

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

<p>Applicant: Adventist Health System/West (Adventist) ONE Adventist Health Way Roseville, CA 95661 Placer County</p> <p>Project Site: <i>See Exhibit 1</i></p> <p>Facility Type: Acute Care Hospital/sub-acute and outpatient care</p> <p>Eligibility: Government Code Section 15432(d)(1)</p> <p>Prior Borrower: Yes (date of last Authority approval – April 2024)</p> <p>Obligated Group: Identified in the Background and Licensure section</p>	<p>Amount Requested: \$1,000,000,000</p> <p>Requested Loan Term: Up to 40 years</p> <p>Authority Meeting Date: July 31, 2025</p> <p>Resolution No. 467</p>																				
<p>Background: Adventist was established in 1980 by the merger of two smaller health systems known as Adventist Health Services, Inc., and Northwest Medical Foundation. Based in Roseville, Adventist is a 501(c)(3) nonprofit organization whose mission is to improve the quality of health care in the communities it serves by emphasizing wellness and disease prevention. Adventist Health owns or manages 440 sites of care, including 27 hospitals, clinics (physician clinics, hospital-based clinics, and the largest rural health clinic network in California), home care and hospice agencies in both rural and urban communities. Adventist serves communities in California, Hawaii, Oregon, and Washington.</p>																					
<p>Use of Proceeds: Bond proceeds will be used to finance the installation of a new enterprise-wide electronic health record system (EPIC) and to refund outstanding commercial paper and a line of credit. Bond proceeds may also be used to refund all or a portion of the outstanding CHFFA Series 2013A and 2016A bonds and the California Statewide Communities Development Authority (CSCDA) Series 2015A bonds if sufficient savings would be generated from the transaction.</p>																					
<p>Type of Issue: Negotiated public offering, tax-exempt fixed rate and/or long-term rate and/or daily or weekly rate bonds issued under multimodal bond indentures</p> <p>Expected Credit Rating: BBB+/BBB+; S&P/Fitch</p> <p>Financing Team: <i>See Exhibit 2 to identify possible Conflicts of Interest</i></p>																					
<p>Financial Overview: Adventist’s income statement demonstrates steady growth in total revenues and other support over the review period, though increases in total expenses led to a negative operating income. Adventist’s balance sheet reflects a modest financial position with a pro-forma FY 2024 net debt service coverage ratio of 1.3x.</p>																					
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Estimated Sources of Funds:</u></th> <th colspan="2" style="text-align: left;"><u>Estimated Uses of Funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Bond proceeds</td> <td style="width: 20%; text-align: right;">\$ 1,000,000,000</td> <td style="width: 30%;">Refunding</td> <td style="width: 20%; text-align: right;">\$ 700,000,000</td> </tr> <tr> <td>Applicant funds⁽¹⁾</td> <td style="text-align: right;">5,000,000</td> <td>Project fund</td> <td style="text-align: right;">300,000,000</td> </tr> <tr> <td></td> <td></td> <td>Financing costs</td> <td style="text-align: right;">5,000,000</td> </tr> <tr> <td>Total Estimated Sources</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,005,000,000</td> <td>Total Estimated Uses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,005,000,000</td> </tr> </tbody> </table>		<u>Estimated Sources of Funds:</u>		<u>Estimated Uses of Funds:</u>		Bond proceeds	\$ 1,000,000,000	Refunding	\$ 700,000,000	Applicant funds ⁽¹⁾	5,000,000	Project fund	300,000,000			Financing costs	5,000,000	Total Estimated Sources	\$ 1,005,000,000	Total Estimated Uses	\$ 1,005,000,000
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<p>⁽¹⁾ Adventist intends to pay the costs of issuance directly and not from bond proceeds.</p>																					

**CHFFA BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

(Continued)

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

Staff Recommendation: Staff recommends the Authority approve Resolution No. 467 in an amount not to exceed \$1,000,000,000 for Adventist Health System/West, subject to the conditions in the resolution. TAP International, Inc., the Authority's financial analyst, and KNN Public Finance, LLC (KNN), the Authority's municipal advisor, concur with the Authority's staff recommendation.

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

STAFF SUMMARY, ANALYSIS, AND RECOMMENDATION

I. PURPOSE OF FINANCING

Adventist is requesting approval for the Authority to issue tax-exempt revenue bonds in an amount not to exceed \$1 billion to finance the implementation of a new electronic health records system, to consolidate and restructure existing commercial paper and a line of credit into long-term debt and possibly generate savings by refunding certain outstanding bonds. The financing includes approximately \$300 million of new money to support capital investment in a system-wide information technology infrastructure, and approximately \$700 million for the refunding of certain outstanding bonds, commercial paper, and a line of credit. Adventist anticipates the proposed bond refunding will generate interest savings; however, an estimate of net present value savings is uncertain due to ongoing market volatility. If no savings are realized at the time of pricing, Adventist will not move forward with the bond refunding portion of the transaction.

Refunding **\$700,000,000**

CHFFA Series 2013A and 2016A

Proceeds from the CHFFA Adventist Series 2013A bonds were used to refund the CHFFA Adventist Series 2003A bonds, which were used for various capital projects at certain Adventist hospitals.

Proceeds from the CHFFA Adventist Series 2016A bonds were used to refund the outstanding CHFFA Adventist Series 1998A and 2009A bonds, the CSCDA Adventist Series 2007B bonds, and the CSCDA Lodi Memorial Hospital Series 2007A bonds that were issued for certain capital projects at Lodi Memorial Hospital prior to Adventist's acquisition of the hospital and assumption of its debt.

CSCDA Series 2015A

Proceeds from the CSCDA Adventist Series 2015A bonds were used to finance new capital projects at certain Adventist health care facilities and to refund the outstanding CSCDA Adventist Series 2005A bonds.

Commercial Paper and Line of Credit

Adventist also plans to consolidate a portion of its outstanding commercial paper and a revolving line of credit into long-term debt as part of this financing. This strategy is intended to stabilize its debt portfolio and reduce exposure to short-term debt volatility.

Project Fund **300,000,000**

Adventist will use approximately \$300 million in bond proceeds to support the systemwide installation of the EPIC electronic health records platform. The core software platform will be implemented and housed at Adventist's Roseville corporate campus and accessed remotely by hospitals and clinics throughout the network. The new platform will replace existing legacy systems, allowing for enhanced interoperability, real-time data exchange, and improved operational efficiency across care settings.

Financing Costs ¹		<u>5,000,000</u>
Cost of issuance	\$2,500,000	
Underwriter's Discount	<u>2,500,000</u>	
TOTAL USES OF FUNDS		<u>\$1,005,000,000</u>

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¹ Adventist intends to pay the costs of issuance directly and not from bond proceeds.

II. PROPOSED COVENANTS, SECURITY PROVISIONS, AND DISCLOSURES

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 subsequent 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 Authority board meeting.

After reviewing the Obligated Group's (defined below) credit profile, including its current financial profile, prior bond transactions, and considering what the market will support, Adventist, KNN, and the underwriter have all concluded the covenants listed below should be applicable to this transaction, are consistent with covenants that have applied to the Obligated Group's prior bond transactions, and the Obligated Group's current financial situation does not suggest additional covenants should be required.

Obligated Group: Adventist acts as the representative of an Obligated Group that consists of Adventist and 19 affiliate members (Members), each of which operates hospitals and/or health facilities. All Members are jointly and severally liable on notes issued under the Master Indenture of Trust (Master Indenture) with respect to repayments of loan amounts relating to the Authority's bonds and other parity debt. Adventist is the borrower under the loan agreement and is bound by all covenants below. There is also a transaction test to be satisfied in connection with Members being added to or withdrawing from the Obligated Group.

The following covenants are applicable for this transaction:

Unconditional Promise to Pay. *Adventist agrees to pay the Bond Trustee all amounts required for principal, interest, redemption premium, if any, and other payments and expenses designated in the Loan Agreement. The Obligated Group guarantees all those payments under a Master Indenture Note. All Revenues² received by or on behalf of the Authority and any other amounts held in designated funds or accounts under any Bond Indenture are pledged to secure the full payment of the Bonds issued under the Bond Indenture.*

Pledge of Gross Revenues. *Each Member of the Obligated Group pledges to deposit all Gross Revenues (as defined in Master Indenture) received into a Gross Revenue Fund over which the Master Trustee has a restricted 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 Operating Assets and Current Assets other than Permitted Liens.*

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

No Debt Service Reserve. *The Bonds shall not be secured by a debt service reserve fund.*

² Capitalized terms are defined in the Bond Indenture.

Debt Service Coverage Requirement. *The Master Indenture contains a debt service coverage requirement based on 1.10 times 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 long-term debt service payments. If the ratio drops below 1.10, the Obligated Group is required to retain a consultant to make recommendations to improve performance; as long as the Obligated Group complies with this requirement and follows the consultant to the extent permitted by law, it is not an Event of Default. However, there is an Event of Default if debt service coverage ratio is below 1.0 times for two consecutive years.*

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.*

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 outside of the Obligated Group unless authorized by various limiting measures set out in the Master Indenture.*

Limitations on Disposition of Operating Assets. *Each Obligated Group Member agrees not to sell, lease, or dispose of any operating assets unless authorized by various limiting measures set out in the Master Indenture.*

Comply with SEC Rule 15c2-12. *Adventist will take such action as is necessary to assist the underwriter in complying with SEC Rule 15c2-12. Adventist will contractually agree to disclose designated financial and operating information to the SEC web site (EMMA) during the life of the 2025 bonds and to report designated “material events” such as missed debt service payments, any change in bond ratings, defeasance, redemptions, etc.*

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.

III. FINANCIAL STATEMENTS AND ANALYSIS

Adventist Health System/West
Consolidated Statements of Operations and Changes in Net Assets
Statement of Activities
(In millions of dollars)

	Year Ended December 31,		
	2024	2023	2022
Revenues and Support			
Patient service revenue	\$ 6,175	\$ 5,263	\$ 4,688
Premium revenue	213	246	216
Other revenue	487	450	468
Net assets released from restrictions for operations	31	26	33
Total revenues and support	<u>6,906</u>	<u>5,985</u>	<u>5,405</u>
Expenses			
Employee compensation	3,363	2,816	2,565
Professional fees	916	828	802
Supplies	1,065	878	786
Purchased services and other	1,410	1,281	1,235
Interest	146	94	68
Depreciation and amortization	230	196	190
Total expenses	<u>7,130</u>	<u>6,093</u>	<u>5,646</u>
Loss from operations	(224)	(108)	(241)
Nonoperating income			
Net realized and unrealized gains (losses) on investments	119	156	(319)
Gain (loss) on acquisitions and divestitures	(6)	80	-
Other nonoperating (loss) gain	(8)	(12)	3
Total nonoperating income (loss)	<u>105</u>	<u>224</u>	<u>(316)</u>
Excess (deficit) of revenues over expenses	(119)	116	(557)
Less excess of revenues over expenses from noncontrolling interests	<u>(2)</u>	<u>(5)</u>	<u>-</u>
Excess (deficit) of revenues over expenses from controlling interests	(121)	111	(557)
Net assets without donor restrictions			
Controlling			
Excess (deficit) of revenues over expenses from controlling interests	(121)	111	(557)
Net change in unrealized gains and losses on other-than-trading securities	1	2	(11)
Net assets released from restrictions for capital additions	6	11	9
Increase (decrease) in net assets without donor restrictions - controlling	<u>(114)</u>	<u>124</u>	<u>(559)</u>
Noncontrolling			
Excess of revenues over expenses from noncontrolling interests	2	5	-
Increase in net assets with donor restrictions	<u>2</u>	<u>5</u>	<u>-</u>
Net assets with donor restrictions			
Restricted gifts and grants	52	52	53
Net realized and unrealized gains on investments	1	-	-
Net assets released from restrictions	(37)	(38)	(42)
Increase in net assets with donor restrictions	<u>16</u>	<u>14</u>	<u>11</u>
Increase (decrease) in net assets	(96)	143	(548)
Net assets, beginning of year	<u>2,724</u>	<u>2,581</u>	<u>3,129</u>
Net assets, end of year	<u>\$ 2,628</u>	<u>\$ 2,724</u>	<u>\$ 2,581</u>

Adventist Health System/West
Statement of Financial Position
(In millions of dollars)

	As of December 31,		
	2024	2023	2022
Assets			
Cash and cash equivalents	\$ 165	\$ 91	\$ 379
Short-term investments	117	131	51
Patient accounts receivable	924	828	693
Receivables from third-party payors	908	610	486
Other current assets	369	293	261
Total current assets	<u>2,483</u>	<u>1,953</u>	<u>1,870</u>
Noncurrent investments	2,540	2,110	1,924
Other assets	971	500	445
Property and equipment, net	<u>2,472</u>	<u>2,267</u>	<u>2,123</u>
Total assets	<u>\$ 8,466</u>	<u>\$ 6,830</u>	<u>\$ 6,362</u>
Liabilities and Net Assets			
Accounts payable	\$ 441	\$ 391	\$ 441
Accrued compensation and related payables	414	361	327
Liabilities to third-party payors	311	82	97
Other current liabilities	120	179	186
Short-term financing	115	150	-
Current maturities of long-term debt	93	268	38
Total current liabilities	<u>1,494</u>	<u>1,431</u>	<u>1,089</u>
Long-term debt, net of current maturities	3,501	2,313	2,362
Other noncurrent liabilities	<u>843</u>	<u>362</u>	<u>330</u>
Total liabilities	5,838	4,106	3,781
Net assets without donor restrictions			
Controlling	2,495	2,609	2,485
Noncontrolling	22	20	15
Net assets with donor restrictions	<u>111</u>	<u>95</u>	<u>81</u>
Total net assets	<u>2,628</u>	<u>2,724</u>	<u>2,581</u>
Total Liabilities and net assets	<u>\$ 8,466</u>	<u>\$ 6,830</u>	<u>\$ 6,362</u>

	Proforma(a)	2024	2023	2022
	FYE 12/31/2024			
Debt Service Coverage - Operating (x) ^(b)	0.8	0.8	1.4	0.2
Debt Service Coverage - Net (x) ^{(b)(c)}	1.3	1.2	1.8	1.2
Debt to Unrestricted Net Assets (x)	1.5	1.4	1.0	1.0
Margin (%)		(3.2)	(1.8)	(4.5)
Current Ratio (x)		1.7	1.4	1.7

^(a) Recalculates FY 2024 audited results to include the impact of this proposed financing.

^(b) Annual debt service was used to calculate the debt service coverage ratios.

^(c) Calculation includes adjustment for unrealized gain or loss amount as permitted in the Master Indenture.

The audited, consolidated financial statements of Adventist Health System/West were analyzed in this section and include amounts for both the Obligated Group and non-obligated group. The 19 members of the Obligated Group are jointly and severally obligated for the payments of Adventist's debts. As of fiscal year end 2024, the Obligated Group comprised approximately 78.4% of the total revenues and approximately 107.7% of the total unrestricted net assets of the consolidated financials.

Financial Discussion

Adventist's income statement reflects steady growth in total revenues and other support over the review period, though increases in total expenses led to negative operating income.

Adventist's total revenues and support increased to approximately \$6.9 billion in FY 2024, up from approximately \$6.0 billion in FY 2023 and approximately \$5.4 billion in FY 2022. This growth was primarily driven by year-over-year increases in patient service revenue, which rose from approximately \$4.7 billion in FY 2022 to \$6.2 billion in FY 2024, a roughly 31.7% increase over the review period. Adventist's management stated that the primary factors driving this increase are patient volume increases, which accounted for approximately \$550 million from the acquisition of five hospitals and approximately \$450 million of additional revenue from its existing health facilities (not including the five newly acquired hospitals), as well as approximately \$500 million from service rate increases.

Total operating expenses rose to \$7.1 billion in FY 2024, an increase from \$6.1 billion in FY 2023 and \$5.6 billion in FY 2022. Adventist's management attributed this increase to patient volume increases, which accounted for approximately \$700 million of additional expenses from its existing health facilities and approximately \$600 million from hospital acquisitions as well as approximately \$100 million due to inflationary pressure related to employee compensation and supply costs. Revenues grew at a faster pace than expenses in FY 2023, resulting in an improved but still negative operating margin. However, expenses exceeded revenues in all three years, leading to negative operating margins at -4.5%, -1.8%, and -3.2% for FY 2022, FY 2023, and FY 2024, respectively. The largest contributor in terms of expenses was employee compensation, which increased from approximately \$2.6 billion in FY 2022 to approximately \$3.4 billion in FY 2024, a growth of roughly 31.1%. Adventist's management noted that employee compensation increased by approximately \$330 million at its existing health facilities and approximately \$270 million due to hospital acquisitions as well as additional increases due to inflationary pressures based on demand and government regulations, such as California's minimum wage law.

Adventist's balance sheet reflects a modest financial position with a pro-forma FY 2024 net debt service coverage ratio of 1.3x.

Adventist's balance sheet reflects a sizeable increase within its asset base with total assets increasing from approximately \$6.4 billion in FY 2022 to approximately \$8.5 billion in FY 2024. This growth is largely due in part to noncurrent investments, which increased from approximately \$1.9 billion in FY 2022 to approximately \$2.5 billion in FY 2024. Adventist's management explained this increase was caused by investments acquired in an energy-as-a-service transaction in 2024, project funds remaining from Adventist's 2024 tax-exempt financing and net unrealized gains on investments. In the energy-as-a-service transaction,

Adventist entered into an agreement with a related third party to purchase the rights to operate Adventist's chilled water and steam infrastructure and utilize any excess capacity generated over a 30-year period. As part of the agreement, the third party is required to meet Adventist's energy needs throughout the 30-year period. Total liabilities remain relatively lower in comparison to total assets, increasing from approximately \$3.8 billion in FY 2022 to approximately \$5.8 billion in FY 2024. The most significant contributor on the liabilities side was the increase in long-term debt, rising from approximately \$2.3 billion in FY 2022 to approximately \$3.5 billion in FY 2024.

Adventist's net debt service coverage ratio (DSCR) fluctuated during the review period. The net DSCR exhibited an increase from 1.2x in FY 2022 to 1.8x in FY 2023 and then declined sharply to 1.2x in FY 2024. The debt-to-unrestricted net assets ratio also increased to 1.4x in FY 2024, up from 1.0x in both FY 2023 and FY 2022, reflecting a notable rise in leverage relative to available unrestricted resources. With the proposed issuance of up to \$1 billion in revenue bonds, Adventist's pro-forma FY 2024 net DSCR is 1.3x, reflecting the combined effects of both new money and refunding components. The pro-forma FY 2024 debt-to-unrestricted net assets increases slightly to 1.5x, highlighting the additional leverage associated with the proposed financing. Adventist anticipates the proposed refunding will generate interest savings, but an estimate of net present value savings is uncertain at this time due to market volatility.

IV. DUE DILIGENCE

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

- **Government Code section 15438.5(a) (Pass-Through Savings):** Adventist completed and submitted the Pass-Through Savings Certification.
- **Government Code section 15459.1 (Community Service Obligation):** Adventist completed and submitted the Community Service Obligation certification and indicated that Medi-Cal and Medicare patients are accepted.
- **Compliance with Government Code section 15455(b) (California Environmental Quality Act (Pub. Resources Code, § 21000 et seq.)):** The California Environmental Quality Act documentation is not applicable to this particular financing.
- **Legal Review:** Adventist completed and submitted documentation responsive to the Authority's Legal Status Questionnaire.
- **Iran Contracting Act Certificate:** The underwriter completed and submitted the Iran Contracting Act Certificate.

V. OUTSTANDING DEBT

As of December 31, 2024, the Obligated Group's outstanding long-term debt totaled approximately \$3.5 billion, of which approximately \$1.3 billion (38%) was comprised of debt issued through the Authority.

Following this proposed financing, including the new money portion of the tax-exempt issuance of up to approximately \$300 million and the refunding of the CSCDA bonds of approximately \$180 million, the Obligated Group's total outstanding debt will increase to approximately \$3.8 billion, with approximately \$1.8 billion (47%) issued through the Authority.

VI. UTILIZATION STATISTICS

Adventist Health System/West Fiscal Year Ending December 31,

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Discharges	141,864	126,694	124,498
Patient Days	725,029	666,032	657,112
Observation stays	27,176	23,687	21,576
Outpatient procedures	5,147,628	4,529,758	4,154,780
Emergency department visits	916,694	815,027	775,083
Inpatient surgeries	24,559	22,627	21,577
Outpatient surgeries	67,769	60,714	55,122
Capitated lives	231,115	221,654	259,635
Average length of stay (in days)	5.1	5.3	5.3

VII. BACKGROUND AND LICENSURE

Background

Adventist has a history with a commitment to delivering quality health care, stemming back to 1866 with dedicated health care providers, who promoted proper nutrition, exercise, and proper sanitation. Adventist, headquartered in Roseville, is a nonprofit corporation created in 1980, when two smaller health systems, Adventist Health Services, Inc., and Northwest Medical Foundation, merged with the purpose to coordinate the management of health care facilities in the Western United States. Adventist currently serves communities in California, Hawaii, Oregon, and Washington with facilities ranging in size from 25 to 515 licensed acute care beds plus other bed categories, such as skilled nursing, ambulatory, residential, and retirement housing. Adventist Health owns or manages 440 sites of care, including 27 hospitals, clinics (physician clinics, hospital-based clinics, and the largest rural health clinic network in California), home care and hospice agencies in both rural and urban communities.

Obligated Group

The Obligated Group consists of Adventist and 19 affiliate nonprofit hospital corporations, 16 of which own and operate facilities in California, two in Oregon, and one in Hawaii. The Obligated Group is the central financing and credit vehicle for Adventist. Two new members were added from the recent bond issuance - AH Sierra Vista, in San Luis Obispo, CA and AH Twin Cities in Templeton, CA. The members of the Obligated Group are jointly and severally liable for substantially all of Adventist's debt under the terms of the Master Indenture.

<u>Obligated Group Hospital Name</u>	<u>Location</u>
Adventist Health Bakersfield	Bakersfield, CA
Adventist Health Clear Lake	Clearlake, CA
Adventist Health Delano	Delano, CA
Adventist Health Hanford	Hanford, CA
Adventist Health Feather River	Paradise, CA
Adventist Health Glendale	Glendale, CA
Adventist Health Howard Memorial	Willits, CA
Adventist Health Lodi Memorial	Lodi, CA
Adventist Health Reedley	Reedley, CA
Adventist Health Sierra Vista	San Luis Obispo, CA
Adventist Health Simi Valley	Simi Valley, CA
Adventist Health Sonora	Sonora, CA
Adventist Health Tehachapi Valley	Tehachapi, CA
Adventist Health Twin Cities	Templeton, CA
Adventist Health Ukiah Valley	Ukiah, CA
Adventist Health White Memorial	Los Angeles, CA
Adventist Health Castle	Kailua, HI
Adventist Health Portland	Portland, OR
Adventist Health Tillamook	Tillamook, OR

Licensure and Memberships

Each of Adventist's California hospital facilities is accredited by The Joint Commission, and each hospital and skilled nursing facility is appropriately licensed by applicable California state licensing agencies and is fully certified for Medicare and Medicaid reimbursement.

STAFF RECOMMENDATION

Staff recommends the Authority approve Resolution No. 467 in an amount not to exceed \$1,000,000,000 for Adventist Health System/West, 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 recommendations.

EXHIBIT 1

PROJECT SITES

- ONE Adventist Health Way, Roseville, CA 95661
- 2615 Chester Avenue, Bakersfield, CA 93301
- 3001 and 3015 Sillect Avenue, Bakersfield, CA 93308
- 15630 18th Avenue, Clearlake, CA 95422
- 15230 Lakeshore Drive, Clearlake, CA 95422
- 1401 Garces Highway, Delano, CA 93215
- 1509 Wilson Terrace, Glendale, CA 91206
- 381 Merrill Avenue, Glendale, CA 91206
- 115 Mall Drive, Hanford, CA 93230
- 1141 Rose Avenue, Selma, CA 93662
- 1 Marcela Drive, Willits, CA 95490
- 975 S. Fairmont Avenue, Lodi, CA 95240
- 700 River Drive, Fort Bragg, CA 95437
- 372 W. Cypress Avenue, Reedley, CA 93654
- 726 4th Street, Marysville, CA 95901
- 1010 Murray Avenue, San Luis Obispo, CA 93405
- 2750 and 2975 Sycamore Drive, Simi Valley, CA 93065
- 1000 Greenley Road, Sonora, CA 95370
- 10 Woodland Road, St. Helena, CA 94574
- 525 Oregon Street, Vallejo, CA 94590
- 1100 Magellan Drive, Tehachapi, CA 93561
- 869 N. Cherry Street, Tulare, CA 93275
- 1100 Las Tablas Road, Templeton, CA 93465
- 245 and 275 Hospital Drive, Ukiah, CA 95482
- 1720 E. Cesar E Chavez Avenue, Los Angeles, CA 90033
- 309 West Beverly Boulevard, Montebello, CA 90640

EXHIBIT 2

FINANCING TEAM

Borrower: Adventist Health System/West

Agent for Sale: California State Treasurer

Issuer's Counsel: Office of the Attorney General

Issuer's Municipal Advisor: KNN Public Finance, LLC

Issuer's Financial Analyst: TAP International, Inc.

Borrower's Counsel: Katten Muchin Rosenman LLP

Bond Counsel: Orrick, Herrington & Sutcliffe LLP

Senior Managing Underwriter: RBC Capital Markets, LLC

Co-managing Underwriters³: Barclays Capital Inc.
BofA Securities, Inc.
Jefferies LLC
J.P. Morgan Securities LLC
PNC Capital Markets LLC
TD Securities (USA) LLC
U.S. Bancorp Investments, Inc.
Wells Fargo Bank, N.A.

Underwriters' Counsel: Norton Rose Fulbright US LLP

Bond Trustee: U.S. Bank Global Corporate Trust

Bond Trustee's Counsel: Thompson Hine LLP

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

Master Trustee's Counsel: Paparone Law PLLC

Rating Agencies: Standard & Poor's Financial Services, LLC
Fitch Ratings, Inc.

Auditor: KPMG LLP

³ One or more of the listed entities may act as co-managing underwriter

RESOLUTION NO. 467

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 ADVENTIST HEALTH SYSTEM/WEST 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, Adventist Health System/West (the “Borrower”) is affiliated with, among others, the entities described on Exhibit A hereto (collectively with the Borrower, the “Benefitting Entities”), each of which is a nonprofit religious corporation duly organized and existing under the laws of the State of California and each of which owns and operates health care facilities in the State of California; and

WHEREAS, the Authority previously issued its Revenue Bonds (Adventist Health System/West), Series 2013A, originally issued in the aggregate principal amount of \$290,365,000 (the “Series 2013A Bonds”), and its Revenue Bonds (Adventist Health System/West), Series 2016A, originally issued in the aggregate principal amount of \$280,010,000 (the “Series 2016A Bonds”), and loaned the proceeds thereof to the Borrower to finance and refinance the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of certain health facilities of the Borrower and certain of the Benefitting Entities, including the health facilities described under the captions “2013A Project” and “2016A Project,” respectively, in Exhibit B hereto; and

WHEREAS, the California Statewide Communities Development Authority previously issued its Revenue Bonds (Adventist Health System/West), Series 2015A, originally issued in the aggregate principal amount of \$187,500,000 (the “Series 2015A Bonds”), and loaned the proceeds thereof to the Borrower to finance and refinance the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of certain health facilities of the Borrower and certain of the Benefitting Entities, including the health facilities described under the caption “2015A Project” in Exhibit B hereto; and

WHEREAS, the Borrower has certain commercial paper and lines of credit outstanding (the “Other Debt” and, together with the 2013A Bonds, the 2016A Bonds and the 2015A Bonds, the “Prior Debt”), which proceeds the Borrower used to finance the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of certain health facilities of the Borrower and certain of the Benefitting Entities, including the health facilities described under the caption “Other Project” in Exhibit B hereto (the Other Project, together with the 2013A Project, the 2016A Project and the 2015A Project are collectively, the “Prior Project”); 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 \$1,000,000,000, and make one or more loans of the proceeds thereof to the Borrower, for any or all of the following purposes: (i) to refund the portion of the outstanding Prior Debt that financed and refinanced the Prior Project, (ii) to finance (including by reimbursing for certain costs of) the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of certain health facilities of the Borrower and certain of the Benefitting Entities, as more particularly described under the caption “New Project” in Exhibit B hereto (the “New Project” and, collectively with the Prior Project, the “Project”), and (iii) at the option of the Borrower, to pay certain costs of issuance related to the Bonds (as defined below); 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 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 (Adventist Health System/West), Series 2025” (the “Bonds”), in a total aggregate principal amount not to exceed \$1,000,000,000, are hereby authorized to be issued from time to time, in one or more series, as federally tax-exempt bonds and/or taxable 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 sixth 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 facility and other security arrangements and/or supported by one or more liquidity facilities.

SECTION 3. The proposed forms of the following documents:

- (i) one or more Loan Agreements relating to the Bonds (collectively, the “Loan Agreement”), each between the Authority and the Borrower,

(ii) one or more Bond Indentures relating to the Bonds (collectively, the “Bond Indenture”), each between the Authority and U.S. Bank Trust Company, National Association, as bond trustee (the “Bond Trustee”),

(iii) one or more Bond Purchase Agreements, including the exhibits thereto, relating to the Bonds (collectively, the “Purchase Agreement”), each among any of RBC Capital Markets, LLC, Barclays Capital Inc., BofA Securities, Inc., Jefferies LLC, J.P. Morgan Securities LLC, PNC Capital Markets LLC, TD Securities (USA) LLC, U.S. Bancorp Investments, Inc. and Wells Fargo Bank, N.A, for itself or as representative, as finally executed (the “Underwriter”), the Treasurer and the Authority, and approved by the Borrower,

(iv) one or more preliminary official statements 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 credit and/or liquidity facility and/or another security arrangement, at the sole option of the Borrower, 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 Agreement and by delivery thereof in the case of the Preliminary Official Statement. 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 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 rate modes, manner of determining interest rates, interest payment dates, series designation, whether issued as federally tax-exempt and/or taxable bonds, 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 each Bond Indenture, as finally executed.

SECTION 6. The Underwriter is hereby authorized to distribute the 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 any series of Bonds. The Underwriter is hereby directed to deliver the final official statements (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 Agreement 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 of any series.

SECTION 9. The provisions of the Authority's Resolution No. 2023-06 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

THE BENEFITTING ENTITIES

- Corporation
- San Joaquin Community Hospital d/b/a Adventist Health Bakersfield (“AH Bakersfield”)
- Adventist Health Clearlake Hospital, Inc. d/b/a Adventist Health Clear Lake (“AH Clear Lake”)
- Adventist Health Delano (“AH Delano”)
- Glendale Adventist Medical Center d/b/a Adventist Health Glendale (“AH Glendale”)
- Hanford Community Hospital d/b/a Adventist Health Hanford (“AH Hanford”)
- Howard Memorial Hospital d/b/a/ Adventist Health Howard Memorial (“AH Howard Memorial”)
- Lodi Memorial Hospital Association, Inc. d/b/a/ Adventist Health Lodi Memorial (“AH Lodi Memorial”)
- Adventist Health Mendocino Coast (“AH Mendocino Coast”)
- Reedley Community Hospital d/b/a/ Adventist Health Reedley (“AH Reedley”)
- Rideout Memorial Hospital d/b/a Adventist Health and Rideout (“AH Rideout”)
- Sierra Vista Hospital, Inc. d/b/a Adventist Health Sierra Vista (“AH Sierra Vista”)
- Simi Valley Hospital & Health Care Services d/b/a Adventist Health Simi Valley (“AH Simi Valley”)
- Sonora Community Hospital d/b/a Adventist Health Sonora (“AH Sonora”)
- St. Helena Hospital d/b/a Adventist Health St. Helena (“AH St. Helena”)
- Adventist Health Medical Center Tehachapi d/b/a Adventist Health Tehachapi Valley (“AH Tehachapi Valley”)
- Adventist Health Tulare (“AH Tulare”)
- Twin Cities Community Hospital, Inc. d/b/a Adventist Health Twin Cities (“AH Twin Cities”)
- Ukiah Adventist Hospital d/b/a Adventist Health Ukiah Valley (“AH Ukiah Valley”)
- White Memorial Medical Center d/b/a Adventist Health White Memorial (“AH White Memorial”)

EXHIBIT B

THE PROJECT

Prior Project

The “Prior Project” consists of the 2013A Project, the 2016A Project, the 2015A Project and the Other Project.

The 2013A Project consists of the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of the health facilities owned and operated by the following Benefitting Entities at the locations as described below:

- Corporation, and located generally at ONE Adventist Health Way, Roseville, California 95661;
- AH Bakersfield, and located generally at 2615 Chester Avenue, Bakersfield, California 93301;
- AH Clear Lake, and located generally at 15630 18th Avenue, Clearlake, California 95422;
- AH Clear Lake, and located generally at 15230 Lakeshore Drive, Clearlake, California 95422;
- AH Glendale, and located generally at 1509 Wilson Terrace, Glendale, California 91206;
- AH Glendale, and located generally at 381 Merrill Avenue, Glendale, California 91206;
- AH Hanford, and located generally at 115 Mall Drive, Hanford, California 93230;
- AH Hanford, and located generally at 1141 Rose Avenue, Selma, California 93662;
- AH Simi Valley, and located generally at 2975 Sycamore Drive, Simi Valley, California 93065;
- AH Simi Valley, and located generally at 2750 Sycamore Drive, Simi Valley, California 93065;
- AH Sonora, and located generally at 1000 Greenley Road, Sonora, California 95370;
- AH St. Helena, and located generally at 10 Woodland Road, St. Helena, California 94574;
- AH St. Helena, and located generally at 525 Oregon Street, Vallejo, California 94590;
- AH Ukiah, and located generally at 245 and 275 Hospital Drive, Ukiah, California 95482; and
- AH White Memorial, and located generally at 1720 E. Cesar E Chavez Avenue, Los Angeles, California 90033.

The 2016A Project consists of the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of the health facilities owned and operated by the following Benefitting Entities at the locations as described below:

- AH Bakersfield, and located generally at 2615 Chester Avenue, Bakersfield, California 93301;
- AH Clear Lake, and located generally at 15630 18th Avenue, Clearlake, California 95422;
- AH Glendale, and located generally at 1509 Wilson Terrace, Glendale, California 91206;
- AH Hanford, and located generally at 115 Mall Drive, Hanford, California 93230;
- AH Lodi Memorial, and located generally at 975 S. Fairmont Avenue, Lodi, California 95240;
- AH Simi Valley, and located generally at 2975 Sycamore Drive, Simi Valley, California 93065;
- AH Sonora, and located generally at 1000 Greenley Road, Sonora, California 95370;
- AH St. Helena, and located generally at 10 Woodland Road, St. Helena, California 94574;
- AH St. Helena, and located generally at 525 Oregon Street, Vallejo, California 94590;
- AH Ukiah, and located generally at 245 and 275 Hospital Drive, Ukiah, California 95482; and
- AH White Memorial, and located generally at 1720 E. Cesar E Chavez Avenue, Los Angeles, California 90033.

The 2015A Project consists of the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of the health facilities owned and operated by the following Benefitting Entities at the locations as described below:

- Corporation, and located generally at ONE Adventist Health Way, Roseville, California 95661;
- AH Bakersfield, and located generally at 2615 Chester Avenue, Bakersfield, California 93301;
- AH Glendale, and located generally at 1509 Wilson Terrace, Glendale, California 91206;
- AH Hanford, and located generally at 115 Mall Drive, Hanford, California 93230;
- AH Hanford, and located generally at 1141 Rose Avenue, Selma, California 93662;
- AH Simi Valley, and located generally at 2975 Sycamore Drive, Simi Valley, California 93065;
- AH St. Helena, and located generally at 10 Woodland Road, St. Helena, California 94574; and
- AH White Memorial, and located generally at 1720 E. Cesar E Chavez Avenue, Los Angeles, California 90033.

The Other Project consists of the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of the health facilities owned and operated by the following Benefitting Entities at the locations as described below:

- Corporation, and located generally at ONE Adventist Health Way, Roseville, California 95661;
- AH Bakersfield, and located generally at 2615 Chester Avenue, Bakersfield, California 93301;
- AH Bakersfield, and located generally at 3001 and 3015 Sillect Avenue, Bakersfield, California 93308;
- AH Clear Lake, and located generally at 15630 18th Avenue, Clearlake, California 95422;
- AH Delano, and located generally at 1401 Garces Highway, Delano, California 93215;
- AH Glendale, and located generally at 1509 Wilson Terrace, Glendale, California 91206;
- AH Hanford, and located generally at 115 Mall Drive, Hanford, California 93230;
- AH Howard Memorial, and located generally at 1 Marcela Drive, Willits, California 95490;
- AH Lodi Memorial, and located generally at 975 S. Fairmont Avenue, Lodi, California 95240;
- AH Mendocino Coast, and located generally at 700 River Drive, Fort Bragg, California 95437;
- AH Reedley, and located generally at 372 W. Cypress Avenue, Reedley, California 93654;
- AH Rideout and located generally at 726 4th Street, Marysville, California 95901;
- AH Sierra Vista, and located generally at 1010 Murray Avenue, San Luis Obispo, California 93405;
- AH Simi Valley, and located generally at 2975 Sycamore Drive, Simi Valley, California 93065;
- AH Sonora, and located generally at 1000 Greenley Road, Sonora, California 95370;
- AH St. Helena, and located generally at 10 Woodland Road, St. Helena, California 94574;
- AH Tehachapi Valley, and located generally at 1100 Magellan Drive, Tehachapi, California 93561;
- AH Tulare, and located generally at 869 N. Cherry Street, Tulare, California 93274;
- AH Twin Cities, and located generally at 1100 Las Tablas Road, Templeton, California 93465;
- AH Ukiah, and located generally at 245 and 275 Hospital Drive, Ukiah, California 95482;
- AH White Memorial, and located generally at 1720 E. Cesar E Chavez Avenue, Los Angeles, California 90033; and
- AH White Memorial, and located generally at 309 West Beverly Boulevard, Montebello, California 90640.

New Project

The “New Project” consists of the acquisition, construction, expansion, remodeling, renovation, furnishing, equipping and/or improvement of the health facilities owned and operated by the following Benefitting Entities at the locations as described below:

- Corporation, and located generally at ONE Adventist Health Way, Roseville, California 95661;
- AH Bakersfield, and located generally at 2615 Chester Avenue, Bakersfield, California 93301;
- AH Bakersfield, and located generally at 3001 and 3015 Sillect Avenue, Bakersfield, California 93308;
- AH Clear Lake, and located generally at 15630 18th Avenue, Clearlake, California 95422;
- AH Delano, and located generally at 1401 Garces Highway, Delano, California 93215;
- AH Glendale, and located generally at 1509 Wilson Terrace, Glendale, California 91206;
- AH Hanford, and located generally at 115 Mall Drive, Hanford, California 93230;
- AH Howard Memorial, and located generally at 1 Marcela Drive, Willits, California 95490;
- AH Lodi Memorial, and located generally at 975 S. Fairmont Avenue, Lodi, California 95240;
- AH Mendocino Coast, and located generally at 700 River Drive, Fort Bragg, California 95437;
- AH Reedley, and located generally at 372 W. Cypress Avenue, Reedley, California 93654;
- AH Rideout and located generally at 726 4th Street, Marysville, California 95901;
- AH Sierra Vista, and located generally at 1010 Murray Avenue, San Luis Obispo, California 93405;
- AH Simi Valley, and located generally at 2975 Sycamore Drive, Simi Valley, California 93065;
- AH Sonora, and located generally at 1000 Greenley Road, Sonora, California 95370;
- AH St. Helena, and located generally at 10 Woodland Road, St. Helena, California 94574;
- AH Tehachapi Valley, and located generally at 1100 Magellan Drive, Tehachapi, California 93561;
- AH Tulare, and located generally at 869 N. Cherry Street, Tulare, California 93274;
- AH Twin Cities, and located generally at 1100 Las Tablas Road, Templeton, California 93465;
- AH Ukiah, and located generally at 245 and 275 Hospital Drive, Ukiah, California 95482;
- AH White Memorial, and located generally at 1720 E. Cesar E Chavez Avenue, Los Angeles, California 90033; and
- AH White Memorial, and located generally at 309 West Beverly Boulevard, Montebello, California 90640.