

**CALIFORNIA ALTERNATIVE ENERGY AND
ADVANCED TRANSPORTATION FINANCING AUTHORITY**

Board Meeting Date: Tuesday, June 17, 2025

Request to Approve Project for a Sales and Use Tax Exclusion¹

**Intuitive Surgical, Inc. and Intuitive Surgical Operations, Inc.
Application No. 25-SM034**

Prepared By: *Willy Chen, Program Analyst*

SUMMARY

Applicant: Intuitive Surgical, Inc. and Intuitive Surgical Operations, Inc.

Location: Sunnyvale, Santa Clara County; Santa Clara, Santa Clara County

Industry: Advanced Robotic Surgical Systems and Tools Manufacturing

Project: Update and Expansion of Existing Advanced Robotic Surgical Systems and Tools Manufacturing Facilities (Advanced Manufacturing)

Project Pool: Small

Value of Qualified Property	Estimated Sales and Use Tax Exclusion (“STE”) Amount ²
\$23,500,000	\$1,992,800

Estimated Net Benefit ³	Dollar Value	Points Earned
Estimated Fiscal Benefits	\$9,349,951	4,692
Estimated Environmental Benefits	N/A	35
Additional Benefits	N/A	150
Total	\$9,349,951	4,877
Estimated Quantifiable Net Benefit	\$7,357,151	N/A

¹ All capitalized terms not defined in this document are defined in the STE Program’s statutes and regulations.

² This amount is calculated based on the average statewide sales tax rate of 8.48%.

³ Applications that earn a Total Score of at least 1,000 points and an Environmental Benefits Score of over 20 points may be recommended for approval. (California Code of Regulations Title 4, Division 13, Section 10033(c)(6).)

Previous Awards and Status: Three previous awards

- Award 1: App No. 19-SM006, Award Year 2019, 100% Expended, Complete, Compliant on Required Reports
- Award 2: App No. 20-SM027, Award Year 2020, 100% Expended, Complete, Compliant on Required Reports
- Award 3: App No. 23-SM028, Award Year 2023, 81% Expended, Active, Compliant on Required Reports

Competitive Criteria Score: 90

Staff Recommendation: Approval

THE APPLICANT

Intuitive Surgical, Inc. and Intuitive Surgical Operations, Inc. (collectively the “Applicant”) were formed in Delaware as corporations in 1995 and 2009, respectively. Intuitive Surgical Operations, Inc. is wholly owned by Intuitive Surgical, Inc. The Applicant is located in Sunnyvale at its centralized global headquarters and publicly traded on the NASDAQ Stock Exchange under the ticker symbol ISRG. The Applicant develops, manufactures, and markets robotic systems, instruments, and accessories that are made to perform minimally invasive surgery.

The corporate officers of the Applicant are:

- Gary S. Guthart, Ph.D., Chief Executive Officer & Member of Board of Directors
- Myriam J. Curet, M.D., Executive Vice President, Chief Medical Officer
- David J. Rosa, President & Member of the Board of Directors
- Jaime E. Samath, Chief Financial Officer
- Brian E. Miller, Executive Vice President & Chief Digital Officer
- Robert J. DeSantis, Executive Vice President & Chief Strategy and Corporate Operations Officer
- Gary H. Loeb, Executive Vice President & Chief Legal and Compliance Officer
- Kara A. Reiter, Senior Vice President, Litigation, Privacy, and Employment Law
- Henry L. Charlton, Executive Vice President & Chief Commercial and Marketing Officer

THE PROJECT

Intuitive Surgical, Inc. and Intuitive Surgical Operations, Inc. requests a sales and use tax exclusion (“STE”) award to upgrade and expand its existing advanced robotic surgical systems and tools manufacturing facilities located in Sunnyvale and Santa Clara (the “Project”).

The Project will support the Applicant’s advanced R&D, production, quality control, and

assembly operations. According to the Applicant, its products include the *da Vinci* surgical systems, instruments, and the Ion Endoluminal System. The Applicant states that technicians use high-precision assembly tools with built-in algorithms to monitor torque in real time, ensuring each product is built to spec. The Applicant also analyzes robot kinematic data from actual surgeries to refine its systems and improve performance.

According to the Applicant, machine learning and deep learning are used to enhance product design, manufacturing, and quality assurance. These tools analyze large volumes of surgical and training data to improve system ergonomics, reduce robotic arm collisions, and automate testing for endoscope image consistency. The Applicant is also exploring AI applications such as surgical staple assessment, lung biopsy path planning, and kidney segmentation from CT scans.

Regarding sustainability goals, the Applicant intends to maintain and upgrade systems as practicable to increase energy efficiency, and reduce kWh and therm usage.

Anticipated Costs of Qualified Property

Anticipated Qualified Property Purchases	Cost
Manufacturing/Production Machinery, Equipment & Materials	\$7,500,000
Facility Buildout, Upgrades & Infrastructure Improvements	\$1,000,000
Logistics, Transport, Storage Systems & Related Property	\$500,000
Computers, Information Technology & Related Property	\$1,000,000
Design, Engineering, Research and Development Property	\$5,500,000
Tooling Equipment & Materials	\$500,000
Production/Design Tools, Spare & Repair Parts	\$3,500,000
Quality Control, Testing & Prototyping	\$1,500,000
Lab Instruments & Devices	\$2,500,000
Total	<u>23,500,000</u>

Note: The Qualified Property purchases reported in the Application and shown here in the staff report are estimated costs. In accordance with the Regulatory Agreement, a finalized Project equipment list will be prepared detailing the value of the Project equipment actually acquired, and the estimated tax benefit realized pursuant to Revenue and Tax Code Section 6010.8. Variance from the costs shown in the Application and in this report may occur prior to the closing due to increased costs of certain components of the Project over original estimates, and other reasons. In addition, those costs may vary after closing due to increased costs, common design and equipment modifications during construction, differences in equipment due to future changes in statute or regulation, or for other reasons.

Timeline

According to the Applicant, renovation and expansion of the Project are currently underway. Upgrades and additions to the Project space, as well as production, research, design, testing, and prototyping equipment will begin in Q3 of 2025 and continue over the next three years. The Applicant plans to purchase additional materials, tools, and infrastructure to support the advancement of its systems, instruments, and accessories, with this phase continuing through Q2 of 2028.

Status of Permits/Other Required Approvals

According to the Applicant, all necessary building, installation, and operational permits have been or will be timely secured and are in good standing with the Cities of Sunnyvale, Santa Clara, and the County of Santa Clara for all property owned and leased for this Project.

COMPETITIVE CRITERIA SCORE

The Applicant received 90 Competitive Criteria points as follows:

1. **Environmental Benefits (0 of 100 points)**. The Application does not have a Recycled Resource Extraction Project or Project that produces an Advanced Transportation Technology or an Alternative Source product, component, or system. Therefore, no points are awarded.
2. **Unemployment (0 of 50 points)**. The Applicant's Project is located in Santa Clara, which has an average annual unemployment rate of 4.1%.⁴ When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant zero points.
3. **Job Creation (75 of 75 points)**. The Applicant anticipates the Project will support a total of 3,617 production-related jobs at its Facilities. CAEATFA estimates that approximately 43.07 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 75 points.
4. **California Headquarters (15 of 15 points)**. The Applicant maintains its corporate headquarters in Sunnyvale, California, 15 points are awarded.
5. **Natural Disaster Relief (0 of 50 points)**. The Project is not to rebuild or relocate the Applicant's Facilities due to a fire, flood, storm, or earthquake identified in a state of emergency proclaimed by the Governor within two years of the time of application, and, therefore, zero points are awarded.
6. **Eligibility for Manufacturing and Research and Development Equipment Exemption (0 of 50 points)**. The Applicant is eligible to use one or more of the exemptions established pursuant to Section 6377.1 of the Revenue and Taxation Code, and, therefore, zero points are awarded.
7. **Emerging Strategic Industry (0 of 75 points)**. The Project's industry is not in an Emerging Strategic Industry, as defined by CAEATFA, zero points are awarded.

⁴ Unemployment rates are based on data available in October 2024.

PROJECT EVALUATION

Project Benefits

The Project received a Total Score of 4,877 points, which exceeds the required 1,000-point threshold, and includes an Environmental Benefits Score of 35 points, exceeding the 20-point threshold.

1. **Fiscal Benefits (4,692 points)**. The net present value of the total fiscal benefits over the lifetime of the Qualified Property is derived from the Applicant's sales and use taxes, personal income taxes paid by the firm's employees, firm taxes on profits, property taxes, and other indirect fiscal benefits of the Applicant. The total fiscal benefits amount to \$9,349,951, resulting in a Fiscal Benefits score of 4,692.
2. **Environmental Benefits (35 points)**. The Project earned an Environmental Benefits Score of 35. The Applicant received points in the following categories:
 - A. **Environmental Sustainability Plan (5 of 5 points)**. The Applicant has an environmental sustainability plan that it states aims to reduce waste, lower greenhouse gas emissions, increase recycling, improve water efficiency, and implement green construction practices.
 - B. **Energy Consumption (30 of 30 points)**. The Applicant anticipates the Project will result in a 34% reduction in energy consumption compared to the Applicant's previous manufacturing process. This will be achieved through the implementation of a controlled optimization program, including dual-maximum VAV setpoints, Trim & Respond resets of supply air temperature, and duct static pressure.
3. **Additional Benefits (150 points)**. Applicants may earn "Additional Benefits" points in the categories listed below. The Applicant received 150 Additional Benefits points.
 - A. **Production Jobs (75 of 75 points)**. The Applicant anticipates the Project will support a total of 3,617 production-related jobs at its Facilities. CAEATFA estimates that approximately 43.07 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned 75 points.
 - B. **Construction Jobs (0 of 75 points)**. The Applicant anticipates the Project will support a total of 13 construction jobs at its Facilities. CAEATFA estimates that approximately 0.15 of these jobs will be attributable to a marginal increase in jobs created due to the STE. Based on the amount of STE per estimated number of jobs created, the Applicant earned zero points.

- C. Unemployment (0 of 50 points).** The Applicant's Project is located in Santa Clara County, which has an average annual unemployment rate of 4.1%. When compared to the statewide average annual unemployment rate of 5.3%, the Project location earned the Applicant zero points.
- D. Research and Development Facilities (25 of 25 points).** The Applicant has verified that it has a facility located in California that performs research and development functions related to the production of advanced robotic surgical systems and tools.
- E. Workforce Partnerships (25 of 25 points).** The Applicant has a partnership with California universities such as Santa Clara University, San Jose State, UCSD, UCLA, and Stanford for the purpose of assisting in the training of potential future workers.
- F. Benefits and Fringe Benefits (25 of 25 points).** The Applicant states it provides medical, health, dental, & vision benefits, bonuses, retirement contributions, and transportation subsidies to its employees, earning the Applicant 25 points.

LEGAL STATUS QUESTIONNAIRE

Staff has reviewed the Applicant's responses to the Legal Status Questionnaire. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the Applicant.

CAEATFA FEES

In accordance with STE Program regulations,⁵ the Applicant paid CAEATFA an Application Fee of \$10,000 and will pay CAEATFA an Administrative Fee of up to \$94,000 should the Applicant be approved for an award.

RECOMMENDATION

Staff recommends the approval of Resolution No. 25-SM034-01 for Intuitive Surgical, Inc. and Intuitive Surgical Operations, Inc.'s purchase of qualifying tangible personal property in an amount not to exceed \$23,500,000, anticipated to result in an approximate STE value of \$1,992,800. The initial term of the Regulatory Agreement will be for a period of three years, until June 17, 2028, and the remainder shall be for a period of seven years and six months, until December 17, 2032, for providing annual compliance reports.

⁵ California Code of Regulations Title 4, Division 13, Section 10036

**RESOLUTION APPROVING AND AUTHORIZING EXECUTION OF A REGULATORY
AGREEMENT WITH INTUITIVE SURGICAL, INC. AND INTUITIVE SURGICAL
OPERATIONS, INC.**

June 17, 2025

WHEREAS, the California Alternative Energy and Advanced Transportation Financing Authority (the “Authority”) has received the Application of **Intuitive Surgical, Inc. and Intuitive Surgical Operations, Inc.** (the “Applicant”) for financial assistance under the Sales and Use Tax Exclusion Program, as established in Public Resources Code Section 26011.8; and

WHEREAS, the Applicant qualifies as a Participating Party under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8; and

WHEREAS, the Applicant’s qualifying tangible personal property meets the requirements of a Project under Public Resources Code Section 26011.8 and Revenue and Taxation Code Section 6010.8 (the “Project”); and

WHEREAS, after the Authority approves an Application, the Authority enters into a Regulatory Agreement, as described in Authority Regulations Section 10035(a), with the Applicant for the Project; and

WHEREAS, the Applicant has stated the Project has an estimated cost not to exceed \$23,500,000 over a period of three (3) years; and

WHEREAS, the Applicant asserts that this form of financial assistance will enable it to avail itself of the benefits of an exclusion from sales and use taxes relative to the Project pursuant to Revenue and Taxation Code Section 6010.8; and

WHEREAS, the approval of the terms of the Regulatory Agreement and authority for the Executive Director or Chair of the Authority to execute the necessary documents to effectuate the Regulatory Agreement is now sought;

NOW, THEREFORE, BE IT RESOLVED by the California Alternative Energy and Advanced Transportation Financing Authority, as follows:

Section 1. The Regulatory Agreement includes a Project within the meaning of Public Resources Code Section 26003(a)(8)(B).

Section 2. The Regulatory Agreement constitutes financial assistance within the meaning of Public Resources Code Section 26003(a)(6).

Section 3. The Applicant is a participating party within the meaning of Public Resources Code Section 26003(a)(7).

Section 4. The Executive Director or Chair of the Authority (the “Authorized Signatories”) are hereby authorized for and on behalf of the Authority to approve any changes to the Project as the Authorized Signatories deem appropriate, provided that the amount of the qualifying tangible personal property to be purchased for the Project may not be increased above the amount approved by the Authority.

Section 5. The proposed form of the Regulatory Agreement between the Applicant and the Authority, as filed with the Authority prior to this public meeting, is hereby approved. For, on behalf and in the name of the Authority, the Authorized Signatories are hereby authorized and directed to execute, acknowledge, and deliver to the Applicant the Regulatory Agreement in substantially the form filed with or approved by the Authority.

The Regulatory Agreement may contain insertions, deletions or changes as the Authorized Signatories executing the Regulatory Agreement may require or approve, including particular information inserted in substantial conformance with the staff summary and in the Application to the Authority. The approval of the Regulatory Agreement will be conclusively evidenced by the execution and delivery of the final Regulatory Agreement.

The Authority understands and agrees that, pursuant to the terms of the Regulatory Agreement, the obligations of the Applicant, under some circumstances, may be carried out or assumed by a successor or assignee entity, or by an affiliate of the Applicant.

Section 6. Each of the Authorized Signatories, acting alone, is hereby authorized and directed to do any and all ministerial acts, including, without limitation, the execution and delivery of any and all documents and certificates they may deem necessary or advisable to consummate the Regulatory Agreement and otherwise effectuate the purposes of this Resolution.

Section 7. The Applicant shall ensure that all of the qualifying tangible personal property acquired as part of the Project that is listed in the semi-annual reports provided to the Authority pursuant to the Regulatory Agreement will be installed, maintained and operated in compliance with all applicable local, state and federal laws.

Section 8. The Regulatory Agreement shall only apply to qualifying tangible personal property acquired as part of the Project that the Applicant certifies will be installed, maintained and operated at facilities physically located within the State of California.

Section 9. Neither the adoption by the Authority of this Resolution for the Applicant nor the Regulatory Agreement may be referred to in any application before any governmental agency as evidence of the feasibility, practicality or suitability of the Project and may not be referred to in any application for any required permission or authority to acquire, construct or operate the Project.

Agenda Item – 4.A.18
Resolution No. 25-SM034-01

Section 10. This Resolution is effective immediately and will remain in full force and effect unless the Regulatory Agreement is not executed within thirty (30) days of the date of this Resolution. The Executive Director may extend the thirty (30) days if necessary.