CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (CHFFA)

REFINANCING SUMMARY

Applicant:	Lucile Salter Packard Children's Hospital ('LPCH" or "Borrower")	**Amount Requested:**	$69,000,000
Project site:	Santa Clara County	**Outstanding Principal:**	Approximately $60,000,000
Date Requested:	March 11, 2008	**Resolution Number:**	331
Background:	Many hospital borrowers are facing unanticipated and staggering financial burdens associated with significant interest rate increases, due to recent dramatic changes in the auction and variable rate bond markets. Consequently, borrowers (including LPCH) are seeking to quickly refund their debt to extricate themselves from untenable debt service obligations to position themselves into more affordable and stable rates and, in some cases, out from under a downgraded insurer.		
Purpose:	Bond proceeds will be used to refund previously issued auction rate or variable rate bonds. These bonds were previously used for certain capital expenditures at the facilities owned or operated by LPCH.		
Financial Overview:	Based on staff's review of LPCH's most recent audited financial statements, LPCH's income statement and balance sheet appear solid. Additionally, LPCH appears to meet CHFFA's minimum requirements for debt service coverage as set forth within CHFFA's Bond Issuance Guidelines. This refunding is expected to lower LPCH's interest costs for the refunded bonds.		
Most Recent Underlying Bond Rating:	No underlying rating available at the time of this staff report. Most recent bond issuance was rated Aaa (Moody's), AAA (S&P), based on credit enhancement.		

Sources and Uses/Costs of Issuance/Cost Savings

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

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

- **Religious Due Diligence**
- **Legal Review**
- **Community Service Obligation**
- **CEQA (not required because borrower is refunding their bonds)**

Staff Recommendation: Staff recommends the Authority approve a Resolution in an amount not to exceed $69,000,000 for Lucile Salter Packard Children's Hospital subject to financing terms acceptable to the Authority, that the Authority waive the pass-through requirement in connection with this refinancing, and that the Authority consider an appropriate fee reduction for this borrower as the circumstances may warrant.