

## STAFF SUMMARY AND RECOMMENDATION

### LUCILE SALTER PACKARD CHILDREN'S HOSPITAL AT STANFORD ("LSPCH")

Final Resolution Number 2006-09

August 24, 2006

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**ORIGINAL ISSUE AMOUNT: Series A and B \$60,000,000**

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**BACKGROUND:** At the May 29, 2003 Authority Meeting, the board approved Resolution Number 298 authorizing bond proceeds to be used for the first phase of a major expansion and renovation project including the purchase of a new clinical information system.

**ISSUE:** As a result of greater than anticipated success in the fund raising campaign commenced in 2001, Lucile Salter Packard Children's Hospital at Stanford ("LSPCH") has not expended all the funds received from the proceeds of the California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) Series 2003 A and Series 2003 B (the "Bonds"). In order to expend the remaining proceeds on deposit in the Project Fund established in connection with the Bonds, LSPCH wishes to apply a portion of the proceeds to acquire a leasehold interest in certain additional property which has become available in the vicinity of its pediatric hospital facility located on the campus of Stanford University. LSPCH intends to use such property to address current and future capacity requirements.

In order for the proceeds of the tax-exempt bonds to be used at a particular location, the location must be identified in the TEFRA notice published in connection with the issuance of such bonds and approved as a part of the TEFRA approval process prior to the issuance of such bonds. The locations included in the TEFRA notice and approved as a part of the TEFRA approval process prior to the issuance of the Bonds included 725 Welch Road and 730 Welch Road. The addresses for the additional locations are 701 A Welch Road, 701 B Welch Road, 701 C Welch Road 701 D Welch Road and 770 Welch Road. (See Exhibit A)

Amendment of the terms of the Bonds to provide an additional auction period as set forth in the proposed form of First Supplemental Bond Indenture is a change of the type which causes the Bonds to be reissued for federal income tax purposes and is being requested in order to enable LSPCH to utilize the proceed of Bonds at the additional locations identified above. In connection with amendment of the terms of the Bonds in a way which causes the Bonds to be reissued for federal income tax purposes, a new TEFRA notice including the additional addresses is published, a new TEFRA hearing is held and a new TEFRA approval is provided.

No reoffering or remarketing of the Bonds is required in connection with the changes in the terms of the Bonds contemplated nor will there be any reoffering or remarketing. The Bonds will remain in the current auction period unless and until LSPCH elects to change to the additional auction period proposed to be added pursuant to the terms of the First Supplemental Bond Indenture.

**LEGAL REVIEW:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. The information that was disclosed does not appear to question the financial viability or legal integrity of this applicant

**RECOMMENDATION:** Staff recommends the Authority approve the resolution authorizing the modification of the proposed use of funds and the execution and delivery of the first supplemental bond indenture allowing for the addition of a special auction period for Lucile Salter Packard Children's Hospital at Stanford, subject to all prior provisions and conditions to remain unchanged and in full effect.

**NOTICE OF PUBLIC HEARING**

Notice is hereby given that on Wednesday, July 26, 2006, a public hearing as required by Section 147(f) of the Internal Revenue Code of 1986 (the "Code") will be held with respect to the proposed amendments to the terms of the \$60,000,000 aggregate principal amount of California Health Facilities Financing Authority Revenue Bonds (Lucile Salter Packard Children's Hospital at Stanford) Series 2003A and Series 2003B (as amended, the "Bonds") and the resulting deemed issuance of the Bonds by the California Health Facilities Financing Authority for the benefit of Lucile Salter Packard Children's Hospital at Stanford, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), described in Section 501(c)(3) of the Code. Proceeds of the Bonds will be applied to finance or refinance the acquisition, construction, renovation, expansion and equipping of certain portions of the hospital and related health care facilities owned and operated or to be owned and operated by the Corporation, located at and in the vicinity of 701 A Welch Road, 701 B Welch Road, 701 C Welch Road, 701 D Welch Road, 703 Welch Road, 725 Welch Road, 730 Welch Road and 770 Welch Road, Palo Alto, California 94304, 2000 Mowry Avenue, Fremont, California 94538, 2500 Grant Road, Mountain View, California 94040, 170 Alameda, Redwood City, California 94062 and at and in the vicinity of 751 South Bascom Avenue, San Jose, California 95128, including at and in the vicinity of the campus of Santa Clara Valley Medical Center, San Jose, California, which is bounded by South Bascom Avenue, Enborg Lane, Thornton Way and Moorpark Avenue, San Jose.

The hearing will commence at 10:00 a.m., or as soon thereafter as the matter can be heard, and will be held in Suite 590, 915 Capitol Mall, Sacramento, California. Interested persons wishing to express their views on the issuance of the Bonds or on the nature and location of the facilities proposed to be financed will be given an opportunity to do so at the public hearing or may, prior to the time of the hearing, submit written comments to Sandra Simpson-Fontaine, Executive Director, California Health Facilities Financing Authority, 915 Capitol Mall, Suite 590, Sacramento, California 95814.

Dated: July 11, 2006.