

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

<p>Applicant: Children’s Hospital Los Angeles (CHLA) 4650 Sunset Boulevard Los Angeles, CA 90027 Los Angeles County</p> <p>Project Site: <i>See Exhibit 1</i></p> <p>Facility Type: Acute Care Hospital</p> <p>Eligibility: Government Code Section 15432(d)(1)</p> <p>Prior Borrower: Yes (date of last CHFFA issue 2022)</p> <p>Obligated Group: CHLA is the sole member</p>	<p>Amount Requested: \$141,000,000</p> <p>Requested Loan Term: Up to 40 years</p> <p>Authority Meeting Date: February 27, 2025</p> <p>Resolution Number: 462</p>																
<p>Background: Founded in 1901, CHLA is a California nonprofit public benefit corporation that provides pediatric and adolescent healthcare services. CHLA is the first and largest pediatric hospital in Southern California delivering quality patient care, leading-edge education, and innovative research efforts in a setting designed to address the unique needs of children.</p>																	
<p>Use of Proceeds: Bond proceeds will be used to refund the outstanding CHFFA Series 2017B, CHFFA 2022A-1, and CHFFA 2022A-2 bonds and to pay costs of issuance.</p>																	
<p>Type of Issue: Private Placement</p> <p>Expected Credit Rating: Unrated – <i>Please see Guidelines Discussion on page 3</i></p> <p>Financing Team: <i>See Exhibit 2 to identify possible Conflicts of Interest</i></p>																	
<p>Financial Overview: CHLA has exhibited increasing total revenues over the review period, supported by patient service revenue. CHLA’s total assets fluctuated during review period and exhibited a pro-forma FY 2024 net debt service coverage ratio of 1.1x.</p>																	
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<p>Due Diligence: Staff has confirmed the following documentation provided by CHLA satisfies the California Health Facilities Financing Authority’s (Authority) requirements: Eligibility, Legal Review, and the certifications for Pass-Through Savings and Community Service Obligation.</p>																	
<p>Staff Recommendation: Staff recommends the Authority approve Resolution No. 462 in an amount not to exceed \$141,000,000 for Children’s Hospital Los Angeles, 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.</p>																	

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:

CHLA is requesting Authority approval to issue tax-exempt bonds in an amount not to exceed \$141 million to refund its outstanding CHFFA Series 2017B, 2022A-1, and 2022A-2 bonds. CHLA intends to restructure its debt to provide greater flexibility by having all of its debts governed under the terms and conditions of CHLA’s current Master Trust Indenture (MTI). The refunding will allow CHLA to consolidate a portion of its debt under the current MTI. After the refunding, CHLA’s existing 2017A bonds will remain outstanding, which CHLA intends to refund in 2027, when they are callable, in order to move the debt under the current MTI as well. The Series 2025A tax-exempt bonds will be privately placed with Bank of America, N.A. and will have a floating interest rate equal to the Securities Industry and Financial Markets Association index plus a ratings-based spread of between 125 and 250 basis points. CHLA does not anticipate any net present savings with the new refunding bonds.

In addition to the CHFFA Series 2025A tax-exempt bonds, CHLA intends to issue up to \$155 million in taxable bonds with the California Public Finance Authority (CalPFA) to pay down a line of credit that was originally used for the purchase of assets and to fund working capital.

Refunding..... \$138,180,000

CHFFA Series 2017B Bonds

The Series 2017B bonds were privately placed with Barclays Capital, Inc. and originally issued in the amount of \$52,180,000, of which \$52,180,000 remains outstanding. Bond proceeds were used to refund a portion of the California Statewide Communities Development Authority Series 2007 bonds, a portion of the CHFFA Series 2012B bonds, and to pay for the costs of issuance.

CHFFA 2022A-1 and 2022A-2 Bonds

The Series 2022A-1 bonds were privately placed with JPMorgan Chase Bank, N.A. and originally issued in the amount of \$51,720,000, of which \$41,610,000 is currently outstanding. The Series 2022A-2 bonds were privately placed with Bank of America, N.A. and originally issued in the amount of \$51,700,000, of which \$41,610,000 is currently outstanding. Bond proceeds were used to refund the outstanding CHFFA Series 2012A bonds and to pay for the costs of issuance.

Financing Costs820,000

Estimated cost of issuance \$2,820,000

Total Estimated Uses of Funds \$141,000,000

II. GUIDELINES DISCUSSION:

The Series 2025A Bonds will be an unrated, direct placement with Bank of America, N.A. or an affiliate. The following guidelines have been applied to the issuance of the Bonds:

- Must be privately placed with and transferred only to (A) an affiliate of the Initial Purchaser or to a trust or custodial arrangement established by the Initial Purchaser, each of the holders of which is the Initial Purchaser or an affiliate of the Initial Purchaser or (B) to a “Qualified Institutional Buyer” (QIB) as defined by SEC Rule 144A, promulgated under the Securities Act of 1933, as amended or (C) a trust or other custodial arrangement established by the purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to QIBs;
- Minimum denomination of \$250,000 or any integral multiple of \$5,000 in excess of \$250,000;
- Unconditional Promise to Pay from Borrower;
- Investor Letter from Initial Purchaser required at issuance; and
- Bond transfer restrictions must be noted conspicuously on the bonds themselves.

All of the foregoing requirements are designed to maximize the likelihood that the unrated Bonds will be placed with more sophisticated investors given the higher risk typically perceived to be associated with unrated debt. The Bonds are not rated at this time because the Initial Purchaser does not require a rating. The Initial Purchaser is required to be a QIB under SEC Rule 144A and will make an independent credit determination to purchase the Bonds, as applicable. The foregoing will be reflected in the Investor Letter (or equivalent provisions in the Bond Purchase Contract). The Bonds will be held by the Depository Trust Company.

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III. 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 but without further notification to the Authority's board. These covenants cannot be diluted or removed without subsequent review. If there have been modifications to the proposed covenants following the preparation of this executive summary, staff will report it at the Authority board meeting.

CHLA is the sole member of the Obligated Group created pursuant to the Master Indenture. Pursuant to the provisions of the Master Indenture, CHLA has issued obligations under the Master Indenture (each, an Obligation) to secure the obligations of CHLA 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 CHLA. CHLA will issue one or more Obligations under the Master Indenture to secure its obligations under the Loan Agreement entered into with the Authority in connection with the proposed bonds (2025 Bonds). All the covenants listed below are applicable to CHLA as sole member of the Obligated Group.

The 2025 Bonds will be sold by the Authority and purchased by Bank of America, N.A., or an affiliate thereof (Purchaser), pursuant to a direct purchase without an Official Statement or other offering document. CHLA will covenant to apply for at least one credit rating for the 2025 Bonds within 90 days of the closing date. The 2025 Bonds will be held by the Depository Trust Company, and the Purchaser will execute an investor letter to be delivered at the closing.

After reviewing the Obligated Group's credit profile, including its current financial profile, prior bond transactions and considering what the market will support, CHLA, Fifth Third Securities (the borrower's financial advisor), KNN Public Finance, LLC (the Authority's financial advisor) and Bank of America, N.A. as purchaser have concluded the covenants listed below align the interests of the Obligated Group, CHFFA, and the purchaser and are consistent with covenants that have applied to the Obligated Group's prior bond transactions. The Obligated Group's current financial situation does not suggest additional covenants should be required.

The following covenants are applicable to this transaction.

Unconditional Promise to Pay. *Borrower agrees to pay Trustee all amounts required for principal, interest and other payments and expenses designated in the Loan Agreement. All Revenues¹ and any other amounts held in a designated fund or account under the respective Bond Indenture are pledged to secure the full payment of the 2025 Bonds issued under that Bond Indenture.*

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

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

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

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

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

Debt Service Coverage Requirement. *A ratio measuring ability to make interest and principal payments as they become due by assessing the amount of revenue available to meet debt service payments. This ratio can be based either on annual debt service for the next 12-months or maximum annual debt over the life of the bonds.*

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

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

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

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

IV. FINANCIAL STATEMENTS AND ANALYSIS:

Children's Hospital Los Angeles Statement of Activities (Income Statement)

	For the Years Ended June 30,		
	(In Thousands)		
	2024	2023	2022
Revenues			
Patient service revenue	\$ 994,045	\$ 871,526	\$ 802,427
Hospital fee program revenue	348,241	336,821	281,160
Grants, contracts, and other	227,634	188,227	161,927
Unrestricted gifts and bequests	47,249	80,510	52,925
COVID-19 Provider Relief Funds	-	-	27,130
Investments income used for operations, research, and education	20,646	15,564	15,052
Net assets released from restrictions used for operations, research, and education	102,925	90,363	43,859
Total revenues	<u>1,740,740</u>	<u>1,583,011</u>	<u>1,384,480</u>
Expenses			
Salaries and employee benefits	970,094	879,864	763,095
Professional fees and purchased services	313,974	304,927	272,300
Supplies	265,925	223,799	187,649
Hospital fee program	77,274	62,631	54,502
Other	91,760	92,360	85,932
Total expenses	<u>1,719,027</u>	<u>1,563,581</u>	<u>1,363,478</u>
Excess of revenues over expenses before depreciation, amortization, and interest	<u>21,713</u>	<u>19,430</u>	<u>21,002</u>
Depreciation, amortization, and interest			
Depreciation and amortization	78,063	69,680	61,271
Interest	21,322	19,685	19,365
Total depreciation, amortization, and interest	<u>99,385</u>	<u>89,365</u>	<u>80,636</u>
Excess (deficit) of revenues over expenses	<u>(77,672)</u>	<u>(69,935)</u>	<u>(59,634)</u>
Other gains (losses)			
Other investment (losses) income - net of fees	34,246	36,865	(48,500)
Net investments income (losses) used for operations, research, and education	(20,646)	(15,564)	(15,052)
Interest rate swap mark-to-market gain	1,122	2,700	6,293
Other gains (losses)	-	1,696	-
Total other gains (losses)	<u>14,722</u>	<u>25,697</u>	<u>(57,259)</u>
Excess (deficit) of revenues over expenses and other gains (losses)	<u>(62,950)</u>	<u>(44,238)</u>	<u>(116,893)</u>
Net assets without donor restrictions			
Deficit of revenues over expenses and other gains	(62,950)	(44,238)	(116,893)
Proposition 4 - Building construction advances	10,647	-	11,706
Net assets released from restrictions used for purchase of property and equipment	10,089	15,231	13,370
Transfers and other	(6,759)	(3,687)	(12,777)
Increase(decrease) in net assets without donor restrictions	<u>(48,973)</u>	<u>(32,694)</u>	<u>(104,594)</u>
(Decrease) Increase in net assets with donor restrictions	<u>(5,976)</u>	<u>39,028</u>	<u>21,605</u>
Increase in net assets	<u>(54,949)</u>	<u>6,334</u>	<u>(82,989)</u>
Net assets, beginning of year	<u>1,741,957</u>	<u>1,735,623</u>	<u>1,818,612</u>
Net assets, end of year	<u>\$ 1,687,008</u>	<u>\$ 1,741,957</u>	<u>\$ 1,735,623</u>

**Children's Hospital Los Angeles
Statements of Financial Position
(Balance Sheet)**

	As of June 30, (In Thousands)			
	2024	2023	2022	
Assets				
Current assets:				
Cash and cash equivalents	\$ 106,006	\$ 41,225	\$ 71,716	
Patient accounts receivable	309,794	226,106	200,225	
Contract assets	72,072	58,485	44,923	
Current portion of pledges receivable - net	35,953	34,421	28,134	
Grants receivable	36,820	22,089	19,172	
Receivables under government and state programs	41,329	29,438	25,677	
Current portion of trustee - held funds	7,631	7,503	6,851	
Hospital Fee Program receivable	283,591	293,956	169,418	
Other currents	44,172	38,169	36,780	
Total current assets	<u>937,368</u>	<u>751,392</u>	<u>602,896</u>	
Assets limited to use:				
Investments	640,193	840,843	851,314	
Unitrust investments	6,419	6,051	5,760	
Pledges Receivable - net of current portion	24,105	27,287	64,634	
Other assets	72,043	66,603	67,802	
Property, plant, and equipment - net	988,535	1,004,777	1,015,257	
Total assets	<u>\$ 2,668,663</u>	<u>\$ 2,696,953</u>	<u>\$ 2,607,663</u>	
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 166,399	\$ 178,226	\$ 112,425	
Salaries, wages, and related liabilities	101,573	89,236	106,241	
Current portion of long-term debt	10,250	9,950	8,540	
Liabilities to third-party payors	55,300	-	-	
Line of credit	50,000	50,000	-	
Payables under government programs	12,212	19,573	26,069	
Hospital fee program payables	88,424	68,391	52,258	
Deferred revenue and other liabilities	15,658	15,853	19,512	
Total current liabilities	<u>499,816</u>	<u>431,229</u>	<u>325,045</u>	
Long-term debt, net of current portion	421,995	432,902	445,331	
Liability under unitrust agreements	1,653	1,723	2,576	
Interest rate swap	2,774	3,896	6,596	
Other noncurrent liabilities	55,417	85,246	92,292	
Total liabilities	<u>981,655</u>	<u>954,996</u>	<u>871,840</u>	
Net assets:				
Without donor restrictions	1,094,112	1,143,085	1,175,779	
With donor restriction	592,896	598,872	559,844	
Total net assets	<u>1,687,008</u>	<u>1,741,957</u>	<u>1,735,623</u>	
Total liabilities and net assets	<u>\$ 2,668,663</u>	<u>\$ 2,696,953</u>	<u>\$ 2,607,463</u>	
Proforma				
	FYE June, 2024	2024	2023	2022
Debt Service Coverage by Operating Income (x)	0.5	0.7	0.7	1.0
Debt Service Coverage by Net Assets (x)	1.1	1.6	2.0	(1.2)
Debt to Unrestricted Net Assets (x)	0.5	0.4	0.4	0.4
Margin (%)		(4.5)	(4.4)	(4.3)
Current Ratio (x)		1.9	1.7	1.9

Financial Discussion

CHLA has exhibited increasing total revenues over the review period, supported by patient service revenue.

CHLA has exhibited growth in total revenues led by patient service revenue increasing each year of the review period. CHLA's patient service revenue increased nearly 23.9% from approximately \$802.4 million in fiscal year (FY) 2022 to approximately \$994.0 million in FY 2024. CHLA attributes this increase to continued growth in inpatient and outpatient volumes, which continue to rebound from volume lost during the COVID-19 pandemic. Additionally, CHLA's market share in Los Angeles has continued to grow as more hospitals reduce or discontinue pediatric services. CHLA's hospital fee program revenue also increased 23.9% from approximately \$281.2 million in FY 2022 to approximately \$348.2 million in FY 2024. According to CHLA management, the increase is primarily due to growth in supplemental payments due to the volume increases noted above.

In alignment with increasing total revenues, CHLA's total expenses also increased over the review period, growing from approximately \$1.4 billion in FY 2022 to \$1.7 billion in FY 2024, an increase of 26.1%. Expense increases are largely centered in salaries and employee benefits, which grew from nearly \$763.1 million in FY 2022 to approximately \$970.1 million in FY 2024. CHLA states increases are due to significant growth in clinical salaries due to inflationary pressures as well as an increase in the use of contract labor due to the pediatric nursing shortage experienced in Los Angeles. Professional fees and purchased services increased from approximately \$272.3 million in FY 2022 to nearly \$314.0 in FY 2024. CHLA attributes the increases to the growth in physician support as CHLA continued to grow volumes in the inpatient, outpatient, and emergency departments.

CHLA shows a deficit of revenues over expenses and other gains each year of the review period. According to CHLA's management, CHLA experienced significant reduction in the reimbursement rate under Medi-Cal for services provided. CHLA was also affected by the nursing shortage in 2022 that required CHLA to hire a significant number of temporary staff at higher payment rates. However, CHLA has recently been able to reduce the number of temporary staff being utilized, and the payment rate for temporary staff has decreased over 40% since its peak. Additionally, CHLA's management anticipates that the expansion of the Hospital Quality Assurance Fee Program will have a significant positive impact on revenues going forward.

CHLA's total assets fluctuated during review period and exhibited a pro-forma FY 2024 net debt service coverage ratio of 1.1x for FY 2024.

CHLA demonstrates a balance sheet with total assets increasing from approximately \$2.6 billion in FY 2022 to nearly \$2.7 billion in FY 2024. CHLA's property, plant and equipment decreased slightly from just about \$1.0 billion in FY 2022 to \$988.5 million in FY 2024. CHLA's management states the decreases are due to slight reductions in capital during the pandemic due to decreases in cash flow as well as delays in long-term projects.

Patient accounts receivable also contributed to increasing assets from nearly \$200.2 million in FY 2022 to approximately \$309.8 million in FY 2024, a 54.7% increase. CHLA's management mentioned the increases are due to the impacts of the Change Health data breach in February 2024, which disrupted electronic billing for virtually all of CHLA's patient services. Additionally, CHLA has experienced slowdowns in the timing of commercial insurance payments as third-party payors continue to lengthen the review process around high-cost patient discharges.

Cash and cash equivalents fluctuated from approximately \$71.7 million in FY 2022 to approximately \$41.2 million in FY 2023 to approximately \$106.0 million in FY 2024. CHLA's management states cash fluctuations were primarily due to CHLA's operational cash needs and transfers between operating cash accounts and the unrestricted investment portfolio. During this time, CHLA also experienced a growth in the hospital fee program receivable of approximately \$115 million, which negatively impacted investment balances.

CHLA's net debt service coverage ratio was negative 1.2x in FY 2022, 2.0x in FY 2023, and 1.6x in FY 2024. Including the refunding tax-exempt bonds and the CalPFA taxable bonds, CHLA's proforma FY 2024 net debt service coverage ratio decreases slightly to 1.1x.

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V. DUE DILIGENCE:

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

- **Government Code section 15438.5(a) (Pass-Through Savings):** CHLA properly completed and submitted the Pass-Through Savings Certification.
- **Government Code section 15459.1 (Community Service Obligation):** CHLA properly completed and submitted the Community Service Obligation Certification and indicated that Medi-Cal and Medicare patients are accepted. Below is a link to the CHLA's most recent Annual Report regarding community service:

<https://www.chla.org/community>

- **Compliance with Government Code section 15455(b) (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.)):** The California Environmental Quality Act requirement is not applicable to this particular financing.
- **Legal Review:** CHLA 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 private placement purchase.

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VI. OUTSTANDING DEBT: (In thousands)

	Original Amount	Amount Outstanding As of June 30, 2024	Estimated Amount Outstanding after Proposed Financing
EXISTING DEBT			
CHFFA, Series 2017A	\$ 274,520	\$ 274,520	\$ 274,520
CHFFA, Series 2017B	52,180	52,180	-
CHFFA, Series 2022 A-1	51,720	46,740	-
CHFFA, Series 2022 A-2	51,700	46,730	-
PROPOSED NEW DEBT			
CHFFA Tax Exempt Bonds (2025A)			141,000
CalPFA Taxable Bonds (2025B)			155,000
TOTAL DEBT		\$ 420,170	\$ 570,520

VII. UTILIZATION STATISTICS:

	Fiscal Year Ended June 30,		
	2024	2023	2022
Licensed Beds	438	495	495
Available Beds	386	413	413
Admissions	18,392	17,010	17,504
Patient Days	118,436	114,350	111,065
Average Daily Census	323.6	313.3	304.3
Average Length of Stay (Days)	6.4	6.6	6.4
Inpatient Surgical Procedures	6,878	6,578	6,793
Outpatient Surgical Procedures	9,941	9,096	8,788
Emergency Room Visits ¹	99,642	95,364	89,785
Outpatient Visits - Main Clinic	254,882	239,671	229,295
Outpatient Visits - Teaching Clinics	36,677	32,828	32,283
Outpatient Visits - Mental Health	49,301	49,059	38,466

¹ Includes Emergency Room Visits resulting in inpatient admissions.

VIII. BACKGROUND AND LICENSURE:

Background

CHLA, founded in 1901, is a California nonprofit public benefit corporation that provides pediatric and adolescent healthcare services. CHLA is the first and largest pediatric hospital in Southern California, and it delivers quality patient care, education, and innovative research efforts in a setting designed for the unique needs of children. CHLA is the only freestanding Level 1 Pediatric Trauma Center in Los Angeles County, which has been approved by the Los Angeles County Department of Health Services as well as accredited by the Committee on Trauma of the American College of Surgeons.

CHLA is a licensed 438-bed acute care hospital, of which 132 are intensive care beds. CHLA operates approximately 38 hospital-based outpatient clinic programs and related facilities for the care and treatment of sick and injured children ranging in age from newborn through 21 years. CHLA is also a premier teaching hospital and has been affiliated with the Keck School of Medicine of the University of Southern California since 1932.

Licensure and Accreditation

CHLA is licensed by the California Department of Public Health and is a member of, among other organizations, the California Hospital Association, the California Children's Hospital Association and the Hospital Association of Southern California. Also, CHLA receives accreditation as a hospital from The Joint Commission.

IX. STAFF RECOMMENDATION:

Staff recommends the Authority approve Resolution No. 462 in an amount not to exceed \$141,000,000 for Children's Hospital Los Angeles, 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

PROJECT SITES

- 4400, 4546, 4551, 4584, 4601, 4650 and 4661 Sunset Boulevard, Los Angeles, CA 90027
- 4616 DeLongpre Avenue, Los Angeles, CA 90027
- 4600 Maubert Avenue, Los Angeles, CA 90027

EXHIBIT 2

FINANCING TEAM

Borrower: Children's Hospital Los Angeles

Agent for Sale: California State Treasurer

Issuer's Counsel: Orrick, Herrington & Sutcliffe LLP

Issuer's Municipal Advisor: KNN Public Finance, LLC

Issuer's Financial Analyst: TAP International, Inc.

Borrower's Counsel: Ropes & Gray LLP

Borrower's Financial Advisor: Fifth Third Securities

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Bank Purchaser: Bank of America, N.A.

Bank Purchasers' Counsels: Chapman and Cutler LLP

Trustee: The Bank of New York Mellon Trust
Company, N.A.

Trustee's Counsel: Foley & Lardner LLP

Auditor: Deloitte & Touche LLP

RESOLUTION NO. 462

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

WHEREAS, the California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized and empowered by the provisions of the California Health Facilities Financing Authority Act (the "Act") to issue revenue bonds and loan proceeds thereof to any participating health institution to finance the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities (including by reimbursing expenditures made for such purposes), to refinance indebtedness of a participating health institution in connection therewith and to refund any outstanding bonds or any outstanding series or issue of bonds of the Authority; and

WHEREAS, Children's Hospital Los Angeles (the "Corporation"), is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, which owns and operates health facilities in the State of California; and

WHEREAS, the Corporation has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed \$141,000,000 and make one or more loans of the proceeds thereof to the Corporation for any or all of the following purposes: (i) to finance and/or refinance costs of the acquisition, construction, expansion, remodeling, renovation, furnishing and/or equipping of certain health facilities owned and/or operated by the Corporation, as more particularly described under the caption "Project" in Exhibit A hereto, including (a) to refinance all or a portion of the California Health Facilities Financing Authority Variable Rate Revenue Bonds (Children's Hospital Los Angeles), Series 2017B, (b) to refinance all or a portion of the California Health Facilities Financing Authority Revenue Bonds (Children's Hospital Los Angeles), Series 2022A-1, and/or (c) to refinance all or a portion of the California Health Facilities Financing Authority Revenue Bonds (Children's Hospital Los Angeles), Series 2022A-2, each of which financed or refinanced costs of the acquisition, construction, expansion, remodeling, renovation, furnishing and/or equipping of certain health facilities owned and/or operated by the Corporation, as more particularly described under the caption "Project" in Exhibit A hereto, and (ii) to pay costs of issuance of the Bonds (as defined below); and

WHEREAS, the Bonds will be offered for sale to Bank of America, N.A., or an affiliate thereof, which is a "Qualified Institutional Buyer" as defined under Rule 144A of the Securities Act of 1933 (the "Purchaser"), for the purpose of financing and/or refinancing the Project; and

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

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

NOW, THEREFORE, BE IT RESOLVED BY THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY, AS FOLLOWS:

SECTION 1. Pursuant to the Act, revenue bonds of the Authority designated as the “California Health Facilities Financing Authority Revenue Bonds (Children’s Hospital Los Angeles), Series 2025” (the “Bonds”), in a total aggregate principal amount not to exceed \$141,000,000, are hereby authorized to be issued from time to time, in one or more series, as federally tax-exempt bonds, with such other name or names of the Bonds or series thereof as designated in any of the bond indentures pursuant to which the Bonds will be issued. The proceeds of the Bonds shall be used for any or all of the purposes set forth in the third recital above. The Bonds or any series of them may, at the sole option of the Corporation, be secured by deeds of trust, bond reserve funds, bond insurance, any credit and/or liquidity facility and/or another security arrangement.

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 sales, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long as the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Corporation, may determine.

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”), each between the Authority and the Corporation,
- (ii) one or more Bond Indentures relating to the Bonds (each, a “Bond Indenture” and collectively, the “Bond Indentures”), each between the Authority and The Bank of New York Mellon Trust Company, N.A., as bond trustee (the “Bond Trustee”), and
- (iii) one or more Bond Purchase Contracts, including the exhibits thereto (each, a “Purchase Contract” and collectively, the “Purchase Contracts”), each among the Purchaser, the Treasurer and the Authority, and approved by the Corporation,

are hereby approved in substantially the forms on file with the Authority prior to this meeting, with such insertions, deletions or changes therein (including, without limitation, insertions, deletions or changes therein appropriate to reflect (i) the issuance of Bonds in one or more series of Bonds, or (ii) provisions relating to a deed of trust, a bond reserve fund, bond insurance, any credit and/or liquidity facility and/or another security arrangement, at the sole option of the Corporation, 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 of the Loan Agreements, the Bond Indentures, and the Purchase Contracts. The Executive Director or Deputy 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 date of issue, interest rates, manner of determining interest rates, interest rate modes, interest payment dates, series designation, 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, shall be as provided in the Bond Indentures, as finally executed.

SECTION 6. The Bonds, when executed, shall be delivered to the Bond Trustee for authentication by the Bond Trustee. The Bond Trustee is hereby requested and directed to authenticate the Bonds by executing the Bond Trustee's Certificate of Authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or upon direction of the Purchaser in accordance with written instructions executed on behalf of the Authority, which instructions are hereby approved. Said instructions shall provide for the delivery of the Bonds to or upon direction of the Purchaser, 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, Loan Agreements, and the Purchase Contracts. The Authority hereby approves any and all documents to be delivered in furtherance of the foregoing purposes, including without limitation: (a) a tax certificate and agreement and other certifications; and (b) any agreement or commitment letter with respect to the provisions of bond insurance, a letter of credit, a surety bond, a credit facility and/or a liquidity facility for the 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. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____

EXHIBIT A

PROJECT

The Project consists of the acquisition, construction, expansion, remodeling, renovation, furnishing and/or equipping of capital projects located on or about the campus of the health facilities located generally at:

- 4400 Sunset Boulevard, Los Angeles, California
- 4546 Sunset Boulevard, Los Angeles, California
- 4551 Sunset Boulevard, Los Angeles, California
- 4584 Sunset Boulevard, Los Angeles, California
- 4601 Sunset Boulevard, Los Angeles, California
- 4650 Sunset Boulevard, Los Angeles, California
- 4661 Sunset Boulevard, Los Angeles, California
- 4616 DeLongpre Avenue, Los Angeles, California
- 4600 Maubert Avenue, Los Angeles, California