

**CHFFA REVENUE BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: El Camino Hospital (“ECH”) 2500 Grant Road Mountain View, CA 94040 Santa Clara County</p>	<p>Amount Requested: \$175,000,000 Requested Loan Term: Up to 40 years Authority Meeting Date: April 9, 2015 Resolution Number: 402</p>																				
<p>Project Sites: <i>(See Exhibit 4)</i></p> <p>Facility Type: Acute care hospital; Government Code 15432(d)(1)</p> <p>Prior Borrower: No</p> <p>Obligated Group: ECH is the sole member of the Obligated Group.</p>																					
<p>Background: ECH is a California non-profit public benefit corporation of which the El Camino Healthcare District (the “District”) is the sole member. ECH operates a single hospital comprised of two campuses. One is a full-service, acute-care community hospital located in Mountain View, California, which opened in 1961, and is licensed for up to 300 beds and provides a range of clinical and surgical services including: behavioral health, cancer, community health, diagnostic radiology, emergency, and pediatrics. The primary service area for the Mountain View campus includes the cities of Mountain View, Los Altos, Los Altos Hills, Sunnyvale, and Cupertino. The second campus, which was acquired in 2009, is an acute care hospital facility licensed for up to 143 beds, located in Los Gatos, California. The primary service area for the Los Gatos campus includes the cities of Los Gatos, Saratoga and Campbell and a portion of San Jose. A primary service area served by both campuses also includes Alviso and Santa Clara. <i>(See Exhibit 5 for additional background, governance, and licensing information)</i></p>																					
<p>Use of Proceeds: Bond proceeds will be used to refund all or a portion of the outstanding Santa Clara County Financing Authority (SCCFA) Series 2007A, 2007B, & 2007C Revenue Bonds. In addition, ECH plans upgrades and capital improvement projects at its Los Gatos campus. Net present value savings resulting from the refunding of the Series 2007 Bonds are expected to be approximately \$11.7 million. The refunding will also eliminate ECH’s existing debt service reserve fund.</p>																					
<p style="text-align: center;">Type of Issue: Negotiated public offering with fixed rate bonds (Expected minimum denominations of \$5,000)</p> <p>Expected Credit Rating: A+/A1 S&P/Moody’s</p> <p>Financing Team: <i>See Exhibit 1 to identify possible conflicts of interest</i></p>																					
<p>Financial Overview: ECH’s income statement appears to exhibit consistently solid and increasing operating results over the review period. ECH appears to be in a strong financial position with an operating pro-forma debt service coverage ratio of 7.08x.</p>																					
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<p>Due Diligence: Staff has received and reviewed the Eligibility, Legal Review, Religious Due Diligence, Savings Pass Through, Seismic, Community Service Obligation, Iran Contracting Act Certification, and CEQA documentation. All documentation satisfies the Authority’s requirements.</p>																					
<p>Staff Recommendation: Staff recommends the Authority approve Resolution Number 402 in an amount not to exceed \$175,000,000 subject to the conditions in the resolution. Macias Gini & O’Connell, LLP, the Authority’s financial analyst, and Fieldman, Rolapp & Associates, Inc. the Authority’s financial advisor, concur with the Authority’s staff recommendation.</p>																					

I. PURPOSE OF FINANCING:

As part of a significant capital plan that is anticipated to extend through the year 2020, ECH intends to refund all or a portion of the outstanding Santa Clara County Financing Authority Series 2007A, 2007B, and 2007C Revenue Bonds. According to ECH’s management, the refunding of the Series 2007 Bonds is expected to result in net present value savings of approximately \$11.7 million and will eliminate ECH’s debt service reserve fund. Projects associated with ECH’s overall capital plan, not included in this financing, include an integrated medical office building, a mental health building, the expansion of its Women’s Hospital, and an expansion of a parking garage. ECH anticipates November 2015 as the earliest start date for these additional capital projects, and may seek additional financing for these projects in late 2015 or early 2016 as these additional projects are currently awaiting California Environmental Quality Act approval. As part of the current financing, ECH plans to issue up to \$42 million in new money for facility upgrades and capital improvement projects at its Los Gatos Campus.

Refund Santa Clara County Financing Authority Series 2007 Bonds \$130,700,000

Proceeds from the Series 2007 bonds were used to finance the construction, renovation and improvement of ECH, which included a portion of the construction of a five-level main hospital building, as well as the purchase and installation of equipment. The main hospital building is an approximate 550,000 square foot facility that supports 300 inpatient beds, includes a 36-bed emergency department with an adjacent 10-bed observation unit, 16 operating/interventional treatment suites with a 46-bed pre- and post-operative care unit and support services space, as well as the purchase and installation of equipment. The proceeds were also used to construct Oak Pavilion, a 29,000 square foot facility, and a four-level, 852 space parking structure.

Facility Upgrades & Capital Improvements 42,000,000

Proceeds from the Series 2015A bonds will be used for upgrades and capital projects at ECH’s Los Gatos campus including improvements to building systems and equipment, nursing units, patient rooms, surgical suites and related procedural areas, Imaging Department, Central Sterile Department, and construction of a four bed NICU Patient Care Unit.

Financing costs 2,300,000

- *Estimated cost of issuance..... \$1,600,000*
- *Underwriter’s discount..... 700,000*

Total Estimated Uses of Funds \$175,000,000

II. PROPOSED COVENANTS, SECURITY PROVISIONS AND DISCLOSURES:

ECH is the sole member of an obligated group under a Master Trust Indenture, pursuant to which the proposed Bonds would be secured. After reviewing El Camino Hospital's credit profile, including its current financial profile, prior bond transactions, its current primary security document (Master Trust Indenture dated as of March 1, 2007, as supplemented to date (the "Master Indenture")) for an obligation issued thereunder to support payment on the proposed issue of bonds (the "Obligation"), and considering what the market will support, El Camino Hospital, Fieldman, Rolapp & Associates, Inc. (the Authority's financial advisor), and the underwriter have concluded the covenants listed below balance the interests of El Camino Hospital, the Authority, and the investors and are consistent with covenants that have applied to El Camino Hospital's prior bond transactions and that the El Camino Hospital's current financial situation does not suggest additional covenants should be required.

Loan Agreement:

Unconditional Promise to Pay. El Camino Hospital's obligations under the Loan Agreement and under the Obligation are absolute and unconditional, until loan agreement terminated and all payments payable thereunder are made, El Camino Hospital agrees to pay the Bond Trustee all amounts required for principal, interest or redemption premium, if applicable, on the Bonds and to pay other payments and expenses designated in the Loan Agreement and under the Obligation. [Loan Agreement Section 4.5]

Comply with SEC Rule 15c2-12. El Camino Hospital will agree to comply with and carry out the provisions of a continuing disclosure agreement to assist the underwriter in complying with SEC Rule 15c2-12, under the continuing disclosure agreement El Camino Hospital will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the Bonds on an annual/quarterly basis and to report designated "material events" such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc. [Loan Agreement Section 5.7]

Bond Indenture:

Pledge and Assignment of Revenues. All Revenues (which will include payments under the Loan Agreement and the Obligation) and any other amounts held in one of the designated funds or accounts under the Bond Indenture (other than the Rebate Fund) are pledged to secure the full payment of the bonds. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after delivery by the Bond Trustee of the Bonds. [Bond Indenture. Sec. 5.01(A)]

The Authority will transfer in trust, and grant a security interest in and assign to the Bond Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Revenues and other assets pledged as described in the preceding paragraph and all of the right, title and interest of the Authority in (1) the Loan Agreement (except for (i) the right to receive certain expenses payable to the Authority, (ii) any rights of the Authority to be indemnified and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of El Camino Hospital to make deposits pursuant to the Tax Certificate) and (2) the Obligation.

Master Indenture:

Payment of Required Payments. Each Obligated Group Member (*currently El Camino Hospital is the only Member of the Obligated Group*) jointly and severally covenants to promptly pay, or cause to be paid, all Required Payments at the place, on the dates and in the manner provided in the Master Indenture, or in any Related Supplement or Master Indenture Obligation (including the Obligation). Each Obligated Group Member further covenants to faithfully observe and perform all of the conditions, covenants and requirements of this Master Indenture, any Related Supplement and any Master Indenture Obligation. [Master Indenture Section 3.01]

Maintenance of Properties, Payment of Indebtedness. Each Obligated Group Member covenants to maintain its Property, Plant and Equipment in accordance with applicable laws, ordinances, regulations etc., to maintain and operate its Property, Plant and Equipment in reasonably good working condition and to pay and discharge all applicable taxes, assessments etc., which may be assessed or may become Liens upon Property, Plant and Equipment, to pay or otherwise satisfy Indebtedness and to use best efforts to maintain permits licenses and other governmental approvals necessary for the operation of its property. [Master Indenture Section 3.04]

Against Encumbrances. Each Obligated Group Member covenants that it will not create, assume or suffer to exist any Lien upon the Property of the Obligated Group, except for Permitted Liens. Each Obligated Group Member further covenants that if such a Lien (other than a Permitted Lien) is created or assumed by any Obligated Group Member, it will make or cause to be made effective a provision whereby all Master Indenture Obligations will be secured prior to any obligation secured by such Lien. [Master Indenture Section 3.05]

Debt Service Coverage Requirement. The Master Indenture contains a debt service coverage requirement based on 1.15:1.0 determined by dividing Income Available for Debt Service by Maximum Annual Debt Service. [Master Indenture Section 3.06]

Limitations on Mergers, Sales or Conveyances. Each Obligated Group Member agrees not to merge or consolidate with any other entity or sell or convey all or substantially all of its assets to any Person unless authorized by various limiting measures in the Master Indenture. [Master Indenture Section 3.07]

Addition to, and Withdrawal from, Obligated Group. No Obligated Group Member can be added to or withdraw from the Obligated Group unless authorized by various limiting measures in the Master Indenture. [Master Indenture Sections 3.08 and 3.09]

Limitations on Disposition of Assets. The Master Indenture does not permit any Member of the Obligated Group to sell, lease or otherwise dispose of any Property unless authorized by various limiting measures. [Master Indenture Section 3.10]

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. [Master Indenture 3.11]

Insurance Required. Each Obligated Group Member, respectively, covenants and agrees that it will keep the Property, Plant and Equipment and all of its operations adequately insured at all times and carry and maintain such insurance in amounts which are customarily carried, subject to customary deductibles, and against such risks as are customarily insured against by other health care institutions in connection with the ownership and operation of health facilities of similar character and size in the State. [Master Indenture 3.13]

Gross Revenue Fund. Each Obligated Group Member agrees, so long as the Obligation is outstanding, to deposit all revenues, income, fees, rates, receipts, rentals and money received by or on behalf of the Members into a Gross Revenue Fund over which the Master Trustee has a deposit account agreement for the benefit of bondholders. [Master Indenture Section 3.14]

The master indenture covenants referenced above have been amended for the sole benefit of the bond insurer for the Series 2007 Bonds to be refunded with proceeds of this bond issue.

Staff and Fieldman, Rolapp & Associates, Inc. have reviewed the entirety of this financing package and find it to be acceptable.

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III. FINANCIAL STATEMENTS AND ANALYSIS:

**El Camino Healthcare District
Consolidated Statements of Operations
Unrestricted (In Thousands)**

	As of June 30,		
	2014	(As Restated) 2013	(As Restated) 2012
Operating revenues:			
Net patient service revenue*	\$ 719,487	\$ 691,545	\$ 636,820
Other revenues	28,378	21,565	21,591
Total operating revenues	747,865	713,110	658,411
Operating expenses:			
Salaries, wages, and benefits	398,577	373,480	330,472
Professional fees and purchased services	91,240	90,649	93,324
Supplies	104,382	103,603	94,196
Depreciation and amortization	47,839	48,116	49,834
Rent and utilities	15,431	13,937	13,925
Other	21,333	18,328	17,244
Total operating expenses	678,802	648,113	598,995
Operating income	69,063	64,997	59,416
Nonoperating revenue (expense) items:			
General Obligation bond interest expense	(4,674)	(4,787)	(4,828)
Intergovernmental transfer expense	(2,391)	-	(3,349)
Realized investment income	18,706	26,848	14,069
Unrealized investment income	35,943	95	4,277
Property tax revenues	19,153	18,264	16,420
Restricted gifts, grants and bequests, and other	1,521	4,432	3,432
Unrealized (loss) gain on interest rate swaps	(142)	4,061	(5,781)
Community benefit expense	(7,150)	(7,407)	(6,569)
Other, net	(779)	(3,641)	(4,854)
Noncontrolling interest in subsidiary earnings	-	-	(386)
Total nonoperating revenues and expenses	60,187	37,865	12,431
Increase in net position	129,250	102,862	71,847
CUMULATIVE EFFECT OF RESTATEMENT	-	-	(6,055)
Total Net Position, beginning of year	974,005	871,143	805,351
Total Net Position, end of year	\$ 1,103,255	\$ 974,005	\$ 871,143

*Net Patient Service Revenues for FYE June 30, 2014

Payors Source	Percent
Medicare	23
Commercial and other	74
Medi-Cal	3
Total	<u>100</u>

**El Camino Healthcare District
Consolidated Balance Sheet (In Thousands)**

ASSETS	As of June 30,		
	2014	2013	2012
Current assets:			
Cash and cash equivalents	\$ 53,112	\$ 51,259	\$ 42,334
Short-term investments	226,230	205,582	221,428
Current portion of board designated and trustee assets	11,735	14,136	9,653
Patient accounts receivable	103,056	88,362	87,528
Prepaid expenses and other current assets	21,730	20,101	18,787
Notes receivable, current	30	73	108
Total current assets	<u>415,893</u>	<u>379,513</u>	<u>379,838</u>
Non-current cash and investments			
Board-designated funds	422,066	343,574	236,763
Restricted funds	53	58	-
Funds held by trustee	19,418	14,866	13,495
	<u>441,537</u>	<u>358,498</u>	<u>250,258</u>
Capital assets, net	663,650	647,036	670,711
Pledges receivable, net	846	1,651	2,747
Prepaid pension asset	36,099	32,868	27,527
Investments in health care affiliates	26,119	22,999	18,660
Total assets	<u>\$ 1,584,144</u>	<u>\$ 1,442,565</u>	<u>\$ 1,349,741</u>
LIABILITIES AND NET POSITION			
Current liabilities			
Current portion of capital lease obligations	\$ -	\$ 4,961	\$ 5,100
Accounts payable and accrued expenses	30,441	17,403	19,442
Salaries, wages, and related liabilities	43,847	38,439	39,484
Other current liabilities	12,099	11,107	13,609
Estimated third-party payor settlements	21,944	21,117	18,467
Current portion of bonds payable	4,994	4,592	4,150
Total current liabilities	<u>113,325</u>	<u>97,619</u>	<u>100,252</u>
Capital lease obligations, net of current portion	-	-	4,952
Bonds payable, net of current portion	316,991	321,986	326,578
Other long-term obligations	10,247	10,005	13,953
Worker's compensation, net of current portion	24,037	23,409	18,031
Postretirement medical benefits, net of current portion	16,289	15,541	14,832
Total liabilities	<u>480,889</u>	<u>468,560</u>	<u>478,598</u>
Net position			
Invested in capital assets, net of related debt	363,111	335,114	343,694
Restricted - expendable	4,993	5,297	4,820
Restricted - nonexpendable	1,785	1,785	2,057
Unrestricted	733,366	631,809	526,868
Total net position	<u>1,103,255</u>	<u>974,005</u>	<u>871,143</u>
Total liabilities and net position	<u>\$ 1,584,144</u>	<u>\$ 1,442,565</u>	<u>\$ 1,349,741</u>

Financial Ratios:

	Proforma ^(a)			
	<u>FYE June 30, 2014</u>			
Debt Service Coverage - Operating	7.08	8.03	7.62	7.23
Debt Service Coverage - Net Income	9.68	10.98	9.16	7.28
Debt to Unrestricted Net Assets	0.31	0.25	0.30	0.38
Margin (%)		9.23	9.11	9.02
Current Ratio		3.67	3.89	3.79

^(a) Recalculates FY 2014 audited results to include the impact of this proposed financing.

The audited financial statements of El Camino Healthcare District, which is the sole member of ECH, were analyzed in this section. ECH comprises approximately 95% of the total assets and approximately 92% of the total revenues of the consolidated financials.

Financial Discussion - Statement of Activities (Income Statement)

The District's income statement appears to exhibit consistently solid and increasing operating revenue and income over the review period.

The District's operating revenues and operating expenses increased at nearly the same pace over the three-year review period, resulting in an operating margin that appears to have remained steady at generally 9%. Operating income increased from approximately \$59.4 million in FY 2012 to approximately \$69.1 million in FY 2014, an increase of approximately 16.2%. Including non-operating revenues, the District's total net assets increased from approximately \$871.1 million in FY 2012 to approximately \$1.1 billion in FY 2014, an increase of about 26.7%.

Particular Facts to Note:

- The steady increase in operating income is mainly attributed to increases in net patient service revenue, which increased approximately 8.6% in FY 2013 and approximately 4% in FY 2014. According to management, the increase in FY 2014 was due to changes in payor reimbursement arrangements, infusion treatments, increased surgical volume, and emergency room visits. Similarly, the increase in FY 2013 was due to changes in payor reimbursement arrangements, increased surgical volume, and increased patient activity in Maternity and Intensive Care Nursery at both campuses.
- Salaries, wages, and benefits, the District's greatest operating expense, increased from approximately \$330.5 million in FY 2012 to approximately \$398.6 million in FY 2014, an increase of about 20.6%. According to management, in FY 2013, ECH added 126 Full Time Equivalents ("FTEs"), of which 96 FTEs were in nursing and clinical departments. In FY 2014, 146 FTEs were added, which included 30 FTEs for nursing and clinical areas, 12 FTEs for quality and patient satisfaction, and 17 FTEs for support services.
- The District's total non-operating revenues improved considerably over the review period, which is mainly attributed to increases in investment income. In FY 2012, investment income was approximately \$18.3 million, which grew to approximately \$26.9 million in FY 2013 and then to approximately \$54.6 million in FY 2014. This reflects growth of approximately 46.9% in FY 2013 and approximately 102.8% in FY 2014. According to management, the strong growth in both FY 2013 and FY 2014 was the result of strong equity market returns in FY 2013 and FY 2014.

Financial Discussion - Statement of Financial Position (Balance Sheet)

The District appears to be in a strong financial position with a decreasing debt-to-unrestricted net assets ratio and a solid ability to service its debt obligations from operating income.

The District appears to have strengthened its financial position as its long-term debt obligations have decreased over the review period, with a debt-to-unrestricted net assets ratio improving from 0.38x in FY 2012 to 0.25x in FY 2014. With this refinancing and new money issuance, the District's pro-forma debt-to-unrestricted net assets will slightly increase to 0.31x. The District appears to exhibit a strong ability to repay its debt with a FY 2014 operating debt service coverage ratio of 8.03x. With the new bond issue, the District will have an operating pro-forma debt service coverage ratio of 7.08x.

Particular Facts to Note:

- The District registered an increase in cash and cash equivalents from approximately \$42.3 million in FY 2012 to approximately \$53.1 million in FY 2014, an increase of about 25.5%. According to management, the increase in cash was mainly due to the timing of invoices at the end of FY 2014.
- Board-designated funds grew approximately 78.3% from FY 2012 to FY 2014. In FY 2012, the District registered approximately \$236.7 million in FY 2012, approximately \$343.6 in FY 2013, and approximately \$422.1 million in FY 2014. According to management, board-designated funds include assets set aside by the board for future capital improvements and other operational reserves.
- The District's accounts payable initially decreased from approximately \$19.4 million in FY 2012 to approximately \$17.4 million in FY 2013, but then grew to approximately \$30.4 million in FY 2014, an increase of about 56.6% over the review period. According to management, the increase in accounts payable is mainly attributed to the timing of invoices at the end of FY 2014.

IV. DUE DILIGENCE:

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

- **Section 15438.5(a) of the Act (Savings Pass Through):** ECH properly completed and submitted the “Pass-Through Savings Certification” in addition to a narrative explaining how it intends to pass along savings.

ECH funds a variety of programs that improve the health of the underserved through school nurses, mental health counseling, education, and other services. ECH yearly allocates funds to programs that serve residents of the hospital community. Funding is available through grant and sponsorship opportunities. Addressing the unmet health needs of the underserved is the overarching purpose of ECH’s Community Benefit Program. Four key priorities for Community Benefit funds include: healthcare access, mental health, healthy eating and physical activity, and community health education/health literacy.

The District provides separate funds to support programs that serve residents who live, work, or go to school in the District.

Below is the link for ECH’s Community Benefit Reports:

http://www.elcaminohospital.org/About_El_Camino_Hospital/Community/Community_Benefit_Report

- **Section 15491.1 of the Act (Community Service Requirement):** ECH properly completed and submitted this certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Seismic Regulations:** ECH properly submitted a description of how it is complying with the Office of Statewide Health Planning Development’s seismic regulations requirement.
- **Compliance with Section 15455(b) of the Act (California Environmental Quality Act):** The requirement to provide CEQA documentation does not apply to the refunding of prior CHFFA bonds.
- **Religious Affiliation Due Diligence:** ECH properly completed and submitted relevant documentation to meet the religious due diligence requirement.
- **Legal Review:** ECH properly completed and submitted relevant documentation for the Authority’s Legal Questionnaire.
- **Iran Contracting Act Certificate:** ECH properly submitted the certificate to the Authority.

EXHIBIT 1
FINANCING TEAM
El Camino Hospital

Borrower: El Camino Hospital

Issuer's Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Issuer's Financial Advisor: Fieldman, Rolapp & Associates, Inc.

Issuer's Financial Analyst: Macias, Gini & O'Connell, LLP

Borrower's Counsel: Buchalter Nemer, PC

Borrower's Financial Advisor: Ponder & Company

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP

Underwriter: Citigroup Global Markets, Inc.

Underwriter's Counsel: Stradling, Yocca, Carlson, & Rauth, PC

Trustee: Wells Fargo Bank, National Association

Trustee Counsel: Wells Fargo & Company

Auditor: Moss Adams, LLP

Rating Agencies: Standard & Poor's Financial Services, LLC
Moody's Investors Service, Inc.

EXHIBIT 2
OUTSTANDING DEBT
El Camino Hospital

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding ^(a) As of June 30, 2014</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
-EXISTING LONG-TERM DEBT:			
Revenue Bonds Series 2007	\$ 147,525,000	\$ 131,450,000	\$ -
Revenue Bonds Series 2009	50,000,000	50,000,000	50,000,000
- PROPOSED NEW DEBT:			
<i>CHFA 2015 Series A</i>			175,000,000
- TOTAL DEBT		\$ 181,450,000	\$ 225,000,000

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

EXHIBIT 3

UTILIZATION STATISTICS

The following table shows utilization statistics of El Camino Hospital for the fiscal years ended June 30, 2012, 2013 and 2014:

	As of June 30,		
	2012	2013	2014
Licensed beds	443	443	443
Discharges	18,231	19,220	18,567
Births	4,671	5,315	5,207
Patient days	83,292	87,539	86,883
Occupancy %	52%	54%	54%
Average daily census	228	240	238
Average length of stay (days)	4.6	4.6	4.7
Inpatient surgical procedures	5,339	4,761	4,571
Outpatient surgical procedures	5,318	5,838	6,385
Emergency room visits	54,542	56,543	57,839
Total outpatient visits	245,584	250,113	234,183

EXHIBIT 4

PROJECT

The proposed upgrades and capital projects financed with proceeds of the 2015A Bonds include improvements to building systems and equipment, nursing units, patient rooms, surgical suites and related procedural areas, imaging department, acute rehabilitation Central Sterile Department, and construction of a four bed neonatal intensive patient care patient care unit.

The expected renovations and upgrades will take place at the facilities located at the following addresses:

- El Camino Hospital – Los Gatos, 815 Pollard Road, Los Gatos, CA 95032
- El Camino Hospital – Los Gatos, 355 Dardanelli Lane, Los Gatos, CA 95032

Proceeds of the 2015A Bonds will also be applied to refund the outstanding Santa Clara County Financing Authority Series 2007A, 2007B, and 2007C Revenue Bonds, the proceeds of which were used for capital improvement projects at El Camino Hospital's Mountain View Campus located at 2500 Grant Road, Mountain View, California.

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EXHIBIT 5

BACKGROUND, GOVERNANCE AND LICENSURE

Background

El Camino Healthcare District (the “District”) is organized as a political subdivision of the State of California, which was created in October 1956 for the purpose of operating an acute care hospital and providing management services. ECH, a California non-profit public benefit corporation, of which the District is the sole member, operates a single hospital comprised of two campuses. The original campus, also named El Camino Hospital, opened in 1961 and is a full-service, acute-care community hospital, headquartered in Mountain View, California. The community hospital serves up to 300 beds, and provides a range of clinical and surgical services, including: behavioral health, cancer, community health, diagnostic radiology, dialysis, emergency, and pediatric among others. ECH’s primary service area includes Mountain View, Los Altos, Los Altos Hills, Sunnyvale, and Cupertino.

In 2009, ECH expanded its services by acquiring and reopening Los Gatos Hospital Facility, now known as El Camino Hospital – Los Gatos (ECH-LG), a 143-licensed bed acute care hospital facility in Los Gatos, California. ECH-LG serves ECH’s south secondary market, which includes Los Gatos, Saratoga, Campbell, and a portion of San Jose. Both campuses serve ECH’s east primary service area, which includes Alviso, a portion of San Jose, Santa Clara, and Sunnyvale. ECH-LG shares the same non-profit status as ECH, and is managed by the same executive team and governed by the same board of directors as well.

Affiliated entities include: (i) El Camino Hospital Foundation – founded in 1982 and serves as the primary fundraising entity for ECH; (ii) CONCERN – established in 1983 as an Employee Assistance Program that provides benefits including individual and family counseling, childcare referrals, older adult services, and referrals to community services; and (iii) El Camino Surgery Center, LLC – an outpatient ambulatory surgery facility located on the ECH campus.

Joint Ventures

ECH is part of a joint venture with Dignity Health (formerly known as Catholic Healthcare West), in which each entity is an equal member of Pathways, a California nonprofit corporation. Pathways is comprised of: (i) Pathways Home Health and Hospice; (ii) Pathways Private Duty; and (iii) Pathways Hospice Foundation. Pathways Home Health and Hospice provides home care and hospice services to patients throughout the San Francisco Bay Area. Pathways Private Duty provides comprehensive skilled home health care and support services to patients on a short or long-term basis. Pathways Hospice Foundation raises funds and community awareness in support of hospice and home care programs of Pathways Home Health and Hospice.

ECH formed Silicon Valley Medical Development, LLC (“SVMD”) in July 2008 to establish initiatives between independent physicians and ECH to develop and maintain ambulatory ventures outside of ECH, as well as to establish and provide management services to any medical groups associated with ECH.

Governance

The District is governed by a five-member board of directors, each of whom is elected to staggered, four-year terms. Elections for positions to the District board are held every two years, alternating between two and three available positions. ECH is governed by a nine-member board of directors, consisting of the five-member District board who serve four year terms, three subject matter experts who serve staggered three year terms and are elected by the District Board, and ECH's Chief Executive Officer. The management and policies of ECH are administered by officers appointed by the Chief Executive Officer.

Licensure and Accreditation

ECH is licensed by the State of California Department of Health Services for up to 300 beds at its Mountain View campus and 143 beds at its Los Gatos campus, and is fully accredited by the Joint Commission on Accreditation of Healthcare Organizations. The Mountain View campus and the Los Gatos campus operate under the same tax identification number and state healthcare license number. ECH is certified for Medicare and Medicaid reimbursement.

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RESOLUTION NO. 402

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF REVENUE BONDS TO FINANCE AND REFINANCE PROJECTS AT THE HEALTH FACILITIES OF EL CAMINO HOSPITAL

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, El Camino Hospital is a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “Corporation”), which owns and operates health care facilities in the State of California; and

WHEREAS, the Santa Clara County Financing Authority has previously issued its Insured Revenue Bonds (El Camino Hospital), Series 2007A, Series 2007B and Series 2007C (the “Prior Bonds”), in the original aggregate principal amount of \$150,000,000, of which \$128,025,000 currently is outstanding, and loaned the proceeds thereof to the Corporation to finance and refinance the construction and equipping of a new hospital building and renovations and improvements to existing health facilities, as more particularly described under the caption “Prior Project” in Exhibit A hereto (the “Prior Project”); 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 \$175,000,000, and make one or more loans of the proceeds thereof to the Corporation to (i) refund all or any portion of the outstanding Prior Bonds, (ii) reimburse, finance and/or refinance the costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities, as more particularly described under the caption “New Project” in Exhibit A hereto (the “New Project” and, together with the Prior Project, the “Project”), (iii) pay costs of issuance of the Bonds (as defined below), and (iv) at the sole option of the Corporation, provide a bond reserve fund for the Bonds; 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 such revenue bonds and various related matters is now sought;

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

Pursuant to the Act, revenue bonds of the Authority designated as the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2015A (the "Bonds"), in a total aggregate principal amount not to exceed \$175,000,000, 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 fourth recital above.

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 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 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. 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 Corporation, be secured by deeds of trust, a reserve fund, bond insurance, credit facility and other security arrangements.

The proposed forms of the following documents:

- (i) a Loan Agreement relating to the Bonds (the "Loan Agreement"), between the Authority and the Corporation,
- (ii) a Bond Indenture relating to the Bonds (the "Bond Indenture"), between the Authority and Wells Fargo Bank, National Association, as bond trustee (the "Trustee"),
- (iii) a Bond Purchase Contract, including the exhibits thereto, relating to the Bonds (the "Purchase Contract"), among Citigroup Global Markets Inc. (the "Underwriter"), the Treasurer and the Authority, and approved by the Corporation, 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 facility and/or another security arrangement, at the sole option of the Corporation, for any series of 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.

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

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 purchase, terms of redemption, provisions governing transfer and other terms of the Bonds, including, if applicable, provisions for a credit facility from time to time, shall be as provided in the Bond Indenture, as finally executed.

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 Corporation), a preliminary official statement may not be used with respect to any series of Bonds. The Underwriter is hereby directed to deliver the final official statement (the "Official Statement") to all actual purchasers of such Bonds.

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 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.

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 surety bond and/or a credit facility for the Bonds, if applicable.

The provisions of the Authority's Resolution No. 2014-05 apply to the documents and actions approved in this Resolution.

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.

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

Date of Adoption: _____

EXHIBIT A

Prior Project:

To finance and refinance the costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities of the Corporation, including the construction and equipping of a new hospital building and renovations and improvements to existing health facilities located at or on the campus generally located at 2500 Grant Road, Mountain View, California.

New Project:

To reimburse, finance and/or refinance the costs of the construction, expansion, remodeling, renovation, furnishing, equipping and acquisition of health facilities of the Corporation, which includes upgrades and capital projects at El Camino Hospital - Los Gatos, located at or on the campuses generally located at 815 Pollard Road and 355 Dardanelli Lane, each in Los Gatos, California 95032, including improvements to building systems and equipment, nursing units, patient rooms, treatment areas, surgical suites and related procedural areas, imaging department, acute rehabilitation, central sterile department, administrative and public areas and the construction of a four bed neonatal intensive patient care unit.