CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY ("CHFFA")
REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY

Applicant:	Sutter Health ("Sutter") 2200 River Plaza Drive Sacramento, CA 95833 Sacramento County	**Principal Amount Requested:** **Date Requested:** **Requested Loan Term:** **Resolution Number:**	$700,000,000 March 13, 2018 Up to 40 years 432
Project Sites:	*See Exhibit 1*		
Facility Types:	General acute, sub-acute and outpatient care		
Eligibility:	Government Code 15432(d) (1)		
Prior Borrower:	Yes (date of last CHFFA issue, June 2017)		
Obligated Group:	The Sutter Health Obligated Group (the "Obligated Group"), the central financing vehicle for the Sutter Health system, is identified in *Exhibit 5*.		

Background: Sutter Health, a California nonprofit public benefit corporation, is the "parent" of the Sutter Health system, which is comprised of Sutter Health and its affiliated health care organizations (the "System"). The System operates primarily in Northern California, providing a broad range of health care services, including acute, sub-acute, long-term, home health, and outpatient care, as well as physician delivery systems. The System delivers a full range of health care products and services to the communities it serves through an integrated health care delivery approach. Sutter had 8,763,470 outpatient visits in FY 2016. (*See Exhibit 3 for more details)*

Use of Proceeds: In January and July of 2016, the Authority approved the issuance of tax-exempt bonds for Sutter to finance, in part, the construction, expansion, furnishing, and equipping of two new replacement hospitals located in San Francisco. Sutter now seeks to issue additional bonds to finance and reimburse costs associated with the ongoing construction project. Both hospitals have an estimated completion date of 2019.

Type of Issue:	Negotiated public offering fixed rate bonds (expected minimum denominations of $5,000)
Expected Credit Rating:	AA-/Aa3/AA-; S&P /Moody's/ Fitch
Financing Team:	*Please see Exhibit 2 to identify possible conflicts of interest*

Financial Overview: The Obligated Group's income statement appears to exhibit positive income each year from FY 2014 through FY 2016. The Obligated Group's balance sheet also appears strong with an operating pro-forma debt service coverage ratio of 5.42x, which includes debt payments for bonds to be issued in April 2018.

Estimated Sources of Funds:		**Estimated Uses of Funds:**	
Bond proceeds	$ 700,000,000	Project fund	$ 700,000,000
Borrower funds	7,000,000	Financing costs	7,000,000
Total Estimated Sources	$ 707,000,000	**Total Estimated Uses**	$ 707,000,000

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

Staff Recommendation: Staff recommends the Authority approve Resolution Number 432 for Sutter Health in a principal amount not to exceed $700,000,000 subject to the conditions in the resolution, including 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.

I. PURPOSE OF FINANCING:

In January and July 2016, the Authority approved the issuance of approximately $600 million in tax-exempt bonds for the costs of acquisition, construction, expansion, furnishing, and equipping of two new hospitals located in San Francisco and operated by Sutter Bay Hospitals dba California Pacific Medical Center ("CPMC"). Sutter now seeks to issue an additional $700 million in fixed rate revenue bonds to finance and reimburse costs associated with the ongoing CPMC construction projects. The new hospitals will satisfy the Senate Bill 1953 (Figueroa) seismic mandate, and is being completed under the Senate Bill 90 (Steinberg) extension, which allowed the completion date for rebuilding hospital facilities to be extended to January 1, 2020.

Project Fund ***$700,000,000***

CPMC – Van Ness and Geary Campus Hospital

The Van Ness and Geary Campus Hospital, when completed, will be a new 765,000 square foot, 274-bed hospital along with a 250,000 square foot parking structure. The 12-story hospital will include women's, children's, cardiology, oncology, transplant, and emergency departments. An underground pedestrian tunnel will provide patients with direct access to a nine-story medical office building. Construction of the new hospital has an estimated completion date of 2019.

CPMC – St. Luke's Campus Hospital

The St. Luke's Campus Hospital, when completed, will be a new 237,000 square foot, 120-bed hospital, located in the Mission District of San Francisco. The new hospital will offer expanded emergency department and obstetrics, in addition to a full range of inpatient services. Sutter aims to transform the St. Luke's Campus into the hospital of choice for the southern sector of San Francisco. Construction of the new hospital has an estimated completion date of 2019.

Financing Costs[1] ***7,000,000***

Estimated underwriter's discount	$3,500,000
Estimated cost of issuance	3,500,000

Total Estimated Uses of Funds ***$707,000,000***

[1] Sutter Health will pay financing costs from its own funds.

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

Sutter is a Member of the Obligated Group that currently consists of eight affiliated California nonprofit public benefit corporations, each of which is jointly and severally obligated under a master trust indenture with respect to payments on CHFFA bonds and other parity debt. Sutter will be the borrower under the loan agreement with CHFFA and will act on behalf of the other Obligated Group Members. All covenants below are applicable to each Member of the Obligated Group. There are also protective tests limiting Members from being added to or withdrawing from the Obligated Group if the change would result in a significant reduction of the financial strength of the Obligated Group.

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 prior 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.

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

<u>The following covenants are applicable to this transaction:</u>

Unconditional Promise to Pay. *Sutter 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. The Obligated Group guarantees all such payments under a master indenture obligation. All Revenues (which will include payments by Sutter under the Loan Agreement and payments by the Obligated Group) and any other amounts held in a designated fund or account under the Bond Indenture, except only moneys on deposit in the Rebate Fund under the Bond Indenture, are pledged to secure the full payment of the Bonds.*

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 a blocked account agreement for the benefit of each bond trustee and parity lender.*

Negative Pledge Against Prior Liens. *Each Obligated Group Member agrees not to create, assume or permit any Lien upon the Gross Revenues or their respective Property other than Permitted Encumbrances.*

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

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.10 times Maximum Annual Debt Service. 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. *Each Obligated Group Member agrees not to incur additional Indebtedness unless authorized by various financial performance or projection measures set out in the Master Indenture.*

Disposition of Cash and Property Limitations. *Each Obligated Group Member 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 Master Indenture.*

Comply with SEC Rule 15c2-12. *Sutter, on behalf of the Obligated Group, will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. Sutter 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.*

There will not be a debt service reserve account pledged to these bonds.

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

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III. FINANCIAL STATEMENTS AND ANALYSIS:

SUTTER HEALTH OBLIGATED GROUP
Consolidated Statements of Operations and
Changes in Net Assets
($ in millions)

	Year ended December 31,		
	2016	**2015**	**2014**
Unrestricted net assets:			
Operating revenues:			
Patient service revenues less provision for bad debts	$ 9,879	$ 9,179	$ 8,489
Premium revenues	1,052	940	876
Contributions	4	4	5
Other	440	387	345
Total operating revenues	11,375	10,510	9,715
Operating expenses:			
Salaries and employee benefits	5,165	4,820	4,419
Purchased services	2,769	2,622	2,372
Supplies	1,270	1,206	1,086
Depreciation and amortization	654	597	546
Rentals and leases	151	141	135
Interest	134	117	90
Insurance	66	61	61
Other	701	588	564
Total operating expenses	10,910	10,152	9,273
Income from operations	465	358	442
Investment income	13	64	224
Change in net unrealized gains/(losses) on investments classified as trading	208	(189)	(204)
Loss on extinguishment of debt	(7)	-	-
Income	679	233	462
Less income attributable to noncontrolling interests	(51)	(49)	(42)

Continued

Unrestricted controlling net assets:			
Income attributable to Sutter Health Obligated Group	628	184	420
Change in net unrealized gains and losses on investments classified as other-than-trading	13	5	13
Net assets released from restrictions for equipment acquisition	9	13	12
Pension-related changes other than net periodic pension cost	(214)	(32)	(764)
Transfers with related entities, net	(84)	(71)	(66)
Other	3	3	(4)
Increase (decrease) in unrestricted controlling net assets	355	102	(389)
Unrestricted noncontrolling net assets:			
Income attributable to noncontrolling interests	51	49	42
Distributions	(49)	(54)	(50)
Other	2	37	(4)
Increase (decrease) in unrestricted noncontrolling net assets	4	32	(12)
Temporarily restricted net assets:			
Contributions	22	13	12
Investment income	-	1	2
Change in net unrealized gains and losses on investments	1	(3)	(6)
Net assets released from restriction	(10)	(9)	(8)
Other	2	(1)	(4)
Increase (decrease) in temporarily restricted net assets	15	1	(4)
Increase in net assets	374	135	(405)
Net assets, beginning of year	7,243	7,108	7,513
Net assets, end of year	$ 7,617	$ 7,243	$ 7,108

For fiscal year end December 31,

Payer Source	% Patient Service Revenue		Patient Days			
	2016	2015	2016		2015	
			Total	%	Total	%
Medicare	41.5	40.4	422,265	44.9	412,508	45.1
Medi-Cal	20.0	21.1	266,202	28.3	258,630	28.3
Commerical Programs	34.8	35.1	236,799	25.2	230,200	25.2
Other Payers	3.7	3.4	15,705	1.7	12,422	1.4
Total	**100**	**100**	**940,971**	**100**	**913,760**	**100**

SUTTER HEALTH OBLIGATED GROUP
Consolidated Balance Sheets
($ in millions)

	Year ended December 31, 2016	2015	2014
Assets			
Current assets:			
Cash and cash equivalents	$ 298	$ 399	$ 179
Short-term investments	3,785	3,070	3,516
Patient accounts receivable	1,227	1,212	1,068
Other receivables	560	323	557
Inventories	111	106	95
Other	129	130	113
Total current assets	6,110	5,240	5,528
Non-current investments	420	368	331
Property, plant and equipment, net	7,609	7,280	6,997
Other non-current assets	402	414	334
Total assets	$ 14,541	$ 13,302	$ 13,190
Liabilities and net assets			
Current liabilities:			
Accounts payable	$ 467	$ 416	$ 585
Accrued salaries and related benefits	617	550	543
Other accrued expenses	552	508	456
Current portion of long-term obligations	201	47	21
Total current liabilities	1,837	1,521	1,605
Non-current liabilities:			
Long-term obligations, less current portion	4,127	3,648	3,724
Other	960	890	753
Total liabilities	6,924	6,059	6,082
Net assets:			
Unrestricted controlling	7,427	7,072	6,970
Unrestricted noncontrolling	97	93	61
Temporarily restricted	80	65	64
Permanently restricted	13	13	13
Total net assets	7,617	7,243	7,108
Total liabilities and net assets	$ 14,541	$ 13,302	$ 13,190

Financial Ratios:

	Proforma [a] FYE December 31, 2016	2016	2015	2014
Debt Service Coverage (x) -- Operating	5.42	5.64	5.73	5.83
Debt Service Coverage (x) -- Net	6.35	6.61	5.06	5.94
Debt/Unrestricted Net Assets (x)	0.68	0.58	0.52	0.54
Margin (%)		4.09	3.41	4.55
Current Ratio (x)		3.33	3.45	3.44

[a] Recalculates FY 2016 audited results to include the impact of this proposed financing.

The audited, combined financial statements of the Obligated Group were analyzed in this section. The Obligated Group comprises approximately 93% of the total assets and 96% of the total revenues of the combined financials.

Financial Discussion – Statement of Activities (Income Statement)

The Obligated Group's income statement appears to exhibit positive income each year from FY 2014 through FY 2016.

The Obligated Group appeared to experience solid growth in Income attributable to Sutter Health Obligated Group from approximately $184 million in FY 2015 to approximately $628 million in FY 2016. According to Sutter's management, the increase was primarily due to an increase in net unrealized gains and losses on investments classified as trading of $397 million.

Income, which includes revenue from investment income and the change in net unrealized gains and losses on investments classified as trading, also displayed positive results, increasing from approximately $233 million in FY 2015 to approximately $679 million in FY 2016. Investment income steadily decreased from approximately $64 million in FY 2015 to approximately $13 million in FY 2016 while the change in net unrealized gains and losses on investments classified as trading improved from a loss of approximately $189 million to a gain of $208 million over the same period. According to Sutter's management, in FY 2016 both domestic and international equity markets performed well, and fixed income experienced positive returns, which led to favorable improvements in the change in net unrealized gains and losses on investments classified as trading. Also, investment manager changes, which have occurred in the last two years, and a change to the target asset allocation in FY 2016 caused some realized losses that mitigated investment income.

Particular Facts to Note:

- According to Sutter's management, estimates of the future financial impact from the Affordable Care Act (the "ACA") would not be reliable given the uncertainty about the calculation and application of future Medicare payments under the ACA and the status of the ACA itself. Currently, approximately 16% of Sutter's net revenue is derived from Medicare and the ACA contains provisions that would significantly reduce Medicare physician payments. As of this date, there has been no material adverse impact on Medicare payments to Sutter and its integrated physicians as a result of the ACA.

Financial Discussion – Statement of Financial Position (Balance Sheet)

The Obligated Group's balance sheet appears strong with an operating pro-forma debt service coverage ratio of 5.42x.

The Obligated Group has demonstrated a strong ability to service its debt with an operating debt service coverage ratio of 5.83x, 5.73x, and 5.64x in fiscal years ending December 31, 2014, 2015, and 2016, respectively. With the increased total debt from the issuance of new money bonds, the Obligated Group's pro-forma debt service coverage ratio will decrease to 5.42x. Concurrently, Sutter intends to issue taxable corporate bonds to refund its currently outstanding California Statewide Communities Development Authority Series 2011A and CHFFA Series 2011B bonds. The expected savings from the taxable refunding bonds helps offset a larger decrease in the pro-forma debt service coverage ratio. The Obligated Group continues to demonstrate a strong ability to repay its debt obligations.

The Obligated Group's debt-to-unrestricted net assets ratio has remained steady at 0.54x, 0.52x, and 0.58x in fiscal years ending December 31, 2014, 2015, and 2016, respectively. With the proposed new money bond issue, the Obligated Group's pro-forma debt-to-unrestricted net assets ratio will increase to 0.68x. The current portion of long-term obligations increased from approximately $47 million in FY 2015 to approximately $201 million in FY 2016. According to Sutter's management, the increase was due primarily to the issuance of bonds that were then used to redeem $96 million in CSCDA Series 2003A and Series 2003B bonds in August 2017 and for the redemption of $47 million in CSCDA Series 2005B and Series 2005C bonds in May 2017. During FY 2016, the Authority approved and issued tax-exempt bonds on behalf of Sutter, totaling approximately $575 million to reimburse prior capital expenditures and $638 million to refinance the CHFFA Series 2007A bonds.

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IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** Sutter properly completed and submitted the "Pass-Through Savings Certification."

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

  As a not-for-profit, Sutter invests its earnings back into its communities. Sutter has invested over $4 billion over the past five years, including $669 million in calendar year 2016, to provide care for patients who couldn't afford to pay and support community health programs. Sutter's investments and partnerships with community health centers and other community organizations help support access to medical care, mental health services and key social services, such as transitional housing, transportation, meals for the hungry, education, youth job-training programs and health research.

  https://annualreport2016.sutterhealth.org/

- **Compliance with Seismic Regulations:** Sutter properly submitted a description of how it is complying with OSHPD seismic evaluation regulations.

- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** Sutter properly submitted relevant documentation addressing CEQA.

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

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

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

EXHIBIT 1

PROJECT SITES

California Pacific Medical Center

- 1101 Van Ness Avenue, San Francisco, CA 94109
- 3555 Cesar Chavez Street, San Francisco, CA 94110

EXHIBIT 2

FINANCING TEAM

Borrower:	Sutter Health
Agent for Sale:	California State Treasurer
Issuer's Counsel:	Office of the Attorney General
Issuer's Financial Advisor:	KNN Public Finance, LLC
Issuer's Financial Analyst:	Macias Gini & O'Connell, LLP
Borrower's Counsel:	Dentons US, LLP
Borrower's Financial Advisor:	The PFM Group
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriters:	Morgan Stanley Merrill Lynch, Pierce, Fenner & Smith Incorporated (Bank of America Merrill Lynch) Caldwell Sutter Capital, Inc. Siebert Cisneros Shank & Co., LLC
Underwriter's Counsel:	Norton Rose Fulbright LLP
Trustee:	Wells Fargo Bank National Association
Trustee Counsel:	TBD
Master Trustee:	U.S. Bank National Association
Master Trustee Counsel:	Dorsey & Whitney LLP
Auditor:	Ernst & Young LLP
Rating Agencies:	Moody's Investors Service, Inc. Standard & Poor's Financial Services, LLC Fitch Ratings, Inc.

EXHIBIT 3

UTILIZATION STATISTICS

Sutter Health

The following table summarizes the Obligated Group's utilization data for the fiscal years below:

	Fiscal Year Ended December 31,		
	2016	**2015**	**2014**
Licensed Beds - Acute Care[(1)]	4,466	4,470	4,738
Beds in Service - Acute Care	4,055	4,062	4,260
Licensed Beds - Long-Term Care[(2)]	NA	NA	62
Admissions	198,185	189,568	189,056
Patient Days - Acute Care	892,592	873,732	833,561
Patient Days - Long-Term Care[(2)]	NA	NA	12,085
Average Length of Stay (Days)	4.5	4.6	4.4
Occupancy %	60.3	58.9	54.2
Occupancy % - Long-Term Care[(2)]	NA	NA	53.4
Emergency Room Visits	873,966	867,113	797,148
Outpatients Visits	8,763,470	8,506,443	8,093,325

[(1)] Revised from prior continuing disclosure reports to conform to the Office of Statewide Health Planning and Development's definition of "licensed bed."

[(2)] Mills-Peninsula Skilled Nursing, Sutter Health's last remaining free standing nursing facility operating under its own license and Medicare provider number, was sold outside of the Sutter Health system on June 30, 2015.

EXHIBIT 4

OUTSTANDING DEBT

As of December 31, 2016, the Obligated Group's outstanding long-term debt totaled approximately $4.0 billion, of which approximately $2.9 billion (73%) was comprised of debt issued through the Authority.

In July 2017, Sutter refunded approximately $500 million in bonds, which included bonds previously issued by the California Statewide Communities Development Authority ("CSCDA") in the amount of approximately $300 million. Sutter's total outstanding debt remained at $4.0 billion after the refunding. Following this proposed new bond issuance, the Obligated Group's total outstanding debt will increase to approximately $4.7 billion. With the refunding of CSCDA bonds and the proposed new bond issuance, the amount of the Authority debt will increase to approximately $3.9 billion (83%).

EXHIBIT 5

BACKGROUND AND LICENSURE

Background

Sutter Health, a California nonprofit public benefit corporation ("Sutter"), is the "parent" of various organizations that directly or indirectly, through one or more intermediaries, are controlled by, or are under common control with, Sutter (each, an "Affiliated Entity" and, collectively, the "Affiliated Entities"). The operations of the Affiliated Entities are primarily in Northern California. The Affiliated Entities, together with Sutter, comprise the Sutter system and provide a full range of health care and related services through an integrated health care delivery model. Sutter also provides certain centralized support functions to the Sutter system, which includes administrative services and system initiatives throughout Northern California.

The mission of the Sutter system is to enhance the well-being of people in the communities it serves through a not-for-profit commitment to compassion and excellence in health care services. The Sutter system's vision is to lead the transformation of health care to achieve the highest levels of quality, access and affordability. At both local and operating unit levels, the Sutter system's goal is to be the preferred provider to its patients and customers, the best place to work and a role model of community citizenship.

As of December 31, 2016, the Sutter system included:

- Twenty-nine acute care facilities (two of which are acute psychiatric facilities operating under two separate individual license numbers) and two free-standing chemical dependency recovery hospitals operating under 28 licenses, with a total of approximately 5,000 licensed beds;
- Five medical foundations that contract with medical groups organized as professional corporations that account for the services of 3,077 physicians and physician extenders;
- Sixteen home health care locations; and
- Ten hospice care locations.

Obligated Group

The Obligated Group is the central financing vehicle of credit for Sutter and was formed to facilitate access to capital for Sutter Health and selected Affiliated Entities by unifying the credit of the Obligated Group Members through the Master Indenture.

Obligated Group Members

- Sutter Bay Medical Foundation [1]
- Sutter Coast Hospital
- Sutter East Bay Hospitals
- Sutter Health
- Sutter Valley Hospitals [2]
- Sutter Valley Medical Foundation [3]
- Sutter Visiting Nurse Association and Hospice
- Sutter Bay Hospitals [4]

Only the Obligated Group Members have assumed financial obligations related to the payment or security for any bonds or any other obligations incurred under the Master Indenture.

Licensure and Memberships

All Sutter affiliated hospitals are licensed by the Department of Public Health. The Obligated Group Members that operate acute care hospital facilities participate in the Medicare program and provide a range of services to Medicare and Medi-Cal patients under various payment arrangements.

[1] On October 1, 2016, the Palo Alto Medical Foundation for Health Care, Research and Education changed its name to Sutter Bay Medical Foundation. On August 1, 2017, Sutter East Bay Medical Foundation and Sutter West Bay Medical Foundation merged into Sutter Bay Medical Foundation.

[2] Formerly Sutter Health Sacramento Sierra Region.

[3] Formerly Sutter Medical Foundation. On March 1, 2016, Sutter Gould Medical Foundation, a former Obligated Group Member, merged into Sutter Valley Medical Foundation.

[4] On February 1, 2016, Sutter West Bay Hospitals changed its name to Sutter Bay Hospitals. On June 1, 2016, Sutter Medical Center Castro Valley, a former Obligated Group Member, merged into Sutter Bay Hospitals. On August 1, 2016, Mills-Peninsula Health Services, a former Obligated Group Member, merged into Sutter Bay Hospitals.

RESOLUTION NO. 432

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
AUTHORIZING THE ISSUANCE OF
REVENUE BONDS TO FINANCE OR REFINANCE
PROJECTS AT THE HEALTH FACILITIES OF
SUTTER HEALTH AND CERTAIN OF ITS AFFILIATES

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, Sutter Health is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Borrower”), which is the sole corporate member of various of its affiliates that own and operate health care facilities in the State of California; and

WHEREAS, the Borrower has requested that the Authority issue one or more series of its revenue bonds in an aggregate principal amount not to exceed $700,000,000, and make one or more loans of the proceeds thereof to the Borrower to finance, including reimburse for, or refinance the costs of acquisition, construction, expansion, furnishing and equipping of certain health facilities, as more particularly described in Exhibit A hereto (the “Project”); and

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

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

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

SECTION 1. Pursuant to the Act, revenue bonds of the Authority designated as the “California Health Facilities Financing Authority Revenue Bonds (Sutter Health), Series 2018A” (the “Bonds”), in a total aggregate principal amount not to exceed $700,000,000, 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 the indenture 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.

SECTION 2. The Treasurer of the State of California (the "Treasurer") is hereby authorized to enter into agreements to sell the Bonds in one or more series, on one or more sale dates at any time prior to the first anniversary of the date of this Resolution, at public or private sale, in such aggregate principal amounts (not to exceed the aggregate principal amount set forth in Section 1) and in such series, at such prices (so long as the discount on the Bonds sold shall not exceed 6 percent of the par value thereof) and at such interest rate or rates and upon such other terms and conditions as the Treasurer, with the advice and consent of the Borrower, may determine. The Bonds 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, credit facilities and other security arrangements and/or supported by one or more liquidity facilities.

SECTION 3. The proposed forms of the following documents:

(i) A Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Borrower,

(ii) A Bond Indenture relating to the Bonds (the "Bond Indenture"), between the Authority and Wells Fargo Bank, National Association, as bond trustee (the "Bond Trustee"),

(iii) A Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the "Purchase Contract"), among Morgan Stanley & Co. LLC, on behalf of the underwriters named in the Purchase Contract as finally executed (the "Underwriter"), the Treasurer and the Authority, and approved by the Borrower, and

(iv) 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 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 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 Agreement, the Bond Indenture and the Purchase Contract 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 dated dates, maturity dates (not exceeding 40 years from the respective date of issue), interest rates, interest payment dates, denominations, forms, registration privileges or requirements, place or places of payment, terms of tender or purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including provisions for a credit facility and/or a liquidity facility from time to time, shall be as provided in the Bond Indenture, as finally executed.

SECTION 6. The Underwriter is hereby authorized to distribute a Preliminary Official Statement for the Bonds to persons who may be interested in the purchase of such Bonds offered in such issuance, it being understood that, at the discretion of the Underwriter (in consultation with the Borrower), a preliminary official statement may not be used with respect to the Bonds. The Underwriter is hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such Bonds.

SECTION 7. 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 Underwriter 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 direction of the Underwriter, as determined and confirmed by the Treasurer, upon payment of the purchase price thereof.

SECTION 8. 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 Indenture, Loan Agreement, Purchase Contract and Official Statement. 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 9. The provisions of the Authority's Resolution No. 2017-01 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: ______________________________

EXHIBIT A

Project Description

To finance, including reimburse for, or refinance the costs of acquisition, construction, expansion, furnishing and equipping of the health facilities located generally at 1101 Van Ness Avenue, San Francisco and 3555 Cesar Chavez Street, San Francisco, both of which are operated by Sutter Bay Hospitals, d/b/a California Pacific Medical Center, an affiliate of Sutter Health and an organization described in Section 501(c)(3) of the Code.