

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)
REFINANCING SUMMARY

Applicant: Scripps Health (“SH” or “Borrower”) **Amount Requested:** \$314,163,000

Project site: Multiple San Diego County locations **Outstanding Principal:** \$267,042,000

Date Requested: March 11, 2008 **Resolution Number:** 328

Background: Many hospital borrowers are facing unanticipated and staggering financial burdens, associated with significant interest rate increases, due to recent dramatic changes in the auction and variable rate bond markets. Consequently, borrowers (including SH) are seeking to quickly refund their debt to extricate themselves from untenable debt service obligations, to position themselves into more affordable and stable rates and, in some cases, to get out from under a downgraded insurer.

Purpose: Bond proceeds will be used to refund previously issued auction rate or variable rate bonds. The original bond proceeds were used to refund prior debt obligations, construct various facilities, and to purchase equipment.

Financial Overview: Based on staff's review of SH's most recent audited financial statements, SH income statement and balance sheet appear solid. Additionally, SH appears to meet CHFFA's minimum requirements for debt service coverage as set forth within CHFFA's Bond Issuance Guidelines. This refunding is expected to lower SH interest costs for the refunded bonds.

Most Recent Underlying Bond Rating: A2/A+/A+

Sources and Uses/Costs of Issuance/Cost Savings

Within 90 days of board approval, bond proceeds will be used to redeem designated prior bonds, and in some cases, to cover cost of issuance or debt service reserves, if needed, on the refunding bonds. There may also be a relatively small equity contribution from the borrower to cover costs of issuance. The borrower expects the refunding to provide more stable and lower interest rates, as well as an improved opportunity for debt management.

Due Diligence: Due diligence of the following items has been completed or will be completed prior to closing:

- **Religious Due Diligence**
 - **Legal Review**
 - **Community Service Obligation**
 - **CEQA (not required because borrower is refunding their bonds)**
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Staff Recommendation: Staff recommends the Authority approve a Resolution in an amount not to exceed \$314,163,000 for Scripps Health subject to financing terms acceptable to the Authority, that the Authority waive the pass-through requirement in connection with this refinancing, and that the Authority consider an appropriate fee reduction for this borrower as the circumstances may warrant.