

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)**

**Children's Hospital Program of 2004 (Proposition 61)**

**Children's Hospital Program of 2008 (Proposition 3)**

**Amendments to Resolution Numbers CHP 2015-01 and CHP-3 2015-03**

**October 29, 2020**

**PURPOSE OF THE REQUEST:**

The Loma Linda University Children's Hospital (Hospital) is requesting the Authority approve amendments to Resolution Numbers CHP 2015-01 and CHP-3 2015-03 to extend the project period expiration dates from December 31, 2020 to June 30, 2021, and extend the resolution expiration dates from December 31, 2020 to June 30, 2022.

**BACKGROUND:**

At the September 24, 2015 board meeting, the Authority approved Resolution Numbers CHP 2015-01 and CHP-3 2015-03, awarding grants to the Hospital in the amounts of \$67,902,990 under Proposition 61 and \$98,000,000 under Proposition 3 for a cumulative total of \$165,902,990. The grants were used to help fund the Hospital's Campus Transformation Project (CTP), which included the construction of a new four story Children's Hospital Nursing Tower. The tower includes 84 private rooms and a shell floor for future expansion. The Children's Hospital Nursing Tower sits atop a common podium that houses both Children's Hospital and Adult Hospital licensed diagnostic and treatment functions. Children's Hospital licensed functions include emergency services, cardiac catheterization labs, radiology, dietary and associated support. Additional project components of the CTP were the renovation and expansion of the current Neonatal Intensive Care Unit (NICU) in the existing tower, the renovation/ retrofitting of the separation between the existing Children's Hospital and the Loma Linda University Hospital to address current seismic requirements, and the purchase of equipment for the renovated and newly constructed facilities. The aforementioned NICU and the Seismic Separation projects ultimately did not need Proposition 61 and Proposition 3 funds because the maximum allocated grant amount was disbursed for the Children's Hospital Nursing Tower and podium while the NICU and Seismic Separation projects have been delayed.

The grant amounts approved were the amounts remaining from the Hospital's designated maximum allocations under Propositions 61 and 3. The current estimated budget of the CTP is approximately \$1.3 billion, of which approximately \$236 million was estimated to be the proportionate share for children's use. The entire CTP budget includes an Adult Hospital Nursing Tower with 320 private rooms and other Adult Hospital functions, including the following services: maternity, perioperative, diagnostic imaging, cardiology, emergency and associated support. The budget also encompasses ancillary, but related projects including the aforementioned seismic separation, emergency generators, bridge connections to the existing building and site-make ready work, which are all separately permitted, but part of the overall project budget.

The Authority has fully disbursed the Proposition 61 grant funds, and there is only \$500,000 remaining for the final disbursement from the Proposition 3 grant funds.

**ISSUE:**

Although the Hospital expects to substantially complete the construction of the new Children’s Hospital Nursing Tower by the project period and resolution expiration dates of December 31, 2020, the Hospital also acknowledges that, due to the many variables and risk factors that remain on a project of this size and complexity, including the COVID-19 pandemic, construction delays are still possible. In order to prevent the risk of losing the Proposition 61 and 3 grant funds, the Hospital is requesting a six-month extension to the project period.

Construction began in April, 2016 with a current estimated substantial completion date of December 16, 2020, according to the Hospital’s updated project timeline. The Hospital estimates that approximately 93% of the construction has been completed through September 2020. According to the Hospital, the remaining activities include, but are not limited to, air balancing, systems testing, final finishes, ceiling tile , equipment installation, fire alarm and nurse call testing.

According to the Children’s Hospital Programs of 2004 and 2008, the Hospital must submit a Certificate of Occupancy/Notice of Completion, issued by the Office of Statewide Health Planning and Development (OSHPD), prior to the project period and resolution expiration dates in order to keep grant funds. While the project is on schedule to meet this requirement by December 31, 2020, OSHPD’s final inspections may be delayed due to various circumstances, including the contractors’ performance and the current variability surrounding the COVID-19 pandemic. If the Hospital does not have the Certificate of Occupancy/Notice of Completion by December 31, 2020, the Hospital faces the risk of having to return the Proposition 61 and Proposition 3 grant funds and, as such, deems the six-month extension request necessary.

Authority staff reviewed the project’s status, updated budget and timeline and supports the Hospital’s request for an extension. According to the updated project timeline, the Hospital anticipates that the Children’s Hospital Nursing Tower is expected to currently receive OSHPD Certificate of Occupancy by December 16, 2020 but needs the additional time for unanticipated delays and is confident that all would be completed by June 30, 2021, the requested new project period.

**RECOMMENDATION:**

Staff recommends the Authority approve amendments to Resolution Numbers CHP 2015-01 and CHP-3 2015-03 to extend the project period expiration dates to June 30, 2021 and extend the resolution expiration dates to June 30, 2022.

**AMENDMENT TO RESOLUTION NO. CHP 2015-01**

**A RESOLUTION OF THE CALIFORNIA HEALTH  
FACILITIES FINANCING AUTHORITY APPROVING  
EXECUTION AND DELIVERY OF GRANT FUNDING  
UNDER THE CHILDREN’S HOSPITAL BOND ACT OF 2004  
TO THE LOMA LINDA UNIVERSITY CHILDREN’S HOSPITAL**

WHEREAS, The California Health Facilities Financing Authority (the “Authority”), a public instrumentality of the State of California, is authorized by the Children’s Hospital Bond Act of 2004 (Pt. 6 (commencing with Section 1179.10), Div. 1, Health and Safety Code; hereafter the “Act”) and implementing regulations to award grants from the proceeds of general obligation bonds in an amount not to exceed \$67,902,990 less the costs of bond issuance under the Act to the Loma Linda University Children’s Hospital (“Grantee”) to finance eligible projects; and

WHEREAS, Authority staff reviewed this application against the eligibility requirements of the Act and implementing regulations and, pursuant to the Act and implementing regulations, recommends approval of a grant in an amount not to exceed \$67,902,990 less the costs of bond issuance under the Act to the Grantee for the eligible project (the “Project”) described in the application;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. The Authority hereby approves a grant of \$67,902,990 less the costs of bond issuance under the Act to the Grantee to complete the Project as described in the Children’s Hospital Program Application and Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference) within a project period that ends on ~~December 31, 2020~~ June 30, 2021.

Section 2. The Grant Agreement shall include a provision that Loma Linda University Children’s Hospital must, to the satisfaction of the Authority staff, show satisfactory progress of improvement of financial performance of at least \$50 million in medical center operations as forecasted in the projections published in the June 2015 HFS Feasibility Report and submit monthly progress reports and final certification of such satisfactory progress to CHFFA staff prior to disbursement of grant funds and no later than April 2016.

Section 3. The Executive Director and the Deputy Executive Director ~~is~~ are hereby authorized, for and on behalf of the Authority, to approve any minor, non-material changes in the Project described in the application submitted to the Authority and extend the project period completion date identified in Section 1 as authorized under the Act and implementing regulations. Nothing in this Resolution shall be construed to require the Authority to provide any additional funding, even if more grants are approved than there is available funding. Any notice to the Grantee shall indicate that the Authority shall not be liable to the Grantee in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 4. The Executive Director and the Deputy Executive Director ~~is~~ are hereby authorized and directed, for and on behalf of the Authority, to draw money from the Children's Hospital Fund under the Act not to exceed those amounts approved by the Authority for the Grantee. The Executive Director and the Deputy Executive Director ~~is~~ are further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Grantee any and all documents necessary to complete the transfer of funds that are consistent with the Act and implementing regulations.

Section 5. The Executive Director and the Deputy Executive Director of the Authority ~~is~~ are hereby authorized and directed to do any and all things and to execute and deliver any and all documents, which the Executive Director and the Deputy Executive Director deems necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 6. This Resolution expires ~~December 31, 2020~~ June 30, 2022.

Date Approved: \_\_\_\_\_

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Loma Linda University Children's Hospital to fund:

- (1) The construction of a new Children's Hospital Nursing Tower that will provide 202,985 additional square feet dedicated to the Children's Hospital over a shared podium with the Adult Hospital tower. The shared podium will house a new emergency department, new operating rooms, new areas for imaging, diagnostic and treatment services, a new Total Care Birthing Center, and new administrative services, separate Adult and Children's lobbies, kitchens, and cafeterias;
- (2) The renovation and expansion of the current Neonatal Intensive Care Unit ("NICU") in the existing tower;
- (3) The renovation/ retrofitting of the separation between the existing Children's Hospital and University Hospital to address current seismic requirements;
- (4) The purchase of equipment for the renovated and newly constructed facilities.

**AMENDMENT TO RESOLUTION NO. CHP-3 2015-03**

**A RESOLUTION OF THE CALIFORNIA HEALTH  
FACILITIES FINANCING AUTHORITY APPROVING  
EXECUTION AND DELIVERY OF GRANT FUNDING  
UNDER THE CHILDREN'S HOSPITAL BOND ACT OF 2008  
TO THE LOMA LINDA UNIVERSITY CHILDREN'S HOSPITAL**

WHEREAS, The California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized by the Children's Hospital Bond Act of 2008 (Pt. 6.1 (commencing with Section 1179.50), Div. 1, Health and Safety Code; hereafter the "Act") and implementing regulations to award grants from the proceeds of general obligation bonds in an amount not to exceed \$98,000,000 less the costs of bond issuance and administrative costs under the Act to the Loma Linda University Children's Hospital ("Grantee") to finance eligible projects; and

WHEREAS, Authority staff reviewed the Grantee's application against the eligibility requirements of the Act and implementing regulations and, pursuant to the Act and implementing regulations, recommends approval of a grant in an amount not to exceed \$98,000,000 less the costs of bond issuance and administrative costs under the Act to the Grantee for the eligible project (the "Project") described in the application;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. The Authority hereby approves a grant of \$98,000,000 less the costs of bond issuance and administrative costs under the Act to the Grantee to complete the Project as described in the Children's Hospital Program Application and Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference) within a project period that ends on ~~December 31, 2020~~ June 30, 2021.

Section 2. The Grant Agreement shall include a provision that Loma Linda University Children's Hospital must, to the satisfaction of the Authority staff, show satisfactory progress of improvement of financial performance of at least \$50 million in medical center operations as forecasted in the projections published in the June 2015 HFS Feasibility Report and submit monthly progress reports and final certification of such satisfactory progress to CHFFA staff prior to disbursement of grant funds and no later than April 2016.

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Section 4. The Executive Director and the Deputy Executive Director ~~is~~ are hereby authorized and directed, for and on behalf of the Authority, to draw money from the Children's Hospital Bond Act Fund under the Act not to exceed those amounts approved by the Authority for the Grantee. The Executive Director and the Deputy Executive Director ~~is~~ are further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Grantee any and all documents necessary to complete the transfer of funds that are consistent with the Act and implementing regulations.

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- (2) The renovation and expansion of the current Neonatal Intensive Care Unit ("NICU") in the existing tower;
- (3) The renovation/ retrofitting of the separation between the existing Children's Hospital and University Hospital to address current seismic requirements;
- (4) The purchase of equipment for the renovated and newly constructed facilities.