Packard Children's Hospital opened in June 1991 to serve the health-care needs of children of all ages. In 1997, LPCH added perinatal, labor, and delivery services to its license, creating the only children's hospital in California that serves both pregnant women and children.

Governance

LPCH is currently governed by a 31-member Board of Directors (the "Board"). The present Board is comprised of 21 elected voting directors and ten *ex-officio* directors, all of whom are also voting directors. The bylaws of Lucile Packard Children's Hospital provide that the nominations committee of the Stanford University Board of Trustees or its designees nominate elected directors with the joint recommendation, if any, of the Chair of the Board and the President of Stanford University.

Licensure and Memberships

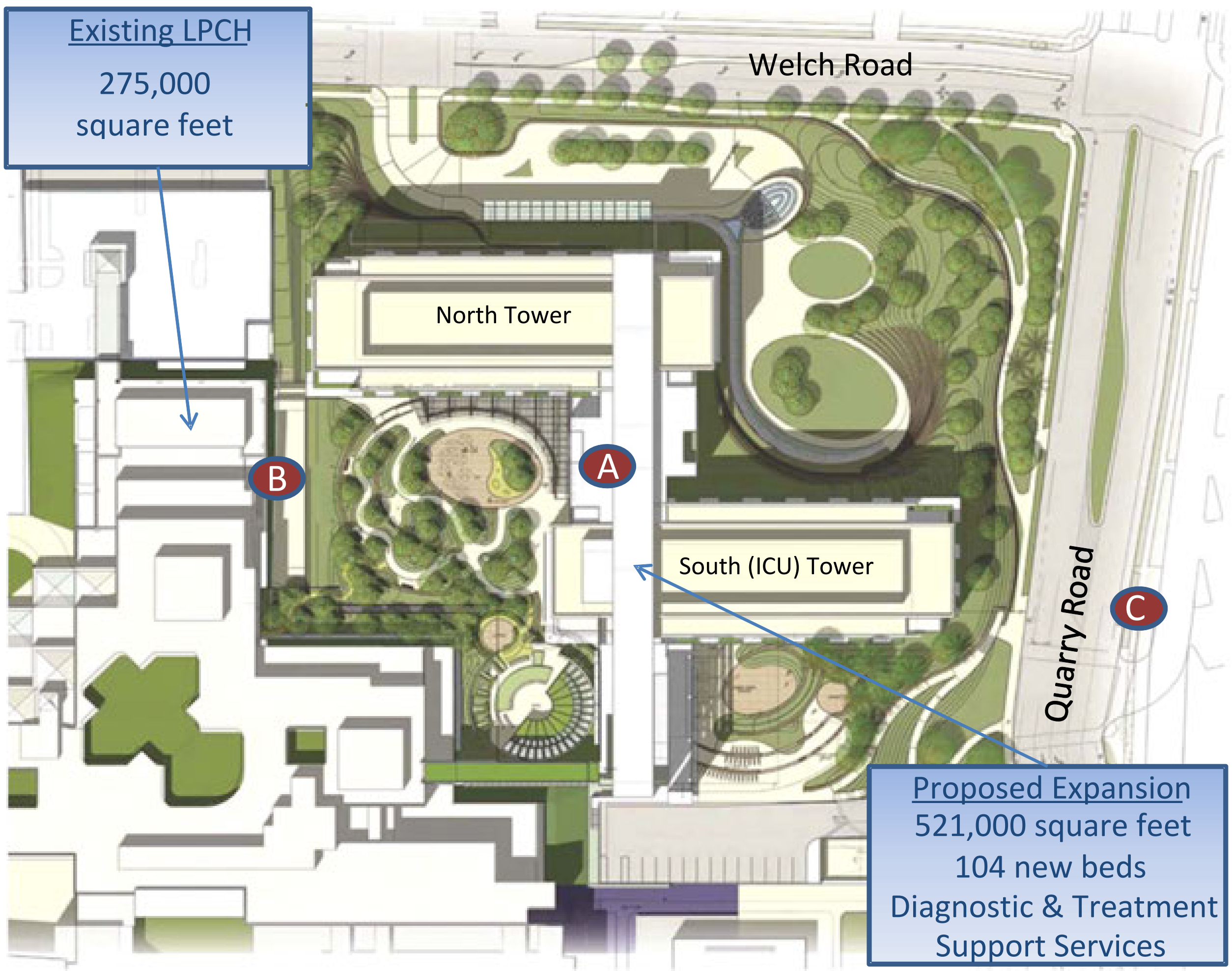
LPCH is appropriately licensed by the California Department of Public Health Services to the extent required and is certified to participate in the Medicare and Medi-Cal programs. LPCH received its most recent three year accreditation from the Joint Commission in January 2014.

LPCH is an owner of the Children's Hospital Association and is a member of the California Children's Hospital Association, the California Healthcare Association, the Hospital Council of Northern and Central California, Santa Clara County Division, the National Association of Children's Hospitals and Related Institutions, and the American Hospital Association.

EXHIBIT 5

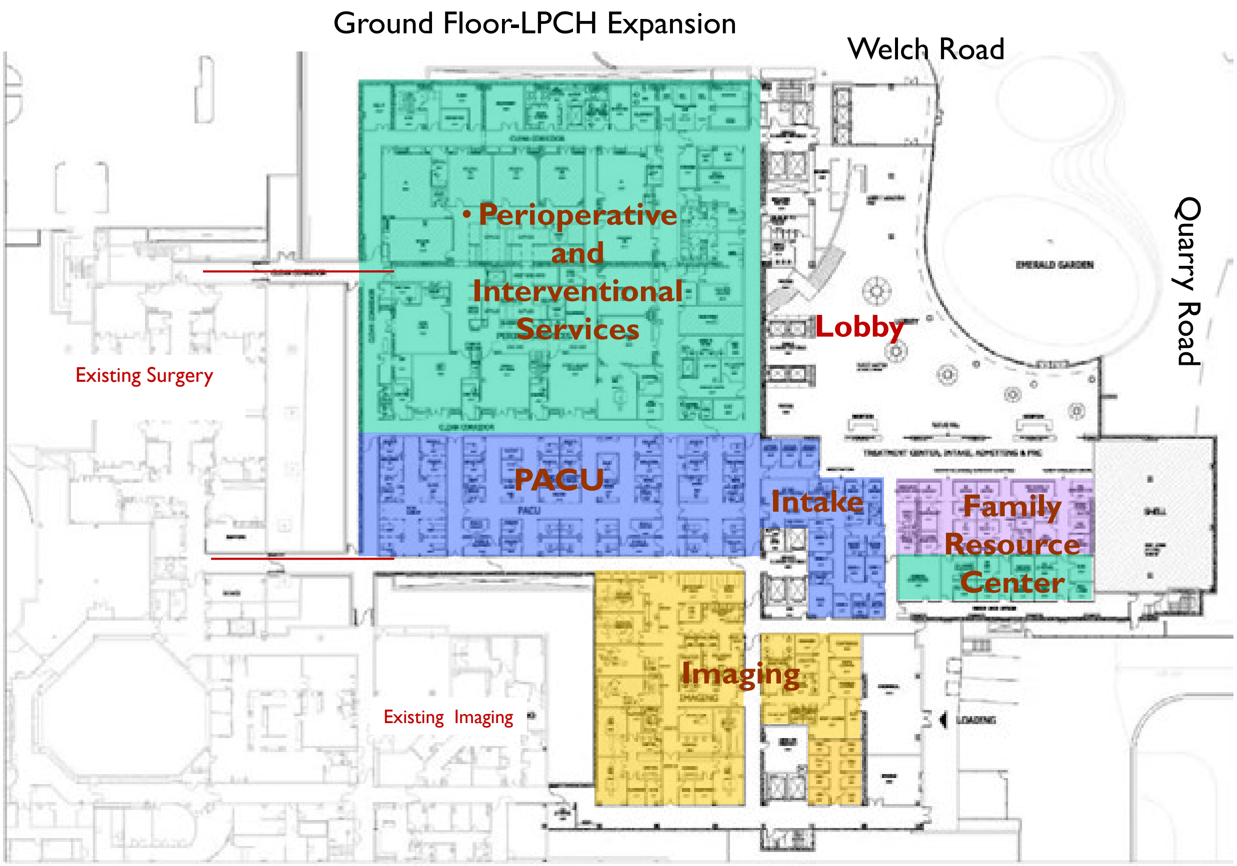
DIAGRAMS

The view below depicts the schematic design of the main campus and proposed new expansion. Labels A, B and C refer to three separate views on the following pages to illustrate alignment of key departments by floor.

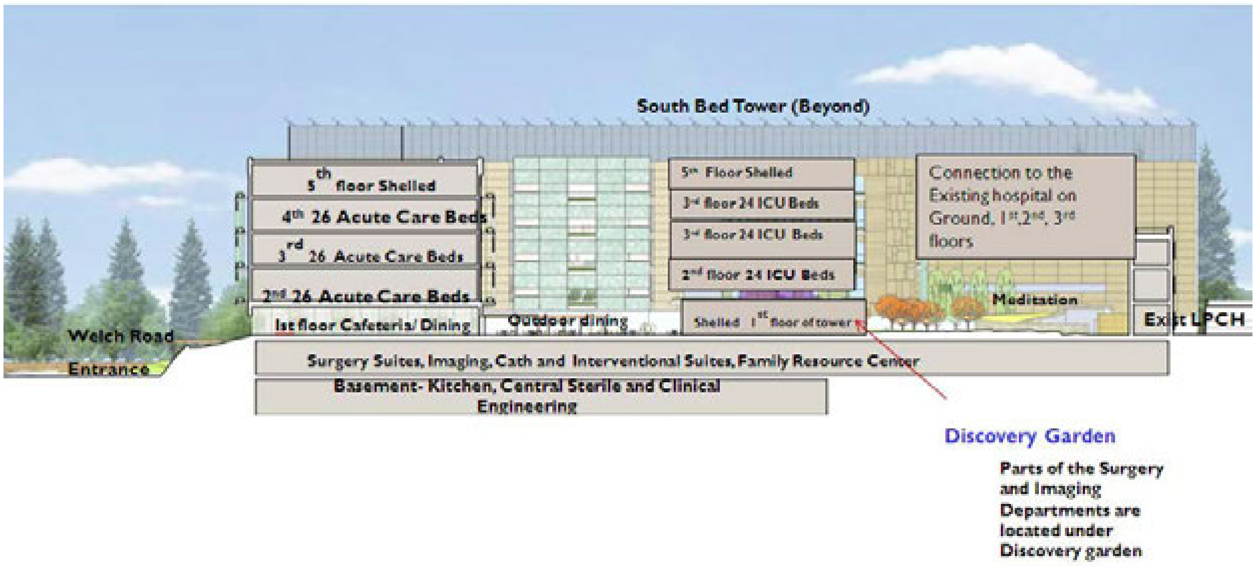


A

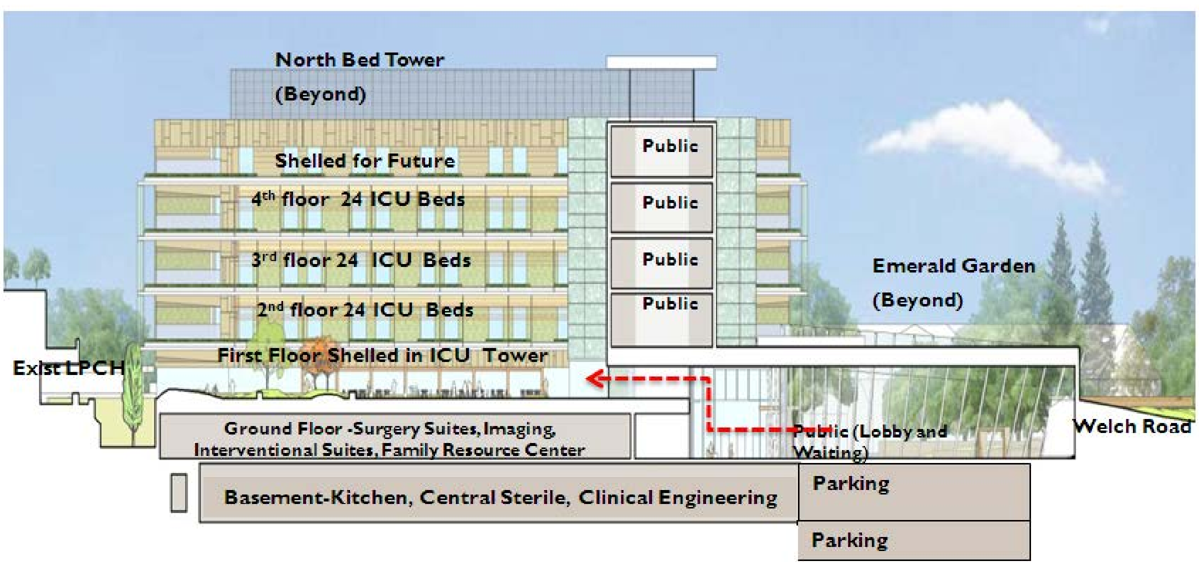
This diagram depicts a top view of the ground floor, which connects the North and South Towers and extends to the existing hospital underneath the Discovery Garden (an outdoor dining, gathering and meditation area for patients and their families).



B *Below, a view of the LPCH Expansion from the existing LPCH Hospital illustrates the layout of the 78 acute care beds (North Tower) and 72 intensive care beds (South Tower).*



C *This view from Quarry Road shows a more detailed layout of the 72 ICU beds in the South Tower.*



RESOLUTION NO. 396

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF REVENUE BONDS
TO FINANCE PROJECTS AT THE HEALTH FACILITIES OF
LUCILE SALTER PACKARD CHILDREN'S HOSPITAL AT STANFORD**

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, Lucile Salter Packard Children's Hospital at Stanford is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower") which owns and operates health care facilities in the State of California;

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $200,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) finance a portion of the costs of expansion of a health facility, including construction, equipment, furnishings, and land improvements, as more particularly described in Exhibit A hereto (the "Project"), and (ii) at the sole option of the Borrower, pay costs of issuance of such revenue bonds;

WHEREAS, such revenue bonds or any series thereof may be publicly offered or privately placed;

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the California Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Project has complied with Division 13 (commencing with Section 21000) of the California Public Resources Code, or is not a "project" under such division; and

WHEREAS, approval of the terms of issuance and sale of such revenue bonds and various related matters is now sought;

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

Section 1. Pursuant to the Act, revenue bonds of the Authority designated as (a) the "California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) (the "Fixed Rate Bonds") and (b) the California Health Facilities Financing Authority Variable Rate Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) (the "Variable Rate Bonds," and, together with the Fixed Rate Bonds, the "Bonds"), in a total aggregate principal amount not to exceed $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 indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the third recital above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates, at any time prior to the first anniversary of the date of the adoption of this Resolution, at public or private sale, in such aggregate amounts (not to exceed the aggregate principal amount set forth in Section 1 hereof) and in such series, at such prices (so long the discount on the Bonds sold shall not exceed six percent (6%) of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds or any series thereof may be publicly offered by the underwriter identified below or privately placed with one of the purchasers identified below. Unless privately placed with one of the purchasers identified below, the Bonds shall, at issuance, be rated investment grade by an active nationally recognized rating agency. The Bonds or any series them may, at the sole option of the Borrower, be secured by deeds of trust, a reserve fund, bond insurance, a credit facility and other security arrangements and/or supported by one or more liquidity facilities.

Section 3. The following documents:

(i) one or more Loan Agreements relating to the Bonds (each, a "Loan Agreement," and, collectively the "Loan Agreements"), between the Authority and the Borrower,

(ii) one or more Indentures relating to the Bonds (each, an "Indenture," and collectively, the "Indentures"), between the Authority and Wells Fargo Bank, National Association, as trustee (the "Trustee"),

(iii) one or more Bond Purchase Contracts, including the exhibits thereto, relating to the Bonds (each a "Purchase Contract," and, collectively, the "Purchase Contracts"), among Morgan Stanley & Co., LLC (the "Underwriter"), the Treasurer and the Authority, and approved by the Borrower with respect to Bonds or any series thereof which will be underwritten and sold in a public offering, and

(iv) one or more preliminary official statements relating to the Bonds (each, a Preliminary Official Statement," and, collectively, the "Preliminary Official Statements"), are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of Bonds as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Loan Agreements, the Indentures and the Purchase Contracts and by delivery thereof in the case of 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.

In addition to the documents specified above, if any series of Bonds are privately placed, the Executive Director is hereby authorized to enter into an agreement (hereinafter referred to as a "Private Placement Purchase Contract") with either Bank of America, N.A., JPMorgan Chase Bank, N.A., SunTrust Bank, The Northern Trust Company, U.S. Bank National Association or Wells Fargo Municipal Capital Strategies, LLC (each, a "Private Placement Purchaser"), such Private Placement Purchaser to be selected by the Borrower, which Private Placement Purchase Contract shall be in such form as shall be acceptable to the Executive Director, with the advice and consent of the Borrower, which acceptability shall be conclusively evidenced by the execution and delivery thereof by the Executive Director. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such Private Placement Contract.

Section 4. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreements are true and correct.

Section 5. The dated dates, maturity dates (not exceeding 40 years from the respective dates of issue), interest rates or manner of determining interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer, and other terms of the Bonds, including provisions relating to credit facilities and/or liquidity facilities as applicable from time to time, shall be as provided in each Indenture, as finally executed.

Section 6. The Underwriter is hereby authorized and directed to distribute a Preliminary Official Statement for each issue of 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 required to be used with respect to any specific issuance of Bonds. The Underwriter is hereby directed to deliver the final official statements (each an "Official Statement," and, collectively, the "Official Statements") to all actual purchasers of an issue of Bonds. Neither a Preliminary Official Statement nor an Official Statement, as applicable, shall be required in the event an issue or a series of Bonds is privately placed.

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 the direction of the Underwriter or the Private Placement Purchaser thereof, as applicable, 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 or the Private Placement Purchaser thereof, as applicable, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 8. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Indentures, the Loan Agreements, the Purchase Contracts, the Private Placement Purchase Contract, if any, and the Official Statements. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; 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.

Section 9. The provisions of the Authority's Resolution No. 2013-02, as amended, apply to the documents and actions approved in this Resolution.

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

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

Date of Adoption: ____________________________

Exhibit A

Description of the Project

Lucile Salter Packard Children's Hospital at Stanford (the "Borrower") has requested the issuance of revenue bonds to finance a portion of the costs of the expansion of its existing hospital facility. The expansion contemplated by the Borrower will include construction, equipment, furnishings and land improvements and will increase the size of the existing hospital facilities operated by the Borrower at 725 Welch Road, Palo Alto, California 94304 by approximately 521,000 square feet. The expansion is being constructed in Palo Alto, California in the area bounded by Welch Road and Quarry Road adjacent to the Borrower's existing hospital facility. Plans approved by the Borrower and the City of Palo Alto for the expansion provide for the construction of two five-story towers, each of which will house amenity and ancillary support services at the ground and first levels and patient beds on levels two through five. The fifth floor of each tower will be shelled at initial occupancy, and will be fitted out at a later date. Ancillary support services planned for the expansion include diagnostic, surgery and imaging departments, comprised of one neuro hybrid surgery suite, one neuro operating room suite, two cardiac surgery suites, three cardiac cath labs, one interventional room, one MRI, one CT scanner, one PET-CT scanner, and two nuclear medicine rooms.