

**CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Petaluma Health Center, Inc. (“PHC”) 1179 North McDowell Boulevard Petaluma, CA 94954 Sonoma County</p> <p>Project Site: 1179 North McDowell Blvd., Petaluma, CA 94954</p> <p>Facility Type: Community Clinic, a Federally Qualified Health Center (“FQHC”)</p> <p>Eligibility: A community clinic pursuant to Government Code 15432(d)(6)</p> <p>Prior Borrower: Yes (date of last CHFFA issue, June 2010)</p>	<p>Principal Amount Requested: \$6,500,000</p> <p>Date Requested: August 4, 2016</p> <p>Requested Loan Term: Up to 25 years</p> <p>Resolution Number: 417</p>																		
<p>Background: PHC was founded in 1999 as a 501(c)(3) public benefit corporation in response to the unmet healthcare needs of the residents of Sonoma County. PHC is a FQHC that provides primary medical care and mental health services to the residents of Petaluma, Rohnert Park, Cotati, Penngrove and the surrounding areas. PHC has five sites, including the main clinic and administrative offices at 1179 N. McDowell Blvd. in Petaluma (the “McDowell” facility), a homeless clinic, two school-based health centers, and the Rohnert Park Health Center. In FY 2015, PHC served 23,909 clients.</p>																			
<p>Use of Proceeds: Bond proceeds will be used to advance refund the outstanding CHFFA Series 2010A Bonds, and finance a portion of the construction project to build out the unfinished, but shelled in, 6,500 square-foot section of the McDowell medical facility. PHC anticipates a net present value savings of approximately \$945,000 over the life of the refunding bonds.</p>																			
<p>Type of Issue: Negotiated public offering with fixed rate bonds (expected minimum denominations of \$5,000)</p> <p>Expected Credit Rating: AA-; S&P based on Cal-Mortgage insurance</p> <p>Financing Team: <i>Please see Exhibit 1 to identify possible conflicts of interest</i></p>																			
<p>Financial Overview: PHC’s income statement appears to exhibit strong results with solid growth in income from operations each year from FY 2013 through FY 2015. PHC exhibits a strong balance sheet with an operating pro-forma debt service coverage ratio of approximately 5.12x, which includes the new \$1.5 million HELP II loan, if approved.</p>																			
<p>Estimated Sources of Funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Par amount of bonds</td> <td style="width: 20%; text-align: right;">\$ 6,060,000</td> </tr> <tr> <td>Net premium</td> <td style="text-align: right;">556,000</td> </tr> <tr> <td>Reserve fund release</td> <td style="text-align: right;">414,000</td> </tr> <tr> <td>Borrower funds</td> <td style="text-align: right;">91,000</td> </tr> <tr> <td>Total Estimated Sources</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 7,121,000</td> </tr> </table>	Par amount of bonds	\$ 6,060,000	Net premium	556,000	Reserve fund release	414,000	Borrower funds	91,000	Total Estimated Sources	\$ 7,121,000	<p>Estimated Uses of Funds:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;">Refund CHFFA Series 2010A Bonds</td> <td style="width: 20%; text-align: right;">\$ 6,039,000</td> </tr> <tr> <td>Construction</td> <td style="text-align: right;">500,000</td> </tr> <tr> <td>Financing costs</td> <td style="text-align: right;">582,000</td> </tr> <tr> <td>Total Estimated Uses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 7,121,000</td> </tr> </table>	Refund CHFFA Series 2010A Bonds	\$ 6,039,000	Construction	500,000	Financing costs	582,000	Total Estimated Uses	\$ 7,121,000
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<p>Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, CEQA documentation-N/A (pending the Authority approval of the HELP II loan), Community Service Obligation, and the Iran Contracting Act Certificate documentation. All documentation satisfies the Authority’s requirements.</p>																			
<p>Staff Recommendation: Staff recommends the Authority approve Resolution Number 417 for Petaluma Health Center, Inc. in a principal amount not to exceed \$6,500,000 subject to the conditions in the resolution, contingent upon Cal-Mortgage approval, and receiving a 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, the Authority’s financial advisor, concur with the Authority’s staff recommendation.</p>																			

I. PURPOSE OF FINANCING:

With interest rates in the bond financing market reaching record lows, PHC seeks to advance refund the outstanding CHFFA Series 2010A Bonds. The purpose of the refunding is to lower PHC’s interest costs, but PHC will maintain Cal-Mortgage insurance and a debt service reserve fund with the new issuance. Refunding the Series 2010A Bonds, PHC anticipates approximately \$945,000 in net present value savings over the life of the refunding bonds.

PHC issued bonds through CHFFA in 2010 to purchase and renovate a portion of the existing McDowell facility. PHC has been experiencing an increasing demand for primary care services, and the facility is not sufficient to adequately meet the growing demand for services. PHC seeks to expand access to its patient-centered primary care, urgent care, and mental health services with the expansion of this facility. The expansion will improve access to team-based, patient-centered coordinated care, address the increased demand for primary care, urgent care, and mental health services, and continue to reduce barriers to healthcare utilization within the low-income, medically underserved population in PHC’s service area. PHC anticipates the expanded facility will increase capacity to provide services for an additional 6,500 patients annually.

***Refund CHFFA Series 2010A Bonds* \$6,039,000**

Proceeds from the CHFFA Series 2010A Bonds were used to finance the purchase of, and renovations to, PHC’s then leased 51,660 square foot McDowell facility. The McDowell facility provides primary care, perinatal care, internal medicine, pediatrics, dental, laboratory and pharmacy services as well as providing administrative office space. The bonds were originally issued in a par amount of \$5,865,000.

***Construction*..... 500,000**

PHC plans to build out the unfinished, but shelled in, 6,500 square-foot section of the McDowell medical facility. The facility expansion will provide 16 exam rooms, two consultation rooms, a nutrition evaluation room, an imaging suite, a team room for providers and support staff, reception and waiting space and a group acupuncture room. PHC anticipates beginning construction in December 2016 with a completion date of June 2017. Prevailing wages will be paid and the language will be included in the construction contract.

***Financing Costs* 582,000**

Cost of issuance	\$163,000
Underwriters’ discount	50,000
Debt service reserve fund	193,000
Cal-Mortgage fees	<u>176,000</u>

***Total Estimated Uses of Funds* \$7,121,000**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

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.

The Authority's approval of the issuance of the Bonds will be subject to the requirement that the Bonds are insured by the Office of Statewide Health Planning and Development ("Cal-Mortgage"). As the insurer for the Bonds, Cal-Mortgage will take the responsibility for negotiating the covenants with PHC that it decides are necessary for this transaction. Because of the role of Cal-Mortgage as the insurer of the Bonds, the covenants described below (other than the unconditional promise to pay) may be subject to change and further negotiation after the Authority's Board takes action on the Resolution relating to the Bonds.

After reviewing PHC's current finances, prior bond transactions, and considering what the market will support, PHC, KNN Public Finance, LLC (the Authority's financial advisor), Cal-Mortgage, and the underwriters have all concluded that the below listed covenants should be applicable to this transaction and are consistent with covenants that have applied to PHC's prior bond transactions, and that PHC's current financial situation does not suggest additional covenants should be required.

The following covenants are applicable to this transaction:

Cal Mortgage Insurance. *The primary security for this transaction is insurance from the Office of Statewide Health Planning and Development Cal Mortgage Insurance Program covering payment of principal and interest on the 2016 Bonds. Following completion of this proposed 2016 transaction, the only PHC bonds that will be outstanding are the 2016 bonds.*

Unconditional Promise to Pay. *PHC agrees to pay the Bond Trustee all amounts required for principal, interest or redemption premium, if applicable, and other payments and expenses designated in the Loan Agreement. PHC guarantees all such payments under a trust indenture obligation. All Revenues and any other amounts held in a designated fund or account under the Indenture are pledged to secure the full payment of the Bonds.*

Pledge of Gross Revenues. *PHC pledges to deposit all revenues, income, receipts and money received into a Gross Revenue Fund.*

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

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

Debt Service Coverage Requirement. *The Indenture contains a debt service coverage requirement based on 1.25 times Maximum Annual Debt Service coverage ratio. A debt service coverage requirement is a ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments.*

Additional Debt Limitation. *PHC agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Indenture and Regulatory Agreement.*

Disposition of Cash and Property Limitations. *PHC 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 Indenture and Regulatory Agreement.*

Comply with SEC Rule 15c2-12. *PHC will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. PHC will contractually agree to disclose designated financial and operating information to the Municipal Securities Rulemaking Board web site (EMMA) during the life of the bonds and to report designated “material events” such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

Staff and KNN Public Finance LLC have reviewed the entirety of this financing package and find it to be acceptable.

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III. FINANCIAL STATEMENTS AND ANALYSIS:

Petaluma Health Center, Inc.
Statement of Activities
(Unrestricted)

	As of June 30,		
	2015	2014	2013
Revenue and Other Support			
Net patient service revenues*	\$ 20,028,022	\$ 17,562,997	\$ 15,186,751
Provision for bad debts	(252,439)	(275,075)	(245,407)
Net patient service revenues less provision for bad debts	19,775,583	17,287,922	14,941,344
Grant revenue	2,919,530	1,821,472	1,140,075
Other revenue	2,465,176	1,290,477	1,200,130
Total revenue and other support	<u>25,160,289</u>	<u>20,399,871</u>	<u>17,281,549</u>
Expenditures			
Salaries and benefits	17,096,594	14,116,731	12,404,690
Purchased services	1,356,974	1,120,797	1,034,944
Rents and leases	153,694	115,066	76,316
Medical supplies and drugs	793,616	668,796	596,085
Professional fees	750,045	575,246	481,364
Office supplies	461,213	338,112	286,554
Depreciation	1,001,880	1,048,780	1,082,029
Insurance	136,758	124,321	130,402
Dues and subscriptions	113,592	126,784	105,681
Utilities and communication	294,931	267,837	253,836
Interest	404,603	411,107	411,873
Other expenses	488,949	323,577	240,862
Total expenditures	<u>23,052,849</u>	<u>19,237,154</u>	<u>17,104,636</u>
Excess of revenues and other support over expenditures	2,107,440	1,162,717	176,913
Capital grants and contributions	174,533	19,741	46,939
Change in net assets	2,281,973	1,182,458	223,852
Net assets at beginning of year	<u>13,210,125</u>	<u>12,027,667</u>	<u>11,803,815</u>
Net assets at end of year	<u>\$ 15,492,098</u>	<u>\$ 13,210,125</u>	<u>\$ 12,027,667</u>

*Net patient service revenues for FYE June 30,

Payer Source	2015	2014
Medi-Cal	78%	76%
Medicare	11%	11%
Insurance and other third party payers	10%	10%
Private pay patients	1%	3%
Affordable Care Act	N/A	N/A
Total	100%	100%

Petaluma Health Center, Inc.
Statement of Financial Position
(Unrestricted)

	As of June 30,		
	2015	2014	2013
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,369,095	\$ 5,723,288	\$ 3,876,040
Assets limited as to Use, current portion	290,359	302,457	314,555
Patient accounts receivable	2,215,061	1,787,097	1,282,028
Grants and other receivables	1,282,159	535,901	571,360
Inventory	106,545	40,726	25,691
Prepaid expenses and other	458,928	324,012	145,913
Estimated amounts due from third-party payer	-	-	-
Total Current Assets	<u>8,722,147</u>	<u>8,713,481</u>	<u>6,215,587</u>
Fixed Assets			
Assets limited as to use, less current portion	413,733	413,733	413,742
Bond issuances costs, net of accumulated amortization	267,506	278,652	289,798
Property, buildings, and equipment, net of accumulated depreciation	<u>18,654,014</u>	<u>15,103,278</u>	<u>15,133,857</u>
Net Fixed Assets	<u>19,335,253</u>	<u>15,795,663</u>	<u>15,837,397</u>
Total Assets	<u>\$ 28,057,400</u>	<u>\$ 24,509,144</u>	<u>\$ 22,052,984</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 1,403,796	\$ 906,367	\$ 353,831
Accrued expenses	2,041,125	1,124,056	1,513,555
Deferred revenue	550,203	645,770	293,417
Current portion of long-term debt	261,414	252,967	240,276
Line of credit	-	-	-
Estimated amounts due to third-party payers	1,789,706	1,587,969	588,060
Interest payable	24,489	24,800	177,532
Total Current Liabilities	<u>6,070,733</u>	<u>4,541,929</u>	<u>3,166,671</u>
Long - Term Debt less current portion	6,494,569	6,757,090	6,858,646
Total Liabilities	<u>12,565,302</u>	<u>11,299,019</u>	<u>10,025,317</u>
Net Assets			
Total Unrestricted Net Assets	<u>15,492,098</u>	<u>13,210,125</u>	<u>12,027,667</u>
Total Liabilities and Net Assets	<u>\$ 28,057,400</u>	<u>\$ 24,509,144</u>	<u>\$ 22,052,984</u>

	Proforma^(a)			
	FYE June 30, 2015	2015	2014	2013
Debt Service Coverage - Net (x)	5.12	5.61	4.06	3.32
Debt to Unrestricted Net Assets (x)	0.57	0.44	0.53	0.59
Margin (%)		8.38	5.70	1.02
Current Ratio (x)		1.44	1.92	1.96

^(a) Recalculates FY 2015 audited results to include the impact of this proposed financing and includes the proposed HELP II loan for \$1.5 million.

Financial Discussion – Statement of Activities (Income Statement)

PHC's income statement appears to exhibit strong results with a solid growth in income from operations each year from FY 2013 through FY 2015, the review period.

PHC experience solid growth in revenue of 46% from FY 2013 to FY 2015 while expenses increased approximately 35% over the same period. Operating income grew from approximately \$224,000 in FY 2013 to \$1.2 million in FY 2014, and then to \$2.3 million in FY 2015. According to PHC's management, PHC has experienced substantial growth in patient visits with the opening of the Rohnert Park Health Center facility ("RPHC") in calendar year ("CY") 2015, the San Antonio High school-based health center in CY 2013, and the McDowell facility in CY 2011. RPHC is a 35,000 square foot facility of leased useable space that houses two medical teams, provides expanded mental health services and added 15 dental chairs. In FY 2013, dental services increased 31% at the McDowell facility. Patient visits increased 18% in FY 2013, and then increased another 13% in FY 2014. According to PHC's management, improved Medi-Cal reimbursement rates beginning in FY 2014 also contributed to the growing revenues and margins.

Particular Facts to Note:

- Grant revenue increased 156% from approximately \$1.1 million in FY 2013 to approximately \$2.9 million in FY 2015. According to PHC's management, due to the implementation of the Affordable Care Act, PHC has experienced an increase in utilization at all of its facilities, which led to a corresponding increase in PHC's Federal 330 Grant Program. The Federal 330 Grant Program provides PHC funding for treating uninsured patients. In addition, PHC continues to maximize its grant revenues through the utilization of other grant programs, including Cal-Fresh, Tides, and Blue Shield of California Foundation.
- Other revenue increased 105% from approximately \$1.2 million in FY 2013 to approximately \$2.5 million in FY 2015. According to PHC's management, the increase was due to a growth in patient visits and an ongoing effort to qualify for quality improvement performance incentives and bonuses for cost savings. The quality improvement programs are recognized by Medi-Cal and measured by the Redwood Communities Health Coalition.
- Salaries and benefits increased from approximately \$12.4 million in FY 2013 to approximately \$17.1 million in FY 2015. According to PHC's management, the increase was due to the opening of RPHC and the additional high school-based clinics. PHC increased its number of employees from 155 in FY 2013 to 214 in FY 2015.
- Purchased services increased from approximately \$1.0 million in FY 2013 to approximately \$1.4 million in FY 2015, an increase of approximately 31%. According to PHC's management, the increase was due to the significant growth of information technology and security staff required to operate a newly implemented Electronic Medical Records System.

Financial Discussion – Statement of Financial Position (Balance Sheet)

PHC appears to exhibit a strong balance sheet with an operating pro-forma debt service coverage ratio of 5.12x.

PHC appears to exhibit a strong balance sheet due to the construction and opening of the new RPHC. According to PHC's management, cash and cash equivalents decreased due to construction costs for tenant improvements and the purchase of equipment and supplies. Accounts receivable increased as Medi-Cal and Medicare claims were initially slow to be processed after the opening of the RPHC, and accounts payable also increased due to initial startup costs. PHC has demonstrated a strong ability to service its debt with an operating debt service coverage ratio of 3.32x, 4.06x, and 5.61x in fiscal years 2013, 2014, and 2015 respectively. With the proposed bond issuance and the new HELP II loan, PHC's pro-forma debt service coverage ratio appears to stay strong at approximately 5.12x, indicating PHC appears to be able to manage the additional debt. PHC has steadily decreased its debt load as its debt-to-unrestricted net assets ratio has decreased from 0.59x in FY 2013 to 0.44x in FY 2015. With the proposed bond issuance and the new \$1.5 million HELP II loan, PHC's pro-forma debt-to-unrestricted net assets ratio increases to 0.57x, as would be expected with the issuance of new debt.

Particular Facts to Note:

- Accrued expenses fluctuated from approximately \$1.5 million in FY 2013 to approximately \$1.1 million in FY 2014, and then to approximately \$2 million in FY 2015. According to PHC's management, this fluctuation was due to the payroll cycle, which builds accruals on a roughly quarterly basis and then clears them when the accrual period becomes shorter. Payroll payables can reach as much as \$750,000 in any period, thus creating swings in accrued expenses from year to year.
- Estimated amounts due to third-party payers increased 170% from FY 2013 to FY 2014, starting at approximately \$588,000 in FY 2013 to approximately \$1.6 million in FY 2014. According to PHC's management, the increase was due to overpayment of the Prospective Payment System ("PPS"), a method of reimbursement in which Medicare payment is made based on a predetermined, fixed amount. The overpayment is later cleared with the PPS reconciliation. Many community health clinics face challenges with the current reimbursement systems that are creating greater liabilities due to an increasing number of wrap-around payments and dual Medi-Cal / Medicare payments.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** PHC properly completed and submitted the “Pass-Through Savings Certification.”
- **Section 15491.1 of the Act (Community Service Requirement):** PHC properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** PHC operates community clinics and therefore the Seismic Regulations requirement does not apply.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** CEQA documentation will not be applicable pending HELP II loan approval.
- **Religious Affiliation Due Diligence:** PHC properly completed and submitted relevant documentation to meet the religious due diligence requirement.
- **Legal Review:** PHC properly completed and submitted relevant documentation for the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** Piper Jaffray & Co., Hilltop Securities Inc., and Raymond James & Associates, Inc., the underwriters, properly submitted the certificate to the Authority.

EXHIBIT 1
FINANCING TEAM

Borrower: Petaluma Health Center, Inc.

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

***Special Counsel:** Orrick, Herrington & Sutcliffe LLP

Borrower's Counsel: McDougal Love Eckis Boehmer & Foley

Borrower's Financial Advisor: G.L. Hicks Financial, LLC

Bond Counsel: Quint & Thimmig LLP

Underwriters: Piper Jaffray & Co.
Hilltop Securities Inc.
Raymond James & Associates, Inc.

Underwriter's Counsel: Jennings, Strouss & Salmon, P.L.C.

Trustee & Escrow Agent: U.S. Bank National Association

Trustee's Counsel: Dorsey & Whitney LLP

Bond Insurer: Office of Statewide Health Planning and
Development

Title Insurer: Chicago Title Insurance Company

Auditor: Moss Adams LLP

Rating Agency: Standard & Poor's Financial Services, LLC

**Special Counsel advises the State Treasurer's Office and the California Health Facilities Financing Authority regarding Cal-Mortgage Insurance Program Disclosure.*

EXHIBIT 2
UTILIZATION STATISTICS

Petaluma Health Center

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

	Fiscal Year End June 30,		
	2015	2014	2013
Total Patients	23,909	22,664	21,182
Medical Visits	83,643	78,772	71,055
Dental Visits	17,090	17,853	15,932
Other Visits*	16,903	16,314	13,133
Totals Visits	117,636	112,939	100,120

*Other includes mental health, podiatry, nutrition, ophthalmology, and enabling services

EXHIBIT 3
OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding As of June 30, 2015^(a)</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<i>-EXISTING LONG-TERM DEBT:</i>			
CHFFA Series 2010A Insured Revenue Bonds	\$ 5,865,000	\$ 5,535,000	\$ -
Petaluma Health Care District Subordinated Loan (2013)	1,700,000	1,220,983	1,220,983
<i>- PROPOSED NEW DEBT:</i>			
<i>CHFFA HELP II Loan (2016)</i>			1,500,000
<i>CHFFA Series 2016A Insured Revenue Bonds</i>			6,060,000
<i>- TOTAL DEBT</i>		<u>\$ 6,755,983</u>	<u>\$ 8,780,983</u>

^(a) Includes current portion of long-term debt

EXHIBIT 4

BACKGROUND AND LICENSURE

Background

PHC was founded in 1999 as a 501(c)(3) public benefit corporation in response to the unmet healthcare needs of the residents of Sonoma County. PHC is a Federally Qualified Health Center (FQHC) that provides primary medical care and mental health services to residents of Petaluma, Rohnert Park, Cotati, Penngrove and the surrounding areas. PHC has five sites, including the main clinic and administrative offices at the McDowell facility, a homeless clinic, two school-based health centers, and the Rohnert Park Health Center.

PHC's mission is to provide high quality health care with access for all in Southern Sonoma County through collaborative, innovative programs, services and referral resources to meet the economic needs of the entire community. PHC's vision is to foster a healthy community where all individuals reach their highest potential for physical, mental and spiritual well-being.

PHC's service area population consists of 535,706 individuals, of which about 27 percent (149,800 individuals) live at or below 200 percent of the Federal Poverty Level (FPL). This group makes up PHC's target population, which struggles with high levels of poverty and unemployment, and low levels of educational attainment and health insurance coverage. According to PHC's 2014 Uniform Data System report, nearly 95 percent of PHC patients live at or below 200 percent of the FPL, with slightly over 63 percent of those patients living at or below 100 percent of FPL. Approximately 40 percent of PHC patients are uninsured, a decrease from approximately 49 percent in 2013. PHC's service area experiences a number of health disparities, with higher than average rates of heart disease, diabetes, cancer, stroke, asthma, mental illness, low birth weight, births to teen mothers, and tooth decay.

Licensure and Memberships

PHC is licensed by the State of California Department of Public Health to operate and maintain community clinics. In August 2015, PHC earned Joint Commission Accreditation in Ambulatory Care, Behavioral Care, and Patient-Centered Medical Home Care.

RESOLUTION NO. 417

**RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING
AUTHORITY RELATING TO THE ISSUANCE OF REVENUE BONDS TO FINANCE
AND REFINANCE PROJECTS FOR PETALUMA HEALTH CENTER, INC.**

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 operated by participating health institutions (including by reimbursing expenditures made for such purposes) or refinance indebtedness in connection therewith;

WHEREAS, Petaluma Health Center, Inc. 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;

WHEREAS, the Corporation desires to (a) provide for the advance refunding of the outstanding California Health Facilities Financing Authority Insured Revenue Bonds (Petaluma Health Center, Inc.), 2010 Series A, the proceeds of which were used to finance the purchase of, and renovations to, an existing 51,660 square foot building located at 1179 North McDowell Boulevard, Petaluma, California, owned and operated by the Corporation as a community health clinic, consolidating three facilities it previously leased, and (b) finance a portion of the cost of building out an approximately 6,500 square foot section of the Facility to expand the Corporation’s primary care, urgent care and mental health services (the “2016 Project”);

WHEREAS, the Corporation has requested that the Authority issue its insured revenue bonds on behalf of the Corporation in a principal amount not to exceed \$6,500,000 to refund the 2010 Bonds, to finance the 2016 Project, to fund a reserve fund for the bonds and to pay the costs of issuance with respect thereto; and

WHEREAS, final approval of the terms of the issuance and sale of such 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 Insured Revenue Bonds (Petaluma Health Center, Inc.), Series 2016” (the “Bonds”), in an aggregate principal amount not to exceed \$6,500,000, are authorized to be issued, subject to (a) the final approval of bond insurance by the Cal-Mortgage Loan Insurance Division of the Office of Statewide Health Planning and Development of the State of California (the “Office”) for the Corporation, (b) receipt of a bond rating at least equal to the rating assigned to the State of California, and (c) minimum denominations of the Bonds of \$5,000. The proceeds of the Bonds shall be used for the purposes set forth in the fourth WHEREAS clause above.

Section 2. The Treasurer of the State of California (the “Treasurer”) is hereby authorized to enter into agreements to sell the Bonds at any time within six (6) months of the adoption of this Resolution, at public or negotiated 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 advice and consent of the Corporation, may determine.

Section 3. The following documents:

(a) an indenture relating to the Bonds (the “Indenture”), by and between the Authority and U.S. Bank National Association, as bond trustee (the “Trustee”);

(b) a loan agreement (the “Loan Agreement”), by and between the Authority and the Corporation;

(c) a regulatory agreement (the “Regulatory Agreement”), by and among the Authority, the Office, and the Corporation;

(d) a contract of insurance (the “Contract of Insurance”), by and among the Authority, the Office, and the Corporation;

(e) a bond purchase agreement, including the appendices thereto (collectively, the “Bond Purchase Agreement”), by and among Piper Jaffray & Co., Hilltop Securities Inc. and Raymond James & Associates, Inc., as underwriters (the “Underwriters”), the Treasurer, and the Authority, and approved by the Corporation, so long as the Underwriters’ discount for purchase of the Bonds (exclusive of any original issue discount) does not exceed 1% of the principal amount of the Bonds; and

(f) a preliminary official statement relating to the Bonds (the “Preliminary Official Statement”);

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 the form of credit or liquidity enhancement for any series of Bonds) as the officer(s) executing and/or delivering the same may require or approve, such approval to be conclusively evidenced by execution and delivery thereof in the case of the Indenture, the Loan Agreement and the Bond Purchase Agreement and by delivery thereof in the case of the Preliminary Official Statement. The Executive Director shall seek the advice of bond counsel and counsel to the Authority with respect to any such insertions, deletions, or changes therein.

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

Section 5. The date, maturity dates (not exceeding 25 years from the date of issue), interest rate or rates, interest payment dates, denominations, forms, registration privileges, place or places of payment, terms of redemption and other terms of the Bonds shall be as provided in said Indenture as finally executed.

Section 6. The Underwriters are hereby authorized to distribute the Preliminary Official Statement to persons who may be interested in the purchase of the Bonds. The Underwriters are hereby directed to deliver a copy of a final official statement (the “Official Statement”) to all actual purchasers of the Bonds.

Section 7. The Bonds, when executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to the Underwriters 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 the Underwriters upon payment of the purchase price thereof.

Section 8. Each officer of the Authority is hereby authorized and directed to do any and all things 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 Contract of Insurance, the Regulatory Agreement, the Bond Purchase Agreement and the Official Statement. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes: (a) certifications, including, a tax certificate, and assignment of the Authority's right title and interest in any deed of trust; and (b) 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 9. The provisions of the Authority's Resolution No. 2014-05, apply to the documents and actions approved in this Resolution.

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

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

Date of Adoption: _____