CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Scripps Health ("Scripps") 4275 Campus Point Court San Diego, California 92121 San Diego County	**Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$168,500,000 January 26, 2017 Up to 40 years 423
Project Sites:	*Please see Exhibit 1*		
Facility Types:	General acute, sub-acute and outpatient care		
Eligibility:	Government Code 15432(d) (1)		
Prior Borrower:	Yes (date of last CHFFA issue, 2016)		
Obligated Group:	Scripps is the sole member of the Obligated Group		

Background: Scripps was established in 1924 and headquartered in San Diego. Scripps is a nonprofit public benefit corporation, which provides quality, safe and cost-effective healthcare services throughout San Diego County. Scripps provides healthcare services to approximately 700,000 patients every year through a network of programs at four acute-care hospitals, 26 outpatient clinics, five campuses, an extensive ambulatory care network, home health care, associated support services and more than 2,600 affiliated physicians. Scripps has two of the six designated trauma centers in San Diego County, one of the 10 largest hospitals in California, and one of the oldest multi-specialty clinics in Southern California. *(See Exhibit 5 for more details)*

Use of Proceeds: Note proceeds will be used to refund outstanding CHFFA Variable Rate Revenue Bonds Series 2008B, C, D, E, and F. Scripps plans to refund and restructure these bonds from variable rate to fixed rate and be privately placed with MUFG Union Bank, N.A.

Type of Issue:	Private placement (Qualified Institutional Buyer ("QIB"))
Purchaser:	MUFG Union Bank, N.A.
Expected Credit Rating:	Unrated – *Please see Guidelines Discussion on page 3*
Financing Team:	*Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: Scripps' income statement appears to exhibit a reduction in operating income while revenue showed solid results with positive income growth from FY 2014 to FY 2016. Scripps' financial strength appears strong with an operating pro-forma debt service coverage ratio of 6.57x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Note proceeds	$ 168,500,000	Refunding	$ 168,500,000
Borrower Funds	842,500	Financing Cost	842,500
Total Estimated Sources	$ 169,342,500	**Total Estimated Uses**	$ 169,342,500

Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, Community Service Obligation, and the Iran Contracting Act Certificate documentation. CEQA documentation is not applicable in this transaction. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 423 for Scripps Health in an amount not to exceed $168,500,000 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, Authority's financial advisor, concur with the Authority's staff recommendation.

I. PURPOSE OF FINANCING:

Scripps Health ("Scripps") seeks to refund the CHFFA Variable Rate Revenue Bonds Series 2008B, C, D, E, and F. The new 2017 Notes will be purchased solely by MUFG Union Bank, N.A. Refunding these current bonds to a fixed rate, private placement will decrease the risk of an open market and increase financial security.

Refunding **..**	***$168,500,000***

<u>*CHFFA Variable Rate Revenue Bonds Series 2008B, C, D, E, and F*</u>
CHFFA Variable Rate Revenue Bonds Series 2008B, C, D, E, and F, for approximately $221 million, were used to refund CHFFA Insured Revenue Bonds Series 2005. The original bond proceeds were used to finance or refinance prior debt obligations for acquisition, construction, improvement and equipping of certain healthcare facilities. Use of proceeds included parking structures at Scripps Memorial Hospital Encinitas and imaging pavilion at Scripps Memorial Hospital La Jolla. Other equipment purchases and acquisition, construction, and improvement were for a number of facilities which included, Scripps Health Campus Point, Scripps Mercy Hospital Chula Vista, Scripps Memorial Hospital Encinitas, Scripps Green Hospital, Scripps Memorial Hospital La Jolla, Scripps Mercy Hospital San Diego, Scripps Home Health Care Services, Scripps Health Patient Accounting, and land purchase in San Marcos. The current outstanding amount is an approximate $168.5 million.

Financing Cost **..**		<u>***842,500***</u>
Estimated cost of issuance......................................	<u>$842,500</u>	
Total Estimated Uses of Funds **..**		<u>***$169,342,500***</u>

II. GUIDELINES DISCUSSION:

Scripps Health Series 2017A Notes will be an unrated, direct placement with MUFG Union Bank, N.A. The following guidelines have been applied to the issuance of the Notes:

- 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 Borrower;
- Investor Letter required at issuance;
- Note transfer restrictions must be noted conspicuously on the Notes themselves; and
- Notes must be physically delivered.

All of the foregoing requirements are designed to maximize the likelihood that the unrated Notes will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The Notes are not rated at this time because the purchaser does not require the Notes to be rated. The purchaser is required to be QIB under SEC Rule 144A and will make an independent credit determination to purchase the Notes, as applicable. The foregoing will be reflected in their investor letter (or equivalent provisions in the note purchase agreement).

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III. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Scripps Health ("Scripps") is a California nonprofit public benefit corporation, which is solely and severally obligated under a Master Trust Indenture with respect to payments on CHFFA notes and other parity debt. Scripps, the sole member of the Obligated Group, will be the borrower under the loan agreement with CHFFA. All covenants below are applicable to the Obligated Group.

In connection with the issuance of the single series 2017 Notes, there will be a Note Indenture for the 2017A Notes, executed by the Authority and the note trustee, and a Loan Agreement for the 2017A Notes, executed by the Authority and Scripps. Scripps will also deliver an Obligation (promissory note) for the 2017A Notes, pursuant to the Master Indenture, to the note trustee to secure under the Master Indenture the repayment of the 2017A Notes required by the loan agreement.

This executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff but without further notification to the Authority's Board. These covenants and disclosures cannot be diluted or removed without subsequent review. If there have been modifications to the proposed covenants and disclosures following the preparation of this executive summary, staff will report it at the meeting.

After reviewing Scripps' current finances, Scripps' prior bond transactions, and considering what the market will support, Scripps, MUFG Union Bank, N.A. (the direct placement provider) Orrick, Herrington & Sutcliffe LLP (note counsel), and KNN Public Finance (the Authority's financial advisor), have all concluded the below listed covenants should be applicable to this transaction, are consistent with covenants that have applied to Scripps' prior bond transactions, and that Scripps' current financial situation does not suggest additional covenants should be required.

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

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

Pledge of Gross Revenues. *The Obligated Group pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund for the benefit of each note trustee and parity lender.*

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

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

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

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

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

There will not be a debt service reserve account pledged to these the 2017 Notes.

Staff has reviewed the contents of this financing package and find these documents and proposed covenants to be acceptable. KNN Public Finance, LLC has reviewed all other documents associated with this financing package and find these documents and proposed covenants to be acceptable.

IV. FINANCIAL STATEMENTS AND ANALYSIS:

SCRIPPS HEALTH AND AFFILLIATES
Consolidated Statements of Operations and
Changes in Unrestricted Controlling Net Assets
($ in Thousands)

	Year ended September 30,		
	2016	**2015**	**2014**
Unrestricted net assets:			
Operating revenues:			
Patient service revenues less provision for bad debts, net of contractual allowances and discounts	$ 2,200,064	$ 2,068,660	$ 2,142,221
Provision for bad debts	(46,186)	(40,175)	(53,702)
Net patient service revenue less provision for bad debts	2,153,878	2,028,485	2,088,519
Provider fee	89,279	152,128	21,047
Net patient service revenues	2,243,157	2,180,613	2,109,566
Capitation premium	505,118	475,791	341,078
Meaningful use	2,396	2,020	14,476
Management services	35,370	19,067	-
Other	96,748	82,336	81,076
Net assets released from restrictions used for operations	27,347	19,090	18,619
Total operating revenues	2,910,136	2,778,917	2,564,815
Operating expenses:			
Wages and benefits	1,190,710	1,135,858	1,165,283
Supplies	469,215	432,178	397,113
Services (medical, surgical, and support)	867,014	793,353	710,408
Provider fee	69,554	122,842	14,778
Depreciation and amortization	146,036	130,154	102,455
Interest	24,784	21,021	15,266
Loss on impairment	-	-	4,730
Total operating expenses	2,767,313	2,635,406	2,410,033
Operating Income	142,823	143,511	154,782
Nonoperating gains:			
Investment income	39,136	195,983	190,727
Unrealized gains (losses) on trading portfolio	100,909	(258,658)	(51,301)
Contributions	5,192	5,019	971
Market adjustment on interest rate swaps	(4,247)	(4,550)	(1,657)
Excess of revenues over expenses	283,813	81,305	293,522
Less excess of revenue over expenses attributable to noncontrolling interests	(1,511)	(1,765)	(1,952)
Excess of revenue over expenses attributable to controlling interests	282,302	79,540	291,570

Continued

Continued

Unrestricted net assets:			
Excess of revenue over expenses attributable to controlling interests	282,302	79,540	291,570
Net assets released from restrictions used for purchases of property and equipment	14,130	19,020	21,791
Other	(1,046)	(1,178)	4,021
Increase in unrestricted net assets attributable to controlling interests	295,386	97,382	317,382
Noncontrolling interests:			
Excess of revenue over expenses attributable to noncontrolling interests	1,511	1,765	1,952
Distributions to noncontrolling members	(1,170)	(1,542)	(1,690)
Increase in noncontrolling interests	341	223	262
Increase in unrestricted net assets	295,727	97,605	317,644
Temporarily restricted net assets:			
Contributions	21,909	33,269	26,997
Investment Income	2,837	13,077	13,288
Unrealized gains (losses) on investments	5,851	(16,636)	(2,601)
Net assets released from restrictions used for operations	(27,347)	(19,090)	(18,619)
Net assets released from restrictions used for purchases of property and equipment	(14,130)	(19,020)	(21,791)
Change in value of deferred gifts	565	(758)	60
Other	756	(525)	194
Decrease in temporarily restricted net assets	(9,559)	(9,683)	(2,472)
Permanently restricted net assets:			
Contributions	6,989	1,346	528
Change in value of deferred gifts	3	11	73
Other	(678)	1	871
Increase in permanently restricted net assets:	6,314	1,358	1,472
Total increase in net assets	292,482	89,280	316,644
Net assets at beginning of year	3,047,427	2,958,147	2,641,503
Net assets at end of year	$ 3,339,909	$ 3,047,427	$ 2,958,147

Patient Service Revenues for FYE September	**2016**	**2015**
Payor Source	**Percent**	**Percent**
Medi-Cal	3.6	2.9
Medicare	24.5	24.0
Contracted	66.0	67.4
Self-Pay and others	5.9	5.7
Total	**100**	**100**

SCRIPPS HEALTH AND AFFILIATES
Consolidated Balance Sheets
($ in thousands)

	Year ended September 30,		
	2016	**2015**	**2014**
Assets			
Current assets:			
Cash and cash equivalents	$ 314,891	$ 378,779	$ 367,175
Patient accounts receivable, net	302,622	277,073	243,138
Assets limited as to use	12,103	5,542	5,357
Other current assets	150,729	148,077	100,308
Total current assets	780,345	809,471	715,978
Assets limited as to use	205,636	212,328	219,942
Investments	2,188,999	1,773,546	1,827,715
Property, plant and equipment, net	1,672,735	1,577,024	1,436,997
Other assets	109,442	107,764	97,300
Total assets	$ 4,957,157	$ 4,480,133	$ 4,297,932
Liabilities and net assets			
Current liabilities:			
Current portion of debt	$ 158,964	$ 22,909	$ 21,434
Accounts payable	139,428	136,028	114,080
Accrued liabilities	293,786	282,362	244,904
Total current liabilities	592,178	441,299	380,418
Non-current liabilities:			
Long-term obligations, less current portion	904,619	866,586	847,997
Other	120,451	124,821	111,370
Total liabilities	1,617,248	1,432,706	1,339,785
Net assets:			
Unrestricted			
Controlling interests	3,140,404	2,845,018	2,747,636
Noncontrolling interests in subsidiaries	3,184	2,843	2,620
	3,143,588	2,847,861	2,750,256
Temporarily restricted	109,016	118,575	128,258
Permanently restricted	87,305	80,991	79,633
Total net assets	3,339,909	3,047,427	2,958,147
Total liabilities and net assets	$ 4,957,157	$ 4,480,133	$ 4,297,932

Financial Ratios:

	Proforma FYE September 30, 2016	**2016**	**2015**	**2014**
Debt Service Coverage (x) -- Operating	6.57	6.58	6.94	8.00
Debt Service Coverage (x) -- Net	9.49	9.50	5.43	12.02
Debt/Unrestricted Net Assets (x)	0.34	0.34	0.30	0.32
Margin (%)		4.91	5.16	6.03
Current Ratio (x)		1.32	1.83	1.88

<u>Financial Discussion – Statement of Activities (Income Statement)</u>

Scripps' operating revenues showed solid results with positive growth from FY 2014 to FY 2016.

Scripps' total operating revenues displayed an increase of approximately 13.5% from FY 2014 to FY 2016, from approximately $2.5 billion to approximately $2.9 billion, while operating income decreased approximately 8% from FY 2014 to FY 2016, from approximately $155 million to approximately $143 million. Although Scripps' operating revenues appears to have increased by approximately 13.5%, operating expenses grew at a faster rate. Operating expenses increased approximately 15% from approximately $2.4 billion to approximately $2.7 billion, According to Scripps' management, Scripps has experienced a significant increase in depreciation expense from approximately $102.4 million in FY 2014 to approximately $146 million in FY 2016, as a result of several new facilities being placed into service. Scripps does not expect to open any new facilities in the next fiscal year that would affect operating expenses.

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

- Provider fee revenue experienced significant fluctuations increasing from approximately $21 million in FY 2014 to approximately $152 million in FY 2015 before a decrease to $89 million in FY 2016. Provider fee expenses experienced similar fluctuations, increasing from approximately $15 million in FY 2014 to approximately $123 million in FY 2015, and declining down to approximately $70 million in FY 2016. According to Scripps' management, provider fee program results are volatile and can vary significantly from year to year, depending on the timing of program approval from the Centers for Medicare and Medicaid Services for the various program components.

- Management services revenues appear in operating revenues only in FY 2015 and FY 2016. According to Scripps' management, management services revenues did not appear in FY 2014 because Scripps purchased Imaging Healthcare Specialist ("IHS") in April 2015. IHS provides management and administrative services for radiology medical groups; therefore, revenues were recorded.

- Excess of revenue over expenses attributable to controlling interests has fluctuated from FY 2014 of approximately $291 million, declining in FY 2015 of approximately $79 million, and increasing in FY 2016 to approximately $282 million. According to Scripps' management, the decrease in the excess of revenue over expenses attributable to controlling interests is primarily related to the investment losses in FY 2015, which resulted in an approximate $229.9 million decrease from the previous fiscal year's investment performance results. The increase in FY 2016 was a direct result of an approximate $258 million in unrealized loss on the investment portfolio in FY 2015.

- The Affordable Care Act ("ACA") has expanded insurance coverage to individuals that were previously uninsured or underinsured. The ACA has had a positive financial impact to Scripps in the form of improved reimbursement for care provided to patients that were previously uninsured or underinsured. According to Scripps management, there has been some migration of patients with coverage under fully insured coverage plans to coverage under the exchange plans, which have significant deductibles and copayments. This migration has placed more administrative burden on Scripps in the collection of these self-pay balances as well as lowering reimbursement as the exchanges typically reimburse at rates lower than historical commercial HMO/PPO plans. Lastly, the ACA has created the administrative burden of significant reporting throughout the year. The effects of the ACA has been continual with no significant changes from the past fiscal year.

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Financial Discussion – Statement of Financial Position (Balance Sheet)

Scripps' financial strength appears strong with an operating pro-forma debt service coverage ratio of 6.57x.

Scripps appears to have demonstrated a strong ability to service its debt with a debt service coverage ratio from operating income of 8.00x, 6.94x, and 6.58x in fiscal years 2014, 2015, and 2016, respectively. With the issuance of new notes and the earlier issuance of CHFFA Revenue Bonds Series 2016, Scripps appears to maintain a strong ability to repay its debt obligations with a pro-forma operating debt service coverage ratio of 6.57x. Scripps' debt to unrestricted net assets has fluctuated from .32x in FY 2014, to .30x in FY 2015, and to .34x in FY 2016. According to Scripps' management, in February 2016 Scripps issued new bonds in the amount of approximately $200 million, which contributed to the growth in liabilities and increase in the debt to unrestricted net assets.

Particular Facts to Note:

- Cash and cash equivalents have decreased by approximately 14%, from FY 2014 of approximately $367 million to FY 2016 of approximately $315 million. According to Scripps' management, Scripps manages its cash levels and utilizes various investment vehicles to maximize investment returns. Total unrestricted cash and investments increased from $2.2 billion in FY 2014 to $2.5 billion in FY 2016.

- Property, plant and equipment, net has increased approximately 16.4% from FY 2014 of approximately $1.4 billion to FY 2016 of approximately $1.7 billion. According to Scripps' management, in December 2014, Scripps opened Scripps Prebys Cardiovascular Institute at a total cost of $405 million. In June 2016, Scripps also opened Anderson Medical Pavilion at an estimated cost of $125 million.

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V. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** Scripps properly completed and submitted the "Pass-Through Savings Certification."

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

  As a not-for-profit, Scripps invests its earnings back into its communities. Scripps has invested $353.5 million in FY 2015 to support community health programs. Scripps' community benefit contributions include $316 million in uncompensated care, $26 million in professional education and health research, $1.8 million in community building activities, $3 million in community health services, and $6 million in subsidized health. These investments and partnerships include supporting access to medical care, providing health services to vulnerable populations, awarding community grants to programs throughout San Diego, providing prevention and wellness education programs, establishing a medical response team to assist with disasters and provide community education on disaster preparedness, operating a mobile medical unit, and providing professional education and health research.

  https://www.scripps.org/sparkle-assets/documents/2016communitybenefitreportfinal.pdf

- **Compliance with Seismic Regulations:** Scripps properly submitted a description of how it is complying with California's Office of Statewide Health Planning and Development ("OSHPD") seismic evaluation regulations.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** CEQA documentation is not applicable to this particular financing as it is a refunding of CHFFA debt only.

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

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

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

EXHIBIT 1

PROJECT SITES

Scripps Health Campus Point
- 4275 Campus Point Court, San Diego, California 92121

Scripps Green Hospital
- 10666 N. Torrey Pines Road, La Jolla, California 923037

Scripps Memorial Hospital Encinitas
- 354 Santa Fe Drive, Encinitas, California 92024
- 300 Santa Fe Drive, Encinitas, California 92024

Scripps Memorial Hospital La Jolla
- 9888 Genesee Avenue, La Jolla, California 92037

Scripps Mercy Hospital Chula Vista
- 435 H Street, Chula Vista, California 91910
- 495 H Street, Chula Vista, California 91910
- 499 H Street, Chula Vista, California 91910

Scripps Mercy Hospital
- 4077 5th Avenue, San Diego, California 92103
- 4020 5th Avenue, San Diego, California 92103
- 4193 6th Avenue, San Diego, California 92103
- 4153 4th Avenue, San Diego, California 92103

Scripps Memorial Hospital La Jolla Outpatient Imaging Pavilion
- 9838 Genesee Avenue, La Jolla, California 92037

Employee Parking Lot
- 6th Avenue, San Diego, California 92103

Scripps Home Health Care Services
- 9619 Chesapeake Drive, San Diego, CA 92123

Scripps Health Patient Accounting – Shared Services
- 10150 Sorrento Valley Road, San Diego, CA 92121

Scripps Memorial Encinitas Medical Office Building
- 320 Santa Fe Drive, Encinitas, CA 92024

Lot 4 Torrey Pines
10660 John Jay Hopkins Drive, San Diego, CA 92121

Lot 8
John Hopkins Drive/Cray Court, San Diego, CA 92121

Approximately 29,057 Acres
Intersection of Discovery Street and Craven Avenue, San Marcos, CA 92078

Approximately 4.45 Acres
Southwest Corner of Echo Land and Discovery Street, San Marcos, CA 92078

Approximately 4.79 Acres
535ft East of the Northeast corner of Myrtle Avenue and Echo Lane, San Marcos, CA 92078

Approximately 31.51 Acres
Southwest corner of Discovery Street and Echo Lane, San Marcos, CA 92078

EXHIBIT 2

FINANCING TEAM

Borrower:	Scripps Health
Issuer's 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:	Foley & Lardner LLP
Borrower's Financial Advisor:	Ponder & Co.
Note Counsel:	Orrick, Herrington & Sutcliffe, LLP
Direct Placement Purchaser:	MUFG Union Bank, N.A.
Bank Counsel:	Chapman and Cutler, LLP
Trustee:	U.S. Bank National Association
Trustee Counsel:	Dorsey & Whitney LLP
Master Trustee:	The Bank of New York Mellon Trust Company, N.A.
Auditor:	Ernst & Young LLP

EXHIBIT 3

UTILIZATION STATISTICS

Scripps Health
Utilization Statistics

The following table summarizes the Scripps utilization data for the fiscal years below:

	Fiscal Year Ended September 30,		
	2016[1]	2015	2014
Inpatient Activity			
Licensed Beds	1,465	1,495	1,369
Available Beds	1,194	1,238	1,218
Discharges	68,798	68,376	66,971
Patient Days	302,069	290,116	287,163
Average Daily Census	825	795	787
Average Length of Stay	4.39	4.24	4.29
Occupancy Rate (Licensed Beds)	56%	53%	57%
Occupancy Rate (Available Beds)	69%	64%	65%
Inpatient Surgery Cases	21,468	21,617	21,004
Outpatient Activity			
Hospital Outpatient Total	445,370	439,097	419,595
Hospital Outpatient Surgery Cases [2]	21,667	20,644	19,514
Emergency Services	173,616	170,229	154,262
Scripps Clinic Visits	1,310,772	1,276,627	1,226,264
Scripps Coastal Medical Center Visits	391,766	370,269	361,591
Clinic Outpatient Surgery Center Cases	13,851	13,152	12,341
Urgent Care Visits	82,957	83,150	83,059

(1) Hospital Outpatient Surgery Cases excludes Mercy Ambulatory Surgery Center's cases and Encinitas Ambulatory Surgery Center's cases (FY 2016: 7,197 FY 2015: 7,409 FY 2014: 7,312)

(2) Preliminary and unaudited

EXHIBIT 4

OUTSTANDING DEBT

(in thousands)

Date Issued	Original Amount	Amount Outstanding As of December 31, 2016 [a]	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
CHFFA[b] Variable Rate Revenue Bonds, Series 2001A	$ 60,000	$ 11,100	$ 11,100
CSCDA[c] Variable Rate Revenue Refunding Bonds, Series 2007A	49,995	49,995	49,995
CHFFA Revenue Bonds, Series 2008A	99,020	79,920	79,920
CHFFA Variable Rate Revenue Bonds, Series 2008B,C,D,E, and F	221,230	168,495	-
CHFFA Variable Rate Revenue Bonds, Series 2008G	40,975	6,900	6,900
CHFFA Revenue Bonds, Series 2010A	120,000	108,750	108,750
CHFFA Variable Rate Revenue Bonds, Series 2010B and C	100,000	100,000	100,000
CHFFA Revenue Bonds, Series 2012A	175,000	175,000	175,000
CHFFA Variable Rate Revenue Bonds, Series 2012B and C	100,000	100,000	100,000
CHFFA Revenue Bonds, Series 2016A	50,000	47,420	47,420
CHFFA Revenue Bonds, Series 2016B	100,000	90,000	90,000
Taxable Term Loan 2019[d]	50,000	50,000	50,000
- PROPOSED NEW DEBT:			
CHFFA Notes, Series 2017			**168,500**
- TOTAL DEBT		**$ 987,580**	**$ 987,585**

[a] Includes current portion of long-term debt

[b] California Health Facilities Financing Authority

[c] California Statewide Communities Development Authority

[d] Taxable term loan installments commence in FY 2019 through FY 2025

EXHIBIT 5

BACKGROUND AND LICENSURE

Background

Scripps was established in 1924 and headquartered in San Diego, is a nonprofit public benefit corporation which provides quality, safe and cost-effective health care services. Scripps provides healthcare services through a network of programs at four acute-care hospitals, 26 outpatient clinics, five campuses, an extensive ambulatory care network, home health care, associated support services and more than 2,600 affiliated physicians. Scripps has grown from a single acute care hospital to its present countywide health care delivery system. Today, Scripps includes two of the six designated trauma centers in San Diego County, one of the 10 largest hospitals in California, and one of the oldest multi-specialty clinics in Southern California.

In 2016, Scripps was ranked among the top 15 health systems in the nation and received multiple recognition for clinical innovation, quality of care, and leadership. U.S. News & Review ranked Scripps Health specialties among the top 50 programs in the nation. Parkinson's Disease and Movement Disorder Center at Scripps Clinic was awarded a $2.4 million grant to forward innovation stem cell research for the treatment of Parkinson's disease. Fortune Magazine named Scripps Health as one of the top employers in the nation. Other awards recognized Scripps Health's leadership in LGBT[1] healthcare equality and among the top non-profit companies for women.

The mission of Scripps is to provide superior health services in a caring environment and to make a positive, measurable difference in the health of individuals in the community they serve. Scripps is devoted to delivering quality, safe, cost-effective, socially responsible health care services and they advance clinical research, community health education, education of physicians and health care professionals and sponsor graduate medical education. Scripps collaborate with others to deliver the continuum of care that improves the health of the surrounding community.

Licenses and Contracts

Each of the hospital facilities is appropriately licensed by the California Department of Public Health for the level of care it delivers and is certified to participate in the Medicare program and in the Medi-Cal program, and each is accredited by The Joint Commission.

[1] Lesbian, gay, bisexual, and transgender

RESOLUTION NO. 423

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE NOTES TO REFINANCE PROJECTS AT THE HEALTH FACILITIES OF SCRIPPS HEALTH

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 notes and bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority;

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

WHEREAS, the Authority has previously issued its Variable Rate Revenue Bonds (Scripps Health), Series 2008B, Series 2008C, Series 2008D, Series 2008E and Series 2008F in the aggregate principal amount of $221,230,000 (collectively, the "Prior Bonds"), of which $168,495,000 is outstanding, and loaned the proceeds thereof to the Corporation to finance and refinance certain improvements and additions to the Corporation's facilities (as further described on Exhibit A, the "Prior Project");

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue notes in an aggregate principal amount not to exceed $168,500,000, and make one or more loans of the proceeds thereof to the Corporation to (i) refund all or a portion of the Prior Bonds, and (ii) at the sole option of the Corporation, pay costs of issuance of the Notes and the refunding of the Prior Bonds;

WHEREAS, the Notes will be purchased or privately placed with MUFG Union Bank, N.A., which is a "Qualified Institutional Buyer" as defined under Rule 144A of the Securities Act of 1933 (the "Purchaser"), for the purpose of financing the Project; and

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

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

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

<u>Section 1</u>. Pursuant to the Act, revenue notes of the Authority designated as the "California Health Facilities Financing Authority Revenue Notes (Scripps Health), Series 2017A" (the "Notes"), in a total aggregate principal amount not to exceed $168,500,000, are hereby authorized to be issued from time to time, in one or more series, with such other name or names of the Notes or series thereof as designated in any of the indentures pursuant to which the Notes will be issued. The proceeds of the Notes shall be used for any or all of the purposes set forth in the fourth recital above.

<u>Section 2</u>. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Notes in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at 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 Notes sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Corporation, may determine. The Notes will not at issuance be rated by any rating agency. The Notes or any series of them may, at the sole option of the Corporation, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements and/or supported by one or more liquidity facilities.

<u>Section 3</u>. The proposed forms of the following documents:

(i) one or more Loan Agreements relating to the Notes (the "Loan Agreements"), between the Authority and the Corporation,

(ii) one or more Note Indentures relating to the Notes (the "Note Indentures"), between the Authority and U.S. Bank National Association, as note trustee (the "Trustee"), and

(iii) one or more Note Purchase Contracts, including the exhibits thereto, relating to the Notes (the "Purchase Contracts"), among the Purchaser, the Treasurer and the Authority, and approved by the Corporation.

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 note reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Corporation, for any series of Notes) 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 note counsel and counsel to the Authority with respect to any such insertions, deletions or changes therein.

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

<u>Section 5</u>. The dated dates, maturity dates (not exceeding 40 years from the respective 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 Notes, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in each Note Indenture, as finally executed.

<u>Section 6</u>. The Notes, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Notes by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Notes, when duly executed and authenticated, to or upon direction of the Purchaser thereof in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Notes to or upon direction of the Purchaser, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

<u>Section 7</u>. 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 Notes and otherwise to effectuate the purposes of this Resolution and the Note Indentures, the Loan Agreements and the Purchase Contracts. 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 Notes.

<u>Section 8</u>. The provisions of the Authority's Resolution No. 2017-01 apply to the documents and actions approved in this Resolution.

<u>Section 9</u>. 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.

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

Date of Adoption: ______________________________

EXHIBIT A

Prior Project:

The "**Prior Project**" consisted of the financing or refinancing of the cost of:

(1) acquisition, construction, renovation and equipping of certain health facilities of the Corporation located in La Jolla, Carlsbad, Chula Vista, San Diego and Encinitas, California;

(2) purchasing certain tenant improvements made by HCA Hospital Services of San Diego, Inc., and HCA Allied Health Services of San Diego, Inc., to the Scripps Green Hospital;

(3) acquisition of land and various capital improvements, including the architecture and engineering costs for renovations, at Scripps Memorial Hospital Chula Vista and renovation of the obstetrics suite and related facilities at Scripps Memorial Hospital Encinitas; and

(4) cardiac cath laboratories, archiving, imaging and communication equipment and other equipment purchases and installation at the facilities operated by Scripps Health;

at the following addresses: Scripps Memorial Hospital Encinitas, 300 and 354 Santa Fe Drive, Encinitas; Scripps Memorial Hospital La Jolla, 9888 Genesee Avenue, La Jolla; Scripps Health Campus Point, 4275 Campus Point Court, San Diego; Scripps Mercy Hospital Chula Vista, 435, 495 and 499 "H" Street, Chula Vista; Scripps Memorial Hospital Encinitas, 300 and 354 Santa Fe Drive, Encinitas; Scripps Green Hospital, 10666 North Torrey Pines Road; Lot 4 Torrey Pines/10660 John Jay Hopkins Drive; Lot 8 John Hopkins Drive/Cray Court, La Jolla; Scripps Mercy Hospital, 4020 and 4077 Fifth Avenue; 4193 6th Avenue; 4153 4th Avenue; Employee Parking Lot on 6th Avenue, San Diego; Scripps Home Health Care Services, 9619 Chesapeake Drive, San Diego; Scripps Health Patient Accounting - Shared Services, 10150 Sorrento Valley Road, San Diego; Scripps Memorial Encinitas Medical Office Building, 320 Santa Fe Drive, Encinitas; Approximately 29.057 acres at the intersection of Discovery Street and Craven Avenue in San Marcos, approximately 4.45 acres at the southeast corner of Echo Lane and Discovery Street in San Marcos, approximately 4.79 acres approximately 535 feet east of the northeast corner of Myrtle Avenue and Echo Lane in San Marcos, and approximately 31.51 acres at the southwest corner of Discovery Street and Echo Lane in San Marcos, all in California.