CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Children's Hospital Los Angeles ("CHLA") 4650 Sunset Boulevard Los Angeles, CA 90027 Los Angeles County	**Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$400,000,000 April 27, 2017 Up to 40 years 426

Project Sites: See Exhibit 1
Facility Types: Acute Care Hospital
Eligibility: An acute care hospital pursuant to Government Code section 15432(d)(1)
Prior Borrower: Yes (date of last CHFFA issue 2012)
Obligated Group: CHLA is the sole member

Background: Founded in 1901, CHLA is a California nonprofit public benefit corporation that provides pediatric and adolescent healthcare services. CHLA is the first and largest pediatric hospital in Southern California delivering quality patient care, leading-edge education, and innovative research efforts in a setting designed to address the unique needs of children. In Fiscal Year 2016, CHLA had approximately 16,290 admissions, treated approximately 72,478 patients in its emergency department, recorded more than 375,000 outpatient visits, and provided more than $230 million in community benefits.

Use of Proceeds: Bond proceeds will be used to refund California Statewide Communities Development Authority ("CSCDA") Fixed Rate Revenue Bonds (CHLA) Series 2007, CHFFA Fixed Rate Revenue Bonds (CHLA) Series 2010A and CHFFA Variable Rate Revenue Bonds (CHLA) Series 2012B, to finance or reimburse for the purchase of equipment, information systems and interior renovations for certain health facilities, and to pay for the costs of issuance.

Type of Issue: Negotiated public offering with fixed rate bonds (Minimum denominations of $5,000 or any integral multiple thereof) and private placement with floating rate notes (Minimum denominations vary depending on the interest rate mode).
Expected Credit Ratings: BBB+/Baa2 S&P/Moody's (Public); Baa2 Moody's (Private)
Financing Team: *Please see Exhibit 1 to identify possible conflicts of interest*

Financial Overview: CHLA's income statement appears to exhibit fluctuating operating results over the review period from FY 2014 to FY 2016. CHLA appears to have a solid financial position with a proforma operating debt service coverage ratio of 2.18x.

Estimated Sources of Funds:			**Estimated Uses of Funds:**		
Bond proceeds	$	400,000,000	Refunding	$	345,000,000
			Project fund		47,000,000
			Financing costs		8,000,000
Total Estimated Sources	$	400,000,000	**Total Estimated Uses**	$	400,000,000

Legal Review: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, CEQA documentation, Community Service Obligation, and the Iran Contracting Act Certificate documentation. All documentation satisfies the Authority's requirements.

Staff Recommendation: Staff recommends the Authority approve Resolution Number 426 for Children's Hospital Los Angeles in an amount not to exceed $400,000,000 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 KNN Public Finance, LLC ("KNN"), the Authority's financial advisor, concur with the Authority's staff recommendation.

(EL/TF)

I. PURPOSE OF FINANCING:

Children's Hospital Los Angeles' ("CHLA") overall plan is to restructure its debt to allow CHLA to be in a better position financially. This bond financing and private placement will allow CHLA to do the following:

1. Streamline its debt to make all bond debt, Authority debt;
2. Minimize its covenants due to current market conditions;
3. Remove insurance covenants;
4. Remove the deed of trust requirement; and
5. Eliminate the need to fund a debt service reserve account.

CHLA also plans to purchase equipment, upgrade its information system and renovate various facilities. In addition to this financing, CHLA will use internal funds to pay off a portion of the 2010A bonds.

Refunding bonds $345,000,000

- **CSCDA Fixed Rate Revenue Bonds (CHLA) Series 2007**
  CHLA plans to refund its California Statewide Communities Development Authority ("CSCDA") Fixed Rate Revenue Bonds (CHLA) Series 2007. Based on current market conditions, the refunding is expected to result in a net present value savings of $7,270,000 over the life of the bonds; the bonds were used to finance the acquisition, construction, improvement, and equipping of various CHLA facilities in Los Angeles, CA.

- **CHFFA Fixed Rate Revenue Bonds (CHLA) Series 2010A**
  CHLA plans to advance refund a portion of its California Health Facilities Financing Authority ("CHFFA") Fixed Rate Revenue Bonds (CHLA) Series 2010A. After CHLA pays off the portion of the bonds, any remaining bonds will be paid off using CHLA's internal funds. The bonds were insured by Assured Guaranty and were used to refund CSCDA Revenue Bonds (CHLA) Series 2008, CSCDA Revenue Bonds (CHLA) Series 2004, and a portion of CSCDA Certificates of Participation Series 1999.

- **CHFFA Variable Rate Revenue Bonds (CHLA) Series 2012B**
  CHLA plans to refund the CHFFA Variable Rate Revenue Bonds (CHLA) Series 2012B that were originally used to refund CSCDA Revenue Bonds (CHLA) Series 2010B with floating rate notes privately placed with Barclays Capital Inc.

Project Fund **47,000,000**

CHLA plans to use a portion of the bond proceeds to purchase equipment, upgrade its information system and renovate various facilities.

Financing Costs **8,000,000**

- Underwriter's discount............................... $4,000,000
- Estimated cost of issuance 4,000,000

Total Estimated Uses of Funds **$400,000,000**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

The 2017 Bonds will be payable from payments made by CHLA as the borrower under the Loan Agreements with CHFFA. As the sole member of the Obligated Group, CHLA is also obligated under the Master Indenture to make any and all payments on the 2017 Bonds.

This Executive Summary and its recommendations are based on the covenants and disclosures listed below. 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 cannot be diluted or removed without subsequent review. If there have been modifications to the proposed covenants following the preparation of this Executive Summary, staff will report it at the meeting.

After reviewing the Obligated Group's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, CHLA, Hammond Hanlon Camp LLC (the borrower's financial advisor), KNN Public Finance, LLC (the Authority's financial advisor) and the underwriters have concluded the covenants listed below align the interests of the Obligated Group, CHFFA, and the investors and are consistent with covenants that have applied to the Obligated Group's prior bond transactions. The Obligated Group's 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. *Borrower agrees to pay Trustee all amounts required for principal, interest and other payments and expenses designated in the Loan Agreements. All Revenues[1] and any other amounts held in a designated fund or account under the respective Bond Indenture are pledged to secure the full payment of the 2017 Bonds issued under that Bond Indenture.*

Pledge of Gross Revenues. *Each Member of the Obligated Group pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund over which the Master Trustee has control if there is a payment default and is subject to a blocked account agreement.*

Negative Pledge Against Prior Liens. *Each Member agrees not to create or assume any Lien upon such Member's Property other than the Permitted Encumbrances, unless all Obligations under the Master Indenture are secured prior to any Indebtedness or other obligation secured by such Lien.*

Limited Permitted Encumbrances. *Each Member is subject to a restrictive set of allowable Permitted Encumbrances it may incur pursuant to the Master Indenture.*

- *The Obligated Group's largest Permitted Encumbrance basket is up to 15% of book or fair market value of the Property of all the Members.*

[1]Capitalized terms are defined in the Bond Indenture or, if not in the Bond Indenture, in the Master Indenture.

Debt Service Coverage Requirement. *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. This ratio can be based either on annual debt service for the next 12-months or maximum annual debt over the life of the bonds.*

- *The Obligated Group must maintain an annual debt service coverage ratio of 1.10. An Independent Consultant review is required if the ratio falls below 1.10. An Event of Default occurs if the ratio falls below 1.00 or if the Obligated Group fails to comply with the Independent Consultant recommendations.*

Additional Debt Limitation. *Each Member agrees not to incur additional Indebtedness unless authorized by the Master Indenture.*

Disposition of Cash and Property Limitations. *Each Member agrees not to sell, lease or dispose of any property, plant or equipment or liquid assets unless authorized by the Master Indenture.*

Security Interest in Designated Property/Deed of Trust. *Borrower had previously granted a deed of trust and security agreement in its primary acute care facilities, including real estate and equipment, occupying approximately 13 acres, as security for payment of the 2012A Bonds. For as long as the 2012A Bonds are outstanding, the holders of the 2017 Bonds will have the benefit of the deed of trust and security agreement. However, the 2017 Bonds will no longer be secured by the deed of trust and security agreement once the 2012A Bonds are no longer outstanding,*

Comply with SEC Rule 15c2-12. *The rule prohibits underwriters from underwriting municipal bond deals unless the issuer or Borrower contractually agrees to disclose designated financial and operating information to the marketplace during the life of the 2017 Bonds and to report designated "enumerated events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

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

III. FINANCIAL STATEMENTS AND ANALYSIS:

Children's Hospital Los Angeles
Consolidated Statements of Activities
($ in Thousands)
(Unrestricted)

	Year ended June 30, 2016	2015	2014
Revenues			
Patient service revenues, net*	$ 653,476	$ 605,391	$ 539,576
Hospital Fee Program	148,314	227,153	46,530
Provision for doubtful accounts	(4,590)	(3,200)	(8,386)
Net patient service revenue, less provision for doubtful accounts	797,200	829,344	577,720
Grants, contracts, and other	139,600	149,349	135,973
Unrestricted gifts and bequests	41,619	40,619	39,754
Investment income used for operations, research, and education	16,536	15,651	20,946
Net assets released from restrictions used for operations, research, and education	19,014	18,054	28,922
Total revenues	1,013,969	1,053,017	803,315
Expenses			
Salaries and employee benefits	524,142	468,225	434,674
Professional fees and purchased services	205,857	187,297	161,169
Supplies	123,491	128,291	114,302
Utilities	15,784	14,985	13,845
Rent	9,672	7,360	7,129
Insurance	2,765	2,459	2,607
Travel, dues, and subscriptions	8,689	8,844	7,059
Equipment	3,073	2,450	3,018
Hospital Fee Program	25,815	60,030	17,491
Depreciation and amortization	62,461	57,673	53,044
Interest	22,346	22,569	22,768
Other	24,646	48,405	22,670
Total expenses	1,028,741	1,008,588	859,776
(Deficit) Excess of revenue over expenses	(14,772)	44,429	(56,461)
Other gains (losses)			
Net realized and unrealized gain on investments held for training	(25,120)	(4,754)	42,970
Other investment loss, net	3,529	4,533	4,751
Net investment income used for operations, research and education	(16,536)	(15,651)	(20,946)
Interest rate swap mark-to-market (loss) gain	(5,198)	(1,500)	(433)
Other losses	(700)	62	(73)
Total other gains (losses)	(44,025)	(17,310)	26,269
(Deficit) Excess of revenues over expenses and other gains (losses)	(58,797)	27,119	(30,192)
Net assets released from restrictions used for purchase of property and equipment	10,153	4,058	4,535
Transfers and other	(1)	200	(162)
(Decrease) Increase in unrestricted net assets	$ (48,645)	$ 31,377	$ (25,819)
Change in net assets	(59,085)	27,989	(16,025)
Net assets at beginning of year	1,135,601	1,107,612	1,123,637
Net assets at end of year	$ 1,076,516	$ 1,135,601	$ 1,107,612

***Net Patient Service Revenues for FYE June 30,** **Payor Source**	**2016 Percent**	**2015 Percent**
Medi-Cal	48.6	45.3
Hospital Fee	18.6	27.4
Medicare	0.3	0.3
Managed Care	31.5	26.7
Other	1.0	0.3
Total	**100**	**100**

Children's Hospital Los Angeles
Consolidated Balance Sheet
($ in thousands)

	Year ended June 30,		
	2016	2015	2014
Assets			
Current assets:			
Cash and cash equivalents	$ 6,436	$ 18,748	$ 4,988
Patient accounts receivable, net	130,357	130,293	112,166
Current portion of pledges receivable, net	17,189	16,216	8,621
Grants receivable	8,199	5,991	4,807
Current portion of trustee-held funds	25,088	15,000	4,487
Receivables under government and state programs	-	-	2,254
Hospital Fee Program receivable	59,348	64,976	486
Other current assets	30,697	30,515	30,245
Total current assets	277,314	281,739	168,054
Assets limited as to use:			
Investments	494,458	505,619	534,918
Unitrust investments	4,542	4,803	5,111
Total assets limited as to use, net	499,000	510,422	540,029
Pledges receivable, net	33,423	46,762	64,269
Other assets	31,115	25,847	25,224
Property, plant and equipment	905,006	920,108	916,773
Total assets	$ 1,745,858	$ 1,784,878	$ 1,714,349
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and accrued expenses	$ 78,857	$ 63,752	$ 39,804
Salaries, wages, and related liabilities	50,604	44,042	39,637
Current portion of long-term debt	7,165	6,865	6,600
Payables under government and state programs	6,109	10,469	-
Hospital Fee Program payables	10,678	11,707	2,885
Deferred revenue and other liabilities	7,106	-	-
Total current liabilities	160,519	136,835	88,926
Long-term debt, net	463,820	471,896	479,709
Liability under unitrust agreements	2,328	2,833	3,017
Interest rate swap	16,893	11,695	10,195
Other noncurrent liabilities	25,782	26,018	24,890
Total liabilities	669,342	649,277	606,737
Net assets:			
Unrestricted			
Operating	405,114	412,336	368,005
Board designated	385,843	427,266	440,220
Total unrestricted	790,957	839,602	808,225
Temporarily restricted	115,125	135,382	146,844
Permanently restricted	170,434	160,617	152,543
Total net assets	1,076,516	1,135,601	1,107,612
Total liabilities and net assets	$ 1,745,858	$ 1,784,878	$ 1,714,349

	Proforma FYE June 30, 2016	**2016**	**2015**	**2014**
Debt Service Coverage (x) -- Operating	2.18	2.40	4.27	0.85
Debt Service Coverage (x) -- Net	1.12	1.24	3.83	2.20
Debt/Unrestricted Net Assets (x)	0.66	0.60	0.57	0.60
Margin (%)		(1.46)	4.22	(7.03)
Current Ratio (x)		1.73	2.06	1.89

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Financial Discussion – Statement of Activities (Income Statement)

CHLA's income statement appears to exhibit fluctuating operating results over the review period from FY 2014 to FY 2016.

CHLA's operating margins fluctuated over the review period from approximately negative 7.03% in FY 2014 to 4.22% in FY 2015 to negative 1.46% in FY 2016. Although CHLA experienced an increase in revenues from approximately $803 million in FY 2014 to $1 billion in FY 2016, it also experienced an increase in total expenses from approximately $859.8 million in FY 2014 to $1 billion in FY 2016. The increase in revenues appears to be primarily due to an increase in net patient service revenue and the Hospital Fee Program[1]. The increase in total expenses appears to be primarily due to an increase in salaries and employee benefits and professional fees and purchased services.

Particular Facts to Note:

- The approximate 21% increase in net patient service revenues can be explained by the increase in admissions from 14,616 to 16,290, Emergency Department visits from 64,467 to 72,478, and outpatient visits from 330,859 to 375,788 between FYs 2014 and FY2016.
- The revenues from the Hospital Fee Program fluctuate from $46.5 million in FY 2014 to $227.2 million in FY 2015 to $148.3 million in FY 2016 due to a significant timing difference between revenue recognition and related cash transactions.
- Over the review period, there was a 20.6% increase in salaries and employee benefits from $434.6 million in FY 2014 to $524.1 million in FY 2016 and an increase of approximately 27.7% in professional fees and purchased services from $161.2 million in FY 2014 to $205.9 million in FY 2016. These increases were a result of an increase of Full-Time Equivalents, and the higher cost of temporary, contracted staffing to fill vacancies.
- From FY 2014 to FY 2015, other expenses more than doubled going from $22.6 million to $48.4 million. This increase was largely driven by an accrual of $28 million in FY 2015 for non-recurring litigation settlements.
- CHLA's investment objective for its portfolio is to attain an average annual real total return of at least 5.5% over the long term net of fees. Realized and unrealized losses were mainly the result of rebalancing the investment portfolio, reallocating funds from lower to higher quality investments, and maintaining the investment portfolio's risk profile, given appreciation/depreciation of underlying investment market values.

1 Hospital Fee Program: the State of California enacted legislation that provides for supplemental Medi-Cal payments to certain hospitals funded by a quality assurance fee paid by participating hospitals as well as matching federal funds.

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

CHLA appears to have a solid financial position with a proforma operating debt service coverage ratio of 2.18x.

CHLA is moderately leveraged with a debt-to-unrestricted net assets ratio of .60x in FY 2016, and with this financing the pro-forma debt-to-unrestricted net assets ratio appears to increase slightly to .66x. CHLA maintains adequate liquidity with a current ratio that appears to be 1.73x in FY 2016. In FY 2016, the operating debt service coverage ratio appears to be 2.40x, and with this financing the pro-forma operating debt service coverage ratio becomes 2.18x, which indicates that CHLA should be capable of repaying the proposed CHFFA Bonds.

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

- Cash and cash equivalents fluctuated greatly over the review period. In FY 2014, it was $4.9 million and increased to $18.7 million in FY 2015 and then back down in FY 2016 to $6.4 million. The significant change in cash and cash equivalents was partially due to the timing of revenue from the Hospital Fee Program which is determined by the timing of Centers for Medicare and Medicaid Services ("CMS") approvals.
- The current portion of trustee held funds increased from $4.5 million in FY 2014 to $15 million in FY 2015. This increase was the result of setting aside additional funds to pay the interest and a portion of the principal on the CSCDA Revenue Bonds Series 2007, CHFFA Revenue Bonds Series 2010 and CHFFA Revenue Bonds Series 2012A.
- Investments have steadily decreased over the review period going from $534.9 million in FY 2014 to $505.6 million in FY 2015 to $494.4 million in FY 2016. The decrease in investments during the review period was driven by two factors - an increase in liquidation of investments to cover operational cash needs due to delays in some Hospital Fee Program payments and poor market performance.
- Property, plant and equipment decreased from $920 million in FY 2015 to $905 million in FY 2016. This decrease was primarily the result of depreciation expenses, which have increased.
- From FY 2014 to FY 2015, accounts payable and accrued expenses increased approximately 60.2% from $39.8 million to $63.7 million. This increase was largely driven by $28 million in litigation settlement accruals in FY 2015 and consulting fee accruals in FY 2016.

IV. DUE DILIGENCE:

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

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

- In FY 2016, CHLA's community benefits totaled $266.5 million and in FY 2015, CHLA's community benefits totaled $232.6 million. The 2016 community benefits total included $187.2 million for unreimbursed costs for medical services of government-sponsored programs, $36.6 million for research activities, and $24.1 million for health professions education, as well as other benefits. The 2015 community benefits total included $161.1 million for unreimbursed costs for medical services of government-sponsored programs, $29.9 million for research activities, and $25.6 million for health professions education, as well as other benefits.

  http://www.chla.org/community-benefit

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

- **Compliance with Seismic Regulations:** CHLA 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):** CHLA properly submitted relevant documentation addressing CEQA.

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

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

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

EXHIBIT 1

PROJECT SITES

4400 Sunset Boulevard, Los Angeles, California

4546 Sunset Boulevard, Los Angeles, California

4551 Sunset Boulevard, Los Angeles, California

4584 Sunset Boulevard, Los Angeles, California

4601 Sunset Boulevard, Los Angeles, California

4650 Sunset Boulevard, Los Angeles, California

4661 Sunset Boulevard, Los Angeles, California

4616 DeLongpre Avenue, Los Angeles, California

4600 Maubert Avenue, Los Angeles, California

EXHIBIT 2

FINANCING TEAM

Borrower:	Children's Hospital Los Angeles
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:	Ropes & Gray LLP
Borrower's Financial Advisor:	Hammond Hanlon Camp LLC
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriters:	Barclays Capital Inc. Goldman, Sachs & Co. Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America Merrill Lynch)
Underwriters' Counsel:	Norton Rose Fulbright US LLP
Private Placement Purchaser:	Barclays Capital Inc.
Private Placement Counsel:	McDermott Will & Emery LLP
Trustee:	The Bank of New York Mellon Trust Company, N.A.
Auditor:	Deloitte & Touche LLP
Rating Agencies:	Standard & Poor's Financial Services, LLC Moody's Investor Services, Inc.

EXHIBIT 3

UTILIZATION STATISTICS

Children's Hospital Los Angeles

	Fiscal Year Ended June 30,		
	2016	**2015**	**2014**
Licensed Beds	495	495	568
Available Beds	357	347	347
Admissions	16,290	15,712	14,616
Discharges	16,299	15,685	14,601
Patient Days	105,966	106,362	100,954
Average Daily Census	290	291	277
Average Length of Stay	7	7	7
Emergency Department Visits	72,478	70,231	64,467
Outpatient Visits*	375,788	348,440	330,859

**Including ED, Mental Health & Clinic Visits*

EXHIBIT 4

OUTSTANDING DEBT

(in thousands)

Date Issued	Original Amount	Amount Outstanding As of June 30, 2016 [a]	Estimated Amount Outstanding after Proposed Financing
-EXISTING LONG-TERM DEBT:			
CSCDA[c] Revenue Bonds, Series 2007A, B and C	$ 170,000	$ 170,073 [d]	$ -
CHFFA Insured Revenue Bonds, Series 2010A	135,515	122,684	-
CHFFA[b] Revenue Bonds, Series 2012A and B	172,415	178,228 [d]	120,760
- PROPOSED NEW DEBT:			
CHFFA Revenue Bonds, Series 2017			**400,000**
- TOTAL DEBT		**$ 470,985**	**$ 520,760**

[a] Includes current portion of long-term debt

[b] California Health Facilities Financing Authority

[c] California Statewide Communities Development Authority

[d] Amount outstanding includes a premium

EXHIBIT 5

BACKGROUND AND LICENSURE

Background

Children's Hospital Los Angeles ("CHLA"), founded in 1901, is a California nonprofit public benefit corporation that provides pediatric and adolescent healthcare services. CHLA is the first and largest pediatric hospital in Southern California, delivers quality patient care, leading-edge education, and innovative research efforts in a setting designed for the unique needs of children. CHLA has consistently been named the best children's hospital in California and ranked in the top ten nationally for clinical excellence. CHLA is the only freestanding Level 1 Pediatric Trauma Center in Los Angeles County which has been approved by the County Department of Health Services as well as accredited by the Committee on Trauma of the American College of Surgeons.

CHLA is a licensed 495-bed acute care hospital (licensed for 495 beds; capacity available 357 beds), of which 120 are intensive care beds. CHLA operates approximately 19 hospital-based outpatient clinic programs and related facilities for the care and treatment of sick and injured children ranging in age from newborn through 21 years. Nearly 40% of the inpatient admissions are for children under four years of age. CHLA is a premier teaching hospital and has been affiliated with the Keck School of Medicine of the University of Southern California since 1932.

Licensure, Certification and Accreditation

CHLA receives accreditation as a hospital from The Joint Commission. CHLA was last surveyed in May 2015 and received full accreditation from The Joint Commission. CHLA is licensed by the State of California Department of Public Health, Licensing and Certification Division, and is a member of, among other organizations, the California Hospital Association, the California Children's Hospital Association, and the Healthcare Association of Southern California.

RESOLUTION NO. 426

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND REFINANCE PROJECTS AT THE HEALTH FACILITIES OF CHILDREN'S HOSPITAL LOS ANGELES

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; and

WHEREAS, Children's Hospital Los Angeles (the "Borrower") is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and is a participating health institution (as defined in the Act); and

WHEREAS, California Statewide Communities Development Authority previously issued its Revenue Bonds (Childrens Hospital Los Angeles), Series 2007 (the "2007 Bonds"), and loaned the proceeds thereof to the Borrower to finance the acquisition, construction, improvement, renovation and equipping of health facilities, as more particularly described under the caption "2007 Project" (the "2007 Project") in **Exhibit A** hereto; and

WHEREAS, the Authority previously issued its Revenue Bonds (Childrens Hospital Los Angeles), Series 2010A (the "2010A Bonds"), and loaned the proceeds thereof to the Borrower to refinance the indebtedness incurred in connection with the acquisition, construction, improvement, renovation and equipping of health facilities, as more particularly described under the caption "2010 Project" (the "2010 Project") in **Exhibit A** hereto; and

WHEREAS, the Authority also previously issued its Variable Rate Revenue Bonds (Children's Hospital Los Angeles), Series 2012B (the "2012B Bonds" and, together with the 2007 Bonds and the 2010A Bonds, the "Prior Bonds"), and loaned the proceeds thereof to the Borrower to refinance indebtedness incurred in connection with the acquisition, construction, improvement, renovation and equipping of health facilities, as more particularly described under the caption "2012 Project" (the "2012 Project") in **Exhibit A** hereto; and

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $400,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all or any portion of the Prior Bonds, (ii) finance, including reimburse for, the costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of certain health facilities, including as more particularly described under the caption "New Project" in **Exhibit A** hereto (the "New Project" and, together with the 2007 Project, the 2010 Project and the 2012 Project, the "Project"), and (iii) pay costs of issuance of the Bonds (as defined in Section 1 below); and

WHEREAS, the Bonds or any series thereof may be publicly offered or privately placed; and

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

WHEREAS, approval of the terms of issuance and sale of 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 (Children's Hospital Los Angeles), Series 2017" (the "Bonds"), in an aggregate principal amount not to exceed $400,000,000, 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 bond indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the sixth recital above and may be used as described in Section 2.

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

SECTION 3. The proposed forms of the following documents:

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

(ii) one or more Bond Indentures relating to the Publicly Offered Bonds and one or more Bond Indentures relating to the Privately Placed Bonds (each, a "Bond Indenture" and collectively, the "Bond Indentures"), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the "Bond Trustee"),

(iii) one or more Bond Purchase Contracts, including the exhibits thereto (each, a "Bond Purchase Contract" and collectively, the "Bond Purchase Contracts"), among the Treasurer, the Authority and (a) Barclays Capital Inc., as representative (the "Representative") of itself, Goldman, Sachs & Co. and Merrill Lynch, Pierce, Fenner & Smith Incorporated (together with the Representative, the "Underwriters") for the Publicly Offered Bonds, and approved by the Borrower, or (b) Barclays Capital Inc., or an affiliate thereof, as purchaser (the "Purchaser") for the Privately Placed Bonds, and approved by the Borrower,

(iv) a Preliminary Official Statement relating to the Publicly Offered Bonds (the "Preliminary Official Statement"), and

(v) a Private Placement Memorandum relating to the Privately Placed Bonds (the "Private Placement Memorandum"),

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, provisions relating to a deed of trust, a 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 in the case of the Loan Agreements, the Bond Indentures, and the Bond Purchase Contracts and by delivery thereof in the case of the Preliminary Official Statement and the Private Placement Memorandum. 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 Agreements are true and correct.

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

SECTION 6. The Underwriters are hereby authorized to distribute a Preliminary Official Statement for each issue of the Publicly Offered 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 Underwriters (in consultation with the Borrower), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriters are hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such Bonds.

SECTION 7. The Borrower is hereby authorized to distribute the Private Placement Memorandum to the Purchaser in connection with the sale of the Privately Placed Bonds to the Purchaser, and to cause the Private Placement Memorandum to be posted to the Electronic Municipal Market Access System. The Purchaser is hereby authorized to distribute a Private Placement Memorandum for each issue of the Privately Placed Bonds to persons who may be interested in the purchase of such Privately Placed Bonds.

SECTION 8. The Bonds, when executed, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Bonds by executing the Bond Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Representative or 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 Representative or the Purchaser, as applicable, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 9. Each officer of the Authority is hereby authorized and directed, for and in the name of and on behalf of the Authority, to do any and all things which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Bonds and otherwise to effectuate the purposes of this Resolution and the Bond Indentures, Loan Agreements, Bond Purchase Contracts, Official Statement and Private Placement Memorandum. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) tax certificate and agreement(s) 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 or any series thereof.

SECTION 10. The provisions of the Authority's Resolution No. 2017-01 apply to the documents and actions approved in this Resolution.

SECTION 11. 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 12. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: ______________________________

EXHIBIT A

The Project

2007 Project:

The acquisition, construction, improvement, renovation and equipping of certain health facilities located at or on the campus located generally at 4546, 4551, 4584, 4601, 4650 and 4661 Sunset Boulevard; 4616 DeLongpre Avenue and 4600 Maubert Avenue, Los Angeles, California.

2010 Project:

The acquisition, construction, improvement, renovation and equipping of certain health facilities located at or on the campus located generally at 4546, 4551, 4584, 4601, 4650 and 4661 Sunset Boulevard; 4616 DeLongpre Avenue and 4600 Maubert Avenue, Los Angeles, California.

2012 Project:

The acquisition, construction, improvement, renovation and equipping of certain health facilities located at or on the campus located generally at 4546, 4551, 4584, 4601, 4650 and 4661 Sunset Boulevard; 4616 DeLongpre Avenue and 4600 Maubert Avenue, Los Angeles, California.

New Project:

The acquisition, construction, improvement, renovation and equipping of certain health facilities located at or on the campus located generally at 4400, 4546, 4551, 4584, 4601, 4650 and 4661 Sunset Boulevard; 4616 DeLongpre Avenue and 4600 Maubert Avenue, Los Angeles, California.