CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Lucile Salter Packard Children's Hospital at Stanford (Packard) 725 Welch Road Palo Alto, CA 94304 (Santa Clara County)	**Amount Requested:**	$204,000,000
		Requested Loan Term:	Up to 40 years
		Authority Meeting Date:	May 30, 2024
		Resolution No.	461

Project Site: Same as above
Facility Type: Acute Care Hospital
Eligibility: Government Code Section 15432(d)(1)
Prior Borrower: Yes (date of last Authority issue 2021)
Obligated Group: Packard is the sole member

Background: Packard is a not-for-profit pediatric and obstetric hospital located on the campus of Stanford University in Palo Alto, California. It currently maintains a total of 394 licensed acute care beds, of which 361 beds are located at the Stanford University campus and 33 beds are located at two satellite facilities. Packard also operates outpatient physician clinics in its facilities and other community settings.

Use of Proceeds: Bond proceeds will be used to refund all or a portion of Packard's CHFFA 2014 A and B bonds. Additionally, funds will be used to fund the cost of issuance.

Type of Issue: Direct Bank Placement, tax-exempt fixed or variable rate
Expected Credit Rating: A1/A+/AA-; Moody's/S&P/Fitch
Financing Team: *See Exhibit 1 to identify possible Conflicts of Interest*

Financial Overview: Packard's income statement appears to show increasing revenue during the review period from fiscal year (FY) 2021 to FY 2023. Packard's balance sheet appears to have a solid financial position with a pro-forma FY 2023 net debt service coverage ratio of 4.7x.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$ 204,000,000	Refunding	$ 201,000,000
		Financing costs	3,000,000
Total Estimated Sources	$ 204,000,000	**Total Estimated Uses**	$ 204,000,000

Due Diligence: Staff has confirmed the following documentation provided by Packard satisfies the California Health Facilities Financing Authority's (Authority) requirements: Eligibility, Legal Review, and the certifications for Pass-Through Savings, and Community Service Obligation.

Staff Recommendation: Staff recommends the Authority approve Resolution No. 461 in an amount not to exceed $204,000,000 for Lucile Salter Packard Children's Hospital at Stanford, subject to the conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC, the Authority's municipal advisor, concur with the Authority's staff recommendation.

Disclaimer: *Any information related to the borrower, including any data or analysis related to the borrower's financial condition or ability to repay the financing, described in this staff report is based on information provided by the borrower and was prepared solely for members of the Authority's Board and to satisfy certain provisions of the California Health Facilities Financing Authority Act (Gov. Code, §15430 et seq.). Prospective investors should not rely on information in this staff report and must perform their own due diligence to obtain information essential to making an informed investment decision.*

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

Packard is requesting to issue one or more series of tax-exempt bonds to refund its 2014 CHFFA Series A and B bonds in a direct placement purchase with Morgan Stanley Bank, N.A., or an affiliate thereof as the purchaser. The 2014 Series A bonds (the 2014 A Bonds) were originally issued as fixed rate bonds through a negotiated public offering, and Packard anticipates the refunding will provide a net present value savings of approximately $10 million over the life of the bonds. The 2014 Series B bonds (the 2014 B Bonds) were originally issued as variable rate bonds through a direct placement purchase with The Northern Trust Company (the Original Purchaser). Packard is refunding the 2014 B Bonds as the initial floating rate term with the Original Purchaser expires on July 8, 2024, and the refunding will also allow Packard to move from variable rate debt to fixed rate debt.

Refunding **$201,000,000**

CHFFA Series 2014 A and B Bonds

Proceeds from the CHFFA Series 2014 A and B bonds were used to partially finance the construction and expansion of Packard's acute care hospital. The expansion project included the construction of two five-story towers totaling 521,000 square feet and added 77 acute care beds, 72 intensive care beds, 32 recovery rooms, six operating rooms, three cardiac catheterization labs, and an imaging center consisting of two nuclear medicine rooms with one magnetic resonance imaging scanner and one computed tomography scanner.

Financing Costs **3,000,000**

Total Estimated Uses of Funds **$204,000,000**

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES

The executive summary and recommendations include minimum requirements. Additional or more stringent covenants or disclosures may be added following consultation with Authority staff. These covenants cannot be diluted or removed without subsequent review. If there are modifications to the proposed covenants and disclosures following preparation of this executive summary, staff will report it at the board meeting.

Packard is the sole member of the Obligated Group created pursuant to the Master Indenture. Pursuant to the provisions of the Master Indenture, Packard has issued obligations under the Master Indenture (each, an Obligation) to secure the obligations of Packard under each of the loan agreements entered into with the Authority in connection with each issue of revenue bonds previously issued by the Authority for the benefit of Packard. Packard will issue one or more Obligations under the Master Indenture to secure its obligations under the Loan Agreements entered into with the Authority in connection with the proposed bonds (2024 Bonds). All the covenants listed below are applicable to Packard as sole member of the Obligated Group.

The 2024 Bonds will be sold by the Authority and purchased by Morgan Stanley Bank, N.A., or an affiliate thereof (Purchaser), pursuant to a direct purchase without an Official Statement or other offering document. The 2024 Bonds are expected to receive investment-grade ratings from Moody's, S&P, and Fitch prior to the closing date, be held in the Depository Trust Company, have $5,000 denominations, and the Purchaser will execute an investor letter to be delivered at the closing.

After reviewing Packard's proposed credit profile, prior Packard bond transactions, and current market requirements, KNN Public Finance, LLC (KNN), the Authority's municipal advisor, and the Purchaser have concluded that the covenants listed below align with the interests of Packard, the Authority, and the Purchaser, and that Packard's current financial situation does not suggest additional covenants should be required.

<u>The covenants listed below are applicable to this transaction.</u>

Unconditional Promise to Pay. *Packard agrees to pay the trustee all amounts required for payment of the principal, interest and redemption premium, if applicable, with respect to the proposed bonds and agrees to pay the additional payments and expenses specified in the related loan agreements. In addition, Packard will issue one or more Obligations under the Master Indenture to secure the obligation of Packard to make the payments under the loan agreements. All Revenues[1] (which will include payments by Packard under the applicable loan agreement and payments by the Obligated Group on the applicable Obligation) and amounts held in the funds and accounts established under the applicable bond indenture (excluding the related Rebate Fund) will be pledged to secure the full payment of the applicable series of proposed bonds.*

Pledge of Gross Revenues. *The Obligated Group has pledged to deposit all of its Gross Revenues into an account or accounts designated as the Gross Revenue Accounts. If there is a failure to make a Required Payment, the Master Trustee may exercise control over the Gross Revenue Accounts for the benefit of the holders of each obligation issued under the Master Indenture, including the trustee for the Existing Bonds and the trustee for the proposed bonds.*

1 Capitalized terms are defined in the Bond Indentures.

Limitation on Liens. *The Obligated Group has agreed not to create, assume or suffer to exist any Lien upon its Property unless all Obligations of the Obligated Group are secured prior to or equally and ratably with any obligation secured by such Lien or unless otherwise permitted under the Master Indenture.*

Debt Service Coverage Requirement. *The Master Indenture requires that the Obligated Group maintain an annual Historical Debt Service Coverage Ratio of 1.25x.*

Limitation on Additional Indebtedness. *The Obligated Group has agreed not to incur Additional Indebtedness or enter into any Guaranty unless authorized by various provisions set out in the Master Indenture.*

Limitation on Disposition of Assets. *The Obligated Group has agreed not to sell, lease or otherwise dispose of Property in any fiscal year other than as authorized by various provisions set out in the Master Indenture.*

Limitations on Mergers, Sales or Conveyances. *The Obligated Group has agreed not to consolidate or merge with any corporation, which is not a Member of the Obligated Group or sell or convey all or substantially all of its assets to an entity not a Member of the Obligated Group other than as authorized by the various provisions set out in the Master Indenture.*

Limitations on Withdrawal from the Obligated Group and Entrance into the Obligated Group. *The Master Indenture sets forth certain requirements, including certain financial tests, which must be met for withdrawal from, or entry into, the Obligated Group.*

Voluntary Continuing Disclosure Undertaking. *Packard will contractually agree to disclose designated financial and operating information to the designated website (EMMA) during the life of the proposed bonds and to report designated "material events" as specified in Rule 15c2-12.*

Staff has completed its due diligence, and KNN has reviewed the bond documents associated with the proposed financing and found these documents and proposed guidelines to be acceptable.

III. FINANCIAL STATEMENTS AND ANALYSIS

Lucile Salter Packard Children's Hospital at Stanford
Consolidated Statement of Operations and Changes in Net Assets
Statement of Activities
(In thousands of dollars)

	Year Ended August 31, 2023		
	2023	**2022**	**2021**
Operating revenues and other support			
Net patient service revenue	$ 2,381,770	$ 2,148,161	$ 2,072,724
Provider fee	136,655	93,730	65,992
Other revenue	122,740	101,722	91,195
Net assets released from restrictions used for operations	22,796	19,562	29,307
Total operating revenues and other support	2,663,961	2,363,175	2,259,218
Operating expenses			
Salaries and benefits	1,298,188	1,163,765	1,023,210
Professional services	23,491	18,768	13,520
Supplies	242,828	211,535	200,925
Purchased services	698,557	657,568	644,675
Provider fee	37,598	24,127	20,553
Other	162,860	156,592	136,372
Interest	31,258	31,042	31,982
Depreciation and amortization	88,579	94,426	109,341
Total operating expenses	2,583,359	2,357,823	2,180,578
Income from operations	80,602	5,352	78,640
Interest income	6,216	2,303	2,869
Income and gains (loss) from University managed pools and other	32,208	(31,958)	205,754
Income tax credit	496	223	710
Gain on extinguishment of debt	-	6,947	-
Other components of net periodic postretirement cost and settlement loss	(2,225)	(3,371)	(1,637)
Excess (Deficiency) of revenues over expenses	117,297	(20,504)	286,336
Changes in net assets without donor restrictions			
Net assets released from restrictions used for purchases of property and equipment	16,269	29,111	10,270
Adjustment for minimum pension liability	2,848	1,897	(94)
Transfers to University and other	(49,585)	(46,766)	(48,079)
Contributions released to transfer to University	55,747	60,531	99,533
Contributions transferred to University	(55,747)	(60,531)	(99,533)
Increase (Decrease) in net assets without donor restrictions	86,829	(36,262)	248,433
Changes in net assets with donor restrictions			
Contributions and other	90,423	215,571	154,780
Income and gains (loss) from University managed pools	19,445	(12,396)	129,446
Change in value of beneficial interest in remainder trusts	1,562	(3,867)	3,326
Net assets released from restrictions for operations	(22,796)	(19,562)	(29,307)
Net assets released from restrictions used for purchases of property and equipment	(16,269)	(29,111)	(10,270)
Contributions released to transfer to Uuniversity	(55,747)	(60,531)	(99,533)
Transfers to University and other	(11,080)	(9,115)	47
Increase in net assets with donor restrictions	5,538	80,989	148,489
Increase in net assets	92,367	44,727	396,922
Net assets, beginning of year	3,188,669	3,143,942	2,747,020
Net assets, end of year	$ 3,281,036	$ 3,188,669	$ 3,143,942

Lucile Salter Packard Children's Hospital at Stanford
Consolidated Balance Sheets
(in thousands of dollars)

	As of August 31, 2023		
	2023	**2022**	**2021**
Assets			
Current assets			
Cash and cash equivalents	$ 390,081	$ 401,202	$ 398,194
Short term investments in Stanford University	-	-	1
Patient accounts receivable	682,349	590,940	579,760
Contributions receivable	37,097	72,868	79,329
Due from related parties	-	-	13,059
Other receivables	13,500	8,647	38,023
Prepaid expenses, inventory and other	57,055	57,730	61,242
Total current assets	1,180,082	1,131,387	1,169,608
Investments	92,814	90,316	89,872
Investments in University managed pools	1,045,609	1,030,196	1,081,283
Board designated funds in Unversity managed pools and other	156,148	154,396	164,414
Assets limited as to use for capital projects and other long term purposes	178,352	204,725	-
Property and equipment, net	1,749,527	1,748,023	1,776,007
Beneficial interest in trusts, net	28,600	28,736	-
Contributions receivable, net of current portion	33,858	20,844	32,762
Due from related parties - housing loans	83,639	74,400	73,767
Right of use lease assets	206,915	207,491	231,215
Equity method investments and other assets	60,126	61,259	61,548
Total assets	$ 4,815,670	$ 4,751,773	$ 4,680,476
Liabilities and Net Assets			
Current liabilities			
Accounts payable, accrued liabilities, and deferred provider fee	$ 185,264	$ 230,062	$ 219,751
Accrued salaries and related benefits	142,571	136,825	129,168
Due to related parties	47,470	45,252	-
Third-party payor settlements	53,711	32,587	21,597
Current portion of long term debt	109,570	9,110	9,045
Current portion of long-term right of use liability	31,520	31,468	29,147
Self-insurance reserves and other liabilities	16,548	16,304	14,218
Total current liabilities	586,654	501,608	422,926
Self-insurance reserves and other liabilities, net of current portion	58,481	60,841	70,645
Long-term right of use liability, net of current portion	188,866	187,934	212,047
Long-term debt, net of current portion	700,633	812,721	830,916
Total liabilities	1,534,634	1,563,104	1,536,534
Net assets			
Without donor restrictions	2,426,559	2,339,730	2,375,992
With donor restrictions	854,477	848,939	767,950
Total net assets	3,281,036	3,188,669	3,143,942
Total liabilities and net assets	$ 4,815,670	$ 4,751,773	$ 4,680,476

	Proforma[(a)] FYE 08/31/2023	**2023**	**2022**	**2021**
Debt Service Coverage - Operating (x)	4.5	5.0	3.3	3.1
Debt Service Coverage - Net (x)	4.7	5.1	2.2	5.5
Debt to Unrestricted Net Assets (x)	0.3	0.3	0.4	0.4
Margin (%)		3.0	0.2	3.5
Current Ratio (x)		2.0	2.3	2.8

[(a)] Recalculates FY 2023 audited results to include the impact of this proposed financing.

The audited, consolidated financial statements include non-Obligated Group Member entities and were analyzed in this section. The non-Obligated Group Member entities comprise less than 10% of the consolidated net assets and qualify as "Immaterial Affiliates" under the Master Trust Indenture. As such, the non-Obligated Group Member entities' operating results are included in the ratio calculations.

Financial Discussion

Packard's income statement appears to show increasing revenue during the review period from FY 2021 to FY 2023.

Packard's total revenues and support increased by 18% from approximately $2.3 billion in FY 2021 to approximately $2.7 billion in FY 2023, driven primarily by increases in net patient service revenue. Net patient service revenue increased from approximately $2.1 billion in FY 2021 to nearly $2.2 billion in FY 2022 and to $2.4 billion in FY 2023. According to Packard's management, the slight increase from FY 2021 to FY 2022 was due to a small increase in patient volumes, which further increased in FY 2023. Provider fees increased from nearly $66 million in FY 2021 to nearly $137 million in FY 2023. According to management, Packard recognized lower provider fees in FY 2021 as portions of its program were awaiting approval from the Centers for Medicare & Medicaid Services; and therefore, recorded as accrued liabilities on the balance sheet.

Packard's operating margins dipped from 3.5% in FY 2021 to 0.2% in FY 2022 as operating expenses outpaced revenues from FY 2021 to FY 2022, but its margin rebounded to 3.0% in FY 2023. Salaries and benefits increased from approximately $1.0 billion in FY 2021 to approximately $1.2 billion in FY 2022 and then to nearly $1.3 billion in FY 2023. According to Packard's management, the growth in salaries and benefits was due to additional staff to address the increase in patient volume, salary increases to maintain Packard's position in the competitive health care market, and the impact of inflation. Professional services, which is comprised of professional fees, such as audit, legal, and consulting, increased from over $13.5 million in FY 2021 to nearly $23.5 million in FY 2023. According to Packard's management, the increase in professional services was mainly due to salary increases to maintain Packard's position in the health care market and the impact of inflation.

Packard's balance sheet appears to have a solid financial position with a pro-forma FY 2023 net debt service coverage ratio of 4.7x.

Over the three-year period in review, Packard's net debt service coverage ratio was 5.5x in FY 2021, 2.2x in FY 2022 and 5.1x in FY 2023, demonstrating Packard's strong ability to repay its debts. Although refunding the 2014 A Bonds will provide some savings, the objective of the refunding is primarily to restructure existing debt, and Packard's pro-forma FY 2023 net debt service coverage ratio dips slightly to a still solid 4.7x. Likewise, Packard's debt to unrestricted net assets ratio of 0.4x in both FY 2021 and FY 2022 and 0.3x in FY 2023 shows that Packard has a low reliance on debt over the three year review period. With the refunding of its existing debt, Packard's proforma FY 2023 debt to unrestricted net assets ratio remains at 0.3x.

Packard maintains solid liquidity with a current ratio of 2.0x or more in all three years of the review period. Contributing to the solid current ratio is Packard's cash and cash equivalents of $398 million in FY 2021, more than $401.2 million in FY 2022, and almost $390.1 million in FY 2023.

IV. DUE DILIGENCE

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

- **Government Code section 15438.5(a) (Pass-Through Savings):** Packard properly completed and submitted the Pass-Through Savings Certification.

- **Government Code section 15459.1 (Community Service Obligation):** Packard properly completed and submitted the Community Service Obligation certification and indicated that Medi-Cal and Medicare patients are accepted. Below is a link to Packard's most recent Annual Report regarding community service:

https://www.stanfordchildrens.org/en/about/government-community/benefits-reports.html

- **Compliance with Government Code section 15455(b) (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.)):** CEQA requirement does not apply for this financing.

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

- **Iran Contracting Act Certificate:** The Iran Contracting Act Certificate (Pub. Contract Code, §2200 et seq.) is not applicable to this particular financing as it is a direct placement purchase.

V. OUTSTANDING DEBT (in thousands)

Date Issued	Original Amount	Amount Outstanding as of August 31, 2023	Estimated Amount Outstanding after Proposed Financing
EXISTING LONG-TERM DEBT			
CHFFA Series 2014A	$ 100,000	$ 100,000	$ -
CHFFA Series 2014B	100,000	100,000	-
CHFFA Series 2016A	76,975	50,505	50,505
CHFFA Series 2016B	100,000	100,000	100,000
CHFFA Series 2017A	200,000	188,175	188,175
CHFFA Series 2022A	206,670	203,760	203,760
PROPOSED NEW DEBT			
CHFFA Series 2024			204,000
TOTAL DEBT		**$ 742,440**	**$ 746,440**

VI. UTILIZATION STATISTICS

Fiscal Year Ending August 31,

	2023	2022	2021
Inpatient Surgeries	3,466	3,428	3,601
Outpatient Surgeries	7,143	5,619	5,363
Discharges - OB	4,928	4,987	4,747
Patient Days - OB	17,074	17,800	16,099
Discharges - Pediatric	9,510	8,733	8,036
Patient Days - Pediatric	85,636	79,264	76,923
Clinic Visits	349,920	334,711	326,046
Clinic Visits - PCHA(1)	319,011	302,330	256,310

(1) Packard Children's Health Alliance

VII. BACKGROUND AND LICENSURE

Background

Packard is a not-for-profit pediatric and obstetric hospital located on the campus of Stanford University in Palo Alto, California. Packard currently maintains a total of 394 licensed acute-care beds, of which 361 beds are located at the Stanford University campus and 33 beds are located at two satellite facilities. Packard also operates outpatient physician clinics in its facilities and other community settings. Packard is a regional, national and international referral center for tertiary and quaternary pediatric care and is the largest single provider of pediatric hospital services in San Mateo and Santa Clara counties and of obstetric hospital services in San Mateo County.

Packard traces its roots to the Stanford Home for Convalescent Children, which was officially established in 1919. By 1970, the convalescent home moved to larger quarters and changed its name to Children's Hospital at Stanford. In 1986, David and Lucile Packard donated $40 million for the construction of a new children's hospital, and in 1988, groundbreaking began. The facility opened in 1991 and continued to be the main facility for Packard until Packard undertook an extensive capital expansion and improvement program to modernize its facilities and address capacity constraints, including through building two new patient bed towers. The construction project was completed, and patients were moved into the renovated Hospital in December 2017. The remaining components of the project were completed in calendar year 2019. Packard and Stanford Health Care are the primary clinical affiliates of the Stanford University School of Medicine. Packard is a free-standing hospital with a separate license and provider number.

Licensure and Memberships

Packard is licensed as an acute care hospital by the California Department of Public Health Services to the extent required and is certified to participate in the Medicare and Medi-Cal programs.

Packard is a member of the Children's Hospital Association, the California Children's Hospital Association, the California Healthcare Association, the Hospital Council of Northern and Central California (Santa Clara County Division), the National Association of Children's Hospitals and Related Institutions, and the American Hospital Association.

STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. 461 in an amount not to exceed $204,000,000 for Lucile Salter Packard Children's Hospital at Stanford, subject to the conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC, the Authority's municipal advisor, concur with the Authority's staff recommendation.

EXHIBIT 1

FINANCING TEAM

Borrower:	Lucile Salter Packard Children's Hospital at Stanford
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Municipal Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	TAP International, Inc.
Borrower's Counsel:	Ropes & Gray LLP
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Purchaser:	Morgan Stanley Bank, N.A.
Purchaser's Counsel:	Norton Rose Fulbright US LLP
Master Trustee & Bond Trustee:	Computershare Trust Company, N.A.
Master Trustee's and Bond Trustee's Counsel:	Computershare Trust Company, N.A.
Rating Agencies:	Moody's Investor Services, Inc. Standard & Poor's Financial Services, LLC Fitch Ratings, Inc.
Auditor:	PricewaterhouseCoopers LLP

RESOLUTION NO. 461

RESOLUTION OF THE
CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF REFUNDING BONDS
RELATED TO THE REFINANCING OF
PROJECTS AT THE HEALTH FACILITIES OF
LUCILE SALTER PACKARD CHILDREN'S HOSPITAL AT STANFORD

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

WHEREAS, Lucile Salter Packard Children's Hospital at Stanford is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Borrower"), which owns and operates health care facilities in the State of California;

WHEREAS, the Authority has previously issued its (i) Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) 2014 Series A (the "2014 Series A Bonds") in the aggregate principal amount of $100,000,000, of which $100,000,000 in principal amount currently is outstanding and (ii) Variable Rate Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) 2014 Series B (the "2014 Series B Bonds" and, together with the 2014 Series A Bonds, the "Prior Bonds") in the aggregate principal amount of $100,000,000, of which $100,000,000 in principal amount currently is outstanding, and loaned the proceeds thereof to the Borrower to finance the construction, expansion, remodeling, renovation, furnishing, and equipping of certain existing health facilities, as more particularly described under the caption "Prior Project" in Exhibit A hereto (the "Prior Project");

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 $204,000,000, and make one or more loans of the proceeds thereof to the Borrower to (i) refund all or any portion of the outstanding Prior Bonds, and (ii) pay costs of issuance of the Bonds (as defined below);

WHEREAS, to the extent required by subdivision (b) of Section 15455 of the Government Code, the Borrower has provided documentation to the Authority demonstrating, to the extent applicable, that the Prior 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 Refunding Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford)" (the "Bonds"), in a total aggregate principal amount not to exceed $204,000,000, 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 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 fourth recital above.

Section 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds, in one or more series, on one or more sale dates, at any time prior to 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 price or prices (so long as the discount on the Bonds sold shall not exceed six percent (6%) 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 shall, at issuance, be rated at 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, one or more credit facilities, or 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 Bonds (each, a "Loan Agreement," and, collectively, the "Loan Agreements"), between the Authority and the Borrower;

(ii) one or more indentures relating to the Bonds (each, a "Bond Indenture," and, collectively, the "Bond Indentures"), between the Authority and Computershare Trust Company, N.A., as bond trustee (the "Trustee"); and

(iii) one or more bond purchase contracts, including the exhibits thereto, relating to the series of Bonds identified therein (each, a "Purchase Contract" and, collectively, the "Purchase Contracts"), among Morgan Stanley Bank, N.A., or any affiliate thereof (collectively, "Morgan Stanley"), and the Treasurer and the Authority, and approved by the Borrower;

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect provisions relating to a deed of trust, a bond reserve fund, bond insurance, any other credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, for any series of the 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 Purchase Contracts. 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, interest rate modes, 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 credit facilities and/or liquidity facilities, as applicable, from time to time, shall be as provided in the applicable Bond Indenture, as finally executed.

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

Section 7. Each officer of the Authority is hereby authorized and directed, for and in the name 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, the Loan Agreements, and the Purchase Contracts. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; (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 any series of the Bonds; and (c) any escrow agreement or escrow instructions required in connection with the refunding of the Prior Bonds.

Section 8. The provisions of the Authority's Resolution No. 2023-06 apply to the documents and actions approved in this Resolution.

Section 9. The Authority hereby approves and ratifies each and every action taken by its officers, agents and employees prior to the date hereof in furtherance of the purposes of this Resolution.

Section 10. The Authority hereby approves the execution and delivery of all agreements, documents, certificates and instruments referred to herein with electronic signatures as may be permitted under the Uniform Electronic Transactions Act (California Civil Code section 1633.1 *et. seq.*) and digital signatures as may be permitted under Section 16.5 of the California Government Code using DocuSign.

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

Date of Adoption: ______________________________

Exhibit A

PRIOR PROJECT

Proceeds of the California Health Facilities Financing Authority Refunding Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) will be applied by the Borrower to refinance the Prior Bonds.

Prior Project:

The proceeds of the Prior Bonds were used to finance a portion of the costs of the expansion of health facilities owned and operated by the Borrower and located at 725 Welch Road in Palo Alto, California, including the construction of two five-story towers, each of which house patient beds and ancillary support services.