

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

Applicant:	Cedars-Sinai Medical Center ("CSMC" or the "Medical Center") Los Angeles, California Los Angeles County	Amount Requested:	\$556,000,000
		Loan Term:	up to 30 years
		Date Requested:	June 30, 2005
		Resolution Number:	F-311
Project Site:	Cedars-Sinai Medical Center, Los Angeles, California		
Facility Type:	General Acute Care Hospital - Tertiary Care Teaching Hospital		
Uses of Bond Proceeds: Bond proceeds will be used to refund all or portions of the CHFFA Series 1999A bonds and the California Statewide Community Development Authority's (CSCDA) 1993 Certificates of Participation. This refunding is expected to generate a net present value savings of approximately \$34 million or 4.74%.			
<p style="text-align: center;">Type of Issue: Negotiated public offering, fixed interest rates.</p> <p>Credit Enhancement: Dependent on market conditions, may use insurance.</p> <p>Expected Rating: With Insurance: Aaa, Without Insurance: A3 (Moody's).</p> <p>Senior Underwriter: UBS Financial Services Inc.</p> <p>Bond Counsel: Orrick, Herrington & Sutcliffe</p>			
Financial Overview: The Medical Center is a financially stable organization producing consistently positive operating results over the review period. The income statement exhibits revenue growth primarily due to net patient service revenue increases. Management's financial outlook remains optimistic for the future. The balance sheet is solid reflecting strong liquidity and sizeable unrestricted net assets. Historically, debt service coverage levels have been very good. Proforma debt service coverage remains satisfactory at 2.58x.			
Sources of Net Revenue: (FYE 06/30/04)			
	HMO/PPO and Managed Care		57.7%
	Medicare		27.6%
	Commercial Insurance, Self Pay and Other		10.7%
	Medi-Cal		<u>4.0%</u>
			<u>100.0%</u>
<u>Estimated Sources of Funds (000's):</u>		<u>Uses of Funds (000's):</u>	
Par Amount of Bonds	\$556,000	CHFFA Series 1999 Escrow	\$468,604
		CSCDA Series 1993 Escrow	63,356
		Bond Insurance	20,284
		Costs of Issuance	<u>3,756</u>
Total Sources	<u>\$556,000</u>	Total Uses	<u>\$556,000</u>
Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.			
Staff Recommendation: Staff recommends the Authority approve a resolution in an amount not to exceed \$556,000,000 for Cedars-Sinai Medical Center, subject to a minimum "A" rating.			

**STAFF SUMMARY AND RECOMMENDATION
BOND FINANCING PROGRAM**

Cedars-Sinai Medical Center (“CSMC” or the “Medical Center”)

June 30, 2005

Resolution Number: F-311

I. PURPOSE OF FINANCING: CSMC plans to refinance all or portions of its CHFFA Series 1999A bonds and the California Statewide Communities Development Authority (CSCDA) Series 1993 Certificates of Participation (COP’s) to take advantage of the lower interest rate environment. The proposed refunding is expected to generate net present value savings of approximately \$34 million or 4.74%.

Advance refund CHFFA Series 1999A..... **\$468,604,000**

In November 1999, the Medical Center issued \$430 million through the Authority. The revenue bonds mature in 2019, 2024, 2030 and 2034 with interest rates ranging from 6.3% - 6.45%. To date, only semi-annual interest payments have been made because no principal amounts are due or payable until 2016, when mandatory sinking account payments begin.

Current refund CSCDA 1993 Certificates of Participation **63,356,000**

The Certificates of Participation proposed for refunding were issued by the CSCDA in 1993 and are scheduled to mature in 2015 and 2017. The 1993 COP’s were issued in the original amount of \$120,965,000 with interest rates ranging from 4.8% to 5.4%. As of June 30, 2004, \$85,910,000 remains outstanding. However, \$18,105,000 is ineligible for future refundings.

Bond Insurance (estimated), if applicable **20,284,000**

Financing costs **3,756,000**

Estimated Costs of Issuance **1,153,000**

Underwriters Discount **2,603,000**

Total Uses of Funds **\$556,000,000**

Financing structure:

- ◆ General Obligation of the Medical Center
- ◆ The Medical Center is in the process of soliciting bids from major bond insurance companies. The decision to use bond insurance will be based on the economic benefit.
- ◆ Expected rating: With Insurance: Aaa (Moody’s) or Without Insurance: A3 (Moody’s).
- ◆ Fixed rate issue structured with serial and term bonds with maturities matching the maturities of the CSCDA Series 1993 and CHFFA Series 1999 bonds to be refinanced.

II. FINANCIAL STATEMENTS:

CEDARS-SINAI MEDICAL CENTER (Obligated Group)

Statement of Operations

(Unrestricted)

(in thousands)

	10 months ended	For the Year Ended June 30,		
	April 30, 2005	2004	2003	2002
	(Unaudited)			
Unrestricted revenues, gains and other support:				
Net patient service revenues	\$ 1,119,123	\$ 1,159,115	\$ 1,053,888	\$ 950,897
Other operating revenues	62,361	66,125	79,385	75,392
Investment income	32,422	37,923	34,253	15,117
Net assets released from restrictions	57,031	65,752	61,161	55,375
Total unrestricted revenues, gains and other support	<u>1,270,937</u>	<u>1,328,915</u>	<u>1,228,687</u>	<u>1,096,781</u>
Expenses:				
Salaries and related costs	543,528	630,104	585,014	521,310
Professional fees	11,472	13,754	14,471	15,785
Materials, supplies and other	461,656	450,281	422,076	376,277
Interest	29,232	34,094	33,896	30,272
Depreciation and amortization	63,165	71,845	64,184	59,360
Provision for uncollectible accounts	82,131	87,096	59,213	44,458
Total Expenses	<u>1,191,184</u>	<u>1,287,174</u>	<u>1,178,854</u>	<u>1,047,462</u>
Operating income before special charges	79,753	41,741	49,833	49,319
Special charges	-	-	(2,104)	-
Operating income	79,753	41,741	47,729	49,319
Net assets released from restrictions used for the purchase of property and equipment	3,172	1,241	33,434	9,759
Decrease (increase) in minimum pension liability	-	4,281	(31,264)	-
Transfers (to) from affiliates	(5,455)	(2,423)	(6,437)	(618)
(Decrease) increase in unrestricted net assets	77,470	44,840	43,462	58,460
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>540,363</u>	<u>495,523</u>	<u>\$ 452,061</u>	<u>393,601</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 617,833</u>	<u>\$ 540,363</u>	<u>\$ 495,523</u>	<u>\$ 452,061</u>

CEDARS-SINAI MEDICAL CENTER (Obligated Group)
(in thousands)
Balance Sheet

	<u>As of April 30,</u>	<u>As of June 30,</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Assets	(Unaudited)			
Current assets:				
Cash and cash equivalents	\$ 57,742	\$ 75,351	\$ 79,459	\$ 45,977
Investments	220,468	174,794	120,287	133,621
Board designated assets	137,873	135,531	124,073	100,735
Current portion of assets limited as to use	9,967	9,967	7,959	8,263
Patient accounts receivable, net	335,598	301,296	286,904	277,308
Due from third-party payors	-	-	4,352	3,575
Inventory	13,981	11,627	10,349	8,975
Due from affiliates	200	200	200	200
Prepaid expenses and other assets	23,286	19,225	26,008	15,543
Total current assets	799,115	727,991	659,591	594,197
Assets limited as to use, less current portion	39	39	1546	50,935
Property and equipment, net	829,457	796,435	762,053	697,604
Investments	43,785	73,340	71,007	63,450
Assets restricted for the acquisition of property and equipment	7,445	8,042	7,985	34,344
Pledges receivable	77,227	53,085	43,987	43,730
Permanently restricted net assets	151,937	144,837	141,843	132,599
Other assets	48,108	53,071	57,867	75,645
Total Assets	\$ 1,957,113	\$ 1,856,840	\$ 1,745,879	\$ 1,692,504
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and other accrued liabilities	\$ 105,271	\$ 97,436	\$ 69,375	\$ 84,191
Due to third-party payors	17,401	4,466	-	-
Accrued payroll and related liabilities	94,593	98,591	87,747	77,818
Current maturities of long-term debt	10,075	29,574	29,361	8,600
Total current liabilities	227,340	230,067	186,483	170,609
Long-term debt, less current maturities	722,974	723,015	732,585	761,946
Accrued workers' compensation and malpractice insurance claims, less current portion	47,052	31,904	26,057	21,874
Other liabilities	46,797	46,099	33,567	9,973
Total Liabilities	1,044,163	1,031,085	978,692	964,402
Net Assets:				
Unrestricted Net Assets	617,833	540,363	495,523	452,061
Temporarily Restricted Net Assets	143,180	140,555	129,821	143,442
Permanently Restricted Net Assets	151,937	144,837	141,843	132,599
Total Net Assets	912,950	825,755	767,187	728,102
Total Liabilities and Net Assets	\$ 1,957,113	\$ 1,856,840	\$ 1,745,879	\$ 1,692,504

Financial Ratios:

	<u>Proforma (a)</u>			
	<u>FYE June 2004</u>			
Debt Service Coverage (x)	2.58	2.38	3.33	3.78
Debt/Unrestricted Net Assets (x)	1.47	1.39	1.54	1.70
Margin (%)		3%	4%	4%
Current Ratio (x)		3.16	3.54	3.48

Financial Discussion:

Note: The financial statements on pages 3 and 4, do not include non-Obligated Group members (Cedars-Sinai Foundation and the Greater Valley MSO). The consolidated financial statements, which include members of the non-obligated group, are attached as Exhibit A following this staff report. The discussion below is based on financial statements for the Cedars-Sinai Medical Center Obligated Group.

The Medical Center is a financially stable organization producing consistently positive operating results over the review period. The income statement exhibits revenue growth primarily due to net patient service revenue increases. Management's financial outlook remains optimistic for the future.

Sources of net patient service revenues remained steady during the last three fiscal years with HMO/PPO providing the largest portion of payments. Medicare was the second largest source of revenue averaging approximately 28% over the review period with commercial insurance (including self pay and other) contributing close to 11% and Medi-Cal payments at 4%.

Growth in net patient service revenues is primarily due to an increase in rates, admissions, outpatient visits, and outpatient surgery volumes. Effective July 1, 2004, the Medical Center implemented a rate increase, which averaged approximately 9%. Patient days have increased by 2% from FY 2003 to FY 2004 and outpatient visits have increased by 26% for the same period.

The Medical Center generated investment income of close to \$38 million in FY 2004 increasing over 137% since FY 2002. The changes in investment income reflect fluctuations in market conditions and a 38% increase in unrestricted investments between fiscal years.

Salaries and related costs increases can be attributed to annual wage increase/market adjustments, FTE increases due to nurse staffing regulations, and an increase in benefits primarily due to changes in health insurance premiums. Although materials, supplies, and other expenses have increased over the review period, as a percentage of net patient service revenues these costs have improved from 40% in the FY 2003 to 39% in FY 2004.

During 2003, the Medical Center announced intentions to streamline operations to enhance cost efficiencies resulting in \$2.1 million restructuring charges (refer to Expenses - Special Charges), primarily related to severance and related employee benefits for approximately 280 employees whose positions were eliminated.

Transfers to affiliates (the Foundation and Greater Valley MSO) were \$1.5 million and \$912,000, respectively, during FY 2004 compared to \$5.1 million and \$1.3 million, respectively, during FY 2003. Transfers have been made to cover Greater Valley MSO lease costs with various dates that expire through 2011 as well as Foundation losses. Although these entities are not currently Members of the Obligated Group or Obligated Group Affiliates, the Medical Center expects to continue to subsidize their operations and financial requirements.

Management believes that the Medical Center will continue to see positive operational trends over the next three years. However, there will be challenges obtaining revenue price increases as payors, including the Federal and State governments' attempt to control healthcare inflationary increases.

The balance sheet is solid reflecting strong liquidity and sizeable unrestricted net assets. Historically, debt service coverage levels have been very good. The proforma debt service coverage remains satisfactory at 2.58x.

The Medical Center has experienced consistent growth in unrestricted net assets over the review period, increasing over 19% from FY 2002 to FY 2004. The 10-month interim results maintain this trend reflecting a 13% increase from FY 2004, with nearly \$618 million in unrestricted net assets.

The organization is leveraged as indicated by the debt/unrestricted net assets ratio of 1.39x in FY 2004. Historically, debt service coverage levels have been very good averaging more than 3x over the review period. Proforma debt service coverage results remain satisfactory at 2.58x. This proposed refinancing will allow the Medical Center to obtain better interest rates than the current debt and is expected to provide an estimated net present value savings of approximately \$34 million. Please refer to page 10, Section VIII., Outstanding Debt, for recent repayment information.

III. UTILIZATION STATISTICS:

Medical Center Utilization Data

	<u>April 30,</u> 2005 <i>(10 months ended)</i>	<u>Fiscal Year Ended June 30,</u>		
		2004	2003	2002
Acute Beds:				
Discharges	39,636	46,613	47,158	46,104
Average Length of Stay (Days)	5.9	6.1	6.0	6.1
Patient Days	234,898	283,806	281,796	279,880
Admissions	39,551	46,416	46,854	44,887
Average Available Beds	855	871	876	876
Occupancy (as % of Available Beds)	90.4%	89.1%	88.2%	87.5%
Emergency Room Visits	62,279	72,120	72,407	75,654
Outpatient Visits	255,323	244,253	194,172	158,092
Outpatient Surgeries	10,474	10,536	10,351	10,098

IV. BACKGROUND: Incorporated in 1961, CSMC owns and operates a major tertiary medical center in Los Angeles, California. CSMC is situated on an approximately 26-acre site and includes a 1.6 million square foot main medical center complex supported by an additional 505,000 square feet in adjacent research and ancillary facilities. In addition, the Corporation owns an adjacent outpatient Surgery Center of approximately 47,000 square feet and the Mark Goodson Building, an offsite ambulatory care facility of approximately 178,000 square feet. As a teaching hospital, the Medical Center serves as a regional resource with a full complement of primary care, specialty and subspecialty services.

Corporate Organization: The Corporation is organized as an integrated healthcare and medical care delivery system. The Corporation maintains an ownership or control interest in affiliate/subsidiary organizations, some of which are dormant organizations. The Corporation is the

sole member of the Obligated Group. None of the Corporation's affiliate or subsidiary organizations, including the Cedars-Sinai Medical Foundation (described below), is obligated under any of the terms set forth in the Loan Agreements, the Obligations, the Indentures, the Master Indenture, the Supplemental Master Indentures or any other Obligation issued under the Master Indenture.

Cedars-Sinai Medical Center – The Corporation continues to explore a wide variety of relationships and review the strategic and business value of existing relationships, including contracting with health maintenance organizations and other third-party payors, developing jointly developed clinical specialty services, managing other nonprofit hospitals under contract and providing physician practice management services. As part of its ongoing review of its relationships, the Corporation may in the future acquire additional assets or divest itself of existing assets.

Cedars-Sinai Medical Care Foundation (the “Foundation”) – Formed as a California nonprofit public benefit corporation in December 1993, the Foundation operates and maintains multi-specialty clinics, holds payor contracts and the assets of acquired physician or physician group practices, and contracts for physician services pursuant to professional services agreements. The Foundation is affiliated with approximately 650 physicians with practices situated on the west side of Los Angeles and manages approximately 62,500 commercial and senior capitated lives. The Corporation is the sole corporate member of the Foundation.

Governance: The Medical Center is governed by its Board of Directors, which consists of at least fifteen, but not more than forty-two members. Each member of the Board of Directors is elected initially to a one-year or two-year term at the December Board of Directors meeting and is subject to re-election for an unlimited number of subsequent one-year or two-year terms in accordance with the Corporation's bylaws.

Management: The Medical Center is managed by an administration headed by the President and eight Senior Vice Presidents.

Services: The Medical Center offers a wide range of general and specialty clinical, ancillary and physician services. Inpatient and outpatient services include medical, surgical, pediatric, prenatal, obstetric, gynecology, oncology, intensive care, cardiac, organ transplantation, neurological, radiology, nuclear medicine, pathology, and medical genetics.

The Medical Center also offers a full range of ambulatory care services, comprehensive acute and outpatient rehabilitation, a 24-hour Level I trauma/emergency department, hospice care and a complete program of psychiatric services. In addition, the Medical Center has developed extensive programs in research, education, and community outreach. The Medical Center is licensed for 877 beds, of which 855 were available for use as of June 1, 2005. The upcoming opening of the Suzanne and David Saperstein Critical Care Tower will provide additional intensive care capacity and other advanced technology facilities. Once the Suzanne and David Saperstein Critical Care Tower is opened and licensed, the Medical Center will be licensed for 937 beds.

Service Area and Competition: The Corporation provides comprehensive health services to a diverse population of approximately 3.1 million people who reside in the central, western and

southern portions of metropolitan Los Angeles and the southern San Fernando Valley. The Corporation defines the Medical Center’s Primary Service Area (PSA) as the geographic market accounting for 75% of the Medical Center’s patient discharges. Within the PSA, the Corporation defines the Medical Center’s core service area as those communities accounting for 50% of the patient discharges from the Medical Center.

The Medical Center’s PSA encompasses a geographic area extending to the west to Malibu, to the north to the southern portions of the San Fernando Valley, to the east to downtown Los Angeles, and to the south through Culver City. The core service area includes the communities immediately surrounding the Medical Center, such as West Los Angeles, Beverly Hills, West Hollywood and portions of Hollywood, Northeast Los Angeles, and Central Los Angeles.

Cedars-Sinai Medical Center
Primary Service Area

<u>Acute Hospitals in PSA</u>	<u>Miles from Medical Center</u>	<u>Beds</u> ⁽¹⁾	<u>Location</u>
Cedars-Sinai Medical Center	-	871	Los Angeles
Midway Hospital Medical Center	1.9	144	Los Angeles
Century City Hospital	3.1	186	Los Angeles
Kaiser Foundation Hospital – West Los Angeles	3.3	286	Los Angeles
Brotman Medical Center	4.2	244	Culver City
UCLA Medical Center	4.4	644	Los Angeles
Children’s Hospital of Los Angeles	6.3	286	Los Angeles
Kaiser Foundation Hospital - Sunset	6.3	513	Los Angeles
Queen of Angels – Hollywood Presbyterian Medical Center	6.3	434	Los Angeles
St. Vincent Medical Center	6.4	314	Los Angeles
St. John’s Health Center	6.8	233	Santa Monica
Santa Monica – UCLA Medical Center	7.4	183	Santa Monica
Daniel Freeman Marina Hospital	8.4	166	Marina Del Rey
Providence St. Joseph Medical Center	8.9	604	Burbank
Daniel Freeman Memorial Hospital	9.4	358	Inglewood
Centinela Hospital Medical Center	10.5	363	Inglewood
Sherman Oaks Hospital and Health Center	10.5	153	Sherman Oaks
Encino-Tarzana Regional Medical Center	13.6	151	Encino
Valley Presbyterian Hospital	15.5	290	Van Nuys

⁽¹⁾ Average available beds during the 2004. Source: California Office of Statewide Health Planning and Development.

Seven hospitals in the Medical Center’s PSA offer tertiary and quaternary services that locally compete with certain of the Medical Center’s specialty and subspecialty medical services: UCLA Medical Center, Santa Monica UCLA Medical Center, Brotman Medical Center, Century City Hospital, Children’s Hospital of Los Angeles, Midway Hospital Medical Center, and St. John’s Health Center. Of these seven hospitals, only the UCLA Medical Center (including its satellite hospital located in Santa Monica) offers services that significantly overlap with the specialized scope of services offered at the Medical Center.

Licenses and Contracts: The Medical Center is licensed by the State of California Department of Health Services to operate as a General Acute Care Hospital with a total of 877 beds. A breakdown of the bed categories specified in the license is listed below:

General Acute Care	
Intensive Care	54
Perinatal	64
Pediatric	31
I.C. Newborn Nursery	45
Rehabilitation Center	29
Coronary Care	18
Acute Respiratory Care	10
Unspecified General	<u>558</u>
Subtotal General Acute	809
Acute Psychiatric	<u>68</u>
Total	877

Medicare: The Medical Center is certified to provide health care services to participants in various Medicare plans. There are no contract expiration dates for these plans.

Medi-Cal: Cedars-Sinai has a Medi-Cal contract. This contract provides for those not covered under specific Medi-Cal insurance plans such as Medi-Cal Managed Care and Amerimed Health Plan. The contract has no expiration date.

V. SECTION 15438.5 OF THE ACT (Savings Pass Through): It is the intent of the Legislature in enacting this part to provide financing only to health facilities that can demonstrate the financial feasibility of their projects. It is further the intent of the Legislature that all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.

The Medical Center has provided a description of its savings pass through in Attachment A.

VI. SECTION 15459.1 OF THE ACT (Community Service Requirement): As a condition of the issuance of revenue bonds, whether by the Authority or any local agency, each borrower shall give reasonable assurance to the Authority that the services of the health facility will be made available to all persons residing or employed in the area served by the facility. As part of this assurance, borrowers shall agree to a number of actions, including (a) To advise each person seeking services at the borrower's facility as to the person's potential eligibility for Medi-Cal and Medicare benefits or benefits from other governmental third-party payers, (b) To make available to the Authority and to any interested person a list of physicians with staff privileges at the borrower's facility, and (c) To post notices in appropriate areas within the facility regarding services being available to all in the service area. This agreement is a standard "Certification and Agreement Regarding Community Service Obligation".

The Medical Center has executed this certificate included as Attachment B and submitted its current list of physicians, specialties, languages spoken, telephone numbers and whether Medi-Cal and Medicare patients are accepted.

VII. COMPLIANCE WITH SEISMIC REGULATIONS: SB 1953 (Chapter 740, 1994) requires that all acute care hospitals in California meet specific seismic safety standards by 2008 and 2030.

The Medical Center has provided a description of its seismic requirements. See Attachment C.

VIII. OUTSTANDING DEBT (000s):

Date Issued:	Original Amount	Amount Outstanding As of 6/30/04 (a)	Estimated Amount Outstanding after Proposed Financing	
Existing Authority Debt:				
Cedars-Sinai Series 1997 A	\$106,555	\$102,875	\$102,875	
Cedars-Sinai Series 1997 B	63,445	62,365	62,365	
Cedars-Sinai Series 1999A	430,000	430,000	0	(b)
Other Debt:				
Series 1992 – COP’s	108,825	51,130	43,900	(c)
CSCDA Series 1993 – COP’s	120,965	85,910	18,105	(d)
Bank Credit Agreement		20,000	10,000	(e)
Other		318	318	
Proposed:				
CHFFA Series 2005		<u>N/A</u>	<u>556,000</u>	
Totals		<u>\$752,598</u>	<u>\$793,563</u>	

Above data obtained from Consolidated Financial statements.

- (a) *Includes current portion.*
- (b) *Approximately \$2.365 not eligible for refunding due to previously advance refunded debt. The Medical Center expects to contribute their own cash to defease the remaining amount when proposed CHFFA Series 2005 closes.*
- (c) *\$7.1 million was recently repaid.*
- (d) *Portion remaining after proposed 2005 financing.*
- (e) *The Bank Credit Agreement was refinanced September 15, 2004 under a credit limit of \$50 million. Prior to that date \$10 million of the outstanding line was repaid.*

IX. LEGAL REVIEW: Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed to question the financial viability or legal integrity of this applicant.

X. STAFF RECOMMENDATION: Staff recommends the Authority approve a resolution in an amount not to exceed \$556,000,000 for Cedars-Sinai Medical Center, subject to a minimum “A” rating.

CEDARS-SINAI MEDICAL CENTER
Consolidated Statements of Operations

(Unrestricted)
(in thousands)

	For the Year Ended June 30,		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Unrestricted revenues, gains and other support:			
Net patient service revenues	\$ 1,174,725	\$ 1,070,517	\$ 967,258
Premium revenues	44,733	42,375	38,643
Other operating revenues	62,929	74,813	71,580
Investment income	37,923	34,879	15,967
Net assets released from restrictions	65,752	61,161	55,375
Total unrestricted revenues, gains and other support	<u>1,386,062</u>	<u>1,283,745</u>	<u>1,148,823</u>
Expenses:			
Salaries and related costs	641,245	596,566	532,326
Professional fees	52,039	51,889	51,911
Materials, supplies and other	461,434	432,090	386,157
Interest	34,099	33,908	30,300
Depreciation and amortization	72,397	64,804	60,213
Provision for uncollectible accounts	88,211	59,989	47,160
Total Expenses	<u>1,349,425</u>	<u>1,239,246</u>	<u>1,108,067</u>
Operating income before special charges	36,637	44,499	40,756
Special charges	-	(6,061)	-
Operating income	<u>36,637</u>	<u>38,438</u>	<u>40,756</u>
Net assets released from restrictions used for the purchase of property and equipment	1,241	33,434	9,759
Decrease (increase) in minimum pension liability	4,281	(31,264)	-
(Decrease) increase in unrestricted net assets	<u>42,159</u>	<u>40,608</u>	<u>50,515</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>499,207</u>	<u>\$ 458,599</u>	<u>408,084</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u>\$ 541,366</u>	<u>\$ 499,207</u>	<u>\$ 458,599</u>

CEDARS-SINAI MEDICAL CENTER

(in thousands)

Consolidated Balance Sheets

	As of June 30,		
	2004	2003	2002
Assets			
Current assets:			
Cash and cash equivalents	\$ 79,750	\$ 84,701	\$ 48,606
Investments	174,794	120,287	133,621
Board designated assets	135,531	124,073	100,735
Current portion of assets limited as to use	9,967	7,959	8,263
Patient accounts receivable, net	304,127	289,243	280,425
Due from third-party payers	-	4,352	3,575
Inventory	11,627	10,349	8,975
Prepaid expenses and other assets	25,934	34,244	24,359
Total current assets	741,730	675,208	608,559
Assets limited as to use, less current portion	39	1546	50,935
Property and equipment, net	797,489	763,172	698,897
Investments	73,340	71,007	63,450
Assets restricted for the acquisition of property and equipment	8,042	7,985	34,344
Pledges receivable	53,085	43,987	43,730
Permanently restricted assets	144,837	141,843	132,599
Other assets	57,774	64,860	84,098
Total Assets	\$ 1,876,336	\$ 1,769,608	\$ 1,716,612
Liabilities and Net Assets			
Current liabilities:			
Accounts payable and other accrued liabilities	\$ 108,789	\$ 81,474	\$ 96,353
Due to third-party payers	4,466	-	-
Accrued payroll and related liabilities	99,510	88,519	78,601
Current maturities of long-term debt	29,583	29,503	8,765
Total current liabilities	242,348	199,496	183,719
Long-term debt, less current maturities	723,015	732,594	762,078
Accrued workers' compensation and malpractice insurance claims, less current portion	31,904	26,057	21,874
Other liabilities	52,311	40,590	14,301
Total Liabilities	1,049,578	998,737	981,972
Net Assets:			
Unrestricted Net Assets	541,366	499,207	458,599
Temporarily Restricted Net Assets	140,555	129,821	143,442
Permanently Restricted Net Assets	144,837	141,843	132,599
Total Net Assets	826,758	770,871	734,640
Total Liabilities and Net Assets	\$ 1,876,336	\$ 1,769,608	\$ 1,716,612

RESOLUTION NO. F-311

**RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
RELATING TO THE ISSUANCE OF REFUNDING REVENUE BONDS
FOR CEDARS-SINAI MEDICAL CENTER**

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 to finance construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities operated by participating health institutions (including by reimbursing expenditures made or refinancing indebtedness incurred for such purpose); and

WHEREAS, Cedars-Sinai Medical Center, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), has applied to the Authority for the issuance of its refunding revenue bonds on behalf of the Corporation, in one or more series or subseries, in an aggregate principal amount not to exceed five hundred fifty-six million dollars (\$556,000,000) for the purposes of (1) refunding all (if the Corporation determines it is in its economic interest to do so at the time of sale of the Bonds (defined below)) or certain of the Authority’s Revenue Bonds (Cedars-Sinai Medical Center), Series 1999 (the “1999 Bonds”), previously issued for the benefit of the Corporation and the Cedars-Sinai Medical Care Foundation; (2) prepaying all (if the Corporation determines it is in its economic interest to do so at the time of sale of the Bonds) or certain of the Certificates of Participation, delivered by the California Statewide Communities Development Authority for the benefit of the Corporation (the “1993 Certificates” and together with the 1999 Bonds, the “Prior Obligations”); and (3) paying costs of issuance for the Bonds;

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

Section 1. The Corporation’s application for financial assistance is hereby approved. Pursuant to the Act, revenue bonds of the Authority designated as the “California Health Facilities Financing Authority Refunding Revenue Bonds (Cedars-Sinai Medical Center), Series 2005 (the “Bonds”) in an aggregate principal amount of not to exceed five hundred fifty-six million dollars (\$556,000,000) are authorized to be issued from time to time in one or more series or subseries, with such other name or names of the Bonds as designated in the Indenture hereinafter mentioned in Section 4.

Section 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to sell the Bonds on one or more sale dates, at any time within six months of the adoption of this Resolution, at public or private sale, in such aggregate amount and at such price and at such interest rate or rates as the Treasurer, with the consent of the Corporation, may determine, and upon such terms and conditions as the Treasurer, with the consent of the Corporation, may determine. The Bonds bearing interest at a fixed rate shall be rated at a minimum of “A3” or equivalent by a nationally recognized active rating agency. The Bonds may, at the option of the Corporation, be secured by bond insurance and/or a liquidity facility.

Section 3. The proposed form of Loan Agreement relating to the Bonds (the “Loan Agreement”), between the Authority and the Corporation, as presented to this meeting, is hereby approved. The Authority hereby specifically finds and declares that the findings of the Authority set forth in the Loan Agreement are true and correct. The Chairman or any Deputy to the Chairman, together with the Executive Director or the Deputy Executive Director (each, an “Authorized Officer” and, collectively, the “Authorized Officers”), are hereby authorized and directed, for and on behalf of the Authority, to execute and deliver to the Corporation the Loan Agreement, in substantially the form presented to this meeting, with such insertions and changes therein consistent with the stated terms of this Resolution as such Authorized Officers, with the advice of the Attorney General of the State of California or such other counsel as the Authority shall select (the “Authority Counsel”), may require or approve, such approval to be conclusively evidenced by execution and delivery thereof.

Section 4. The proposed form of Bond Indenture relating to the Bonds (the “Indenture”), between the Authority and The Bank of New York, as Bond Trustee (herein the “Trustee”), as presented to this meeting, is hereby approved. The Authorized Officers are hereby authorized and directed, for and on behalf of the Authority, to execute and deliver to said Trustee the Indenture, in substantially the form presented to this meeting, with such insertions and changes therein consistent with the stated terms of this Resolution as such Authorized Officers, with the advice of the Authority Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The dates, maturity dates, interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture, as finally executed.

Section 5. The proposed form of Bond Purchase Contract, among UBS Financial Services, Inc., as representative of the underwriters named therein (the “Representative”), the Treasurer and the Authority, as approved by the Corporation, as presented to this meeting, is hereby approved. Any Authorized Officer is hereby authorized and directed, for and on behalf of the Authority, to execute the Bond Purchase Contract, in substantially the form presented at this meeting, with such insertions and changes therein consistent with the stated terms of this Resolution as such Authorized Officer, with the advice of the Authority Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The proposed form of the preliminary official statement relating to the Bonds presented to this meeting is hereby approved. The Representative is hereby authorized to distribute the preliminary official statement to persons who may be interested in the purchase of the Bonds. Any Authorized Officer is hereby authorized, for and in the name and on behalf of the Authority: (i) to execute and deliver to the Representative a certificate, in a form acceptable to the Authority Counsel, to the effect that the portion of the preliminary official statement under the captions “THE AUTHORITY” and “LEGAL MATTERS” (solely as it relates to the Authority) is deemed final as of its date for purposes of Rule 15c2-12 of the Securities Exchange Act of 1934; and (ii) to execute a final official statement (the “Official Statement”) in substantially the form of said preliminary official statement, with such insertions and changes therein consistent with the stated terms of this Resolution as such Authorized Officer, with the advice of the Authority Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Representative is hereby directed to deliver a copy of the Official Statement to all actual purchasers of the Bonds.

Section 7. The Bonds shall be executed by the manual or facsimile signature of the Chairman or any Deputy to the Chairman and the seal of the Authority shall be affixed thereon (or a facsimile reproduced thereon), in the form set forth in and otherwise in accordance with the Indenture.

Section 8. The Bonds, when so 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 the purchaser or purchasers thereof in accordance with written instructions executed on behalf of the Authority by an Authorized Officer, which instructions said officer is hereby authorized and directed, for and on behalf of the Authority, to execute and deliver to the Trustee. Said instructions shall provide for the delivery of the Bonds to the Representative, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

Section 9. The Executive Director or the Deputy Executive Director is hereby authorized and directed to attest the signature of the Chairman or any Deputy to the Chairman and to affix (either manually or by facsimile) and attest the seal of the Authority as may be required in connection with the execution and delivery of any of the documents approved or authorized in accordance with this Resolution; provided, however, that the attestation of the signature of the Chairman or any Deputy to the Chairman on the Bonds shall not be required.

Section 10. Each of the Authorized Officers is hereby authorized and directed, jointly and severally, to perform any ministerial acts, and to execute and deliver the following, in each case, with the advice of Authority Counsel, 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 Indenture, the Loan Agreement, the Purchase Contract and the Official Statement: (a) certifications, including, a tax certificate; (b) a certificate to the Trustee directing it to enter into an escrow agreement for the 1999 Bonds; and (c) any agreement or commitment letter with respect to the provisions of bond insurance, a surety bond and/or a liquidity facility for the Bonds.

Section 11. Each of the Authorized Officers, acting alone, is hereby authorized to execute and deliver any future amendments to the documents authorized to be executed and delivered pursuant to this Resolution, for the purpose of adding to the covenants and agreements of the Authority; to pledge or assign additional security for any of the Bonds; to surrender any right or power reserved to the Authority; to cure any ambiguity, inconsistency or omission or cure or correct any defective provision; to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect; or to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; provided such amendments are (1) made pursuant to the terms of such documents, (2) are consistent with such documents, (3) do not require Bondholder consent, and do not provide for any additional duties or costs to the Authority.

Section 12. This Resolution and the issuance of the Bonds are conditioned upon the approval of the issuance of the Bonds by the Treasurer, the Governor or the Lieutenant Governor of the State of California pursuant to Section 147(f)(2)(i) of the Internal Revenue Code of 1986, as amended, and Section 12332 of the Government Code of the State of California.

Section 13. 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 14. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____