CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Dignity Health ("DH") 185 Berry Street, Suite 300 San Francisco, CA 94107 San Francisco County (Corporate Headquarter)	**Amount Requested:** **Requested Loan Term:** **Authority Meeting Date:** **Resolution Number:**	$300,000,000 Up to 30 years Nov. 10, 2016 421

Project Sites: Various
Facility Type: General acute/sub-acute and outpatient care, acute psychiatric, chemical dependency rehabilitation, outpatient surgery, and skilled nursing services
Prior Borrower: Yes (date of last CHFFA issue, 2014)
Obligated Group: See Exhibit 5

Background: Founded in 1986 and headquartered in San Francisco, California, DH is a nonprofit public benefit corporation formerly known as Catholic Healthcare West. DH together with its subsidiary corporations comprises the Dignity Health System ("DH System"). The DH System operates 39 acute care hospitals throughout California, Arizona and Nevada. In FY 2016, DH operated 8,447 licensed acute beds and had approximately 377,126 acute patient admissions for a total of 1,653,356 acute patient days. (See Exhibit 2 for utilization statistics and Exhibit 4 for additional background, obligated group, and licensing information).

Use of Proceeds: DH plans to use bond proceeds to advance refund the advance refundable portion of the California Statewide Communities Development Authority ("CSCDA") Series 2007K, 2007L, 2008A, 2008B, 2008D, and 2008E Bonds. Net present value savings are expected to be approximately $21.5 million.

Type of Issue: Private placement, fixed rate bonds
Expected Credit Ratings: Unrated
Financing Team: *Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: DH's income statement appears to exhibit fluctuating operating results, as well as a solid financial position with a positive operating debt service coverage ratio during the review period, and a pro-forma debt service coverage ratio of 2.06x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$ 300,000,000	Refunding Bonds*	$ 297,271,401
		Financing Cost	2,728,599
Total Estimated Sources	$ 300,000,000	**Total Estimated Uses**	$ 300,000,000

*CSCDA Series 2007K, 2007L, 2008A, 2008B, 2008D, 2008E

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 421 for Dignity Health in an amount not to exceed $300,000,000 subject to the conditions in the resolution for unrated debt. Macias Gini & O'Connell, LLP, the Authority's financial analyst, and KNN Public Finance LLC the Authority's financial advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

DH intends to benefit from current low interest rates by advance refunding the advance refundable portion of the CSCDA Series 2007K, 2007L, 2008A, 2008B, 2008D, and 2008E Bonds. According to DH, the proposed refinancing may result in a net present value savings of approximately $21.5 million.

The advance refunding will be privately placed and the bonds will be unrated. However, a credit rating may be added to the bonds at the time of DH's next credit cycle.

Refunding Bonds ***$297,271,401***

Dignity Health plans to advance refund the advance refundable portion of the CSCDA (Catholic Healthcare West) Series 2007K, 2007L, 2008A, 2008B, 2008D, and 2008E Bonds, the proceeds of which were allocated to a number of Dignity Health Obligated Group Member facilities. Notable use of proceeds included the new tower and hospital projects at Marian Medical Center, Bakersfield Memorial Hospital, Mercy Medical Center, St. Joseph's Medical Center of Stockton and Sequoia Hospital. A number of other facilities, such as Arroyo Grande Community Hospital, California Hospital Medical Center, French Hospital Medical Center, Mercy Hospital Bakersfield, Mercy Medical Center Redding, Mercy San Juan Medical Center, Northridge Hospital Medical Center, St. Elizabeth Community Hospital, St. Bernardine Medical Center, St. John's Regional Medical Center, St. Mary Medical Center Long Beach and St. Mary's Medical Center San Francisco received proceeds to finance various small projects and equipment.

Financing cost ***2, 728,599***

- *Estimated cost of issuance*................................ *$2,728,599*

Total Estimated Uses of Funds ***$300,000,000***

II. GUIDELINES DISCUSSION:

The 2016 Bonds will be unrated, and will be purchased by Barclays Capital Inc., (the "Purchaser") in a private placement. The following requirements apply to the issuance of the Bonds:

- Must be privately placed with and transferred only to a "Qualified Institutional Buyer" ("QIB") as defined by SEC Rule 144A, promulgated under the Securities Act of 1933;
- Minimum denomination of $250,000;
- Unconditional Promise to Pay from DH, as borrower;
- Investor Letter required at issuance;
- Bonds transfer restrictions must be noted conspicuously on the Bonds themselves; and
- Bonds may be held in book-entry form.

All of the foregoing requirements are designed to maximize the likelihood that the unrated 2016 Bonds will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The 2016 Bonds are not rated at this time because the Purchaser does not require the 2016 Bonds to be rated. The Purchaser is required to be a QIB, as defined under SEC Rule 144A (unless the 2016 Bonds are rated by at least one rating agency in one of the four highest rating categories (AAA, AA, A, BBB)) and will make an independent credit determination with respect to its purchase of the 2016 Bonds. The foregoing will be reflected in the Investor Letter to be delivered by the Purchaser.

In addition, the Prior Bonds issued by the Authority for the benefit of DH and the other members of the Obligated Group are currently rated "A3", "A" and "A" by Moody's Investors Service, Fitch Ratings and S&P Global Ratings, respectively. The Prior Bonds are secured by prior Obligations issued under the Dignity Health Master Indenture. The 2016 Bonds will be secured by an Obligation issued under the Dignity Health Master Indenture. The 2016 Bonds will not be secured by a debt service reserve account, because the Purchaser does not require a debt service reserve account.

This transaction complies with the Authority's existing unrated debt guidelines with the exception of the requirement for physical delivery of the 2016 Bonds. DH will also covenant, for so long as the Bonds remain outstanding, that it will: (a) prepare continuing disclosure reports with substantially the same content and at the same frequency as required by the continuing disclosure undertaking pursuant to SEC rule 15c2-12(a)(5) (or successor) (the "Rule") in connection with the Prior Bonds or any subsequent continuing disclosure undertaking entered into pursuant to the Rule, and (b) publicly disseminate such continuing disclosure reports in such a manner as would be otherwise required under the Rule for publicly sold bonds.

III. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Obligated Group:
The DH System undertakes most of its borrowing activities under a Master Indenture. Under the Master Indenture, a group composed of DH and certain other corporations in the DH System (each a "Member" of the "Obligated Group") have agreed to be jointly and severally obligated for debt incurred under the Master Indenture. Only the corporations that are Members of the Obligated Group are jointly and severally obligated under the Master Indenture. None of the Non-Member Entities have assumed any financial obligation related to payment of or security for any of the Bonds or any other obligations incurred under the Master Indenture.

After reviewing the Obligated Group's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, DH, KNN Public Finance LLC (the Authority's financial advisor), and the placement agent have concluded the covenants listed below balance the interests of the Obligated Group, the Authority, and the investors and are consistent with covenants that have applied to the Obligated Group's prior bond transactions and that the Obligated Group's current financial situation does not suggest additional covenants should be required.

Unconditional Obligation to Pay. *DH agrees to pay the Bond Trustee all amounts required to pay the principal and purchase price of and premium, if any, and interest on the 2016A Bonds when due, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all such payments under the obligations issued under the Master Indenture (collectively, the "Bond Obligations"). All Revenues (which will include payments made pursuant to or with respect to the Loan Agreement or the Bond Obligations and any other amounts held in a fund or account under the Bond Indenture are pledged to secure the full payment of the Bonds.*

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.10 times the Debt Service Requirement, calculated for the Obligated Group as a whole at the end of each fiscal year. 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 debt service payments.*

Pledge of Gross Revenues. *Each Obligated Group Member pledges to deposit all revenue, income, receipts and money received ("Gross Revenues") into a Gross Revenue Fund and has granted a security interest to the Master Trustee in such Gross Revenue Fund.*

Covenant Against Liens. *Each Obligated Group Member agrees not to create, assume or permit any Lien upon any of its Property or Gross Revenues, other than Permitted Liens.*

Limitations on Additional Indebtedness and Guaranties. *Each Obligated Group Member agrees not to incur additional Indebtedness or enter into or become liable in respect of any Guaranty, unless authorized by various financial performance or projection measures set out in the Master Indenture.*

Limitations on Consolidation, Merger, Sale or Conveyance. *Each Obligated Group Member agrees not to merge, consolidate with any other corporation which is not an Obligated Group Member or sell or convey all or substantially all of its assets to any Person which is not an Obligated Group Member unless authorized by various limiting measures set out in the Master Indenture.*

Disposition of Assets. *Each Obligated Group Member agrees not to sell, lease or otherwise dispose of any Property, including liquid assets, unless authorized by various limiting measures set out in the Master Indenture.*

Comply with SEC Rule 15c2-12. *DH, on behalf of the Obligated Group, will take such action as is necessary to assist the placement agent in complying with SEC Rule 15c2-12 (the "Rule"). DH will contractually agree, while any of the Bonds remain outstanding, to disclose certain financial information and operating data to the SEC web site (EMMA) and to report certain "listed events" with respect to the Bonds within the time frame set forth in the Rule.*

Staff has completed its due diligence, and KNN Public Finance LLC has reviewed the Loan Agreements, Bond Indentures, Supplemental Indentures, and prior DH offering documents associated with this financing package and find these documents and proposed covenants to be acceptable.

IV. FINANCIAL STATEMENTS AND ANALYSIS:

Dignity Health
Statement of Financial Position
(Unrestricted)
(in thousands)

	As of June 30, 2016	2015	2014
Assets			
Current Assets:			
Cash and cash equivalents	$ 569,473	$ 285,568	$ 324,242
Short-term investments	2,047,997	1,568,469	1,488,207
Collateral held under securities lending program	162,239	222,438	187,247
Assets limited as to use	1,014,919	1,017,174	1,148,886
Patient accounts receivable, net of allowance for doubtful accounts of $631,628, $555,092 and $648,004 in 2016, 2015 and 2014, respectively	1,816,529	1,721,158	1,705,403
Broker receivables for unsettled investment trades	82,487	100,779	8,354
Other current assets	1,696,140	1,367,274	680,807
Total current assets	7,389,784	6,282,860	5,543,146
Assets limited as to use:			
Board-designated assets (including $325,011, $292,741 and $226,059 of assets loaned under securities lending program in 2016, 2015 and 2014, respectively) for:			
Capital projects	2,266,976	3,587,763	3,448,004
Workers' compensation	400,022	402,694	435,040
Professional and general liability	291,415	300,116	295,076
Under bond indenture agreements for:			
Capital projects	45,591	98,274	85,098
Debt service	95,551	105,350	135,484
Bond reserves	-	-	20,633
Donor-restricted	445,212	443,078	427,728
Other	66,009	54,301	54,502
Less amount required to meet current obligations	(1,014,919)	(1,017,174)	(1,148,886)
Net assets limited as to use	2,595,857	3,974,402	3,752,679
Property and equipment, net	4,909,980	4,811,643	4,629,203
Ownership interests in health-related activities	1,324,540	1,167,976	1,007,710
Goodwill	574,355	572,957	509,772
Intangible assets, net	213,185	222,195	224,043
Other long-term assets, net	75,961	65,156	116,841
Total assets	$ 17,082,662	$ 17,097,189	$ 15,783,394

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Dignity Health
Statement of Financial Position
(Unrestricted)
(in thousands)

	As of June 30,		
	2016	**2015**	**2014**
Liabilities and Net Assets			
Current liabilities:			
Current portion of long-term debt	$ 112,283	$ 126,023	$ 229,264
Demand bonds subject to short-term liquidity arrangements, excluding current maturities	761,800	769,400	776,400
Accounts payable	659,536	622,218	611,187
Payable under securities lending program	162,241	222,455	187,289
Accrued salaries and benefits	681,835	669,454	590,196
Accrued workers' compensation	47,042	43,602	39,431
Accrued professional and general liabilities	68,417	77,247	80,751
Pension and other postretirement benefit liabilities	356,217	282,787	220,659
Broker payables for unsettled investment trades	14,930	26,652	11,158
Other accrued liabilities	948,527	747,832	582,863
Total current liabilities	3,812,828	3,587,670	3,329,198
Other liabilities:			
Workers' compensation	344,927	340,107	346,062
Professional and general liability	266,278	275,999	247,023
Pension and other postretirement benefit liabilities	1,604,163	824,271	484,773
Other	221,259	224,130	226,293
Total other liabilities	2,436,627	1,664,507	1,304,151
Long-term debt, net of current position	4,605,283	4,554,194	4,037,607
Total liabilities	10,854,738	9,806,371	8,670,956
Net assets:			
Unrestricted - attributable to Dignity Health	5,550,726	6,653,842	6,505,202
Unrestricted - noncontrolling interest	231,337	197,530	182,593
Temporarily restricted	331,128	332,521	317,953
Permanently restricted	114,733	106,925	106,690
Total net assets	6,227,924	7,290,818	7,112,438
Total liabilities and net assets	$ 17,082,662	$ 17,097,189	$ 15,783,394

	Proforma [a] FYE June 30, 2016	**2016**	**2015**	**2014**
Debt Service Coverage - Operating (x)	2.06	1.99	2.61	2.95
Debt Service Coverage - Net (x)	(0.66)	(0.63)	2.01	5.10
Debt to Unrestricted Net Assets (x)	0.99	0.99	0.82	0.78
Margin (%)		(0.50)	3.42	2.70
Current Ratio (x)		1.94	1.75	1.67

[a] Recalculates FY 2016 audited results to include the impact of this proposed financing.

The Obligated Group consists of 96.1% of the consolidated unrestricted net assets of Dignity Health.

Dignity Health
Statement of Activities
(Unrestricted)
(in thousands)

	As of June 30,		
	2016	**2015**	**2014**
Revenue			
Unrestricted revenues and other support:			
Patient revenue, net of contractual allowances and discounts	$ 12,234,018	$ 12,094,886	$ 10,455,996
Provision for bad debts	(691,756)	(704,748)	(997,540)
Net patient revenue	11,542,262	11,390,138	9,458,456
Premium revenue	633,395	566,364	497,309
Revenue from health-related activities, net	66,586	99,922	152,702
Other operating revenue	376,580	312,374	551,899
Contributions	17,452	17,780	16,985
Total unrestricted revenues and other support	12,636,275	12,386,578	10,677,351
Expenses:			
Salaries and benefits	6,581,323	6,081,380	5,671,383
Supplies	1,769,212	1,649,599	1,530,723
Purchased services and other	3,497,502	3,441,649	2,507,738
Depreciation and amortization	581,624	545,358	480,316
Interest expense, net	270,034	229,955	198,814
Loss on early extinguishment of debt	-	6,374	-
Special charges and other costs	-	9,000	554
Total expenses	12,699,695	11,963,315	10,389,528
Operating income	(63,420)	423,263	287,823
Other income (loss):			
Investment income, net	(123,869)	177,615	685,626
Income tax expense	(14,189)	(13,976)	(60,769)
Total other income, net	(138,058)	163,639	624,857
Excess of revenues over expenses	(201,478)	586,902	912,680
Less excess of revenues over expenses attributable to noncontrolling interests	36,337	28,991	27,671
Excess of revenues over expenses attributable to Dignity Health	(237,815)	557,911	885,009
Unrestricted net assets attributable to Dignity Health:			
Excess of revenues over expenses attributable to Dignity Health	(237,815)	557,911	885,009
Change in net unrealized gains on available-for-sale investments	(1,251)	(1,880)	(726)
Net assets released from restrictions used for purchase of property and equipment	11,411	13,000	16,984
Change in funded status of pension and other postretirement benefit plans	(886,749)	(461,581)	99,640
Loss from discontinued operations, net	(276)	(1,271)	(14,855)
Change in net assets of unconsolidated equity method investments	11,402	-	-
Change in ownership interests held by controlled subsidiaries	(17,384)	15,151	(21,194)
Change in accumulated unrealized derivative gains, net	2,683	2,683	2,683
Funds donated from unconsolidated sources for purchase of property and equipment	11,051	24,391	20,016
Other	3,812	236	6,935
Increase in unrestricted net assets attributable to Dignity Health	(1,103,116)	148,640	994,492

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Dignity Health
Statement of Activities
(Unrestricted)
(in thousands)

	As of June 30,		
	2016	**2015**	**2014**
Unrestricted net assets attributable to noncontrolling interests:			
Excess of revenues over expenses attributable to noncontrolling interests	36,337	28,991	27,671
Change in ownership interest and other, net	(2,530)	(14,054)	(11,805)
Increase in unrestricted net assets attributable to noncontrolling interests	33,807	14,937	15,866
Temporarily restricted net assets:	49,802	39,307	55,123
Contributions	(1,482)	1,879	6,833
Net realized and unrealized gains on investments	(39,453)	(32,555)	(40,150)
Change in interest in net assets of unconsolidated foundations	(13,624)	5,835	25,179
Other	3,364	102	(7,739)
Increase in temporarily restricted net assets	(1,393)	14,568	39,246
Permanently restricted net assets:			
Contributions	4,770	120	(625)
Net realized and unrealized gains (losses) on investments	89	(46)	70
Change in interest in net assets of unconsolidated foundations	2,949	130	2,231
Other	-	31	(71)
Increase in permanently restricted net assets	7,808	235	1,605
Increase in net assets	(1,062,894)	178,380	1,051,209
Net assets, beginning of period	7,290,818	7,112,438	6,061,229
Net assets, end of period	$ 6,227,924	$ 7,290,818	$ 7,122,438

The Obligated Group consists of 96.1% of the consolidated unrestricted net assets of Dignity Health

*Net Patient Service Revenues for FYE June 30,

Payor Mix

	2016	**2015**
Medicare (% of Gross Revenue)	30	31
Medicare Managed Care (% of Gross Revenue)	10	10
Medicaid (% of Gross Revenue)	11	11
Medicaid Managed Care (% of Gross Revenue)	15	15
Total Commercial (%)	26	25
Self-Pay (% of Gross Revenue)	2	3
Other (% of Gross Revenue)	6	5

The audited, combined financial statements of the Dignity Health System were analyzed in this section. The Obligated Group comprises approximately 96.1% of the total assets and 99.1% of the total revenues of the combined financials.

Financial Discussion – Statement of Activities (Income Statement)

DH's income statement appears to exhibit fluctuating operating results during the review period.

Total unrestricted revenues and other support grew over the three year period by 18.3%, increasing from $10.6 billion in FY 2014 to $12.3 billion in FY 2015, and to $12.6 billion in FY 2016. However, total expenses grew at a quicker pace of 22.2%, increasing from $10.3 billion in FY 2014 to $11.9 billion in FY 2015, and again increasing to $12.6 billion in FY 2016. According to DH's management, the largest factors in both revenue and expense growth between fiscal years include a 7% increase in adjusted admissions in DH's acute care operations and even larger increases for its physician practice activities and its joint venture and ambulatory activities. Additionally, DH had some revenue rate increases and also experienced cost increases from providing wage increases to employees and experienced cost inflation on all expense categories. Furthermore, a one-time gain of $231 million associated with a transaction whereby DH contributed certain assets to form a joint venture (Optum360) and those assets were worth much more than its book value, and in FY 2014 interest expense included $4 million of mark-to-market adjustments on swaps whereas FY 2016 reflected $70 million of adjustments by comparison. These transactions resulted in operating income fluctuating during the period, increasing from $287.8 million in FY 2014 to $423.2 million in FY 2015 before displaying a negative $63.4 million in FY 2016 for a total reduction of 122%. According to DH's management, in addition to the issues mentioned above, the California provider fee is a major cause of the fluctuations. In FY 2014, DH reflected six months of activity, while FY 2015 DH reflected 18 months of activity and FY 2016 DH reflected 12 months of activity.

Overall, DH is making strides to address its operating activities. Recently, in the first half of FY 2016, DH instituted additional short-term improvement plans, many of which gained some traction during the second half of FY 2016. Additionally, DH launched a major, organization-wide, multi-year performance improvement effort to increase revenues and decrease expenses, which will involve many changes to its operations over the near future.

Particular Facts to Note:

- Change in funded status of pension and other postretirement benefit plans decreased from $99.6 million in FY 2014 to a loss of $886.7 million in FY 2016, a loss of 990% during the three-year period. According to DH's management, the major factors are the same as those experienced by other employers with defined benefit plans during the time period, including a decrease in discount rate, investment returns less than expected return of 8%, and adoption of new mortality tables in FY 2015.

- Investment income, net decreased from $685.6 million in FY 2014 to negative $123.9 million in FY 2016, a reduction of 118.1%. According to DH's management, market volatility was reflected in unrealized losses. Underperformance was broad-based across most asset classes as DH's active investment managers tried to adjust to the ever-changing market environment. Long term, DH's performance has been strong and early in FY 2017 DH's returns are ahead of its benchmark.

- Salaries and benefits increased from $5.7 billion in FY 2014 to $6.6 billion in FY 2016, an increase of 16%, primarily due to increase in wage and labor costs.

Financial Discussion – Statement of Financial Position (Balance Sheet)

DH appears to have a solid financial position with a positive operating debt service coverage ratio during the review period.

DH's balance sheet decreased with total net assets decreasing from approximately $7.1 billion in FY 2014 to $6.2 billion in FY 2016, a decrease of approximately 12.4%. However, DH showed continued growth of current assets from $5.5 billion in FY 2014 to $6.3 billion in FY 2015 and $7.4 billion in FY 2016, an increase of 33.3%. Comparatively, total current liabilities have increased at a slower pace from $3.3 billion in FY 2014, to $3.6 billion in FY 2015 and $3.8 billion in FY 2016, an increase of 14.5% during the same time period.

Similarly, the operating debt service coverage ratio has fluctuated, but remained steady from 2.95x in FY 2014 to 1.99x in FY 2016. The proforma operating debt service coverage ratio is 2.06x, indicating DH appears to be able to manage the proposed debt.

Particular Facts to Note:

- Other current assets grew from $680.8 million in FY 2014 to $1.7 billion in FY 2016, primarily due to provider fee receivables. According to DH's management, total provider fee activity was smaller in FY 2014 due to being before the Affordable Care Act, and a much larger portion of it fell into a category that the Center for Medicare & Medicaid Services ("CMS"), which reviews and signs off on certain calculations before providers can make payments and receive payments, could review and approve more quickly. The provider fee program experiences delays due to CMS' review, and absent structural delays, DH anticipates significant delays in settlement of activity to continue in the future.

- Current portion of long-term debt has decreased 51% from $229.2 million in FY 2014 to $112.3 million in FY 2016. According to DH's management, it has taken steps to constantly evaluate its debt portfolio for refinancing opportunities and has made decisions on how to efficiently manage debt levels, whether by using cash to pay off maturities or by refinancing the maturities as they come due.

- Current pension and other postretirement benefit liabilities increased 61.4% from FY 2014 to FY 2016, and noncurrent pension and other postretirement benefit liabilities increased 230.9% from FY 2014 to FY 2016. As previously discussed above in the income statement section, DH's management attributes these increases to a decrease in discount rate, investment returns less than expected return of 8%, and adoption of new mortality tables in FY 2015. DH believes the discount rate is at an all-time low and it will ultimately rise and the unfunded amount will decline.

IV. DUE DILIGENCE:

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

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

  DH has several programs and services that are designed to extend its mission and to meet the community benefits requirements of both state and federal law.

  1) Traditional charity care includes the cost of free or discounted services provided to persons who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured and meet DH's criteria for financial assistance.

  2) Unpaid costs of public programs represent the unreimbursed cost of services provided to persons covered by public programs for the poor, such as Medicaid and other indigent programs.

  3) Costs of other programs for the poor included programs directed at serving the poor of the community. DH underwrites clinical health services at DH facilities and also makes outright grants to meet certain needs in the communities it serves.

  4) Benefits for the broader community include unreimbursed costs of programs and services for persons who need special services and support but may not qualify as poor. Most services for the broader community are aimed at improving the health and welfare of the overall community. Such services include the interest rate differential on below market rate loans that DH makes to non-profit community-based organizations that promote the total health of their community, including the development of affordable housing for low-income persons and families, increasing opportunities for jobs and job training, and expanding access to healthcare for uninsured and underinsured persons.

  In FY 2016, DH provided $2.1 billion in community benefits and care for the poor, including unpaid cost in Medicare.

  Please enter the below web address in your web browser for DH System's hospital community benefit reports:

  https://www.dignityhealth.org/about-us/community-health/community-health-programs-and-reports/community-benefit-reports

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

- **Compliance with Seismic Regulations:** DH 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):** DH properly provided CEQA documentation.

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

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

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

EXHIBIT 1

FINANCING TEAM

DIGNITY HEALTH

Borrower:	Dignity Health
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Borrower's Counsel:	Manatt, Phelps & Phillips LLP
Borrower's Financial Advisor:	Swap Financial Group
Bond Counsel:	Norton Rose Fulbright US LLP
Underwriter/ Direct Placement Purchaser:	Barclays Capital Inc.
Underwriter's Counsel:	McDermott Will & Emery
Bond Trustee:	MUFG Union Bank, N.A.
Bond Trustee Counsel:	MUFG Americas Legal Department
Master Trustee:	U.S. Bank Global Corporate Trust Services
Verification Agent:	Causey Demgen & Moore P.C.

EXHIBIT 2

UTILIZATION STATISTICS

The following table shows utilization statistics for the acute care hospitals operated by the Obligated Group Members for the fiscal years ended June 30, 2016, 2015 and 2014:

Dignity Health
UTILIZATION STATISTICS

Service Statistics/Patient Days
for Fiscal Year End June 30,

	2016	**2015**	**2014**
Licensed Acute Beds (1) (2)	8,447	8,331	8,460
Acute Admissions (1)	377,126	374,024	363,357
Acute Patient Days (1)	1,653,356	1,653,356	1,565,877
Acute Average Length of Stay (1)	4.4	4.4	4.3
Acute Average Length of Stay Medicare PPS (1)	4.8	4.8	4.7

(1) Acute care statistics include psyhiatric and rehabilitation beds and are hospital only

(2) Licensed beds include beds in suspense status

EXHIBIT 3

OUTSTANDING DEBT

As of fiscal year ending June 30, 2016, DH has approximately $5.479 billion in outstanding debt of which $1.751 billion is Authority debt.

Following this proposed refunding of up to $300 million, the Obligated Group's total amount of the Authority debt will increase to approximately $2.051 billion (37.4%).

EXHIBIT 4

BACKGROUND, OBLIGATED GROUP AND LICENSURE

Background

DH is a California nonprofit public benefit corporation, formerly known as Catholic Healthcare West, founded in 1986 and headquartered in San Francisco, California. DH together with its subsidiary corporations comprise the Dignity Health System ("DH System"), which is one of the largest not-for-profit acute healthcare delivery systems in the United States as measured by annual revenue. DH System operates 39 hospitals throughout communities in California, Arizona, and Nevada. DH System's facilities currently include approximately 8,500 licensed acute care beds and approximately 700 licensed skilled nursing beds. DH System maintains prominent market shares in many of its service areas, and many of its hospitals rank among the finest in the nation. In August 2012, DH expanded to 13 additional states with the acquisition of U.S. Health Works, a wholly owned for-profit subsidiary, which currently provides over 3.5 million occupational health and urgent care visits annually in 20 states.

The DH System operates under a single operating company model utilizing a variety of common corporate services. The DH System also utilizes a common accounting system, common accounting practices and a single internal audit firm, Catholic Healthcare Audit Network, LLC. A single corporate financial planning model, budget process and capital allocation process is in place. DH utilizes centralized debt compliance monitoring and unified debt management on behalf of the DH System. Daily cash management is also under common administration, as is pooled investment management.

Obligated Group

DH System is comprised of DH, several not-for-profit corporations, and their wholly and partially owned interests in a variety of other corporations, partnerships and limited liability companies. DH and certain other not-for-profit corporations (each a "Member" of the "Obligated Group") have agreed to be jointly and severally obligated for debt incurred under the Master Indenture. Most of the borrowing activities of the Obligated Group are contracted under the Master Indenture. Other entities affiliated with DH are not Members of the Obligated Group (the "Non-Member Entities"). Only the corporations that are Members of the Obligated Group are jointly and severally obligated under the Master Indenture. None of the Non-Member Entities have assumed any financial obligation related to payment of or security for any of the 2016 Bonds or any other obligations incurred under the Master Indenture. The Non-Member Entities in the DH System represented approximately 9% of the consolidated revenue at FY 2014 and 3% of consolidated unrestricted net assets of the DH System for the fiscal year ended June 30, 2014, as shown in the audited financial statement.

DH has membership rights and powers exercised either directly or indirectly with respect to each of the other Obligated Group Members. Generally, these membership powers include the right of DH to approve budgets, capital expenditures, liens and encumbrances, changes in corporate charter documents, certain asset acquisitions and sales, and mergers and dissolutions, among other things. Generally, DH also has the right to approve the appointment of the CEO of each other Obligated Group Member, and generally the CEO is an employee of DH.

In total, there are seven Obligated Group Members: DH, which directly operates and owns or leases 34 acute care hospitals, plus six subsidiary corporations. Of the six subsidiary corporations that are Obligated Group Members, four operate and own acute care hospitals. (see Exhibit 5 for a full list of the Obligated Group Members).

Licensure and Memberships

Each of the California hospitals operated by a Dignity Health Obligated Group Member is licensed through the California Department of Public Health for the level of care it delivers and is certified to participate in the Medicare program and its state's Medicaid program, and each is accredited by The Joint Commission. In addition, each skilled nursing facility unit operated by a Dignity Health Obligated Group Member is certified to participate in the Medicare and Medicaid programs. Mercy McMahon Terrace (formerly known as Mercy Senior Housing, Inc.) a California residential care facility for the elderly is certified by the California Department of Social Services.

EXHIBIT 5

LIST OF OBLIGATED GROUP MEMBERS AND HEALTHCARE FACILITIES

Obligated Group Member Facilities	Type of Facility	Location	Service Areas
Dignity Health	N/A	San Francisco, CA	
Arroyo Grande Community Hospital	Acute Care	Arroyo Grande, CA	Central Coast
California Hospital Medical Center – Los Angeles	Acute Care	Los Angeles, CA	Southern California
Chandler Regional Medical Center	Acute Care	Chandler, AZ	Arizona
Dominican Hospital	Acute Care	Santa Cruz, CA	Bay Area
French Hospital Medical Center	Acute Care	San Luis Obispo, CA	Central Coast
Glendale Memorial Hospital and Health Center	Acute Care	Glendale, CA	Southern California
Marian Regional Medical Center (three locations)	Acute Care	Santa Maria, CA	Central Coast
Mercy General Hospital	Acute Care	Sacramento, CA	Greater Sacramento
Mercy Gilbert Medical Center	Acute Care	Gilbert, AZ	Arizona
Mercy Hospital (Bakersfield) (two locations)	Acute Care	Bakersfield, CA	Central California
Mercy Hospital of Folsom	Acute Care	Folsom, CA	Greater Sacramento
Mercy Medical Center (Merced)	Acute Care	Merced, CA	Central California
Mercy Medical Center, Mt. Shasta	Acute Care	Mt. Shasta, CA	North State
Mercy Medical Center Redding	Acute Care	Redding, CA	North State
Mercy San Juan Medical Center	Acute Care	Carmichael, CA	Greater Sacramento
Mercy Southwest Hospital	Acute Care	Bakersfield, CA	Central California
Methodist Hospital of Sacramento	Acute Care	Sacramento, CA	Greater Sacramento
Northridge Hospital Medical Center	Acute Care	Northridge, CA	Southern California
Sequoia Hospital	Acute Care	Redwood City, CA	Bay Area
St. Bernardine Medical Center	Acute Care	San Bernardino, CA	Southern California
St. Elizabeth's Community Hospital	Acute Care	Red Bluff, CA	North State
St. John's Pleasant Valley Hospital	Acute Care	Camarillo, CA	Central Coast
St. John's Regional Medical Center	Acute Care	Oxnard, CA	Central Coast
St. Joseph's Hospital and Medical Center (two locations)	Acute Care	Phoenix, AZ	Arizona
St. Joseph's Westgate Medical Center	Acute Care	Glendale, AZ	Arizona
St. Mary Medical Center	Acute Care	Long Beach, CA	Southern California
St. Mary's Medical Center	Acute Care	San Francisco, CA	Bay Area
St. Rose Dominican Hospital Rose de Lima Campus	Acute Care	Henderson, NV	Nevada
St. Rose Dominican Hospital San Martin Campus	Acute Care	Las Vegas, NV	Nevada
St. Rose Dominican Hospital Siena Campus	Acute Care	Henderson, NV	Nevada
Woodland Memorial Hospital	Acute Care	Woodland, CA	Greater Sacramento
Bakersfield Memorial Hospital	Acute Care	Bakersfield, CA	Central California
Dignity Health Medical Foundation	N/A	Various	Various
Community Hospital of San Bernardino	Acute Care	San Bernardino, CA	Southern California
Mercy McMahon Terrace	N/A	Sacramento, CA	Greater Sacramento
Saint Francis Memorial Hospital	Acute Care	San Francisco, CA	Bay Area
Sierra Nevada Memorial-Miners Hospital	Acute Care	Grass Valley, CA	Greater Sacramento

RESOLUTION NO. 421

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS RELATED TO THE REFINANCING OF PROJECTS AT THE HEALTH FACILITIES OF DIGNITY HEALTH AND CERTAIN AFFILIATED CORPORATIONS

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 the 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, Dignity Health (formerly Catholic Healthcare West) (the "Borrower") is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California and is affiliated with Bakersfield Memorial Hospital, Community Hospital of San Bernardino, Saint Francis Memorial Hospital, Sierra Nevada Memorial-Miners Hospital, Mercy Senior Housing, Inc. and Dignity Health Medical Foundation (each, together with the Borrower, an "Obligated Group Member"), each of which is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California and each of which, together with the Borrower, owns and operates health care facilities in the State of California;

WHEREAS, the California Statewide Communities Development Authority previously issued its:

> (1) Insured Health Facility Revenue Bonds (Catholic Healthcare West), 2007 Series K and L (the "2007 Bonds"), in the total aggregate principal amount of $90,000,000, all of which currently is outstanding. and
>
> (2) Revenue Bonds (Catholic Healthcare West), 2008 Series A, B, D and E (the "2008 Bonds" and, together with the 2007 Bonds, the "Prior Bonds"), in the aggregate principal amount of $186,250,000, $166,775,000 of which currently is outstanding,

and loaned the proceeds thereof to the Borrower to finance and/or refinance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities of the Obligated Group Members, as more particularly described under the caption "Prior Projects" in <u>Exhibit A</u> hereto (collectively, the "Prior Projects");

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 $300,000,000 and make one or more loans of the proceeds thereof to the Borrower (i) to refund all or a portion of the outstanding 2007 Bonds; (ii) to refund all or a portion of the outstanding 2008 Bonds; and (iii) to pay costs of issuance of the Bonds (as defined below);

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

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

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

SECTION 1. Pursuant to the Act, revenue bonds of the Authority designated as the "California Health Facilities Financing Authority Revenue Bonds (Dignity Health)" (the "Bonds"), in a total aggregate principal amount not to exceed $300,000,000 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 the bond indenture 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 November 10, 2017, 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 the discount on the Bonds sold shall not exceed six 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 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 following documents:

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

(b) the Bond Indenture relating to the Bonds (the "Bond Indenture"), between the Authority and MUFG Union Bank, N.A., as bond trustee (the "Trustee"), and

(c) the Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the "Bond Purchase Contract"), among Barclays Capital Inc. (the "Purchaser"), the Treasurer and the Authority and accepted 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 execution and delivery thereof. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

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

SECTION 5. The dated dates, maturity dates (not exceeding 40 years from the date of issue), 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 for a credit facility and/or a liquidity facility, if any, from time to time, shall be as provided in the Bond Indenture, as finally executed.

SECTION 6. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Purchaser 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 Purchaser, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 7. Each officer of the Authority is hereby authorized and directed, for and in the name 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, the Bond Indenture, the Loan Agreement and the Bond Purchase Contract. 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 8. The provisions of the Authority's Resolution No. 2014-05, as amended, apply to the documents and actions approved in this Resolution.

SECTION 9. 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 10. Notwithstanding anything to the contrary in this Resolution, no documents referenced in this Resolution may be executed and delivered, and the Bonds may not be issued, until the Authority has held a public hearing pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended, and the Treasurer of the State of California has approved the issuance of the Bonds by the Authority.

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

Date of Adoption: ____________________________

EXHIBIT A

<u>Prior Projects</u>:[1]

California Statewide Communities Development Authority Insured Health Facility Revenue Bonds (Catholic Healthcare West), 2007 Series K and L (the “2007 Bonds”)

California Statewide Communities Development Authority Revenue Bonds (Catholic Healthcare West), 2008 Series A, B, D and E (the “2008 Bonds” and, together with the 2007 Bonds, the “Prior Bonds”)

The proceeds of the Prior Bonds were used to finance and refinance, through reimbursement of previously incurred expenditures, the costs of improvements to the following facilities owned and operated by the Borrower and other Obligated Group Members:

Arroyo Grande Community Hospital
French Hospital Medical Center (San Luis Obispo)
Marian Medical Center (Santa Maria)
Mercy Medical Center Merced
Mercy Medical Center Redding
Mercy San Juan Medical Center (Carmichael)
Northridge Hospital Medical Center
St. Bernardine Medical Center (San Bernardino)
St. John’s Regional Medical Center (Oxnard)
St. Joseph Medical Center of Stockton
St. Mary’s Medical Center (Long Beach)
St. Mary’s Medical Center (San Francisco)
Bakersfield Memorial Hospital
Sequoia Health Services (Redwood City)
California Hospital Medical Center - Los Angeles
Glendale Memorial Hospital and Health Center
Mercy Hospital Bakersfield
St. Elizabeth’s Community Hospital

[1] The names of the facilities listed in this Exhibit A were the names of such facilities at the time of the applicable bond financing. Subsequent to the financings, the names of some of the facilities were changed. In addition, certain facilities listed herein were subsequently disposed of by the Borrower. Any dispositions would have been remediated.