

**AGENDA**  
**SPECIAL MEETING OF THE**  
**EL CAMINO HOSPITAL BOARD OF DIRECTORS**

**Monday, July 27, 2020 – 6:55pm**

El Camino Hospital | 2500 Grant Road Mountain View, CA 94040

PURSUANT TO STATE OF CALIFORNIA EXECUTIVE ORDER N-29-20 DATED MARCH 18, 2020, EL CAMINO HEALTH **WILL NOT BE PROVIDING A PHYSICAL LOCATION FOR THIS MEETING**. INSTEAD, THE PUBLIC IS INVITED TO JOIN THE OPEN SESSION MEETING VIA TELECONFERENCE AT:

**1-669-900-9128, MEETING CODE: 369-007-4917#. No participant code. Just press #.**

**MISSION:** To heal, relieve suffering, and advance wellness as your publicly accountable health partner.

AGENDA ITEM	PRESENTED BY		ESTIMATED TIMES
<b>1. CALL TO ORDER/ROLL CALL</b>	Lanhee Chen, Board Chair		<b>6:55 – 6:56pm</b>
<b>2. POTENTIAL CONFLICT OF INTEREST DISCLOSURES</b>	Lanhee Chen, Board Chair		<b>information 6:56 – 6:57</b>
<b>3. PUBLIC COMMUNICATION</b> 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	Lanhee Chen, Board Chair		<b>information 6:57 – 7:00</b>
<b>4. APPROVAL OF SWAP TRANSACTION</b> <i>Resolution 2020-07</i> <a href="#">ATTACHMENT 4</a>	Michael Moody, Interim CFO	<i>public comment</i>	<b>motion required 7:00 – 7:04</b>
<b>5. ADJOURNMENT</b>	Lanhee Chen, Board Chair	<i>public comment</i>	<b>motion required 7:04 – 7:05pm</b>

**Upcoming Regular Meetings:** August 12, 2020; October 14, 2020; November 11, 2020; December 9, 2020; February 10, 2021; March 10, 2021; April 7, 2021; May 12, 2021; June 9, 2021

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

**To:** El Camino Hospital Board of Directors  
**From:** Michael Moody, Interim CFO  
**Date:** July 27, 2020  
**Subject:** Forward Swap Transaction

**Recommendation:**

To approve Resolution 2020-07.

The objective is to present the proposed Forward Starting Fixed Interest Rate Swap transaction (“Swap”) and the objective of the transaction to the ECH Board and Finance Committee. This transaction was previously approved by the ECH Board with a six month window of execution in mid-December 2019. The six month window has expired and management would like to have the authority to consider execution of this transaction for an additional six month window.

**Summary:**

1. **Situation:** The Board of ECH previously approved a resolution that gave management the authority for six months to execute a forward interest rate swap. Due to the transition at the CFO position, the instability of the interest rate market for a period of time, and the necessary focus of the interim CFO on items related to the COVID-19 pandemic, the initial six (6) month window expired. With the help of Ponder & Company, ECH’s outside financial adviser, I have analyzed this opportunity and recommend that it is prudent for management to have the ability to execute this transaction going forward. Interest rates are at very favorable rates today and this transaction would give the organization an opportunity to lock in today’s rates ahead of an opportunity to refinance the current 2015 bonds in 2025. Our representative in this area from Ponder will be presenting an overview of the proposed transaction and the potential economic benefits at the meeting.

A transaction of this structure is not risk free. The types of risk include: 1) maintenance of the current credit rating, 2) that ECH would have access to debt markets in 2025, 3) ECH will be able to renew the current bank Letter of Credit (LOC) that supports the 2015 bonds, and 4) due to fundamental issues in the U.S. economy, the interest rates that ECH would be subject to are negative in 2025.

As you will see in the Fiscal Year 2021 budget presentation, ECH currently enjoys a AA rating from Standard & Poor’s. The basis for this rating is the strength of the balance sheet, specifically the size of the investment portfolio and resulting Days Cash on Hand coupled with the current low percentage of leverage on the balance sheet as measured by the Debt to Equity percentage. Financially prudent maintenance of the balance sheet between now and 2025 will manage the risks outlined in numbers 1 through 3 above. I would recommend that the Finance Committee review the rating metrics on an annual basis with management as updated medians are released by Standard & Poor’s. The fourth risk is macro in nature and is not something that ECH can tactically manage. For that reason management is recommending that we limit the Swap to approximately one-third (1/3) of the outstanding par amount of the 2015 bonds or \$40 million dollars. Both management and Ponder feel that this is a prudent approach.

The basics of the Swap have been negotiated with Citibank (“Citi”) and are covered in the attached presentation. ECH has negotiated competitive terms as part of the transaction. Our legal counsel and Ponder & Company were instrumental in achieving this.

Forward Swap Transaction  
July 27, 2020

This is being brought forward as part of the joint Finance Committee/Board meeting for approval due to the current interest rate markets, as outlined in the attached presentation. Normally, a transaction of this type would be brought to the Finance Committee and then separately to the Board once a recommendation is provided by the Finance Committee. Because of the current markets, management is bringing this forward for action at the Joint Meeting and appreciates your willingness to consider the Swap in this fashion.

2. Authority: Due to the nature and size of the transaction along with the risks, this transaction requires the approval of the ECH Board of Directors.
3. Background: See Summary.
4. Assessment: After all estimated transaction costs, at today's interest rates, ECH will be in a position to lock in interest rates that are 110 basis points (1.1%) lower than today's fixed interest rates. This equates to an interest rate of 1.6% in 2025 when the 2015 outstanding bonds can be refinanced.
5. Other Reviews: None
6. Outcomes: Board approval of the resolution authorizing management to execute the Swap in the next six months.

**List of Attachments:**

1. Resolution 2020-07 (authorizing management the authority to carry out the transaction)

**Suggested Board Discussion Questions:** None

EL CAMINO HOSPITAL

RESOLUTION OF THE BOARD OF DIRECTORS

AUTHORIZATION OF FORWARD STARTING INTEREST RATE HEDGE

JULY 27, 2020

Background:

In presentations made on December 16, 2020 and July 27, 2020, 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 plan of finance proposed on July 27, 2020 consists of the borrowing of the proceeds of the sale of revenue bonds in total principal amount up to \$150 million, to be issued and sold by a conduit governmental issuer, plus interest and costs, and approximately \$125 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, the timeline for implementing the Swaps, and information outlining next steps for the implementation of the Swaps.

On December 16, 2019, the Board of Directors approved the execution of forward starting swaps on similar terms as the currently proposed Swaps and authorized the Chief Executive Officer and Chief Financial Officer to finalize the terms of such swaps. However, the authority granted by the Board of Directors to the Chief Executive Officer and Chief Financial Officer under the December 16, 2019 resolution was not exercised, and therefore, such authority expired on June 13, 2020.

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, (ii) to enter into an ISDA Master Agreement with Citibank, N.A., a Schedule, a Credit Support Annex, one or more Confirmations, and (iii) to issue obligations under the Master Trust Indenture and all documents and agreements necessary or appropriate to properly issue such an obligation (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 independent registered municipal 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 fixed swap rate of not more than two percent (2.00%), 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 or appropriate 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.

Duly passed and adopted at a regular meeting held on this 27 day of July 2020, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Julia E. Miller  
Secretary, El Camino Hospital  
Board of Directors