

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
CHILDREN'S HOSPITAL BOND ACT OF 2004**

PROPOSED AMENDMENTS TO REGULATIONS

**Resolution No. CHP 2009-01
January 29, 2009**

BACKGROUND:

Authority staff is recommending approval of a number of clarifying amendments to the existing regulations for the Children's Hospital Bond Act of 2004 (enacted upon the passage of Proposition 61). These amendments will be incorporated into the proposed regulations for the Children's Hospital Bond Act of 2008 (enacted upon the passage of Proposition 3) which also appears on this month's agenda (Resolution No. CHP 2009-02).

Proposed amendments include:

- a definition of the Children's Hospital Program *of 2004* (to distinguish from the newly created 2008 Program),
- revisions to the application, and
- condensing/combining certain sections.

The documents attached are as follows:

- Tab A: January 22, 2009 blacklined copy of regulation text (comparing regulations with the existing 2004 regulations) incorporating public comment received through January 21, 2009. This version was posted on the CHFFA website on January 22, 2009.
- Tab B: Proposed revised Children's Hospital Program Application, incorporated by reference in proposed regulation amendments.
- Tab C: Proposed revised Children's Hospital Application Overview and Instructions, incorporated by reference in proposed regulation amendments.
- Tab D: Children's Hospital Bond Act of 2004 (Proposition 61) statutory language.
- Tab E: Resolution No. CHP 2009-01.

RECOMMENDATION:

Staff recommends the Authority approve the proposed Children's Hospital Program regulation amendments for submission to the Office of Administrative Law.

Tab A

TEXT OF REGULATIONS

ADOPT: CALIFORNIA CODE OF REGULATIONS

Title 4 Division10, Chapter 2

The ~~Children's Hospital Program~~Children's Hospital Program of 2004

Section 7030. Definitions

The following words and phrases, as used in this chapter are defined as follows:

(a) "Act" means the Children's Hospital Bond Act of 2004 (Part 6 (commencing with Section 1179.10), Division 1, Health and Safety Code), approved by voters on November 2, 2004.

(b) "Administrative Costs" means actual costs incurred by the Authority and other state agencies as permitted by law for administering the ~~Children's Hospital Program~~Children's Hospital Program of 2004.

(c) "Applicant" means any Children's Hospital applying for program funding from the ~~Children's Hospital Program~~Children's Hospital Program of 2004.

(d) "Application Form" means the written request by an Applicant to the Authority for a Grant under the ~~Children's Hospital Program~~Children's Hospital Program of 2004 which includes pages 1-9, Attachments A-C and all materials submitted with Form #CHFFA 5, Rev. 8-2005, for the First Funding Round. If necessary, the Application Form for the Second Funding Round and requisite regulations shall be developed no later than June 1, 2014.

(e) "Audited Financial Statements" means an examination and report of the financial activities of the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, for its fiscal year, performed by an independent accounting firm under generally accepted accounting principles.

In the case of the University of California Children's Hospitals, "Audited Financial Statements" means an examination and report of the financial activities of each individual University of California medical center that includes a University of California Children's Hospital, for its fiscal year, performed by an independent accounting firm under generally accepted accounting principles.

(f) "Authority" means the California Health Facilities Financing Authority.

(g) "Children's Hospital" means either:

- (1) A University of California general acute care hospital described as any one of the following:

- (A) University of California, Davis Children’s Hospital.
- (B) Mattel Children’s Hospital at University of California, Los Angeles.
- (C) University Children’s Hospital at University of California, Irvine.
- (D) University of California, San Francisco Children’s Hospital.
- (E) University of California, San Diego Children’s Hospital.

(2) A general acute care hospital that is, or is an operating entity of, a California nonprofit corporation incorporated prior to January 1, 2003, whose mission of clinical care, teaching, research, and advocacy focuses on children, and that provides comprehensive Pediatric Services to a high volume of children eligible for Government Health Insurance Programs and to children with special health care needs eligible for the California Children’s Services program and:

- (A) Provided at least 160 licensed beds in the categories of pediatric acute, pediatric intensive care and neonatal intensive care in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to the Office of Statewide Health Planning and Development (OSHPD) on or before July 1, 2003.
- (B) Provided over 30,000 total pediatric patient (census) days, excluding nursery acute days, in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to OSHPD on or before July 1, 2003.
- (C) Provided medical education of at least eight (rounded to the nearest integer) full-time equivalent pediatric or pediatric subspecialty residents in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to OSHPD on or before July 1, 2003.

(h) ~~“Children’s Hospital Program”~~ “Children’s Hospital Program of 2004” means the program resulting from the Act.

(i) “Costs of Issuance” mean the expenses incurred in connection with the sale and issuance of bonds, other short-term debt instruments, or loans approved by the Pooled Money Investment Board that are used to finance or refinance Grants, and accrued interest on any short-term debt instruments or loans which are not paid from another source.

(j) “Executive Director” means the Executive Director of the Authority.

(k) “Expansion of Health Care Access” means providing same services to additional patients or net additional or new Pediatric Services to existing or new patients.

(l) “Final Allocation” means a Grant allocation approved by the Authority.

(m) “First Funding Round” means the period of time prior to June 30, 2014.

(n) “Going Concern Qualification” means a finding by an independent accounting firm that the carrying value of an entity’s assets will be realized and its liabilities will be liquidated in the ordinary course of continuing business activity.

(o) “Government Health Insurance Programs” mean governmental assistance programs that include, but are not limited to, Medicaid (Medi-Cal), State Children’s Health Insurance Program (Healthy Families), California Children’s Services (CCS), Child Health and Disability Prevention Program (CHDP) and county indigent programs.

(p) “Grant” means the distribution of money in the Children’s Hospital Fund, as defined in Section 1179.20 of the Health and Safety Code, by the Authority to a Children’s Hospital for a Project pursuant to the ~~Children’s Hospital Program~~ Children’s Hospital Program of 2004.

(q) “Grant Agreement” means a written agreement for a Grant entered into between a Grantee and the Authority.

(r) “Grantee” means an Applicant that has received Grant approval by the Authority.

(s) “Improvement of Child Health Care” means an improvement in the timeliness, effectiveness, or quality of care provided to the pediatric population.

(t) “Improvement of Health Care Access-” means an increase in the quantity and scope of Pediatric Services provided.

(u) “Improvement of Pediatric Patient Outcomes” means an improvement in the overall health of the pediatric patients receiving treatment or care.

(v) “Initial Allocation” means an Authority staff-level decision granting an allocation.

(w) “Maximum Grant for the First Funding Round” means:

- (1) A limit of \$30 million less Costs of Issuance and Administrative Costs on the total amount of Grants that may be made to any one Children’s Hospital that is described in paragraph (1) of subdivision (g).

- (2) A limit of \$74 million less Costs of Issuance on the total amount of Grants that may be made to any one Children's Hospital that is described in paragraph (2) of subdivision (g).
- (x) "Most Recent Audited Financial Statements" means the Audited Financial Statements for the most recent fiscal year for which such financial statements are available.
- (y) "Non University of California Children's Hospital" means a Children's Hospital described in paragraph (2) of subdivision (g).
- (z) "Pediatric Research Programs" means scientific research focused on the pediatric population to improve and/or better understand this population's health.
- (aa) "OSHPD" means the Office of Statewide Health Planning and Development.
- (bb) "Pediatric Services" means services provided for children from birth to age 18. Exceptions to the age limit are allowed up to age 21 for children receiving treatment for a California Children's Services eligible condition as described in Sections 41811 through 41876, Title 2, of the California Code of Regulations.
- (cc) "Pediatric Teaching Program" means a program that annually provides medical education for at least eight (rounded to the nearest integer) full-time equivalent pediatric or pediatric subspecialty residents.
- (dd) "Pooled Money Investment Board" means the Board established pursuant to Section 16480.1 of the Government Code.
- (ee) "Project" means constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing capital assets, as defined in Section 16727(a) of the Government Code, of a Children's Hospital. Pursuant to the Act, this may include reimbursement for the costs of constructing, expanding, remodeling, renovating, furnishing, equipping, financing or refinancing where these costs are incurred after January 31, 2003. "Project" does not include Costs of Issuance for any financing or refinancing of a Project.
- (ff) "Project Period" means a defined beginning and end date approved by the Authority for implementation of the Project.
- (gg) "Second Funding Round" means the period of time after June 30, 2014, when Grants may be awarded from unexhausted funds made available pursuant to the Program.
- (hh) "Total Grant Funds" means \$750 million less Administrative Costs and Costs of Issuance.

- (ii) “Uncompensated Indigent Care” means care provided without a patient-specific source funding available to pay for the Pediatric Services rendered.
- (jj) “Undercompensated Care” means care provided where a financial shortfall exists between gross expenses and the revenues (or payment) in treating a pediatric patient.
- (kk) “University of California Children’s Hospital” means a Children’s Hospital described in paragraph (1) of subdivision (g).
- (ll) “Vulnerable Pediatric Populations” means pediatric patients served by Government Health Insurance Programs and pediatric patients with special health care needs irrespective of insurance status.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.10, 1179.11, 1179.21, 1179.22, 1179.23, and 1179.24, 1179.30, 1179.38, and 1179.39 of the Health and Safety Code.

Section 7031. Eligible Children’s Hospital

- (a) Any Children’s Hospital shall be eligible to apply for one or more Grants if the following conditions are met:
- (1) The Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity has a current, valid general acute care hospital license from the Department of Health Services.
 - (2) The most Recent Audited Financial Statements of the Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity do not contain any Going Concern Qualifications.
 - (3) The Children’s Hospital has submitted to the Authority a completed Application Form.
 - (4) The Authority, at its discretion, confirms with OSHPD that the non-University of California Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity has submitted to OSHPD its Annual Disclosure Report for the fiscal year ending between June 30, 2001 and June 29, 2002, on or before July 1, 2003.

- (5) If the Children's Hospital proposes to use Grant funds for a Project other than equipment acquisition on certain property, the Children's Hospital shall provide evidence that either:
- (A) The Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity owns the property.
 - (B) The Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity is a lessee under a lease agreement that satisfies Section 7047.
- (6) If the Children's Hospital proposes to use Grant funds for a Project that includes architect, design, and/or engineering fees, the Children's Hospital shall provide the Authority with reasonable assurance, at the Authority's discretion, that any of these fees are components of a larger Project that will ultimately benefit the health and welfare of California's sick and/or injured children. The Authority shall rely on timelines associated with the entire Project to assess whether or not the Project will benefit pediatric patients.
- (7) If the Children's Hospital proposes to use Grant funds for the acquisition of real property, the Children's Hospital shall provide a valid, current, enforceable contingent purchase and sale agreement or option agreement between the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity and the owner of the subject property, including evidence that all extensions necessary to keep the agreement current through the Final Allocation have been executed, if applicable. In addition, the Children's Hospital shall provide the Authority with reasonable assurance that the acquisition is a component of a larger Project that will ultimately benefit the health and welfare of California's sick and/or injured children, such as the construction of a new facility to benefit pediatric patients.

- (b) If an Applicant does not meet the conditions described in (a), the Applicant shall be deemed ineligible, but may reapply at a time when the Applicant is able to meet the conditions.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.11, 1179.22, and 1179.24 of the Health and Safety Code

Section 7032. Maximum Grant, First Funding Round

No Grant or combination of Grants to any Children's Hospital may exceed the Maximum Grant for the First Funding Round.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.23, 1179.24 of the Health and Safety Code.

Section 7033. Maximum Grant, Second Funding Round

If funds are available pursuant to Section 7042, the process for determining Maximum Grants for the Second Funding Round shall be adopted no later than June 1, 2014.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.23, and 1179.24 of the Health and Safety Code.

Section 7034. Application Form

A blank Application Form shall be available from the Authority and the Authority's website and may be referred to as the Children's Hospital Grant Application Form #CHFFA 5, Rev. 8-2005, which is hereby incorporated by reference. The Applicant shall submit a completed Application Form in the manner set forth in Sections 7035 and 7036. The Children's Hospital Overview and Instructions for Grant Application, Form #CHFFA 5A, Rev. 8-2005 -is hereby incorporated by reference.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.24, and 1179.25 of the Health and Safety Code.

Section 7035. Application Form Submission

Application Forms shall be submitted in duplicate to the Authority. The Authority shall accept Application Forms for the First Funding Round on an on-going basis until the funding for the ~~Children's Hospital Program~~Children's Hospital Program of 2004 is exhausted. ~~Applications are due the first business day of each month and will be presented to the Authority the following month. Applications received on the first business day of November will be presented to the Authority at the regularly scheduled January meeting pursuant to Section 7041.~~ Each Applicant may apply for more than one Grant for different Projects until its Maximum Grant for the First Funding Round is

reached. If necessary, [applicationsblank application forms](#) for the Second Funding Round shall be available -no later than June 1, 2014.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22 and 1179.24 of the Health and Safety Code

Section 7036. Content of Application Form

The following items shall accompany the Application Form:

(a) Financial Information. The Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity shall submit its Most Recent Audited Financial Statements.

(b) Organization Information.

(1) If the Applicant is a non-University of California Children's Hospital, the Applicant shall submit both of the following:

(A) A copy of the Applicant's 501(c)(3) determination letter from the Internal Revenue Service and a copy of either the tax-exemption letter or Letter of Good Standing from the Franchise Tax Board. For Children's Hospitals that are operating entities of a California nonprofit corporation, the Internal Revenue Service and Franchise Tax Board Letters are required for the parent corporation.

(B) A copy of the Applicant's Articles of Incorporation and Bylaws. For Children's Hospitals that are operating entities of a California nonprofit corporation, the Articles of Incorporation and Bylaws are required for the parent corporation.

(2) For all Applicants, a copy of its current general acute care hospital license from the Department of Health Services or a copy of the general acute care hospital license of the California nonprofit corporation of which the Children's Hospital is an operating entity.

(c) Legal Information. Applicant shall complete a legal status questionnaire.

(d) Agreement and Certification. Within the Application Form and as memorialized in a separate Grant Agreement, the Chief Executive Officer, Chief Financial Officer or other authorized officer of the Applicant, on behalf of the Applicant,

shall agree and certify to the following terms and conditions as a requirement of receiving any Grant:

- (1) The information contained in the Application Form and attachments is true and correct to the best of its knowledge and belief and understands that any misrepresentation may result in the cancellation of a Grant and other actions permitted by law and the Grant Agreement.
- (2) Applicant may be required to return all or a portion of the Grant including any unused investment earnings if the Applicant fails to complete the Project as approved. In cases where the Grant will fund architect, design, or engineering fees or land acquisition costs as part of an approved Project, the Applicant may be required to return all Grant funds and any unused investment earnings if the Authority cannot determine that the associated larger Project has been completed, based on timelines provided within the Application Form.
- (3) Grant funds will only be used for the Project described in the Application Form unless a change in the Project is approved in writing by the Authority pursuant to Section 7043.
- (4) The Project and financial records of the Applicant's Project are subject to audit and inspection by the Authority and the Bureau of State Audits.
- (5) Applicant has disclosed all information requested by the legal status questionnaire.
- (6) Applicant will notify the Authority in writing at the time of Project completion with evidence of completion included.
- (7) Applicant will provide all documents and information required by law and meet all necessary requirements prior to the release of the Grant.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.24 1179.25, and 1179.32 of the Health and Safety Code.

Section 7037. Application Form Evaluation

(a) Application Forms shall be reviewed and evaluated within 60 days from receipt by Authority staff according to the evaluation criteria described in Section 7038.

(b) Applications are due the first business day of each month and will be presented to the Authority the following month. Applications received on the first business day of November will be presented to the Authority at the regularly scheduled January meeting pursuant to Section 7041.

(b)(c) A positive response or combination of positive responses to the legal status questionnaire may result in the applicant becoming ineligible for a Grant.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. References: Sections 1179.22, and 1179.24 of the Health and Safety Code.

Section 7038. Evaluation Criteria

Authority staff shall evaluate each Application Form based on the following criteria.

- (a) How well the Project contributes to both of the following:
 - (1) Expansion or Improvement of Health Care Access by children eligible for Governmental Health Insurance Programs and indigent, underserved, and uninsured children.
 - (2) Improvement of Child Health Care or Improvement of Pediatric Patient Outcomes.
- (b) How well the Applicant does any or all of the following:
 - (1) Provides Uncompensated Indigent Care or Undercompensated Care to eligible pediatric patients.
 - (2) Provides services to Vulnerable Pediatric Populations.
 - (3) Promotes Pediatric Teaching Programs or Pediatric Research Programs.
- (c) How well the Applicant demonstrates Project readiness and feasibility based upon the following:
 - (1) A project timeline that includes the following:

- (A) An expected start date (e.g. construction start date(s) and/ or equipment purchase date(s)).
 - (B) An expected completion date (e.g. construction completion date(s), acquisition completion dates, and/or equipment installation date(s)).
 - (C) Problems anticipated in implementing the Project and how problems will be managed to ensure timely completion.
- (2) Whether the Project is feasible after a review of all of the following:
- (A) For all Projects with the exception of equipment acquisition projects, the Applicant shall submit estimates of Project costs and evidence of property ownership or, if the property is leased to a Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, a copy of a lease agreement that satisfies the requirements of Section 7047. The Applicant shall also provide building permits and/or executed construction, architect, design and engineering contracts, if available. An Applicant with a Project that does not yet have an executed ~~construction~~ contract or building permit but is actively in the process of obtaining one, shall provide a detailed statement that explains the status of obtaining the document.
 - ~~(B) For all Projects involving architect, design and engineering fees to be paid with Grant funds, the Applicant shall submit estimates of Project costs and a draft of all applicable architect, design and engineering contracts. In addition, if the Grant will be used to pay for architect, design and engineering fees as part of an approved Project, the Applicant shall provide a timeline that specifies when the entire Project will be complete.~~
 - ~~(B)(C)~~ For Projects that include the acquisition of real property, the Applicant shall submit a copy of an executed purchase and sale agreement or status of obtaining one or other evidence of site control to the satisfaction of the Authority. In addition, if the Grant will be used to pay for real property acquisition costs as part of an approved a larger Project, the Applicant shall provide a timeline that specifies when the entire Project will be complete.
 - ~~(C)(D)~~ For equipment acquisition projects, the Applicant shall submit a specific list of items and cost estimates of equipment or copies of invoices, and if applicable, cost estimates of installation of such equipment.

~~(D)(E)~~ If funding sources other than the Grant are required to complete the Project, the Applicant shall provide proof of the funding source, including but not limited to, approval or commitment letters from the other funding sources, confirming that the funding is secured and available board approved capital campaign plans or any other documentation acceptable to the Authority. Such documentation shall be in accordance with the Project timeline and budget.

(3) Whether implementation of the Project is feasible:

~~(A)~~ The Applicant shall submit plans for Project implementation that includes credible staffing, operations and reimbursement figures. If the Project will result in an expansion of services, the Applicant shall provide an organization chart identifying key personnel for the expanded services.

~~(A)(B)~~ The Applicant shall submit a third-party prepared feasibility study, funding letters or other documentation to demonstrate that the Project will generate sufficient revenues to provide on-going support for new or expanded services and/or research programs. If revenues generated by the Project will be insufficient, the Applicant's revenues shall be sufficient, as determined by Authority staff, to provide on-going support.

~~(B)(C)~~ When applicable, the Applicant shall submit evidence that it is in compliance with the California Environmental Quality Act and all other applicable laws.

(d) The sources and uses of funds:

(1) The Applicant shall detail all sources of funds required to complete the proposed Project. Sources may include, but are not limited to, the total Grant request, borrowed funds, internal assets, and other sources. If the Project, or a portion of the Project, has been or will be submitted to other lenders or grantors for funding, the Applicant shall list them and the status of their consideration.

(2) The Applicant shall detail the uses of all funds required to complete the proposed Project. The total uses shall not exceed the total of all available fund sources. In some instances, funds from sources other than the Grant may be used for portions of a proposed Project that would otherwise be ineligible for this Grant. In those instances, the Applicant shall describe specifically how the Grant funds, as well as other grants,

loans, or internal funds, will be used to ensure Grant funds will not subsidize Project elements not eligible for such funds. Where a Project includes elements required to serve non-pediatric populations, the Grant funds shall be limited only to the proportionate cost of providing care to the pediatric population. The Authority shall determine the appropriate manner in which the proportionate share use will be evaluated.

If a proposed Project will benefit both pediatric and non-pediatric patients, the total Grant for that Project cannot exceed the proportionate share use of the pediatric population. For such Projects, the Authority staff shall determine the amount of Grant funds to be awarded based on proportionate use and any other factors related to improvement of pediatric population care.

- (e) The financial capacity of the Applicant based upon a review of the Most Recent Audited Financial Statements supplied pursuant to paragraph (2) of subdivision (a) of Section 7031 ~~to ensure that the status of the Applicant is financially sound as of the date of such audit.~~

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. References: Sections 1179.22, 1179.24 and 1179.25 of the Health and Safety Code.

Section 7039. Notification and Initial Allocation

The Authority shall notify each Applicant in writing, stating the amount of each Initial Allocation.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.23, 1179.24 of the Health and Safety Code.

Section 7040. Appeals

- (a) Availability. An Applicant may file an appeal of any Initial Allocation. The grounds for any such appeal shall be limited to Applicant eligibility pursuant to Section 7031 and Section 7037 and whether the proposed expense is for a Project as defined in (ee) of Section 7030. No Applicant may appeal the Authority staff evaluation of, or Initial Allocation to, another Applicant.
- (b) Timing. The appeal shall be submitted in writing and shall be received by the Authority not later than ten (10) calendar days following the transmittal date of the notification of Initial Allocation.

(c) Review. The Authority staff shall review the written appeal based upon the existing documentation submitted by the Applicant when the Application Form was filed and any other information the Authority staff requests of the Applicant. The Authority staff shall make a finding as to the merit of the appeal and shall notify the Applicant as to the decision no later than ten (10) calendar days after the receipt of an appeal. In the event that the Authority staff does not approve an appeal, the Applicant may further appeal to the Authority. The Applicant shall notify the Executive Director in writing no later than ten (10) calendar days prior to the next regularly scheduled Authority meeting that the Applicant intends to further appeal to the Authority. Any such appeal shall be presented by the Applicant, in person, at the next regularly scheduled Authority meeting.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22 and 1179.24 of the Health and Safety Code.

Section 7041. Approval of Grant and Notification of Grantee

When an Initial Allocation for funding has been determined, Authority staff shall recommend to the Authority at its regularly scheduled meeting, that the Initial Allocation for consideration be approved as a Final Allocation. Any Final Allocation approved by the Authority at the same meeting shall be awarded as Grants to Grantees. Grantees shall be notified within five (5) business days of the same meeting in writing of the Grant approval.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.24, and 1179.25 of the Health and Safety Code.

Section 7042. Any Remaining Funds

If there are any remaining funds after the First Funding Round, the Authority may, in its sole discretion, award Grants of those remaining funds to Applicants in the Second Funding Round in a manner that is consistent with the purpose and requirements of the [Children's Hospital Program Children's Hospital Program of 2004](#).

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.24 and 1179.25 of the Health and Safety Code.

Section 7043. Approval of Grant Use Change

The Authority or the Authority staff may, on a case-by-case basis, consider a change in the use of the Grant if the Grantee demonstrates, to the Authority or the Authority staff's satisfaction, that the change is consistent with the Act and this chapter.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.24 and 1179.25 of the Health and Safety Code.

Section 7044. Grant Agreements

The terms and conditions of a Grant shall be set forth in a Grant Agreement, which shall include, but not be limited to, all of the following terms and conditions:

- (a) A Grant amount not greater than \$30 million (less Administrative Costs and Costs of Issuance) for University of California Children's Hospitals or \$74 million (less Costs of Issuance) for all Non-University of California Children's Hospitals.
- (b) A Project Period.

- (c) Disbursement procedures pursuant to Section 7045 or Section 7046, as applicable.
- (d) A provision that any unused Grant funds and any unused investment earnings on such Grant funds shall revert to the Authority.
- (e) Agreement to comply with the ~~Children's Hospital Program~~Children's Hospital Program of 2004 and these regulations.
- (f) Agreement that the Grantee will defend, indemnify and hold harmless the Authority and the state, and all officers, trustees, agents and employees of the same, from and against any and all claims, losses, costs, damages, or liabilities of any kind or nature, whether direct or indirect, arising from or relating to the Grant, the Project or the Act.
- (g) Agreement to comply with state and federal laws outlawing discrimination, including, but not limited to, those prohibiting discrimination because of sex, race, color, ancestry, religion, creed, national origin, physical disability (including HIV and AIDS), mental disability, medical condition (including cancer or genetic characteristics), sexual orientation, political affiliation, position in a labor dispute, age, marital status, and denial of statutorily-required employment-related leave.
- (h) Agreement that continued compliance with ~~Children's Hospital Program~~Children's Hospital Program of 2004 requirements is the Grantee's responsibility.
- (i) Agreement that the Grant shall only be used for Projects as described in Grantee's Application Form and approved by the Authority.
- (j) Any audit provisions.
- (k) Any provision necessary to ensure that interest on the bonds is tax-exempt.
- (l) Agreement that the Grantee will not dispose of any component of the Project before the end of the useful life of that component of the Project.
- (m) Any provisions relating to lease agreements pursuant to Section 7047.
- (n) Any other provisions required by the Authority.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. References: Sections 1179.22, 1179.24, and 1179.25 of the Health and Safety Code.

Section 7045. Release of Funds for Non-University of California Children's Hospitals.

- (a) No Grant shall be released to a Non-University of California Children's Hospital until the following information has been provided to the satisfaction of Authority staff:
- (1) For all Projects with the exception of equipment acquisition or real property acquisition projects, any supporting documentation that was incomplete with the Application Form shall be finalized and submitted along with a copy of the executed construction contract and the building permit.
 - (2) For Projects that include architect, design and engineering fees to be paid with Grant proceeds, all applicable executed architect, design and engineering contracts.
 - (3) For real property acquisition Projects, a copy of the executed purchase and sale agreement and a copy of an appraisal, the appraised value of which (when added to the amount of reasonable transaction and closing costs) shall not be less than the sum of the Grant and all other funding sources necessary to acquire the Project. The appraisal shall be no older than six months from the date of the executed purchase and sale agreement and shall be completed by a state certified appraiser.
 - (4) For equipment acquisition Projects, any supporting documentation that was incomplete when the Application Form was submitted or not provided at that time shall be finalized and submitted along with a list of items to be purchased and all purchase orders.
 - (5) Evidence that all other funds, if needed, are in place to complete the Project.

- (6) Evidence of property ownership for all construction Projects or if the property is leased to a Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, a copy of a lease agreement that satisfies the requirements of Section 7047.
 - (7) An executed Grant Agreement.
 - (8) When applicable, evidence that there are no outstanding issues related to the California Environmental Quality Act and any other applicable law, if this information was not provided with the Application Form.
- (b) Documentation provided for the release of Grant funds shall clearly show that the Grant award does not exceed the cost of the Project.
 - (c) Grant funds shall be released on a periodic basis, upon receipt of draw requests; ~~which shall include credit.~~
 - (d) Credit for investment earnings on any previously released portion of Grant; shall be paid to the Authority prior to final release of Grant funds to the Grantee.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.11, 1179.22, 1179.24, and 1179.25 of the Health and Safety Code.

Section 7046. Release of Funds for University of California Children's Hospitals.

- (a) No Grant shall be released to a University of California Children's Hospital until the following has been provided to the satisfaction of Authority staff:
 - (1) For all Projects (including Projects with architect, design and engineering fees) with the exception of equipment acquisition projects, all Project documentation of expenditures, including copies of cancelled checks that represent payment to contractors. The Grantee shall provide evidence of property ownership for all Projects or if the property is leased to a Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, a copy of a lease agreement that satisfies the requirements of Section 7047, if this documentation was not submitted with the Application Form.

If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence acceptable to the Authority in lieu of copies of cancelled checks.

(2) For real property acquisition Projects, a copy of the final closing statement with certification by the title company and a copy of an appraisal, the appraised value of which (when added to the amount of reasonable transaction and closing costs) shall not be less than the sum of the Grant and all other funding sources necessary to acquire the Project. The appraisal shall be completed by a state certified appraiser.

(3) For equipment acquisition Projects, ~~complete packages of all contracts organized by vendor to include~~, purchase orders, invoices and copies of cancelled checks shall be submitted. ~~Separate checks shall be issued for Project expenditures and may not include payment for non-Project costs as part of an overall payment to a vendor for Project and non-Project costs.~~

If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence acceptable to the Authority in lieu of copies of cancelled checks.

(4) When applicable, evidence that there are no outstanding issues relating to the California Environmental Quality Act and any other applicable law, if this information was not provided with Application Form.

(5) An executed Grant Agreement.

(b) Documentation provided for the release of Grant funds shall clearly show that the Grant award did not exceed the cost of the Project.

(c) Grant funds shall be released on a periodic basis, upon receipt of draw requests, based on a listing of expenditures made on the Project and not previously reimbursed.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.11, 1179.22, 1179.24, and 1179.25 of the Health and Safety Code.

Section 7047. Requirements for Construction Projects on Leased Property.

(a) If a Children's Hospital proposes to use Grant funds for a Project other than equipment acquisition on property where the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity is a lessee under a lease agreement, the following requirements shall be satisfied prior to any release of Grant funds pursuant to Sections 7045 or 7046:

(1) The lease agreement shall provide the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, as lessee, full access to the site to carry on its healthcare purposes.

(2) The term of the lease agreement must meet one of the following:

(A) The term of the lease agreement shall be at least as long as the useful life of the Project under the Grant.

(B) If the landlord under the lease agreement is an Affiliate, the term of the lease agreement must be at least 74% of useful life of the Project under the Grant.

(3) A current title report on the site, brought up to date as of the effective date of the lease agreement shall be provided to the Authority. The title report shall show all of the following:

(A) No delinquent taxes or assessments or, if there are delinquent taxes or assessments, these are being contested in good faith and the Children's Hospital has set aside on its books adequate reserves to pay these taxes or assessments.

(B) No easements, exceptions or restrictions on the use of the site that will interfere with or impair the operation of the Project.

(C) No superior liens (deeds of trust or other rights) in the property. If there are any superior liens, they shall be subordinated to the lease agreement. The lease agreement shall provide that any subsequent encumbrance on the property (e.g. deed of trust) or sale of the property shall be subject to the lease agreement.

(4) Any one of the following shall be satisfied:

(A) The lease agreement shall provide for a nominal rent (e.g. \$1 per year).

- (B) Full rent under the lease agreement shall be paid in a lump sum up front.
 - (C) The Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity shall covenant in the Grant Agreement to budget for payment of rent each year.
- (5) The lease agreement shall provide that the only remedy for any default, including failure to pay rent, by lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity is suit for rent or specific performance to remedy any specific breach. The landlord's remedies for any default by lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity may not include cancellation of lease agreement, retaking of property or eviction of the lessee.
- (6) The lease agreement shall provide for either one of the following:
- (A) The lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity is obligated to pay all taxes and assessments on the property.
 - (B) The landlord will provide the lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity with notice of any failure to pay taxes or assessments on the property and an opportunity for the lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity to cure the failure.
- (7) The landlord shall demonstrate that the lease agreement is legally authorized and has been properly approved and executed and enforceable against the landlord. The landlord shall provide a legal opinion of qualified counsel to this effect that is acceptable to the Authority.
- (8) The lessee Children's Hospital shall demonstrate that the lease agreement is legally authorized and has been properly approved and executed and enforceable against the lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity. Lessee Children's Hospital shall provide a legal opinion of qualified counsel to this effect that is acceptable to the Authority.

(9) (A) Except as provided in (B), the Children’s Hospital shall provide a legal opinion that either: 1. the landlord is a special purpose entity which cannot enter bankruptcy proceedings under the federal Bankruptcy Code, or 2. the lease agreement will not be an executory contract and cannot be rejected by the landlord in the event of bankruptcy. The legal opinion shall be acceptable to the Authority.

(B) For so long as the landlord is an Affiliate of lessee Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity, the requirements of (A) do not apply.

(10) The Grant Agreement shall provide that if the lease agreement terminates prior to the end of the useful life of the Project under the Grant and the property that was subject to the lease agreement is not simultaneously re-leased under a new lease agreement that complies with the requirements of this Section 7047 or fee title to the property that was subject to the lease agreement is not simultaneously transferred to the Children’s Hospital, the Authority is entitled to recover the Grant funds pursuant to Section 7049.

(11) When a Project on leased property includes improvements to any common areas that are shared with other tenants or areas that are not leased by the lessee Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity under the lease agreement, the Grant funds shall be limited only to the proportionate costs of the Project which exclude the costs related to such areas.

(12) Prior to approval of the Grant by the Authority, the Applicant shall submit the proposed lease agreement for review and demonstrate compliance with all of the above conditions and any other conditions required by the Authority.

(b) For purposes of this section, “Affiliate” means an entity which, directly or indirectly through one or more intermediaries, is controlled by or is under common control with the lessee Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.24, and 1179.25 of the Health and Safety Code.

Section 7048. Completion of Grant Funded Project.

(a) The Grantee shall certify to the Authority that the Project is complete and, to the extent not already provided to the Authority, provide supporting documentation to the satisfaction of the Authority staff as follows:

(1) Construction projects (including Projects with architect, design and engineering fees) require documentation including, but not limited to, copies of the certificate of occupancy, ~~final payment certification by the architect, final payment request from the contractor and corresponding copies of cancelled checks and/or notice of completion. Purchase orders, invoices, and cancelled checks shall be submitted.~~ If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence acceptable to the Authority in lieu of copies of cancelled checks.

(2) Real property acquisition Projects require a copy of the final closing statement with certification by the title company.

(3) ~~For e~~Equipment acquisition projects, require ~~complete packages of contracts organized by vendor to include, all service contracts,~~ purchase orders, invoices and copies of cancelled checks to be submitted. ~~Separate checks shall be issued for Project expenditures and may not include payment for non-Project costs as part of an overall payment to a vendor for Project and non-Project costs.~~

If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence acceptable to the Authority in lieu of copies of cancelled checks.

(b) If the Grantee fails to complete the Project within the Project Period, the Authority may require remedies, including forfeiture and return of the Grant to the Authority.

(c) On a case-by-case basis, the Authority or the Authority staff may extend the Project Period for extraordinary or unavoidable delays where the Grantee can demonstrate that it occurred through no fault of its own.

(d) Documentation provided to establish the completion of a Project shall clearly show that the Grant award did not exceed the cost of the Project.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.24, and 1179.25 of the Health and Safety Code.

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Section 7049. Recovery of Funds for Non-Performance and Unused Funds.

- (a) If the Authority determines that the use of the Grant funds did not comply with ~~Children's Hospital Program~~Children's Hospital Program of 2004 requirements and the terms of the Grant Agreement for an approved Project, the Authority may require remedies, including a return of all Grant funds.

In cases where Grant funds paid for a component of a Project that does not specifically benefit pediatric patients, such as architect, design or engineering fees or land acquisition costs, and if the Authority determines that the Grantee did not complete a larger Project as described in the timelines provided with the Application, the Authority may require remedies, including a return of all Grant funds.

If the Project, or any part thereof, funded with Grant funds ceases to be used by the Children's Hospital before the end of the useful life of the Project, the Authority is entitled to recover Grant funds in an amount that bears the same ratio to the value of the Project, or the appropriate part thereof, at the time it ceased to be used by the Children's Hospital as the amount of the Grant bore to the cost of the Project or the appropriate part thereof. For purposes of this paragraph, the value of the Project, or the appropriate part thereof, is determined by mutual agreement of the Authority and the Grant recipient or through an action brought for that purpose in the superior court.

- (b) If any portion of the Grant is forfeited to the Authority, the forfeited funds shall be deemed remaining funds for purposes of Section 7042.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Sections 1179.22, 1179.24, and 1179.25 of the Health and Safety Code.

Section 7050. Audits

The Bureau of State Audits and Authority staff may conduct periodic audits to ensure Grantees are using Grants consistent with the ~~Children's Hospital Program~~Children's Hospital Program of 2004 requirements and the terms of the Grant Agreement for an approved Project. Grantees shall retain all ~~Children's Hospital Program~~Children's Hospital Program of 2004 documentation and financial data necessary to substantiate the purposes for which the Grant funds were spent for a period of three years after the certification of completion of the Project has been submitted or until June 30, 2017, whichever is later.

NOTE: Authority Cited: Sections 1179.22, 1179.24 and 1179.32 of the Health and Safety Code. Reference: Section 1179.25 of the Health and Safety Code.

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Tab B

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY

Bill Lockyer, Chairman
California State Treasurer

The Children's Hospital Program of 2004 Grant Application

GENERAL OBLIGATION BOND
FINANCING FOR PUBLIC AND
PRIVATE CALIFORNIA CHILDREN'S
HOSPITALS

915 Capitol Mall, Suite 590
Sacramento, California 95814
Phone: (916) 653-2799
Fax: (916) 654-5362

The Children's Hospital Program of 2004
APPLICATION FORM



Please type all responses. Incomplete or illegible applications will not be considered.

A. Summary Information

Applicant Legal Name: _____

Federal Tax ID #: _____

Street Address: _____

City State Zip _____

County: _____

Address of Project (if different from above): _____

County: _____

Contact Person: _____ **Title:** _____

Phone: _____ **Fax:** _____

E-mail Address: _____

Requested Amount: \$ _____

NOTE: Eligible University of California Children's Hospitals are limited to \$30 million in grant funding less bond issuance and administrative costs. Eligible non-University of California Children's Hospitals are limited to \$74 million in grant funding less bond issuance costs.

Date of Application: _____

=====
<Authority Use Only>

Date Received: (stamp below)

Allocation Meeting Date: _____

Resolution Number: _____

B. Applicant and Project Eligibility

1. Is your facility:

- A University of California general acute care hospital described as:
- University of California Davis Children's Hospital.
 - Mattel Children's Hospital at University of California, Los Angeles.
 - University Children's Hospital at University of California, Irvine.
 - University of California, San Francisco Children's Hospital.
 - University of California, San Diego Children's Hospital.

OR

- A General Acute Care Hospital that is, or is an operating entity of, a California nonprofit corporation incorporated prior to January 1, 2003, whose mission of clinical care, teaching, research, and advocacy focuses on children, and that provides comprehensive pediatric services to a high volume of children eligible for governmental programs and to children with special health care needs eligible for the California Children's Services program and:
- Provided at least 160 license beds in the categories of pediatric acute, pediatric intensive care and neonatal intensive care in the fiscal year ending between June 30, 2001 and June 29, 2002, as reported to the Office of Statewide Health Planning and Development (OSHPD) on or before July 1, 2003.
 - Provided over 30,000 total pediatric patient (census) days, excluding nursery acute days, in the fiscal year ending between June 30, 2001 and June 29, 2002, as reported to OSHPD on or before July 1, 2003.
 - Provided medical education of at least eight (rounded to the nearest integer) full-time equivalent pediatric or pediatric subspecialty residents in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to OSHPD on or before July 1, 2003.

The Authority, at its discretion, shall confirm with OSHPD that the non-University of California Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity has submitted to OSHPD its Annual Disclosure Report for the fiscal year ending between June 30, 2001 and June 29, 2002, on or before July 1, 2003

If the organization is not one of the above, the organization is ineligible for this program.

- | | Yes | No |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| 2. Is the Project an eligible project? Project means:

Constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing capital assets, as defined in Section 16727(a) of the Government Code, of a Children's Hospital. This may include reimbursement for the costs of constructing, expanding, remodeling, renovating, furnishing, equipping, financing or refinancing where such costs are incurred after January 31, 2003. The definition of Project does not include costs of issuance for any financing or refinancing of a Project. | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. If the Children's Hospital is not a University of California Children's Hospital, is the Children's Hospital, or the California nonprofit corporation of which the Children's Hospital is an operating entity, a non-profit 501(c)(3) corporation, for purposes of federal and state tax law? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Is the Children's Hospital, or the California nonprofit corporation of which the Children's Hospital is an operating entity, licensed by the State Department of Health Services as a general acute care hospital prior to January 1, 2003 and is the license current? | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. Are the most recent audited financial statements of the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity free of Going Concern Qualification language? | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. If the Children's Hospital proposes to use Grant funds for the acquisition of real property, does the Children's Hospital have a valid, current, enforceable contingent purchase and sale agreement or option agreement between the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity and the owner of the subject property, including evidence that all extensions necessary to keep the agreement current through the Final Allocation have been executed, if applicable? | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. If the proposed Project includes the acquisition of real property, can the Children's Hospital provide the Authority with reasonable assurance that the acquisition is a component of a larger Project that will ultimately benefit the health and welfare of California's sick and/or injured children, such as the construction of a new facility to benefit pediatric patients? | <input type="checkbox"/> | <input type="checkbox"/> |

- | | Yes | No |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <p>8. If the Children’s Hospital proposes to use Grant funds for a Project other than equipment acquisition on certain property, can the Children’s Hospital provide evidence that either:</p> <ul style="list-style-type: none"> • The Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity owns the property, OR • The Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity is a lessee under a lease agreement that satisfies Section 7047 of the Children’s Hospital Program Regulations. | <input type="checkbox"/> | <input type="checkbox"/> |
| <p>9. If the Children’s Hospital proposes to use Grant funds for a Project that includes architect, design, and/or engineering fees, can the Children’s Hospital provide assurance to the Authority that any of these fees are components of a larger Project that will ultimately benefit the health and welfare of California’s sick and/or injured children? The Authority shall rely on timelines associated with the entire Project to assess whether or not the Project will benefit pediatric patients.</p> | <input type="checkbox"/> | <input type="checkbox"/> |

If the Children’s Hospital answered ‘No’ to any question above, the Children’s Hospital is not eligible to receive a grant.

C. Project Description

(a) Describe the Project and explain:

1. How well the Project contributes to both of the following:
 - A Expansion or Improvement of Health Care Access by children eligible for Governmental Health Insurance Programs and indigent, underserved, and uninsured children.
 - B Improvement of Child Health Care or Improvement of Pediatric Patient Outcomes.

2. How well the Children's Hospital does any or all of the following:
 - A Provides Uncompensated Indigent Care or Undercompensated Care to eligible pediatric patients.
 - B Provides services to Vulnerable Pediatric Populations.
 - C Promotes Pediatric Teaching Programs or Pediatric Research Programs.

(b) To ensure that the tax-exempt status of the General Obligation bonds funding this program conforms to all applicable bond law, please answer the following:

1. Was any portion of the Project to be refinanced with the Grant originally funded with the proceeds of a tax-exempt financing? If yes, please describe the tax-exempt financing.

2. For any requests by the University of California Children's Hospitals to refinance Projects that have already been completed, when were the expenditures incurred for the Project to be refinanced with the Grant?

D. Project Readiness and Feasibility

1. All Applicants shall provide a project timeline, which:
 - Describes expected project start and completion dates.
 - Describes any problems anticipated in implementing the Project and how problems will be managed to ensure timely completion.
2. All Applicants shall identify and provide supporting documentation as described for the following types of Projects and funding sources:
 - For all Projects with the exception of equipment acquisition projects, Applicant shall submit estimates of Project costs and evidence of property ownership or, if the property is leased to a Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, a copy of a lease agreement that satisfies the requirements of Section 7047 of the Children's Hospital Program Regulations. The Applicant shall also provide building permits and/or executed construction, architect, design and engineering contracts, if available. An Applicant with a Project that does not yet have an executed construction contract or building permit but is actively in the process of obtaining one, shall provide a detailed statement that explains the status of obtaining the document.
 - ~~• For all Projects involving architect, design and engineering fees to be paid with Grant funds, the Applicant shall submit estimates of Project costs and a draft of all applicable architect, design and engineering contracts, and a timeline that specifies when the entire Project will be complete.~~
 - For Projects that include the acquisition of real property, the Applicant shall submit a copy of an executed purchase and sale agreement or status of obtaining one or other evidence of site control to the satisfaction of the Authority and a timeline that specifies when the entire Project will be complete.
 - For equipment acquisition projects, the Applicant shall submit a specific list of items and cost estimates of equipment or copies of invoices, and if applicable, cost estimates of installation of such equipment.
 - If funding sources other than the Grant are required to complete the Project, the Applicant shall provide approval or commitment letters from proof of the other funding sources, including but not limited to, commitment letters, board approved capital campaign plans or any other documentation acceptable to the Authority. Such documentation shall be confirming that the funding is secured and available in accordance with the Project timeline and budget.

3. Applicants shall adequately describe their plans for implementing the Project, including:

~~•The Applicant shall submit plans for Project implementation that includes credible staffing, operations and reimbursement figures. If the Project will result in an expansion of services, the Applicant shall provide an organization chart identifying key personnel for the expanded services.~~

• The Applicant shall submit a third-party prepared feasibility study, funding letters or other documentation to demonstrate that the Project will generate sufficient revenues to provide on-going support for new or expanded services and/or research programs. If revenues generated by the Project will be insufficient, the Applicant's revenues shall be sufficient as determined by Authority staff, to provide on-going support.

• When applicable, the Applicant shall submit evidence that it is in compliance with the California Environmental Quality Act and all other applicable law for all Projects.

E. Sources and Uses of Funds*

All Applicants must submit the budget for their proposed Project including all sources and uses of funds. If other sources of funds will be used to complete the Project, all Applicants must submit copies, if available, of written confirmation, including bank and grant commitment letters of these funding sources. If documentation for other sources of funds has been provided for Section D (3), Applicants do not need to provide additional copies.

The applicant must itemize what portion of the total funds available will be used for each specific portion of the proposed Project. In some instances, funds from sources other than the proposed grant may be used for portions of a proposed Project that would otherwise be ineligible for the grant. The applicant therefore shall describe how the grant funds as well as other grants, loans, or internal funds will be used. Authority staff must be able to determine that the entire grant will be used for eligible portions of the proposed Project.

Sources of Funds:

Total CHFFA Grant Requested	\$ _____
Applicant Internal Funds	\$ _____
Other (bank loans, grants, etc.):	
_____	\$ _____
_____	\$ _____
_____	\$ _____
 Total Sources	 \$ <u> 0</u>

Uses of Funds:

Construct facilities	\$ _____
Acquire facilities	\$ _____
Remodel	\$ _____
Purchase equipment	\$ _____
Other (list):	
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
 Total Uses	 \$ <u> 0</u>

*Total Sources must equal Total Uses. In no case can a grant award exceed the total cost of the Project.

F. Financial Capacity

As part of its due diligence review, the Authority staff will review the Most Recent Audited Financial Statements of the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity to ensure there is no 'going concern qualification' language as part of the audit.

G. Application Submission

Applications must be submitted in duplicate to the Authority. The Authority will accept applications on an on-going basis until the program funding is exhausted. Each Applicant may apply more than once.

Please submit completed application by mail to:

California Health Facilities Financing Authority
915 Capitol Mall, Suite 590
Sacramento, CA 95814

Applications are due the first business day of each month and will be presented to the Authority the following month. Applications received on October 1 and November 1 will be presented for Board consideration at the regularly scheduled meetings in December and January, respectively, since there is no regularly scheduled Board meeting in November and the December meeting is generally held the first Thursday in December.

LEGAL STATUS QUESTIONNAIRE

1. Disclose material information relating to any legal or regulatory proceeding or investigation in which the Applicant is or has been a party and which might have a material impact on the financial viability of the project or the Applicant. Such disclosures should include any parent, subsidiary, or affiliate of the Applicant that is involved in the management, operation, or development of the project.
2. Disclose any civil, criminal, or regulatory action in which the Applicant, or any current board members, partners, limited liability corporation members, senior officers, or senior management personnel has been named a defendant in such action in the past ten years involving fraud or corruption, or matters involving health and safety where there are allegations of serious harm to employees, the public, or the environment.

Disclosures should include civil or criminal cases filed in state or federal court; civil or criminal investigations by local, state, or federal law enforcement authorities; and enforcement proceedings or investigations by local, state or federal regulatory agencies.

The information provided must include relevant dates, the nature of the allegation(s), charters, complaint or filing, and the outcome.

AGREEMENT AND CERTIFICATION

The Chief Executive Officer, Chief Financial Officer or other authorized officer of the Applicant on behalf of the Applicant shall agree and certify to the following terms and conditions:

1. The information contained in the Application Form and attachments is true and correct to the best of its knowledge and belief and understands that any misrepresentation may result in the cancellation of a Grant and other actions permitted by law and the Grant Agreement.
2. Applicant may be required to return all or a portion of the Grant including any unused investment earnings if the Applicant fails to complete the Project as approved. In cases where the Grant will fund architect, design, or engineering fees or land acquisition costs as part of an approved Project, the Applicant may be required to return all Grant funds and any unused investment earnings if the Authority cannot determine that the associated larger Project has been completed, based on timelines provided within the Application Form.
3. Grant funds will only be used for the Project described in the Application Form unless a change in the Project is approved in writing by the Authority.
4. The Project and financial records of the Applicant's Project are subject to audit and inspection by the Authority and the Bureau of State Audits.
5. Applicant has disclosed all information requested by the legal status questionnaire.
6. Applicant will notify the Authority in writing at the time of Project completion with evidence of completion included.
7. Applicant will provide all documents and information required by law and will meet all necessary requirements prior to the release of the Grant.

By (Print Name)

Signature

Title

Date

Tab C

CALIFORNIA HEALTH FACILITIES
FINANCING AUTHORITY

Bill Lockyer, Chairman
CA-California State Treasurer

The Children's Hospital Program of
2004
Overview and Instructions

GENERAL OBLIGATION BOND
FINANCING FOR PUBLIC AND
PRIVATE CALIFORNIA CHILDREN'S
HOSPITALS

915 Capitol Mall, Suite 590
Sacramento, California 95814
Phone: (916) 653-2799
Fax: (916) 654-5362
Website: www.treasurer.ca.gov/chffa/chffa.htm

California Health Facilities Financing Authority
2004 Children’s Hospital Grant Program
Overview & Instructions for Grant Application

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I. Overview and Instructions for the 2004 Children's Hospital Grant Program Application

Program Overview

On November 2, 2004, California voters passed Proposition 61 that enables the State of California to issue \$750 million in General Obligation bonds to fund the Children's Hospital Program. The purpose of the Program is to improve the health and welfare of California's critically ill children, by providing a stable and ready source of funds for capital improvement projects for children's hospitals.

The Application

Application Form

The application consists of pages 1-9, with Attachments A – C. Applicants shall submit a complete application with corresponding Attachments, as necessary.

Submission Dates

Applications will be accepted on an on-going basis until the program funding is exhausted. Applications are due the first business day of each month and will be presented to the Authority the following month. Applications received on October 1 and November 1 will be presented for Board consideration at the regularly scheduled meetings in December and January, respectively, since there is no regularly scheduled Authority meeting in November and the December meeting is generally held the first Thursday in December. Each applicant may apply more than once.

Section A – Summary Information

Please complete Section A of the application. It is particularly important to list a contact person familiar with the application in the event the Authority staff needs to contact you.

Maximum Grant Requests

- The Authority will accept grant requests up to \$30 million (which will be reduced by bond issuance and administrative costs) for eligible University of California Children's Hospitals and up to \$74 million (which will be reduced by bond issuance costs) for eligible non-University of California Children's Hospitals.
- The Authority will not award grant requests exceeding the total cost of the project.

Section B – Applicant and Project Eligibility

General Eligibility Requirements:

- ◆ Qualified applicants are either:
 1. A University of California general acute care hospital described as:
 - University of California, Davis Children’s Hospital.
 - Mattel Children’s Hospital at the University of California Los Angeles.
 - University Children’s Hospital at University of California, Irvine.
 - University of California, San Francisco Children’s Hospital.
 - University of California, San Diego Children’s Hospital.
 2. A general acute care hospital that is, or is an operating entity of, a California nonprofit corporation incorporated prior to January 1, 2003, whose mission of clinical care, teaching, research, and advocacy focuses on children, and that provides comprehensive pediatric services to a high volume of children eligible for governmental programs and to children with special health care needs eligible for the California Children’s Services program and,
 - Provided at least 160 licensed beds in the categories of pediatric acute, pediatric intensive care and neonatal intensive care in the fiscal year ending between June 30, 2001 and June 29, 2002, as reported to the Office of Statewide Health Planning and Development (OSHPD) on or before July 1, 2003
 - Provided over 30,000 total pediatric patient (census) days, excluding nursery acute days, in the fiscal year ending between June 30, 2001 and June 29, 2002, as reported to OSHPD on or before July 1, 2003.
 - Provided medical education of at least eight (rounded to the nearest integer) full-time equivalent pediatric or pediatric subspecialty residents in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to OSHPD on or before July 1, 2003.

The Authority, at its discretion, may confirm with OSHPD that the non-University of California Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity has submitted to OSHPD its Annual Disclosure Report for the fiscal year ending between June 30, 2001 and June 29, 2002, on or before July 1, 2003.

◆ Grant funds may be used for:

Constructing, expanding, remodeling, renovating, furnishing, equipping, financing or refinancing capital assets, as defined in Section 16727(a) of the Government Code, of a Children's Hospital. Uses of Grant funds may include reimbursement for the costs of constructing, expanding, remodeling, renovating, furnishing, equipping, financing or refinancing where such costs are incurred after January 31, 2003. Grant funds may not be used for the costs of issuance for any financing or refinancing of a Project.

◆ If the Children's Hospital proposes to use Grant funds for a Project other than equipment acquisition on certain property, the Children's Hospital shall provide evidence that either:

1. The Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity owns the property, OR
2. The Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity is a lessee under a lease agreement that satisfies the requirements for construction projects on leased property.

◆ If the Children's Hospital proposes to use Grant funds for a Project that includes architect, design, and/or engineering fees, the Children's Hospital shall provide the Authority with reasonable assurance, at the Authority's discretion, that any of these fees are components of a larger Project that will ultimately benefit the health and welfare of California's sick and/or injured children. The Authority shall rely on timelines associated with the entire Project to assess whether or not the Project will benefit pediatric patients.

◆ If the Children's Hospital proposes to use Grant funds for the acquisition of real property, the Children's Hospital shall provide a valid, current, enforceable contingent purchase and sale agreement or option agreement between the Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity and the owner of the subject property, including evidence that all extensions necessary to keep the agreement current through the Final Allocation have been executed, if applicable. In addition, the Children's Hospital shall provide the Authority with reasonable assurance that the acquisition is a component of a larger Project that will ultimately benefit the health and welfare of California's sick and/or injured children, such as the construction of a new facility to benefit pediatric patients.

◆ Applicant shall complete a legal status questionnaire. A positive response or combination of positive responses to the questionnaire may result in the applicant becoming ineligible for the grant.

Section C – Project Description

The Authority staff will evaluate a grant application based upon an Applicant's description of:

(a) How well the Project contributes to both of the following:

1. Expansion or Improvement of Health Care Access by children eligible for Governmental Health Insurance Programs and indigent, underserved, and uninsured children.
2. Improvement of Child Health Care or Improvement of Pediatric Patient Outcomes.

(b) How well the Applicant does any or all of the following:

1. Provides Uncompensated Indigent Care or Undercompensated Care to eligible pediatric patients.
2. Provides services to Vulnerable Pediatric Populations.
3. Promotes Pediatric Teaching Programs or Pediatric Research Programs.

Section D – Project Readiness and Feasibility

The Authority staff will evaluate a grant application based upon and applicant's ability to complete the project in a timely manner.

- Applicants must provide a reasonable timeline that contains the information requested in Section D, Part 1 of the application.
- Applicants must provide documentation, which supports the ability to commence the project, as described in Section D, Part 2 of the application.
- Applicants must provide a description of their ability to implement the project that contains the information requested in Section D, Part 3 of the application.

Section E – Sources and Uses of Funds

The applicant's available sources of funds and proposed uses of funds will be evaluated in this section.

- Applicants must detail all sources of funds needed to complete the proposed project, including borrowed funds, internal assets, or other sources. If the project, or a portion of the project has been or will be submitted to other lenders or grantors for funding, applicants must list them and the status of their consideration.
- Applicants must detail the sources of all funds needed to complete the proposed project, including how sources other than the grant will be used for the proposed project. Staff must be able to determine that all grant funds will be used on eligible portions of the proposed project or grant funds will not be awarded.

Section F – Financial Capacity

In this section, the Authority staff will evaluate the applicant's ~~financial stability~~Most Recent Audited Financial Statements.

Allocation Process

Initial Allocation

Staff will conduct a review of the application and will notify the applicant in writing of the recommendation.

Appeals

- (a) Availability. An Applicant may file an appeal of any Initial Allocation. The grounds for any such appeal shall be limited to Applicant eligibility and whether the proposed expense is for a Project, as defined. No Applicant may appeal the Authority staff evaluation of, or Initial Allocation to, another Applicant.
- (b) Timing. The appeal shall be submitted in writing and shall be received by the Authority not later than ten (10) calendar days following the transmittal date of the notification of Initial Allocation.
- (c) Review. The Authority staff shall review the written appeal based upon the existing documentation submitted by the Applicant when the Application Form was filed and any other information the Authority staff requests of the Applicant. The Authority staff shall make a finding as to the merit of the appeal and shall notify the Applicant as to the decision no later than ten (10) calendar days after the receipt of an appeal. In the event that the Authority staff does not approve an appeal, the Applicant may further appeal to the Authority. Applicant shall notify the Executive Director in writing no later than ten (10) calendar days prior to the next regularly scheduled Authority meeting that the Applicant intends to further appeal to the Authority. Any such appeal shall be presented by the Applicant, in person, at the next regularly scheduled Authority meeting.

Approval of Grant and Notification of Grantee

When an Initial Allocation for funding has been determined, Authority staff shall recommend to the Authority at its regularly scheduled meeting, that the Initial Allocation for consideration be approved as a Final Allocation. Any Final Allocation approved by the Authority at the same meeting shall be awarded as Grants to Grantees. Grantees shall be notified within five (5) business days of the same meeting in writing of the Grant approval.

Release of Grant Funds for Non-University of California Children's Hospitals

- (a) No Grant shall be released to a Non-University of California Children's Hospital until the following information has been provided to the satisfaction of Authority staff:
1. For all Projects with the exception of equipment acquisition projects, any supporting documentation that was incomplete with the Application Form shall be finalized and submitted along with a copy of the executed construction contract and the building permit.
 2. For Projects that include architect, design and engineering fees to be paid with Grant proceeds, all applicable executed architect, design and engineering contracts.
 3. For real property acquisition Projects, a copy of the executed purchase and sale agreement and a copy of an appraisal, the appraised value of which (when added to the amount of reasonable transaction and closing costs) shall not be less than the sum of the Grant and all other funding sources necessary to acquire the Project. The appraisal shall be no older than six months and shall be completed by a state certified appraiser.
 4. For equipment acquisition Projects, any supporting documentation that was incomplete when the Application Form was submitted or not provided at that time shall be finalized and submitted along with a list of items to be purchased and all purchase orders.
 5. Evidence that all other funds, if needed, are in place to complete Project.
 6. Evidence of property ownership for all construction Projects or if the property is leased to a Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, a copy of a lease agreement that satisfies the requirements associated with construction projects on leased property.
 7. An executed Grant Agreement.
 8. When applicable, evidence that there are no outstanding issues related to the California Environmental Quality Act and any other applicable governmental codes, if this information was not provided with the Application Form. .
- (b) Documentation provided for the release of Grant funds shall clearly show that the Grant award does not exceed the cost of the Project.
- (c) Grant funds shall be released on a periodic basis, upon receipt of draw requests.⁵
- (d) ~~which shall include e~~Credit for investment earnings on any previously released portion of Grant shall be paid to the Authority prior to final release of Grant funds to the grantee.

Release of Grant Funds for University of California Children's Hospitals

(a) No Grant shall be released to a University of California Children's Hospital until the following has been provided to the satisfaction of Authority staff:

1. For all Projects (including Projects with architect, design and engineering fees) with the exception of equipment acquisition projects, all Project documentation of expenditures, including copies of cancelled checks that represent payment to contractors. The Grantee shall provide evidence of property ownership for all Projects or if the property is leased to a Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, a copy of a lease agreement that satisfies the requirements for construction projects on leased property, if this documentation was not submitted with the Application Form.

If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence acceptable to the Authority in lieu of copies of cancelled checks.

2. For real property acquisition Projects, a copy of the final closing statement with certification by the title company and a copy of an appraisal, the appraised value of which (when added to the amount of reasonable transaction and closing costs) shall not be less than the sum of the Grant and all other funding sources necessary to acquire the Project. The appraisal shall be completed by a state certified appraiser.

3. For equipment acquisition Projects, ~~complete packages of all contracts, organized by vendor to include~~ purchase orders, invoices and copies of cancelled checks shall be submitted. ~~Separate checks must be issued for Project expenditures and may not include payment for non-Project costs as part of an overall payment to a vendor for Project and non-Project costs.~~

If Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence acceptable to the Authority in lieu of copies of cancelled checks.

4. When applicable, evidence that there are no outstanding issues relating to the California Environmental Quality Act and any other applicable governmental codes, if this information was not provided with Application Form.

5. An executed Grant Agreement.

(b) Documentation provided for the release of Grant funds shall clearly show that the Grant award did not exceed the cost of the Project.

(c) Grant funds shall be released on a periodic basis, upon receipt of draw requests, based on a listing of expenditures made on the Project and not previously reimbursed.

(d)

Requirements for Construction Projects on Leased Property

- (a) If a Children’s Hospital proposes to use Grant funds for a Project other than equipment acquisition on property where the Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity is a lessee under a lease agreement, the following requirements shall be satisfied prior to any release of Grant funds pursuant to Sections 7045 or 7046:
- (1) The lease agreement shall provide the Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity, as lessee, full access to the site to carry on its healthcare purposes.
 - (2) The term of the lease agreement must meet one of the following:
 - (A) The term of the lease agreement shall be at least as long as the useful life of the Project under the Grant.
 - (B) If the landlord under the lease agreement is an Affiliate, the term of the lease agreement must be at least 74% of useful life of the Project under the Grant.
 - (3) A current title report on the site, brought up to date as of the effective date of the lease agreement shall be provided to the Authority. The title report shall show all of the following:
 - (A) No delinquent taxes or assessments or, if there are delinquent taxes or assessments, these are being contested in good faith and the Children’s Hospital has set aside on its books adequate reserves to pay these taxes or assessments.
 - (B) No easements, exceptions or restrictions on the use of the site that will interfere with or impair the operation of the Project.
 - (C) No superior liens (deeds of trust or other rights) in the property. If there are any superior liens, they shall be subordinated to the lease agreement. The lease agreement shall provide that any subsequent encumbrance on the property (e.g. deed of trust) or sale of the property shall be subject to the lease agreement.
 - (4) Any one of the following shall be satisfied:
 - (A) The lease agreement shall provide for a nominal rent (e.g. \$1 per year).

- (B) Full rent under the lease agreement shall be paid in a lump sum up front.
 - (C) The Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity shall covenant in the Grant Agreement to budget for payment of rent each year.
- (5) The lease agreement shall provide that the only remedy for any default, including failure to pay rent, by lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity is suit for rent or specific performance to remedy any specific breach. The landlord's remedies for any default by lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity may not include cancellation of lease agreement, retaking of property or eviction of the lessee.
- (6) The lease agreement shall provide for either one of the following:
- (A) The lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity is obligated to pay all taxes and assessments on the property.
 - (B) The landlord will provide the lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity with notice of any failure to pay taxes or assessments on the property and an opportunity for the lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity to cure the failure.
- (7) The landlord shall demonstrate that the lease agreement is legally authorized and has been properly approved and executed and enforceable against the landlord. The landlord shall provide a legal opinion of qualified counsel to this effect that is acceptable to the Authority.
- (8) The lessee Children's Hospital shall demonstrate that the lease agreement is legally authorized and has been properly approved and executed and enforceable against the lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity. Lessee Children's Hospital shall provide a legal opinion of qualified counsel to this effect that is acceptable to the Authority.
- (9) (A) Except as provided in (B), the Children's Hospital shall provide a legal opinion that either: (i) the landlord is a special purpose entity which cannot enter bankruptcy proceedings under the federal Bankruptcy Code, or (ii) the lease agreement will not be an executory contract

and cannot be rejected by the landlord in the event of bankruptcy.
The legal opinion shall be acceptable to the Authority.

(B) For so long as the landlord is an Affiliate of lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity, the requirements of (A) shall not be required to be satisfied.

(10) The Grant Agreement shall provide that if the lease agreement terminates prior to the end of the useful life of the Project under the Grant and the property that was subject to the lease agreement is not simultaneously re-leased under a new lease agreement that complies with the requirements of this Section 7047 or fee title to the property that was subject to the lease agreement is not simultaneously transferred to the Children's Hospital, the Authority is entitled to recover the Grant funds pursuant to Section 7049.

(11) When a Project on leased property includes improvements to any common areas that are shared with other tenants or areas that are not leased by the lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity under the lease agreement, the Grant funds shall be limited only to the proportionate costs of the Project which exclude the costs related to such areas.

(12) Prior to approval of the Grant by the Authority, the Applicant shall submit the proposed lease agreement for review and demonstrate compliance with all of the above conditions and any other conditions required by the Authority.

(b) For purposes of this section, "Affiliate" means an entity which, directly or indirectly through one or more intermediaries, is controlled by or is under common control with the lessee Children's Hospital or the California nonprofit corporation of which the Children's Hospital is an operating entity.

Completion of Grant Funded Project

- (a) The Grantee shall certify to the Authority that the Project is complete and, to the extent not already provided to the Authority, provide supporting documentation to the satisfaction of the Authority staff as follows:
1. Construction projects (including Projects with architect, design and engineering fees) require documentation including, but not limited to, copies of the certificate of occupancy, final payment certification by the architect, final payment request from the contractor and corresponding copies of cancelled checks. If the Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence acceptable to the Authority in lieu of copies of cancelled checks.
 2. Real property acquisition Projects require a copy of the final closing statement with certification by the title company.
 3. Equipment acquisition projects require complete packages of contracts organized by vendor to include, purchase orders, invoices and copies of cancelled checks. Separate checks must be issued for Project expenditures and may not include payment for non-Project costs as part of an overall payment to a vendor for Project and non-Project costs.
- If Grantee does not provide copies of cancelled checks, the Grantee shall provide wire transfers, electronic fund transfers or other evidence acceptable to the Authority in lieu of copies of cancelled checks.
- (b) If the Grantee fails to complete the Project within the Project Period, the Authority may require remedies, including forfeiture and return of the Grant to the Authority.
- (c) On a case-by-case basis, the Authority or the Authority staff may extend the Project Period for extraordinary or unavoidable delays where the Grantee can demonstrate that it occurred through no fault of its own.
- (d) Documentation provided to establish the completion of a Project shall clearly show that the Grant award did not exceed the cost of the Project.

Approval of Grant Use Change

The Authority or the Authority staff may, on a case-by-case basis, consider a change in the use of the Grant if the Grantee demonstrates, to the Authority or the Authority staff's satisfaction, that the change is consistent with the Act and this chapter.

Recovery of Funds for Non-Performance

If the Authority determines that Grants were not used consistent with Children's Hospital Program requirements and the terms of the Grant Agreement for an approved Project, the Authority may require remedies, including a return of all Grant funds.

In cases where Grant funds paid for a component of a Project that does not specifically benefit pediatric patients, such as architect, design or engineering fees or land acquisition costs, and if the Authority determines the Grantee did not complete a larger Project as described in the timelines provided with the Application, the Authority may require remedies, including a return of all Grant funds.

If the Project, or any part thereof, funded with Grant funds ceases to be used by the Children's Hospital before the end of the useful life of the Project, the Authority is entitled to recover Grant funds in an amount that bears the same ratio to the value of the Project, or the appropriate part thereof, at the time it ceased to be used by the Children's Hospital as the amount of the Grant bore to the cost of the Project or the appropriate part thereof. For purposes of this paragraph, the value of the Project, or the appropriate part thereof, is determined by mutual agreement of the Authority and the Grant recipient or through an action brought for that purpose in the superior court.

Unused/Remaining Grant Funds

If any portion of the Grant is forfeited to the Authority, the forfeited funds shall be deemed remaining funds.

Audits

The Bureau of State Audits and Authority staff may conduct periodic audits to ensure Grantees are using Grants consistent with the Children's Hospital Program requirements and the terms of the Grant Agreement for an approved Project. Grantees shall retain all Children's Hospital Program documentation and financial data necessary to substantiate the purposes for which the Grant funds were spent for a period of three years after the certification of completion of the Project has been submitted or until June 30, 2017, whichever is later.

Internet and E-Mail Communications

Additional copies of this application can be obtained at the following website:

www.treasurer.ca.gov/chffa.

Continue to check our website for future program updates.

Grant Application Submission

Submission Directions

In the order listed, applicants shall place the following information in a binder and submit one original and one copy of the entire application.

Submit to: California Health Facilities Financing Authority
915 Capitol Mall, Suite 590
Sacramento, CA 95814

TAB 1: Grant Program Application Form

- (a) Applicants must submit the following:
1. Completed pages 1-9 of the application
 2. Any third-party data or other information requested in the appropriate application sections.

TAB 2: Agency Finances

Applicant shall provide the Most Recent Audited Financial Statements.

TAB 3: Organizational Information

- (a) For all Applicants, a copy of its current general acute care hospital license from the Department of Health Services or the general acute care hospital license of the California nonprofit corporation of which the Children's Hospital is an operating entity.
- (b) If the Applicant is a non-University of California Children's Hospital, the Applicant shall submit both of the following:
1. A copy of the Applicant's 501(c)(3) determination letter from the Internal Revenue Service and either the tax-exemption letter or Letter of Good Standing from the Franchise Tax Board. For Children's Hospitals that are operating entities of a California nonprofit corporation, the Internal Revenue Service and Franchise Tax Board Letters are required for the parent corporation.
 2. A copy of the Applicant's Articles of Incorporation and Bylaws. For Children's Hospitals that are operating entities of a California nonprofit corporation, the Articles of Incorporation and Bylaws are required for the parent corporation.

TAB 4: Legal Information

Applicants shall review and respond to the questions in Attachment A and disclose all relevant information in Attachment B. Both attachments must be included under Tab 4.

TAB 5: Certifications

The Agreement and Certification (Attachment C of application) must be executed by the Chief Executive Officer, Chief Financial Officer or other authorized officer of the Applicant and included under Tab 5.

II. Definitions

- (a) “Act” means the Children’s Hospital Bond Act of 2004 (Part 6 (commencing with Section 1179.10), Division 1, Health and Safety Code), approved by voters on November 2, 2004.
- (b) “Administrative Costs” means actual costs incurred by the Authority and other state agencies as permitted by law for administering the Children’s Hospital Program.
- (c) “Applicant” means any Children’s Hospital applying for program funding from the Children’s Hospital Program.
- (d) “Application Form” means the written request by an Applicant to the Authority for a Grant under the Children’s Hospital Program which includes pages 1-9, Attachments A-C and all materials submitted with Form #CHFFA 5, Rev. ~~12-2004~~01-2009, for the First Funding Round. If necessary, the Application Form for the Second Funding Round and requisite regulations shall be developed no later than June 1, 2014.
- (e) “Audited Financial Statements” means an examination and report of the financial activities of the Children’s Hospital or the California nonprofit corporation of which the Children’s Hospital is an operating entity, for its fiscal year, performed by an independent accounting firm under generally accepted accounting principles.

In the case of the University of California Children’s Hospitals, “Audited Financial Statements” means an examination and report of the financial activities of each individual University of California medical center that includes a University of California Children’s Hospital, for its fiscal year, performed by an independent accounting firm under generally accepted accounting principles.

- (f) “Authority” means the California Health Facilities Financing Authority.
- (g) “Children’s Hospital” means either:
- (1) A University of California general acute care hospital described as any one of the following:
 - (A) University of California, Davis Children’s Hospital.
 - (B) Mattel Children’s Hospital at University of California, Los Angeles.
 - (C) University Children’s Hospital at University of California, Irvine.
 - (D) University of California, San Francisco Children’s Hospital.
 - (E) University of California, San Diego Children’s Hospital.
 - (2) A general acute care hospital that is, or is an operating entity of, a California nonprofit corporation incorporated prior to January 1, 2003, whose mission of clinical care, teaching, research, and advocacy focuses on children, and that provides comprehensive Pediatric

Services to a high volume of children eligible for Government Health Insurance Programs and to children with special health care needs eligible for the California Children's Services program and:

- (A) Provided at least 160 licensed beds in the categories of pediatric acute, pediatric intensive care and neonatal intensive care in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to the Office of Statewide Health Planning and Development (OSHPD) on or before July 1, 2003.
- (B) Provided over 30,000 total pediatric patient (census) days, excluding nursery acute days, in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to OSHPD on or before July 1, 2003.
- (C) Provided medical education of at least eight (rounded to the nearest integer) full-time equivalent pediatric or pediatric subspecialty residents in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to OSHPD on or before July 1, 2003.

(h) "Children's Hospital Program of 2004" means the program resulting from the 2004 Act.

(i) "Costs of Issuance" mean the expenses incurred in connection with the sale and issuance of bonds, other short-term debt instruments, or loans approved by the Pooled Money Investment Board that are used to finance or refinance Grants, and accrued interest on any short-term debt instruments or loans which are not paid from another source.

(j) "Executive Director" means the Executive Director of the Authority.

(k) "Expansion of Health Care Access" means providing same services to additional patients or net additional or new Pediatric Services to existing or new patients.

(l) "Final Allocation" means a Grant allocation approved by the Authority.

(m) "First Funding Round" means the period of time prior to June 30, 2014.

(n) "Going Concern Qualification" means a finding by an independent accounting firm that the carrying value of an entity's assets will be realized and its liabilities will be liquidated in the ordinary course of continuing business activity.

(o) "Government Health Insurance Programs" mean governmental assistance programs that include, but are not limited to, Medicaid (Medi-Cal), State Children's Health Insurance Program (Healthy Families), California Children's Services (CCS), Child Health and Disability Prevention Program (CHDP) and county indigent programs.

(p) "Grant" means the distribution of money in the Children's Hospital Fund, as defined in Section 1179.20 of the Health and Safety Code, by the Authority to a Children's Hospital for a Project pursuant to the Children's Hospital Program of 2004.

(q) “Grant Agreement” means a written agreement for a Grant entered into between a Grantee and the Authority.

(r) “Grantee” means an Applicant that has received Grant approval by the Authority.

(s) “Improvement of Child Health Care” means an improvement in the timeliness, effectiveness, or quality of care provided to the pediatric population.

(t) “Improvement of Health Care ~~Access~~” Access” means an increase in the quantity and scope of Pediatric Services provided.

(u) “Improvement of Pediatric Patient Outcomes” means an improvement in the overall health of the pediatric patients receiving treatment or care.

(v) “Initial Allocation” means an Authority staff-level decision granting an allocation.

(w) “Maximum Grant for the First Funding Round” means:

(1) A limit of \$30 million less Costs of Issuance and Administrative Costs on the total amount of Grants that may be made to any one Children’s Hospital that is described in paragraph (1) of subdivision (g).

(2) A limit of \$74 million less Costs of Issuance on the total amount of Grants that may be made to any one Children’s Hospital that is described in paragraph (2) of subdivision (g).

(x) “Most Recent Audited Financial Statements” means the Audited Financial Statements for the most recent fiscal year for which such financial statements are available.

(y) “Non University of California Children’s Hospital” means a Children’s Hospital described in paragraph (2) of subdivision (g).

(z) “Pediatric Research Programs” means scientific research focused on the pediatric population to improve and/or better understand this population’s health.

(aa) “OSHPD” means the Office of Statewide Health Planning and Development.

(bb) “Pediatric Services” means services provided for children from birth to age 18. Exceptions to the age limit are allowed up to age 21 for children receiving treatment for a California Children’s Services eligible condition as described in Sections 41811 through 41876, Title 2, of the California Code of Regulations.

(cc) “Pediatric Teaching Program” means a program that annually provides medical education for at least eight (rounded to the nearest integer) full-time equivalent pediatric or pediatric subspecialty residents.

(dd) “Pooled Money Investment Board” means the Board established pursuant to Section 16480.1 of the Government Code.

(ee) “Project” means constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing capital assets, as defined in Section 16727(a) of the Government Code, of a Children’s Hospital. Pursuant to the Act, this may include reimbursement for the costs of constructing, expanding, remodeling, renovating, furnishing, equipping, financing or refinancing where such costs are incurred after January 31, 2003. “Project” does not include Costs of Issuance for any financing or refinancing of a Project.

(ff) “Project Period” means a defined beginning and end date to be approved by the Authority for implementation of the Project.

(gg) “Second Funding Round” means the period of time after June 30, 2014 when Grants may be awarded from unexhausted funds made available pursuant to the Program.

(hh) “Total Grant Funds” means \$750 million less Administrative Costs and Costs of Issuance.

(ii) “Uncompensated Indigent Care” means care provided without a patient-specific source funding available to pay for the Pediatric Services rendered.

(jj) “Undercompensated Care” means care provided where a financial shortfall exists between gross expenses and the revenues (or payment) in treating a pediatric patient.

(kk) “University of California Children’s Hospital” means a Children’s Hospital described in paragraph (1) of subdivision (g).

(ll) “Vulnerable Pediatric Populations” means pediatric patients served by Government Health Insurance Programs and pediatric patients with special health care needs irrespective of insurance status.

Tab D

Children's Hospital Bond Act of 2004

CALIFORNIA CODES HEALTH AND SAFETY CODE SECTION 1179.10-1179.11

1179.10. This part shall be known and may be cited as the Children's Hospital Bond Act of 2004.

1179.11. As used in this part, the following terms have the following meanings:

(a) "Authority" means the California Health Facilities Financing Authority established pursuant to Section 15431 of the Government Code.

(b) "Children's hospital" means either:

(1) A University of California general acute care hospital described below:

(A) University of California, Davis Children's Hospital.

(B) Mattel Children's Hospital at University of California, Los Angeles.

(C) University Children's Hospital at University of California, Irvine.

(D) University of California, San Francisco Children's Hospital.

(E) University of California, San Diego Children's Hospital.

(2) A general acute care hospital that is, or is an operating entity of, a California nonprofit corporation incorporated prior to January 1, 2003, whose mission of clinical care, teaching, research, and advocacy focuses on children, and that provides comprehensive pediatric services to a high volume of children eligible for governmental programs and to children with special health care needs eligible for the California Children's Services program and:

(A) Provided at least 160 licensed beds in the categories of pediatric acute, pediatric intensive care and neonatal intensive care in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to the Office of Statewide Health Planning and Development on or before July 1, 2003.

(B) Provided over 30,000 total pediatric patient (census) days, excluding nursery acute days, in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to the Office of Statewide Health Planning and Development on or before July 1, 2003.

(C) Provided medical education of at least eight (rounded to the nearest integer) full-time equivalent pediatric or pediatric subspecialty residents in the fiscal year ending between June 30, 2001, and June 29, 2002, as reported to the Office of Statewide Health Planning and Development on or before July 1, 2003.

(c) "Committee" means the Children's Hospital Bond Act Finance Committee created pursuant to Section 1179.32.

(d) "Fund" means the Children's Hospital Fund created pursuant to Section 1179.20.

(e) "Grant" means the distribution of money in the fund by the authority to children's hospitals for projects pursuant to this part.

(f) "Program" means the Children's Hospital Program established pursuant to this part.

(g) "Project" means constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing of a children's hospital to be financed or refinanced with funds provided in whole or in part pursuant to this part. "Project" may include reimbursement for the costs of constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing of a children's hospital where such costs are incurred after January 31, 2003. "Project" may include any combination of one or more of the foregoing undertaken jointly by any participating children's hospital that qualifies under this part.

**CALIFORNIA CODES
HEALTH AND SAFETY CODE
SECTION 1179.20-1179.25**

1179.20. The proceeds of bonds issued and sold pursuant to this part shall be deposited in the Children's Hospital Fund, which is hereby created.

1179.21. The purpose of the Children's Hospital Program is to improve the health and welfare of California's critically ill children, by providing a stable and ready source of funds for capital improvement projects for children's hospitals. The program provided for in this part is in the public interest, serves a public purpose, and will promote the health, welfare, and safety of the citizens of the state.

1179.22. The authority is authorized to award grants to any children's hospital for purposes of funding projects, as defined in subdivision (g) of Section 1179.11.

1179.23. (a) Twenty percent of the total funds available for grants pursuant to this part shall be awarded to children's hospitals as defined in paragraph (1) of subdivision (b) of Section 1179.11.

(b) Eighty percent of the total funds available for grants pursuant to this part shall be awarded to children's hospitals as defined in paragraph (2) of subdivision (b) of Section 1179.11.

1179.24. (a) The authority shall develop a written application for the awarding of grants under this part within 90 days of the adoption of this act. The authority shall award grants to eligible children's hospitals, subject to the limitations of this part and to further the purposes of this part based on the following factors:

(1) The grant will contribute toward expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children.

(2) The grant will contribute toward the improvement of child health care or pediatric patient outcomes.

(3) The children's hospital provides uncompensated or undercompensated care to indigent or public pediatric patients.

(4) The children's hospital provides services to vulnerable pediatric populations.

(5) The children's hospital promotes pediatric teaching or research programs.

(6) Demonstration of project readiness and project feasibility.

(b) An application for funds shall be submitted to the authority for approval as to its conformity with the requirements of this part. The authority shall process and award grants in a timely manner, not to exceed 60 days.

(c) A children's hospital identified in paragraph (1) of subdivision (b) of Section 1179.11 shall not apply for, and the authority shall not award to that children's hospital, a grant that would cause the total amount of grants awarded to that children's hospital to exceed one-fifth of the total funds available for grants to all children's hospitals pursuant to subdivision (a) of Section

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1179.23. Notwithstanding this grant limitation, any funds available under subdivision (a) of Section 1179.23 that have not been exhausted by June 30, 2014, shall become available for an application from any children's hospital identified in paragraph (1) of subdivision (b) of Section 1179.11.

(d) A children's hospital identified in paragraph (2) of subdivision (b) of Section 1179.11 shall not apply for, and the authority shall not award to that children's hospital, a grant that would cause the total amount of grants awarded to that children's hospital to exceed seventy-four million dollars (\$74,000,000) from funds available for grants to all children's hospitals pursuant to subdivision (b) of Section 1179.23. Notwithstanding this grant limitation, any funds available under subdivision (b) of Section 1179.23 that have not been exhausted by June 30, 2014, shall become available for an application from any children's hospital defined in paragraph (2) of subdivision (b) of Section 1179.11.

(e) In no event shall a grant to finance a project exceed the total cost of the project, as determined by the children's hospital and approved by the authority.

(f) All projects that are awarded grants shall be completed within a reasonable period of time. If the authority determines that the children's hospital has failed to complete the project under the terms specified in awarding the grant, the authority may require remedies, including the return of all or a portion of the grant. A children's hospital receiving a grant under this part shall submit certification of project completion to the authority.

(g) Grants shall only be available pursuant to this section if the authority determines that it has sufficient money available in the fund. Nothing in this section shall require the authority to award grants if the authority determines that it has insufficient moneys available in the fund to do so.

(h) The authority may annually determine the amount available for purposes of this part. Administrative costs for this program shall not exceed the actual costs or one percent, whichever is less.

1179.25. The Bureau of State Audits may conduct periodic audits to ensure that bond proceeds are awarded in a timely fashion and in a manner consistent with the requirements of this part, and that awardees of bond proceeds are using funds in compliance with applicable provisions of this part.

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1179.30. Bonds in the total amount of seven hundred fifty million dollars (\$750,000,000), not including the amount of any refunding bonds, may be issued and sold to provide a fund to be used for carrying out the purposes expressed in this part and to reimburse the General Obligation Bond Expense Revolving Fund pursuant to Section 16724.5 of the Government Code. The bonds, when sold, shall be and constitute a valid and binding obligation of the State of California, and the full faith and credit of the State of California is hereby pledged for the punctual payment of the principal of, and interest on, the bonds as the principal and interest become due and payable.

1179.31. The bonds authorized by this part shall be prepared, executed, issued, sold, paid, and redeemed as provided in the State General Obligation Bond Law (Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code), and all of the provisions of that law apply to the bonds and to this part and are hereby incorporated in this part as though set forth in full in this part.

1179.32. (a) Solely for the purpose of authorizing the issuance and sale pursuant to the State General Obligation Bond Law of the bonds authorized by this part, the Children's Hospital Bond Act Finance Committee is hereby created. For purposes of this part, the Children's Hospital Bond Act Finance Committee is "the committee" as that term is used in the State General Obligation Bond Law. The committee consists of the Controller, Director of Finance, and the Treasurer, or their designated representatives. The Treasurer shall serve as chairperson of the committee. A majority of the committee may act for the committee.

(b) The authority is designated the "board" for purposes of the State General Obligation Bond Law, and shall administer the fund pursuant to this part.

1179.33. The committee shall determine whether or not it is necessary or desirable to issue bonds authorized pursuant to this part in order to carry out the actions specified in Section 1179.21 and, if so, the amount of bonds to be issued and sold. Successive issues of bonds may be authorized and sold to carry out those actions progressively, and it is not necessary that all of the bonds be issued or sold at any one time.

1179.34. There shall be collected each year and in the same manner and at the same time as other state revenue is collected, in addition to the ordinary revenues of the state, a sum in an amount required to pay the principal of, and interest on, the bonds each year. It is the duty of all officers charged by law with any duty in regard to the collection of the revenue to do and perform each and every act that is necessary to collect that additional sum.

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1179.35. Notwithstanding Section 13340 of the Government Code, there is hereby appropriated continuously from the General Fund in the State Treasury, for the purposes of this part, an amount that will equal the total of the following:

(a) The sum annually necessary to pay the principal of, and interest on, bonds issued and sold pursuant to this part, as the principal and interest become due and payable.

(b) The sum necessary to carry out Section 1179.36, appropriated without regard to fiscal years.

1179.36. For the purposes of carrying out this part, the Director of Finance may authorize the withdrawal from the General Fund of an amount not to exceed the amount of the unsold bonds that have been authorized by the committee to be sold for the purpose of carrying out this part. Any amounts withdrawn shall be deposited in the fund. Any money made available under this section shall be returned to the General Fund from proceeds received from the sale of bonds for the purpose of carrying out this part.

1179.37. All money deposited in the fund that is derived from premium and accrued interest on bonds sold shall be reserved in the fund and shall be available for transfer to the General Fund as a credit to expenditures for bond interest.

1179.38. Pursuant to Chapter 4 (commencing with Section 16720) of Part 3 of Division 4 of Title 2 of the Government Code, the cost of bond issuance shall be paid out of the bond proceeds. These costs shall be shared proportionally by each program funded through this bond act.

1179.39. The authority may request the Pooled Money Investment Board to make a loan from the Pooled Money Investment Account in accordance with Section 16312 of the Government Code, for purposes of carrying out this part. The amount of the request shall not exceed the amount of the unsold bonds that the committee, by resolution, has authorized to be sold for the purpose of carrying out this part. The authority shall execute any documents required by the Pooled Money Investment Board to obtain and repay the loan. Any amounts loaned shall be deposited in the fund to be allocated by the board in accordance with this part.

1179.40. The bonds may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, which is a part of the State General Obligation Bond Law. Approval by the voters of the state for the issuance of the bonds described in this part includes the approval of the issuance of any bonds issued to refund any bonds originally issued under this part or any previously issued refunding bonds.

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1179.41. Notwithstanding any other provision of this part, or of the State General Obligation Bond Law, if the Treasurer sells bonds pursuant to this part that include a bond counsel opinion to the effect that the interest on the bonds is excluded from gross income for federal tax purposes, subject to designated conditions, the Treasurer may maintain separate accounts for the investment of bond proceeds and for the investment of earnings on those proceeds. The Treasurer may use or direct the use of those proceeds or earnings to pay any rebate, penalty, or other payment required under federal law or take any other action with respect to the investment and use of those bond proceeds required or desirable under federal law to maintain the tax-exempt status of those bonds and to obtain any other advantage under federal law on behalf of the funds of this state.

1179.42. The people hereby find and declare that, inasmuch as the proceeds from the sale of bonds authorized by this part are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by that part.

1179.43. Notwithstanding any other provision of this part, the provisions of this part are severable. If any provision of this part or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.