

AGENDA
SPECIAL JOINT MEETING OF THE
FINANCE COMMITTEE AND THE INVESTMENT COMMITTEE
OF THE EL CAMINO HOSPITAL BOARD OF DIRECTORS

Monday, October 21, 2019 – 5:30 pm
 El Camino Hospital | Conference Room E (ground floor)
 2500 Grant Road Mountain View, CA 94040

William Hobbs will be participating via teleconference from 99 Degaris Avenue S. Dartmouth, MA 02748.

Boyd Faust will be participating via teleconference from 45 7th Street Garden City, NY 11530.

FINANCE COMMITTEE PURPOSE: To provide oversight, information sharing and financial reviews related to budgeting, capital budgeting, long-range financial planning and forecasting, and monthly financial reporting for the El Camino Hospital Board of Directors. In carrying out its review, advisory and oversight responsibilities, the Committee shall remain flexible in order to best define financial strategies that react to changing conditions.

INVESTMENT COMMITTEE PURPOSE: s to develop and recommend to the El Camino Hospital Board of Directors the organization's investment policies, maintain current knowledge of the management and investment of the invested funds of the hospital and its pension plan(s), provide guidance to management in its investment management role, and provide oversight of the allocation of the investment assets.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
1. CALL TO ORDER / ROLL CALL	John Zoglin, Chair		5:30 – 5:31 pm
2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		5:31 – 5:32
3. PUBLIC COMMUNICATION a. Oral Comments <i>This opportunity is provided for persons in the audience to make a brief statement, not to exceed three (3) minutes on issues or concerns not covered by the agenda.</i> b. Written Correspondence	John Zoglin, Chair		5:32 – 5:35
4. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> Approval a. Minutes of the Open Session of the Finance Committee Meeting (9/23/2019) Information b. Pacing Plan	John Zoglin, Chair	<i>public comment</i>	motion required 5:35 – 5:37
5. REPORT ON BOARD ACTIONS ATTACHMENT 5	John Zoglin, Chair		information 5:37 – 5:40
6. PROPOSED HEDGE RELATED TO 2015 REVENUE BONDS AND POSSIBLE ISSUANCE OF NEW DEBT ATTACHMENT 6	Iftikhar Hussain, CFO; Chad Kenan, Citi	<i>public comment</i>	possible motion 5:40 – 6:30
7. ADJOURN TO CLOSED SESSION	John Zoglin, Chair		motion required 6:30 – 6:31
8. POTENTIAL CONFLICT OF INTEREST DISCLOSURES	John Zoglin, Chair		6:31 – 6:32

A copy of the agenda for the Special Meeting will be posted and distributed at least twenty four (24) hours prior to the meeting. In observance of the Americans with Disabilities Act, please notify us at 650-988-7504 prior to the meeting so that we may provide the agenda in alternative formats or make disability-related modifications and accommodations.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
9. CONSENT CALENDAR <i>Any Committee Member may remove an item for discussion before a motion is made.</i> Approval <i>Gov't Code Section 54957.2:</i> - Minutes of the Closed Session of the Finance Committee Meeting (9/23/2019)	John Zoglin, Chair		motion required 6:32 – 6:33
10. Gov't Code Sections 54957 for report and discussion on personnel matters – Senior Management: - Executive Session	John Zoglin, Chair		discussion 6:33 – 6:38
11. ADJOURN TO OPEN SESSION	John Zoglin, Chair		motion required 6:38 – 6:39
12. RECONVENE OPEN SESSION / REPORT OUT	John Zoglin, Chair		information 6:39 – 6:40
To report any required disclosures regarding permissible actions taken during Closed Session.			
13. CLOSING COMMENTS	John Zoglin, Chair		information 6:40 – 6:44
14. ADJOURNMENT	John Zoglin, Chair	<i>public comment</i>	motion required 6:44 – 6:45

Upcoming Meetings:

Regular Meetings: November 25, 2019; January 27, 2020 (immediately following Joint Meeting), March 23, 2020, April 27, 2020; May 26, 2020 (immediately following Joint Meeting)

Joint Meetings: January 27, 2020 (with Investment Committee); May 26, 2020 (with Hospital Board)

Education Sessions: April 22, 2020



**Minutes of the Open Session of the
Finance Committee of the
El Camino Hospital Board of Directors
Monday, September 23, 2019
El Camino Hospital | Conference Room A&B
2500 Grant Road, Mountain View, CA 94040**

Members Present

John Zoglin, Chair
Joseph Chow
Boyd Faust
Gary Kalbach
William Hobbs **

**via teleconference

Members Absent

Richard Juelis
Don Watters

Agenda Item	Comments/Discussion	Approvals/ Action
1. CALL TO ORDER/ ROLL CALL	The open session meeting of the Finance Committee of El Camino Hospital (the "Committee") was called to order at 5:30pm by Chair John Zoglin. Roll call was taken. William Hobbs participated via teleconference. Richard Juelis and Don Watters were absent. All other members were present.	
2. POTENTIAL CONFLICT OF INTEREST	Chair Zoglin asked if any Committee members had a conflict of interest with any of the items on the agenda. No conflicts were reported.	
3. PUBLIC COMMUNICATION	There were no comments from the public.	
4. CONSENT CALENDAR	<p>Chair Zoglin asked if any member of the Committee wished to remove an item from the consent calendar.</p> <p>Item 4(c) Radiation Oncology Timeline was pulled for discussion.</p> <p>The Committee reviewed the timeline in more detail and asked for further explanation of the critical drivers of the proposed timeline. In response to the Committee's question, Ken King, CASO, explained the key drivers for the expedited timeline to be time allowed for manufacture of equipment, the designing phase, and the permitting phase.</p> <p>Motion: To approve the consent calendar: (a) Minutes of the Open Session of the Finance Committee Meeting (7/29/2019), (b) Financial Report (FY20 Period 1), and for information: (c) Update on Radiation Oncology Timeline, (d) Progress Against Goals, (e) Pacing Plan, (f) Articles of Interest, (g) Report on Major Capital Projects in Progress, and (h) El Camino Hospital S&P Global Rating.</p> <p>Movant: Kalbach Second: Chow Ayes: Chow, Faust, Hobbs, Kalbach, Zoglin Noes: None Abstentions: None Absent: Juelis and Watters Recused: None</p>	<i>Consent Calendar was approved.</i>
5. REPORT ON BOARD ACTIONS	Chair Zoglin asked the Committee for any questions or feedback on the Report on Board Actions as further detailed in the packet.	
6. FY20 PERIOD 2	Iftikhar Hussain, CFO, provided highlights of FY20 Period 2 Financials as further detailed in the materials submitted. Mr. Hussain reviewed July	<i>Financials recommended</i>

<p>FINANCIALS</p>	<p>and August volumes, revenues, monthly financial trends, productivity, and operating margin. He noted that substantial revenues, fueled by volume growth, drove the \$7.9M operating margin favorable variance. He reported that despite higher volumes, expenses remained close to budgeted, hospital FYTD Productive FTEs continue to be favorable to the volume adjusted target by 1.7% with a slight decrease in overall positive variance, and that the setback in LOS due to prolonged stay outlier cases has shown improvement since May and continues to be ahead of target. He further reported that Adjusted Discharges (AD) continue to be favorable to budget 678 ADs (11%) and favorable to prior year by 15%. He noted that for August, payor mix is at budget, while YTD remains slightly unfavorable.</p> <p>The Committee further reviewed Silicon Valley Medical Development's August Financials. Mr. Hussain reported that some of the variances could be attributed to the EPIC implementation with \$1.6m in net revenue in backlog and delay in charging. The remaining variances are due to dip in volumes and disruption of phone systems and scheduling. He further noted that this should recover in 2-3months, and that physician chart closure in September is very good.</p> <p>Mr. Husain concluded with some notable surprises for July and August to include high volumes in general surgeries, deliveries, ortho, and cancer.</p> <p>Motion: To recommend the Board approval of Period 2 Financials.</p> <p>Movant: Faust Second: Kalbach Ayes: Chow, Faust, Hobbs, Kalbach, Zoglin Noes: None Abstentions: None Absent: Juelis and Watters Recused: None</p>	<p><i>for approval</i></p>
<p>7. POST-IMPLEMENTATION REVIEW: PACS/RIS</p>	<p>Deb Muro, CIO, reviewed the Enterprise Imaging Program post-implementation status with the Committee. She explained what our upgraded PACS system includes, the original problem statement of not meeting the clinical and business goals of ECH and its physicians, the project goals, and benefits and outcomes for staff and technology. She further reported on the projected financial outcomes, operating expenses, and current status of key areas. Ms. Muro asked the Committee for feedback, and a brief discussion ensued.</p> <p>The Committee's feedback included how does this differentiate El Camino Health. In response, Ms. Muro reiterated that this PACS system is a leading-edge and a well-recognized and documented solution. She further explained that images could be distributed to the patient via myChart, and AI will tie into this soon.</p> <p><i>*The Committee asked to revisit the original business case in 6 months.</i></p>	
<p>8. CAPITAL FUNDING REQUEST – MV CAMPUS COMPLETION</p>	<p>Mr. King reviewed the Mountain View Campus Completion project as further detailed in the submitted materials to including a project overview, anticipated sequence of events, cost estimates of phase 1 & 2, and projected timeline. He further explained the rationale to execute the initial work of designing, permitting, and performing the demolition, which will take 18 to 20 months, with a final phase proposed plan ready for review in January/February 2020. A brief discussion ensued.</p> <p>Mr. Hobbs asked for clarification of the projected cost of phase 3 in</p>	<p><i>Capital Funding recommended for approval</i></p>

	<p>comparison to the long-range plan. In response to Mr. Hobbs's question, Mr. King reported that the overall campus completion including phase 3 could range from \$55 to \$95 million and would fall within the range of the long term plan of \$70 million, depending on desired concessions.</p> <p>Mr. King concluded with the request to recommend approval of funding the first two phases of work at a cost not to exceed \$24.9 million while taking time to develop the final phase, which will complete the Mountain View Campus.</p> <p>Motion: To recommend the Board approve capital funding not-to-exceed \$24.9 million.</p> <p>Movant: Chow Second: Faust Ayes: Chow, Faust, Hobbs, Kalbach, Zoglin Noes: None Abstentions: None Absent: Juelis and Watters Recused: None</p>	
<p>9. REVIEW OF PATIENT BILLINGS</p>	<p><i>Brian Fong, Director Revenue Integrity and Johnna Mohun-Garvey, Director of Patient Accounts, joined the meeting at 7:05pm.</i></p> <p>Mr. Fong reported on previous questions expressed by the Committee to include statistics on collecting co-pays and deductibles, deferral process or policy on self-pay, effort to improve awareness of separate physician billing, how El Camino Health's bad debt compares to other hospitals, percentage of services obtained from pre-service price estimate, ability to combine SVMD/ECMA and El Camino bills, financial policy, and billing statement design. Mr. Fong asked the Committee for feedback, and a robust discussion ensued.</p> <p>Committee feedback included the following recommendations:</p> <p>Member Kalbach commented that patients need a call out for multiple billing and while amid emergency the patient is not going to focus on the billing.</p> <p>Member Chow made the following recommendations: scrub document to be more patient-friendly healthcare billing, current design is overwhelming, highlight the URL or bring to the top, spell-out patient obligations, more visibility of multiple billing, more transparency of billing, account summary section is confusing, where does the patient find payment plan balance, and how does the patient pay by phone (<i>i.e.</i>, Apple Pay, Venmo, etc.).</p> <p>Member Faust asked that we get feedback from some patients (PFAC), regarding whether they can interpret the current billing statement. He also requested further visibility of the Financial Assistance program: Is it based on a sliding scale? Is it clear and easy to get to? Can anyone be on a six-month payment plan?</p> <p>Chair Zoglin requested that we integrate billing with SVMD. He expressed that multiple billing statements are an irritant to our patients and that although the patient is given this information upon admission, there is a need to revisit billing to set the expectation of multiple bills. He concluded with the request to have PFAC review our current billing statement and submit their feedback at a later Committee meeting.</p> <p><i>*The Committee asked for integrated billing to be discussed at the next</i></p>	

	<i>meeting, and for PFAC review of Patient Billing.</i>	
10. ADJOURN TO CLOSED SESSION	Motion: To adjourn to closed session at 7:00pm. Movant: Kalbach Second: Chow Ayes: Chow, Faust, Hobbs, Kalbach, Zoglin Noes: None Abstentions: None Absent: Juelis and Watters Recused: None	<i>Adjourned to closed session at 7:00pm</i>
11. AGENDA ITEM 17: RECONVENE OPEN SESSION/ REPORT OUT	The open session reconvened at 8:27 pm. Agenda Items 11-17 were covered in closed session. During the closed session, the Committee approved (a) Meeting Minutes of the Closed Session of the Finance Committee (May 28, 2019); and (b) Minutes of the Closed Session of the Joint Board and Finance Committee Meeting (May 28, 2019) by a unanimous vote of all members present (Zoglin, Chow, Faust, Kalbach and Watters). Mr. Juelis and Mr. Hobbs were absent.	
12. AGENDA ITEM 18: APPROVAL OF PHYSICIAN CONTRACTS	Motion: To approve the (a) Medical Advisor Renewal Agreement, (b) LG Cardiology Panel Renewal (c) Amendment to OB Hospitalist Program Agreement at MV & LG Campuses to Provide Emergency Backup Services, and (d) NICU Quality Projects Amendment to Increase Hours. Movant: Kalbach Second: Faust Ayes: Chow, Faust, Hobbs, Kalbach, Zoglin Noes: None Abstentions: None Absent: Juelis and Watters Recused: None	<i>Physician Contracts approved/ recommended for approval</i>
13. AGENDA ITEM 19: CLOSING COMMENTS	None.	
14. AGENDA ITEM 20: ADJOURNMENT	Motion: To adjourn at 8:28pm Movant: Faust Second: Chow Ayes: Chow, Faust, Hobbs, Kalbach, Zoglin Noes: None Abstentions: None Absent: Juelis and Watters Recused: None	<i>Meeting adjourned at 8:28pm</i>

Attest as to the approval of the foregoing minutes by the Finance Committee of El Camino Hospital:

John Zoglin
Chair, Finance Committee

FY20 Finance Committee Pacing Plan – Updated October 14, 2019

FY20 FC Pacing Plan – Q1		
July 29, 2019	August 2019	September 23, 2019
<ul style="list-style-type: none"> - Meeting Minutes (May 2019), any policies - Financial Report (FY19 Period 11, 12) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Year-End Financial Report - Review of Patient Billings (FC Committee Goal) - Executive Session - Long Term Financial Forecast - Medical Staff Development Plan - 	No scheduled meeting	<ul style="list-style-type: none"> - Meeting Minutes (July 2019), any policies - Financial Report (FY20 Period 1, 2) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in Progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – Ortho Neuro Spine - Executive Session - Post Implementation Review - Per attached schedule - Continued Review of Patient Billings
FY20 FC Pacing Plan – Q2		
October 21, 2019	November 25, 2019	December 2019
<ul style="list-style-type: none"> - Propose Hedge Related to 2015 Revenue Bonds and Possible Issuance of New Debt 	<ul style="list-style-type: none"> - Tour New MV Campus Buildings - Meeting Minutes (September 2019), any policies - Financial Report (FY20 Period 3,4) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Service Line Review – MCH - Post implementation Review – Per attached Schedule - Payor Update - Executive Session - Long Term Financial Forecast - Continued Review of Patient Billings (Integrated Billing and PFAC Review) 	No scheduled meeting

FY20 Finance Committee Pacing Plan - Updated October 14, 2019

FY20 FC Pacing Plan – Q3		
January 27, 2020	February 2020	March 23, 2020
**Joint Meeting with the Investment Committee - Long Term Forecast <ul style="list-style-type: none"> - Meeting Minutes (November 2019), any policies - Financial Report (FY20 Period 5,6) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Executive Session - Post Implementation Review – Per attached schedule - Service Line Reports – <u>SVMD and MCH</u> 	No scheduled meeting	<ul style="list-style-type: none"> - Meeting Minutes (January 2020), any policies - Financial Report (FY20 Period 7,8) - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Preview FY21 Budget Part # 1 - Discuss and recommend FY21 Committee Goals - Discuss FY21 Committee Dates - Payor Update - Executive Session - Service Line Report - HVI - Summary of Physician Financial Arrangements (Year-End) - Post Implementation Review – Per attached schedule
FY20 FC Pacing Plan – Q4		
April 27, 2020	May 26, 2020	June 2020
<ul style="list-style-type: none"> - FY21 Budget Review – Part 2 - April 22, 2020 – Board and Committee Educational Session 	**Joint Meeting with the Hospital Board on the Operating & Capital Budget <ul style="list-style-type: none"> - Meeting Minutes (March 2020), any policies - Financial Report (FY20 Period 9,10) - Long Term Financial Forecast - Physician Contracts - Capital Funding Requests - Review Major Capital Projects in progress - Info: Progress Against Goals, Pacing Plan, Article, Report on Board Actions - Review and recommend FY21 Budget - Review and recommend FY21 Organizational Goals - Post Implementation Review – Per attached schedule - Executive Session 	No scheduled meeting

FY20 Finance Committee Pacing Plan – Updated October 14, 2019

**Last 18 Months Capital Project Approvals
February 2018 - October 2019**

APPROVAL DATE	APPROVING BODY	PROJECT NAME	APPROVED AMOUNT	PROPOSED FC POST-IMPLEMENTATION REVIEW DATE
9/13/2017	ECH Board	Increase BHS Building Budget	Additional \$4.6 M	Update each meeting
9/13/2017	ECH Board	Increase Sobrato Pavilion Budget	Additional \$27.1 M	Update each meeting
2/14/2018	ECH Board	PACS Image Archive System Replacement	\$2.2 M	3/2020 (f/u from 9/23/19)
3/14/2018		None	N/A	N/A
4/18/2018		None	N/A	N/A
5/9/2018		None	N/A	N/A
6/13/2018		None	N/A	N/A
8/15/2018		None	N/A	N/A
9/12/2018		None	N/A	N/A
10/10/2018	ECH Board	Los Gatos Imaging Equipment	\$1.6 M	N/A < \$2 M
11/14/2018		None	N/A	N/A
12/5/2018		None	N/A	N/A
1/16/2019	ECH Board	Los Gatos Cancer Center Funding	\$6.4 M	7/2020
1/30/2019	Finance Committee	Waste Water Storage Project	\$3.9 M	7/2020
1/30/2019	Finance Committee	Purchase Da Vinci Robot Xi Model	\$1,550,000 (Net)	N/A < \$2 M
2/13/2019	ECH Board	Women's Hospital Planning	\$10 M (Total Now \$16M)	9/2020
2/13/2019	ECH Board	SVMD Clinic Site Tenant Improvements	\$8 M	9/2020
2/13/2019	ECH Board	Interventional Equipment Replacement	\$13 M	9/2020
2/13/2019	ECH Board	Imaging Equipment Replacement	\$16.9 M	9/2020
2/13/2019	ECH Board	SVMD Asset Acquisition	\$1.2 M	1/2020
3/13/2019		None		
3/25/2019	Finance Committee	SVMD Clinic IT Infrastructure	\$4.6 M	9/2020
5/28/2019	Finance Committee	MV Campus Signage	\$1.1 M	N/A < \$2 M
8/21/2019	ECH Board	Medical Staff Development Plan	\$6.1 M	1/2021
8/21/2019	ECH Board	Radiation Oncology Replacement Equipment	\$6.75M	1/2021
8/21/2019	ECH Board	ED Remodel	\$6.75M	1/2021
10/10/19	ECH Board	MV Campus Completion (Old Main Demo)	\$24.9M	3/2021



**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Finance Committee
From: Cindy Murphy, Director of Governance Services
Date: October 21, 2019
Subject: Report on Board Actions

Purpose:

To keep the Committee informed with regards to actions taken by the El Camino Hospital and El Camino Healthcare District Boards.

Summary:

1. **Situation:** It is important to keep the Committees informed about Board activity to provide context for Committee work. The list below is not meant to be exhaustive, but includes agenda items the Board voted on that are most likely to be of interest to or pertinent to the work of El Camino Hospital's Board Advisory Committees.
2. **Authority:** This is being brought to the Committees at the request of the Board and the Committees.
3. **Background:** Since the last Finance Committee Meeting the Hospital Board has met once and the District Board has not. In addition, since the Board has delegated certain authority to the Compliance and Audit Committee, the Finance Committee and the Executive Compensation Committee, those approvals are also noted in this report.

A. ECH Board Actions: October 10, 2019

- Approved FY20 Periods 1 & 2 Financials
- Approved FY19 Audit (to ECHD on 10/22/19)
- Approved FY19 Organizational Goal Score
- Approved FY20 Organizational Goal Metrics
- Approved \$24.9 Million Partial Funding for MV Campus Completion Project (To ECHD on 10/22/19)
- Approved FY20 CEO Base Salary
- Approved FY19 CEO Incentive Payment
- Approved FY19 CASO Incentive Payment
- Approved Cardiology Call Panel (LG) Renewal

B. Finance Committee Actions: September 23, 2019

- Approved Employee Wellness & Health Professional Services Agreement
- Approved Maternal Child Health Professional Services Agreement
- Approved NICU Consulting Agreement

C. Compliance and Audit Committee: None since last report

D. Executive Compensation Committee Actions: September 19, 2019

- Approved Executive Incentive Program Payments Pending Board Approval of
 Organizational Goal Score
- Approved FY20 Annualized Base Salary for ECH Foundation President

4. Assessment: N/A

5. Other Reviews: N/A

6. Outcomes: N/A

List of Attachments: None

Suggested Committee Discussion Questions: None

**EL CAMINO HOSPITAL BOARD OF DIRECTORS
COMMITTEE MEETING COVER MEMO**

To: Finance Committee and Investment Committee
From: Chad Kenan, Director, Not-For-Profit Healthcare Group Citibank;
Iftikhar Hussain, CFO
Date: October 21, 2019
Subject: Proposed Hedge Related to 2015 Revenue Bonds and Possible Issuance of New Debt

Recommendation(s):

To recommend that the Board approve Draft Resolution 2019-12 Authorizing Forward Starting Interest Rate Hedge.

Summary:

1. Situation: El Camino Hospital is evaluating the cost for future construction projects which will be discussed with the Board in the near future. Interest rates have declined dramatically over the last two months and are near record lows. El Camino Hospital has the opportunity to enter into an interest rate swap to lock in rates today and hedge the cost of borrowing for the future project. In addition, El Camino Hospital can lock rates to refund the Series 2015A bonds and achieve interest rate savings when the bonds are callable in 2025, currently \$17 million or 15% of outstanding par.
2. Authority: Per the Signature Authority Policy, Finance Committee review and Board approval are required to authorize management to enter into the proposed transaction.
3. Background: Analyses have been performed on the savings that can be achieved on the refunding of the Series 2015A bonds. For the potential new money needs, analyses have been performed to compare interest rate expense comparing the traditional bond market and what can be achieved via an interest rate swap.
4. Assessment: El Camino Hospital already has an interest rate swap in place which is the same structure being contemplated today. With interest rates near all-time lows and forward premiums also being at all-time lows ECH can lock in rates today for future needs. No payments would be exchanged until the interest rate swap would become effective at a future which ECH can choose (anywhere from 1 week to 5 years forward). When the swap becomes effective ECH will need to issue floating rate debt, the same as the Series 2009A bonds. If no future debt is needed or issued, then ECH can terminate the swap at any time and make/receive a payment based on the market at the time of termination.
5. Other Reviews: None.
6. Outcomes: The goal is to get approval to take advantage of the current rate environment at historic lows with minimal payment of locking today for a future date. If rates drop between entering into the interest rate hedge today and when the bonds would be issued then ECH would have been better off waiting to enter the hedge. If rates rise from historic lows then ECH would have been better off executing the interest rate swap in the current market.. .

Proposed Hedge related to 2015 Revenue Bonds and Possible Issuance of New Debt
October 21, 2019

List of Attachments:

1. PowerPoint Presentation
2. Draft Resolution 2019-12 Authorizing Forward Starting Interest Rate Hedge

Suggested Committee Discussion Questions:

1. What happens if no future debt is needed/issued?
2. What is the cost to terminate the interest rate swap?
3. Where have historic rates been?
4. How does a traditional refunding of the Series 2015A bonds compare to utilizing an interest rate swap?
5. How is the interest rate swap different than what ECH has already executed?
6. What are the out of pocket costs?
7. When do cashflow payments start?
8. What happens as interest rates rise/fall?



Proposed Hedge to Cover

- Refunding 2015 Revenue Bonds
- Possible Issuance of New Debt

Finance Committee Meeting on October 21, 2019

Presenters:

Iftikhar Hussain, Chief Financial Officer of El Camino Hospital

Chad Kenan, Director at Citigroup

Executive Summary

- Market condition
 - Since El Camino Hospital ("ECH") accessed the public markets in 2017, a lot has changed
 - Long-term tax-exempt and taxable rates continue to trend near historic lows
 - 30-yr Treasury ("TSY") reached a new low, 1.94%, on August 28th and has decreased 47 basis points over the month of August
 - 30-yr Municipal Market Data ("MMD") has followed a similar trend, decreasing 35 basis points over the month of August
 - Municipal bond funds have now reported 37 consecutive weeks of inflows (cash for fund managers to invest)
 - Cumulative year-to-date weekly inflows total \$48 billion
- Hedging strategies are being actively evaluated, including rate locks, delayed delivery and forward swap structures
- ECH plans to spend \$1.5 billion over the next 8 years (2020-2028) to fund capital and strategic projects
 - Recently expanded North Drive parking garage project at the Mountain View campus
 - ECH's key projects at that campus include replacing the behavioral health office building, demolishing the main tower of its replaced hospital building and expanding it's women's hospital
 - ECH will continue to construct and expand its Los Gatos and / or Santa Teresa sites

Executive Summary (cont'd)

- The historically-low interest environment we enjoy today offers an opportunity for ECH to lock in current market interest rates through forward-starting fixed payor swaps
 - Fixed payor swaps can be used to hedge future new money projects or refunding issues
 - Forward premiums are currently at historic lows
 - No cash flows are exchanged at the time of execution
 - On the effective date of the swap, ECH issues variable rate bonds and swap cash flows commence, creating a synthetic fixed rate cost of funds
 - The Citi team has evaluated a refinancing of the Series 2015A under a variety of structures, such as a taxable advance refunding, or synthetic fixed current refunding using a forward-starting fixed payor swap

El Camino Hospital Refunding Economics (NPV Savings in thousands)			
	Muni Taxable Advance Refunding (Amortizing)	Hypothetical Tax-Exempt Refunding	Forward FXP Refunding (Non Callable)
Series 2015A	\$686	\$14,795	\$17,758

Impact of Hedging Interest Rates

	Lock	Mkt Interest rate after lock		No lock	
Interest rate	2.0%	1.0%	3.0%	1.0%	3.0%
Term - years	30	30	30	30	30
Debt Service - annual	11,934	11,934	11,934	10,357	13,637
Annual interest	5,346	5,346	5,346	2,673	8,019
Loan Amount					
For refunding 2015 bonds	117,290				
New capital projects	150,000				
total	267,290	308,002	233,921	267,290	267,290
Mark to market Gain/Loss		(40,712)	33,369		

- A hedge will lock interest rates for:
 - Refinancing of 2015 bonds on the 2025 call date
 - Issuance of new debt in 2023 or 2024 for the South Market
- The table above shows the impact with and without a lock/hedge.
- Accounting rules require that hedges be valued at market but net cash flow is based on the locked rate

Market Condition - U.S. Rate Forecast

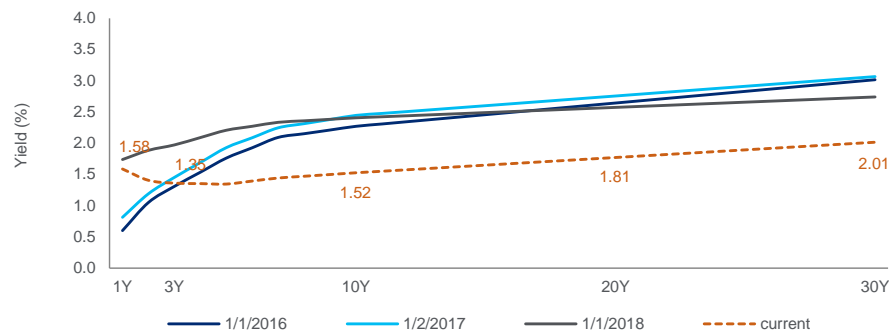
10-Year Treasury Yield Forecast

Citi and the street is forecasting a steady rate environment for the remainder of the year, with diverging rate forecasts in 2020



US Treasury Yield Curve

The 2s5s curve remains inverted but steepened over the last week



Rate Forecasts

5-Year Treasury	Current	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Citi's Forecast	1.34%	1.50%	1.33%	1.15%	0.98%	0.80%	0.80%
Economists' Consensus	1.34%	1.55%	1.55%	1.60%	1.70%	1.80%	1.85%

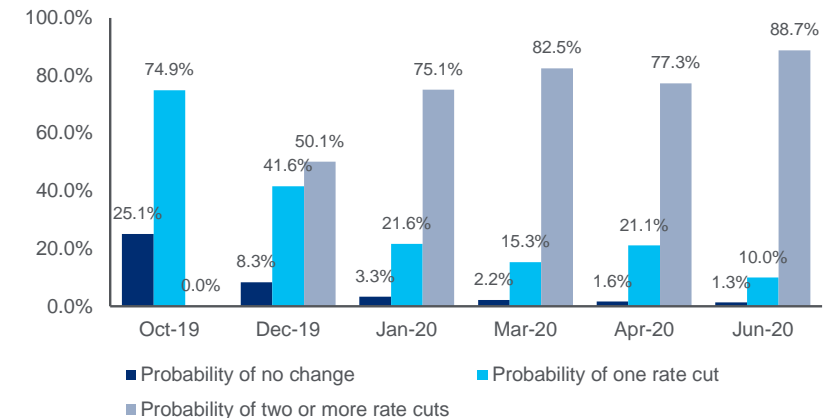
10-Year Treasury	Current	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Citi's Forecast	1.52%	1.75%	1.63%	1.50%	1.38%	1.25%	1.25%
Economists' Consensus	1.52%	1.70%	1.79%	1.85%	1.90%	2.00%	2.10%

30-Year Treasury	Current	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Citi's Forecast	2.01%	2.25%	2.13%	2.00%	1.88%	1.75%	1.75%
Economists' Consensus	2.01%	2.15%	2.23%	2.25%	2.30%	2.33%	2.49%

Fed Funds	Current	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Citi's Forecast	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
Economists' Consensus	2.00%	1.75%	1.75%	1.75%	1.75%	1.75%	1.75%

Expectations of Fed Change in Interest Rates (Market View)

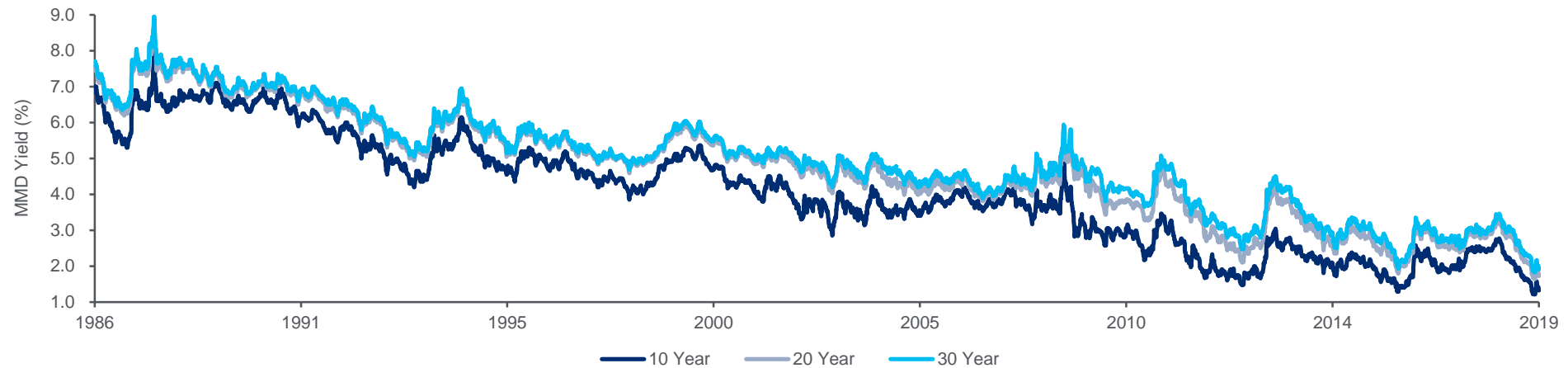
Investors currently anticipate a 74.9% chance the Fed will cut rates at its October 30 meeting



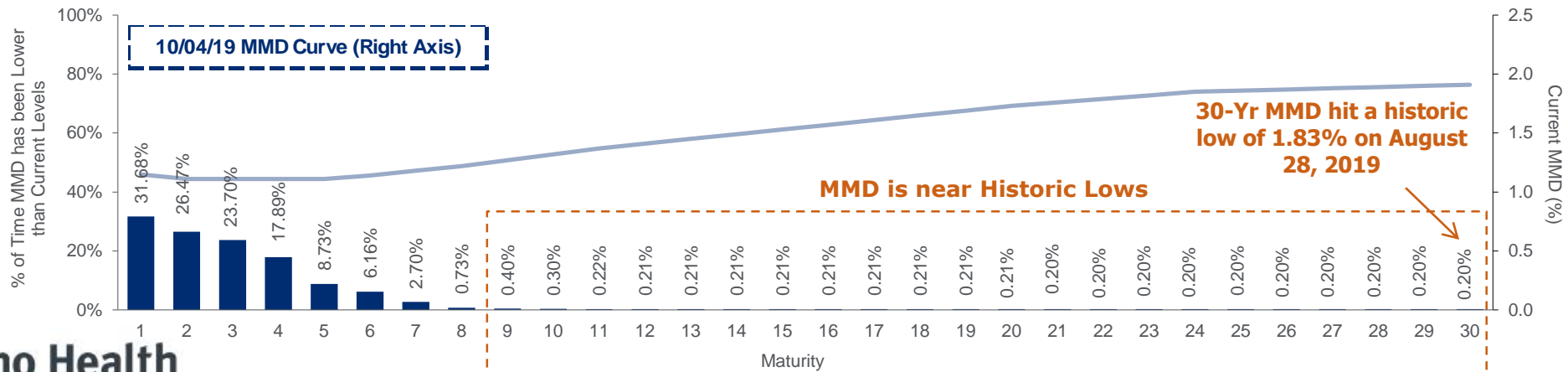
Market Condition - MMD in Historical Context

MMD continues to trend at or near historic lows with the current rate environment attractive to issuers, especially along the intermediate and long-end of the curve.

AAA G.O. MMD Yields (June 1, 1986 – October 4, 2019)



% of Time MMD has been Lower Since 1986



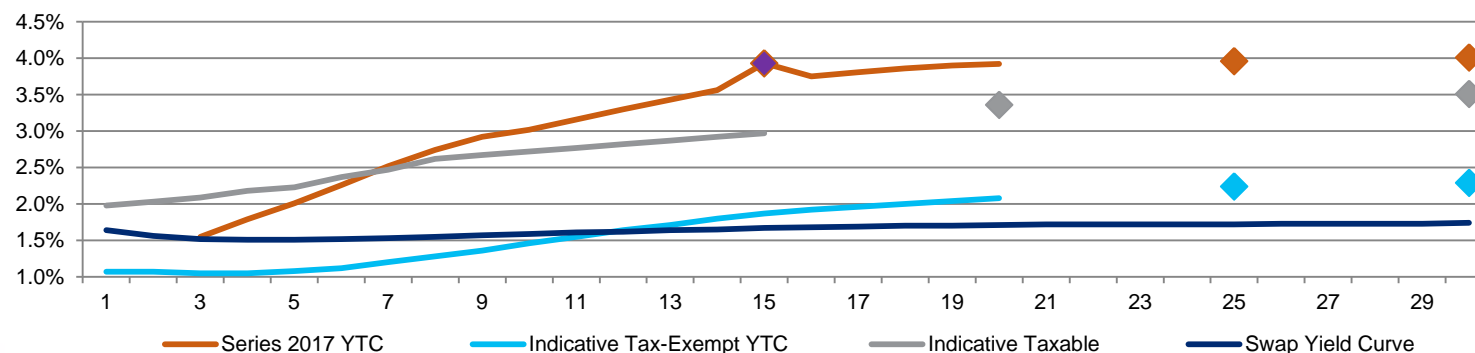
Source: Thomson Reuters, data as of October 4, 2019.

Current Market Rates for El Camino Hospital

Tax-Exempt (10-Year Par Call)						Series 2017 Pricing				All-in Synthetic Fixed Rates ¹
Term	MMD	Coupon	Spread	YTC	YTM	Coupon	Spread	YTC	YTM	
1	1.07%	5.00%	0.00%	-	1.07%	-	-	-	-	1.64%
2	1.07%	5.00%	0.00%	-	1.07%	-	-	-	-	1.56%
3	1.05%	5.00%	0.00%	-	1.05%	5.00%	0.28%	-	1.55%	1.52%
4	1.05%	5.00%	0.00%	-	1.05%	5.00%	0.35%	-	1.79%	1.51%
5	1.05%	5.00%	0.03%	-	1.08%	5.00%	0.35%	-	2.01%	1.51%
10	1.28%	5.00%	0.18%	-	2.25%	5.00%	0.54%	-	3.02%	1.59%
15	1.53%	5.00%	0.34%	1.87%	3.02%	3.75%	1.02%	3.93%	3.93%	1.67%
20	1.74%	5.00%	0.34%	2.08%	3.39%	5.00%	0.77%	3.92%	4.34%	1.71%
25	1.87%	5.00%	0.37%	2.24%	3.62%	4.00% / 5.00%	0.95% / 0.76%	4.15% / 3.96%	4.15% / 4.44%	1.72%
30	1.92%	5.00%	0.37%	2.29%	3.74%	4.125% / 5.00%	1.00% / 0.76%	4.25% / 4.01%	4.25% / 4.51%	1.74%

Mandatory Hard Put Bonds		Par Put Bond			Premium Put Bond		
	Term	Cpn	YTC	Spread	Cpn	YTC	Spread
	3	1.28%	1.40%	0.17%	5.00%	1.28%	0.05%
	5	1.33%	1.45%	0.22%	5.00%	1.36%	0.13%
	7	1.37%	1.55%	0.30%	5.00%	1.46%	0.21%

Taxable (Make-Whole Call)			
Term	TSY	Spread	Yield
5	1.48%	0.75%	2.23%
10	1.67%	1.05%	2.72%
30	2.16%	1.35%	3.51%

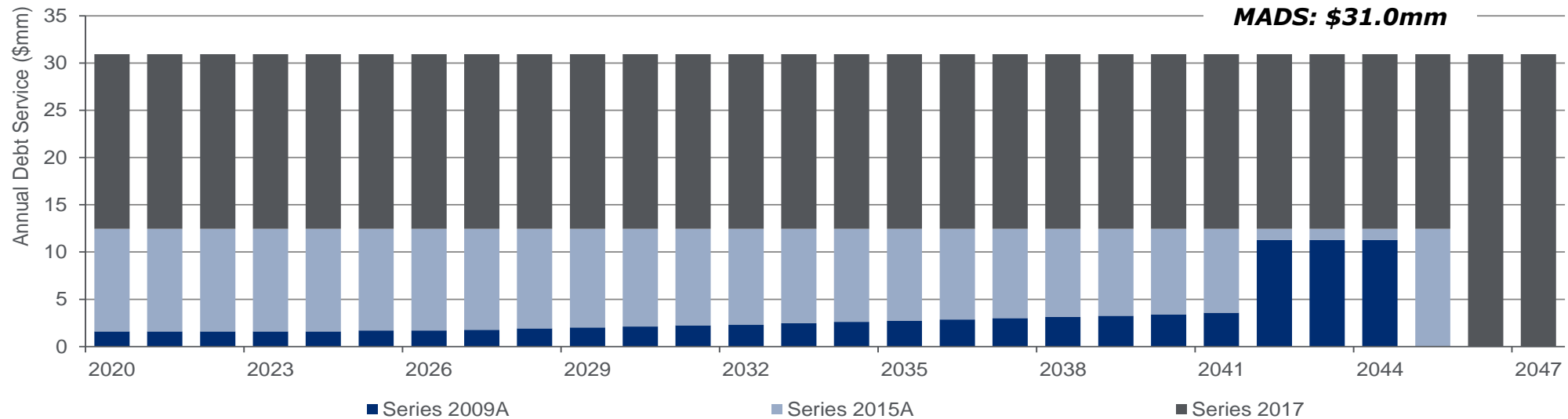


Existing Debt Overview – Revenue Bonds

Debt Outstanding By Series

Series	Par Outstanding	Structure	Call Feature	Enhancement	Average Coupon	Average Life	Final Maturity	Blended Cost		
								Bonds	Par Amount	TIC
Series 2017	\$ 292,435,000	Fixed Rate	February 1, 2027 @ 100.0%	None	4.72%	17.8	2/1/2047	2017	292,435	4.22%
Series 2015A	143,760,000	Fixed Rate	February 1, 2025 @ 100.0%	None	4.79%	13.5	2/1/2045	2015	143,760	3.87%
Series 2009A	50,000,000	Weekly VRDOs	Any Date @ 100.0%	Wells Fargo LOC (exp. 10/13/2019)	3.20%	21.4	2/1/2044	2009	50,000	3.20%
TOTAL	\$ 486,195,000				4.59%	16.9			486,195	4.01%

Debt Service Landscape

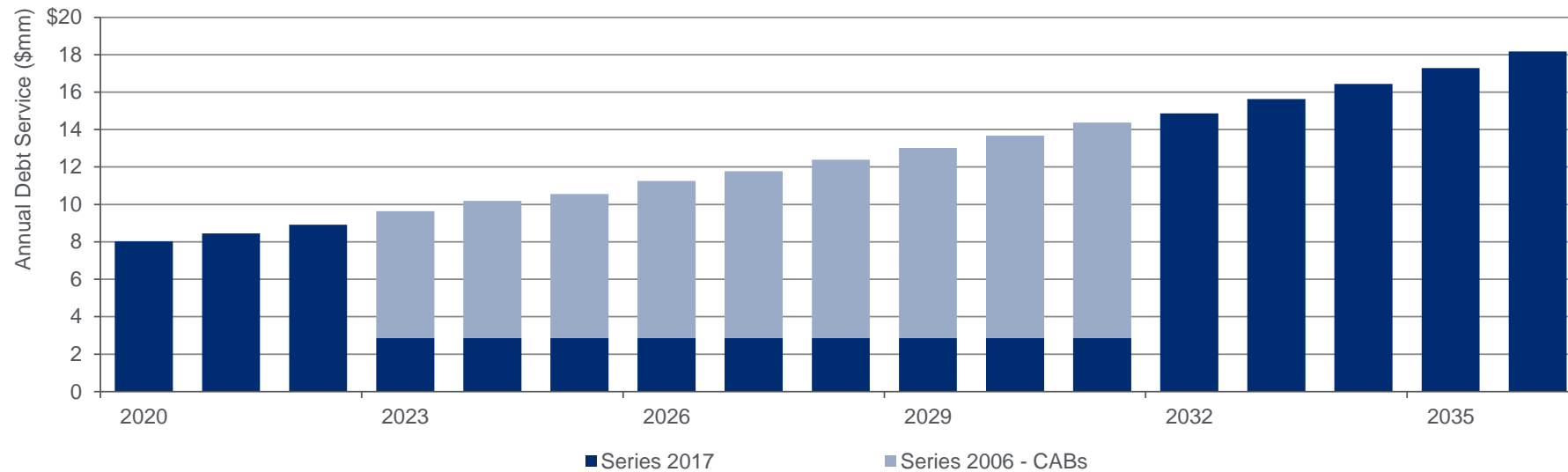


Existing Debt Overview – General Obligation Bonds

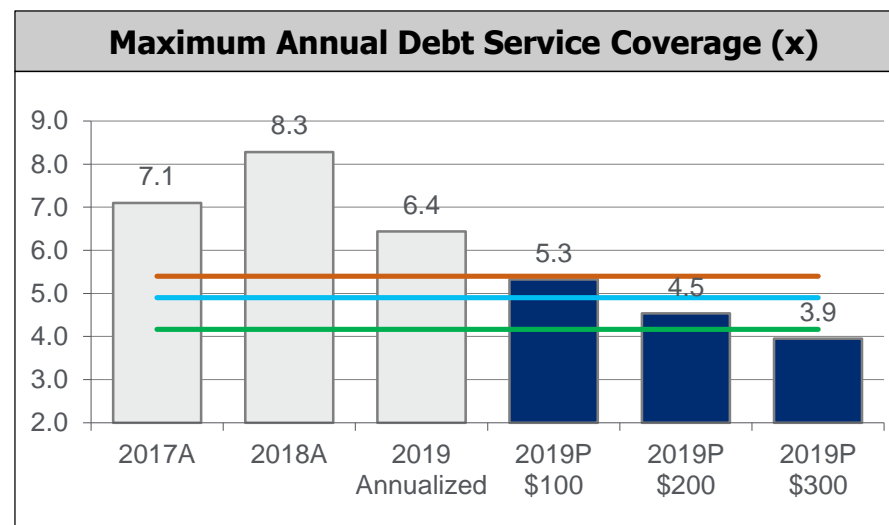
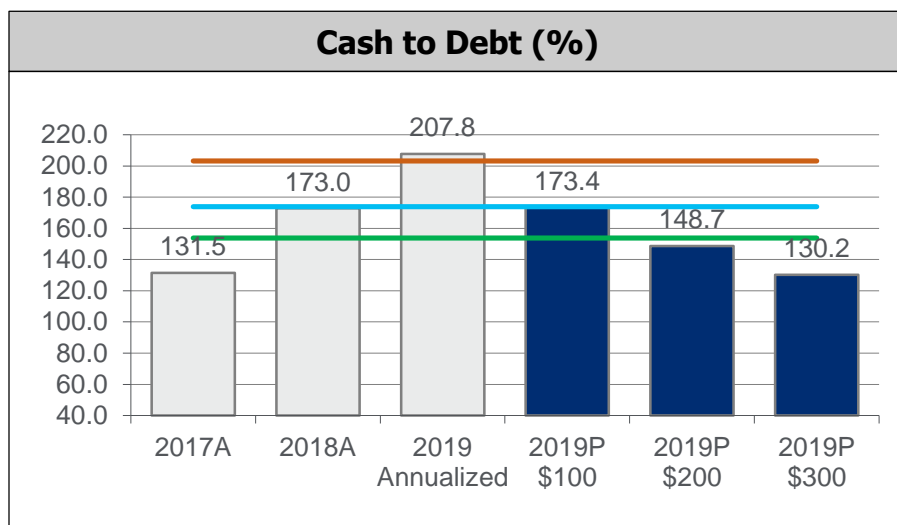
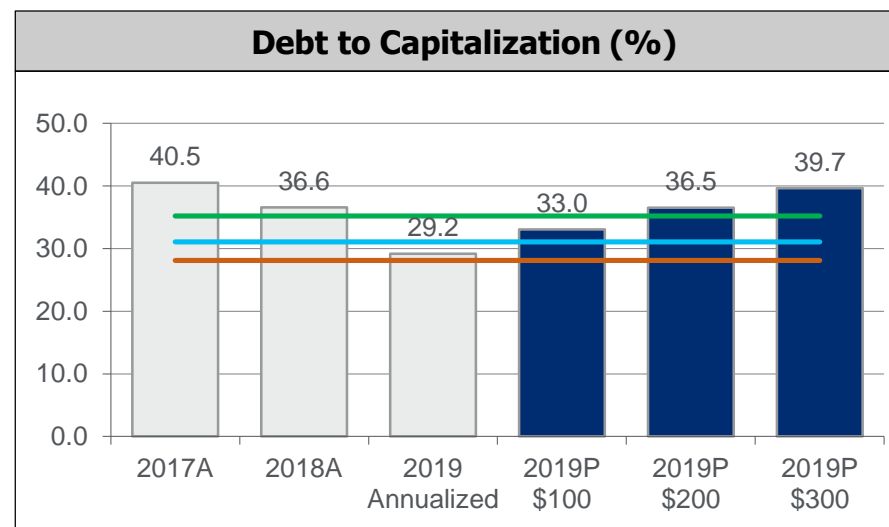
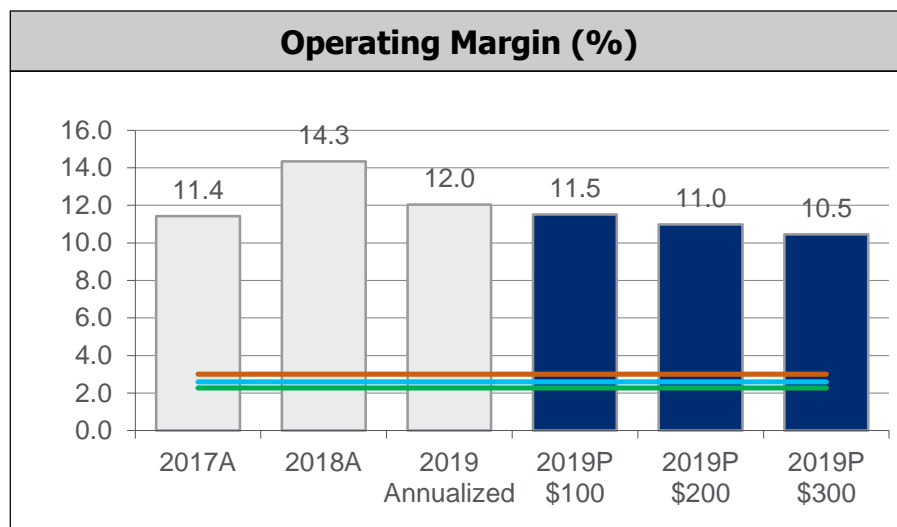
Debt Outstanding By Series

Series	Par Outstanding	Structure	Call Feature	Enhancement	Average Coupon	Average Life	Final Maturity
Series 2017	\$ 88,355,000	Fixed Rate Bonds	2/1/2027 @ 100.0%	None	4.10%	12.7	8/1/2036
Series 2006 - CABs	32,335,000	Capital Appreciation Bonds	Non-Callable	MBIA Insured	4.44%	7.9	8/1/2031
TOTAL	\$ 120,690,000				4.19%	11.4	

Debt Service Landscape

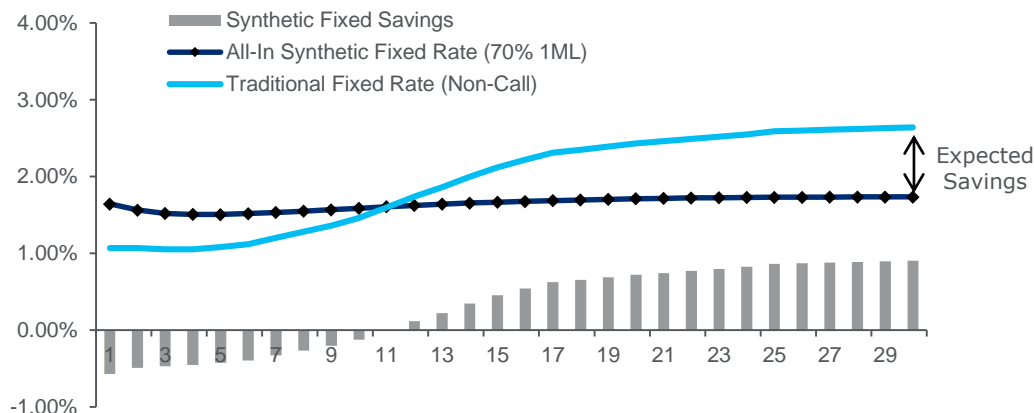


Select Credit Metrics and Impact of Borrowing



Synthetic Fixed Can Generate Substantial Interest Savings

Traditional Fixed vs. Synthetic Fixed Rate Comparison^{1,2,3}



Synthetic Fixed Produces Expected Savings

Term	Traditional Fixed Rate Yields ¹	All-in Synthetic Fixed Rates (70% 1ML) ^{2,3}	Synthetic Fixed Rate (Cost) / Savings
1	1.07%	1.64%	-0.57%
2	1.07%	1.56%	-0.49%
3	1.05%	1.52%	-0.47%
4	1.05%	1.51%	-0.46%
5	1.08%	1.51%	-0.43%
7	1.20%	1.53%	-0.33%
10	1.46%	1.59%	-0.13%
12	1.64%	1.62%	0.12%
15	1.87%	1.67%	0.45%
25	2.24%	1.72%	0.86%
30	2.29%	1.74%	0.91%

Long-Dated Swap Rates are Historically Low Today (70% 1ML)

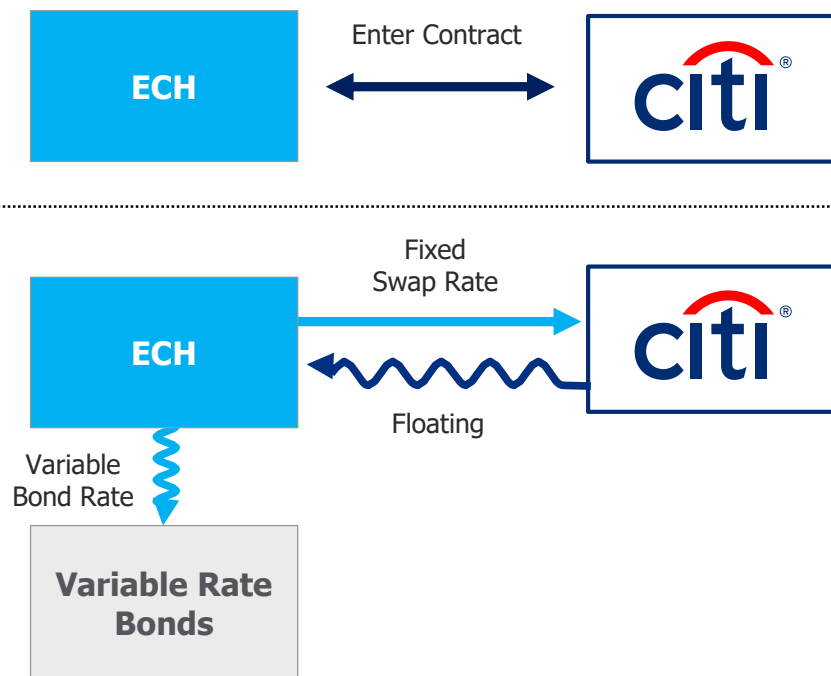


Forward Premiums Historically Low (3x30 Yr 70% 1ML)



Forward Swaps Can Hedge Interest Rates on Future Issuance

A forward swap can be used to lock in current market interest rates even before the variable rate bonds are issued. A forward swap can thus hedge future new money as well as refunding issues.



Today:

- ECH executes a forward-starting floating-to-fixed swap, presetting the future swap fixed rate
- No cash flows are exchanged

Effective Date:

- ECH issues variable rate bonds (e.g. to finance new money projects or refund fixed rate bonds)
- Swap cash flows commence, creating a synthetic fixed rate cost of funds
- Depending on what variable rate products are available to ECH in the future (if any), basis risk may exist between floating rate received on swap and variable rate paid on bonds

Forward Swap

Description	Effective	Termination	Fwd Period (Yrs)	Avg Life From Eff.	Notional	70% 1ML Fwd FXP Rate	Forward Premium	All-in Synthetic Fixed
Forward Refunding 2015A (5x10Yr)	02/01/25	02/01/45	5.3	10.4	\$117,290,000	1.260%	0.089%	1.760%
Forward New Money Scenario #1 (2x25Yr)	02/01/22	02/01/47	2.0	25.0	\$150,000,000	1.239%	0.021%	1.739%
Forward New Money Scenario #2 (3x25Yr)	02/01/23	02/01/48	3.0	25.0	\$150,000,000	1.254%	0.036%	1.754%

Series 2015A Refunding Analysis

Waiting for a current refunding of El Camino's Series 2015A bonds can produce higher savings on a tax-exempt basis, but exposes El Camino to interest rate risk unless utilizing a derivative product. Executing a forward-starting fixed payor swap today that becomes effective on the call date, generates significant PV savings.

(\$ in thousands)

Preliminary Matched Maturity Refunding Analysis	Amortizing Muni Taxable Refunding (Make-Whole Call)	Hypothetical Tax-Exempt Current Refunding (10-Year Call)	Forward FXP Refunding (Non Callable)
Refunding Statistics			
Execution Date	2/1/2020	11/3/2024	2/1/2020
Delivery Date	2/1/2020	11/3/2024	2/1/2025
Par Amount	\$163,185	\$102,300	\$119,080
All-In TIC	3.25%	2.42%	1.94%
Average Coupon	3.13%	5.00%	1.76%
Average Life (years)	12.6	9.9	9.5
Refunded Bonds			
Par Amount of Refunded Bonds	\$139,795	\$122,155	\$117,290
Average Coupon of Refunded Bonds	4.72%	4.67%	4.67%
Call Date	2/1/2025	2/1/2025	2/1/2025
Refunding Savings - PV at 5.0%			
Net PV Savings to 2/1/2020	\$686	\$14,795	\$17,758
Percentage Savings of Refunded Bonds	0.5%	12.1%	15.1%
Negative Arbitrage	\$10,476	\$59	\$ -
Efficiency Ratio	6.1%	99.6%	100.0%
Interest Rate Sensitivity Analysis			
Change in Long-Term Rates			
+125 bps	(\$17,945) -12.8%	\$7,933 6.5%	\$9,723 8.3%
+75 bps	(\$10,294) -7.4%	\$10,726 8.8%	\$13,002 11.1%
+25 bps	(\$2,907) -2.1%	\$13,455 11.0%	\$16,194 13.8%
Current	\$686 0.5%	\$14,795 12.1%	\$17,758 15.1%
-25 bps	\$4,207 3.0%	\$16,110 13.2%	\$19,298 16.5%

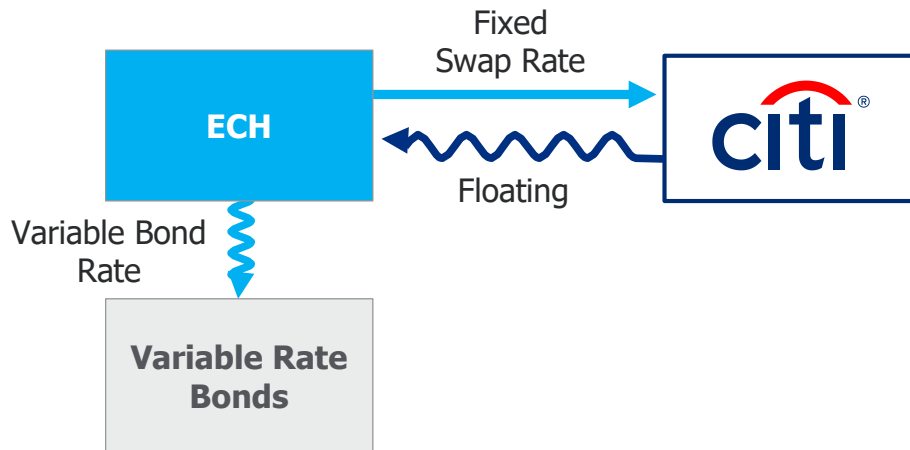
No cash flow up until
the swap delivery
date

Forward Swaps: Two Scenarios on Effective Date

On the effective date of the swap, ECH can either issue variable rate bonds and leave the swap outstanding or use the swap as a hedge to fixed rate bond issuance by terminating the swap at-market.

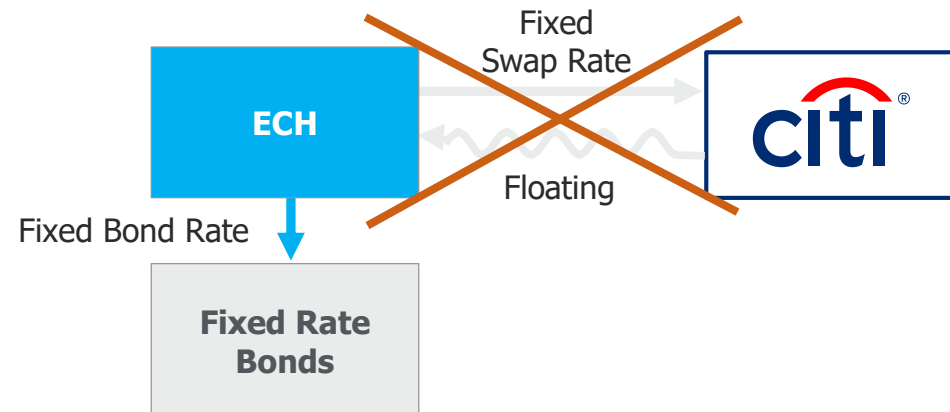
Scenario 1: Issue Variable Bonds + Swap Effective

- On the effective date, ECH issues variable rate bonds and the swap cash flows commence creating a synthetic fixed rate cost of funds
- This scenario assumes that ECH has variable rate market access at an acceptable cost of funds
- ECH may be exposed to basis risk and tax risk to the extent the floating rate received on the swap does not equal the variable rate paid on the bonds



Scenario 2: Issue Fixed Bonds + Terminate Swap

- In the event that ECH uses the forward swap to hedge future fixed rate bond issuance (or if ECH cannot access variable rate market in future and elects to terminate)
- Generally speaking, the swap should act as hedge to ECH's traditional fixed rate borrowing cost
 - Higher swap rates result in a termination receipt – potentially offsetting cost of higher fixed PV debt service
 - Lower swap rates result in a termination payment – potentially offsetting benefit of lower fixed PV debt service
- ECH is exposed to basis risk between changes in taxable swap rates and changes in traditional fixed tax-exempt bond rates



Mark-to-Market ("MTM") Risk Analysis

Floating-to-fixed rate swap MTM is driven by changes in the level of interest rates.

- As rates go down, the MTM becomes more of a liability to ECH
- Sensitivity to changes in interest rates reduces over time as the swap amortizes
- MTM at trade inception reflects transaction costs (hedging, legal, credit, cost of capital, and dealer compensation)

Existing Swap^{1,3}

		Mark-to-Market Date					
Change in LIBOR	Implied 10YR LIBOR	11/1/2019	2/1/2022	2/1/2027	2/1/2032	2/1/2037	
	2.00%	3.57%	(3.67)	(3.13)	(1.99)	(0.99)	(0.25)
	1.50%	3.07%	(4.83)	(4.10)	(2.57)	(1.26)	(0.31)
	1.00%	2.57%	(6.07)	(5.13)	(3.18)	(1.54)	(0.38)
	0.50%	2.07%	(7.41)	(6.23)	(3.82)	(1.83)	(0.45)
	0.00%	1.57%	(8.84)	(7.40)	(4.49)	(2.13)	(0.52)
	-0.50%	1.07%	(10.37)	(8.65)	(5.19)	(2.43)	(0.59)
	-1.00%	0.57%	(12.01)	(9.97)	(5.93)	(2.75)	(0.66)
	-1.50%	0.11%	(13.44)	(11.09)	(6.51)	(2.98)	(0.71)
	-1.57%	0.00%	(13.65)	(11.24)	(6.57)	(2.99)	(0.72)

2x25 Year Forward Starting Swap^{2,3}

		Mark-to-Market Date					
Change in LIBOR	Implied 10YR LIBOR	11/1/2019	2/1/2022	2/1/2027	2/1/2032	2/1/2037	
	2.00%	3.57%	19.73	21.30	18.19	14.52	10.04
	1.50%	3.07%	15.49	16.49	13.86	10.82	7.25
	1.00%	2.57%	10.61	11.09	9.11	6.85	4.32
	0.50%	2.07%	4.99	5.02	3.87	2.59	1.23
	0.00%	1.57%	(1.49)	(1.79)	(1.88)	(2.00)	(2.00)
	-0.50%	1.07%	(8.94)	(9.45)	(8.22)	(6.94)	(5.41)
	-1.00%	0.57%	(17.50)	(18.08)	(15.19)	(12.25)	(8.99)
	-1.50%	0.11%	(27.35)	(27.79)	(22.87)	(17.97)	(12.75)
	-1.57%	0.00%	(28.84)	(29.25)	(24.01)	(18.80)	(13.29)

Decision Points – Forward Starting Floating-to-Fixed Swaps

ECH should consider the benefits and considerations of any transaction prior to execution.

Benefits

- ▲ Hedges interest rate risk in historically low rate environment
- ▲ Forward premiums are historically low
- ▲ Standardized documentation may be executed quickly
- ▲ “Make-whole” call flexibility -- swap may be terminated for market value and the bonds redeemed for par prior to maturity
- ▲ Purchasing cancellation options adds flexibility
- ▲ Diversifies investor universe

Considerations

- ▼ ECH has to fulfill its obligation under the swap agreement even if it does not issue debt
- ▼ Cost of forward premium
- ▼ Structure entails issuance of variable rate bonds, which can require credit support (e.g. VRDOs)
- ▼ Tax-exempt LIBOR-based swap structures can entail tax and basis risk
- ▼ LIBOR-based swap structures entail LIBOR replacement risk
- ▼ Credit risk to Citibank, N.A., rated Aa3 / A+ / A+
- ▼ Potential make-whole payment or receipt upon optional or mandatory early termination
- ▼ Consult auditors regarding accounting treatment



Appendix: General Risk Overview

Synthetic Fixed Rate

General Risks Associated with Floating-to-Fixed Swaps

Ultimate economic results, benefits and risks of the proposed transaction are subject to future market conditions, which are uncertain. Product cost and availability may change over time and risks may arise that are unforeseen.

Risk	Overview of Risk	Potential Mitigant
Credit	<ul style="list-style-type: none"> ECH could be downgraded, impacting the level of collateral posting requirements / threshold 	<ul style="list-style-type: none"> Diversify counterparty exposure to maximize available threshold at various ratings levels
Tax Risk	<ul style="list-style-type: none"> Exposure to any decrease in marginal tax rate or change in tax / securities rules which would reduce the tax advantage of tax-exempt securities over taxable securities, resulting in higher relative tax-exempt rates 	<ul style="list-style-type: none"> Maintain a reasonable balance of derivatives products with tax-risk
Counterparty Credit	<ul style="list-style-type: none"> The risk that Citi could become financially unable to meet its swap obligations and ECH has to replace the Citi as swap dealer in a potentially illiquid market (Citibank, N.A. is currently rated Aa3/A+/A+) 	<ul style="list-style-type: none"> Maintain well-diversified mix of highly-rated counterparties
Basis Risk	<ul style="list-style-type: none"> The risk that a variable rate received from Citi under a floating-to-fixed swap agreement will vary from the rate that ECH pays on the underlying tax-exempt (i.e. SIFMA-based) variable rate bonds the swap is hedging, including any support costs 	<ul style="list-style-type: none"> Structure variable rate debt that resets at a market index that matches swap floating rate.
Mark-to-Market / Collateral Posting	<ul style="list-style-type: none"> For reasons that may not be predictable or anticipated, interest rate changes can cause the market value of the swap to move significantly against ECH, resulting in ECH's requirement to post collateral to Citi if the MTM exceeds the ECH collateral-posting threshold 	<ul style="list-style-type: none"> Diversify counterparty exposure to maximize available threshold at various ratings levels Consider embedding call option to reduce MTM volatility / exposure
Termination	<ul style="list-style-type: none"> Termination risk is similar to credit risk except it relates to other potential causes of early termination of the swap, including ECH's downgrade or nonpayment 	<ul style="list-style-type: none"> Consider embedding call option to reduce MTM volatility / exposure
LIBOR Phase Out	<ul style="list-style-type: none"> Proposed discontinuation of LIBOR index after 2021 	<ul style="list-style-type: none"> Use alternate index on floating leg of swaps such as SIFMA, Fed Funds or SOFR

General Risks Associated with Tax-Exempt Variable Rate Bonds

Risk	Overview of Risk	Potential Mitigant
Interest Rate	<ul style="list-style-type: none"> Exposure to an increase in variable rate tax-exempt and taxable rates, resulting in a higher cost of borrowing for ECH 	<ul style="list-style-type: none"> Consider securing a committed source of capital today by either issuing fixed rate bonds or utilizing derivative products
Credit	<ul style="list-style-type: none"> ECH could be downgraded, impacting floating rate debt costs or liquidity support costs 	<ul style="list-style-type: none"> Consider financing alternatives that lock-in a credit spread based on ECH's credit rating at pricing, such as fixed rate debt, long-term put bonds or floating rate notes
Tax Risk	<ul style="list-style-type: none"> Exposure to any decrease in marginal tax rate or change in tax / securities rules which would reduce the tax advantage of tax-exempt securities over taxable securities, resulting in higher relative tax-exempt rates. Changes in marginal tax rates that impact the funding cost of Direct Purchase Bank Loans 	<ul style="list-style-type: none"> Maintain a reasonable balance of tax-exempt and taxable financing and derivatives products
Put / Event	<ul style="list-style-type: none"> Investor in ECH's puttable products (i.e. VRDOs) exercises right to demand early repayment of the principal amount, forcing ECH to repurchase the security at a specified date, prior to maturity 	<ul style="list-style-type: none"> Utilize bank-supported variable rate debt and / or fixed rate bonds Stagger unsupported variable rate bond event risk
Remarketing	<ul style="list-style-type: none"> Conditions in which a remarketing agent is unable to successfully resell bonds that have been put or come due in the secondary market, forcing ECH to utilize liquidity support or its own liquidity until a permanent source of capital can be utilized 	<ul style="list-style-type: none"> Maintain a level of liquidity that comfortably exceeds ECH's uncommitted capital Utilize variable rate debt that has a longer remarketing window Utilize variable rate debt that resets based on a market index, i.e. SIFMA or a percentage of LIBOR
Liquidity Provider	<ul style="list-style-type: none"> The entity providing bank liquidity could be downgraded, impacting the variable rate cost of funds on the underlying floating rate bonds 	<ul style="list-style-type: none"> Maintain well-diversified mix of highly rated credit providers and counterparties
Bank Renewal	<ul style="list-style-type: none"> The cost and / or availability of liquidity facilities could change in the future, increasing ECH's cost or forcing ECH to utilize / obtain alternate sources of liquidity 	<ul style="list-style-type: none"> Maintain well-diversified mix of credit providers Maintain a level of liquidity that comfortably exceeds ECH's uncommitted capital Utilize longer tenor bank facilities, limiting required number of renewals
LIBOR Phase Out	<ul style="list-style-type: none"> Proposed discontinuation of LIBOR index after 2021 	<ul style="list-style-type: none"> Use alternate index on FRNs (or DP Bank Loans) such as SIFMA, Fed Funds or SOFR

EL CAMINO HOSPITAL

RESOLUTION OF THE BOARD OF DIRECTORS

AUTHORIZATION OF FORWARD STARTING INTEREST RATE HEDGE

NOVEMBER __, 2019

Background:

In presentations made on November __, 2019, the Board of Directors of El Camino Hospital (the "Corporation") has received information from the Corporation's investment banker and management regarding plans to obtain long-term financing for costs of the Corporation's major facilities renovation and replacement projects; such financing will be in addition to the funds to be provided from the proceeds of an issue of general obligation bonds. The proposed plan of finance presented consists of the borrowing of the proceeds of the sale of revenue bonds in total principal amount of approximately \$150 million, to be issued and sold by a conduit governmental issuer, plus interest and costs, and approximately \$165 million, for the potential refunding of the California Health Facilities Financing Authority Revenue Bonds (El Camino Hospital), Series 2015A, plus interest and costs (together, the "Revenue Bonds"). The proposed plan of finance contemplates one or more non-qualified "forward starting swaps" to manage the risk of increase in interest rates prior to and after the issuance and refunding of the Revenue Bonds (the "Swaps"). The information presented to this board includes, among other matters, data regarding historical and projected long-term tax-exempt interest rates, information provided by the Corporation's financial advisor, the timeline for implementing the Swaps, and information outlining next steps for the implementation of the Swaps.

The purpose of this resolution is to approve the execution of the Swaps and to authorize the Chief Executive Officer and Chief Financial Officer (each an "Authorized Officer") (i) to finalize the terms of the Swaps and (ii) to enter into an ISDA Master Agreement with Citibank, N.A., a Schedule, a Credit Support Annex, one or more Confirmations, and obligations under the Master Trust Indenture (together, the "Swap Agreements") in such form and with such terms as shall be acceptable to the Authorized Officer executing the Swap Agreements.

Accordingly, in reliance on the foregoing, it is hereby

RESOLVED: That it is in the best interest of the Corporation to enter into the Swap Agreements for the purpose of managing the risk of interest rate changes and not for investment or speculation; that each Authorized Officer is authorized, acting singly, with the advice of the Corporation's financial advisor, to agree to or set the notional amounts, trade date, effective date or dates, termination date or dates, payment dates, fixed and floating rates in order to achieve a net interest cost of not more than two percent (2%), optional termination provisions and methods of determining the optional termination payment amount, collateralization and other security requirements, and other terms; and that each Authorized Officer is authorized, in the name and on behalf of the Corporation, to execute and deliver the agreements, certificates, instruments and other documents that he or she may in his or her discretion determine to be necessary or

advisable to carry out the intent of this resolution, including, without limitation, such documents as shall be necessary to issue an obligation under the Master Indenture, execution thereof to be conclusive as to such determination and the approval of the terms thereof by the Corporation.

RESOLVED: That the authority granted to the Authorized Officers to enter into the Swaps shall expire one hundred eighty (180) days from the date of this resolution if unexercised.